BlackRock

BlackRock Smaller Companies Trust plc

Annual Report and Financial Statements for the year ended 28 February 2025

Keeping in touch

We know how important it is to receive up-to-date information about the Company.

To ensure that you are kept abreast, please scan the QR code to the right of this page to visit our website. If you have a smartphone, you can activate the QR code by opening the camera on your device and pointing it at the QR code. This will then open a link to the relevant section on the Company's website. By visiting our website, you will have the opportunity to sign up to our monthly newsletter which includes our latest factsheets and market commentary, as well as upcoming events and webinars. Information about how we process personal data is contained in our privacy policy available on our website.

Use this QR code to take you to the Company's website where you can sign up to monthly insights and factsheets.

Further information about the Company can be found on our website at www.blackrock.com/uk/brsc.

General enquiries about the Company should be directed to the Company Secretary at: cosec@blackrock.com.

Register here to watch this year's Annual General Meeting

For the benefit of shareholders who are unable to attend this year's AGM in person, we have arranged for the proceedings to be viewed via a webinar. You can register to watch the AGM by scanning the QR code opposite or by visiting our website at www.blackrock.com/uk/brsc and clicking the registration banner.

Please note that it is not possible to speak or vote at the AGM via this medium and joining the webinar does not constitute attendance at the AGM. Shareholders wishing to exercise their right to attend, speak and vote at the AGM should either attend in person or exercise their right to appoint a proxy to do so on their behalf. For further details please see page 132 of the Annual Report.

Corporate summary

The Company
The Company is an investment trust, and its shares are listed on the London Stock Exchange. The Company aims to attract long-term private and institutional investors wanting to benefit from the growth prospects of smaller companies.

Investment objective
To achieve long-term capital growth for shareholders through investment mainly in smaller UK quoted companies. Full details are given on page 33.

Benchmark index
Deutsche Numis Smaller Companies plus AIM (excluding Investment Companies) Index.

Alternative Investment Fund Manager
BlackRock Fund Managers Limited (The Manager or AIFM).

Investment Manager
BlackRock Investment Management (UK) Limited (BIM (UK)) – Portfolio Manager: Roland Arnold.

Board
The Company has an independent Board of Directors which is responsible for the governance of the Company, monitors its performance and keeps the investment strategy under review.

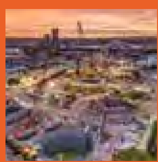
Website
Information about the Company can be found on the website www.blackrock.com/uk/brsc.

AIC
The Company is a member of the Association of Investment Companies.

Financial calendar

May 2025	Announcement of results for year ending 28 February 2025
June 2025	Payment of final dividend on ordinary shares
June 2025	Annual General Meeting
October/ November 2025	Announcement of results for six months ending 31 August 2025
November 2025	Payment of interim dividend on ordinary shares

Depositary, Custodian and Fund Accountant
The Bank of New York Mellon (International) Limited (BNY).



Costain Group PLC is involved in a number of projects with HS2, Britain's new high-speed rail network that will connect London and Birmingham. Costain is one of several construction and engineering investments within the portfolio.

PHOTO COURTESY OF HS2

Why BlackRock Smaller Companies Trust plc?

Further information

Further details about the Company, including the latest annual and interim reports, factsheets and stock exchange announcements, are available on the website at www.blackrock.com/uk/brsc.

Reasons to invest

Outperforming asset class
The Company offers investors exposure to UK smaller companies, an asset class that has over the long term outperformed larger companies by circa 3.2%[1] per annum.

Strong performance record
The Company has a proven strategy with a consistent track record, outperforming its benchmark for 19 out of the last 22 financial years[3].

Differentiated source of income
Investing in high quality, cash generative businesses has enabled the Company to increase its total annual dividend every year for 22 years utilising its closed end fund structure.

Highly experienced Emerging Companies team[2] with a robust investment process
The BlackRock team has excellent access to company managements and undertakes about 700 company meetings each year. The team looks to find hidden gems and invest in growth companies with the potential to become much larger. When selecting stocks the team looks for high quality, cash generative companies with strong management teams that are able to generate their own growth regardless of the wider economic environment.

Opportunities for active managers
There are at least 1,100 small and mid-cap companies listed on the UK stock market that are well diversified across a broad range of sectors and geographies. BlackRock believes that this area of the market represents an attractive hunting ground since these companies operate in an inefficient and under-researched area of the market thereby presenting attractive opportunities to generate good returns for investors over the long term.

IPO opportunities
Due to the high standards of governance, strong accounting standards and consistent rule of law, London is attractive for companies seeking an initial public offering (IPO). There are often significant IPO opportunities within the UK smaller companies' sector, and many companies purchased at IPO have been extremely strong contributors to performance.

Globally diversified portfolio
The UK small and mid-cap universe contains many industry leaders often operating and selling globally. This allows BlackRock to construct a portfolio of global businesses. Currently around 36%[3,4] of the portfolio's revenues are generated from overseas operations.

Benefits of a closed-ended vehicle
Closed-end funds do not have to deal with daily liquidity requirements that come with open-ended funds. As a result, the Company can invest more freely in exciting smaller companies that might be further down the market cap scale or less liquid.

Additional exposure through leverage
The Company has the ability to borrow up to 15% of net assets, offering investors the ability to increase exposure to high quality businesses, potentially enhancing returns over the longer term.

Past performance is not a reliable indicator of current or future results and should not be the sole consideration when selecting a product or strategy. The value of investments and the income from them can fall as well as rise and is not guaranteed. The investor may not get back the amount originally invested.

1 Source: LSEG Datastream. For the period 1955 to 2025. Deutsche Numis Smaller Companies plus AIM (excluding Investment Companies) Total Return Index (previously known as Hoare Govett). Barclays Equity Total Return (December 1955 to December 2006). FTSE All-Share Total Return (January 2007 to February 2025).
2 Previously referred to as UK small and mid-cap team.
3 Sources: BlackRock and LSEG Datastream.
4 Based on total revenue earned during the year.

aic The Association of Investment Companies

A member of the Association of Investment Companies

Details about the Company are available on the website at www.blackrock.com/uk/brsc.

Contents

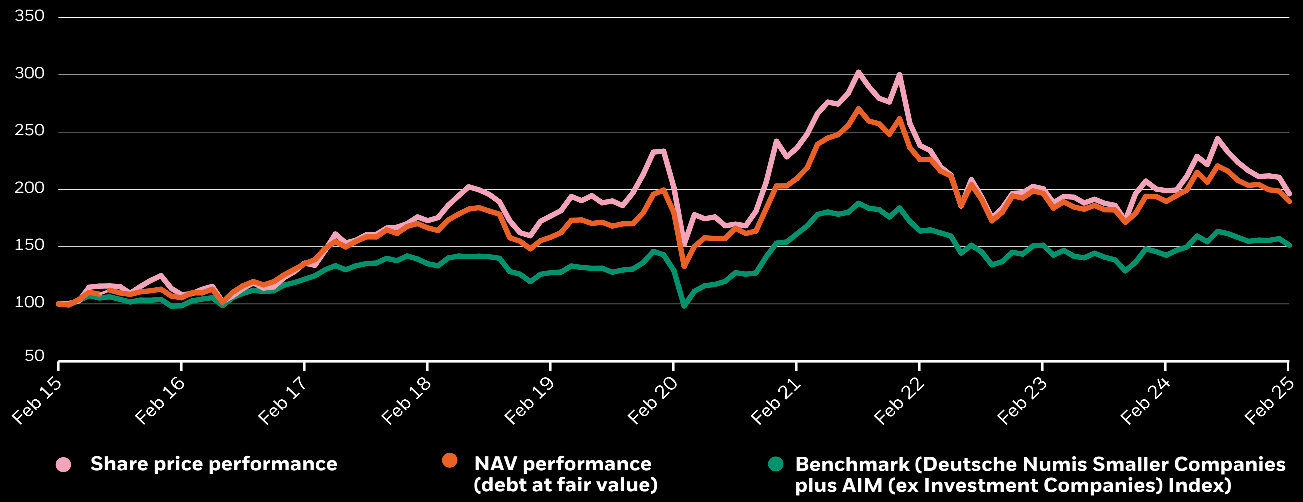
Performance record

	As at 28 February 2025	As at 29 February 2024
Net asset value per ordinary share (debt at par value) (pence)[1]	1,403.45	1,450.15
Net asset value per ordinary share (debt at fair value) (pence)[1]	1,463.44	1,502.25
Ordinary share price (mid-market) (pence)[1]	1,270.00	1,326.00
Deutsche Numis Smaller Companies plus AIM (excluding Investment Companies) Index[2]	16,108.27	15,173.40
Assets		
Total assets less current liabilities (£'000)	684,322	755,721
Equity shareholders' funds (£'000)[3]	614,779	686,206
Ongoing charges ratio[4,5]	0.8%	0.8%
Dividend yield[4]	3.5%	3.2%
Gearing[4]	13.3%	11.5%

	For the year ended 28 February 2025	For the year ended 29 February 2024
Performance (with dividends reinvested)		
Net asset value per ordinary share (debt at par value)[2,4]	-0.6%	-4.0%
Net asset value per ordinary share (debt at fair value)[2,4]	0.0%	-3.6%
Ordinary share price (mid-market)[2,4]	-1.4%	-0.8%
Deutsche Numis Smaller Companies plus AIM (excluding Investment Companies) Index[2,4]	6.2%	-5.8%

	For the year ended 28 February 2025	For the year ended 29 February 2024	Change %
Revenue and dividends			
Revenue return per ordinary share	42.53p	40.70p	+4.5
Interim dividend per ordinary share	15.50p	15.00p	+3.3
Final dividend per ordinary share	28.50p	27.00p	+5.6
Total dividends payable and paid	**44.00p**	**42.00p**	**+4.8**

Performance from 1 March 2015 to 28 February 2025

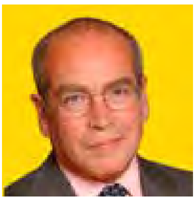


Sources: BlackRock and LSEG Datastream.
Share price, NAV and Benchmark performance is with dividends reinvested rebased to 100.

1 Without dividends reinvested.
2 Total return basis with dividends reinvested.
3 The change in equity shareholders' funds represents the portfolio movements, shares repurchased into treasury and dividends paid during the year.
4 Alternative Performance Measure, see Glossary on pages 122 to 126. Full details setting out how calculations with dividends reinvested are performed are set out in the Glossary on page 124.
5 Ongoing charges ratio calculated as a percentage of average daily net assets and using the management fee and all other operating expenses, excluding finance costs, direct transaction costs, custody transaction charges, VAT recovered, taxation, prior year expenses written back and certain non-recurring items in accordance with AIC guidelines.

Chairman's Statement

Dear Shareholder



Ronald Gould
Chairman

This Annual Report to shareholders to for the year ended 28 February 2025 comes to you at a time of considerable global upheaval, a time of market disruption and economic confusion. Our last financial year was a period of difficulty as well but we had real hope that improved economic performance would lead to a return of investor interest in UK assets and especially smaller companies after a year in which both categories languished and investors focused on a narrow range of areas. Since the beginning of a new US Presidential term and the start of what looks increasingly like a trade war, market volatility has been extreme across all asset classes and geographies. Looking for a clear pathway through the current morass has been a challenge for your Company as it has for many others but there are some positives that deserve highlighting.

Since the start of the Trump Administration the US S&P 500 has dropped significantly, a reflection of investor concerns about tariffs, general economic prospects, higher inflation and global stability. The US Dollar has had a period of dramatic weakness as well. At the same time, the FTSE 100 has dropped by "only" about 3.4%, Sterling has strengthened vs the US Dollar and flows into UK assets have stabilised. For the first time in quite a while, investors have started to look at UK assets once again and not just as a source of liquidity. And UK smaller companies have continued to produce good results despite challenging circumstances, underscoring their ability to manage through complicated periods and produce good financial results for shareholders. It will not be an easy period but there does seem to be an underlying sense of change.

Performance

In the year under review, your Company's net asset value (NAV) per share fell by 0.6% on a total return basis with dividends re-invested compared with the FTSE AIM All-Share Index which fell by 2.6%[1], the FTSE 250 Index which rose by 10.1%[1] and the FTSE 100 Index which rose by 19.8%[1]. The wide disparity between index returns reflected changing investor sentiment about large versus smaller cap companies during a period of great market uncertainty over future prospects.

More detail on the significant contributors to and detractors from performance during the year are given in the Investment Manager's Report on pages 11 to 14.

The Company's longer-term performance is set out in the table on the following page. In addition, the chart on page 7 illustrates how long-term investors have had an opportunity to build up an attractive annual income from an investment in the Company. Even if the initial dividend yield at the point of purchase has

1 Percentages in Sterling terms with dividends reinvested.

UK smaller companies have continued to produce good results despite challenging circumstances, underscoring their ability to manage through complicated periods and produce good financial results for shareholders.

been unremarkable, the strong underlying growth in dividends over the years has resulted in a competitive yield on cost when compared with equity income funds in general. To illustrate this investment and income success, the chart on page 7 shows that £1,000 invested in the Company on 28 February 2006 would have increased in value by 443.4%[1] in NAV terms to 28 February 2025, whereas £1,000 invested in the UK open-ended income sector median would have increased by just 151.6%[1]. The chart also demonstrates that while the yield on the Company's shares was much lower at the beginning of the period, over time the Company's dividend has grown at a much faster rate than open-ended UK income fund competitors.

Returns and dividends

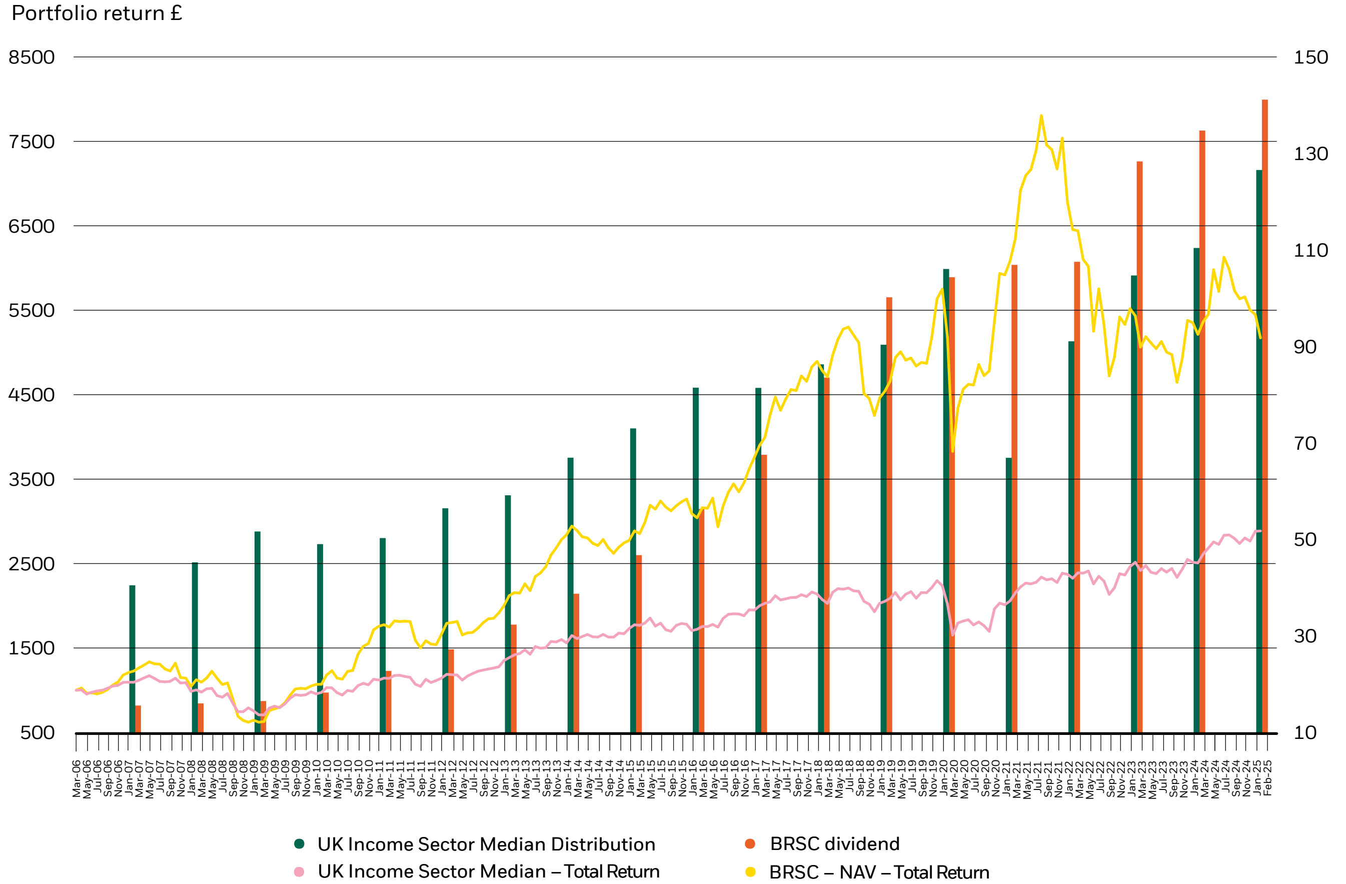
Your Company's earnings per share have increased by 4.5% year on year to 42.53 pence per share (2024: 40.70 pence per share). This reflects an increase in underlying revenue of 1.9% and the fact that there were fewer shares in issue as a result of share buy back activity (with 3,515,000 shares bought back in the year). Total revenue return for the year was 42.53 pence per share (2024: 40.70 pence per share). The Board continues its policy to ensure the sustainability of dividends and their future growth through investment in companies with strong balance sheets, solid management and sustainable business growth models. Whilst the investment objective is capital growth, the Board remains mindful of the importance of yield to investors. The Board is also cognisant of the benefits of the Company's investment trust structure which enables it to retain up to 15% of total revenue each year to build up reserves which may be carried forward and used to pay dividends during leaner times. The Company has substantial distributable reserves (£548.3 million as at 28 February 2025, including revenue reserves of £18.5 million). Taking note of your Company's current reserves, the Board has decided to declare a final dividend of 28.50 pence per share. Combined with the interim dividend of 15.50 pence per share, this represents total dividends declared of 44.00 pence per share for the year to 28 February 2025, an increase of 4.8% over total dividends declared for the year to 29 February 2024. The dividend will be paid on 26 June 2025 to shareholders on the Company's register as at 16 May 2025. The Board has also taken this decision recognising that many portfolio companies are making strong earnings forecasts for the full year, allowing us to take a more optimistic view of future prospects. Your Company has now increased its annual dividend every year since 2003.

The annualised increase in dividends paid since this date equates to 10.6% and your Company has received the AIC accolade of 'Dividend Hero' for its' consistent growth in dividends for a period in excess of 20 years.

Performance to 28 February 2025	1 Year change %	3 Years change %	5 Years change %	10 Years change %	15 Years change %
NAV per share[1,2,3]	0.0	-16.2	5.5	108.8	411.5
Benchmark[1,3,4]	6.2	-7.5	17.2	51.3	171.2
Share price[1,3]	-1.4	-17.7	-2.7	96.0	487.9

[1] Percentages in Sterling terms with dividends reinvested.
[2] NAV with debt at fair value.
[3] Alternative Performance Measure, see Glossary on pages 122 to 126.
[4] Benchmark Index (the Deutsche Numis Smaller Companies plus AIM (excluding Investment Companies) Index).

Capital and income growth



The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy. Smaller company investments are often associated with greater investment risk than those of larger company shares. This information does not constitute investment or any other advice and is for information purposes only and subject to change.

Source: BlackRock and Morningstar. BlackRock Smaller Companies Trust plc (BRSC) performance in the chart above is based on NAV total return net of fees.

For the purpose of comparing income growth versus funds which have income generation as a primary objective the figures are based on £1,000 invested at 31 March 2006 in BlackRock Smaller Companies Trust plc and the IA UK Income sector median. BRSC dividends do not include special dividends paid between 2007 and 2010 of 1.25p, 0.7p and 0.5p.

Gearing and sources of finance

Gearing can play an important role in portfolio performance over time although your Company continues to maintain a very conservative capital structure. The Company has current borrowing facilities of long-term fixed rate funding in the form of a £25 million senior unsecured fixed rate private placement notes issued in May 2017 at a coupon of 2.74% with a 20 year maturity, £20 million senior unsecured fixed rate private placement notes issued in December 2019 at a coupon of 2.41% with a 25 year maturity and £25 million senior unsecured fixed rate private placement notes issued in September 2021 at a coupon of 2.47% with a 25 year maturity. Shorter-term variable rate funding consists of an uncommitted overdraft facility of £60 million with The Bank of New York Mellon (International) Limited with interest charged at SONIA plus 100 basis points (of which £9,230,000 was utilised at the year end – additional information is set out in note 13 on page 99).

It is the Board's intention that net gearing will not exceed 15% of the net assets of the Company at the time of the drawdown of the relevant borrowings. Under normal operating conditions it is envisaged that gearing will be within a range of 0%-15% of net assets. At the year end, the Company's net gearing was 13.3%[3] of net assets (2024: 11.5%), well within our target range.

The Company's portfolio is weighted towards companies with well capitalised balance sheets and entrepreneurial management teams that are able to rapidly adapt their businesses to the shifting market dynamics.

Management of share rating

The Board monitors the Company's share rating closely, and recognises the importance to shareholders that the price of the Company's shares do not trade at either a significant premium or discount to the underlying NAV. Therefore, where deemed to be in shareholders' long-term interests, it may exercise its powers to issue shares or buy back shares with the objective of ensuring that an excessive premium or discount does not arise. As market volatility persisted through the year, discounts across the closed end funds sector remained persistently wide and the Company's shares traded at a discount to NAV ranging from 5.7% to 14.1% over the year.

During the year, the Company bought back a total of 3,515,000 ordinary shares at a total cost of £47.1 million to be held in treasury. All shares were bought back at a discount to NAV, delivering an uplift to the NAV per share of 0.7% for continuing shareholders for the year under review. The Board believes that the action it has taken has helped to minimise discount volatility, with the Company's shares trading at an average discount to NAV (with debt at fair value) over the full year of 11.0%, compared to an average discount of 12.4% for the year to 28 February 2025. To put this in context, the average discount for companies in the AIC UK Smaller Companies sector for the same period was 11.5%.

Since the year end, and up to the date of this report, the Company has bought back a further 700,000 shares at a total cost of £8,803,000 (at an average discount to NAV of 12.2%). The Company's discount currently stands at 12.2% compared to a sector average of 12.1% as at 2 May 2025.

Board composition, implementation of policy on tenure and diversity

In previous Chairman's Statements, I have noted that the Board has adopted a policy of limiting directors' tenure to nine years (or twelve years in the case of the Chairman in certain circumstances). The Board remains focused on high standards of governance and is cognisant that the Parker Review in respect of board diversity and the recent changes to the FCA's Listing Rules set new diversity targets and associated disclosure requirements for UK listed companies. Your Board recognises the benefits of diversity at Board level and believes that Directors should have a mix of different skills, experience, backgrounds, ethnicity, gender and other characteristics. Further information on Board composition can be found in the Corporate Governance Statement contained within the Annual Report and Financial Statements.

Having served on the Board since 2016, including over four years as our Senior Independent Director, Susan Platts-Martin has indicated that she will not seek re-election at the Company's Annual General Meeting (AGM) on 19 June 2025. The Board wishes to thank Susan for her many years of excellent service and we wish her the best for the future. Her knowledge, sound judgement and calm resolution has benefitted all shareholders. Helen Sinclair will become the Senior Independent Director and James Barnes will become the Chair of the Nomination and Remuneration Committee from the conclusion of the AGM on the 19 June 2025.

Agreement with Saba

On 22 January 2025, the Company announced that it had entered into an agreement with Saba Capital Management L.P. (Saba), pursuant to which Saba has given a number of undertakings to the Company regarding its shareholding in the Company, the full announcement can be viewed at the following link: https://www.londonstockexchange.com/news-article/BRSC/agreement-with-saba/16863463. The agreement lasts until the earlier of the day following the completion of the Company's 2027 AGM or 31 August 2027. The agreement does not limit Saba's ability to acquire or dispose of shares in the Company. Your Board believes that this agreement was in the long-term interest of shareholders as we continue to invest for their future benefit.

[1] Percentages in Sterling terms with dividends reinvested.

[2] NAV with debt at fair value.

Annual General Meeting

The Company's AGM will be held in person at the offices of BlackRock at 12 Throgmorton Avenue, London EC2N 2DL on Thursday 19 June 2025 at 11.30 a.m. Details of the business of the meeting are set out in the Notice of Annual General Meeting contained within the Annual Report and Financial Statements. Shareholders are also invited to join Directors for a hot buffet lunch after the formal business of the meeting has concluded. Prior to the formal business of the meeting, our Investment Manager will make a presentation to shareholders. This will be followed by a question and answer session. Shareholders who are unable to attend the meeting in person but who wish to view the portfolio manager's presentation can do so via a live webinar this year. Details on how to register, together with access details, will be available shortly on the Company's website at: www.blackrock.com/uk/brsc or by contacting the Company Secretary at cosec@blackrock.com. It is not possible to speak or vote via this medium and it is solely intended to provide shareholders with the ability to watch the portfolio manager's presentation. Additionally, if you are unable to attend you can exercise your right to vote by proxy or appoint a proxy to attend in your place. Details of how to do this are included on the AGM Proxy Card provided to shareholders with the Annual Report. If you hold your shares through a platform or a nominee company, you will need to contact them directly and ask them to appoint you as a proxy in respect of your shares in order to attend, speak and vote at the AGM. Further information on the business of this year's AGM can be found in the Notice of the AGM contained within the Annual Report and Financial Statements.

Outlook

Since the financial year end, the Company's NAV (as at 2 May 2025) has decreased by 0.2%[1,2], against an increase in the benchmark of 1.4%[1], and the share price has risen by 0.9%[1]. These results should be seen in the context of continued and significant market volatility fuelled by geo-political risks, which are impacting market volatility, economic growth and investor sentiment.

Even for those of us who have watched markets for a very long time, the current environment represents something new. The post World War II order with all its safeguards and institutional structures is in the process of change at an uncomfortably rapid pace and markets, understandably, are moving erratically in response to successive waves of new information. Against this turbulent backdrop, the Company's portfolio is weighted towards companies with well capitalised balance sheets and entrepreneurial management teams that are able to rapidly adapt their businesses to the shifting market dynamics. As such we believe your Company is well-positioned and prepared to take advantage of the investment opportunities that lie ahead despite the uncertain market conditions. If shareholders would like to contact me, please write to BlackRock Smaller Companies Trust plc, Dundas House, 20 Brandon Street, Edinburgh, EH3 5PP marked for the attention of the Chairman.

RONALD GOULD

Chairman
7 May 2025

[1] Percentages in Sterling terms with dividends reinvested.
[2] NAV with debt at fair value.

Investment Manager's Report

Roland Arnold

Market Review

The world has been so volatile in the last number of years that what appears a reasoned and thought-out summary of the current market can quickly seem dated and redundant. In recent years as I have sat at this desk the world has been grappling with lockdowns, Russian invasions, the end of zero rate interest policies, and the risky spectre of stagflation. We have seen fundamental and profound changes, and for some reason history has picked the period around the Company's year end as a focal point.

In theory this year is no different. Since 20 January 2025 when the new Trump Administration began to re-write the global economic framework that formed the backbone of our past macro analysis, equity markets around the world have endured massive uncertainty. Since university (sadly longer ago than I care to remember) I have been taught that free trade is good, tariffs and non-tariff barriers bad. Through increased global integration we would drive down costs, increase economic prosperity and living standards globally, whilst at the same time encouraging political integration which would help to promote global stability. Indeed, the economic statistics for the last 70 years bear out those economic theories as living standards have risen and poverty receded in both developed and developing markets. But Trump believes in reciprocity, sees balance of trade as a scorecard, and tariffs as a negotiation tool. It's too early to judge how the world will respond. Markets, ever the near-term voting gauge, have reacted with fury. Already suffering from a general lack of confidence and clarity the immediate aftermath has seen global equity markets fall, and bonds rally as investors seek safe havens. And herein lies the rub, this year rather than waiting until the last minute to complete the report hoping that some of the uncertainty will clear, I should just admit the summary of the year is uncertainty on a level we have rarely seen, uncertainty that will have profound implications for portfolio construction and returns.

Pension consultancy XPS Pensions was the portfolio's largest contributor to performance during the year.

PHOTO COURTESY OF XPS GROUP

Baltic Classifieds owns fourteen online classified portals in Lithuania, Estonia and Latvia. High margins and cash conversion saw debt reduction and share buybacks during the year.

PHOTO COURTESY OF BALTIC CLASSIFIEDS

And so, to the year under review. Writing six months ago I expressed a hope the new UK government could herald an improved outlook for the UK. With the uncertainty and chaos of the previous administration behind us, the return of some "adults to the room" would allow the recovering UK economy to reassert itself on a global basis. Consumers (benefitting from both high employment and real wage growth) would feel confident enough to release some of their savings, and corporates would respond to policy certainty by investing in their products and capacity. Instead, the Labour government chose a different path. Rather than focus on the positives and encourage this shifting sentiment, it decided to focus on a £22 billion black hole, which has promoted fear and uncertainty and resulted in all investment decisions being put on hold, as well as driving up the consumer savings rate. Labour went on to deliver a budget that to most industry observers was the antithesis of the pre-election rhetoric.

The market is prone to sentiment shifts, everything is black or white, very little sits in the grey. But there is some grey here. One could argue it was politically naïve to head into an election and pledge not to make any changes to the biggest three tax levers a government has (income tax, national insurance and VAT). One can wonder why the new Labour government didn't copy the playbook of the previous Labour administration. Instead of "things can only get better" we have "the worst economic inheritance since the Second World War". But these mistakes have now been made, and with four years left under the current administration, there is plenty of time for lessons to be learned and course shifted.

By nature I'm an optimist, a natural disposition made difficult by markets like these. Our positive view on the UK last year has proven to be incorrect, a direct outcome of which is the underperformance in the second half of the financial year. I will not shy away from this, I know this is frustrating for all investors, myself included, and I will cover this at more length later in the report. But the optimist in me is seeing, at the margin, some things to be optimistic about. From a domestic stance it feels to me the government may have learnt some of the early lessons, and is starting to make real changes. It is no secret the UK has been in the grip of a pervasive regulatory creep for a number of years. Labour has not only realised this, but is making positive endeavours to change things. We have heard from a number of companies that at the margin things are improving. The recent approval of the East Thames Crossing, a project that has been trapped in a planning mire for years shows more than just lip service to planning reform. Equally significant is the change at the head of the CMA, which may suggest a more market friendly disposition in the future.

Outside of the UK a combination of Russia's aggression and Trump's indifference have caused profound changes in Europe. Germany has unleashed the shackles of self-imposed fiscal restraints and is leading the charge to significantly increase defence and infrastructure spending. Suddenly European markets are investible again, with early signs of asset allocation away from the US. It can only be seen as a positive that the market focus is at least temporarily shifted away from the "magnificent seven". Concentration of that level is in no one's interests and is not a symptom of a healthy market.

And so what of the UK's position? Some will point to Trump imposing a lower tariff on the UK than Europe as a "Brexit dividend". On a superficial level this may be the case, but with a significant proportion of UK trade with the US coming from the 25% tariffed automotive sector, it is scant consolation. In truth, as we have so often mentioned, the UK stock market is not the UK economy, and is instead exposed to international revenue streams. But I fear those revenue streams will not be enough to insulate the market from what is to come. Outflows from UK smaller companies have remained significant through the last twelve months, with the only buyers of any note being the companies themselves through record levels of share buybacks. De-equitisation continues at pace, with (at the time of writing) 16 companies already receiving bids this calendar year. The international nature of these UK revenue streams means there is nothing to stop firms following the examples of Ashtead, Ferguson or Smurfit and heading for the promised sunny uplands of a US listing. Something needs to be done to make investing in the UK attractive again and recent events in the US may be starting this shift in attitude. In addition, the Government needs to look long and hard at why companies are struggling with the attractiveness of a London listing. Messing around with IHT rules on AIM is not the solution to this. London retains one of the largest pools of capital and expertise for true small and mid-cap investing, it should be nurtured, not squandered. Perhaps US antics are giving us an extra chance.

Performance Review

And so to last year. At the interim the Company had performed in line with the benchmark. Sadly, the same cannot be said for the second half of the year. Having positioned the Company for a more successful UK government, and the expectation of a positive inflection in sentiment towards the UK, the budget brought a new reality; rising rates, rising inflation expectations, reducing corporate profitability and cost cutting. We have spent much of the last six months reducing our positive stance on UK domestic stocks, but given the poor market liquidity we have been unable to do so quickly, leading the Company to underperform the index return of **6.2%** by **-6.2%**.

It has been a long time since I have seen such a frustrating performance period, with stock specific issues only explaining a fraction of the underperformance. The rest has come from a series of positions where earnings have been in line with expectations, or indeed in some cases ahead, but share prices have reacted in the other direction.

Starting with the main stock specific drivers. **TT Electronics** surprised the market with a significant earnings downgrade only a few weeks after reporting numbers and reassuring the city about its outlook. Specific issues at a plant in Mexico appear to be the cause. A brief respite came via an unsolicited approach from Volex, although ultimately this came to nothing. We have exited the position whist we await clarity on any progress in the restructuring plans. **Workspace Group** is one of a collection of stocks where market sentiment has shifted in response to the budget and rate environment. Like so many in the property sector they trade at a significant discount to net asset value. It is worth noting the property sector has seen significant corporate interest so far this year as investors with longer-term horizons look to purchase assets at beneath book cost. **Secure Trust** shares halved as an investigation into the Motor Finance sector took an unexpected turn. Initially it was felt that Secure Trust's book of business was outside of the investigation, however a subsequent decision widened the scope. In the face of such extreme regulatory uncertainty and a range of outcomes beyond reasonable analysis we have sold the position. In any year there are always shares that we either don't own, or don't own enough of that have a relative impact. This year has seen **Zegona Communications (Zegona)**, **TBC Bank**, **Quilter**, **Plus500** and **Ithaca Energy** all rally strongly. Zegona is a relative unknown in the UK market, with the fundraising that accompanied their purchase of the Vodafone Spain business missing many. We maintained a small exposure to the business, with the highly levered balance sheet and complicated financing structure putting us off having a large holding. The shares doubled during the year. TBC Bank is one of the two main banks in Georgia. Most of the year was uneventful in share price terms, however the possibility of a settlement in Ukraine has seen the shares rally.

The Company has had some successes during the year, although in many cases we feel share prices have not adequately reflected the underlying earnings performance. Top of the leaderboard this year is pension consultancy **XPS Pensions (XPS)**. Earnings have been upgraded a number of times this year partly reflecting the supportive background for the industry, which in the case of XPS has been amplified by a string of impressive client wins. **Alfa Financial Software** has managed to deliver earnings upgrades whilst at the same time managing the transition of their business from a licence based model to a recurring fee structure, a transition that typically may not run as smoothly as hoped. Demand for **Baltic Classified Group's** various services have proven surprisingly immune from the uncertainty so close to their borders, whilst the management team has once again demonstrated not only the pricing power of the underlying services, but also their commitment to wielding that power with restraint. High margins and cash conversion has resulted in both debt reduction and increasing share buybacks.

Activity

With the UK IPO market remaining febrile at best, and outflows leading to a perceived low risk appetite from fund managers, there has been little opportunity to add brand new ideas to the portfolio. Instead, any new additions have either been re-visiting companies that have previously featured in the Company, or looking to re-appraise businesses that have either altered their model, or are more suited to the current economic uncertainty. The largest new addition is pension firm **Just Group Plc**. Rather like XPS, Just Group Plc are the clear beneficiaries of complex pension markets, and have carved out a niche at the smaller end of schemes which are often unattractive to the larger players in the market. In previous years we have noted how whole industries can change, making the uninvestible finally investible, with the most recent example of this being the construction sector, where a series of very public bankruptcies have changed the pricing dynamics. The food producer sector has previously been one where we have struggled to get comfortable with the business risks. Often small suppliers facing into an industry dominated by a small number of very large customers, poor industry discipline, and often weak balance sheets with legacy pension liabilities stemming from when these firms employed significantly more people. During the course of the year we initiated positions in **Premier Foods**, **Hilton Foods** and **Greencore Group**, all of which we feel have improved opportunities ahead of them, and product sets that produce relatively dependable revenue streams that are attractive in the current market uncertainty. We should make note of the purchase of **Raspberry Pi**, one of the few IPOs of any note in 2024. Whilst we all hoped the shares would perform strongly and re-ignite the UK IPO market, sadly only half of that came true, although we can all console ourselves with the contribution the shares have made to performance.

In the main disposals this year reflected the continued and prolonged uncertainty the markets are facing. The long-awaited industrial recovery is now even more lengthy, leading to **Vesuvius**, **XP Power** and **RHI Magnesita** all leaving the portfolio. **Trainline** left the benchmark at the end of 2024, and with uncertainty over Labour's approach to a UK ticketing app, it felt sensible to move on from a portfolio perspective. The Company didn't benefit to any great extent from M&A activity this year. In fact, acquisitions have had a negative impact on relative performance as we owned so few of those companies that were bid for. We did however see approaches for **Lok & Store** and **Loungers**.

Outlook

It seems fitting to lead into my conclusion via a discussion of mergers and acquisitions (M&A). It is my belief the UK small and mid-cap market is at a critical juncture. Outflows persist, placing continued pressure on share prices and by definition on the valuation of those companies that remain listed. Government policy, particularly with regards to AIM and Inheritance Tax, places further distortions. In light of these pressures, management teams are voting with their feet, either choosing to list somewhere else or delay any capital market activity, whilst would be acquirers are taking advantage of the valuation anomalies the listed market is unable to seize, and purchase companies at very attractive prices. The UK needs a period of stability, enough to make long-term investors once again consider the opportunity the UK market offers, and for companies to have confidence that London is a suitable listing venue. The current global political climate may just be the catalyst that starts this process of reassessment (and for those that read my manager commentary last year, investors are desperate for a catalyst).

ROLAND ARNOLD
BlackRock Investment Management (UK) Limited
7 May 2025

Portfolio

Construction materials group Breedon was the portfolio's largest holding at year end.
PHOTO COURTESY OF BREEDON GROUP

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PHOTOS COURTESY OF BREEDON, XPS GROUP, HILL & SMITH/COLLEEN MURRAY, BLOOMSBURY PUBLISHING, ALPHA GROUP INTERNATIONAL PLC, BOKU, WORKSPACE GROUP.

Ten largest investments

as at 28 February 2025

Together, the Company's ten largest investments represented 22.8% of the Company's portfolio as at 28 February 2025 (2024: 21.3%).

1 Breedon

Construction & Materials

Portfolio value £18,477,000
Percentage of portfolio 2.6%

A leading construction materials group in Great Britain and Ireland producing cement, aggregates, asphalt, ready-mixed concrete, specialist concrete and clay products.

2 IntegraFin

Financial Services

Portfolio value £18,362,000
Percentage of portfolio 2.6%

UK savings platform for financial advisors.

3 XPS Pensions

Financial Services

Portfolio value £18,208,000
Percentage of portfolio 2.6%

A UK financial services business specialising in pensions consulting and administration.

4 Hill & Smith

Industrial Engineering

Portfolio value £17,824,000
Percentage of portfolio 2.6%

Hill & Smith is a leading UK-based infrastructure and construction products company that specialises in the design, manufacture, and supply of vehicle restraint systems, road safety barriers, and other infrastructure solutions for the highways and construction sectors.

5 Alpha Group International

Financial Services

Portfolio value £15,452,000
Percentage of portfolio 2.2%

A foreign exchange risk management and banking solutions provider.

Ten largest investments

continued

6 Bloomsbury Publishing

Media

Portfolio value	£15,328,000
Percentage of portfolio	2.2%

The company is a leading independent publisher which aims to inform, educate, entertain and inspire readers of all ages. The company is focused on investing in high value intellectual property, with a focus on publishing quality content. The company has been diversifying the portfolio across consumer and non-consumer, and geographically has expanded it's digital offering through mergers and acquisitions, further increasing the quality of its revenues and earnings.

7 Tatton Asset Management

Financial Services

Portfolio value	£15,024,000
Percentage of portfolio	2.2%

Tatton Asset Management is a leading UK financial services company that provides a range of investment management, compliance, and support services to independent financial advisers, with a focus on discretionary fund management and portfolio solutions.

8 Gamma Communications

Mobile Telecommunications

Portfolio value	£14,380,000
Percentage of portfolio	2.1%

A leading provider of Unified Communications as a Service (UCaaS) into the UK and European business markets, supplying communication solutions via their extensive network of trusted channel partners and also directly.

9 Boku

Industrial Support Services

Portfolio value	£13,405,000
Percentage of portfolio	1.9%

Digital payments platform.

10 Workspace Group

Real Estate Investment Trusts

Portfolio value	£12,679,000
Percentage of portfolio	1.8%

Workspace Group is a leading UK-based REIT that owns and manages a portfolio of flexible, sustainable commercial properties, primarily catering to SMEs in the Greater London area through its comprehensive workspace solutions and services.

Fifty largest investments

as at 28 February 2025

Company	Business activity	Market value £'000	% of total portfolio
Breedon	UK construction materials	18,477	2.6
IntegraFin	Investment platform for financial advisers	18,362	2.6
XPS Pensions	Leading independent pensions consultancy and administration firm	18,208	2.6
Hill & Smith	Production of infrastructure products and supply of galvanizing services	17,824	2.6
Alpha Group International	Foreign exchange risk management and banking solutions provider	15,452	2.2
Bloomsbury Publishing	Publisher of fiction and non-fiction	15,328	2.2
Tatton Asset Management	Provider of discretionary fund management services to financial advisors	15,024	2.2
Gamma Communications	Provider of communication services to UK businesses	14,380	2.1
Boku	Digital payments company	13,405	1.9
Workspace Group	Supply of flexible workspace to businesses in London	12,679	1.8
Chemring Group	Advanced technology products and services for the aerospace, defence and security markets	12,575	1.8
Alfa Financial Software	Provider of software for customers working in the asset finance industry	12,493	1.8
FRP Advisory	A business advisory firm providing services in corporate restructuring, insolvency, debt advisory and financial solutions to businesses	12,072	1.7
Coats Group	Provides products, including apparel, accessory and footwear threads, structural components for footwear and accessories, fabrics, yarns, and software applications	12,012	1.7
Great Portland Estates	British property development and investment company	11,643	1.7
Just Group Plc	A UK group specialising in retirement products and services	10,651	1.5
Porvair	UK-based specialist filtration, laboratory and environmental technology group	10,408	1.5
Morgan Sindall	Office fit-out, construction and urban regeneration services	10,388	1.5
Treatt	Development and manufacture of ingredients for the flavour and fragrance industry	10,355	1.5
Baltic Classifieds Group	Operator of online classified businesses in the Baltics	10,182	1.5
PayPoint	Digital payments business	10,015	1.4
Ibstock	Manufacture of clay bricks and concrete products	9,760	1.4
Young & Co's Brewery - A Shares	UK-based pub and hotel operator	9,572	1.4
Elementis	Speciality chemicals company	9,570	1.4
Luceco	Designer, supplier and manufacturer of high-quality and efficient LED lighting products, as well as electrical wiring accessories	9,386	1.3
Genuit	Manufacturer of plastic piping systems	8,963	1.3
WH Smith	Retailer of books, stationary, magazines, newspapers and confectionary	8,917	1.3
Ithaca Energy	A UK-based oil and gas company operating in the North Sea	8,864	1.3
MJ Gleeson	UK-based low-cost house builder and strategic land promoter	8,317	1.2
Premier Foods	UK food manufacturer	8,169	1.2
GB Group	Developer and supplier of identity verification solutions	8,101	1.2
4imprint Group	Promotional merchandise in the US	8,090	1.2
Central Asia Metals	Mining operations in Kazakhstan and Macedonia	8,064	1.2
GlobalData	Data analytics and consulting company	8,043	1.1
Savills	Provision of property services	7,693	1.1
Future	Multi-platform media business covering technology, entertainment, creative arts, home interest and education	7,692	1.1
Moonpig Group	Moonpig Group is a leading eCommerce company specializing in personalized greeting cards, gifts, flowers, and gift experiences. It operates under several brands, including Moonpig, Buyagift, Red Letter Days in the UK, and Greetz in the Netherlands	7,444	1.1
Oxford Instruments	Designer and manufacturer of tools and systems for industry and scientific research	7,065	1.0

Fifty largest investments

continued

Company	Business activity	Market value £'000	% of total portfolio
Polar Capital Holdings	Specialist asset management	6,882	1.0
Ashtead Technology	An international subsea equipment rental and solutions provider for the global offshore energy sector	6,800	1.0
Hilton Food Group	A British food packaging business that focuses on meat and other proteins	6,776	1.0
Wilmington	Global provider of data, information, education and training services in the global Governance, Risk and Compliance (GRC) markets	6,433	0.9
DiscoverIE	Specialist components for electronics applications	6,371	0.9
Ashmore Group	Emerging market focused investment manager	6,114	0.9
Watches of Switzerland	Retailer of luxury watches	5,946	0.8
Oxford Biomedica	Gene cell therapy	5,825	0.8
Johnson Service Group	Provider of textile services	5,734	0.8
Greencore Group	A leading manufacturer of convenience food in the UK. It supplies major supermarkets and other retailers with products like sandwiches, salads, sushi, chilled ready meals, and sauces	5,694	0.8
Wizz Air Holdings	A Hungarian ultra-low-cost carrier group headquartered in Budapest	5,683	0.8
Clarkson	Provision of shipping services	5,467	0.8
50 largest investments		499,368	71.7
Remaining investments		197,205	28.3
Total		**696,573**	**100.0**

Details of the full portfolio are available on the Company's website at www.blackrock.com/uk/brsc.

Portfolio holdings in excess of 3% of issued share capital

At 28 February 2025, the Company did not hold any equity investments comprising more than 3% of any company's share capital other than as disclosed in the table below:

Company	% of issued share capital held
The Pebble Group	4.8
Treatt	4.2
Luceco	4.1
Tatton Asset Management	3.9
Ultimate Products	3.8
Sylvania Platinum	3.7
Distribution Finance Capital Holdings	3.6
Animalcare Group	3.4
FRP Advisory	3.4
Porvair	3.1
Bloomsbury Publishing	3.1
Diaceutics	3.1
MJ Gleeson	3.1
Robert Walters	3.0

Distribution of investments

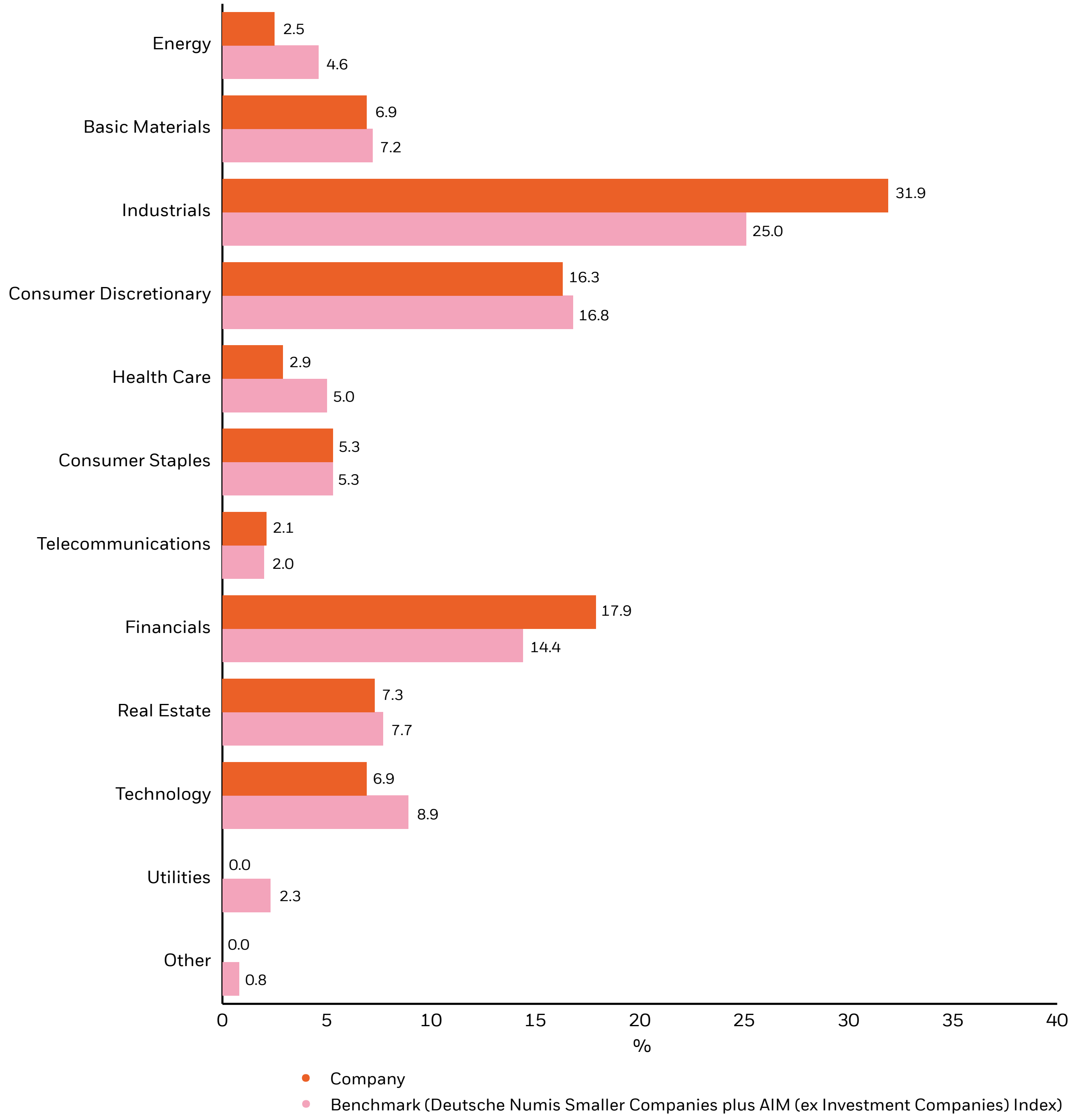
as at 28 February 2025

Sector	% of portfolio
Oil Equipment, Services & Distribution	2.2
Oil-Field Services	0.3
Energy	**2.5**
Chemicals	3.6
Industrial Metals & Mining	0.4
Mining	2.9
Basic Materials	**6.9**
Aerospace & Defence	3.1
Construction & Materials	9.0
Electronic & Electrical Equipment	3.6
General Industrials	2.1
Industrial Engineering	4.9
Industrial Support Services	8.4
Industrial Transportation	0.8
Industrials	**31.9**
General Retailers	2.3
Leisure Goods	0.5
Media	7.0
Personal Goods	1.3
Specialty Retailers	2.1
Travel & Leisure	3.1
Consumer Discretionary	**16.3**
Health Care Equipment & Services	0.5
Health Care Providers	0.8
Pharmaceuticals & Biotechnology	1.6
Health Care	**2.9**
Beverages	0.7
Food Producers	3.0
Household Goods & Home Construction	1.6
Consumer Staples	**5.3**
Mobile Telecommunications	2.1
Telecommunications	**2.1**
Banks	0.6
Financial Services	15.4
Investment Banking and Brokerage Services	0.8
Non-life Insurance	1.1
Financials	**17.9**
Real Estate Investment & Services	2.3
Real Estate Investment Trusts	5.0
Real Estate	**7.3**
Software & Computer Services	6.9
Technology	**6.9**
Total	**100.0**

Portfolio analysis

as at 28 February 2025

Analysis of portfolio value by sector

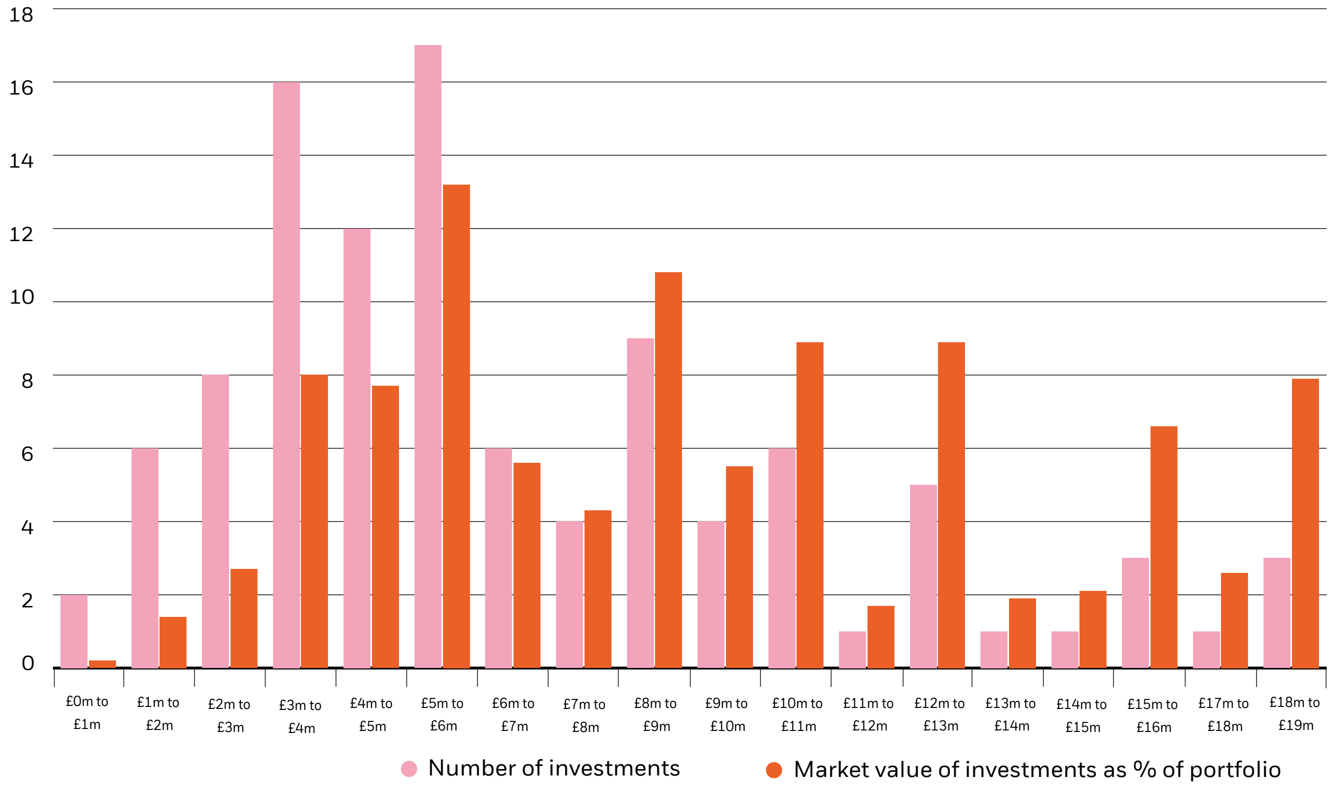


Sources: BlackRock and LSEG Datastream.

Portfolio analysis

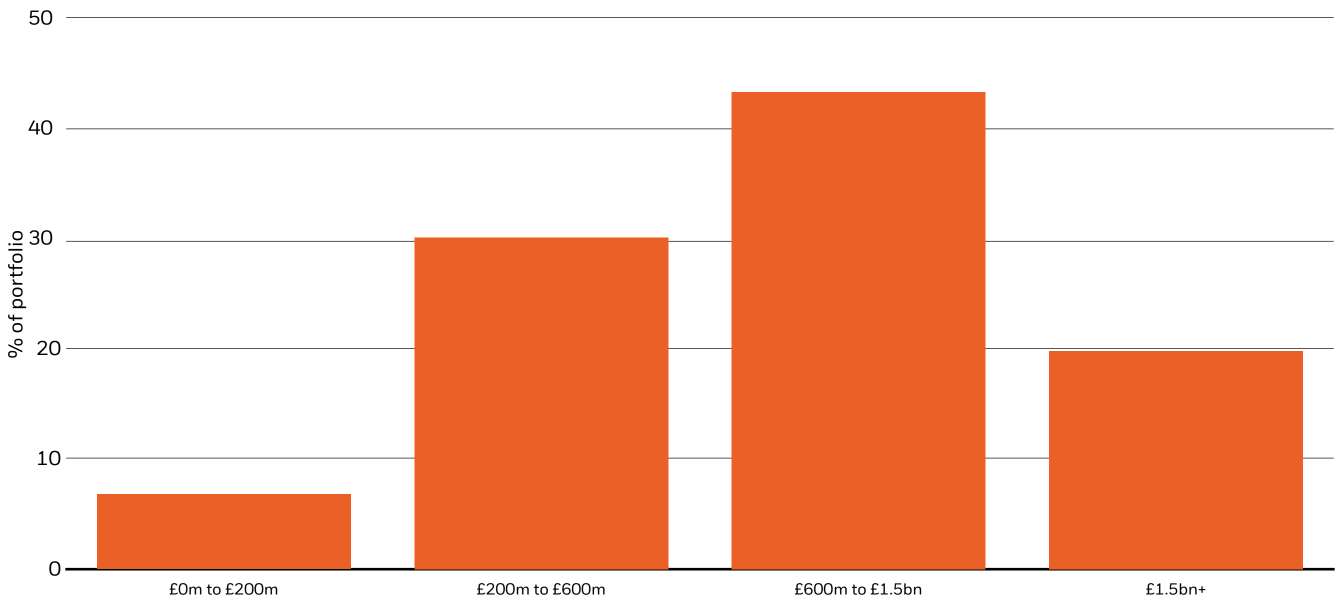
continued

Investment size

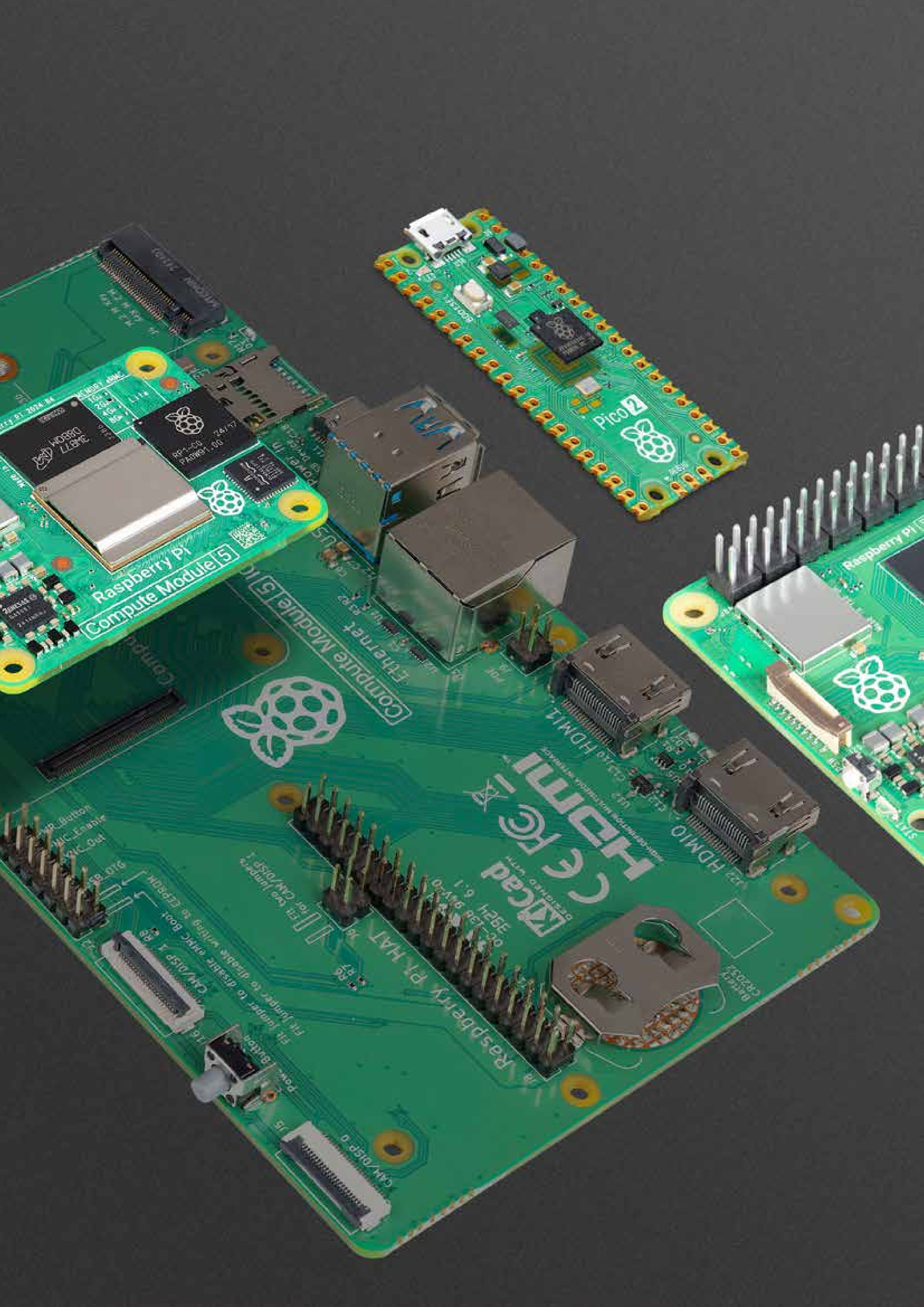


Source: BlackRock.

Market capitalisation of our portfolio companies



Source: BlackRock.


Raspberry Pi
Compute Module 5
Pico 2
Compute Module 5 IO
Ethernet
HDMI
HDMI0
HDMI1
Raspberry Pi HAT
CAM/DISP 0
CAM/DISP 1
Raspberry Pi

Governance

Computer company Raspberry Pi enjoyed a successful IPO in June 2024. Early trading saw its share price rise 40%.

PHOTO COURTESY OF RASPBERRY PI

Governance structure

Responsibility for good governance lies with the Board. The governance framework of the Company reflects that, as an investment company, the Company has no employees, the Directors are all non-executive and the investment management and administration functions are outsourced to the Manager and other service providers.

The Board
5 scheduled meetings per annum

Six non-executive Directors (NEDs), all independent of the Manager

Chairman: Ronald Gould

Objectives:
- To determine the Company's strategy including investment policy and investment guidelines;
- To provide leadership within a framework of prudent and effective controls which enable risk to be assessed and managed and the Company's assets to be safeguarded;
- To challenge constructively and to scrutinise the performance of all outsourced activities; and
- To determine the Company's remuneration policy.

Audit Committee[1]
2 scheduled meetings per annum

Membership[2]: Mark Little, James Barnes, Susan Platts-Martin, Helen Sinclair and Dunke Afe

Chairman: Mark Little

Key objectives:
- To oversee financial reporting;
- To consider the adequacy of the control environment and review the Company's risk register;
- To review the reporting of the auditors, review and form an opinion on the effectiveness of the external audit process; and
- To review the provisions relating to whistleblowing and fraud.

Nomination and Remuneration Committee[1]
1 scheduled meeting per annum

Membership: All NEDs

Chairman: Susan Platts-Martin

Key objectives:
- To regularly review the Board's structure and composition;
- To be responsible for the Board succession planning;
- To make recommendations for any new appointments;
- To be responsible for Directors' remuneration; and
- To set the Company's remuneration policy.

Management Engagement Committee[1]
1 scheduled meeting per annum

Membership: All NEDs

Chairman: Ronald Gould

Key objectives:
- To ensure that the provisions of the investment management agreement follow industry practice, remain competitive and are in the best interest of shareholders;
- To review the performance of the Manager; and
- To review other service providers.

[1] Terms of reference for each of the committees are available at www.blackrock.com/uk/brsc.

[2] Ronald Gould is not a member of the Committee but may attend by invitation.

Directors’ biographies

Ronald Gould
Chairman
Appointed on 1 April 2019

He was previously Managing Director and head of the Promontory Financial Group in China, CEO of Chi-X Asia Pacific, Senior Adviser to the UK Financial Services Authority, CEO of investment bank ABG Sundal Collier and Vice Chairman of Barclays Bank asset management activities. He is Chairman of Think Alliance Asia and Henderson Far East Income Limited and previously of Compliance Science Limited and Credo Capital Partners AB. He was previously a non-executive director of JPMorgan Asian Investment Trust plc. Mr Gould was appointed Chairman on 4 June 2019.

Attendance record:
Board: 5/5
Audit Committee: n/a[1]
Nomination and Remuneration Committee: 1/1
Management Engagement Committee: 1/1

Susan Platts-Martin
Senior Independent Director and Chair of the Nomination and Remuneration Committee
Appointed on 21 April 2016

She was the Chairman of Baillie Gifford China Growth Trust PLC (having retired from this Board on 30 April 2024) and formerly sat on the Advisory Board of the Barings Targeted Return Fund. Having qualified as a chartered accountant, she spent 26 years with Fidelity International in a broad range of roles including several years as the first head of investment trusts, responsible for establishing and growing a successful investment trust business. Ms Platts-Martin was appointed Senior Independent Director on 28 July 2020 and appointed as Chair of the Nomination and Remuneration committee with effect from 5 May 2023.

Attendance record:
Board: 5/5
Audit Committee:3/3
Nomination and Remuneration Committee: 1/1
Management Engagement Committee: 1/1

Mark Little
Audit Committee Chairman
Appointed on 1 October 2020

He is the Chairman of the Audit Committee of Majedie Investments Plc, Abrdn Equity Income Trust plc and Fidelity Emerging Markets Limited. He was also previously Investment Director at Seven Investment Management and a non-executive director (and audit committee chairman) of Sanditon Investment Trust plc and of Securities Trust of Scotland Plc (having retired from this Board on 27 June 2024), as well as a non-executive director for the start-up business UWI Technology and the charity Winning Scotland Foundation. Mr Little has a wealth of experience in the financial services sector and began his career as a fund manager with Scottish Widows Investment Management after qualifying as a chartered accountant with Price Waterhouse in 1991. He subsequently worked as Global Head of Automotive Research for Deutsche Bank and joined Barclays Wealth in 2005, where he became Managing Director of Barclays Wealth (Scotland and Northern Ireland).

Attendance record:
Board: 5/5
Audit Committee: 3/3
Nomination and Remuneration Committee: 1/1
Management Engagement Committee: 1/1

[1] The Chairman is not a member of the Audit Committee but may attend the Committee meetings by invitation.

None of the Directors has a service contract with the Company. The terms of their appointment are detailed in a letter sent to them when they join the Board. These letters are available for inspection at the registered office of the Company and will be available at the Annual General Meeting.

Directors' biographies

continued

James Barnes
Appointed on 31 July 2021

He began his career in broking and investment banking. He became CEO of Dobbies Garden Centres following an MBO in 1994 and was instrumental in growing the business through floatation and leading its sale to Tesco in 2007. He continued to lead Dobbies within the Tesco stable until 2013. He was also a director of Dunedin Smaller Companies Investment Trust plc overseeing its merger with Abrdn UK Smaller Companies plc. He has held a number of non-executive roles with UK businesses and is currently Chair of the Horticultural Trades Association.

Attendance record:
Board: 5/5
Audit Committee: 3/3
Nomination and Remuneration Committee: 1/1
Management Engagement Committee: 1/1

Helen Sinclair
Appointed on 1 March 2022

She began her career in investment banking and spent nearly eight years at 3i plc focusing on management buy-outs and growth capital investments. She later co-founded Matrix Private Equity (which became Mobeus Equity Partners) in early 2000 and subsequently became Managing Director of Matrix Private Equity before moving to take on a number of non-executive director roles. She is currently Chairman of Octopus Future Generations VCT PLC and a non-executive director of Shires Income plc and Sherborne Investors (Guernsey) C Limited.

Attendance record:
Board: 5/5
Audit Committee: 3/3
Nomination and Remuneration Committee: 1/1
Management Engagement Committee: 1/1

Dunke Afe
Appointed on 1 January 2024

She is an accomplished global marketing executive with extensive experience in raising brand awareness, delivering high-impact portfolio strategies and omni-channel marketing campaigns to drive business growth. She has previously worked with top blue chip multinationals including Unilever, Kimberly-Clark and Estee Lauder. Ms Afe is also a non-executive director (and chair of the nominations and remunerations committee) of CT UK Capital and Income Investment Trust plc.

Attendance record:
Board: 5/5
Audit Committee: 3/3
Nomination and Remuneration Committee: 1/1
Management Engagement Committee: 1/1

None of the Directors has a service contract with the Company. The terms of their appointment are detailed in a letter sent to them when they join the Board. These letters are available for inspection at the registered office of the Company and will be available at the Annual General Meeting.

Strategic Report

The Directors present the Strategic Report of the Company for the year ended 28 February 2025. The aim of the Strategic Report is to provide shareholders with the information to assess how the Directors have performed their duty to promote the success of the Company for the collective benefit of shareholders.

The Chairman's Statement together with the Investment Manager's Report and the Directors' Statement setting out how they promote the success of the Company on pages 41 to 49 form part of the Strategic Report. The Strategic Report was approved by the Board at its meeting on 7 May 2025.

Principal activities

The Company is a public company limited by shares and carries on business as an investment trust and its principal activity is portfolio investment. Investment trusts, like unit trusts and OEICs, are pooled investment vehicles which allow exposure to a diversified range of assets through a single investment, thus spreading, although not eliminating investment risk. The closed-ended capital structure of an investment trust permits the company to invest in stocks with less liquidity and to gear its investments within a risk framework governed by the Board.

Investment objective

The Company's prime objective is to seek to achieve long-term capital growth for shareholders through investment mainly in smaller UK quoted companies.

No material change will be made to the Company's investment objective without shareholder approval.

To achieve its investment objective the Company invests predominantly in UK smaller companies with securities admitted to trading on the Main Market of the London Stock Exchange or on the AIM. The Company may also invest in securities which are listed overseas but have a secondary UK quotation. Although investments are primarily in companies with securities admitted to trading on recognised stock exchanges or on the AIM, the Investment Manager may also invest in less liquid unquoted securities with the prior approval of the Board. The Manager has adopted a consistent investment process, focusing on good quality growth companies; stock selection is the primary focus, but consideration is also given to sector weightings and underlying themes. Whilst there are no set limits on individual sector exposures against the Company's benchmark, a schedule of sector weightings is presented at each Board meeting for review. In applying the investment objective, the Investment Manager expects the Company to be substantially fully invested and to borrow as and when appropriate. The Company seeks to achieve an appropriate spread of investment risk by investing in a number of holdings across a range of sectors. The Company may not hold more than 7% of the share capital of any company in which it has an investment. No single portfolio holding (excluding holdings in cash fund investments held for cash management purposes) will, on the date such holding is acquired by the Company, exceed 5% of the Company's net asset value. Notwithstanding the foregoing, the general aim is that no single portfolio holding (excluding cash fund investments held for cash management purposes) will, on the date such holding is acquired by the Company, exceed 3% of the Company's net asset value. In addition, while the Company may hold shares in other listed investment companies (including investment trusts), the Board has agreed that the Company will not invest more than 15% of its total assets in other UK listed investment companies. The Investment Manager will not deal in derivatives without prior approval of the Board.

Benchmark

Performance is measured against an appropriate benchmark, the Deutsche Numis Smaller Companies plus AIM (excluding Investment Companies) Index.

Gearing policy

It is intended that net gearing will not exceed 15% of the net assets of the Company at the time of the drawdown of the relevant borrowings. Under normal operating conditions it is envisaged that gearing will be within a range of 0%-15% of net assets.

Business model

The Company's business model follows that of an externally managed investment trust. Therefore, the Company does not have any employees and outsources its activities to third-party service providers including the Manager, who is the principal service provider. The management of the investment portfolio and the administration of the Company have been contractually delegated to the Manager who in turn (with the permission of the Company) has delegated certain investment management and other ancillary services to the Investment Manager. The Manager, operating under guidelines determined by the Board, has direct responsibility for the decisions relating to the day-to-day running of the Company and is accountable to the Board for the investment, financial and operating performance of the Company. The Company delegates fund accounting services to BlackRock Investment Management (UK) Limited (BIM (UK)), which in turn sub-delegates these services to The Bank of New York Mellon (International) Limited (BNY).

Other service providers include the Depositary (also BNY) and the Registrar, Computershare Investor Services PLC. The Depositary has sub-delegated the provision of custody services to the Asset Servicing division of BNY. Details of the contractual terms with the Manager and the Depositary and more details of the sub-delegation arrangements in place governing custody services are set out in the Directors' Report.

Investment philosophy

The Investment Manager seeks to identify companies which it believes have superior long-term growth prospects and the management in place to take advantage of these prospects. This is done through internal investment research, company visits and the careful monitoring of market newsflow and external broker analysis. Initially, if the Investment Manager is sufficiently impressed with a company's prospects, it will look to take a small position, usually 0.25% to 0.50% of the Company's net assets, in a new holding. These holdings will be closely monitored, and members of the portfolio management team will meet with management on a regular basis. If these companies continue to prosper and make the most of opportunities, the Investment Manager will gradually add to the portfolio holding. Where initial expectations are disappointing, the holding will be sold. The anticipation is that each holding will develop into a core holding over time; one that meets the Investment Manager's criteria for high quality growth companies.

Valuation is a key consideration; it is important not to overpay for new holdings. However, investment fundamentals are also important, and the Investment Manager may be prepared to pay what seems like a high price if it believes that long-term growth prospects are very strong. Generally, a company will be held within the portfolio if it meets the criteria for core holdings; in respect of recent investments, the Investment Manager will consider whether they have the potential to meet these criteria. Holdings will be sold if there are concerns that the investment case has changed in a negative way. Holdings will be reduced where the position size becomes too large and raises concerns about risk and diversification. The general aim is for portfolio holdings not to exceed 3% of the Company's net assets (excluding cash fund investments held for cash management purposes). As the investments within the portfolio become larger over time, the Portfolio Manager will continue to assess growth prospects in comparison to smaller businesses operating within similar markets. New holdings will typically have a market cap beneath £2 billion (although the Portfolio Manager may from time to time invest in larger market cap companies if these fit the investment thesis with the prior permission of the Board). Holdings that move above that level will be maintained providing the investment adheres to the original thesis and remains the most attractive opportunity that can be found amongst a comparable peer group. In accordance with the guidelines, the Portfolio Manager will sell any stock that enters the FTSE 100 Index within thirty days of entry.

The Investment Manager believes that consistent outperformance can be achieved by employing a combination of bottom-up and top-down analysis, based upon strong fundamental research as outlined above.

In building a robust portfolio the Investment Manager will also consider the macro-economic background, working with strategists, economists and other teams internally and externally to understand the broad environment. It also works closely with BlackRock's risk team to assess the risks in the structure of the portfolio. Any necessary adjustments will be made to the portfolio to ensure that it is structured in an appropriate way from a macro and risk point of view.

Portfolio analysis

A detailed analysis of the portfolio has been provided on pages 25 and 26.

Performance

Details of the Company's performance including the dividend are set out in the Chairman's Statement on pages 5 to 9. The Chairman's Statement and the Investment Manager's Report form part of this Strategic Report and includes a review of the main developments during the year, together with information on investment activity within the Company's portfolio.

Results and dividends

The results for the Company are set out in the Income Statement in the Financial Statements. The total net loss for the year, after taxation, was £4,268,000 (2024: loss of £32,701,000) of which the revenue return amounted to a profit of £19,918,000 (2024: profit of £19,691,000) and the capital loss amounted to £24,186,000 (2024: loss of £52,392,000).

The Company's revenue return amounted to 42.53p per share (2024: 40.70p). The Directors have declared a final dividend of 28.50p per share as set out in the Chairman's Statement.

Future prospects

The Board's main focus is to achieve long-term capital growth. The future performance of the Company is dependent upon the success of the investment strategy and, to a large extent, on the performance of financial markets. The outlook for the Company in the next twelve months is discussed in the Chairman's Statement on page 9 and the Investment Manager's Report on page 14.

Social, community and human rights issues

As an investment trust, the Company has no direct social or community responsibilities or impact on the environment, and the Company has not adopted an ESG investment strategy or exclusionary screens. However, the Directors believe that it is in shareholders' interests to consider human rights issues, environmental, social and governance matters when selecting and retaining investments. Details of the Board's approach to ESG and socially responsible investment is set out on page 47. Details of the Manager's approach to ESG integration are set out on page 47.

Modern Slavery Act

As an investment vehicle the Company does not provide goods or services in the normal course of business and does not have customers. Accordingly, the Directors consider that the Company is not required to make any slavery or human trafficking statement under the Modern Slavery Act 2015. In any event, the Board considers the Company's supply chain, dealing predominantly with professional advisers and service providers in the financial services industry, to be low risk in relation to this matter.

Directors, gender representation and employees

The Directors of the Company on 28 February 2025 are set out in the Directors' biographies on pages 31 and 32. With effect from 1 March 2025, the Board consists of three male Directors and three female Directors. The Company does not have any executive employees.

Key performance indicators

At each Board meeting, the Directors consider a number of performance measures to assess the Company's success in achieving its objectives. The key performance indicators (KPIs) used to measure the progress and performance of the Company over time, and which are comparable to those reported by other investment trusts are set out below. As indicated in footnote 2 to the table, some of these KPIs fall within the definition of 'Alternative Performance Measures' (APMs) under guidance issued by the European Securities and Markets Authority (ESMA) and additional information explaining how these are calculated is set out in the Glossary on pages 122 to 126.

Key Performance Indicators	Year ended 28 February 2025	Year ended 29 February 2024
% change NAV per share (debt at par value)[1,2]	-0.6%	-4.0%
% change NAV per share (debt at fair value)[1,2]	0.0%	-3.6%
% change Share price total return[1,2]	-1.4%	-0.8%
% change Benchmark return[1]	6.2%	-5.8%
Average discount to NAV with debt at fair value[2]	11.0%	12.4%
Revenue return per share	42.53p	40.70p
Ongoing charges ratio[2,3]	0.8%	0.8%
Retail ownership	69.8%	66.5%

1 Total return basis with dividends reinvested.
2 Alternative Performance Measure, see Glossary on pages 122 to 126.
3 Calculated as a percentage of average daily net assets and using the management fee and all other operating expenses, excluding finance costs, direct transaction costs, custody transaction charges, VAT recovered, taxation, prior year expenses written back and certain non-recurring items in accordance with AIC guidelines.

Sources: BlackRock and LSEG Datastream.

Additionally, the Board regularly reviews many indices and ratios to understand the impact on the Company's relative performance of the various components such as asset allocation and stock selection. The Board also reviews the performance and ongoing charges of the Company against a peer group of UK smaller companies trusts and open-ended funds.

Principal risks

The Company is exposed to a variety of risks and uncertainties. As required by the UK Code, the Board has in place a robust ongoing process to identify, assess and monitor the principal risks and emerging risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. A core element of this process is the Company's risk register which identifies the risks facing the Company and assesses the likelihood and potential impact of each risk and the quality of the controls operating to mitigate it. A residual risk rating is then calculated for each risk based on the outcome of the assessment.

The risk register, its method of preparation and the operation of key controls in BlackRock's and third-party service providers' systems of internal control are reviewed on a regular basis by the Audit Committee. In order to gain a more comprehensive understanding of BlackRock's and other third-party service providers' risk management processes and how these apply to the Company's business, BlackRock's internal audit department provides an annual presentation to the Audit Committee Chairman setting out the results of testing performed in relation to BlackRock's internal control processes. The Audit Committee also periodically receives presentations from BlackRock's Risk and Quantitative Analysis team and reviews Service Organisation Control (SOC 1) reports from the Company's service providers. The current risk register categorises the Company's main areas of risk as follows:

- Investment performance risk;
- Market risk;
- Income/dividend risk;
- Legal & compliance risk;
- Operational risk;
- Financial risk; and
- Marketing risk.

The Board has undertaken a robust assessment of both the principal and emerging risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. The risk that unforeseen or unprecedented events including (but not limited to) heightened geo-political tensions such as the war in Ukraine, high inflation and the current cost of living crisis has had a significant impact on global markets. The risks identified by the Board have been described in the table that follows, together with an explanation of how they are managed and mitigated. Emerging risks are considered by the Board as they come into view and are incorporated into the existing review of the Company's risk register. They were also considered as part of the annual evaluation process.

Additionally, the Manager considers emerging risks in numerous forums and the Risk and Quantitative Analysis team produces an annual risk survey. Any material risks of relevance to the Company identified through the annual risk survey will be communicated to the Board.

Emerging risks that have been considered by the Board over the year include the impact of climate change, escalating geo-political conflict and technological advances.

The key emerging risks identified are as follows:

Geo-political risk: Escalating geo-political tensions (including, but not limited to the potential for a prolonged global trade war over tariffs, tensions in the Middle East and the ongoing war in Ukraine, or deteriorating relations between China and the US/other countries) have a significant negative impact on global markets, with an increasing use of tariffs and domestic regulations making global trade more complex and driving economic fragmentation.

Artificial Intelligence ('AI'): Advances in computing power means that AI has become a powerful tool that will impact a huge range of areas and with a wide range of applications that have the potential to dislocate established business models and disrupt labour markets, creating uncertainty in corporate valuations. The significant energy required to power this technological revolution will create further pressure on environmental resources and carbon emissions.

The Board will continue to assess all identified risks on an ongoing basis. In relation to the UK Code, the Board is confident that the procedures that the Company has put in place are sufficient to ensure that the necessary monitoring of risks and controls has been carried out throughout the reporting period.

The principal risks and uncertainties faced by the Company during the financial year, together with the potential effects, controls and mitigating factors are set out in the following table.

Investment performance

Principal risk

The returns achieved are reliant primarily upon the performance of the portfolio.

The Board is responsible for:

- deciding the investment strategy to fulfil the Company's objective; and
- monitoring the performance of the Investment Manager and the implementation of the investment strategy.

An inappropriate investment strategy may lead to:

- poor performance compared to the Benchmark Index and the Company's peer group;
- a loss of capital; and
- dissatisfied shareholders.

The Board is also cognisant of the long-term risk to performance from inadequate attention to ESG issues, and in particular the impact of climate change. More detail in respect of these risks can be found in the AIFMD Fund Disclosures document available on the Company's website at www.blackrock.com/uk/individual/literature/policies/itc-disclosure-blackrock-smaller-companies-trust-plc.pdf.

Mitigation/Control

To manage this risk the Board:

- regularly reviews the Company's investment mandate and long-term strategy;
- has set investment restrictions and guidelines which the Investment Manager monitors and regularly reports on;
- receives from the Investment Manager a regular explanation of stock selection decisions, portfolio exposure, gearing and any changes in gearing and the rationale for the composition of the investment portfolio;
- monitors the maintenance of an adequate spread of investments in order to minimise the risks associated with factors specific to particular sectors, based on the diversification requirements inherent in the investment policy; and
- receives reports showing the Company's performance against the benchmark.

ESG analysis is integrated into the Manager's investment process, as set out on pages 47 to 49. This is monitored by the Board.

Market risk

Principal risk

Market risk arises from volatility in the prices of the Company's investments influenced by currency, interest rate or other price movements. It represents the potential loss the Company might suffer through holding market positions in financial instruments in the face of market movements.

Market risk includes the potential impact of events which are outside the Company's control, including (but not limited to) heightened geo-political tensions and military conflict, increased tariffs, a global pandemic and high inflation or stagflation (in particular through increased commodity price volatility driving inflation and impacting trade).

The impact of climate change and new legislation governing climate change and environmental issues have the potential to adversely impact markets and the valuation of companies within the portfolio.

There is the potential for the Company to suffer loss through holding investments in the face of negative market movements.

Mitigation/Control

The Board considers asset allocation, stock selection and levels of gearing on a regular basis and has set investment restrictions and guidelines which are monitored and reported on by the Investment Manager.

The Board monitors the implementation and results of the investment process with the Investment Manager.

The Board also recognises the benefits of a closed-end fund structure in extremely volatile markets such as those experienced during the Russia-Ukraine and Middle East conflicts as well as recent trade and tariff related disruptions. Unlike open-ended counterparts, closed-end funds are not obliged to sell down portfolio holdings at low valuations to meet liquidity requirements for redemptions. During times of elevated volatility and market stress, the ability of a closed-end fund structure to remain invested for the long term enables the portfolio manager to adhere to disciplined fundamental analysis from a bottom-up perspective and be ready to respond to dislocations in the market as opportunities present themselves.

The Manager takes into account climate risk within the investment process along with other ESG considerations as set out on page 47.

Strategic Report
continued

Income/dividend risk

Principal risk
The amount of dividends and future dividend growth will depend on the performance of the Company's underlying portfolio and may be impacted by events which are outside the Company's control, such as the Russia-Ukraine and Middle East conflicts. In addition, any change in the tax treatment of the dividends or interest received by the Company may reduce the level of dividends received by shareholders.

Mitigation/Control
The Board monitors this risk through the receipt of detailed income forecasts and considers the level of income at each Board meeting.

The Company has substantial revenue reserves which can be utilised and also has the ability to make distributions by way of dividends from capital reserves if required.

Legal & Compliance risk

Principal risk
The Company has been approved by HM Revenue & Customs as an investment trust, subject to continuing to meet the relevant eligibility conditions and operates as an investment trust in accordance with Chapter 4 of Part 24 of the Corporation Tax Act 2010. As such, the Company is exempt from capital gains tax on the profits realised from the sale of its investments.

Any breach of the relevant eligibility conditions could lead to the Company losing investment trust status and being subject to corporation tax on capital gains realised within the Company's portfolio. In such event the investment returns of the Company may be adversely affected.

Any serious breach could result in the Company and/or the Directors being fined or the subject of criminal proceedings or the suspension of the Company's shares which would in turn lead to a breach of the Corporation Tax Act 2010.

Amongst other relevant laws and regulations, the Company is required to comply with the provisions of the Companies Act 2006, the Alternative Investment Fund Managers' Directive, the UK Listing Rules and Disclosure Guidance and Transparency Rules, the Sanctions and Anti-Money Laundering Act 2018 and the Market Abuse Regulation.

Mitigation/Control
The Investment Manager monitors investment movements and the amount of proposed dividends to ensure that the provisions of Chapter 4 of Part 24 of the Corporation Tax Act 2010 are not breached. The results are reported to the Board at each meeting.

Compliance with the accounting rules affecting investment trusts is also carefully and regularly monitored.

The Company Secretary and the Company's professional advisers provide regular reports to the Board in respect of compliance with all applicable rules and regulations.

The Company's Investment Manager, BlackRock, at all times complies with sanctions administered by the UK Office of Financial Sanctions Implementation, the United States Treasury's Office of Foreign Assets Control, the United Nations, European Union member states and any other applicable regimes. The Company does not invest in companies domiciled in Russia.

Operational risk

Principal risk
In common with most other investment trust companies, the Company has no employees. The Company therefore relies on the services provided by third parties. Accordingly, it is dependent on the control systems of the Manager, the Depositary and the Fund Accountant who maintain the Company's assets, dealing procedures and accounting records.

The security of the Company's assets, dealing procedures, accounting records and adherence to regulatory and legal requirements and the prevention of fraud depend on the effective operation of the systems of these other third-party service providers. There is a risk that a major disaster, such as floods, fire, a global pandemic, or terrorist activity, renders the Company's service providers unable to conduct business at normal operating capacity and effectiveness.

Failure by any service provider to carry out its obligations to the Company could have a material adverse effect on the Company's performance. Disruption to the accounting, payment systems or custody records could prevent the accurate reporting and monitoring of the Company's financial position.

Inadequate succession planning arrangements, particularly of the Manager, could disrupt the level of service provided.

Mitigation/Control

Due diligence is undertaken before contracts are entered into with third-party service providers. Thereafter, the performance of the provider is subject to regular review and reported to the Board.

The Board reviews on a regular basis an assessment of the fraud risks that the Company could potentially be exposed to, and also a summary of the controls put in place by the Manager, the Depositary, the Custodian, the Fund Accountant and the Registrar designed specifically to mitigate these risks.

Most third-party service providers produce Service Organisation Control (SOC 1) reports to provide assurance regarding the effective operation of internal controls as reported on by their reporting accountants. These reports are provided to the Audit Committee.

The Company's financial instruments held in custody are subject to a strict liability regime and in the event of a loss of such financial instruments held in custody, the Depositary must return assets of an identical type or the corresponding amount, unless able to demonstrate the loss was a result of an event beyond its reasonable control.

The Board reviews the overall performance of the Manager, Investment Manager and all other third-party service providers and compliance with the Investment Management Agreement on a regular basis.

The Board also considers the business continuity arrangements of the Company's key service providers on an ongoing basis and reviews these as part of their review of the Company's risk register. The Board considers the Manager's succession plans in so far as they affect the services provided to the Company.

Financial risk

Principal risk

The Company's investment activities expose it to a variety of financial risks that include interest rate, credit and liquidity risk.

Mitigation/Control

Details of these risks are disclosed in note 17 to the financial statements, together with a summary of the policies for managing these risks.

Marketing risk

Principal risk

Marketing efforts are inadequate, do not comply with relevant regulatory requirements, and fail to communicate adequately with shareholders or reach out to potential new shareholders resulting in reduced demand for the Company's shares and a widening discount.

Mitigation/Control

The Board focuses significant time on communications with shareholders and reviewing marketing strategy and initiatives. All investment trust marketing documents are subject to appropriate review and authorisation.

Strategic Report
continued

Viability statement

In accordance with provision 31 of the 2018 UK Corporate Governance Code, the Directors have assessed the prospects of the Company over a longer period than the 12 months referred to by the 'Going Concern' guidelines.

The Board is cognisant of the uncertainty surrounding the potential duration of the conflicts in Russia-Ukraine and the Middle East, their impact on the global economy and the prospects for some of the Company's portfolio holdings. The Board is also cognisant of the disruptive impact on world trade as a result of US tariff initiatives and the effect these might have on the Company's portfolio. Notwithstanding these crises, and given the factors stated below, the Board expects the Company to continue for the foreseeable future and has therefore conducted this review for the period up to the AGM in 2030 being a five-year period from the date that this Annual Report will be approved by shareholders. This assessment term has been chosen as it represents a medium-term performance period over which investors in the smaller companies' sector generally refer to when making investment decisions.

In making this assessment the Board has considered the following factors:

- The Company's principal risks as set out on pages 35 to 39;
- The risk that the challenging geo-political backdrop, rising inflation and a sustained high interest rate environment will impact on the ability of portfolio companies to pay dividends, and consequently impact the Company's portfolio yield and ability to pay dividends;
- The ongoing relevance of the Company's investment objective in the current environment; and
- The level of demand for the Company's ordinary shares.

The Board has also considered a number of financial metrics and other factors, including:

- The Board has reviewed portfolio liquidity as at 28 February 2025;
- The Board has reviewed the Company's revenue and expense forecasts in light of the current economic back drop both in the UK and globally and the anticipated impact on dividend income and market valuations. The Board is confident that the Company's business model remains viable and that the Company has sufficient resources to meet all liabilities as they fall due for the period under review;
- The Board has reviewed the Company's borrowing and debt facilities and considers that the Company continues to meet its financial covenants in respect of these facilities and has a wide margin before any relevant thresholds are reached;
- The Board keeps the Company's principal risks and uncertainties as set out above under review, and is confident that the Company has appropriate controls and processes in place to manage these and to maintain its operating model, even given the global economic challenges posed by the impact of climate change on portfolio companies and the current climate of heightened geo-political risk (notably the invasion of Ukraine and the conflict in the Middle East);
- The operational resilience of the Company and its key service providers (the Manager, Depositary, Custodian, Fund Administrator, Registrar and Broker) and their ability to continue to provide a good level of service for the foreseeable future;
- The level of current and historic ongoing charges incurred by the Company;
- The discount to NAV;
- The level of income generated by the Company; and
- Future income forecasts.

The Company is an investment company with a relatively liquid portfolio. As at 28 February 2025, the Company held no illiquid unquoted investments and 71.4% of the Company's portfolio investments were readily realisable and listed on the London Stock Exchange. The remaining 28.6% that were listed on the Alternative Investment Market are also considered to be readily realisable. The Company has largely fixed overheads which comprise a very small percentage of net assets. Therefore, the Board has concluded that the Company would comfortably be able to meet its ongoing operating costs as they fall due.

Based on the results of their analysis, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment.

Section 172 Statement: promoting the success of the Company

The Companies (Miscellaneous Reporting) Regulations 2018 require directors to explain in greater detail how they have discharged their duties under Section 172(1) of the Companies Act 2006 in promoting the success of their companies for the benefit of members as a whole. This enhanced disclosure is required under the Companies Act 2006 and the AIC Code of Corporate Governance and covers how the Board has engaged with and understands the views of stakeholders and how stakeholders' needs have been taken into account, the outcome of this engagement and the impact that it has had on the Board's decisions.

As the Company is an externally managed investment company and does not have any employees or customers, the Board considers the main stakeholders in the Company to be the shareholders, key service providers (being the Manager and Investment Manager, the Custodian, Depositary, Registrar and Broker) and investee companies. The reasons for this determination, and the Board's overarching approach to engagement, are set out in the table below.

Stakeholders

Shareholders

Continued shareholder support and engagement are critical to the continued existence of the Company and the successful delivery of its long-term strategy. The Board is focused on fostering good working relationships with shareholders and on understanding the views of shareholders in order to incorporate them into the Board's strategy and objectives in delivering long-term growth and income. The Board makes a regular effort to discuss ongoing Company developments with shareholders.

Manager and Investment Manager

The Board's main working relationship is with the Manager, who is responsible for the Company's portfolio management (including asset allocation, stock and sector selection) and risk management, as well as ancillary functions such as administration, secretarial, accounting and marketing services. The Manager has sub-delegated portfolio management to the Investment Manager. Successful management of shareholders' assets by the Investment Manager is critical for the Company to successfully deliver its investment strategy and meet its objective. The Company is also reliant on the Manager as AIFM to provide support in meeting relevant regulatory obligations under the AIFMD and other relevant legislation.

Other key service providers

In order for the Company to function as an investment trust with a listing on the premium segment of the official list of the FCA and trade on the London Stock Exchange's (LSE) main market for listed securities, the Board relies on a diverse range of advisors for support in meeting relevant obligations and safeguarding the Company's assets. For this reason, the Board considers the Company's Custodian, Depositary, Registrar and Broker to be stakeholders. The Board maintains regular contact with its key external service providers and receives regular reporting from them through the Board and committee meetings, as well as outside of the regular meeting cycle.

Investee companies

Portfolio holdings are ultimately shareholders' assets, and the Board recognises the importance of good stewardship and communication with investee companies in meeting the Company's investment objective and strategy. The Board monitors the Manager's stewardship activities and receives regular feedback from the Manager in respect of meetings with the management of portfolio companies.

Management of share rating

Issue

The Board recognises that it is in the long-term interests of shareholders that shares do not trade at a significant discount or premium to their prevailing net asset value. Therefore, where deemed to be in shareholders' long-term interests, it may exercise its powers to issue shares or buy back shares with the objective of ensuring that an excessive premium or discount does not arise.

Engagement

The Board monitors the Company's share rating on an ongoing basis and receives regular updates from the Company's Broker and Manager regarding the level of discount and the drivers behind this. The Manager provides regular performance updates and detailed performance attribution.

The Board believes that the best way of maintaining the share rating at an optimal level over the long term is to create demand for the shares in the secondary market. To this end the Investment Manager is devoting considerable effort to broadening the awareness of the Company, particularly to wealth managers and to the wider retail shareholder market.

The Company contributes to a focused investment trust sales and marketing initiative operated by BlackRock on behalf of the investment trusts under its management. The Company's contribution to the consortium element of the initiative, which enables the trusts to achieve efficiencies by combining certain sales and marketing activities was a fixed amount of £67,000 and this contribution is matched by the Investment Manager for the year ended 31 December 2024. The purpose of the programme overall is to ensure effective communication with existing shareholders and to attract new shareholders to the Company to improve liquidity in the Company's shares and to sustain the stock market rating of the Company.

During the year ended 28 February 2025, the Company has repurchased 3,515,000 ordinary shares into treasury at a total cost of £47,141,000 and at an average discount of 12.3%.

Since the year end and as at the date of this report, the Company has repurchased 700,000 shares for costs of £8,803,000 at an average discount of 12.2%.

Impact

Over the last five years, the Company's discount has widened steadily, from an average discount of 2.9% for the year to 29 February 2020 to 13.2% for the year ended 28 February 2025. As at 2 May 2025 the Company's shares were trading at a discount of 12.2% to the cum income NAV (with debt at fair value). This compares to an average discount for the Company's sector of 12.1% (based on the Association of Investment Companies sector average for the UK Smaller Companies peer group).

Over the last twelve years, the number of shares held by retail shareholders has increased from 39.4% (as at 28 February 2013) to 69.8% at 28 February 2025.

Investment mandate and objective

Issue

The Board has the responsibility to shareholders to ensure that the Company's portfolio of assets is invested in line with the stated investment objective and in a way that ensures an appropriate balance between spread of risk and portfolio returns.

Engagement

The Board works closely with the Investment Manager throughout the year in further developing our investment strategy and underlying policies, not simply for the purpose of achieving the Company's investment objective but in the interests of shareholders and future investors.

Impact

The portfolio activities undertaken by the Investment Manager can be found in the Investment Manager's Report on pages 11 to 14.

Details regarding the Company's NAV and share price performance can be found in the Chairman's Statement on pages 5 and 6 and in the Strategic Report on page 34.

Responsible investing

Issue
More than ever, good governance and consideration of sustainable investment is a key factor in making investment decisions. Climate change is becoming a defining factor in companies' long-term prospects across the investment spectrum, with significant and lasting implications for economic growth and prosperity.

Engagement
The Board believes that responsible investment and sustainability are important to the longer-term delivery of the Company's success. The Board works closely with the Investment Manager to regularly review the Company's performance, investment strategy and underlying policies to ensure that the Company's investment objective continues to be met in an effective and responsible way in the interests of shareholders and future investors.

The Investment Manager's approach to the consideration of Environmental, Social and Governance (ESG) factors in respect of the Company's portfolio, as well as the Investment Manager's engagement with investee companies, are kept under review by the Board. The Investment Manager reports to the Board in respect of how consideration of material ESG risks and opportunities is integrated into the investment process; a summary of BlackRock's approach to ESG integration is set out on pages 47 to 49. The Investment Manager's engagement and voting policy is detailed on pages 47 to 49 and page 52 and on the BlackRock website.

Impact
The Board and the Investment Manager believe there is a positive correlation between ESG practices and investment performance. Details of the Company's performance in the year are given in the Chairman's Statement on pages 5 and 6 and the Performance Record on page 4.

The Company does not meet the criteria for Article 8 or 9 products under the EU Sustainable Finance Disclosure Regulation (SFDR) and the investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities. The Investment Manager has access to a range of data sources, including principal adverse indicator (PAI) data, when making decisions on the selection of investments. However, whilst BlackRock considers ESG risks for all portfolios and these risks may coincide with environmental or social themes associated with the PAIs, unless stated otherwise in the AIFMD Disclosure Document, the Company does not commit to considering PAIs in driving the selection of its investments.

Gearing and sources of finance

Issue
The Board believes that it is important for the Company to have an appropriate range of borrowings and facilities in place to provide a balance between longer-term and short-term maturities and between fixed and floating rates of interest.

Engagement
Gearing levels and sources of funding are reviewed regularly by the Board with a view to ensuring that the Company has a suitable mix of financing at competitive market rates.

As at 28 February 2025, the Company had the following borrowing facilities in place: long-term fixed rate funding in the form of a £25 million senior unsecured fixed rate private placement notes issued in May 2017 at a coupon of 2.74% with a 20 year maturity, a £20 million senior unsecured fixed rate private placement notes issued in December 2019 at a coupon of 2.41% with a 25 year maturity and a £25 million senior unsecured fixed rate private placement notes issued in September 2021 at a coupon of 2.47% with a 25 year maturity. Shorter-term variable rate funding consisted of an uncommitted overdraft facility of £60 million with The Bank of New York Mellon (International) Limited (BNY) with interest charged at SONIA plus 100 basis points (bps).

It is the Board's intention that gearing will not exceed 15% of the net assets of the Company at the time of the drawdown of the relevant borrowings. Under normal operating conditions it is envisaged that gearing will be within a range of 0%-15% of net assets.

Strategic Report
continued

Impact
The Board has been proactive over the last few years in putting in place structural fixed gearing with the issue of £70 million of private placement notes issued between May 2017 and September 2021 to lock in fixed rate, long dated, Sterling denominated financing at a highly competitive pricing level. The Board also has in place a bank overdraft with BNY at a competitive interest rate (SONIA plus 100 bps) and a lower non-utilisation fee (4 bps).

For the year to 28 February 2025, it is estimated that gearing contributed 0.4% to the NAV per share performance.

At the year end, the Company's gearing was 13.3% of net assets.

Service levels of third-party providers

Issue
The Board acknowledges the importance of ensuring that the Company's principal suppliers are providing a suitable level of service: including the Manager in respect of investment performance and delivering on the Company's investment mandate; the Custodian and Depositary in respect of their duties towards safeguarding the Company's assets; the Registrar in its maintenance of the Company's share register and dealing with investor queries and the Company's Broker in respect of the provision of advice and acting as a market maker for the Company's shares.

Engagement
The Manager reports to the Board on the Company's performance on a regular basis. The Board carries out a robust annual evaluation of the Manager's performance, their commitment and available resources.

The Board performs an annual review of the service levels of all third-party service providers and concludes on their suitability to continue in their role.

The Board receives regular updates from the AIFM, Depositary, Registrar and Broker on an ongoing basis.

The Board works closely with the Manager to gain comfort that relevant business continuity plans are in place and are operating effectively for all of the Company's service providers.

Impact
All performance evaluations were performed on a timely basis and the Board concluded that all third-party service providers, including the Manager were operating effectively and providing a good level of service.

The Board has received updates in respect of business continuity planning from the Company's Manager, Custodian, Depositary, Fund Administrator, Broker, Registrar and printers, and is confident that the arrangements in place are appropriate.

Board composition

Issue
The Board is committed to ensuring that its own composition brings an appropriate balance of knowledge, experience and skills, and that it is compliant with best corporate governance practice under the UK Code, including guidance on tenure and the composition of the Board's committees.

Engagement
The Board engaged an external firm (Stogdale St James) to carry out an independent external evaluation of the Board in 2022. As part of this process the Board also asked Stogdale St James to compile a skills matrix to enable the Board to identify areas of focus in future succession planning to ensure a diverse Board. The Board maintains this skills matrix as the cornerstone for undertaking all search and selection processes with the aim of further enhancing Board diversity.

All Directors are subject to a formal evaluation process on an annual basis and it was concluded that the Board, its Committees and the Chairman were all performing in an effective manner. More details are given on page 53.

All Directors stand for re-election/election by shareholders annually.

Shareholders may attend the AGM and raise any queries in respect of Board composition or individual Directors in person or may contact the Company Secretary or the Chairman using the details provided on page 117 with any issues.

The Board has implemented a policy of limiting directors' tenure to nine years. Subject to the constraints of effective succession planning, it is the Board's aim that no Director will serve on the Board for more than nine years (or twelve years in the case of the Chairman). The longer time limit for the Chairman's tenure is to allow for continuity of leadership in circumstances where a Chairman is appointed from the ranks of existing Board members after having already served on the Board for a period of time.

Impact
As at 7 May 2025, the Board had a 50:50 male to female gender ratio, in accordance with relevant regulation and best practice, and will continue to consider other diversity characteristics, such as age, ethnicity, gender, disability, educational or professional background when appraising Board composition.

The Parker Review in respect of board diversity and the recent changes to the FCA's Listing Rules set new diversity targets and associated disclosure requirements for UK companies listed on the premium and standard segment of the London Stock Exchange. Listing Rule 9.8.6R (9) requires listed companies to include a statement in their annual reports and accounts in respect of certain targets on board diversity, or if those new targets have not been met to disclose the reasons for this. This new requirement applies to accounting periods commencing on or after 1 April 2022 and therefore the Company has reported against these diversity targets for the current year ending 28 February 2025.

Further information on the composition and diversity of the Board can be found in the Corporate Governance Statement on page 65.

At the start of the year under review, no Board Director had tenure in excess of nine years.

Details of each Director's contribution to the success and promotion of the Company are set out in the Directors' Report on pages 55 and 56 and details of Directors' biographies can be found on pages 31 and 32.

The Directors are not aware of any issues that have been raised directly by shareholders in respect of Board composition in the year under review. Details for the proxy voting results in favour and against individual Directors' re-election at the 2024 AGM are given on the Company's website at www.blackrock.com/uk/brsc.

On 5 May 2023, the Directors established a combined Nomination and Remuneration Committee to perform these duties on an ongoing basis. This combined Committee meets annually in February/March each year, or more frequently as required on an ad hoc basis.

Shareholders

Issue
Continued shareholder support and engagement are critical to the continued existence of the Company and the successful delivery of its long-term strategy.

Engagement
The Board is committed to maintaining open channels of communication and to engage with shareholders and welcomes and encourages attendance and participation from shareholders at its Annual General Meetings. If shareholders wish to raise issues or concerns with the Board outside of the AGM, they are welcome to do so at any time. The Chairman is available to meet directly with shareholders periodically to understand their views on governance and the Company's performance where they wish to do so. He may be contacted via the Company Secretary whose details are given on page 117.

The Annual Report and Half Yearly Financial Report are available on the Company's website and are also circulated to shareholders either in printed copy or via electronic communications. In addition, regular updates on performance, monthly factsheets, the daily NAV and other information are also published on the website at www.blackrock.com/uk/brsc.

Strategic Report
continued

The Board also works closely with the Manager to develop the Company's marketing strategy, with the aim of ensuring effective communication with shareholders in respect of the investment mandate and objective. Unlike trading companies, one-to-one shareholder meetings usually take the form of a meeting with the portfolio manager as opposed to members of the Board. As well as attending regular investor meetings the portfolio managers hold regular discussions with wealth management desks and offices to build on the case for, and understanding of, long-term investment opportunities in the UK smaller companies' sector.

The Manager also coordinates public relations activity, including meetings between the portfolio managers and shareholders and potential investors to set out their vision for the portfolio strategy and outlook for the region and in the year under review, the Company held a number of webcasts and virtual conferences as well as meeting with investors by videoconference.

The Manager releases monthly portfolio updates to the market to ensure that investors are kept up to date in respect of performance and other portfolio developments and maintains a website on behalf of the Company that contains relevant information in respect of the Company's investment mandate and objective.

Impact

The Board values any feedback and questions from shareholders ahead of and during Annual General Meetings in order to gain an understanding of their views and will take action when and as appropriate. Feedback and questions will also help the Company evolve its reporting, aiming to make reports more transparent and understandable.

Feedback from all substantive meetings between the Investment Manager and shareholders will be shared with the Board. The Directors will also receive updates from the Company's broker on any feedback from shareholders, as well as share trading activity, share price performance and an update from the Investment Manager.

The portfolio management team attended a number of professional investor meetings (mainly by videoconference) and held discussions with many different wealth management desks and offices in respect of the Company during the year under review.

The portfolio manager also presented at virtual events hosted by Boring Money, Investor Meet, Kepler and Citywire. In addition, the portfolio manager met with a number of investors throughout the year.

Investors gave positive feedback in respect of the portfolio manager, the good long-term track record, clear investment strategy and low fee. Some investors commented that they liked the fact that (in common with many closed-ended funds across the sector) the Company's discount had widened, making the shares excellent value.

Investors expressed concerns over the outlook for UK consumers and the potential for economic data to deteriorate.

Environmental, Social and Governance Issues and Approach

The Board's approach

Environmental, social and governance (ESG) issues can present both opportunities and risks to long-term investment performance. Whilst the Company does not exclude investment in stocks purely on ESG criteria, material ESG analytics are integrated into the investment process when weighing up the risk and reward benefits of investment decisions and the Board believes that communication and engagement with portfolio companies is important and can lead to better outcomes for shareholders and the environment than merely excluding investment in certain areas.

More information on BlackRock's global approach to ESG integration, as well as activity specific to the BlackRock Smaller Companies Trust plc portfolio, is set out below. BlackRock has defined ESG integration as the practice of incorporating financially material E, S and/or G data and information and consideration of sustainability risks into investment decisions with the objective of enhancing risk-adjusted returns. ESG integration does not change the Company's investment objective. More information on sustainability risks may be found in the AIFMD Fund Disclosures document of the Company available on the Company's website at
www.blackrock.com/uk/individual/literature/policies/itc-disclosure-blackrock-smaller-companies-trust-plc.pdf.

BlackRock's approach to material ESG integration

BlackRock's clients have a wide range of perspectives on a variety of issues and investment themes, including sustainable and low-carbon transition investing. Given the wide range of unique and varied investment objectives sought by our clients, BlackRock's investment teams have a range of approaches to considering financially material E, S, and/or G factors. As with other investment risks and opportunities, the financial materiality of E, S and/or G considerations may vary by issuer, sector, product, mandate, and time horizon. Depending on the investment approach, this financially material E, S and/or G data or information may help inform due diligence, portfolio or index construction, and/or monitoring processes of our portfolios, as well as our approach to risk management.

BlackRock's ESG integration framework is built upon our history as a firm founded on the principle of thorough and thoughtful risk management. Aladdin, our core risk management and investment technology platform, allows investors to leverage financially material E, S and/or G data or information as well as the combined experience of our investment teams to effectively identify investment opportunities and investment risks. Our heritage in risk management combined with the strength of the Aladdin platform enables BlackRock's approach to ESG integration.

BlackRock's ESG Integration Statement can be found at
https://www.blackrock.com/corporate/literature/publication/blk-esg-investment-statement-web.pdf.

BlackRock's reporting and disclosures

In terms of its own reporting, BlackRock believes that the Sustainability Accounting Standards Board provides a clear set of standards for reporting sustainability information across a wide range of issues, from labour practices to data privacy to business ethics. For evaluating and reporting climate-related risks, as well as the related governance issues that are essential to managing them, the Task Force on Climate-related Financial Disclosures (TCFD) provides a valuable framework. BlackRock recognises that reporting to these standards requires significant time, analysis, and effort. BlackRock's 2023 TCFD report can be found at www.blackrock.com/corporate/literature/continuous-disclosure-and-important-information/tcfd-report-2023-blkinc.pdf.

BlackRock Smaller Companies Trust plc – BlackRock Investment Stewardship engagement with portfolio companies for the year ended 28 February 2025

The BlackRock portfolio management team has excellent access to company management teams and undertakes about 700 company meetings each year to identify high quality, cash generative businesses with strong management teams that are able to generate growth in a more challenging economic environment.

In addition, BlackRock also has a separate stewardship function. With effect from 1 January 2025, BlackRock's stewardship policies are being developed and implemented by two independent, specialist teams: BlackRock Investment Stewardship (BIS) and BlackRock Active Investment Stewardship (BAIS). BIS is responsible for activities in relation to clients' assets managed by certain index equity portfolio managers, while BAIS partners with BlackRock's active investment teams on company engagement and voting in relation to their holdings. Since 1 January 2025, BAIS has overseen investment stewardship for the Company's portfolio holdings.

The respective investment stewardship teams engage with companies, vote proxies on behalf of clients, contribute to industry dialogue on stewardship, and report on its activities. The teams aim to maintain a globally consistent approach while acknowledging the unique markets and sectors in which companies operate.

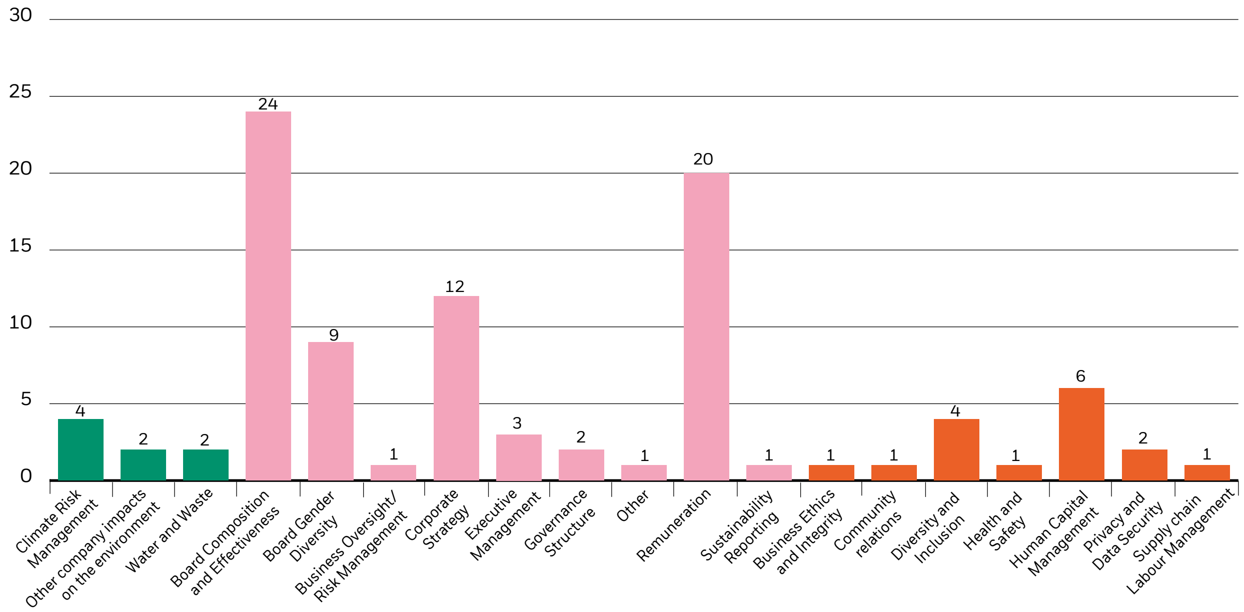
Strategic Report
continued

For the period from 1 March 2024 to 28 February 2025, there were 38 company engagements on a range of governance issues with the management teams of 29 companies in the BlackRock Smaller Companies Trust portfolio, representing 27% of the portfolio holdings at 28 February 2025. Additional information is set out in the table and the charts below as well as the key engagement themes for the meetings held in respect of the Company's portfolio holdings.

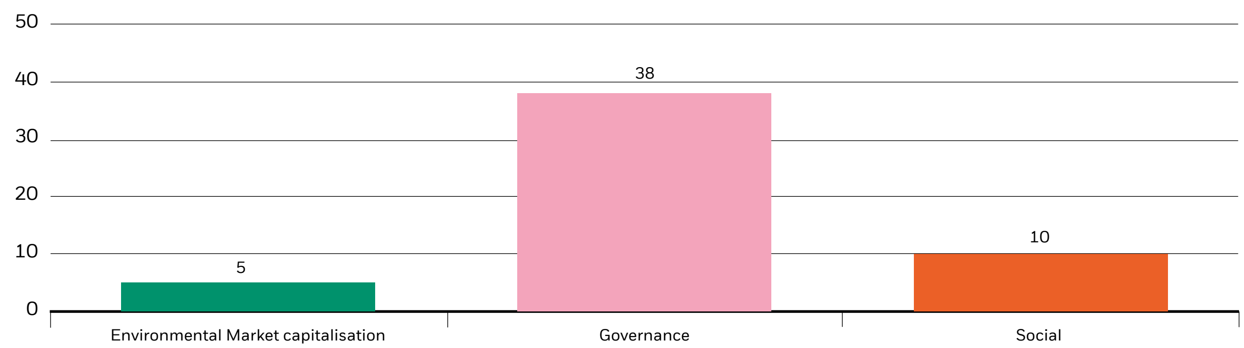
	Engagement activities
Number of engagements held[1]	38
Number of companies met[1]	29
% of equity investments covered[2]	27
Shareholder meetings voted at[3]	121
Number of proposals voted on[3]	1,955
Number of votes against management[3]	56
% of total votes represented by votes against management[3]	2.9

1 Source: BlackRock as at 28 February 2025.
2 Source: BlackRock. As a percentage of total portfolio holdings at 28 February 2025.
3 Source: BlackRock, Institutional Shareholder Services as at 28 February 2025.

Engagement Topics[1]



Engagement Themes[1]



1 The number of meetings held in respect of the Company's portfolio holdings; at which a particular topic is discussed. Most engagement conversations cover multiple topics. More detail about BIS' engagement priorities can be found here: www.blackrock.com/corporate/literature/publication/blk-stewardship-priorities-final.pdf.

Investment Stewardship

For most of the year under review (up to 31 December 2024), the BlackRock Investment Stewardship (BIS) team was responsible for stewardship activities in respect of companies in the BlackRock Smaller Companies Trust plc portfolio. BIS activities included engaging with companies, proxy voting on clients' behalf, contributing to industry dialogue on stewardship, and reporting on its activities. BIS aims to take a globally consistent approach, while recognizing the unique markets and sectors in which companies operate. With effect from 1 January 2025, BlackRock's stewardship policies are developed and implemented by two independent, specialist teams: BIS responsible for activities in relation to clients' assets managed by certain index equity portfolio managers, and BlackRock Active Investment Stewardship (BAIS). BAIS partners with BlackRock's active investment teams on company engagement and voting in relation to their holdings, and (with effect from 1 January 2025) is responsible for investment stewardship in respect of the Company's portfolio holdings.

A copy of the BAIS Global Engagement and Voting Guidelines can be found at the following link: https://www.blackrock.com/corporate/literature/publication/blackrock-active-investment-stewardship-engagement-and-voting-guidelines.pdf

Investment stewardship policies

The benchmark investment stewardship policies, which include BIS' Global Principles, regional voting guidelines and Engagement Priorities, and BAIS' Global Engagement and Voting Guidelines, set out the core elements of corporate governance that guide the investment stewardship teams' efforts. Each team takes a globally consistent approach, while recognizing the unique markets and sectors in which companies operate.

These benchmark policies are reviewed annually to reflect changes in market standards, regulations, and feedback from clients and companies.

BlackRock is committed to transparency in terms of disclosure of its stewardship activities on behalf of clients. The investment stewardship teams publish their voting policies to help BlackRock's clients understand their work to advance clients' interests as investors in public companies. Additionally, BIS publishes both annual and quarterly reports detailing its stewardship activities. More detail in respect of BIS reporting can be found at www.blackrock.com/corporate/insights/investment-stewardship.

For and on behalf of the Board

RONALD GOULD
Chairman
7 May 2025

Directors' Report

The Directors present the Annual Report and audited Financial Statements of the Company for the year ended 28 February 2025.

Status of the Company

The Company was incorporated in Scotland on 2 May 1906 under the registered number SC006176 and is domiciled in the United Kingdom. The Company is a public company limited by shares and is also an investment company under Section 833 of the Companies Act 2006 and operates as such.

The Company has been approved by HM Revenue & Customs as an investment trust in accordance with Sections 1158 and 1159 of the Corporation Tax Act 2010, subject to the Company continuing to meet eligibility conditions. The Directors are of the opinion that the Company has conducted its affairs in a manner which will satisfy the conditions for continued approval.

As an investment company that is managed and marketed in the United Kingdom, the Company is an Alternative Investment Fund (AIF) falling within the scope of, and subject to the requirements of, the Alternative Investment Fund Managers' Directive (AIFMD) as implemented, retained and onshored in the UK. The Company is governed by the provisions of the UK Alternative Investment Fund Managers' Regulations 2013 (the Regulations). The Company must also comply with the Regulations in respect of leverage, outsourcing, conflicts of interest, risk management, valuation, remuneration and capital requirements and must also make additional disclosures to both shareholders and the Financial Conduct Authority (FCA). Further details are set out in the AIFMD disclosures and in the Notes to the Financial Statements.

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

Information to be disclosed in accordance with Listing Rule 6.6.1 (information to be included in annual report and financial statements)

Disclosures in respect of how the Company has complied with Listing Rule 6.6.1 are set out on page 120.

Facilitating retail investments

The Company currently conducts its affairs so that the shares issued by the Company can be recommended by independent financial advisers to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream pooled investments and intends to continue to do so for the foreseeable future.

In the context of the implementation of RDR (Retail Distribution Review) and the growing popularity of investment trusts on platforms, it is worth noting that the Company's shares are designed for private investors in the UK, including retail investors and professionally advised private clients. It is also attractive to institutional investors who seek long-term capital growth and an attractive total return from quoted securities through investing in smaller UK quoted companies and who understand and are willing to accept the risks of exposure to equities. When assessing the suitability of the shares, private investors should consider consulting an independent financial adviser who specialises in advising on the acquisition of shares and other securities before acquiring shares. Naturally, investors should also be capable of evaluating the risks and merits of an investment in the Company and should always have sufficient resources to bear any loss that may result.

The common reporting standard

Tax legislation under the Organisation for Economic Cooperation and Development (OECD) Common Reporting Standard for Automatic Exchange of Financial Account Information (the Common Reporting Standard) was introduced on 1 January 2016.

The legislation requires investment trust companies to provide personal information to HMRC about investors who purchase shares in investment trusts. The Company has to provide information annually to the local tax authority on the tax residencies of a number of non-UK based certificated shareholders, and corporate entities. The local tax authority to which the information is initially passed may in turn exchange the information with the tax authorities of another country or countries in which the shareholder may be tax resident, where those countries (or tax authorities in those countries) have entered into agreements to exchange financial account information.

All new shareholders, excluding those whose shares are held in CREST, entered onto the share register, will be sent a certification form for the purposes of collecting this information.

Shareholder Rights Directive II

The Shareholder Rights Directive II took effect from 10 July 2019 with some transitional provisions. It encourages long-term shareholder engagement and transparency between companies and shareholders. In substantive terms the changes were small for investment companies and the majority of requirements apply to the Company's remuneration policy and disclosure of processes, as well as related party transactions. There are also additional rules for Alternative Investment Fund Managers and proxy advisers.

Dividends

Details of the dividends paid and payable in respect of the year are set out in the Chairman's Statement.

Future prospects

Commentary on future prospects for the Company is set out in both the Chairman's Statement and the Investment Manager's Report.

Investment management and administration

BlackRock Fund Managers Limited (BFM, AIFM or Manager) was appointed as the Company's AIFM with effect from 2 July 2014.

BlackRock Investment Management (UK) Limited (BIM (UK) or Investment Manager) acts as the Company's Investment Manager under a delegation agreement with BFM. BIM (UK) also acted as the Secretary of the Company throughout the year.

The management contract is terminable by either party on six months' notice. The Board continues to be independent from the AIFM. The agreement provides the appropriate balance between the Board's control over the Company, its investment policies and compliance with regulatory obligations. The AIFM has (with the Company's consent) delegated certain portfolio and risk management services, and other ancillary services, to the Investment Manager. The Investment Manager also acted as the Secretary of the Company throughout the year.

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

The Company contributes to a focused investment trust sales and marketing initiative operated by BlackRock on behalf of the investment trusts under its management. The Company's contribution to the consortium element of the initiative, which enables the trusts to achieve efficiencies by combining certain sales and marketing activities was a fixed amount of £67,000 (excluding VAT) and this contribution was matched by the Investment Manager for the year ended 31 December 2024. In addition, a budget of £51,000 (excluding VAT) was allocated for Company specific sales and marketing activity also for the year to 31 December 2024. For the financial year ended 28 February 2025, £195,000 (including VAT) has been charged in respect of these initiatives. The purpose of the programme overall is to ensure effective communication with existing shareholders and to attract new shareholders to the Company. This has the benefit of improving liquidity in the Company's shares and helps sustain the stock market rating of the Company.

The Manager and the Investment Manager are subsidiaries of BlackRock, Inc., which is a publicly traded corporation on the New York Stock Exchange, operating as an independent firm.

The AIFM receives an investment management fee which is based on a rate of 0.6% of the first £750 million of the Company's assets, reducing to 0.5% above this level. The fee rate was applied to an asset amount calculated as total assets (excluding current year income) less the current liabilities of the Company (the "Fee Asset Amount"). The investment management fee is allocated 75% to the capital column and 25% to the revenue column of the Income Statement. The Company has no performance fee arrangements in place.

Appointment of the manager

The Board considers the arrangements for the provision of investment management services to the Company on an ongoing basis and a formal review is conducted annually. The Board believes that the continuing appointment of the Manager as AIFM, with investment management services delegated to the Investment Manager, on the terms as previously disclosed, is in the interests of shareholders as a whole. As part of the annual review the Board considered the quality and continuity of the personnel assigned to handle the Company's affairs, the investment process and the results achieved to date. In the Board's view, the investment remit is best served by the BlackRock Emerging Companies Team, as manager of some of the best performing UK equity funds specialising in small- and mid-cap investments.

Directors' Report
continued

Depositary and custodian
The Company appointed BNY Mellon Trust & Depositary (UK) Limited (BNYTD) in this role with effect from 2 July 2014. However, with effect from 1 November 2017, the role of Depositary was transferred, by operation of a novation agreement, from BNYTD to its parent Company, The Bank of New York Mellon (International) Limited (BNY or the Depositary). The Depositary's duties and responsibilities are outlined in the investment fund legislation (as set out in the FCA AIF Rulebook). The main role of the Depositary under AIFMD is to monitor the operations of the Company, including monitoring cash flows and ensuring that the value of the Company's shares is valued appropriately in accordance with the relevant regulations and guidance. The Depositary is also responsible for enquiring into the conduct of the AIFM in each annual accounting period. The Company has appointed the Depositary in a tripartite agreement, to which the Manager as AIFM is also a signatory. The Depositary is also liable for the loss of financial instruments held in custody.

Under the depositary agreement, custody services in respect of the Company's assets have been delegated to the Asset Servicing division of BNY. BNY receives a custody fee payable by the Company at rates depending on the number of trades effected and the location of securities held. The depositary agreement is subject to 90 days' notice of termination by any party.

Registrar
The Company has appointed Computershare Investor Services PLC as its Registrar (the Registrar). The principal duty of the Registrar is the maintenance of the register of shareholders (including registering transfers). It also provides services in relation to corporate actions (including tender offers and the exercise of subscription shares), dividend administration and shareholder documentation. The Registrar receives a fixed fee plus disbursements and VAT per annum. Fees in respect of corporate actions and other services are negotiated on an arising basis.

Change of control
There are no agreements to which the Company is party that might be affected by a change of control of the Company.

Exercise of voting rights in investee companies
The exercise of voting rights attached to the Company's portfolio has been delegated to the Investment Manager, whose voting policy is set out below. BlackRock's approach to voting at shareholder meetings, engagement with companies and corporate governance is framed within an investment context. In BlackRock's view sound corporate governance practices by companies contribute to their long-term financial performance and thus to better risk-adjusted returns.

For the period from 1 March - 31 December 2024, BlackRock's proxy voting process was led by the BIS team, located in nine offices around the world. BIS' global reach and local presence allow the team to develop a deep understanding of local markets dynamics, regulation, and norms.

For the period from 1 March - 28 February 2025, the Investment Manager voted on 1,955 proposals at 121 general meetings on behalf of the Company. At these meetings the Investment Manager voted in favour of most resolutions, as should be expected when investing in well run companies but voted against 56 management resolutions and abstained from voting on 12 resolutions. Most of the votes against were in respect of resolutions relating to director elections which were deemed by the Investment Manager as not being in the long-term financial interest of shareholders.

Principal risks
The key risks faced by the Company are set out in the Strategic Report.

Going concern
The Financial Statements of the Company have been prepared on a going concern basis. The forecast projections and actual performance are reviewed on a regular basis throughout the year and the Directors believe that this is the appropriate basis, and the Company has adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months from the date these Financial Statements were approved, and is financially sound. The Company is able to meet all of its liabilities from its assets and the 2025 ongoing charges are approximately 0.8% (2024: 0.8%) of the net assets.

Directors
The Directors of the Company as at 28 February 2025 and their biographies are set out on pages 31 and 32. Details of Directors' interests in the ordinary shares of the Company are set out in the Directors' Remuneration Report. All of the Directors held office throughout the year under review.

All Directors will retire and being eligible, offer themselves for re-election or election at the forthcoming Annual General Meeting (AGM) to be held on 19 June 2025.

Board policy on tenure

The Board's policy on tenure is that length of service does not necessarily compromise the independence or contribution of directors of an investment trust company, where continuity and experience can add significantly to the strength of the Board.

However, mindful of the desirability of a combination of continuity and renewal, the Board has adopted a policy of limiting Directors' tenure to nine years. Subject to the constraints of effective succession planning, it is the Board's aim that no Director will serve on the Board for more than nine years (or twelve years in the case of the Chairman). The longer time limit for the Chairman's tenure is to allow for continuity of leadership in circumstances where a Chairman is appointed from the ranks of existing Board members after having already served on the Board for a period of time.

After due consideration and further to the annual evaluation process, the Board has concluded that all the Directors continue to be independent in both character and judgement and that there are no relationships or circumstances which are likely to affect the judgement of any Director. The Board has considered the position of the Directors, as part of the evaluation process, and believes that it would be in the Company's best interests for all the Directors to be proposed for re-election or election, given their material level of contribution. Details of the evaluation process are set out in the Corporate Governance Statement.

There were no contracts subsisting during or at the end of the year in which a Director of the Company is or was materially interested and which is or was significant in relation to the Company's business. None of the Directors is entitled to compensation for loss of office on the takeover of the Company. None of the Directors has a service contract with the Company. The Directors' attendance record is shown in the table on page 56.

Directors' indemnity and Directors' liability insurance

The Company has maintained appropriate Directors' Liability Insurance cover throughout the year. In addition to Directors' and Officers' Liability Insurance cover, the Company's Articles provide, subject to the provisions of applicable UK legislation, an indemnity for Directors in respect of costs incurred in the defence of any proceedings brought against them by third parties arising out of their positions as Directors, in which they are acquitted, or judgement is given in their favour. The Company has entered into Deeds of Indemnity with Directors individually which are available for inspection at the registered office of the Company and will be available at the Annual General Meeting.

Conflicts of interest

The Board has put in place a framework for Directors to report conflicts of interest or potential conflicts of interest which it believes has worked effectively during the year. All Directors notified the Company Secretary of any situations where they considered that they had a direct or indirect interest, or duty that conflicted or possibly conflicted, with the interests of the Company. All such situations were reviewed by the Board and duly authorised. Directors were also made aware that there remains a continuing obligation to notify the Company Secretary of any new situation that may arise, or any change to a situation previously notified. It is the Board's intention to continue to review all notified situations on an annual basis.

Streamlined Energy and Carbon Reporting (SECR) statement: greenhouse gas (GHG) emissions and energy consumption disclosure

As an externally managed investment company, the Company has no greenhouse gas emissions to report from its operations, nor does it have any responsibility for any other emissions producing sources under the Companies Act (Strategic Report and Directors' Reports) Regulations 2013. For the same reason the Company considers itself to be a low energy user under the SECR regulations and therefore is not required to disclose energy and carbon information.

Articles of association

Any amendments to the Company's Articles of Association must be made by special resolution.

Remuneration report

The Directors' Remuneration Report is set out on pages 58 to 61. An ordinary resolution to approve this report will be put to shareholders at the forthcoming Annual General Meeting.

Remuneration policy

The Remuneration policy is set out on pages 62 and 63. An ordinary resolution to approve this policy will be put to shareholders at the Annual General Meeting in 2026.

Directors' Report
continued

Notifiable interest in the Company's voting rights
As at 28 February 2025, the following investors had declared a notifiable interest in the Company's voting rights:

	Holding	%
Rathbone Bros	7,772,636	17.6
Saba Capital Management	3,612,910	8.3
BlackRock, Inc.[1]	3,219,091	7.4
Evelyn Partners	1,495,461	3.4

[1] Including 1,048,037 shares held by BlackRock Institutional Jersey Funds (The Dynamic Diversified Growth Fund) representing 2.4% of the Company's issued share capital. The remainder of BlackRock Inc.'s holding represents shareholdings of investment vehicles managed by members of the BlackRock Group and discretionary managed money, none of which exceeds 3% of the Company's issued share capital on an individual fund basis.

As at 2 May 2025, the following investors had declared a notifiable interest in the Company's voting rights:

	Holding	%
Rathbone Bros	7,772,636	17.6
Saba Capital Management	3,612,910	8.3
BlackRock, Inc.[1]	3,219,091	7.4
Evelyn Partners	1,495,461	3.4

1 Including 1,048,037 shares held by BlackRock Institutional Jersey Funds (The Dynamic Diversified Growth Fund) representing 2.4% of the Company's issued share capital. The remainder of BlackRock Inc.'s holding represents shareholdings of investment vehicles managed by members of the BlackRock Group and discretionary managed money, none of which exceeds 3% of the Company's issued share capital on an individual fund basis.

Share capital
Full details of the Company's share capital are given in note 15 of the Financial Statements. Details of the voting rights in the Company's shares as at the date of this report are given in note 17 to the Notice of Annual General Meeting. There are no restrictions on the voting rights of the shares or on the transfer of shares, and there are no shares that carry specific rights with regard to the control of the Company. At 28 February 2025, the Company's issued share capital was 43,804,792 ordinary shares, excluding 6,188,731 shares held in treasury.

Share issues and repurchases
The Company has the authority to purchase ordinary shares in the market to be held in treasury or for cancellation and to issue new ordinary shares for cash. 3,515,000 ordinary shares were repurchased into treasury for costs of £47,141,000 at an average discount of 12.3% during the year. Since the year end and as at the date of this report, the Company has repurchased 700,000 shares for costs of £8,803,000 at an average discount of 12.2%. No ordinary shares were issued under the authority during the year. The current authority to repurchase ordinary shares was granted to Directors on 20 June 2023 and expires at the conclusion of the Annual General Meeting in 2025. The Directors are proposing that their authority to buy back shares to be held in treasury, or for cancellation, and to issue new ordinary shares or sell shares from treasury, be renewed at the forthcoming Annual General Meeting.

Treasury shares
As described above, the Company is authorised to purchase its own ordinary shares which may be held in treasury and may be subsequently cancelled or sold for cash in the market. This would give the Company the ability to reissue shares quickly and cost effectively, thereby improving liquidity and providing the Company with additional flexibility in the management of its capital base. The Board currently intends only to authorise the sale of shares from treasury at or above the prevailing net asset value per share (plus costs of the relevant sale). This should result in a positive overall effect on shareholders if shares are repurchased at a discount and then sold at a price at or above the net asset value per share (plus costs of the relevant sale). In the interests of all shareholders, the Board will continue to keep the matter of treasury shares under review.

Annual General Meeting

The following information to be discussed at the forthcoming Annual General Meeting is important and requires your immediate attention. If you are in any doubt about the action you should take, you should seek advice from your stockbroker, bank manager, solicitor, accountant or other financial adviser authorised under the Financial Services and Markets Act 2000 (as amended). If you have sold or transferred all of your ordinary shares in the Company, you should pass this document, together with any other accompanying documents, including the form of proxy, at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

Resolutions for the election and re-election of Directors

The biographies of the Directors are set out on pages 31 and 32 and are incorporated into this report by reference. The skills and experience each Director brings to the Board for the long-term sustainable success of the Company are set out below. All of the Directors held office throughout the year under review and all of the Directors will stand for re-election by shareholders at the meeting in accordance with the requirements of the UK Code.

Resolution 4

Relates to the re-election of Mr Ronald Gould who was appointed on 1 April 2019. Mr Gould has current and detailed knowledge of the financial services industry and investment management and investment trusts. He brings leadership skills and much in-depth knowledge, expertise and experience of the sector to the Board, having served as Managing Director of the Promontory Financial Group and acted as Senior Adviser to the UK Financial Services Authority, as well as serving as a non-executive director on another investment trust board.

Resolution 5

Relates to the re-election of Mr Mark Little who was appointed on 1 October 2020. Mr Little has a wealth of experience in the financial services sector which he brings to his role on the Board, having begun his career as a fund manager with Scottish Widows Investment Management after qualifying as a chartered accountant with Price Waterhouse in 1991. He subsequently worked as Global Head of Automotive Research for Deutsche Bank and joined Barclays Wealth in 2005, where he became Managing Director of Barclays Wealth (Scotland and Northern Ireland). Mr Little also has audit committee experience, chairing the audit committees of Majedie Investments plc, abrdn Equity Income Trust plc and Fidelity Emerging Markets Limited; he also previously acted as audit committee chairman of Sanditon Investment Trust plc and Securities Trust of Scotland plc.

Resolution 6

Relates to the re-election of Mr James Barnes who was appointed on 31 July 2021. Mr Barnes brings to the Board a wealth of experience, especially in the UK smaller companies' sector. He began his career in broking and investment banking. He became CEO of Dobbies Garden Centres following an MBO in 1994 and was instrumental in growing the business through floatation and leading to its sale to Tesco in 2007. He continued to lead Dobbies within the Tesco stable until 2013. He was also director of Dunedin Smaller Companies Investment Trust plc overseeing its merger with Abrdn UK Smaller Companies plc. He has held a number of non-executive roles with UK businesses and is currently Chair of the Horticultural Trades Association.

Resolution 7

Relates to the re-election of Ms Helen Sinclair who was appointed on 1 March 2022. Ms Sinclair began her career in investment banking and spent nearly eight years at 3i plc focusing on management buy-outs and growth capital investments. She later co-founded Matrix Private Equity (which became Mobeus Equity Partners) in early 2000 and subsequently became Managing Director of Matrix Private Equity before moving to take on a number of non-executive director roles.

Directors' Report
continued

Resolution 8
Relates to the re-election of Ms Dunke Afe who was appointed on 1 January 2024. Ms Afe is an accomplished global marketing executive with extensive experience in raising brand awareness, delivering high-impact portfolio strategies and omni-channel marketing campaigns to drive business growth. She has previously worked with top blue chip multinationals including Unilever, Kimberly-Clark and Estee Lauder. Ms Afe is also serving as a non-executive director (and chair of the nominations and remunerations committee) on another investment trust board.

Attendance Record	Total scheduled meetings	Ronald Gould[1]	Susan Platts-Martin	Mark Little	James Barnes	Helen Sinclair	Dunke Afe
Board	5	5	5	5	5	5	5
Audit Committee	3	3	3	3	3	3	3
Management Engagement Committee	1	1	1	1	1	1	1
Remuneration and Nomination Committee	1	1	1	1	1	1	1

[1] Mr Gould is not a member of the Audit Committee but may attend by invitation. He was in attendance at all three Audit Committee meetings held for the year ended 28 February 2025.

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

Resolution 11 Authority to allot shares
The Directors may only allot shares for cash if authorised to do so by shareholders in general meeting. This resolution seeks authority for the Directors to allot shares for cash up to an aggregate nominal amount of £1,077,619.80 which is equivalent to 4,310,479 ordinary shares of 25p each and represents 10% of the current issued share capital excluding treasury shares. The Directors will use this authority when it is in the best interests of the Company to issue shares for cash. This authority will expire at the conclusion of the Annual General Meeting to be held in 2026, unless renewed prior to that date at an earlier general meeting.

Special resolutions
Resolution 12 Authority to disapply pre-emption rights
By law, directors require specific authority from shareholders before allotting new shares or selling shares out of treasury for cash without first offering them to existing shareholders in proportion to their holdings.

Resolution 12 empowers the Directors to allot new shares for cash or to sell shares which are held by the Company in treasury, otherwise than to existing shareholders on a pro rata basis, up to an aggregate nominal amount of £1,077,619.80 which is equivalent to 4,310,479 ordinary shares of 25p each and 10% of the Company's issued ordinary share capital excluding treasury shares. This authority will expire at the conclusion of the Annual General Meeting to be held in 2026, unless renewed prior to that date at an earlier general meeting.

Resolution 13 Authority to buy back shares
The resolution to be proposed will seek to renew the authority granted to the Directors enabling the Company to purchase its own shares. The Directors will only consider repurchasing shares in the market if they believe it to be in shareholders' interests and as a means of correcting any imbalance between supply and demand for the Company's shares. Under the Listing Rules of the FCA, the maximum price which can be paid is the higher of (i) 5% above the average market value of the ordinary shares for the five business days immediately preceding the date on which the purchase is made and (ii) the higher of the price quoted for (a) the last independent trade of, and (b) the highest current independent bid for, any number of ordinary shares on the trading venue where the purchase is carried out. In making purchases, the Company will deal only with member firms of the London Stock Exchange. The Directors are seeking authority to purchase up to 6,461,408 ordinary shares (being 14.99% of the issued share capital excluding treasury shares). This authority will expire at the conclusion of the Annual General Meeting to be held in 2026, unless renewed prior to that date at an earlier general meeting.

Recommendation

The Board considers that each of the resolutions is likely to promote the success of the Company and is in the best interests of the Company and its shareholders as a whole. The Directors unanimously recommend that you vote in favour of the resolutions as they intend to do in respect of their own beneficial holdings.

As mentioned in the Chairman's Statement, if you are unable to attend the meeting in person you can cast your vote by proxy, either by appointing the Chairman as your proxy or alternatively a third party. Details on how to do so are included on the Proxy Card provided. If you hold your shares through a Nominee or Platform you will need to contact them directly to instruct them on how you wish to vote or to request that they appoint you as a proxy in respect of your shareholding should you wish to attend the meeting. It may also be possible to vote electronically via the platform. If you are able to do so we would encourage shareholders to exercise your vote.

Corporate governance

Full details are given in the Corporate Governance Statement. The Corporate Governance Statement forms part of this Directors' Report.

Audit information

As required by Section 418 of the Companies Act 2006 the Directors who held office at the date of this report each confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and resolutions proposing their reappointment and authorising the Audit Committee to determine their remuneration for the ensuing year will be submitted at the Annual General Meeting.

The Directors' Report was approved by the Board at its meeting on 7 May 2025.

For and on behalf of the Board

RONALD GOULD
Chairman
7 May 2025

Directors' Remuneration Report

Introduction

On behalf of the Board, the Nomination and Remuneration Committee presents the Directors' Remuneration Report for the year ended 28 February 2025 which has been prepared in accordance with the requirements of Sections 420-422 of the Companies Act 2006.

The Remuneration Report comprises a remuneration policy report and a remuneration policy implementation report. The remuneration policy report is subject to a triennial binding shareholder vote and will be put to shareholders for approval at the AGM in 2026. The remuneration policy implementation report is subject to an annual advisory vote. The law requires the Company's independent auditors to audit certain parts of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditors' opinion is included in their report on pages 80 to 85.

Nomination and Remuneration Committee

At its meeting on 5 May 2023, the Board expanded the responsibilities of the Company's Nomination Committee and put in place a new combined Nomination and Remuneration Committee. As well as responsibility for succession planning and Board composition, this newly formed Committee has delegated responsibility for determining the policy for directors' remuneration and setting remuneration for the Company's Chair, Audit Committee Chair, Senior Independent Director and independent non-executive Directors in accordance with the principles and provisions of the UK Code. The Committee's responsibilities include reporting and making recommendations to the Board on all matters of remuneration.

Statement by the Chairman of the Nomination and Remuneration Committee

The Company's policy on remuneration is set out on pages 62 and 63. A key element is that fees payable to Directors should be sufficient to attract and retain individuals with suitable knowledge and experience, and that consideration is given to the value and amount of time committed. The Committee's focus is on setting the strategy for the successful progression of the Company and monitoring performance against the strategic objectives set. In order to do this effectively, Directors spend a substantial amount of time preparing for the five scheduled Board meetings and two Audit Committee meetings held each year. At these meetings, the Directors review the Company's portfolio, monitor investment performance and review compliance with investment guidelines. The Board also reviews and monitors the Company's ongoing operating costs to ensure that these represent optimal value and are in line with agreed budgets. In addition, the Board sets the marketing strategy of the Company and contributes to a sales and marketing initiative operated by BlackRock; the Board has set key performance indicators to monitor progress and reviews these on a regular basis to monitor and assess the effectiveness of this initiative.

The Chairman makes himself available to meet directly with shareholders and the Board monitors the Company's share rating closely and is responsible for determining the appropriate action to be taken to manage this where necessary. Directors are also responsible for establishing and maintaining the Company's control systems to manage risk effectively, and a register of these controls and the risks facing the Company are reviewed at each Audit Committee meeting, along with control reports from external auditors. Directors also receive an annual update from BlackRock's internal audit department. As well as this usual business, Directors also spend additional time as and when required in ad hoc meetings to address other issues as they arise, including the Board's response to emerging risks. Investment trusts are subject to a large number of regulatory and disclosure requirements, including the requirements of the UK Code, UKLA Listing Rules, and Investment Trust Company tax regulations. The regulatory burden has increased significantly in recent years, with the implementation of AIFMD, GDPR, FATCA and the Common Reporting Standard requiring considerable additional time to be spent by the Board to ensure that new depositary and management agreements comply with best industry practice. There are yet more new regulatory obligations that will become applicable to the Company over the next few years, all of which are expected to generate an increased workload for Directors, and the Board will continue to be mindful of this in setting remuneration levels.

For the year ended 28 February 2025, the Chairman received an annual fee of £50,000, the Audit Committee Chairman received £38,000 per annum and the other Directors received £33,000 per annum. The Senior Independent Director who is also the Chair of the Nomination and Remuneration Committee received an additional fee of £2,000. Following a review on 5 March 2025, and with effect from 1 March 2025, the Chairman will receive an annual fee of £52,000, the Audit Committee Chairman will receive £41,000 per annum and the other Directors will each receive £35,000 per annum. The Senior Independent Director will receive an additional £2,000 per annum. The Board has considered the average rate of inflation during the period since the last fee increase and reviews the level of remuneration in comparison with other investment trusts of a similar size and/or mandate as well as taking account of any data published by the AIC and other third parties to ensure that fees are in line with industry practice. This comparison, together with consideration of any alteration in non-executive Directors' responsibilities, including but not limited to the Audit Committee Minimum Standard and Consumer Duty regulations, has been used in considering the level of increase in remuneration. The basis for determining the level of any increase in Directors' remuneration is set out in the Directors' Remuneration Policy on pages 62 and 63.

No discretionary fees have been paid to the Directors during the year or previous year and the payment of such fees is expected to be a rare occurrence, only necessary in exceptional circumstances, for example a major corporate restructuring of the Company, which would require significant additional time to be spent. Any discretionary fees paid to the Directors will be clearly disclosed in the Directors' Remuneration Report accompanied by an explanation of the work undertaken and any it was deemed necessary to pay such additional remuneration.

Remuneration limits contained within Articles of Association

The maximum remuneration of the Directors is determined within the limits of the Company's Articles and currently amounts in aggregate to £250,000 per annum. No element of the Directors' remuneration is performance related.

Remuneration implementation report (audited)

A single figure for the total remuneration of each Director is set out in the table below for the years ended 28 February 2025 and 29 February 2024:

	28 February 2025			29 February 2024		
Directors	**Fees**	**Taxable benefits[8]**	**Total**	**Fees**	**Taxable benefits[7]**	**Total**
	£	**£**	**£**	**£**	**£**	**£**
Ronald Gould[1] (Chairman)	50,000	493	50,493	46,735	4,740	51,475
Mark Little[2]	38,000	5,692	43,692	35,700	5,022	40,722
Susan Platts-Martin[3]	35,000	2,477	37,477	32,550	2,004	34,554
Helen Sinclair[4]	33,000	627	33,627	31,500	591	32,091
James Barnes[5]	33,000	6,272	39,272	31,500	4,060	35,560
Dunke Afe[6]	33,000	2,298	35,298	5,178	954	6,132
Total	**222,000**	**17,859**	**239,859**	**183,163**	**17,371**	**200,534**

1 Mr Gould joined the Board on 1 April 2019 and became Chairman on 4 June 2019.
2 Mr Little joined the Board on 1 October 2020 and was appointed Audit Committee Chairman on 11 June 2021.
3 Ms Platts-Martin became Senior Independent Director on 28 July 2020 and was appointed the Nomination and Remuneration Chair on 5 May 2023.
4 Mrs Sinclair joined the Board on 1 March 2022.
5 Mr Barnes joined the Board on 31 July 2021.
6 Ms Afe joined the Board on 1 January 2024.
7 Taxable benefits relate to travel and subsistence costs which have been grossed up to include PAYE and NI contributions.

The information in the above table has been audited. The amounts paid by the Company to the Directors were for services as non-executive Directors. As at 28 February 2025, an amount of £19,000 was outstanding to Directors in respect of their annual fees (29 February 2024: £17,000).

As the Company has no employees, the table above also comprises the total remuneration costs and benefits paid by the Company.

Directors' Remuneration Report

continued

Relative importance of spend on remuneration

To enable shareholders to assess the relative importance of spend on remuneration, this has been shown in the table below compared with the Company's total income, total profit/(loss) and dividend distributions.

	2025 £'000	2024 £'000	Change £'000
Directors' total remuneration	222	183	+39
Total dividends paid and payable	19,586	19,955	-369
Income from investments	22,684	21,884	+800
Net loss on ordinary activities after taxation	(4,268)	(32,701)	+28,433
Buyback of ordinary shares	47,141	19,989	+27,152

No payments were made in the period to any past Directors (2024: nil).

Annual percentage change in Directors' remuneration

The following table sets out the annual percentage changes in Directors' fees over the past five years.

	28 February 2025	29 February 2024	28 February 2023	28 February 2022	28 February 2021
Ronald Gould	7.0%	5.0%	4.1%	0.6%	0.0%
Mark Little[1]	6.4%	5.0%	7.5%	10.9%	0.0%
Susan Platts-Martin[2]	7.5%	5.0%	4.2%	4.4%	0.0%
James Barnes[3]	4.8%	5.0%	4.3%	0.0%	N/a
Helen Sinclair[4]	4.8%	5.0%	0.0%	N/a	N/a
Dunke Afe[5]	4.8%	0.0%	N/a	N/a	N/a

[1] Mr Little joined the Board on 1 October 2020 and the percentage change in his annual fixed fee has been annualised for 2021. Appointed as Audit Committee Chairman on 11 June 2021 which accounted for the percentage increase in 2022.
[2] Ms Platts-Martin was appointed Senior Independent Director on 28 July 2020 and appointed as Chair of the Nomination and Remuneration committee with effect from 5 May 2023.
[3] Mr Barnes was appointed on 31 July 2021 and the percentage change in his annual fixed fee has been annualised for 2022.
[4] Mrs Sinclair was appointed on 1 March 2022.
[5] Ms Dunke Afe was appointed on 1 January 2024 and the percentage change in her annual fixed fee has been annualised for 2024.

As previously noted, the Company does not have any employees and hence no comparisons are given in respect of the comparison between Directors' and employees' pay increases.

Shareholdings (audited)

The Board has not adopted a policy that Directors are required to own shares in the Company.

The interests of the Directors in the ordinary shares of the Company are set out in the table below. The Company does not have a share option scheme therefore none of the Directors has an interest in share options. All of the Directors held office throughout the year under review.

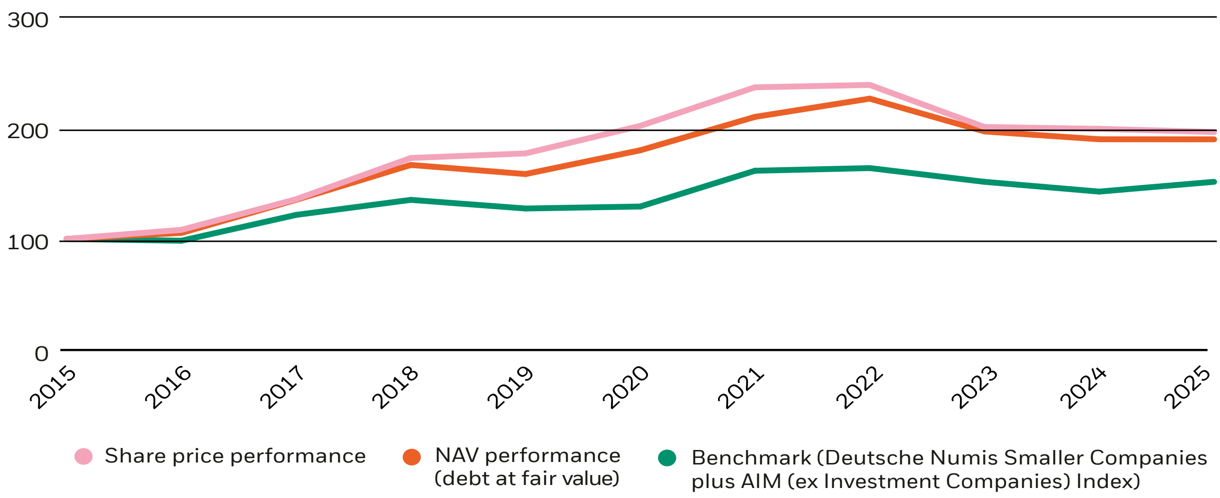
	28 February 2025	29 February 2024
Ronald Gould	3,544	3,544
Mark Little	531	491
Susan Platts-Martin	2,800	2,800
James Barnes	2,500	2,500
Helen Sinclair	988	988
Dunke Afe	–	–

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

Performance

The line graph which follows compares the Company's net asset value (with dividends reinvested) and share price total return with the total return on an equivalent investment in the Deutsche Numis Smaller Companies plus AIM (excluding Investment Companies) Index. This composite index was selected for comparison purposes, as it was the Company's benchmark used for investment performance measurement purposes.

Total Shareholder Return from 1 March 2015 to 28 February 2025



All graph data rebased to 100, with dividends reinvested.
Sources: BlackRock and LSEG Datastream.

Implementation of the Remuneration Policy in the 2024 financial year

The Directors intend that the Remuneration Policy, which forms part of this report, will be implemented as set out on pages 62 and 63. The Directors do not receive any performance related remuneration or incentives. Discretionary payments are permitted under the policy; however, such discretionary payments would only be considered in exceptional circumstances.

Retirement of Directors

Details are given in the Directors' Report on page 53.

For and on behalf of the Board

SUSAN PLATTS-MARTIN
Chair
Nomination and Remuneration Committee
7 May 2025

Directors’ Remuneration Policy

Directors’ Remuneration Policy

In determining Directors’ fees, a number of factors are considered, including the time commitment required, the level of skills and appropriate experience required, and the need for Directors to maintain on an ongoing basis an appropriate level of knowledge of regulatory and compliance requirements in an industry environment of increasing complexity. More details of the work carried out by the Board, the regulatory framework that it must ensure the Company complies with and the time commitments of Directors are set out in the Statement of the Chairman on pages 58 and 59. The Board also considers the average rate of inflation during the period since the last fee increase and reviews the level of remuneration in comparison with other investment trusts of a similar size and/or mandate as well as taking account of any data published by the AIC to ensure that fees are in line with industry practice. This comparison, together with consideration of any alteration in non-executive Directors’ responsibilities, is used to review whether any change in remuneration is necessary. The review is performed on an annual basis. The Board is cognisant of the need to avoid any potential conflicts of interest and has therefore agreed a mechanism by which no Director is present when his or her own pay is being considered. The Company has no executive employees and consequently no consideration is required to be given to employment conditions elsewhere in setting Directors’ fees. No element of the Directors’ remuneration is performance related. The Company has not awarded any share options or long-term performance incentives to any of the Directors. None of the Directors has a service contract with the Company or receives any non-cash benefits or pension entitlements. The terms of their appointment are detailed in a letter sent to them when they join the Board. These letters are available for inspection at BlackRock’s offices at 12 Throgmorton Avenue, London EC2N 2DL. The remuneration policy would be applied when agreeing the remuneration package of any new Director. Directors’ appointments do not have a fixed duration, but they can be terminated by the Company in writing at any time without obligation to pay compensation. On termination of the appointment, Directors shall only be entitled to accrued fees as at the date of termination together with reimbursement of any expenses properly incurred prior to that date. No payments for loss of office are made. Directors are subject to annual re-election.

Consideration of shareholders’ views

An ordinary resolution to approve the remuneration report is put to members at each Annual General Meeting, and shareholders have the opportunity to express their views and raise any queries in respect of remuneration policy at this meeting. To date, no shareholders have commented in respect of the remuneration policy. In the event that there was a substantial vote against any resolution proposed at the Company’s AGM, the reasons for any such vote would be sought and appropriate action taken. Should the votes be against resolutions in relation to the Directors’ remuneration, further details will be provided in future Directors’ Remuneration Reports. In accordance with the Companies Act 2006, the Company is required to seek shareholder approval of its remuneration policy on a triennial basis. An ordinary resolution for the approval of the remuneration policy was approved by shareholders at the Annual General Meeting in 2023. 99.78% of the votes cast were in favour of the resolution to approve the Directors’ remuneration policy and 0.22% of votes were cast against. The remuneration policy will next be put to shareholders for approval at the AGM in 2026.

At the Company’s Annual General Meeting held on 20 June 2024, the resolution to approve the Directors’ Remuneration Report was approved by 99.84% of votes cast in favour of the resolution and 0.16% votes cast against. Any discretionary fees paid to the Directors will be clearly disclosed in the Directors’ Remuneration Report accompanied by an explanation of the work undertaken.

Policy table

Purpose and link to strategy		Fees payable to Directors should be sufficient to attract and retain individuals of high calibre with suitable knowledge and experience. Those chairing the Board and key Committees should be paid higher fees than other Directors in recognition of their more demanding roles. Fees should reflect the time spent by Directors on the Company's affairs and the level of complexity of responsibilities borne by the Directors.
Description		Levels of fixed annual fee with effect from 1 March 2025: Chairman – £52,000 Audit Committee Chairman – £41,000 Senior Independent Director who is also the Chair of the Nomination and Remuneration Committee – £37,000 Directors – £35,000 All reasonable expenses to be reimbursed.
Maximum levels		Remuneration consists of a fixed fee each year, set in accordance with the stated policies and as such there is no set maximum threshold; however, any increase granted must be in line with the stated policies. The Company's Articles set a limit of £250,000 per annum in respect of the total fees that may be paid to Directors in any financial year. In addition, the Directors propose a limit of £50,000 per annum in relation to the maximum that may be paid in respect of taxable benefits. These ceilings have been set at a level to provide flexibility in respect of the recruitment of additional Board members and inflation.
Policy on share ownership		Directors are not required to own shares in the Company.
Operation	**Fixed fee element**	The Board reviews the quantum of Directors' pay each year to ensure that this is in line with the level of Directors' remuneration for other investment trusts of a similar size. When making recommendations for any changes in pay, the Board will consider wider factors such as the average rate of inflation over the period since the previous review, and the level and any change in complexity of the Directors' responsibilities (including additional time commitments as a result of increased regulatory or corporate governance requirements). Directors are not eligible to be compensated for loss of office, nor are they eligible for bonuses, pension benefits, share options or other incentives or benefits. Directors do not have service contracts but are appointed under letters of appointment.
	Discretionary Payments	The Company's Articles authorise the payment of discretionary fees to Directors for any additional work undertaken on behalf of the Company which is outside of their normal duties. Any such extra work undertaken is subject to the prior approval of the Chairman or, in the case of the Chairman undertaking the extra work, subject to the prior approval of the Chairman of the Audit Committee. The level of discretionary fees shall be determined by the Directors and will be subject to a maximum of £25,000 per annum per Director. Any discretionary fees paid will be disclosed in the Directors' Remuneration Implementation Report within the Annual Report.
	Taxable benefits	Some expenses incurred by Directors are required to be treated as taxable benefits. Taxable benefits include (but are not limited to) travel expenses incurred by the Directors in the course of travel to attend Board and Committee meetings which are held at the Manager's registered office in London, and which are reimbursed by the Company and therefore treated as a benefit in kind and are subject to tax and national insurance. The Company's policy in respect of this element of remuneration is that all reasonable costs of this nature will be reimbursed as they are incurred, including the tax and national insurance costs incurred by the Director on such expenses.

Corporate Governance Statement

Chairman's introduction

Corporate Governance is the process by which the Board seeks to look after shareholders' interests and protect and enhance shareholder value. Shareholders hold the Directors responsible for the stewardship of the Company, delegating authority and responsibility to the Directors to manage the Company on their behalf and holding them accountable for its performance.

The Board is ultimately responsible for framing and executing the Company's strategy and for closely monitoring risks. We aim to run the Company in a manner which is responsible and consistent with our belief in honesty, transparency and accountability. In our view, good governance means managing our business well and engaging effectively with investors. We consider the practice of good governance to be an integral part of the way we manage the Company, and we are committed to maintaining high standards of financial reporting, transparency and business integrity.

As a UK-listed investment trust company our principal reporting obligation is driven by the UK Corporate Governance Code (the UK Code) issued by the Financial Reporting Council in July 2018. However, as listed investment trust companies differ in many ways from other listed companies, the Association of Investment Companies has drawn up its own set of guidelines, the AIC Code of Corporate Governance (the AIC Code) issued in February 2019, which addresses the governance issues relevant to investment companies and meets the approval of the Financial Reporting Council.

The Board has determined that it has complied with the recommendations of the AIC Code. This in most material respects is the same as the UK Code, save that there is greater flexibility regarding the tenure of office of the Chairman and membership of the Audit Committee.

This report, which forms part of the Directors' Report, explains how the Board deals with its responsibility, authority and accountability.

Compliance

The Board has made the appropriate disclosures in this report to ensure that the Company meets its continuing obligations. It should be noted that, as an investment trust, most of the Company's day-to-day responsibilities are delegated to third party service providers, the Company has no executive employees and the Directors are all non-executives, therefore not all the provisions are directly applicable to the Company. The Board considers that the Company has complied with the recommendations of the AIC Code and the provisions contained within the UK Code that are relevant to the Company throughout this accounting period, except for the provisions relating to:

- the role of the chief executive;
- executive directors' remuneration; and
- the need for an internal audit function.

For the reasons set out in the AIC Code, and as explained in the UK Code, the Board considers that these provisions are not relevant to the position of the Company, being an externally managed investment company with no executive employees and, in relation to the internal audit function, in view of BlackRock having an internal audit function. Further explanation is provided below.

Information on how the Company has applied the principles of the AIC Code and the UK Code is set out below. The UK Code is available from the Financial Reporting Council's website at frc.org.uk. The AIC Code is available from the Association of Investment Companies at theaic.co.uk.

The Board

The Board currently consists of six non-executive Directors, all of whom are considered to be independent of the Manager. Provision 9 of the UK Code which relates to the combination of the roles of the chairman and chief executive does not apply as the Company has no executive directors.

The Board's primary purpose is to direct the Company to maximise shareholder value within a framework of proper controls and in accordance with the Company's investment objective.

Board structure and management

Details of the Board's structure, roles and responsibilities and management are set out in the summary of governance structure on page 30. The Directors' biographies on pages 31 and 32 demonstrate a breadth of investment, commercial accounting, financial and professional experience which enables them to provide effective strategic leadership and proper governance of the Company. Details of the Chairman's other significant time commitments can be found on page 31.

The Company does not have a chief executive as day-to-day management of the Company's affairs is delegated to the Manager as AIFM, with investment management and other ancillary services delegated to the Investment Manager. Representatives of the Manager and the Company Secretary attend each Board meeting. The Board, the AIFM, the Investment Manager and the Company Secretary operate in a supportive and co-operative manner.

Board independence and tenure

The Board's individual independence, including that of the Chairman, has been considered and confirmed, and this independence allows all of the Directors to sit on the Company's various Committees. In accordance with changes to the UK Code, the Chairman of the Board does not act as a member of the Audit Committee. None of the Directors has a service contract with the Company. The terms of their appointment are detailed to them when they join the Board. Copies of these letters are available on request from the Company's registered office and will be available at the Annual General Meeting.

Board Diversity

While the Board does not have a formal policy on diversity, it recognises the benefits at Board level and believes that Directors should have a mix of different skills, experience, backgrounds, ethnicity, gender and other characteristics. All of these are taken into account in establishing our selection criteria. The services of an external search consultant may be used to identify suitable candidates and assist with the selection process. The Committee meets at least once a year and more regularly if required.

As at 28 February 2025, the Board had a 50:50 male to female gender ratio, in accordance with relevant regulation and best practice, and will continue to consider other diversity characteristics, such as age, ethnicity, gender, disability, educational or professional background when appraising Board composition.

The Board has complied with the recommendations of the Parker Review in respect of board diversity and the recent changes to the FCA's Listing Rules set new diversity targets and associated disclosure requirements for UK companies listed on the premium and standard segment of the London Stock Exchange. Listing Rule 9.8.6R (9) requires listed companies to include a statement in their annual reports and accounts in respect of certain targets on board diversity, or if those new targets have not been met to disclose the reasons for this. This requirement applies to accounting periods commencing on or after 1 April 2022 and therefore the Company has reported against these diversity targets for the year ending 28 February 2025.

Further information on the composition and diversity of the Board can be found in the disclosure table which follows below:

Gender	Number of Board Members	Percentage of Board	Number of senior roles held[1]
Men	3	50%	2
Women	3	50%	1
Ethnicity[2]			
White British (or any other white background)	5	83%	3
Black/African/Caribbean/Black British	1	17%	0

1 A senior position is defined as the role of Chairman, Audit Committee Chairman or Senior Independent Director.
2 Categorisation of ethnicity is stated in accordance with the Office of National Statistics classification.

Directors' appointment, retirement and rotation

The rules concerning the appointment, retirement and rotation of Directors are set out in the Directors' Report on page 53.

Directors' induction, training and development

When a new Director is appointed to the Board, he or she is provided with all relevant information regarding the Company and their duties and responsibilities as a Director. In addition, a new Director will also spend some time with representatives of the Investment Manager whereby he or she will become familiar with the various processes which the Investment Manager considers necessary for the performance of its duties and responsibilities to the Company.

Corporate Governance Statement
continued

The Company's policy is to encourage Directors to keep up to date and attend training courses on matters which are directly relevant to their involvement with the Company. The Directors also receive regular briefings from, amongst others, the auditors, representatives of the Manager and the Company Secretary regarding any proposed developments or changes in laws or regulations that could affect the Company and/or the Directors. Directors' training and development needs are reviewed by the Chairman on an annual basis.

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

Board's responsibilities
The Board is responsible to shareholders for the overall management of the Company. It decides upon matters relating to the Company's investment objective, policy and strategy and monitors the Company's performance towards achieving that objective through its agreed policy and strategy. The Board has also adopted a schedule of matters reserved for its decision. The Board is supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties.

Strategic issues and all operational matters of a material nature are determined by the Board. The Board has responsibility for ensuring that the Company keeps adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable it to ensure that the financial statements comply with the Companies Act 2006. It is the Board's responsibility to present a balanced and understandable assessment, which extends to interim and other price-sensitive public reports. The Board is also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board has established a procedure whereby Directors wishing to do so in the furtherance of their duties, may take independent advice at the Company's expense.

Meetings
The Board meets at least five times each year to review investment performance, financial reports and other reports of a strategic nature. Board or Board committee meetings are also held on an ad hoc basis to consider particular issues as they arise. The attendance record for each meeting is set out on page 56.

Key representatives of the Investment Manager attend each meeting. Details of the Directors' other significant time commitments can also be found on pages 31 and 32. In addition to regular scheduled Board meetings, the Directors met additionally in the year ended 28 February 2025 to receive performance updates from the portfolio manager and to review and monitor income forecasts in periods of market volatility.

Performance evaluation
In order to review the effectiveness of the Board, its Committees and the individual Directors, the Board carries out an annual appraisal process. This encompasses both quantitative and qualitative measures of performance in respect of the Board and its Committees, implemented by way of the completion of an evaluation survey and a subsequent review of the findings. The appraisal of the Chairman follows the same process and is carried out by the Board as a whole under the leadership of the Senior Independent Director without the Chairman present.

The appraisal process is considered by the Board to be constructive in terms of identifying areas for improving the functioning and performance of the Board and its Committees and the contribution of individual Directors, as well as building on and developing individual and collective strengths. There were no significant actions arising from the evaluation process.

Following the conclusion of the evaluation, the Chairman is pleased to confirm that each of the Directors continues to be effective and to demonstrate commitment to the role (including time for Board and Committee meetings and any other duties). Susan Platts-Martin, as Senior Independent Director, is pleased to confirm that, following the evaluation, the Chairman also continues to be effective and to demonstrate commitment to the role (including time for Board and Committee meetings and any other duties).

Delegation of responsibilities
Management and administration
Details on the arrangements for the management of the investment portfolio and the administration of the Company are given on page 51 of the Directors' Report.

Details of the Manager's approach to voting at shareholder meetings are set out on page 52.

The review of the Manager’s performance is an ongoing duty and responsibility of the Board which is carried out at every Board meeting. In addition, a formal review is undertaken annually, details of which are set out in the Directors’ Report on page 51.

The Company Secretary

The Board has direct access to company secretarial advice and services of the Manager which, through its nominated representative, is responsible for ensuring that Board and Committee procedures are followed, and that applicable regulations are complied with. The appointment and removal of the Company Secretary is a matter for the whole Board.

Committees of the Board

The Board has appointed a number of Committees as set out below.

Audit Committee

Details of the Committee’s membership and responsibilities are set out on page 30. Further details are provided in the Report of the Audit Committee on pages 71 to 75.

Nomination and Remuneration Committee

Details of the Committee’s membership and responsibilities are set out on page 30, along with details of the number of scheduled meetings each year.

Management Engagement Committee

Details of the Committee’s membership and responsibilities are set out on page 30.

Internal controls

The Board is responsible for establishing and maintaining the Company’s internal control systems and for reviewing their effectiveness, for ensuring that financial information published or used within the business is reliable, and for regularly monitoring compliance with regulations governing the operation of investment trusts.

The Board, through the Audit Committee, regularly reviews the effectiveness of the internal control systems to identify, evaluate and manage the Company’s significant risks. If any significant failings or weaknesses are identified, the Manager and the Board ensure that necessary action is taken to remedy the failings. The Board is not aware of any significant failings or weaknesses arising in the year under review.

Control of the risks identified, covering financial, operational, compliance and risk management, is embedded in the operations of the Company. There is a monitoring and reporting process to review these controls which has been in place throughout the year under review and up to the date of this report. This accords with the FRC’s “Guidance on Risk Management, Internal Control and Related Financial and Business Reporting”.

The Company’s Risk Register sets out risks relevant to the Company and describes, where relevant, the internal controls that are in place at the AIFM, the Investment Manager and other third-party service providers to mitigate these risks. The Audit Committee formally reviews this register on a semi-annual basis and the Manager as the Company’s AIFM reports on any significant issues that have been identified in the period. In addition, BlackRock’s internal audit department reports on a semi-annual basis on the results of testing performed in relation to BlackRock’s internal control processes. The Depositary also reviews the control processes in place at the Custodian, the Fund Accountant and the AIFM and reports formally to the Audit Committee twice yearly. Both the AIFM and the Depositary will escalate issues and report to the Audit Committee outside of these meetings on an ad hoc basis to the extent that this is required. The Audit Committee also receives periodic SOC 1 reports respectively, from BlackRock and BNY as Custodian and Fund Accountant on the internal controls of their respective operations, together with the opinion of their reporting accountants.

The Company does not have its own internal audit function as all the administration is delegated to BlackRock and other third-party service providers. This matter is kept under review.

The Board has overall responsibility for the control systems in respect of the Company; as part of that responsibility the Board reviews those controls as set out above, although it relies on the controls at the third-party service providers. The Board recognises that these control systems can only be designed to manage rather than to eliminate the risk of failure to achieve business objectives, and to provide reasonable, but not absolute, assurance against material misstatement or loss, and relies on the operating controls established by BlackRock and BNY in its capacity as Depositary, Custodian and Fund Accountant.

Corporate Governance Statement
continued

The Manager prepares revenue forecasts and management accounts which allow the Board to assess the Company's activities and review its performance. The Board and the Investment Manager acting under delegation from the Manager have agreed clearly defined investment criteria, specified levels of authority and exposure limits. Reports on these issues, including performance statistics and investment valuations, are submitted to the Board at each meeting.

Financial reporting
The Statement of Directors' Responsibilities is set out on pages 76 and 77, the Independent Auditors' Report on pages 80 to 85, and the Statement of Going Concern on page 52.

Socially responsible investment
The Company invests mainly in smaller UK quoted companies. The Board aims to be a socially responsible investor and believes that it is important to invest in companies whose boards act responsibly in respect of environmental, ethical and social issues. BlackRock's evaluation procedure and financial analysis of the companies within the portfolio includes research and appraisal of such matters, and also takes into account environmental policies and other business issues.

BlackRock's policies on socially responsible investment and Corporate Governance are detailed on the website www.blackrock.com/corporate/en-gb/about-us/responsible-investment/responsible-investment-reports. The Manager is supportive of the UK Stewardship Code, which is voluntary and operates on a "comply or explain basis".

Bribery prevention policy
The provision of bribes of any nature to third parties in order to gain a commercial advantage is prohibited and is a criminal offence. The Board has a zero-tolerance policy towards bribery and a commitment to carry out business fairly, honestly and openly. The Board takes its responsibility to prevent bribery by the Company's Manager and Investment Manager very seriously and BlackRock has anti-bribery policies and procedures in place which are high level, proportionate and risk based. The Company's service providers have been contacted in respect of their anti-bribery policies and, where necessary, contractual changes are made to existing agreements in respect of anti-bribery provisions.

Criminal Finances Act 2017
The Company has a commitment to zero-tolerance towards the criminal facilitation of tax evasion.

GDPR
Data protection rights were harmonised across the European Union following the implementation of the General Data Protection Regulation (GDPR) on 25 May 2018, since retained in the UK by the European Union (Withdrawal) Act 2018. The Board has sought and received assurances from its third-party service providers that they have taken appropriate steps to ensure compliance with the regulation.

Communication with shareholders
Under normal operating conditions, all shareholders have the opportunity to attend and vote at the Annual General Meeting. The Notice of Annual General Meeting, which is sent out at least 20 working days in advance of the meeting, sets out the business of the meeting and any item not of an entirely routine nature is explained in the Directors' Report. Separate resolutions are proposed for substantive issues. Shareholders are updated on performance through the publication of the interim and annual reports and the Portfolio Manager reviews the Company's activities at the Annual General Meeting, where the Chairman of the Board and the Chairman of the Audit Committee and representatives of the Manager are available to answer shareholders' queries. Proxy voting figures are announced to shareholders at the Annual General Meeting and will be made available on the Manager's website shortly after the meeting. The Investment Manager on behalf of the Company also normally carries out programmes of institutional presentations in conjunction with BlackRock, following the release of each set of Company results.

The Manager and the Investment Manager provide both Investment Management and Company Secretarial services; however, the Board is confident that there are comprehensive controls and procedures in place to ensure that conflicts of interest do not arise and that the Company Secretarial function is independently maintained. The Board discusses with BlackRock at each Board meeting any feedback from meetings with shareholders, and it also receives reports from its corporate broker, and has the opportunity to meet independently with the broker without the Manager or Secretary present. The Company's broker interacts with investors on a regular basis with regard to all investor issues and will conduct shareholder meetings with the Company when requested by investors and brief the Board on shareholder views. The Broker also attends the Annual General

Meeting (alongside investors) and will alert investors to the results (final and interim) as well as other newsflow that they believe to be relevant to investors in the Company. If shareholders want to contact the Chairman, they may either speak to the Company Secretary or the corporate broker. As such, investors have an entirely alternative route to the Manager or Investment Manager to contact the Chairman if required. The Chairman is also available to meet directly with shareholders from time to time, as and when required, and on a regular basis will write directly to the Company's largest shareholders to offer the opportunity to meet at their convenience.

There is a section within the Annual Report and Financial Statements entitled "Shareholder Information", which provides an overview of useful information available to shareholders. The Company's Annual Report and Financial Statements, the Half Yearly Report, regular factsheets and other information are also published on www.blackrock.com/uk/brsc which is the website maintained by the Manager. The work undertaken by the auditors does not involve consideration of the maintenance and integrity of the website and, accordingly, the auditors accept no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in their jurisdiction.

Packaged Retail & Insurance-Based Investment Products (PRIIPs) Regulation ('the Regulation')

The Regulation (as onshored in the UK and amended) requires that anyone manufacturing, advising on, or selling a PRIIP to a retail investor in the UK must comply with the Regulation. Shares issued by investment trusts fall into scope of the Regulation and under the PRIIPs framework they must disclose costs in the same way as open-ended funds.

However, on 19 September 2024, the Government announced that it would lay legislation to exempt listed investment trusts from the current PRIIPs Regulation, as well as making other necessary amendments to other EU assimilated law, in response to concerns raised by industry representatives regarding the suitability of the current regime. It further clarified that investment trusts would be included within the scope of the future UK retail disclosure framework (the Consumer Composite Investment (CCI) regime) which is intended to better cater for a variety of products, including investment trusts, while still ensuring consumers receive appropriate information to allow them to make meaningful choices between investment opportunities.

The FCA have conducted a consultation on its proposed CCI Regulation and it is anticipated that the earliest this could be enacted is Q2 2025.

Following on from this announcement, the FCA confirmed that it would not take supervisory or enforcement action if an investment trust chose not to follow the requirements of the PRIIPs Regulation and associated technical standards, and/or the requirements of Article 50(2)(b) and Article 51 of the MiFID Org Regulation.

Notwithstanding the above, investors should be aware that the Company's AIFM, as PRIIPs manufacturer, continues to prepare a key information document (KID) in respect of the Company. This KID is available, free of charge, to UK retail investors prior to them making any investment decision and is published on BlackRock's website.

The Company is not responsible for the information contained in the KID and investors should note that the procedures for calculating the risks, costs and potential returns are prescribed by the Regulation. The figures in the KID may not reflect the expected returns for the Company and anticipated performance returns cannot be guaranteed. BlackRock Fund Managers Limited as the Company's AIFM has elected to continue to publish KIDs for the Alternative Investment Funds that it manages at the present time, pending further consensus across the industry for a cohesive approach to providing appropriate information to consumers and the development of the CCI regime.

The PRIIPs KID in respect of the Company can be found at www.blackrock.com/uk/brsc.

Consumer Duty

The FCA's Consumer Duty rules were published in July 2022. The rules comprise a fundamental component of the FCA's consumer protection strategy and aim to improve outcomes for retail customers across the entire financial services industry through the assessment of various outcomes, one of which is an assessment of whether a product provides value. Under the Consumer Duty, the Manager is the product 'manufacturer' of the Company and therefore the Manager was required to publish its assessment of value from April 2023.

Corporate Governance Statement
continued

The Manager has developed an assessment methodology that considered a wide range of factors, including the quality of services delivered, the performance of the Company (against both benchmark and peers) and total costs associated with the product (including management fees and entry and exit fees as applicable to the Company). The Manager also considered whether all consumers, including vulnerable consumers, were able to receive fair value from the product. The Manager has concluded that the Company is providing value based on the above assessment.

Disclosure guidance and transparency rules
Information required to be disclosed pursuant to the Disclosure Guidance and Transparency Rules has been placed in the Directors' Report on pages 50 to 57 because it is information which refers to events that have taken place during the course of the year.

For and on behalf of the Board

RONALD GOULD
Chairman
7 May 2025

Report of the Audit Committee

Role and responsibilities

The Company has a separately chaired Audit Committee whose duties include considering and recommending to the Board for approval the contents of the half yearly and annual financial statements and providing an opinion as to whether the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy. The Committee also reviews the external auditors' report on the annual financial statements and is responsible for reviewing and forming an opinion on the effectiveness of the external audit process and audit quality. Other duties include reviewing the appropriateness of the Company's accounting policies and the adequacy of the internal control systems and standards. The Audit Committee operates within written terms of reference detailing its scope and duties and these are available on the website at www.blackrock.com/uk/brsc.

The Audit Committee met three times in the year under review. Two of the planned meetings were held prior to the Board meetings to approve the half yearly and annual results. The third meeting focused on the audit plan, internal controls and assessment of fraud. The Audit Committee receives information from BlackRock's internal audit and compliance departments on a regular basis.

Composition

The Audit Committee comprises all the Directors excluding the Chairman of the Company, who attends by invitation. All Committee members, including the Chairman of the Committee, have recent and relevant financial experience from their senior management roles. The biographies of the Directors may be found on pages 31 and 32.

Responsibilities and review of the external audit

During the year the principal activities of the Audit Committee included:

- considering and recommending to the Board for approval the contents of the half yearly and annual financial statements and reviewing the external auditors' report thereon;
- reviewing the scope, execution, results, cost effectiveness, independence and objectivity of the external auditors;
- reviewing and recommending to the Board for approval the audit and non-audit fees payable to the external auditors and the terms of their engagement;
- reviewing and approving the external auditors' plan for the financial year, with a focus on the identification of areas of audit risk, and consideration of the appropriateness of the level of audit materiality adopted;
- reviewing the role of the Board, the Manager and third-party service providers in an effective audit process;
- reviewing the efficiency of the external audit process and the quality of the audit engagement partner and the audit team, and making a recommendation to the Board with respect to the reappointment of the auditors;
- considering the quality of the formal audit report to shareholders;
- reviewing the appropriateness of the Company's accounting policies; and
- reviewing the Company's internal control systems and standards and evaluating the need for an internal audit function as set out in the Corporate Governance Statement on pages 67 and 68.

The fees paid to the external auditors are set out in note 5 of the Financial Statements.

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

Report of the Audit Committee continued

Significant issues considered regarding the annual report and financial statements

During the year, the Audit Committee considered the significant issues and areas of key audit risk in respect of the Annual Report and Financial Statements. The Audit Committee reviewed the external audit plan at an early stage and concluded that the appropriate areas of audit risk relevant to the Company had been identified and that suitable audit procedures had been put in place to obtain reasonable assurance that the financial statements as a whole would be free of material misstatements. The table on page 72 sets out the key areas of risk identified and also explains how these were addressed.

Significant issue

The accuracy of the valuation of the investment portfolio

How the issue was addressed

Listed investments are valued using stock exchange prices provided by third party pricing vendors. Unquoted or illiquid investments, if any, are valued by the Directors based on recommendations from BlackRock's Pricing Committee. The Board reviews detailed portfolio valuations at each of its Board meetings and receives confirmation from the Manager that the pricing basis is appropriate, in line with relevant accounting standards as adopted by the Company and that the carrying values are materially correct. The Board also relies on the Manager's and Fund Accountant's controls which are documented in a semi-annual internal controls report which is reviewed by the Audit Committee.

Significant issue

The risk of misappropriation of assets and unsecured ownership of investments.

How the issue was addressed

The Audit Committee reviews reports from its service providers on key controls over the assets of the Company. Any significant issues are reported by the Manager to the Audit Committee. The Manager has put in place procedures to ensure that investments can only be made to the extent that the appropriate contractual and legal arrangements are in place to protect the Company's assets.

Significant issue

The accuracy of the calculation of the management fee.

How the issue was addressed

The management fee is calculated in accordance with the contractual terms in the investment management agreement by the Fund Accountant and is reviewed in detail by the Manager and is also subject to an analytical review by the Board and auditors. There was a delay with the management fee invoices being raised by the Manager, the £4,488,000 outstanding at the year end was paid in full post year end.

Significant issue

The risk that income is overstated, incomplete or inaccurate through failure to recognise proper income entitlements or to apply the appropriate accounting treatment for recognition of income

How the issue was addressed

The Board reviews income forecasts, including special dividends, and receives explanations from the Manager for any variations or significant movements from previous forecasts and prior year figures.

As the provision of portfolio valuation, fund accounting and administration services is delegated to the Investment Manager, which sub-delegates fund accounting to The Bank of New York Mellon (International) Limited (BNY) and the provision of depositary services and custody services are contracted to BNY, the Audit Committee has also reviewed the Service Organisation Control (SOC 1) reports prepared by BlackRock and BNY to ensure that the relevant control procedures are in place to cover these areas of risk as identified in the table above are adequate and appropriate and have been designated as operating effectively by the reporting auditors.

External audit and tender process

The Committee is mindful of the regulations on mandatory auditor rotation which require the appointment of a new auditor or perform an audit tender every ten years. As a result, the Company carried out a formal tender process in December 2024 and PricewaterhouseCoopers LLP was selected as the Company's independent auditors for the year ended 28 February 2025. The Committee will continue to review the auditors' appointment each year to ensure that the Company is receiving an optimal level of service. There are no contractual obligations that restrict the Company's choice of auditors.

The Committee is responsible for overseeing the relationship with the external auditors and for considering their terms of engagement, remuneration, effectiveness, independence and continued objectivity. The Committee reviews annually the audit requirements of the Group, for the business and in the context of the external environment, placing great importance on ensuring a high quality, effective external audit process.

Planning and preparation

As part of planning the tender process, the Committee has taken due regard of the current FRC guidance on audit tenders and has considered the relevant sections of the 'Audit Committees and the External Audit: Minimum Standard' published by the FRC in May 2023.

The steps that were undertaken as part of the tender process are set out below:

The Company issued a formal Request for Proposal (RFP) to the three firms (Deloitte LLP, Mazars LLP and PricewaterhouseCoopers LLP) which had confirmed a willingness to participate in the tender process detailing the evaluation criteria which would be used by the Committee in informing its decision, which included but were not limited to:

- independence criteria;
- quality and clarity of audit approach and audit quality review record of the firm;
- the quality of understanding of the audit risk areas;
- audit transition and implementation plan;
- depth of understanding of the business, its industry and the risks in the industry; and
- overall quality of the response and adherence to RFP instructions.

Written proposal

The Company received a written proposal from each of the firms.

Presentations and Q&A session

At the final stage, the participating firms delivered presentations and their proposed audit plan, followed by a question and answer session. The meetings were attended by all of the Committee members.

Evaluation, assessment and Committee recommendation

The Committee's unanimous view was that each firm participated with energy, enthusiasm and integrity and that each could perform a quality audit of the Company. However, based on the evaluation criteria above, the Panel discussed and unanimously agreed to recommend PricewaterhouseCoopers LLP, Mazars LLP and Deloitte LLP to the Board for consideration.

Board decision

The Committee recommended the three firms to the Board, with a preference for the tender to be awarded to PricewaterhouseCoopers LLP. The Board endorsed the Committee's recommendation.

The Committee is satisfied that the Company has complied with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Processes and Audit Committee Responsibilities) Order 2014, published by the Competition and Markets Authority on 26 September 2014.

Report of the Audit Committee continued

Assessment of the effectiveness of the external audit process

To assess the effectiveness of the external audit, members of the Audit Committee work closely with the Manager to obtain a good understanding of the progress and efficiency of the audit. The Audit Committee has adopted a framework in its review of the effectiveness of the external audit process and audit quality. This includes a review of the following areas:

- The quality of the audit engagement partner and the audit team;
- The expertise of the audit firm and the resources available to it;
- Identification of areas of audit risk;
- Planning, scope and execution of the audit;
- Consideration of the appropriateness of the level of audit materiality adopted;
- The role of the Audit Committee, the Manager and third party service providers in an effective audit process;
- Communications by the auditors with the Audit Committee;
- How the auditors support the work of the Audit Committee and how the audit continues to add value;
- A review of independence and objectivity of the audit firm; and
- The quality of the formal audit report to shareholders.

Feedback in relation to the audit process and the effectiveness of the Manager in performing its role is also sought from relevant involved parties, notably the audit partner and team. The external auditors attend the Audit Committee meeting at which the annual financial statements are considered and at which they have the opportunity to meet with the Audit Committee without representatives of the Manager being present.

The effectiveness of the Board and the Manager in the external audit process is assessed principally in relation to the timely identification and resolution of any process errors or control breaches that might impact the Company's net asset values and accounting records. It is also assessed by reference to how successfully any issues in respect of areas of accounting judgement are identified and resolved, the quality and timeliness of papers analysing these judgements, the Board and the Manager's approach to the value of independent audit and the booking of any audit adjustments arising, and the timely provision of draft public documents for review by the auditors and the Audit Committee.

To form a conclusion with regard to the independence of the external auditors, the Audit Committee considers whether the skills and experience of the auditors make them a suitable supplier of any non-audit services and whether there are safeguards in place to ensure that there is no threat to their objectivity and independence in the conduct of the audit resulting from the provision of any such services. No non-audit service work was carried out during the year ended 28 February 2025. On an annual basis, PricewaterhouseCoopers LLP reviews the independence of its relationship with the Company and reports to the Audit Committee, providing details of any other relationship with the Manager. As part of this review, the Audit Committee also receives information about policies and processes for maintaining independence and monitoring compliance with relevant requirements from the Company's auditors, including information on the rotation of audit partners and staff, the level of fees that the Company pays in proportion to the overall fee income of the firm, the level of related fees, and details of any relationships between the audit firm and its staff and the Company, as well as an overall confirmation from the auditors of their independence and objectivity.

As a result of their review, the Audit Committee has concluded that the external audit has been conducted effectively and also that PricewaterhouseCoopers LLP is independent of the Company.

Conclusions in respect of the annual report and financial statements

The production and the audit of the Company's Annual Report and Financial Statements is a comprehensive process requiring input from a number of different contributors. In order to reach a conclusion that the Annual Report and Financial Statements are fair, balanced and understandable, the Board has requested that the Audit Committee advise on whether it considers that these criteria are satisfied. In so doing, the Audit Committee has given consideration to the following:

- the comprehensive control framework over the production of the Annual Report and Financial Statements, including the verification processes in place to deal with the factual content;

- the extensive levels of review that are undertaken in the production process by the Manager, the Depositary and the Audit Committee;
- the controls that are in place at the Manager and third-party service providers to ensure the completeness and accuracy of the Company's financial records and the security of the Company's assets; and
- the existence of satisfactory Service Organisation Control reports that have been reviewed and reported on by external auditors in respect of the effectiveness of the internal controls of BlackRock and BNY.

In addition to the work outlined above, the Audit Committee has reviewed the Annual Report and Financial Statements and is satisfied that, taken as a whole, they are fair, balanced and understandable. In reaching this conclusion, the Audit Committee has assumed that the reader of the Annual Report and Financial Statements would have a reasonable level of knowledge of the investment trust industry. The Audit Committee has reported on these findings to the Board who affirm the Committee's conclusions in the Statement of Directors' Responsibilities in respect of the Annual Report and Financial Statements.

MARK LITTLE
Chairman
Audit Committee
7 May 2025

Statement of Directors' Responsibilities in respect of the Annual Report and Financial Statements

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company as at the end of each financial year and of the profit or loss of the Company for that year.

In preparing those financial statements, the Directors are required to:

- present fairly the financial position, financial performance and cash flows of the Company;
- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and that enable them to ensure that the Financial Statements and the Directors' Remuneration Report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for preparing the Strategic Report, Directors' Report, the Directors' Remuneration Report, the Corporate Governance Statement and the Report of the Audit Committee in accordance with the Companies Act 2006 and applicable regulations, including the requirements of the Listing Rules and the Disclosure Guidance and Transparency Rules. The Directors have delegated responsibility to the Manager for the maintenance and integrity of the Company's corporate and financial information included on BlackRock's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names are listed on pages 31 and 32, confirms that, to the best of their knowledge:

- the Financial Statements, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Strategic Report contained in the Annual Report and Financial Statements includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

The UK Code also requires Directors to ensure that the Annual Report and Financial Statements are fair, balanced and understandable. In order to reach a conclusion on this matter, the Board has requested that the Audit Committee advise on whether it considers that the Annual Report and Financial Statements fulfil these requirements. The process by which the Committee has reached these conclusions is set out in the Audit Committee's report on pages 71 to 75. As a result, the Board has concluded that the Annual Report and Financial Statements for the year ended 28 February 2025, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

For and on behalf of the Board

RONALD GOULD
Chairman
7 May 2025

Financial statements

We added to our investment in housebuilder MJ Gleeson during the year. The company's developments in the Midlands and the North of England include Firbeck Fields in South Yorkshire, pictured opposite.

PHOTO COURTESY OF MJ GLEESON PLC

Independent Auditors’ Report

to the members of BlackRock Smaller Companies Trust plc

Report on the audit of the financial statements

Opinion

In our opinion, BlackRock Smaller Companies Trust plc’s financial statements:

- give a true and fair view of the state of the Company’s affairs as at 28 February 2025 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland”, and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the “Annual Report”), which comprise: the Balance Sheet as at 28 February 2025; the Income Statement, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors’ responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC’s Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC’s Ethical Standard were not provided.

We have provided no non-audit services to the Company in the period under audit.

Our audit approach

Context

The Company is a standalone Investment Trust Company and engages BlackRock Fund Managers Limited (the ‘Manager’) to manage its assets. The Manager engages Bank of New York Mellon (International) Limited (the "Fund Accountant") to provide administrative functions to the Company.

Overview

Audit scope	• We tailored the scope of our audit taking into account the types of investments within the Company, the involvement of the third parties, the accounting processes and controls, and the industry in which the Company operates. • We obtained an understanding of the control environment in place at both the Manager and the Fund Accountant and adopted a fully substantive testing approach using reports obtained from the Fund Accountant.
Key audit matters	• Valuation and existence of investments. • Accuracy, occurrence and completeness of investment income.
Materiality	• Overall materiality: £6.15 million (2024: £6.86 million) based on 1% of net assets. • Performance materiality: £4.61 million (2024: £5.68 million).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors’ professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Valuation and existence of investments The investment portfolio at the year end comprised of listed equity investments valued at £696.6 million. We focused on the valuation and existence of investments because investments represent the principal element of the net asset value (NAV) as disclosed on the Balance Sheet in the Financial Statements.	Our audit work on the valuation and existence of the investments included the following: • We tested the valuation of all investments by agreeing the valuation to independent third party sources. • We tested the existence of all of the investments by agreeing the Company's holdings to an independent custodian confirmation as at 28 February 2025. We have no matters to report as a result of this testing.
Accuracy, occurrence and completeness of investment income Income from investments consists primarily of dividend income. Within dividend income there is a risk of incomplete or inaccurate recognition of revenue through the failure to recognise proper income entitlements or to apply an inappropriate accounting treatment. In addition, the Directors are required to exercise judgment in determining whether income receivable in the form of special dividends should be classified as 'revenue' or 'capital' in the Income Statement.	We responded to this risk by performing the following audit procedures: • We obtained an understanding of the processes and controls around income recognition and classification of special dividends by reviewing the internal control reports of the Fund Accountant. • We assessed the appropriateness of the classification of special dividends as revenue or capital by the Directors with reference to publicly available information. For all dividends recorded by the Company, we performed our audit procedures through the use of our proprietary testing tool Halo: • We tested the accuracy of their receipts by agreeing the dividend rates from investments to independent market data. • We tested occurrence by examining for each investment holding, that all dividends recorded in the year had been declared in the market. • To test for completeness, we investigated that the appropriate dividends had been received in the year by reference to independent data of dividends declared for all investment holdings held within the year. As stipulated by the requirements set out in the AIC SORP, we tested the allocation and presentation of dividend income between the revenue and capital return columns of the Income Statement by determining reasons behind dividend distributions. We have no matters to report as a result of this testing.

Independent Auditors’ Report

to the members of BlackRock Smaller Companies Trust plc

continued

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which it operates.

All audit procedures were conducted by a UK audit team. We tested and examined information using sampling and other auditing techniques, to the extent we considered necessary to provide a reasonable basis for us to form our own judgements.

The impact of climate risk on our audit

In planning our audit, we made enquiries of the Directors and Manager to understand the extent of the potential impact of climate change on the Company’s financial statements. The Directors and Manager concluded that the impact on the measurement and disclosures within the financial statements is not material because the Company's investment portfolio is made up of a majority of level 1 quoted securities which are valued at fair value based on market prices. We found this to be consistent with our understanding of the Company's investment activities. We also considered the consistency of the climate change disclosures included in the Strategic Report and Manager Report with the financial statements and our knowledge from our audit.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Company materiality	£6.15 million (2024: £6.86 million).
How we determined it	1% of net assets
Rationale for benchmark applied	We believe that net assets is the primary measure used by the shareholders in assessing the performance of the entity, and is a generally accepted auditing benchmark. This benchmark provides an appropriate and consistent year on year basis for our audit.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2024: 75%) of overall materiality, amounting to £4.61 million (2024: £5.68 million) for the Company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £307,390 (2024: £343,103) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the Directors’ assessment of the Company’s ability to continue to adopt the going concern basis of accounting included:

- evaluating the Directors’ updated risk assessment and considering whether it addressed relevant threats, including wider macroeconomic uncertainty;
- evaluating the Directors’ assessment of potential operational impacts, considering their consistency with other available information and our understanding of the business and assessing the potential impact on the financial statements;
- reviewing the Directors’ assessment of the Company’s financial position in the context of its ability to meet future expected operating expenses, their assessment of liquidity as well as their review of the operational resilience of the Company and oversight of key third-party service providers; and
- assessing the implication of significant reductions in NAV as a result of a severe downside but plausible scenario in the market’s performance on the ongoing ability of the Company to operate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's ability to continue as a going concern.

In relation to the Directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Director's Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 28 February 2025 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors Report.

Directors' Remuneration

In our opinion, the part of the Directors Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the Directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The Directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The Directors' explanation as to their assessment of the Company's prospects, the period this assessment covers and why the period is appropriate; and
- The Directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the Directors' statement regarding the longer-term viability of the Company was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Company and its environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The Directors’ statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Company’s position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the Directors’ statement relating to the Company’s compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors’ Responsibilities in respect of the Annual Report and Financial Statements, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors’ responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of Section 1158 of the Corporation Tax Act 2010, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as Companies Act 2006. We evaluated management’s incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase the net asset value. Audit procedures performed by the engagement team included:

- Discussions with the Manager and the Audit Committee, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Understand the controls implemented by the Company and the Fund Accountant designed to prevent and detect irregularities;
- Assessment of the Company’s compliance with the requirements of Section 1158 of the Corporation Tax Act 2010, including recalculation of numerical aspects of the eligibility conditions;
- Identifying and testing journal entries, in particular year end journal entries posted by the Fund Accountant during the preparation of the financial statements;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing for example, targeting transactions that otherwise would be immaterial; and
- Reviewing relevant meeting minutes, including those of the Audit Committee.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the Directors on 13 January 2016 to audit the financial statements for the year ended 29 February 2016 and subsequent financial periods. The period of total uninterrupted engagement is 10 years, covering the years ended 29 February 2016 to 28 February 2025.

Gillian Alexander (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh

7 May 2025

Income Statement

for the year ended 28 February 2025

			2025			2024	
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Losses on investments held at fair value through profit or loss	10	–	(19,794)	(19,794)	–	(48,408)	(48,408)
Losses on foreign exchange		–	(3)	(3)	–	(9)	(9)
Income from investments held at fair value through profit or loss	3	22,684	875	23,559	21,884	782	22,666
Other income	3	1	–	1	379	–	379
Total income/(loss)		**22,685**	**(18,922)**	**3,763**	**22,263**	**(47,635)**	**(25,372)**
Expenses							
Investment management fee	4	(1,153)	(3,458)	(4,611)	(1,109)	(3,328)	(4,437)
Other operating expenses	5	(940)	(25)	(965)	(869)	(21)	(890)
Total operating expenses		**(2,093)**	**(3,483)**	**(5,576)**	**(1,978)**	**(3,349)**	**(5,327)**
Net profit/(loss) on ordinary activities before finance costs and taxation		**20,592**	**(22,405)**	**(1,813)**	**20,285**	**(50,984)**	**(30,699)**
Finance costs	6	(627)	(1,781)	(2,408)	(471)	(1,408)	(1,879)
Net profit/(loss) on ordinary activities before taxation		**19,965**	**(24,186)**	**(4,221)**	**19,814**	**(52,392)**	**(32,578)**
Taxation	7	(47)	–	(47)	(123)	–	(123)
Net profit/(loss) on ordinary activities after taxation		**19,918**	**(24,186)**	**(4,268)**	**19,691**	**(52,392)**	**(32,701)**
Earnings/(loss) per ordinary share (pence) – basic and diluted	**9**	**42.53**	**(51.64)**	**(9.11)**	**40.70**	**(108.29)**	**(67.59)**

The total columns of this statement represent the Company's profit and loss account. The supplementary revenue and capital accounts are both prepared under guidance published by the Association of Investment Companies (AIC). All items in the above statement derive from continuing operations. No operations were acquired or discontinued during the year. All income is attributable to the equity holders of the Company.

The net profit/(loss) for the year disclosed above represents the Company's total comprehensive income/(loss).

The notes on pages 90 to 109 form part of these financial statements.

Statement of Changes in Equity

for the year ended 28 February 2025

	Notes	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
For the year ended 28 February 2025							
At 29 February 2024		12,498	51,980	1,982	601,098	18,648	686,206
Total comprehensive (loss)/income:							
Net (loss)/profit for the year		–	–	–	(24,186)	19,918	(4,268)
Transactions with owners, recorded directly to equity:							
Ordinary shares repurchased into treasury	15, 16	–	–	–	(46,838)	–	(46,838)
Share repurchase costs	15, 16	–	–	–	(303)	–	(303)
Dividends paid[1]	8	–	–	–	–	(20,018)	(20,018)
At 28 February 2025		**12,498**	**51,980**	**1,982**	**529,771**	**18,548**	**614,779**

	Notes	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
For the year ended 29 February 2024							
At 28 February 2023		12,498	51,980	1,982	673,479	18,590	758,529
Total comprehensive (loss)/income:							
Net (loss)/profit for the year		–	–	–	(52,392)	19,691	(32,701)
Transactions with owners, recorded directly to equity:							
Ordinary shares repurchased into treasury	15, 16	–	–	–	(19,859)	–	(19,859)
Share repurchase costs	15, 16	–	–	–	(130)	–	(130)
Dividends paid[2]	8	–	–	–	–	(19,633)	(19,633)
At 29 February 2024		**12,498**	**51,980**	**1,982**	**601,098**	**18,648**	**686,206**

[1] Interim dividend paid in respect of the year ended 28 February 2025 of 15.50p was declared on 24 October 2024 and paid on 4 December 2024. Final dividend paid in respect of the year ended 29 February 2024 of 27.00p was declared on 14 May 2024 and paid on 27 June 2024.

[2] Interim dividend paid in respect of the year ended 29 February 2024 of 15.00p was declared on 26 October 2023 and paid on 4 December 2023. Final dividend paid in respect of the year ended 28 February 2023 of 25.50p was declared on 9 May 2023 and paid on 27 June 2023.

For information on the Company's distributable reserves, please refer to note 16 on page 100.

The notes on pages 90 to 109 form part of these financial statements.

Balance Sheet

as at 28 February 2025

	Notes	2025 £'000	2024 £'000
Non current assets			
Investments held at fair value through profit or loss	10	696,573	765,178
Current assets			
Current tax assets		84	210
Debtors	11	9,738	4,667
Cash and cash equivalents – cash at bank		–	28
Total current assets		**9,822**	**4,905**
Current liabilities			
Cash and cash equivalents – bank overdraft		(9,230)	(7,899)
Creditors – amounts falling due within one year	12	(12,843)	(6,463)
Net current liabilities		**(12,251)**	**(9,457)**
Total assets less current liabilities		**684,322**	**755,721**
Creditors – amounts falling due after more than one year	13	(69,543)	(69,515)
Net assets		**614,779**	**686,206**
Total equity			
Called up share capital	15	12,498	12,498
Share premium account	16	51,980	51,980
Capital redemption reserve	16	1,982	1,982
Capital reserves	16	529,771	601,098
Revenue reserve	16	18,548	18,648
Total shareholders' funds	**9**	**614,779**	**686,206**
Net asset value per ordinary share (debt at par value) (pence)	**9**	**1,403.45**	**1,450.15**
Net asset value per ordinary share (debt at fair value) (pence)	**9**	**1,463.44**	**1,502.25**

The financial statements on pages 86 to 109 were approved and authorised for issue by the Board of Directors on 7 May 2025 and signed on its behalf by Ronald Gould, Chairman and Mark Little, Director and Audit Committee Chairman.

BlackRock Smaller Companies Trust plc

Registered in Scotland, No. SC006176

The notes on pages 90 to 109 form part of these financial statements.

Statement of Cash Flows

for the year ended 28 February 2025

	2025 £'000	2024 £'000
Operating activities		
Net loss on ordinary activities before taxation[1]	(4,221)	(32,578)
Add back finance costs	2,408	1,879
Losses on investments held at fair value through profit or loss	19,794	48,408
Net movement in foreign exchange	3	9
Sale of investments held at fair value through profit or loss	541,426	322,366
Purchase of investments held at fair value through profit or loss	(493,890)	(327,895)
Net amount for capital special dividends received	(875)	(782)
Decrease in debtors	348	7
Increase/(decrease) in creditors	1,065	(1,280)
Taxation on investment income	(47)	(123)
Net cash generated from operating activities	**66,011**	**10,011**
Financing activities		
Ordinary shares repurchased into treasury	(44,663)	(19,792)
Share repurchase costs	(303)	(130)
Interest paid	(2,383)	(1,854)
Dividends paid	(20,018)	(19,633)
Net cash used in financing activities	**(67,367)**	**(41,409)**
Decrease in cash and cash equivalents	**(1,356)**	**(31,398)**
Effect of foreign exchange rate changes	(3)	(9)
Cash and cash equivalents at beginning of year	(7,871)	23,536
Cash and cash equivalents at end of year	**(9,230)**	**(7,871)**
Comprised of:		
Cash Fund[2]	–	28
Bank overdraft	(9,230)	(7,899)
	(9,230)	**(7,871)**

1 Dividends and interest received in cash during the year amounted to £22,774,000 and £1,000 (2024: £21,699,000 and £447,000).

2 Cash Fund represents funds held on deposit with the BlackRock Institutional Cash Series plc - Sterling Liquid Environmentally Aware Fund.

The notes on pages 90 to 109 form part of these financial statements.

Notes to the Financial Statements

for the year ended 28 February 2025

1. Principal activity

The principal activity of the Company is that of an investment trust company within the meaning of Section 1158 of the Corporation Tax Act 2010.

2. Accounting policies

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

(a) Basis of preparation

The financial statements have been prepared on a going concern basis in accordance with The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the revised Statement of Recommended Practice – Financial Statements of Investment Trust Companies and Venture Capital Trusts (SORP), issued by the Association of Investment Companies (AIC) in October 2019 and updated in July 2022, and the provisions of the Companies Act 2006.

Substantially, all of the assets of the Company consist of securities that are readily realisable and, accordingly, the Directors are satisfied that the Company has adequate resources to continue in operational existence for the period to 28 February 2027, being a period of at least 12 months from the date of approval of the financial statements, and therefore consider the going concern assumption to be appropriate. The Directors have reviewed compliance with the covenants associated with the loan notes and revolving credit facility, income and expense projections and the liquidity of the investment portfolio in making their assessment.

The Directors have considered the impact of climate change on the value of the investments included in the Financial Statements and have concluded that there was no further impact of climate change to be considered as the investments are valued based on market pricing as required by FRS 102.

None of the Company's other assets and liabilities were considered to be potentially impacted by climate change.

The principal accounting policies adopted by the Company are set out below. Unless specified otherwise, the policies have been applied consistently throughout the year and are consistent with those applied in the preceding year. All of the Company's operations are of a continuing nature.

The Company's financial statements are presented in Sterling, which is the functional currency of the Company and the primary economic environment in which the Company operates. All values are rounded to the nearest thousand pounds (£'000) except where otherwise stated.

(b) Presentation of Income Statement

In order to better reflect the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the Income Statement between items of a revenue and a capital nature has been presented alongside the Income Statement.

(c) Segmental reporting

The Directors are of the opinion that the Company is engaged in a single segment of business being investment business.

(d) Income

Dividends receivable on equity shares are treated as revenue for the year on an ex-dividend basis. Where no ex-dividend date is available, dividends receivable on or before the year end are treated as revenue for the year. Provisions are made for dividends not expected to be received. The return on a debt security is recognised on a time apportionment basis.

Special dividends are recognised on an ex-dividend basis and are treated as capital or revenue depending on the facts or circumstances of each particular dividend.

Dividends are accounted for in accordance with Section 29 of FRS 102 on the basis of income actually receivable, without adjustment for tax credits attaching to the dividend. Dividends from overseas companies continue to be shown gross of withholding tax.

Deposit interest receivable is accounted for using the effective interest rate method in accordance with Section 11 of FRS 102.

Where the Company has elected to receive its dividends in the form of additional shares rather than in cash, the cash equivalent of the dividend foregone is recognised in the revenue account of the Income Statement. Any excess in the value of the shares over the amount of the cash dividend is recognised in capital reserves.

(e) Expenses

All expenses, including finance costs, are accounted for on an accruals basis. Expenses have been charged wholly to the revenue account of the Income Statement, except as follows:

- expenses which are incidental to the acquisition or disposal of an investment are treated as capital. Details of transaction costs on the purchases and sales of investments are shown in note 10 on page 97;
- expenses are treated as capital where a connection with the maintenance of enhancement of the value of the investments can be demonstrated; and
- the investment management fee and finance costs have been allocated 75% to the capital account and 25% to the revenue account of the Income Statement in line with the Board's expected long-term split of returns, in the form of capital gains and income respectively, from the investment portfolio.

(f) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that were applicable at the balance sheet date.

The current tax effect of different items of expenditure is allocated between capital and revenue on the marginal basis using the Company's effective rate of corporation tax for the accounting period.

Deferred taxation is recognised in respect of all timing differences at the financial reporting date, where transactions or events that result in an obligation to pay more taxation in the future or right to less taxation in the future have occurred at the balance sheet date. Deferred tax is measured on a non-discounted basis, at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. This is subject to deferred taxation assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the timing differences can be deducted.

(g) Investments held at fair value through profit or loss

The Company's investments are classified as held at fair value through profit or loss in accordance with Sections 11 and 12 of FRS 102 and are managed and evaluated on a fair value basis in accordance with its investment strategy.

All investments are classified upon initial recognition as held at fair value through profit or loss. Purchases of investments are recognised on a trade date basis. Sales of assets are recognised at the trade date of the disposal and the proceeds will be measured at fair value, which will be regarded as the proceeds of the sale less any transaction costs.

The fair value of the financial investments is based on their quoted bid price at the balance sheet date on the exchange on which the investment is quoted, without deduction for the estimated future selling costs.

Unquoted investments are valued by the Directors at fair value using International Private Equity and Venture Capital Valuation Guidelines. This policy applies to all current and non-current asset investments of the Company.

Changes in the value of investments held at fair value through profit or loss and gains and losses on disposal are recognised in the Income Statement as 'Gains or losses on investments held at fair value through profit or loss'. Also included within this heading are transaction costs in relation to the purchase or sale of investments.

The fair value hierarchy consists of the following three levels:

Level 1 – Quoted market price for identical instruments in active markets.

Level 2 – Valuation techniques using observable inputs.

Level 3 – Valuation techniques using significant unobservable inputs.

Notes to the Financial Statements
continued

2. Accounting policies continued
(h) Dividends payable
Under Section 32 of FRS 102, final dividends should not be accrued in the financial statements unless they have been approved by shareholders before the balance sheet date. Dividends payable to equity shareholders are recognised in the Statement of Changes in Equity when they have been approved by shareholders and have become a liability of the Company. Interim dividends are recognised in the financial statements in the period in which they are paid.

(i) Foreign currency translation
In accordance with Section 30 of FRS 102, the Company is required to nominate a functional currency, being the currency in which the Company predominately operates. The functional and reporting currency is Sterling, reflecting the primary economic environment in which the Company operates. Transactions in foreign currencies are translated into Sterling at the rates of exchange ruling on the date of the transaction. Foreign currency monetary assets and liabilities are translated into Sterling at the rates of exchange ruling at the balance sheet date. Profits and losses thereon are recognised in the capital account of the Income Statement and taken to the capital reserve.

(j) Share repurchases and re-issues
Shares repurchased and subsequently cancelled – share capital is reduced by the nominal value of the shares repurchased, and the capital redemption reserve is correspondingly increased in accordance with Section 733 of the Companies Act 2006. The full cost of the repurchase is charged to the capital reserves.

Shares repurchased and held in treasury – the full cost of the repurchase is charged to the capital reserves.

Where treasury shares are subsequently re-issued:

- amounts received to the extent of the repurchase price are credited to the capital reserves; and
- any surplus received in excess of the repurchase price is taken to the share premium account.

Where new shares are issued, the par value is taken to called up share capital and amounts received to the extent of any surplus received in excess of the par value are taken to the share premium account.

Share issue costs are charged to the share premium account. Costs on share reissues are charged to the capital reserves.

(k) Debtors
Debtors include sales for future settlement, other debtors and prepayments and accrued income in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

(l) Creditors
Creditors include purchases for future settlement, interest payable, share buyback costs and accruals in the ordinary course of business. Creditors, loans and debentures are classified as creditors – amounts due within one year if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as creditors – amounts falling due after more than one year. Debentures are held at par less amortised cost, whilst all other creditors are held at fair value.

(m) Cash and cash equivalents
Cash comprises cash in hand and on demand deposits and bank overdrafts repayable on demand. Cash equivalents include short-term, highly liquid investments, that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

(n) Critical accounting estimates and judgements
The Company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. Estimates and judgements are regularly evaluated and are based on historical experience and other factors, including expectations of future events and that are believed to be reasonable under the circumstances. The Directors do not believe that any accounting judgements or estimates have a significant risk of causing material adjustment to the carrying amount of assets and liabilities within the next financial year.

3. Income

	2025 £'000	2024 £'000
Investment income[1]:		
UK dividends	18,567	16,538
UK special dividends	801	1,230
UK property income distributions	1,007	1,058
Dividends from UK REITs[2]	493	–
Overseas dividends	1,514	3,058
Dividends from overseas REITs[2]	302	–
Total investment income	**22,684**	**21,884**
Other income:		
Bank interest	1	8
Interest from Cash Fund	–	371
Total other income	**1**	**379**
Total	**22,685**	**22,263**

1 UK and overseas dividends are disclosed based on the country of domicile of the underlying portfolio company.
2 REITs - real estate investment trusts.

Special dividends of £875,000 have been recognised in capital during the year (2024: £782,000).

Dividends and interest received in cash during the year amounted to £22,774,000 and £1,000 (2024: £21,699,000 and £447,000).

4. Investment management fee

	2025 Revenue £'000	2025 Capital £'000	2025 Total £'000	2024 Revenue £'000	2024 Capital £'000	2024 Total £'000
Investment management fee	1,153	3,458	4,611	1,109	3,328	4,437
Total	**1,153**	**3,458**	**4,611**	**1,109**	**3,328**	**4,437**

The investment management fee is based on a rate of 0.6% of the first £750 million of total assets (excluding current year income) less the current liabilities of the Company (the "Fee Asset Amount"), reducing to 0.5% above this level. The fee is calculated at the rate of one quarter of 0.6% of the Fee Asset Amount up to the initial threshold of £750 million, and one quarter of 0.5% of the Fee Asset Amount in excess thereof, at the end of each quarter. The investment management fee is allocated 25% to the revenue account and 75% to the capital account of the Income Statement.

Notes to the Financial Statements
continued

5. Other operating expenses

	2025 £'000	2024 £'000
Allocated to revenue:		
Custody fees	9	10
Depositary fees	83	78
Auditors' remuneration	52	50
Registrar's fee	46	42
Directors' emoluments[1]	240	201
Director search fees	–	35
Marketing fees	195	174
AIC fees	22	22
Bank charges	24	28
Broker fees	23	35
Stock exchange listings	41	34
Printing and postage fees	39	37
Legal fees	43	21
Prior year expenses written back[2]	(11)	(1)
Other administrative costs	134	103
Total revenue expenses	**940**	**869**
Allocated to capital:		
Custody transaction charges[3]	25	21
Total	**965**	**890**

	2025	2024
The Company's ongoing charges[4], calculated as a percentage of average daily net assets and using the management fee and all other operating expenses, excluding finance costs, direct transaction costs, custody transaction charges, VAT recovered, taxation, prior year expenses written back and certain non-recurring items were:	0.8%	0.8%

1 Further information on Directors' emoluments can be found in the Directors' Remuneration Report on page 59.

2 Relates to bank charges, printing and postage fees and miscellaneous fees written back during the year ended 28 February 2025 (2024: miscellaneous fees).

3 For the year ended 28 February 2025, expenses of £25,000 (2024: £21,000) were charged to the capital account of the Income Statement. These relate to transaction costs charged by the Custodian on sale and purchase trades.

4 Alternative Performance Measure, see Glossary on pages 122 to 126.

6. Finance costs

	2025			2024		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Interest on 2.74% loan note 2037	173	518	691	173	518	691
Interest on 2.41% loan note 2044	121	362	483	121	362	483
Interest on 2.47% loan note 2046	152	456	608	152	456	608
Interest on bank overdraft	173	425	598	17	52	69
2.74% Amortised loan note issue expenses	4	10	14	4	10	14
2.41% Amortised loan note issue expenses	2	5	7	2	5	7
2.47% Amortised loan note issue expenses	2	5	7	2	5	7
Total	**627**	**1,781**	**2,408**	**471**	**1,408**	**1,879**

Finance costs have been allocated 25% to the revenue account and 75% to the capital account of the Income Statement.

7. Taxation

(a) Analysis of charge for the year

	2025			2024		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Current taxation:						
Overseas tax	47	–	47	123	–	123
Total taxation charge (note 7(b))	**47**	**–**	**47**	**123**	**–**	**123**

(b) Factors affecting taxation charge for the year

The taxation assessed for the year is higher (2024: higher) than the standard rate of corporation tax used of 25.00% (2024: blended rate of corporation tax of 24.49% based on a rate of 19.00% up to 31 March 2023 and a rate of 25.00% from 1 April 2023). The differences are explained below.

	2025			2024		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Profit/(loss) on ordinary activities before taxation	19,965	(24,186)	(4,221)	19,814	(52,392)	(32,578)
Profit/(loss) on ordinary activities multiplied by standard rate of 25.00% (2024: blended rate of 24.49%)	4,991	(6,046)	(1,055)	4,852	(12,831)	(7,979)
Effects of:						
Income not subject to corporation tax	(5,419)	(219)	(5,638)	(5,100)	(191)	(5,291)
Losses on investments held at fair value through profit or loss	–	4,949	4,949	–	11,855	11,855
Foreign exchange loss not taxable	–	1	1	–	2	2
Disallowed expenses	–	6	6	–	5	5
Management expenses not utilised	265	864	1,129	219	815	1,034
Overseas tax charge	47	–	47	123	–	123
Non-trade loan relationship deficit not utilised	163	337	500	29	345	374
Interest expense disallowed under the corporate interest restriction rules	–	108	108	–	–	–
	(4,944)	6,046	1,102	(4,729)	12,831	8,102
Total taxation charge (note 7(a))	**47**	**–**	**47**	**123**	**–**	**123**

Notes to the Financial Statements
continued

7. Taxation continued

(c) Factors that may affect future tax changes

At 28 February 2025, the Company had net surplus management expenses of £82,486,000 (2024: £77,967,000), a non-trade loan relationship deficit (relating to interest on the Company's loan notes, revolving credit facility and bank overdraft) of £37,199,000 (2024: £35,199,000) and carried forward disallowed interest expenses of £2,247,000 (2024: £1,815,000).

A deferred tax asset has not been recognised in respect of these losses as the Company is not expected to generate taxable income in the future in excess of the deductible expenses of that future period and, accordingly, it is unlikely the Company will be able to reduce future tax liabilities through the use of the existing excess expenses and loan relationship deficits.

8. Dividends

Dividends paid on equity shares:	Record date	Payment date	2025 £'000	2024 £'000
2023 Final of 25.50p	19 May 2023	27 June 2023	–	12,395
2024 Interim of 15.00p	3 November 2023	4 December 2023	–	7,238
2024 Final of 27.00p	24 May 2024	27 June 2024	12,717	–
2025 Interim of 15.50p	1 November 2024	4 December 2024	7,301	–
Accounted for in the financial statements			**20,018**	**19,633**

The Directors have proposed a final dividend of 28.50p per share in respect of the year ended 28 February 2025. The final dividend will be paid, subject to shareholders' approval, on 19 June 2025 to shareholders on the Company's register on 16 May 2025. The proposed final dividend has not been included as a liability in these financial statements, as final dividends are only recognised in the financial statements when they have been approved by shareholders.

The total dividends payable in respect of the year which form the basis of determining retained income for the purposes of Section 1158 of the Corporation Tax Act 2010 and Section 833 of the Companies Act 2006, and the amount proposed for the year ended 29 February 2024 meet the relevant requirements as set out in this legislation.

Dividends paid or proposed on equity shares:	2025 £'000	2024 £'000
Interim dividend paid 15.50p (2024: 15.00p)	7,301	7,238
Final dividend payable of 28.50p per share[1] (2024: 27.00p)	12,285	12,717
Total	**19,586**	**19,955**

[1] Based upon 43,104,792 ordinary shares (excluding treasury shares) in issue on 2 May 2025.

All dividends paid or payable are distributed from the Company's distributable reserves.

9. Returns and net asset value per share

Revenue earnings, capital loss and net asset value per share are shown below and have been calculated using the following:

	2025	2024
Revenue return attributable to ordinary shareholders (£'000)	19,918	19,691
Capital loss attributable to ordinary shareholders (£'000)	(24,186)	(52,392)
Total loss attributable to ordinary shareholders (£'000)	**(4,268)**	**(32,701)**
Total shareholders' funds (£'000)	**614,779**	**686,206**
The weighted average number of ordinary shares in issue during the year on which the earnings per ordinary share was calculated was:	46,833,380	48,381,588
The actual number of ordinary shares in issue at the end of each year on which the undiluted net asset value was calculated was:	43,804,792	47,319,792
Earnings per share		
Revenue earnings per share (pence) – basic and diluted	42.53	40.70
Capital loss per share (pence) – basic and diluted	(51.64)	(108.29)
Total loss per share (pence) – basic and diluted	**(9.11)**	**(67.59)**

	As at 28 February 2025	As at 29 February 2024
Net asset value per ordinary share (debt at par value) (pence)	1,403.45	1,450.15
Net asset value per ordinary share (debt at fair value) (pence)	1,463.44	1,502.25
Ordinary share price (pence)	1,270.00	1,326.00

10. Investments held at fair value through profit or loss

	2025 £'000	2024 £'000
UK investments held at fair value	523,516	484,303
UK AIM investments held at fair value	173,057	280,875
Valuation of investments at end of the year	**696,573**	**765,178**
Opening book cost of equity investments	729,573	753,273
Investment holding gains	35,605	52,815
Opening fair value	**765,178**	**806,088**
Analysis of transactions made during the year:		
Purchases at cost	497,033	327,012
Sales proceeds received	(545,844)	(319,514)
Losses on investments	(19,794)	(48,408)
Closing fair value	**696,573**	**765,178**
Closing book cost of equity investments	677,313	729,573
Closing investment holding gains	19,260	35,605
Closing fair value	**696,573**	**765,178**

The Company received £545,844,000 (2024: £319,514,000) from investments sold in the year. The book cost of these investments when they were purchased was £549,293,000 (2024: £350,712,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

Transaction costs of £2,136,000 were incurred on the acquisition of investments (2024: £1,393,000). Costs relating to the disposal of investments during the year amounted to £406,000 (2024: £249,000). All transaction costs have been included within capital reserves.

Notes to the Financial Statements
continued

11. Debtors

	2025 £'000	2024 £'000
Sales for future settlement	8,870	3,577
Prepayments and accrued income	868	1,090
Total	**9,738**	**4,667**

12. Creditors – amounts falling due within one year

	2025 £'000	2024 £'000
Purchases for future settlement	5,066	1,923
Interest payable	581	584
Share buybacks awaiting settlement	2,241	66
Accruals	4,955	3,890
Total	**12,843**	**6,463**

13. Creditors – amounts falling due after more than one year

	2025 £'000	2024 £'000
2.74% loan note 2037	25,000	25,000
Unamortised loan note issue expenses	(168)	(182)
	24,832	24,818
2.41% loan note 2044	20,000	20,000
Unamortised loan note issue expenses	(127)	(133)
	19,873	19,867
2.47% loan note 2046	25,000	25,000
Unamortised loan note issue expenses	(162)	(170)
	24,838	24,830
Total	**69,543**	**69,515**

The fair value of the 2.74% loan note has been determined based on a comparative yield for UK Gilts for similar duration maturity and spreads, and as at 28 February 2025 equated to a valuation of 73.47p per note (2024: 74.55p), a total of £18,368,000 (2024: £18,638,000). The fair value of the 2.41% loan note has been determined based on a comparative yield for UK Gilts for similar duration maturity and spreads, and as at 28 February 2025 equated to a valuation of 57.61p per note (2024: 60.55p), a total of £11,522,000 (2024: £12,110,000). The fair value of the 2.47% loan note has been determined based on a comparative yield for UK Gilts for similar duration maturity and spreads, and as at 28 February 2025 equated to a valuation of 53.50p per note (2024: 56.44p), a total of £13,375,000 (2024: £14,110,000).

The first £25 million loan note was issued on 24 May 2017. Interest on the note is payable in equal half yearly instalments on 24 May and 24 November in each year. The loan note is unsecured and is redeemable at par on 24 May 2037.

The £20 million loan note was issued on 3 December 2019. Interest on the note is payable in equal half yearly instalments on 3 December and 3 June in each year. The loan note is unsecured and is redeemable at par on 3 December 2044.

The second £25 million loan note was issued on 16 September 2021. Interest on the note is payable in equal half yearly instalments on 24 May and 16 September each year. The loan note is unsecured and is redeemable at par on 16 September 2046.

The Company also has available an uncommitted overdraft facility of £60 million with The Bank of New York Mellon (International) Limited, of which £9,230,000 had been utilised at 28 February 2025 (2024: £7,871,000).

14. Reconciliation of liabilities arising from financing activities

	2025 £'000	2024 £'000
Debt arising from financing activities:		
Debt arising from financing activities at beginning of the year	69,515	69,504
Non-cash flows:		
Amortisation of debenture and loan note issue expenses	28	11
Debt arising from financing activities at end of the year	**69,543**	**69,515**

15. Called up share capital

	Ordinary shares number	Treasury shares number	Total shares number	Nominal value £'000
Allotted, called up and fully paid share capital comprised:				
Ordinary shares of 25 pence each				
At 28 February 2023	48,829,792	1,163,731	49,993,523	12,498
Ordinary shares repurchased into treasury	(1,510,000)	1,510,000	–	–
At 29 February 2024	47,319,792	2,673,731	49,993,523	12,498
Ordinary shares repurchased into treasury	(3,515,000)	3,515,000	–	–
At 28 February 2025	**43,804,792**	**6,188,731**	**49,993,523**	**12,498**

During the year ended 28 February 2025, the Company repurchased 3,515,000 shares (2024: 1,510,000) into treasury for a total consideration of £47,141,000 (2024: £19,989,000).

Since 28 February 2025 and up to the latest practicable date of 2 May 2025, 700,000 ordinary shares have been repurchased into treasury for a total consideration of £8,803,000.

The ordinary shares (excluding any shares held in treasury) carry the right to receive any dividends and have one voting right per ordinary share. There are no restrictions on the voting rights of the ordinary shares or on the transfer of ordinary shares.

Notes to the Financial Statements
continued

16. Reserves

	Share premium account	Capital redemption reserve	Distributable reserves: Capital reserve (arising on investments sold)	Distributable reserves: Capital reserve (arising on revaluation of investments held)	Distributable reserves: Revenue reserve
	£'000	£'000	£'000	£'000	£'000
At 29 February 2024	51,980	1,982	565,497	35,601	18,648
Movement during the year:					
Losses on realisation of investments	–	–	(2,573)	–	–
Change in investment holding gains	–	–	–	(16,346)	–
Losses on foreign currency transactions	–	–	(3)	–	–
Finance costs and expenses charged to capital	–	–	(5,264)	–	–
Net profit for the year	–	–	–	–	19,918
Ordinary shares repurchased into treasury	–	–	(46,838)	–	–
Share buyback costs	–	–	(303)	–	–
Dividends paid during the year	–	–	–	–	(20,018)
At 28 February 2025	**51,980**	**1,982**	**510,516**	**19,255**	**18,548**

	Share premium account	Capital redemption reserve	Distributable reserves: Capital reserve (arising on investments sold)	Distributable reserves: Capital reserve (arising on revaluation of investments held)	Distributable reserves: Revenue reserve
	£'000	£'000	£'000	£'000	£'000
At 28 February 2023	51,980	1,982	620,667	52,812	18,590
Movement during the year:					
Losses on realisation of investments	–	–	(30,417)	–	–
Change in investment holding gains	–	–	–	(17,209)	–
Losses on foreign currency transactions	–	–	(7)	(2)	–
Finance costs and expenses charged to capital	–	–	(4,757)	–	–
Net profit for the year	–	–	–	–	19,691
Ordinary shares repurchased into treasury	–	–	(19,859)	–	–
Share buyback costs	–	–	(130)	–	–
Dividends paid during the year	–	–	–	–	(19,633)
At 29 February 2024	**51,980**	**1,982**	**565,497**	**35,601**	**18,648**

The share premium account and capital redemption reserve of £51,980,000 and £1,982,000 (2024: £51,980,000 and £1,982,000) are not distributable reserves under the Companies Act 2006. In accordance with ICAEW Technical Release 02/17BL on Guidance on Realised and Distributable Profits under the Companies Act 2006, the capital reserve may be used as distributable reserves for all purposes and, in particular, the repurchase by the Company of its ordinary shares and for payments such as dividends. In accordance with the Company's Articles of Association, the capital reserve and the revenue reserve may be distributed by way of dividend. The gain on the capital reserve arising on the revaluation of investments of £19,255,000 (2024: gain of £35,601,000) is subject to fair value movements and may not be readily realisable at short notice, as such it may not be entirely distributable. The investments are subject to financial risks, as such capital reserves (arising on investments sold) and the revenue reserve may not be entirely distributable if a loss occurred during the realisation of these investments.

17. Risk management policies and procedures

The Company's investment activities expose it to various types of risks which are associated with the financial instruments and markets in which it invests. The following information is not intended to be a comprehensive summary of all risks and shareholders should refer to the Alternative Investment Fund Managers' Directive FUND 3.2.2R Disclosures which can be found at www.blackrock.com/uk/brsc for a more detailed discussion of the risks inherent in investing in the Company.

Risk management framework

The following information refers to the risk management framework of the Alternative Investment Fund Manager (AIFM). However, as disclosed in the Corporate Governance Statement on pages 64 to 70 and in the Statement of Directors' Responsibilities on pages 76 and 77, it is the ultimate responsibility of the Board to ensure that the Company's risks are appropriately monitored, and to the extent that elements of this are delegated to third party service providers, the Board is responsible for ensuring that the relevant parties are discharging their duties in accordance with the terms of relevant agreements and taking appropriate action to the extent issues are identified.

The Directors of the AIFM review quarterly investment performance reports and receive semi-annual presentations in person from the Investment Manager covering the Company's performance and risk profile during the year. The AIFM has delegated the day-to-day administration of the investment programme to the Investment Manager. The Investment Manager is also responsible for ensuring that the Company is managed within the terms of its investment guidelines and limits set out in the Alternative Investment Fund Managers' Directive FUND 3.2.2R Disclosures which can be found at www.blackrock.com/uk/brsc.

The AIFM is responsible for monitoring investment performance, product risk monitoring and oversight and has the responsibility for the monitoring and oversight of regulatory and operational risk for the Company. The Directors of the AIFM have appointed a Risk Manager who has responsibility for the daily risk management process with assistance from key risk management personnel of the Investment Manager, including members of the Risk and Quantitative Analysis Group (RQA) which is a centralised group which performs an independent risk management function. RQA independently identifies, measures and monitors investment risk, including climate-related risk, and tracks the actual risk management practices being deployed across the Company. By breaking down the components of the process, RQA has the ability to determine if the appropriate risk management processes are in place. This captures the risk management tools employed, how the levels of risk are controlled, ensuring risk/return is considered in portfolio construction and reviewing outcomes.

The AIFM reports to the Audit Committee twice yearly on key risk metrics and risk management processes; in addition, the Depositary monitors the performance of the AIFM and reports to the Audit Committee twice yearly. Any significant issues are reported to the Board as they arise.

Risk exposures

The risk exposures of the Company are set out as follows:

(a) Market risk

Market risk arises mainly from uncertainty about future values of financial instruments influenced by currency, interest rate and other price movements. It represents the potential loss the Company may suffer through holding market positions in financial instruments in the face of market movements.

A key metric RQA uses to measure market risk is Value-at-Risk (VaR) which encompasses price, currency and interest rate risk. VaR is a statistical risk measure that estimates the potential portfolio loss from adverse market moves in an ordinary market environment. VaR analysis reflects the interdependencies between risk variables (including other price risk, foreign currency risk and interest rate risk) unlike a traditional sensitivity analysis.

The VaR calculations are based on a confidence level of 99% with a holding period of not greater than one day and a historical observation period of not less than one year (250 days). A VaR number is defined at a specified probability and a specified time horizon. A 99% one day VaR means that the expectation is that 99% of the time over a one day period the Company will lose less than this number in percentage terms. Therefore, higher VaR numbers indicate higher risk. It is noted that the use of the VaR methodology has limitations, namely assumptions that risk factor returns are normally distributed and that the use of historical market data as a basis for estimating future events does not encompass all possible scenarios, particularly those that are of an extreme nature and that the use of a specified confidence level (e.g. 99%) does not take into account losses that occur beyond this level. There is some probability that the loss could be greater than the VaR percentage amounts. These limitations and the nature of the VaR measure mean that the Company can neither guarantee that losses will not exceed the VaR amounts indicated, nor that losses in excess of the VaR amounts will not occur more frequently.

The one-day VaR as of 28 February 2025 and 29 February 2024 (based on a 99% confidence level) was 1.74% and 1.39%, respectively.

Notes to the Financial Statements
continued

17. Risk management policies and procedures continued

(i) Market risk arising from foreign currency risk

Exposure to foreign currency risk

As the Company's objective is to achieve capital growth for shareholders through investment mainly in smaller UK quoted companies, substantially all of the Company's assets are Sterling denominated. From time to time, the Company may hold an overseas line of stock to the extent that the underlying investment has exposure to the UK market and, consequently, at any time a very small proportion of the Company's assets, liabilities and income may be denominated in currencies other than Sterling (the Company's functional currency and that in which it reports its results).

As at 28 February 2025, there were no non-Sterling denominated investments (2024: one).

(ii) Market risk arising from interest rate risk

Exposure to interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to interest rate risk specifically through its cash holdings and variable rate borrowings. Interest rate movements may affect the level of income receivable from any cash at bank and on deposits and the level of interest payable on variable rate borrowings. The effect of interest rate changes on the earnings of the companies held within the portfolio may have a significant impact on the valuation of the Company's investments. Interest rate sensitivity risk has been covered by the VaR analysis under the market risk section.

Interest rate exposure

The Company's exposure to interest rates at year end was:

- floating interest rates – when the interest rate is due to be re-set; and
- fixed interest rates – when the financial instrument is due for repayment.

	2025			2024		
	Within one year £'000	More than one year £'000	Total £'000	Within one year £'000	More than one year £'000	Total £'000
Exposure to floating interest rates:						
Cash and cash equivalents – bank overdraft	(9,230)	–	(9,230)	(7,871)	–	(7,871)
Exposure to fixed interest rates:						
2.74% loan note 2037	–	(24,832)	(24,832)	–	(24,818)	(24,818)
2.41% loan note 2044	–	(19,873)	(19,873)	–	(19,867)	(19,867)
2.47% loan note 2046	–	(24,838)	(24,838)	–	(24,830)	(24,830)
Total exposure to interest rates	**(9,230)**	**(69,543)**	**(78,773)**	**(7,871)**	**(69,515)**	**(77,386)**

The above year-end amounts are not representative of the exposure to interest rates during the year, as the level of exposure changes as investments are made, borrowings are drawn down and repaid, and the mix of borrowings between floating and fixed interest rates change. During the year, the Company was exposed to interest rate risk through its cash investments, its overdraft facility and cash deposits with The Bank of New York Mellon (International) Limited (BNY) and its loan notes. Borrowing is varied throughout the year as part of a Board endorsed policy. As set out in the table above, as at 28 February 2025, the Company had an uncommitted overdraft facility of £60 million with BNY of which £9,230,000 had been utilised and loan notes of £69,543,000 respectively (2024: £7,871,000 and £69,515,000 respectively).

Management of interest rate risk
The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions and borrowing. Derivative contracts are not used to hedge against the exposure to interest rate risk. Interest rate sensitivity risk has been covered by the VaR analysis under the market risk section.

The Company's loan notes accrue interest at a fixed rate of 2.74%, 2.41% and 2.47% per annum respectively. The Company expects to hold these stocks to maturity, therefore it is not exposed to variations in interest rates.

Interest received on cash balances, or paid on the bank overdraft respectively, is approximately 4.70% and 5.96% per annum (2024: 4.52% and 5.94%).

(iii) Market risk arising from other price risk
Exposure to other price risk
Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market. Local, regional or global events such as war, acts of terrorism, the spread of infectious illness or other public health issues, recessions, climate change, or other events could have a significant impact on the Company and market prices of its investments and could result in increased premiums or discounts to the Company's net asset value.

The Company is exposed to market price risk arising from its equity investments. The movements in the prices of these equity investments result in movements in the performance of the Company. Other price risk sensitivity has been covered by VaR analysis under the market risk section above.

The Company's exposure to other changes in market prices at 28 February 2025 on its equity investments was £696,573,000 (2024: £765,178,000).

Management of other price risk
Exposures to individual stocks are monitored by the Portfolio Managers, who take into account the strategy of the Company and the need to hold a diversified portfolio. No more than 15% of the Company's assets may be invested in any one stock, but in practice positions are much smaller. Limits on individual holdings are coded on BlackRock's trading systems and are monitored daily.

Regular review by RQA of sector allocations and various concentration of risk metrics identifies areas of concern. Portfolio concentrations are reviewed by RQA on a regular basis and areas of concern are highlighted to and discussed with the Portfolio Manager.

Concentration of exposure to market price risks
An analysis of the Company's fifty largest investments and sector analysis, is shown in the Portfolio section of this Annual Report. At 28 February 2025, this shows the majority of the investment value is in UK companies. Accordingly, there is a concentration of exposure to the UK, although it is recognised that an investment's country of domicile or of listing does not necessarily equate to its exposure to the economic conditions in that country.

(b) Counterparty credit risk
Counterparty credit risk is the risk that the issuer of a financial instrument will fail to fulfil an obligation or commitment that it has entered into with the Company.

The Company is exposed to counterparty credit risk from the parties with which it trades and will bear the risk of settlement default. Counterparty credit risk to the Company arises from transactions to purchase or sell equity investments.

The major counterparties engaged with the Company are all widely recognised and regulated entities.

There were no past due or impaired assets as of 28 February 2025 (2024: nil).

Notes to the Financial Statements
continued

17. Risk management policies and procedures continued

Depositary
The Company's Depositary is The Bank of New York Mellon (International) Limited (BNY or the Depositary) (S&P long-term credit rating as at 28 February 2025: AA- (2024: AA-)). The Company's listed investments are held on its behalf by The Bank of New York Mellon (International) Limited (BNY) as the Company's Custodian (as sub-delegated by the Depositary). All of the equity assets and cash of the Company are held within the custodial network of the global custodian appointed by the Depositary. Bankruptcy or insolvency of the Depositary/Custodian may cause the Company's rights with respect to its investments held by the Depositary/Custodian to be delayed or limited. The maximum exposure to this risk at 28 February 2025 is the total value of equity investments held with the Depositary/Custodian and cash and cash equivalents in the Balance Sheet.

In accordance with the requirements of the depositary agreement, the Depositary will ensure that any agents it appoints to assist in safekeeping the assets of the Company will segregate the assets of the Company. Thus, in the event of insolvency or bankruptcy of the Depositary, the Company's non-cash assets are segregated and this reduces counterparty credit risk. The Company will, however, be exposed to the counterparty credit risk of the Depositary in relation to the Company's cash held by the Depositary. In the event of the insolvency or bankruptcy of the Depositary, the Company will be treated as a general creditor of the Depositary in relation to cash holdings of the Company.

Counterparties/Brokers
All transactions in listed securities are settled/paid for upon delivery using an approved broker. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has made payment. Payment is made on a purchase once the securities have been delivered by the broker. The trade will fail if either party fails to meet its obligation.

Counterparty credit risk also arises on transactions with the broker in relation to transactions awaiting settlement. Risk relating to unsettled transactions is considered small due to the short settlement period involved and the credit quality of the broker used. The Company monitors the credit rating and financial position of the broker used to further mitigate this risk.

Cash held by a counterparty is subject to the credit risk of the counterparty as the Company's access to its cash could be delayed should the counterparty become insolvent or bankrupt.

The following table details the total number of counterparties to which the Company is exposed, the maximum exposure to any one counterparty, any collateral held by the Company against this exposure, the total exposure to all other counterparties and the lowest long-term credit rating of any one counterparty (or its ultimate parent if unrated).

	Total number of counterparties	Maximum exposure to any one counterparty[1]	Collateral held	Total exposure to all other counterparties[1]	Lowest credit rating of any one counterparty[2]
		£'000	£'000	£'000	
2025	13	1,883	–	6,987	BBB
2024	6	977	–	2,600	BBB+

[1] Calculated on a net exposure basis.
[2] Standard & Poor's Ratings.

Debtors
Amounts due from debtors are disclosed on the Balance Sheet as Debtors.

The counterparties included in debtors are the same counterparties discussed previously under counterparty credit risk and subject to the same scrutiny by the BlackRock RQA Counterparty & Concentration Risk (RQA CCR) team. The Company monitors the ageing of debtors to mitigate the risk of debtor balances becoming overdue.

In summary, the exposure to credit risk at 28 February 2025 and 29 February 2024 was as follows:

	2025 3 months or less £'000	2024 3 months or less £'000
Sales for future settlement	8,870	3,577
Other debtors	868	1,090
Total	**9,738**	**4,667**

Management of counterparty credit risk
Credit risk is monitored and managed by RQA CCR. The team is headed by BlackRock's Chief Credit Officer who reports to the Global Head of RQA. Credit authority resides with the Chief Credit Officer and selected team members to whom specific credit authority has been delegated. As such, counterparty approvals may be granted by the Chief Credit Officer, or by identified RQA Credit Risk Officers who have been formally delegated authority by the Chief Credit Officer.

The counterparty credit risk is managed as follows:

- transactions are only entered into with those counterparties approved by RQA CCR, with a formal review carried out for each new counterparty and counterparties selected by RQA CCR on the basis of a number of risk mitigation criteria designed to reduce the risk to the Company of default;
- the creditworthiness of financial institutions with whom cash is held is reviewed regularly by RQA CCR; and
- RQA CCR review the credit standard of the Company's brokers on a periodic basis and set limits on the amount that may be due from any one broker.

The Board monitors the Company's counterparty risk by reviewing:

- the semi-annual report from the Depositary, which includes the results of periodic site visits to the Company's Custodian where controls are reviewed and tested;
- the Custodian's Service Organisation Control (SOC 1) reports which include a report by the Custodian's auditors. This report sets out any exceptions or issues noted as a result of the auditors' review of the custodian's control processes;
- the Manager's internal control reports which includes a report by the Manager's auditors. This report sets out any exceptions or issues noted as a result of the auditors' review of the Manager's control processes; and
- in addition, the Depositary and the Manager report any significant breaches or issues arising to the Board as soon as these are identified.

(c) Liquidity risk
This is the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities. At the year end, the Company has an overdraft facility of £60 million (2024: overdraft of £60 million). The Company also has a £25 million loan note (2024: £25 million), a second £25 million loan note (2024: £25 million) and a £20 million loan note (2024: £20 million). These loan notes are unsecured and are redeemable at par on 24 May 2037, 16 September 2046 and 3 December 2044 respectively.

Notes to the Financial Statements
continued

17. Risk management policies and procedures continued

Liquidity risk exposure

The remaining undiscounted gross cash outflows of the financial liabilities as at 28 February 2025 and 29 February 2024, based on the earliest date on which payment can be required, were as follows:

	2025			2024		
	Within 1 year	Between 1 and 5 years	More than 5 years	Within 1 year	Between 1 and 5 years	More than 5 years
	£'000	£'000	£'000	£'000	£'000	£'000
2.74% loan note 2037	685	2,740	29,955	685	2,740	30,640
2.41% loan note 2044	482	1,928	27,115	482	1,928	27,597
2.47% loan note 2046	618	2,472	35,226	618	2,472	35,844
Purchases for future settlement	5,066	–	–	1,923	–	–
Other creditors	7,196	–	–	3,956	–	–
Total	**14,047**	**7,140**	**92,296**	**7,664**	**7,140**	**94,081**

Management of liquidity risk

Liquidity risk is minimised by holding sufficient liquid investments which can be readily realised to meet liquidity demands. Asset disposals may also be required to meet liquidity needs. Liquidity risk is not significant as the majority of the Company's assets are investments in listed securities that are readily realisable.

The Company's liquidity risk is managed on a daily basis by the Investment Manager in accordance with established policies and procedures in place. The Portfolio Manager reviews daily forward-looking cash reports which project cash obligations. These reports allow him to manage his obligations.

The Board of Directors gives guidance to the Investment Manager as to the maximum amount of the Company's resources that should be invested in any one company. The policy is that the Company should remain fully invested in normal market conditions and that short-term borrowings be used to manage short-term cash requirements.

For the avoidance of doubt, none of the assets of the Company are subject to special liquidity arrangements.

(d) Valuation of financial instruments

Financial assets and financial liabilities are either carried in the Balance Sheet at their fair value (investments) or at an amount which is a reasonable approximation of fair value (due from brokers, dividends and interest receivable, due to brokers, accruals, cash at bank and bank overdrafts). Section 34 of FRS 102 requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The valuation techniques used by the Company are explained in the accounting policies note 2 of the Financial Statements.

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset.

The fair value hierarchy has the following levels:

Level 1 – Quoted market price for identical instruments in active markets

A financial instrument is regarded as quoted in an active market if quoted prices are readily available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. The Company does not adjust the quoted price for these instruments.

Level 2 – Valuation techniques using observable inputs

This category includes instruments valued using quoted prices for similar instruments in markets that are considered less active; or other valuation techniques where significant inputs are directly or indirectly observable from market data.

Level 3 – Valuation techniques using significant unobservable inputs

This category includes all instruments where the valuation technique includes inputs not based on market data and these inputs could have a significant impact on the instrument's valuation.

This category also includes instruments that are valued based on quoted prices for similar instruments where significant entity determined adjustments or assumptions are required to reflect differences between the instruments and instruments for which there is no active market. The Investment Manager considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability including an assessment of the relevant risks including but not limited to credit risk, market risk, liquidity risk, business risk and sustainability risk. The determination of what constitutes 'observable' inputs requires significant judgement by the Investment Manager, and these risks are adequately captured in the assumptions and inputs used in measurement of Level 3 assets or liabilities.

Fair values of financial assets and financial liabilities

The table below is an analysis of the Company's financial instruments measured at fair value at the balance sheet date.

Financial assets at fair value through profit or loss at 28 February 2025	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	694,356	–	2,217	696,573
Total	**694,356**	**–**	**2,217**	**696,573**

Financial assets at fair value through profit or loss at 29 February 2024	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	765,178	–	–	765,178
Total	**765,178**	**–**	**–**	**765,178**

The Company held one Level 3 security as at 28 February 2025 (2024: none).

A reconciliation of fair value measurement of Level 3 is set out below.

Level 3 financial assets at fair value through profit or loss	2025 £'000	2024 £'000
Opening fair value	–	–
Additions at cost	770	–
Gain on investments included in gains on investments in the Income Statement	1,447	–
Closing balance	**2,217**	**–**

As at 28 February 2025, the investment in Rosebank Industries was a Level 3 investment due to there being a temporary suspension of the listing price.

For exchange listed equity investments, the quoted price is the bid price. Substantially all investments are valued based on unadjusted quoted market prices. Where such quoted prices are readily available in an active market, such prices are not required to be assessed or adjusted for any price related risks, including climate risk, in accordance with the fair value related requirements of the Company's Financial Reporting Framework.

(e) Capital management policies and procedures

The Company's capital management objectives are:

- to ensure it will be able to continue as a going concern; and
- to secure long-term capital growth primarily through investing in smaller UK quoted companies.

Notes to the Financial Statements
continued

17. Risk management policies and procedures continued

This is to be achieved through an appropriate balance of equity capital and gearing. It is the Board's intention that gearing should not exceed 15% of net assets. The Company's objectives, policies and processes for managing capital remain unchanged from the preceding accounting period.

The Company's total capital at 28 February 2025 was £684,322,000 (2024: £755,721,000) comprising £24,832,000 (2024: £24,818,000) of 2.74% unsecured loan note, £19,873,000 (2024: £19,867,000) of 2.41% unsecured loan note, £24,838,000 (2024: £24,830,000) of 2.47% unsecured loan note and £614,779,000 (2024: £686,206,000) of equity share capital and other reserves.

The Board with the assistance of the Investment Manager monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:

- the planned level of gearing, which takes into account the Investment Manager's view on the market; and

- the need to buyback equity shares, either for cancellation or to be held in treasury, which takes account of the difference between the NAV per share and the share price (i.e. the level of share price discount or premium).

The Company is subject to externally imposed capital requirements:

- as a public company, the Company has a minimum share capital of £50,000; and

- in order to be able to pay dividends out of profits available for distribution, the Company has to be able to meet one of the two capital restrictions tests imposed on investment companies by law.

During the year the Company complied with the externally imposed capital requirements to which it was subject including those imposed in respect of loan covenants.

18. Transactions with the Investment Manager and AIFM

BlackRock Fund Managers Limited (BFM) provides management and administration services to the Company under a contract which is terminable on six months' notice. BFM has (with the Company's consent) delegated certain portfolio and risk management services, and other ancillary services to BlackRock Investment Management (UK) Limited (BIM (UK)). Further details of the investment management contract are disclosed in the Directors' Report on page 51.

The investment management fee for the year ended 28 February 2025 amounted to £4,611,000 (2024: £4,437,000) as disclosed in note 4 to the Financial Statements. At the year end, £4,488,000 was outstanding in respect of the management fee (2024: £3,319,000).

In addition to the above services, BIM (UK) provided the Company with marketing services. The total fees paid or payable for these services for the year ended 28 February 2025 amounted to £195,000 including VAT (2024: £174,000). Marketing fees of £137,000 (2024: £137,000) were outstanding at the year end.

During the year, the Manager pays the amounts due to the Directors. These fees are then reimbursed by the Company for the amounts paid on its behalf. As at 28 February 2025, an amount of £129,000 (2024: £210,000) was payable to the Manager in respect of Directors' fees.

The ultimate holding company of the Manager and the Investment Manager is BlackRock, Inc., a company incorporated in Delaware, USA.

19. Related parties disclosures

Directors' emoluments

At the date of this report, the Board consists of six Non-executive Directors, all of whom are considered to be independent of the Manager by the Board. Disclosures of the Directors' interests in the ordinary shares of the Company and fees and expenses payable to the Directors are set out in the Directors' Remuneration Report. At 28 February 2025, an amount of £19,000 (2024: £17,000) was outstanding in respect of Directors' fees.

Significant holdings

The following investors are:

a. funds managed by the BlackRock Group or are affiliates of BlackRock, Inc. (Related BlackRock Funds) or

b. investors (other than those listed in (a) above) who held more than 20% of the voting shares in issue in the Company and are as a result, considered to be related parties to the Company (Significant Investors).

	Total % of shares held by Related BlackRock Funds	Total % of shares held by Significant Investors who are not affiliates of BlackRock Group or BlackRock, Inc.	Number of Significant Investors who are not affiliates of BlackRock Group or BlackRock, Inc.
As at 28 February 2025	6.1	n/a	n/a
As at 29 February 2024	9.7	n/a	n/a

20. Contingent liabilities

There were no contingent liabilities at 28 February 2025 (2024: none).


CHOCOLATE CHUNKS
FUEL
Baking with Love
SINCE 1864
McDougalls
Cadbury
Batchelors
Mr Kipling
800g net
THE SPICE TAILOR
Homepride
NOODLES
Soba
Wok Style
CLASSIC
Mr Kipling
SIGNATURE COLLECTION
CHOCOLATE BROWNIE BITES
With Love x
LOYD GROSSMAN
TOMATO & CHILLI SAUCE
Ambrosia
Custard
creamy & delicious
4 x Portions
12
BEEF

Additional information

Premier Foods was another new addition to the portfolio. The company owns a number of leading UK food brands. 90% of UK households purchased at least one of its products in the last year.

PHOTO COURTESY OF PREMIER FOODS PLC

Shareholder information

Financial calendar

The timing of the announcement and publication of the Company's results may normally be expected in the months shown below:

April/May	Annual results and final dividend for year announced.
April/May	Annual Report and Financial Statements published.
June	Annual General Meeting.
June/July	Final dividend paid.
October	Half yearly figures to 31 August announced and Half-Yearly Financial Report published.
November	Interim dividend paid.

Dividend – 2025

The proposed final dividend in respect of the year ended 28 February 2025 is 28.50p per share.

Ex-dividend date (shares transferred without the dividend)	15 May 2025
Record date (last date for registering transfers to receive the dividend)	16 May 2025
Last date for registering DRIP instructions	5 June 2025
Dividend payment date	26 June 2025

Payment of dividends

Cash dividends will be sent by cheque to the first-named shareholder at their registered address. Dividends may also be paid direct into a shareholder's bank account via BACSTEL-IP (Bankers' Automated Clearing Service – Telecom Internet Protocol). This may be arranged by contacting the Company's registrar, Computershare Investor Services PLC, through their secure website investorcentre.co.uk, or by telephone on 0370 707 1649, or by completing the Mandate Instructions section on the reverse of your dividend counterfoil. Confirmation of dividends paid will be sent to shareholders at their registered address, unless other instructions have been given, to arrive on the payment date.

Dividend reinvestment scheme (DRIP)

Shareholders may request that their dividends be used to purchase further shares in the Company. Dividend reinvestment forms may be obtained from Computershare Investor Services PLC through their secure website investorcentre.co.uk, or on 0370 707 1649. Shareholders who have already opted to have their dividends reinvested do not need to reapply. The last date for registering for this service for the forthcoming dividend is 5 June 2025.

Share price

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

ISIN/SEDOL numbers

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

	Ordinary shares
ISIN	GB0006436108
SEDOL	0643610
Reuters Code	BRSC
Bloomberg Code	BRSC LN

Share dealing

Investors wishing to purchase more shares in the Company or sell all or part of their existing holding may do so through a stockbroker. Most banks also offer this service. Alternatively, please go to www.computershare.com/dealing/uk for a range of Dealing services made available by Computershare.

CREST

The Company's shares may be held in CREST, an electronic system for uncertificated securities trading.

Private investors can continue to retain their share certificates and remain outside the CREST system. Private investors are able to buy and sell their holdings in the same way as they did prior to the introduction of CREST, although there may be differences in dealing charges.

Electronic communications

We encourage you to play your part in reducing our impact on the environment and elect to be notified by email when your shareholder communications become available online.

This means you will receive timely, cost-effective and greener online annual reports, half yearly financial reports and other relevant documentation. Shareholders who opt for this service will receive an email from Computershare with a link to the relevant section of the BlackRock website where the documents can be viewed and downloaded. Please submit your email address by visiting investorcentre.co.uk/ecomms. You will need your shareholder reference number which you will find on your share certificate or tax voucher.

You will continue to receive a printed copy of these reports if you have elected to do so. Alternatively, if you have not submitted your email address nor have elected to receive printed reports, we will write and let you know where you can view these reports online.

Electronic proxy voting

Shareholders are able to submit their proxy votes electronically via Computershare's internet site at eproxyappointment.com using their shareholder reference number, control number and a unique identification PIN which will be provided with voting instructions and the Notice of Annual General Meeting.

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

Risk factors

- Past performance is not necessarily a guide to future performance.
- The value of your investment in the Company and the income from it can fluctuate as the value of the underlying investments fluctuate.
- The price at which the Company's shares trade on the London Stock Exchange is not the same as their net asset value (NAV) (although they are related) and therefore you may realise returns which are lower or higher than NAV performance.

Nominee code

Where shares are held in a nominee company name, the Company undertakes:

- to provide the nominee company with multiple copies of shareholder communications, so long as an indication of quantities has been provided in advance; and
- to allow investors holding shares through a nominee company to attend general meetings, provided the correct authority from the nominee company is available.

Publication of net asset value/portfolio analysis

The net asset value (NAV) per share of the Company is calculated daily, with details of the Company's investments and performance being published monthly. The daily NAV per share and monthly information are released through the London Stock Exchange's Regulatory News Service and are available on the website at www.blackrock.com/uk/brsc and through the Reuters News Service under the code 'BLRKINDEX', on page 8800 on Topic 3 (ICV terminals) and under 'BLRK' on Bloomberg (monthly information only).

Online access

Other details about the Company are also available on the website at www.blackrock.com/uk/brsc. The financial statements and other literature are published on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in their jurisdiction.

Shareholder information
continued

Shareholders can also manage their shareholding online by using Investor Centre, Computershare's secure website at investorcentre.co.uk. To access Computershare's website, you will need your shareholder reference number which can be found on paper or electronic communications you have previously received from Computershare. Listed below are the most frequently used features of the website.

- **Holding enquiry** – view balances, values, history, payments and reinvestments.
- **Payments enquiry** – view your dividends and other payment types.
- **Address change** – change your registered address.
- **Bank details update** – choose to receive your dividend payment directly into your bank account instead of by cheque.
- **Outstanding payments** – reissue payments using the online replacement service.
- **Downloadable forms** – including dividend mandates, stock transfer, dividend reinvestment and change of address forms.

Dividend tax allowance

The annual tax-free allowance on dividend income across an individual's entire share portfolio is £500. Above this amount, individuals pay tax on their dividend income at a rate dependent on their income tax bracket and personal circumstances.

The Company continues to provide registered shareholders with a confirmation of the dividends paid and this should be included with any other dividend income received when calculating and reporting total dividend income received. It is the shareholder's responsibility to include all dividend income when calculating any tax liability.

If you have any tax queries, please contact a Financial Adviser.

Individual savings accounts (ISA)

ISAs are a tax-efficient method of investment and the Company's shares are eligible investments for inclusion in an ISA. In the 2024/2025 and 2025/2026 tax years, investors will be able to invest up to £20,000 in ISAs either as cash or shares.

Shareholder enquiries

The Company's registrar is Computershare Investor Services PLC. Certain details relating to your holding can be checked through the Computershare Investor Centre website. As a security check, specific information needs to be input accurately to gain access to an individual's account. This includes your shareholder reference number, available from either your share certificate, tax voucher or other communications you have previously received from Computershare. The address of the Computershare website is investorcentre.co.uk. Alternatively, please contact the registrar on 0370 707 1649.

Changes of name or address must be notified in writing either through Computershare's website, or to the registrar at:

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ

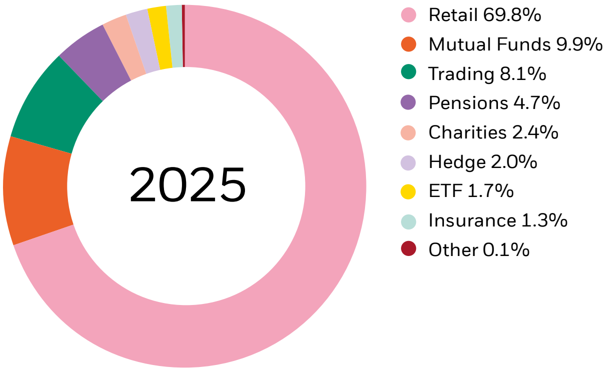
General enquiries

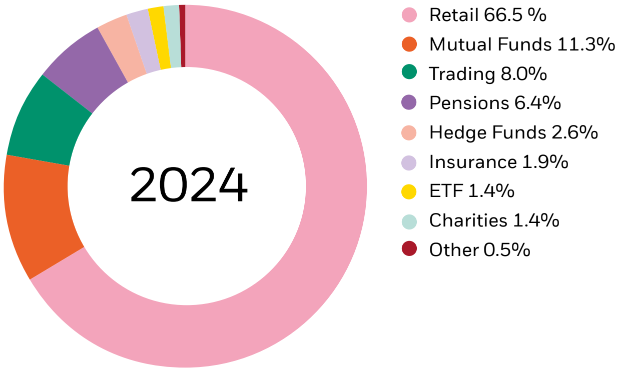
Enquiries about the Company should be directed to:

The Secretary
BlackRock Smaller Companies Trust plc
12 Throgmorton Avenue
London EC2N 2DL
Telephone: 020 7743 3000
Email: cosec@blackrock.com

Analysis of ordinary shareholders

as at 28 February 2025





Historical record

Year ended 28 February	Shareholders' funds	Net Asset Value per Share[4]	Share Price	Revenue return per share	Dividends per share	Net asset value per share with dividends reinvested[5]	Cumulative return per share with dividends reinvested[5]
	£'000	p	p	p	p	p	
2003	80,070	141.1	109.8	4.32	4.33	141.1	N/A
2004	125,891	234.7	183.0	4.32	4.42	240.7	70.4%
2005	145,500	284.4	229.0	4.59	4.52	297.3	110.7%
2006	182,621	361.2	312.0	4.46	4.62	383.7	172.0%
2007	226,860	453.8	392.8	5.61	4.76	487.9	245.9%
2008	201,052	414.5	340.0	7.16	4.90[1]	450.2	219.1%
2009	110,265	227.4	177.0	7.21	5.05[2]	251.3	78.1%
2010	182,267	380.7	293.8	7.41	5.60[3]	428.6	203.8%
2011	297,202	620.7	542.0	8.55	7.00	708.5	402.2%
2012	296,733	619.8	503.0	10.16	8.40	716.1	407.6%
2013	344,934	720.4	626.5	11.53	10.00	845.9	499.6%
2014	471,843	985.5	908.0	14.59	12.00	1,173.2	731.6%
2015	456,936	954.3	812.0	16.93	14.50	1,152.4	716.9%
2016	475,055	992.2	863.0	20.57	17.50	1,216.7	762.4%
2017	597,073	1,247.0	1,060.0	22.47	21.00	1,556.3	1,003.1%
2018	721,442	1,506.8	1,325.0	29.30	26.00	1,910.9	1,254.5%
2019	674,089	1,407.9	1,330.0	33.67	31.20	1,819.7	1,189.6%
2020	767,873	1,572.6	1,484.0	37.13	32.50	2,075.6	1,371.0%
2021	871,296	1,784.4	1,698.0	13.36	33.30	2,409.4	1,607.6%
2022	917,078	1,878.1	1,684.0	35.29	35.00	3,049.0	2,060.9%
2023	758,529	1,553.4	1,380.0	40.92	40.00	2,579.9	1,728.4%
2024	686,206	1,450.2	1,326.0	40.70	42.00	2,477.9	1,656.1%
2025	**614,779**	**1,403.5**	**1,270.0**	**42.53**	**44.00**	**2,463.1**	**1,645.6%**

[1] Excludes a special dividend of 1.25p.
[2] Excludes a special dividend of 0.70p.
[3] Excludes a special dividend of 0.50p.
[4] Debt at par value.
[5] This is a theoretical net asset value per share calculated based on the assumption that dividends paid to shareholders between 28 February 2003 and 28 February 2025 were reinvested in the Company's shares at the first opportunity. It is used to calculate the total return that has been generated for shareholders from dividends paid out as well as from capital growth.

Management and other service providers

Registered Office
(Registered in Scotland, No. SC006176)
Dundas House
20 Brandon Street
Edinburgh EH3 5PP

Investment Manager and Company Secretary
BlackRock Investment Management (UK) Limited[1]
12 Throgmorton Avenue
London EC2N 2DL
Email: cosec@blackrock.com

Alternative Investment Fund Manager
BlackRock Fund Managers Limited[1,2]
12 Throgmorton Avenue
London EC2N 2DL
Telephone: 020 7743 3000

Depositary
The Bank of New York Mellon (International) Limited[1]
160 Queen Victoria Street
London EC4V 4LA

Registrar
Computershare Investor Services PLC[1]
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
Telephone: 0370 707 1649

Stockbroker
Investec Bank plc[1]
30 Gresham Street
London EC2V 7QP

Independent Auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

1 Authorised and regulated by the Financial Conduct Authority.

2 BlackRock Fund Managers (BFM) was appointed as the Alternative Investment Fund Manager on 2 July 2014. BlackRock Investment Management (UK) Limited continues to act as the Investment Manager of the Company under a delegation agreement with BFM.

AIFMD report on remuneration (unaudited)

Remuneration related disclosures in accordance with Article 22(2) of the AIFMD, Article 107 of the AIFMD Regulations and Section XIII of the ESMA Guidelines on sound remuneration policies under the AIFMD

The below disclosures are made in respect of the remuneration policies of the BlackRock group (“BlackRock”), as they apply to BlackRock Fund Managers Limited (the “Manager”). The disclosures are made in accordance with the provisions in the UK implementing the Alternative Investment Fund Managers Directive (the “AIFMD”), the European Commission Delegated Regulation supplementing the AIFMD (the “Delegated Regulation”) and the “Guidelines on sound remuneration policies under the AIFMD” issued by the European Securities and Markets Authority.

Quantitative Remuneration Disclosure

The Manager is required under the AIFMD to make quantitative disclosures of remuneration. These disclosures are made in line with BlackRock’s interpretation of currently available regulatory guidance on quantitative remuneration disclosures. As market or regulatory practice develops BlackRock may consider it appropriate to make changes to the way in which quantitative remuneration disclosures are calculated. Where such changes are made, this may result in disclosures in relation to a fund not being comparable to the disclosures made in the prior year, or in relation to other BlackRock fund disclosures in that same year.

Remuneration information at an individual AIF level is not readily available. Disclosures are provided in relation to (a) the staff of the Manager; (b) staff who are senior management; (c) staff who have the ability to materially affect the risk profile of the Company; and (d) staff of companies to which portfolio management and risk management has been formally delegated.

All individuals included in the aggregated figures disclosed are rewarded in line with BlackRock’s remuneration policy for their responsibilities across the relevant BlackRock business area. As all individuals have a number of areas of responsibilities, only the portion of remuneration for those individuals’ services attributable to the Manager is included in the aggregate figures disclosed.

Members of staff and senior management of the Manager typically provide both AIFMD and non-AIFMD related services in respect of multiple funds, clients and functions of the Manager and across the broader BlackRock group. Conversely, members of staff and senior management of the broader BlackRock group may provide both AIFMD and non-AIFMD related services in respect of multiple funds, clients and functions of the broader BlackRock group and of the Manager. Therefore, the figures disclosed are a sum of individuals’ portion of remuneration attributable to the Manager according to an objective apportionment methodology which acknowledges the multiple-service nature of the Manager and the broader BlackRock group. Accordingly, the figures are not representative of any individual’s actual remuneration or their remuneration structure.

The amount of the total remuneration awarded to the Manager’s staff in respect of the Manager’s financial year ending 31 December 2024 is US$102.44 million. This figure is comprised of fixed remuneration of US$37.20 million and variable remuneration of US$65.24 million. There were a total of 4,206 beneficiaries of the remuneration described above.

The amount of the aggregate remuneration awarded by the Manager in respect of the Manager’s financial year ending 31 December 2024, to its senior management was US$14.31 million, and to other members of its staff whose actions potentially have a material impact on the risk profile of the Manager or its funds was US$16.36 million. These figures relate to the Manager and not to the Company.

Other AIFMD disclosures (unaudited)

Leverage

The Company may employ leverage and borrow cash in accordance with its stated investment policy or investment strategy. Consistent with its investment objectives and policy, the Company may with the prior approval from the Board utilise derivative instruments as part of its investment policy.

The use of derivatives may expose the Company to a higher degree of risk. In particular, derivative contracts can be highly volatile, and the amount of initial margin is generally small relative to the size of the contract so that transactions may be leveraged in terms of market exposure. A relatively small market movement may have a potentially larger impact on derivatives than on standard underlying bonds or equities. Leveraged derivative positions can therefore increase the Company's volatility. The use of borrowings and leverage has attendant risks and can, in certain circumstances, substantially increase the adverse impact to which the Company's investment portfolio may be subject.

For the purposes of this disclosure, leverage is any method by which the Company's exposure is increased, whether through borrowing cash or securities, or leverage embedded in contracts for difference or by any other means. The AIFMD requires that each leverage ratio be expressed as the ratio between a Company's exposure and its NAV, and prescribes two required methodologies, the gross methodology and the commitment methodology (as set out in AIFMD Level 2 Implementation Guidance), for calculating such exposure.

Using the methodologies prescribed under the AIFMD, the leverage of the Company is disclosed in the table below:

	Commitment leverage as at 28 February 2025	Gross leverage as at 28 February 2025	Commitment leverage as at 29 February 2024	Gross leverage as at 29 February 2024
Leverage ratio[1]	1.09	1.08	1.08	1.07

[1] Leverage arises from the 2.74% £25 million long dated note 2037, 2.41% £20 million long dated note 2044 and the 2.47% £25 million long dated note 2046. The Company did not hold any derivatives during the year ended 28 February 2025 (2024: none).

Other risk disclosures

The financial risk disclosures relating to risk framework and liquidity risk are set out in note 17 of the Notes to the Financial Statements.

Pre investment disclosures

The AIFMD requires certain information to be made available to investors in Alternative Investment Fund ("AIF") before they invest and requires that material changes to this information be disclosed in the annual report of each AIF. An Investor Disclosure Document, which sets out information on the Company's investment strategy and policies, leverage, risk, liquidity, administration, management, fees, conflicts of interest and other shareholder information is available on the website at www.blackrock.com/uk/brsc.

There have been no material changes (other than those reflected in these financial statements) to this information requiring disclosure. Any information requiring immediate disclosure pursuant to the AIFMD will be disclosed to the London Stock Exchange through a primary information provider.

By order of the Board

GRAHAM VENABLES
For and on behalf of
BlackRock Investment Management (UK) Limited
Company Secretary
7 May 2025

Information to be disclosed in accordance with Listing Rule 6.6.1

The disclosures below are made in compliance with the requirements of Listing Rule 6.6.1.

6.6.1 (1) The Company has not capitalised any interest in the period under review.

6.6.1 (2) The Company has not published any unaudited financial information in a class 1 circular or prospectus or any profit forecast or profit estimate.

6.6.1 (3) The Company does not have any long-term incentive schemes in operation.

6.6.1 (4) and (5) No Director of the Company has waived or agreed to waive any current or future emoluments from the Company.

6.6.1 (6), (7) and (8) The Company has not allotted any equity securities for cash in the period under review.

The Company is a stand-alone entity therefore Listing Rules 6.6.1 (7) and 6.6.1 (8) are not applicable.

6.6.1 (9) There were no contracts of significance subsisting during the period under review to which the Company is a party and in which a Director of the Company is or was materially interested, or between the Company and a controlling shareholder.

6.6.1 (10) This provision is not applicable to the Company.

6.6.1 (11) and (12) There were no arrangements under which an ordinary shareholder has waived or agreed to waive any dividends or future dividends.

6.6.1 (13) This provision is not applicable to the Company.

By order of the Board

GRAHAM VENABLES
For and on behalf of
BlackRock Investment Management (UK) Limited
Company Secretary
7 May 2025

Depositary report

The Bank of New York Mellon (International) Limited
160 Queen Victoria Street
London EC4V 4LA
T +44 (0)20 7570 1784

03 April 2025

To the Board of Directors
BlackRock Smaller Companies Trust Plc
12 Throgmorton Avenue,
London
EC2N 2DL

Dear Sir / Madam,

Re: BlackRock Smaller Companies Trust Plc

Statement of the Depositary's Responsibilities in Respect of the Scheme and Report of the Depositary to the Shareholders of the BlackRock Smaller Companies Trust Plc ("the Company") for the Period Ended 28 February 2025.

The Depositary must ensure that the Company is managed in accordance with the Financial Conduct Authority's Investment Funds Sourcebook, ("the Sourcebook"), the Alternative Investment Fund Managers Directive ("AIFMD") (together "the Regulations") and the Company's Articles of Association.

The Depositary must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Company and its investors.

The Depositary is responsible for the safekeeping of the assets of the Company in accordance with the Regulations.

The Depositary must ensure that:

• the Company's cash flows are properly monitored and that cash of the Company is booked into the cash accounts in accordance with the Regulations;

• the sale, issue, repurchase, redemption and cancellation of shares are carried out in accordance with the Regulations;

• the assets under management and the net asset value per share of the Company are calculated in accordance with the Regulations;

• any consideration relating to transactions in the Company's assets is remitted to the Company within the usual time limits;

• that the Company's income is applied in accordance with the Regulations; and

• the instructions of the Alternative Investment Fund Manager ("the AIFM") are carried out (unless they conflict with the Regulations).

The Depositary also has a duty to take reasonable care to ensure that Company is managed in accordance with the Articles of Association in relation to the investment and borrowing powers applicable to the Company.

Having carried out such procedures as we consider necessary to discharge our responsibilities as Depositary of the Company, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Company, acting through the AIFM has been managed in accordance with the rules in the Sourcebook, the Articles of Association of the Company and as required by the AIFMD.

Yours sincerely

Colin Campbell
Senior Manager
The Bank of New York Mellon (International) Limited – UK Trustee & Depositary

Glossary

Alternative Performance Measure (APM)

An APM is a measure of performance or financial position that is not defined in applicable accounting standards and cannot be directly derived from the financial statements.

The Company's APMs are set out below and are cross-referenced where relevant to the financial inputs used to derive them as contained in other sections of the Annual Report.

Closed-end company

An investment trust works along the same lines as a unit trust, in that it pools money from investors which is then managed on a collective basis. The main difference is that an investment trust is a company listed on the Stock Exchange and, in most cases, trading takes place in shares which have already been issued, rather than through the creation or redemption of units. As the number of shares which can be issued or cancelled at any one time is limited, and requires the approval of existing shareholders, investment trusts are known as closed-end funds or companies. This means that investment trusts are not subject to the same liquidity constraints as open-ended funds and can therefore invest in less liquid investments.

Discount and Premium*

Investment trust shares can frequently trade at a discount to NAV. This occurs when the share price (based on the mid-market share price) is less than the NAV (debt at fair value) and investors may therefore buy shares at less than the value attributable to them by reference to the underlying assets. The discount is the difference between the share price and the NAV, expressed as a percentage of the NAV.

Discount calculation	Page	28 February 2025	29 February 2024	
Ordinary share price (pence)	97	1,270.00	1,326.00	(a)
Net asset value per ordinary share (debt at fair value) (pence)	97	1,463.44	1,502.25	(b)
Discount (c = ((a-b) / b)) (%)		**(13.2)**	**(11.7)**	**(c)**

The approach to calculate the discount at the year end shown above is used on a daily basis to calculate the daily discount. This daily discount is then averaged over the year (being the number of days that the Company's share price and NAV (with debt at fair value) are available).

The average share price, NAV (debt at fair value) and discount for the year are shown in the table below.

Average share price	Average NAV (debt at fair value)	Average discount
1,416.22p	1,590.36p	11.0%

A premium occurs when the share price (based on the mid-market share price) is more than the NAV and investors would therefore be paying more than the value attributable to the shares by reference to the underlying assets. For example, if the share price was 100p and the NAV 90p, the premium would be 11.1%.

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

Gearing*

Investment companies can borrow to purchase additional investments. This is called 'gearing'. It allows investment companies to take advantage of a favourable situation or a particularly attractive stock without having to sell existing investments.

Gearing has the effect of magnifying a company's performance. If a company 'gears up' and then the value of the Company's investments rises and the returns on those investments outstrip the costs of borrowing, the overall returns to investors will be greater. But if the value of the Company's investments falls then losses suffered by the investor will also be magnified.

The Company may achieve gearing through borrowings or the effect of gearing through an appropriate balance of equity capital and borrowings.

* Alternative Performance Measure.

Gearing is calculated in line with AIC guidelines and represents net gearing. This is defined as total assets of the Company less current liabilities (excluding bank overdrafts), less any cash or cash equivalents held minus total shareholders' funds, divided by total shareholders' funds. Cash and cash equivalents are defined by the AIC as net current assets or net current liabilities (as relevant). To the extent that the Company has net current liabilities, the net current liabilities total is added back to the total assets of the Company to calculate the numerator in this equation. The calculation and the various inputs are set out in the following table.

Net gearing calculation	**Page**	**28 February 2025 £'000**	**29 February 2024 £'000**	
Net assets	88	614,779	686,206	(a)
Borrowings[1]	98	78,773	77,386	(b)
Total assets (a + b)		693,552	763,592	(c)
Current assets[2]	88	9,822	4,877	(d)
Current liabilities (excluding borrowings)	88	(12,843)	(6,463)	(e)
Cash and cash equivalents (d + e)		(3,021)	(1,586)	(f)
Net gearing figure (g = (c – f – a)/a) (%)		**13.3**	**11.5**	**(g)**

1 Includes bank overdraft of £9,230,000 (2024: £7,899,000).
2 Includes cash at bank of £nil (2024: cash at bank of £nil and the Company's investment in BlackRock's Institutional Cash Series plc - Sterling Liquidity Environmentally Aware Fund of £28,000).

Leverage

Leverage is defined in the AIFM Directive as "any method by which the AIFM increases the exposure of an AIF it manages whether through borrowing of cash or securities, or leverage embedded in derivative positions or by any other means".

Leverage is measured in terms of 'exposure' and is expressed as a ratio of net asset value:

$$\text{Leverage ratio} = \frac{\text{Total assets}}{\text{Net assets}}$$

The Directive sets out two methodologies for calculating exposure. These are the Gross Method and the Commitment Method. The process for calculating exposure under each methodology is largely the same, except that, where certain conditions are met, the Commitment Method enables instruments to be netted off to reflect 'netting' or 'hedging' arrangements and the entity's exposure is effectively reduced.

Net asset value per share (NAV)

This is the value of the Company's assets attributable to one ordinary share. It is calculated by dividing total shareholders' funds by the total number of ordinary shares in issue (excluding treasury shares). Shareholders' funds are calculated by deducting the Company's current and long-term liabilities and any provision for liabilities and charges from its total assets.

NAV (debt at par value) calculation	**Page**	**28 February 2025 £'000**	**29 February 2024 £'000**	
Equity shareholders' funds (£'000)	88	614,779	686,206	(a)
Ordinary shares in issue	97	43,804,792	47,319,792	(b)
NAV (pence) (a / b)		**1,403.45**	**1,450.15**	**(c)**

NAV (debt at fair value) calculation	**Page**	**28 February 2025 £'000**	**29 February 2024 £'000**	
Equity shareholders' funds (£'000)	125	641,057	710,863	(a)
Ordinary shares in issue	97	43,804,792	47,319,792	(b)
NAV (pence) (a / b)		**1,463.44**	**1,502.25**	(c)

* Alternative Performance Measure

Glossary
continued

Net asset value per share – debt at fair value (debt at fair value NAV)

The Company has in issue a number of tranches of long-term debt as described in detail on note 13 on pages 98 and 99. For accounting purposes and in accordance with UK GAAP, this debt is valued at par less amortised costs on the Company's balance sheet. However, the fair value of this debt reflects instead the market price that investors would be willing to buy it for, which differs from the book value on the balance sheet.

To the extent that a company's debt is publicly traded, the most recently available quoted offer price is typically used to value it. For private placement debt, the fair value is typically calculated using a discounted cash flow technique utilising inputs including interest rates obtained from comparable loans on the market.

The calculation of the Company's NAV per share with debt at fair value is set out in the table on page 123.

Net asset value and share price return (with dividends reinvested)*

Performance statistics enable the investor to make performance comparisons between investment trusts with different dividend policies. The performance measures the combined effect of any dividends paid together with the rise or fall in the share price or NAV. This is calculated by the movement in the share price or NAV plus the dividends paid by the Company assuming these are reinvested in the Company at the prevailing NAV/share price (please see the performance record on page 4 for the inputs to the calculations which are set out in the tables below).

NAV total return (debt at par value)	**Page**	**28 February 2025**	**29 February 2024**	
Closing NAV per share (pence)	4	1,403.45	1,450.15	
Add back interim and final dividends (pence)	4	42.50	40.50	
Effect of dividend reinvestment (pence)		(4.48)	1.37	
Adjusted closing NAV (pence)		1,441.47	1,492.02	(a)
Opening NAV per share (pence)	4	1,450.15	1,553.41	(b)
NAV total return (c = ((a – b)/b)) (%)		**(0.6)**	**(4.0)**	**(c)**

NAV total return (debt at fair value)	**Page**	**28 February 2025**	**29 February 2024**	
Closing NAV per share (pence)	4	1,463.44	1,502.25	
Add back interim and final dividends (pence)	4	42.50	40.50	
Effect of dividend reinvestment (pence)		(4.18)	1.31	
Adjusted closing NAV (pence)		1,501.76	1,544.06	(a)
Opening NAV per share (pence)	4	1,502.25	1,601.42	(b)
NAV total return (c = ((a – b)/b)) (%)		**0.0**	**(3.6)**	**(c)**

Share price total return	**Page**	**28 February 2025**	**29 February 2024**	
Closing share price (pence)	4	1,270.00	1,326.00	
Add back interim and final dividends (pence)	4	42.50	40.50	
Effect of dividend reinvestment (pence)		(5.19)	1.97	
Adjusted closing share price (pence)		1,307.31	1,368.47	(a)
Opening share price (pence)	4	1,326.00	1,380.00	(b)
Share price total return (c = ((a – b)/b)) (%)		**(1.4)**	**(0.8)**	**(c)**

* Alternative Performance Measure.

Net asset value per share with debt at fair value

The net asset value per share adjusted to include the debt at fair value rather than at par value is as follows:

	As at 28 February 2025		As at 29 February 2024	
	NAV[1] per share (pence)	Shareholders' funds £'000	NAV[1] per share (pence)	Shareholders' funds £'000
Net asset value (debt at par value)	1,403.45	614,779	1,450.15	686,206
Add back: 2.74% loan note 2037 – debt at par	56.69	24,832	52.45	24,818
Add back: 2.41% loan note 2044 – debt at par	45.37	19,873	41.98	19,867
Add back: 2.47% loan note 2046 – debt at par	56.70	24,838	52.47	24,830
Less: 2.74% loan note 2037 – debt at fair value	(41.93)	(18,368)	(39.39)	(18,638)
Less: 2.41% loan note 2044 – debt at fair value	(26.30)	(11,522)	(25.59)	(12,110)
Less: 2.47% loan note 2046 – debt at fair value	(30.54)	(13,375)	(29.82)	(14,110)
Net asset value (debt at fair value)	**1,463.44**	**641,057**	**1,502.25**	**710,863**

[1] Based on 43,804,792 ordinary shares in issue as at 28 February 2025 (2024: 47,319,792).

Ongoing charges ratio*

$$\text{Ongoing charges (\%)} = \frac{\text{Annualised ongoing charges for the year}}{\text{Average net asset value (debt at par) in the period}}$$

Ongoing charges are those expenses of a type which are likely to recur in the foreseeable future, whether charged to capital or revenue, and which relate to the operation of the investment company as a collective fund. Ongoing charges are based on costs incurred in the year as being the best estimate of future costs and include the annual management charge.

As recommended by the AIC in its guidance, ongoing charges are the Company's annualised revenue and capital expenses (excluding finance costs, direct transaction costs, custody transaction charges, VAT recovered, taxation, prior year expenses written back and certain non-recurring items expressed as a percentage of the average daily net assets (debt at par value) of the Company during the year.

The inputs that have been used to calculate the ongoing charges percentage are set out in the following table:

Ongoing charges calculation	Page	28 February 2025 £'000	29 February 2024 £'000	
Management fee	93	4,611	4,437	
Other operating expenses[1]	94	890	905	
Total management fee and other operating expenses		5,501	5,342	(a)
Average daily net assets in the year		719,731	691,143	(b)
Ongoing charges (c = a/b) (%)		**0.8**	**0.8**	**(c)**

[1] Excludes prior year expenses written back in the year of £11,000 and non-recurring expenses of £61,000 (2024: prior year expenses written back of £1,000 and non-recurring expenses of £35,000).

Quoted and unquoted securities

Quoted securities are securities that trade on an exchange and therefore there is a publicly quoted price. Unquoted securities are securities that do not trade on an exchange and therefore there is not a publicly quoted price.

Revenue return and revenue reserves

Revenue return represents the net revenue income earned after deduction of fees and expenses allocated to the revenue account and taxation suffered by the Company. Revenue reserves is the undistributed income that the Company keeps as reserves. Investment trusts do not have to distribute all the income they generate, after expenses. They may retain up to 15% of revenue generated each year which will be held in a revenue reserve. This reserve can be used at a later date to supplement dividend payments to shareholders.

* Alternative Performance Measure

Glossary
continued

Treasury shares
Treasury shares are shares that a company keeps in its own treasury which are not currently issued to the public. These shares do not pay dividends, have no voting rights and are not included in a company's total issued share capital amount for calculating percentage ownership. Treasury shares may have come from a repurchase or buy back from shareholders, or it may never have been issued to the public in the first place. Treasury shares may be reissued from treasury to the public to meet demand for a company's shares in certain circumstances.

Total dividends and yield*
Total dividends represent total quarterly and final dividends declared by the Company for a particular year. The yield is the amount of cash (in percentage terms that is returned to the owners of the security, in the form of interest or dividends received from it. Normally, it does not include the price variations, distinguishing it from the total return).

Yield	Page	28 February 2025	29 February 2024	
Interim and final dividends paid/payable (pence)[1]	96	44.00	42.00	(a)
Ordinary share price (pence)		1,270.00	1,326.00	(b)
Yield (c = a/b) (%)		**3.5**	**3.2**	**(c)**

[1] Comprising dividends declared/paid for the twelve months to 28 February 2025 and 29 February 2024.

* Alternative Performance Measure.

Notice of annual general meeting

Pension firm Just Group was the largest new addition to the portfolio. The group provides retirement products and services as well as financial advice.

Notice of annual general meeting

Notice is hereby given that the Annual General Meeting of BlackRock Smaller Companies Trust plc will be held at the offices of BlackRock, 12 Throgmorton Avenue, London EC2N 2DL on 19 June 2025 at 11.30 a.m. for the purpose of considering and, if thought fit, passing the following resolutions (which will be proposed, in the case of resolutions 1 to 11 as ordinary resolutions, and in the case of resolutions 12 and 13 as special resolutions).

Resolution 2 is an advisory vote on the Directors' Remuneration Report, excluding any content relating to the remuneration policy as set out on pages 62 and 63.

Ordinary business

1. To receive the report of the Directors and the financial statements for the year ended 28 February 2025, together with the report of the auditors thereon.

2. To approve the Directors' Remuneration Report for the year ended 28 February 2025 (excluding any content relating to the remuneration policy).

3. To approve a final dividend of 28.50p per ordinary share.

4. To re-elect Ronald Gould as a Director.

5. To re-elect Mark Little as a Director.

6. To re-elect James Barnes as a Director.

7. To re-elect Helen Sinclair as a Director.

8. To re-elect Dunke Afe as a Director.

9. To re-appoint PricewaterhouseCoopers LLP, Chartered Accountants, as auditors to the Company until the conclusion of the next Annual General Meeting of the Company.

10. To authorise the Audit Committee to determine the auditors' remuneration.

Special business

Ordinary resolutions

11. That, in substitution for all existing authorities, the Directors of the Company be and they are hereby generally and unconditionally authorised pursuant to Section 551 of the Companies Act 2006 (the Act), to exercise all the powers of the Company to allot relevant securities in the Company (as defined in that section) up to an aggregate nominal amount of £1,077,619.80 (being 10% of the aggregate nominal amount of the issued share capital, excluding treasury shares, of the Company at the date of this notice) provided this authority shall expire at the conclusion of the next Annual General Meeting to be held in 2026 but so that the Company may, before such expiry, make any offer or agreement which would or might require relevant securities to be allotted pursuant to any such offer or agreement as if the authority hereby conferred had not expired.

Special resolutions

12. That, in substitution for all existing authorities and subject to the passing of resolution 11, the Directors of the Company be and are hereby empowered pursuant to Sections 570 and 573 of the Companies Act 2006 (the Act) to allot equity securities (as defined in Section 560 of the Act), and to sell equity securities held by the Company as treasury shares (as defined in Section 724 of the Act) for cash pursuant to the authority granted by the resolution numbered 11, as if Section 561(1) of the Act did not apply to any such allotments and sales of equity securities, provided that this power:

    (a) shall expire at the conclusion of the next Annual General Meeting of the Company in 2026, except that the Company may, before such expiry, make offers or agreements which would or might require equity securities to be allotted or sold after such expiry and notwithstanding such expiry the Directors may allot and sell equity securities in pursuance of such offers or agreements;

    (b) shall be limited to the allotment of equity securities and/or the sale of equity securities held in treasury for cash up to an aggregate nominal amount of £1,077,619.80 (representing 10% of the aggregate nominal amount of the issued share capital, excluding treasury shares, of the Company at the date of this notice); and

(c) shall be limited to the allotment of equity securities at a price of not less than the cum-income net asset value per share (debt at fair value).

13. That, in substitution for the Company's existing authority to make market purchases of ordinary shares of 25p each in the Company (Shares), the Company be and is hereby authorised in accordance with Section 701 of the Companies Act 2006 (the Act) to make market purchases of Shares (within the meaning of Section 693 of the Act) provided that:

(a) the maximum number of Shares hereby authorised to be purchased is 6,461,408 (being the equivalent of 14.99% of the Company's issued share capital, excluding treasury shares, at the date of this notice);

(b) the minimum price (exclusive of expenses) which may be paid for a Share shall be 25p, being the nominal value per ordinary share;

(c) the maximum price (exclusive of expenses) which may be paid for a Share shall be the higher of (i) 5% above the average of the market values of the Shares for the five business days immediately preceding the date of the purchase as derived from the Daily Official List of the London Stock Exchange and (ii) the higher of the price quoted for (a) the last independent trade of, and (b) the highest current independent bid for, any number of Shares on the trading venue where the purchase is carried out; and

(d) unless renewed, the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company in 2026, save that the Company may, before such expiry, enter into a contract to purchase Shares which will or may be completed or executed wholly or partly after such expiry.

All Shares purchased pursuant to the above authority shall be either:

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

(ii) cancelled immediately upon completion of the purchase.

By order of the Board

GRAHAM VENABLES
For and on behalf of
BlackRock Investment Management (UK) Limited
Company Secretary
7 May 2025

Notice of annual general meeting

continued

Notes:

1. A member entitled to attend and vote at the meeting convened by the above Notice is also entitled to appoint one or more proxies to exercise all or any of the rights of the member to attend, speak and vote instead of him/her. A proxy need not be a member of the Company. If a member appoints more than one proxy to attend the meeting, each proxy must be appointed to exercise the rights attached to a different share or shares held by the member.

2. To appoint a proxy you may use the form of proxy enclosed with this annual report. To be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of the same, must be completed and returned to the office of the Company's registrar in accordance with the instructions printed thereon as soon as possible and in any event by not later than 11.30 a.m. on 17 June 2025. Alternatively, you can vote or appoint a proxy electronically by visiting eproxyappointment.com. You will be asked to enter the Control Number, the Shareholder Reference Number and PIN which are printed on the form of proxy. The latest time for the submission of proxy votes electronically is 11.30 a.m. on 17 June 2025.

3. Proxymity Voting – if you are an institutional investor you may also be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 11.30 a.m. on 17 June 2025 in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.

4. Completion and return of the form of proxy will not prevent a member from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will be automatically terminated.

5. Any person receiving a copy of this Notice as a person nominated by a member to enjoy information rights under Section 146 of the Companies Act 2006 (a Nominated Person) should note that the provisions in notes 1 and 2 above concerning the appointment of a proxy or proxies to attend the meeting in place of a member, do not apply to a Nominated Person as only shareholders have the right to appoint a proxy. However, a Nominated Person may have a right under an agreement between the Nominated Person and the member by whom he or she was nominated to be appointed, or to have someone else appointed, as proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may have a right under such agreement to give instructions to the member as to the exercise of voting rights at the meeting.

6. Nominated persons should also remember that their main point of contact in terms of their investment in the Company remains the member who nominated the Nominated Person to enjoy the information rights (or perhaps the custodian or broker who administers the investment on their behalf). Nominated Persons should continue to contact that member, custodian or broker (and not the Company) regarding any changes or queries relating to the Nominated Person's personal details and interest in the Company (including any administrative matter). The only exception to this is where the Company expressly requests a response from the Nominated Person.

7. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, only shareholders registered in the register of members of the Company by not later than close of business two business days prior to the date fixed for the meeting shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at such time. If the meeting is adjourned, the time by which a person must be entered on the register of members of the Company in order to have the right to attend and vote at the adjourned meeting is close of business two business days prior to the date of adjournment. Changes to the register of members after the relevant times shall be disregarded in determining the rights of any person to attend and vote at the meeting.

8. In the case of joint holders, the vote of the senior holder who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.

9. Shareholders who hold their shares electronically may submit their votes through CREST, by submitting the appropriate and authenticated CREST message so as to be received by the Company's registrar not later than 48 hours before the start of the meeting. Instructions on how to vote through CREST can be found by accessing the following website: www.euroclear.com/CREST. Shareholders are advised that CREST and the internet are the only methods by which completed proxies can be submitted electronically.

10. If you are a CREST system user (including a CREST personal member) you can appoint one or more proxies or give an instruction to a proxy by having an appropriate CREST message transmitted. To appoint one or more proxies or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, CREST messages must be received by Computershare (ID number 3RA50) not later than 48 hours before the time appointed for holding the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which Computershare is able to retrieve the message. CREST personal members or other CREST sponsored members should contact their CREST sponsor for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and system timings please refer to the CREST manual. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

11. If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes subject of those proxies are cast and voting rights in respect of those discretionary proxies, when added to the interest in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure Guidance and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Conduct Authority. As a result, any member holding 3 per cent or more of the voting rights in the Company, who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure Guidance and Transparency Rules, need not make a separate notification to the Company and the Financial Conduct Authority.

12. Any question relevant to the business of the meeting may be asked at the meeting by anyone permitted to speak at the meeting. A shareholder may alternatively submit a question in advance by a letter addressed to the Company Secretary at the Company's registered office. Under Section 319A of the Companies Act 2006, the Company must answer any question a shareholder asks relating to the business being dealt with at the meeting, unless (i) answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; (ii) the answer had already been given on a website in the form of an answer to a question; or (iii) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

13. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that, if it is appointing more than one corporate representative, it does not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative.

14. Under Section 527 of the Companies Act 2006, members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to:

    (i) the audit of the Company's financial statements (including the auditors' report and the conduct of the audit) that are laid before the meeting; or

    (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual financial statements and reports were laid in accordance with Section 437 of the Companies Act 2006.

    The Company may not require the members requesting such website publication to pay its expenses in complying with Sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's auditors not later than the time when it makes the statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on a website.

15. Under Sections 338 and 338A of the Companies Act 2006, members meeting the threshold requirements in those sections have the right to require the Company:

    (i) to give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting; and/or

    (ii) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in the business.

    A resolution may properly be moved, or a matter may properly be included in the business unless:

    (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise);

    (b) it is defamatory of any person; or

    (c) it is frivolous or vexatious.

    Such a request may be in hard copy form or in electronic form and must identify the resolution of which notice is to be given or the matter to be included in the business, must be authorised by the person or persons making it, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

16. Further information regarding the meeting which the Company is required by Section 311A of the Companies Act 2006 to publish on a website in advance of the meeting (including this Notice), can be accessed at www.blackrock.com/uk/brsc.

17. As at the date of this report, the Company's issued share capital comprised 43,104,792 ordinary shares of 25 pence each, excluding shares held in treasury. Each ordinary share carries the right to one vote and therefore the total number of voting rights in the Company on 2 May 2025 is 43,104,792.

18. No service contracts exist between the Company and any of the Directors, who hold office in accordance with letters of appointment and the Articles of Association.

Share fraud warning

Be ScamSmart

FCA
FINANCIAL CONDUCT AUTHORITY

Investment scams are designed to look like genuine investments

Spot the warning signs

Have you been:

- **contacted out of the blue**
- **promised tempting returns and told the investment is safe**
- **called repeatedly, or**
- **told the offer is only available for a limited time?**

If so, you might have been contacted by fraudsters.

Avoid investment fraud

1. **Reject cold calls**
If you've received unsolicited contact about an investment opportunity, chances are it's a high risk investment or a scam. You should treat the call with extreme caution. The safest thing to do is to hang up.

2. **Check the FCA Warning List**
The FCA Warning List is a list of firms and individuals we know are operating without our authorisation.

3. **Get impartial advice**
Think about getting impartial financial advice before you hand over any money. Seek advice from someone unconnected to the firm that has approached you.

Report a scam

If you suspect that you have been approached by fraudsters please tell the FCA using the reporting form at **www.fca.org.uk/consumers**. You can also call the FCA Consumer Helpline on **0800 111 6768**

If you have lost money to investment fraud, you should report it to Action Fraud on 0300 123 2040 or online at www.actionfraud.police.uk

Find out more at **www.fca.org.uk/scamsmart**

Remember: if it sounds too good to be true, it probably is!

SGN001

Printed by Park Communications on FSC® certified paper.

Park works to the EMAS standard and its Environmental Management System is certified to ISO 14001.

This publication has been manufactured using 100% offshore wind electricity sourced from UK wind.

100% of the inks used are vegetable oil based, 95% of press chemicals are recycled for further use and, on average 99% of any waste associated with this production will be recycled and the remaining 1% used to generate energy.

This document is printed on paper made of material from well-managed FSC®-certified forests and other controlled sources.

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