25 April 2015

BlackRock Smaller Companies Trust plc

Annual results announcement for the year ended 29 February 2016

FINANCIAL HIGHLIGHTS

	Year ended 29 February 2016	Year ended 28 February 2015	Change %
Performance			
Net asset value per share (debenture at par value)	992.18p	954.34p	+4.0
Net asset value per share (debenture at par value, capital only)	978.61p	942.91p	+3.8
Net asset value per share (debenture at fair value)	982.59p	946.91p	+3.8
Numis Smaller Companies plus AIM (excluding Investment Companies) Index (1)	4,372.19	4,575.78	-4.4
Share price	863.00p	812.00p	+6.3
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Revenue return per share	20.57p	16.93p	+21.5
Interim dividend per share	7.00p	5.50p	+27.3
Proposed final dividend per share	10.50p	9.00p	+16.7
Total dividends paid and payable	17.50p	14.50p	+20.7
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Total assets less current liabilities (£'000)	514,962	496,828	+3.6
Equity shareholders' funds (£'000)	475,055	456,936	+4.0
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Ongoing charges ratio (2)	0.7%	0.7%	
Ongoing charges ratio (including performance fees)	0.9%	1.0%	
Dividend yield	2.0%	1.8%	
Gearing	6.6%	8.6%	
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1. Excludes income reinvested.
2. Ongoing charges ratio calculated as a percentage of average shareholders' funds and using expenses, excluding finance costs, performance fees and taxation, in accordance with AIC guidelines.

Sources : BlackRock and Datastream

CHAIRMAN'S STATEMENT

Your Company has a remarkable record. For thirteen consecutive years it has outperformed its benchmark and increased its dividend. Over that period, the NAV has grown seven-fold whereas the benchmark has almost tripled.

PERFORMANCE

During the year to 29 February 2016, the Company's net asset value ("NAV") increased by 4.0% to 992.18p per share, compared with its benchmark, the Numis Smaller Companies plus AIM (excluding Investment Companies) Index, which fell by 4.4%. Your Company's share price increased by 6.3% to 863.00p per share.

This outperformance over the benchmark has taken place against a background of significant market volatility. The main factors underlying this have been concerns over slowing growth in China, the strength and sustainability of US growth and the weakness of oil and other resource prices. Markets have also been affected by uncertainty over the outcome of the forthcoming UK vote on whether or not to leave the European Union.

Small capitalisation stocks outperformed mid and large capitalisation stocks; the FTSE AIM All Share Index[1] fell by 3.0% compared with the FTSE 250 Index[1] which fell by 3.5% and the FTSE 100 Index[1] which fell by 12.2%.

The significant outperformance of the Company's NAV over the year was largely attributable to good stock selection, with the best individual stock performance coming from more defensive health care stocks and companies with exposure to leisure and UK consumer discretionary spending. Sector allocation also generated outperformance, with the portfolio's overweight position in housebuilders and health care companies and its underweight position in the oil and gas sector being the most significant contributors. The largest detractor from performance came from exposure to the oil and power sectors. More details of the various contributors to performance can be found in the Investment Manager's Report.

Since the financial year end, and up to 21 April 2016, the Company's NAV has increased by 4.1%, against an increase in the benchmark of 5.8%, and the share price has risen by 4.9%. Over the longer term the Company's performance has substantially exceeded its benchmark, as shown in the table below.

Performance to 29 February 2016	1 Year change %	3 Years change %	5 Years change %	10 Years change %
NAV per share	4.0	37.7	59.8	174.7
Benchmark	-4.4	8.6	17.8	24.8
NAV per share (with income reinvested)	5.6	43.9	71.8	217.2
Benchmark (with income reinvested)	-1.6	17.6	34.0	54.8
Share price (with income reinvested)	8.2	44.6	72.8	227.5

The progression of the Company's total return performance (with income reinvested) over the last ten years is shown in the chart on page 4 of the Annual Report and Financial Statements.

EARNINGS AND DIVIDENDS

The Company's revenue return per share for the year ended 29 February 2016 increased by 21.5%, to 20.57 pence per share compared with 16.93 pence per share for the previous year.

Regular dividends from portfolio companies also rose by 21.5%, while special dividends received were marginally lower than in the previous year.

In October 2015 the Board declared an interim dividend of 7.00p per share (2015: 5.50p per share). The Directors are pleased to recommend the payment of a final dividend of 10.50p per share (2015: 9.00p per share), making a total for the year of 17.50p, an increase of 20.7% over the total dividend of 14.50p paid in the previous year. Subject to shareholder approval, the final dividend will be paid on 20 June 2016 to shareholders on the register on 20 May 2016; the ex-dividend date is 19 May 2016.

The compound annual increase in dividends paid over the past five years has been 20% per annum.

This increase in total dividends this year means that your Company has now increased its dividends every year for each of the last thirteen years. The Board is very conscious of the importance of income and yield to many investors, and while the objective of the Company remains long term capital growth, it is clear that investing in smaller companies can also result in substantial income growth over the long term.

The profile of growth in dividends paid by the Company over the last ten years is shown in the graph on page 5 of the Annual Report and Financial Statements.

GEARING

The Company has in place a range of borrowing options in order to maximise flexibility and to reduce dependency on short term borrowings. As well as the Company's existing £15 million debenture, the Company has a £35 million three year revolving loan facility with Scotia Bank (Ireland) Limited and an uncommitted overdraft facility of £10 million. 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.

Gearing levels and sources of funding are reviewed regularly and the Board continues to believe that moderate gearing is in the long term interests of shareholders. At the year end, the Company's gearing was 6.6% of net assets.

DISCOUNT

During the year the share price stood at an average discount of 10.5% to NAV. The discount ranged between 4.0% and 16.7% and ended the year at 12.2% (all measured against a NAV with debt at fair value). The discount has since widened to 12.4% as at 21 April 2016.

THE BOARD

We are pleased to welcome Susan Platts-Martin to the Board with effect from 21 April 2016. Susan has also joined the Company's Audit Committee, Management Engagement Committee and Nomination Committee. Her biography is set out on page 19 of the Annual Report and Financial Statements.

Gillian Nott will not be seeking re-election at the forthcoming AGM, having served as a Director since 2005. The Board would like to express its appreciation for her exceptional contribution to the Company during her tenure and wish her well in the future.

ANNUAL GENERAL MEETING

The AGM of the Company will be held at the offices of BlackRock at 12 Throgmorton Avenue, London EC2N 2DL on 9 June 2016 at 11.30 a.m. Mike Prentis, the Portfolio Manager, will be making a presentation to shareholders on the Company's performance and the outlook for equity markets. The Directors and representatives of the Manager look forward to meeting shareholders informally after the meeting and I hope that as many shareholders as possible will choose to attend.

OUTLOOK

In the near term uncertainty over the outcome of the referendum on whether to stay in or leave the European Union is widely expected to affect the stock market and the potential impact of a vote to leave is unpredictable.

The Company's portfolio remains overweight in health care and UK consumer discretionary stocks and underweight in consumer staples and energy. The portfolio is diversified with a focus on well run, high calibre UK companies which have strong balance sheets and are cash generative. Your Board is confident that the portfolio is constructed to weather the uncertainty of the next few months and that the Company will continue to produce rewarding results for shareholders.

Nicholas Fry
Chairman
25 April 2016

1. All percentages in sterling terms without income reinvested.

INVESTMENT MANAGER'S REPORT

Your Company continues to outperform its benchmark and to deliver its objective of achieving long term capital growth for shareholders, as well as increasing its dividend for thirteen consecutive years.

Stock markets have been very mixed in the early part of 2016. There have been many issues for markets to worry about, including the slowdown in GDP growth in China and the implications for the world economy, the strength and sustainability of US GDP growth, the volatility of oil and other resource prices, and most recently the BREXIT referendum in the UK. It seems increasingly clear that the Chinese economy has slowed significantly although it is difficult to gauge accurately the true level of growth now and what it will be in the future. Data on the US economy has been rather mixed, and industrial production has been held back by the strong US dollar making exports more expensive. However in other respects, such as overall GDP growth and employment, the US economy looks to be in good shape. In the UK the main area of concern in recent months has been the upcoming BREXIT referendum and the implications for the UK economy before and after the vote.

INVESTMENT PERFORMANCE

Investment performance in absolute terms was good until the end of 2015, but the volatility referred to above meant that we had a weak end to the financial year. For the year to 29 February 2016 the Company's NAV per share rose by 4.0%, which compares to falls in the benchmark of 4.4% and the FTSE100 of 12.2%. This is the thirteenth consecutive financial year in which we have outperformed our benchmark index. It is also the thirteenth consecutive year in which we have increased the dividend we pay to shareholders. It was certainly pleasing to see good growth in the dividends we receive from our investments. Ordinary dividends received increased by 21.5% and we also received a high level of special dividends (circa £1 million). These reflect the types of companies we typically invest in: highly profitable, cash generative, dividend paying growth companies.

Turning to our outperformance, this was partly due to good stock selection, but also down to good sector allocation. We remained geared though the year, with gearing in the range 6% to 9% of shareholders funds.

The best individual stock performers were our holdings in CVS Group, Betfair Group, Fevertree Drinks, Hutchison China Meditech and 4imprint Group. The share prices in Betfair Group and Fevertree Drinks appreciated by 158% and 166% respectively during the year. CVS Group has expanded its veterinary surgery business by acquisition whilst significantly improving the performance of its existing surgeries. It now has 333 surgeries and 6 pet crematoria in the UK making it, we believe, the largest independent operator. Betfair Group has continued to grow strongly, has merged with Paddy Power and has joined the FTSE100. Sadly, in line with our usual practice, we have now sold our shares. Fevertree Drinks has continued to grow strongly both in the UK and internationally. For the year to 31 December 2015 sales grew 71% compared to 2014; all of the growth was organic. Hutchison China Meditech continues to develop its oncology portfolio with Tier 1 pharma partners. The company has recently raised money on the NASDAQ. 4imprint Group has continued to grow its US-based promotional products business strongly, and all organically.

Our holding in Northbridge Industrial Services detracted most from relative performance. The company is a supplier to the oil and power sectors.

Sector allocation benefitted from our overweight position in housebuilders and health care companies, and our underweight position in the oil & gas sector.

ACTIVITY

We invested in several IPOs during the year, including Softcat, a successful reseller of software products, where management particularly impressed us and Regional REIT, on a prospective yield of 7%. We also participated in a number of placings. Our usual stance on new investments is to start with a holding of 0.5% of net assets until our knowledge and confidence levels are strong enough to justify a higher weighting. For some very small companies, where liquidity is often limited and risks are higher, we will start with a holding of 0.25% of net assets; we only invest in situations where we feel there could realistically be significant upside.

We sold investments in a number of companies where we felt that the short term upside was looking more limited. Towards the end of the financial year we also reduced slightly our exposure to UK domestically orientated companies using the proceeds to add to holdings with greater overseas exposure. This was partly because we have been very overweight UK consumer exposed companies, something which has worked well, but also because we are concerned that certain purely UK exposed companies might be perceived to suffer if the UK leaves the EU.

PORTFOLIO POSITIONING

We are most overweight in health care companies which we see as typically more defensive and often quite international in their operations. Examples of such holdings include CVS Group, the largest independent operator of veterinary surgeries in the UK; Dechra Pharmaceuticals, a developer and supplier of veterinary pharmaceuticals which are sold mainly in Europe and the US; Advanced Medical Solutions, a leading supplier of advanced woundcare products sold mainly in Europe and the US; and Skyepharma, the developer of drug delivery products (most notably Flutiform for the treatment of asthma). Skyepharma has recently announced an all share merger with Vectura. We also remain overweight in UK consumer discretionary companies including JD Sports, the sports retailer which continues to trade strongly helped by its sales of Nike and Adidas trainers, and is expanding across Continental Europe; Topps Tiles the UK's leading supplier of tiles for the home and Headlam Group, the UK's largest distributor of floor coverings. The UK consumer discretionary sector is also the largest sector in our portfolio in absolute terms.

We are most underweight in consumer staples, including food producers, although one of our most successful investments over the last few years has been Fevertree Drinks, which remains a holding, and sales of which are increasingly international. We are also underweight energy companies, although we have holdings in companies such as Amerisur Resources and Faroe Petroleum, both of which we regard as well managed oil producers with strong balance sheets and significant net cash. A focus on balance sheet strength runs throughout our portfolio, and is especially important in sectors such as resources, where the pricing power we generally seek is not available.

We have significant holdings in industrials, financials and IT companies, although in each case we are fairly neutrally weighted relative to our benchmark.

We are careful to manage risk. This means that even in sectors which are proving difficult, such as resources in recent years, we tend to have some exposure, seeking out the best companies. From an individual stock point of view, it would be unusual for us to allow any holding to become more than 3% of net assets of the Company. We do have a distinct style to our portfolio with an emphasis on stocks with good share price momentum. This reflects the positive earnings momentum of our portfolio. We also have a style tendency to own stocks which are on average smaller in market capitalisation terms than our benchmark average.

INVESTMENT SIZE AS AT 29 FEBRUARY 2016

	Number of investments	% of portfolio
£0m to £1m	22	2.8
£1m to £2m	45	13.2
£2m to £3m	31	15.1
£3m to £4m	23	15.3
£4m to £5m	13	12.7
£5m to £6m	8	7.6
£6m to £7m	9	11.6
£7m to £8m	5	7.2
£8m to £9m	4	6.6
£9m to £10m	2	3.6
£10m to £11m	1	2.0
£11m to £12m	1	2.3

Source: BlackRock.

MARKET CAPITALISATION OF PORTFOLIO COMPANIES AS AT 29 FEBRUARY 2016

	% of portfolio
£0m to £100m	5
£100m to £400m	44
£400m to £1bn	33
£1bn+	18

Source: BlackRock.

OUTLOOK

We expect continued volatility in the UK stockmarket over the coming months ahead of the BREXIT vote. Discussion of the pros and cons of continued membership of the EU is already proving heated and divisive, and this is likely to continue. This may result in postponement of UK investment plans until the vote is clear. We see central London property as being one of the most exposed areas if the polls suggest an “out” vote, or if there is an “out” vote. If there is a vote to leave the EU we expect markets to take it badly, with a further fall in Sterling, reflecting the uncertainty that will lie ahead. A vote to stay “in” will probably lead to a relief rally.

Despite these worries, we believe our portfolio is well placed. Many of our companies are very international in their outlook, and would benefit from weaker Sterling. Our UK exposed stocks are well run leading companies and we expect them to cope well with the uncertainty. We also expect dividend flows from our portfolio to remain strong.

Mike Prentis
BlackRock Investment Management (UK) Limited
25 April 2016

SUMMARY OF THE TEN LARGEST INVESTMENTS AS AT 29 FEBRUARY 2016

Set out below is a brief description by the Investment Manager of the Company’s ten largest investments.

CVS GROUP: 2.3% (2015: 1.5%) is one of the leading veterinary services providers in the UK and owns more than 330 veterinary surgeries throughout the country. The services provided by the group include preventative health care through the Healthy Pet Club, their own night services and their own pet crematoria and cemeteries. CVS Group has grown organically and by way of a number of bolt on acquisitions to accelerate national coverage. Earnings growth has been strong for several years and we expect this to continue.

4IMPRINT GROUP: 2.0% (2015: 1.6%) is a leading supplier of promotional products operating almost wholly in the US market. It sells an extensive range of products to businesses and organisations of all sizes, typically customised with the customers' brand or logo. Its growth is underpinned by a range of data-driven traditional and online marketing. In 2015, the company grew revenues organically by 20% and earnings per share by 20%. It continues to have excellent growth prospects not least because of the strength of the US economy but also its market share of about 5% in a highly fragmented market.

JD SPORTS: 1.8% (2015: nil) is a retailer of sports fashion and outdoor brands operating in the United Kingdom and Europe. It has excellent relationships with some of the biggest global sports brands with whom it works closely as it expands its footprint.

DECHRA PHARMACEUTICALS: 1.8% (2015: 1.4%) is an international specialist veterinary pharmaceutical products business. Their expertise is in the development, manufacture, marketing and sales of a range of predominantly pharmaceutical products. Sales of its main products are long life and growing well and the company has a good pipeline of prospective products in development.

RATHBONE BROTHERS: 1.7% (2015: 1.6%) is one of the UK's leading providers of investment management services for private clients, charities and professional advisers. The company manages funds in excess of £27 billion, and yet has only a relatively small share of its target market. We believe its approach and highly regarded brand will enable it to continue to grow funds under management and earnings over the medium to long term.

RESTORE: 1.7% (2015: 0.9%) is a provider of document storage facilities for UK corporates. It has grown organically and by acquisition. Its revenues are highly predictable because it can provide space competitively to customers who frequently need to have documents stored over a number of years.

WORKSPACE GROUP: 1.6% (2015: 1.9%) is a provider of premises tailored to the needs of new and growing businesses across London. It owns more than 100 properties in London providing 5.2 million square feet of space which is home to some 4,000 businesses employing more than 30,000 people. The company provides the right properties to attract and retain customers giving them the flexibility to adjust the space they need to help them grow. Occupancy levels have continued to increase as have rents per square foot. The company has also supplemented core operational income and capital values by redeveloping certain property assets. This has enabled the company's net asset value to grow steadily and we expect this to continue as London thrives and creates more jobs.

TED BAKER: 1.6% (2015: 1.5%) is a lifestyle brand offering British menswear, womenswear and accessories. The company is engaged in the design, wholesale and retail of its products. It has developed a strong following in the UK and is in the process of expanding into the US.

TOPPS TILES: 1.5% (2015: 1.1%) is the UK's leading tile and wood flooring specialist supplying products mainly for the refurbishment of UK domestic housing to both a trade and retail customer base.

HEADLAM GROUP: 1.5% (2015: 1.5%) is the UK's leading distributor of a wide range of products sourced from floorcovering suppliers across the world. These are sold to a customer base which mainly comprises independent floorcovering retailers and contractors. The company is well invested and should continue to grow earnings as market conditions improve.

All percentages reflect the value of the holding as a percentage of total investments. For this purpose, where more than one class of securities is held, these have been aggregated. Together, the ten largest investments represent 17.5% of total investments (ten largest investments as at 28 February 2015: 16.8%).

FIFTY LARGEST INVESTMENTS

Company	Market value £'000	% of total portfolio	Business activity
CVS Group	11,583	2.3	Operation of veterinary surgeries
4imprint Group	10,322	2.0	Supply of promotional merchandise in the US
JD Sports	9,236	1.8	Retail of sports and leisure footwear and clothing
Dechra Pharmaceuticals	9,070	1.8	Development and supply of pharmaceutical and other products focused on the veterinary market
Rathbone Brothers	8,798	1.7	Private client fund management
Restore	8,673	1.7	Management of business information in both paper and digital form
Workspace Group	8,327	1.6	Supply of flexible workspace to businesses in London
Ted Baker	8,058	1.6	Design and sale of fashion clothing
Topps Tiles	7,636	1.5	Sourcing and retail of ceramic tiles
Headlam Group	7,465	1.5	Distribution of carpets and other floor coverings
Avon Rubber	7,290	1.4	Production of safety masks and dairy related products
Polar Capital Holdings	7,070	1.4	Investment management
Savills	7,059	1.4	Provision of property services
Advanced Medical Solutions	6,883	1.4	Development and provision of products for global wound care and wound closure markets
Senior	6,857	1.4	Manufacture and supply of components for the aerospace and automotive sectors
Marshalls	6,693	1.3	Manufacture and sale of concrete and stone paving and related products
Bodycote	6,459	1.3	Provision of thermal processing services
Fevertree Drinks	6,368	1.3	Development and sale of soft drinks and mixers
EMIS	6,366	1.3	Development of health care software
Skyepharma	6,316	1.2	Design and manufacture of drug delivery systems
GB Group	6,310	1.2	Development and supply of identity verification solutions
Hill & Smith	6,268	1.2	Production of infrastructure products and supply of galvanizing services
Hansteen Holdings	5,863	1.2	Ownership of industrial property
Young & Co's Brewery – Non-Voting	3,189		
Young & Co's Brewery – A Shares	2,487	1.1	Ownership of pubs in the London area
Cineworld Group	5,550	1.1	Operation of cinemas
Lookers	5,504	1.1	Supply of cars and after market parts and services

Gooch & Housego	5,390	1.1	Design and manufacture of precision optical components, subsystems and instruments used to transmit and measure light
Clinigen	5,333	1.1	Provision of pharmaceuticals and related services
Walker Greenbank	5,263	1.0	Design, manufacture and distribution of wallcoverings and furnishing fabrics
Eurocell	5,143	1.0	Design and manufacture of PVC window, door and other products
Fuller Smith & Turner - A Shares	4,869	1.0	Ownership of pubs in the London area
Victrex	4,797	1.0	Manufacture and supply of PEEK thermoplastic products
St. Modwen Properties	4,725	0.9	Property investment and development
Safestore Holdings	4,725	0.9	Ownership and operation of self storage facilities
Accesso Technology	4,663	0.9	Development and supply of ticketing and virtual queuing solutions for leisure attractions
Tyman	4,535	0.9	Manufacture and supply of window and door components
Virgin Money	4,497	0.9	Provision of banking services
Softcat	4,454	0.9	Provision of information technology software products
Diploma	4,442	0.9	Supply of specialised technical products and services
Grainger	4,438	0.9	Ownership and rental of residential property
Grafton	4,290	0.8	Manufacture and retail of building supplies
Consort Medical	4,074	0.8	Manufacture of drug delivery devices
Next Fifteen Communications	4,036	0.8	Provision of digital communications services
Lavendon	3,995	0.8	Rental of powered aerial work platforms
E2V Technologies	3,849	0.8	Manufacture of electronic components
Northgate	3,749	0.7	Van rental
Gemfields	3,681	0.7	Supply of responsibly sourced coloured gemstones
Redrow	3,585	0.7	Housebuilding
Vertu Motors	3,569	0.7	Retail of new and used cars and provision of after market services
Scapa	3,567	0.7	Manufacture of bonding solutions and adhesive components for applications in the health care and industrial markets
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50 largest investments	297,369	58.7	
Remaining investments	209,219	41.3	
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Total	506,588	100.0	
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A complete listing of all of the Company's portfolio holdings as at 29 February 2016 is given on the Company's website at the following link: www.blackrock.com/uk/individual/literature/fund-update/brsct-portfolio-disclosure.pdf. At 29 February 2016, the Company did not hold any equity interests comprising more than 3% of any company's share capital other than as disclosed in the table below:

Company	% owned
Walker Greenbank plc	4.36
Lifeline Scientific Inc	4.23
Richland Resources Ltd	4.22
Air Partner Plc	4.19
Brainjuicer Group Plc	4.15
City of London Investment Group Plc	3.95
Northbridge Industrial Services Plc	3.57
4imprint Goup Plc	3.21
Kalibrate Technologies Plc	3.18
Avon Rubber Plc	3.09

COMPARATIVES FOR TEN LARGEST INVESTMENTS

Company	2016 Market value £'000	2016 % of total portfolio	2015 Market value £'000	2015 % of total portfolio
CVS Group	11,583	2.3	7,350	1.5
4imprint Group	10,322	2.0	7,878	1.6
JD Sports	9,236	1.8	–	–
Dechra Pharmaceuticals	9,070	1.8	6,397	1.4
Rathbone Brothers	8,798	1.7	8,000	1.6
Restore	8,673	1.7	4,850	0.9
Workspace Group	8,327	1.6	9,267	1.9
Ted Baker	8,058	1.6	7,218	1.5
Topps Tiles	7,636	1.5	5,896	1.1
Headlam Group	7,465	1.5	7,432	1.5
	89,168	17.5	64,288	13.0

Sector	**% of portfolio**
Oil & Gas Producers	1.9
Oil & Gas	**1.9**
Chemicals	3.1
Mining	2.7
Basic Materials	**5.8**

Construction & Materials	5.0
Aerospace & Defence	3.5
Electronic & Electrical Equipment	2.6
General Industrials	0.5
Industrial Engineering	3.4
Industrial Transportation	2.2
Support Services	9.2

Industrials	**26.4**

Beverages	1.3
Household Goods & Home Construction	4.8
Personal Goods	2.0
Leisure Goods	0.6

Consumer Goods	**8.7**

Health Care Equipment & Services	2.9
Pharmaceuticals & Biotechnology	6.1

Health Care	**9.0**

Food & Drug Retailers	0.2
General Retailers	8.2
Media	5.9
Travel & Leisure	4.7

Consumer Services	**19.0**

Fixed Line Telecommunications	0.3

Telecommunications	**0.3**

Banks	1.8
Financial Services	6.5
Nonlife Insurance	0.5
Real Estate Investment & Services	4.5
Real Estate Investment Trusts	5.4

Financials	**18.7**

Software & Computer Services	9.6
Technology Hardware & Equipment	0.6

Technology	**10.2**

ANALYSIS OF PORTFOLIO VALUE BY SECTOR

	%
Oil & Gas	1.9
Basic Materials	5.8

Industrials	26.4
Consumer Goods	8.7
Health Care	9.0
Consumer Services	19.0
Telecommunications	0.3
Financials	18.7
Technology	10.2

Source: BlackRock

STRATEGIC REPORT

The Directors present the Strategic Report of the Company for the year ended 29 February 2016. 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.

PRINCIPAL ACTIVITY

The Company 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.

OBJECTIVE

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

STRATEGY, BUSINESS MODEL AND INVESTMENT POLICY

To achieve its investment objective the Company invests predominantly in UK Smaller Companies which are listed on the London Stock Exchange or on the Alternative Investment Market (AIM). The Board's current intention is that the value of AIM listed stocks as a percentage of the Company's portfolio should not exceed 40%. The Manager's approach in determining the optimal exposure to AIM investments, subject to the parameters set by the Board, is to focus on the merits of the underlying company and to seek value rather than to focus on the exchange on which the holding is listed, and consequently the level of exposure to AIM investments will vary from time to time. The Company may also invest in securities which are listed overseas but have a secondary UK quotation. Although investments are primarily in companies listed on recognised stock exchanges, the Investment Manager may also invest in unquoted securities with the prior approval of the Board.

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 (BIM(UK)). 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.

Other service providers include the Depositary, BNY Mellon Trust & Depositary (UK) Limited (BNYMTD), the Fund Accountant, Bank of New York Mellon (International) Limited (BNYM), and the Registrar, Computershare Investor Services PLC (Computershare). Details of the contractual terms with third party service providers are set out in the Directors' Report contained within the Annual Report and Financial Statements.

INVESTMENT POLICY

The Manager has adopted a consistent investment process, focusing on good quality growth companies that are trading well; 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 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 5% of the share capital of any company in which it has an investment. 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 the prior approval of the Board and derivative instruments, such as options and futures contracts, have not been used during the year.

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

INVESTMENT PROCESS

An overview of the investment process is set out below.

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 monitoring market newsflow carefully, looking for signs of outperformance and by working closely with BlackRock's network of brokers. 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 0.5% 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 disappointed, the holdings will be sold. The anticipation is that each holding will develop into a core holding over time; one that meets BlackRock's criteria for high quality growth companies. These criteria are shown in the 'steering wheel' diagram on page 13 of the Annual Report and Financial Statements.

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 as long as 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.

INVESTMENT PHILOSOPHY

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. 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 this better. 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.

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

GEARING POLICY

The Manager believes that gearing can add value over the long term. The Company currently has £15 million of debenture stock in issue, a £35 million three year revolving loan facility with Scotia Bank (Ireland) Limited and an uncommitted overdraft facility of £10 million with Bank of New York Mellon (International) Limited (BNYM). The benefits of gearing are discussed and the effective level agreed with the Board regularly. It is intended that gearing will not exceed 15% of the net assets of the Company at the time of the drawdown of the relevant borrowings and at the balance sheet date gearing stood at 6.6% of net assets. Under normal operating circumstances, it is envisaged that gearing will be within a range between 0%-15% of net assets.

PORTFOLIO ANALYSIS

A detailed analysis of the portfolio has been provided in the Investment Manager's report.

PERFORMANCE

Details of the Company's performance including the dividend are set out in the Chairman's Statement. The Chairman's Statement and the Investment Manager's Report form part of this Strategic Report and include 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 on page 43 of the Annual Report and Financial Statements. The total net profit for the year, after taxation, was £25,780,000 (2015: loss of £8,731,000) of which the revenue return amounted to £9,847,000 (2015: profit of £8,105,000), and the capital return amounted to £15,933,000 (2015: loss of £16,836,000).

The Company's revenue return amounted to 20.57p per share (2015: 16.93p). The Directors recommend the payment of a final dividend of 10.50p per share as set out in the Chairman's Statement.

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.

Key Performance Indictors	2016	2015
NAV per share (debenture at par)	992.18p	954.34p
NAV per share (debenture at fair value)	982.59p	946.91p
NAV per share (debenture at par value, capital only)	978.61p	942.91p
Share price	863.00p	812.00p
NAV total return performance	5.4%	-1.8%
Discount to NAV with debenture at fair value	12.2%	14.2%
Revenue return per share	20.57p	16.93p
Ongoing charges (1)	0.7%	0.7%
Ongoing charges ratio (including performance fees)	0.9%	1.0%

1. Calculated as a percentage of average shareholders' funds and using expenses, excluding finance costs, performance fees and taxation in accordance with AIC guidelines.

Sources: BlackRock and Datastream.

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

The Directors recognise that it is in the long term interests of shareholders that shares do not trade at a significant discount to their prevailing net asset value. During the year the shares traded between a discount of 4.0% and a discount of 16.7%, ending the year at 12.2% (based on NAV with debt at fair value).

The Board believes that the best way of addressing the discount 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's outstanding attractions particularly to wealth managers and to the wider retail shareholder market. Over the last five years, the number of shares held by retail shareholders has increased from 20% to nearly 52%.

PRINCIPAL RISKS

The Company is exposed to a variety of risks and uncertainties. As required by the UK Corporate Governance Code (the 2014 Code) the Board has in place a robust ongoing process to assess and monitor the principal risks of 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, the likelihood and potential impact of each risk and the controls established for mitigation. A residual risk rating is calculated for each risk.

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, the Audit Committee periodically receives presentations from BlackRock's Internal Audit and Risk & Quantitative Analysis teams. The Audit Committee also 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; and
- Financial risk.

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.

Principal Risk	Mitigation/Control
Investment performance risk	
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.	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 ▶ receives reports showing the Company's performance against the benchmark.
Market risk Market risk arises from volatility in the prices of the Company's investments influenced by currency, interest	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.

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.

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

Income/dividend risk

The amount of dividends and future dividend growth will depend on the performance of the Company's underlying portfolio. 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.

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

Legal & Compliance risk

The Company has been accepted 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.

The Company is required to comply with the provisions of the Companies Act 2006, the Alternative Investment Fund Managers Directive and the UK Listing Rules and Disclosure & Transparency Rules.

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.

Operational 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, BNY Mellon Trust & Depositary (UK) Limited (the Depositary) and the Bank of New York Mellon (International) Limited (the Fund Accountant), who maintain the Company's assets, dealing procedures and accounting records.

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.

The security of the Company's assets, dealing procedures, accounting records and adherence to regulatory and legal requirements depend on the effective operation of the systems of these third party service providers.

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.

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 assets are subject to a strict liability regime and in the event of a loss of financial assets 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.

Financial risk

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

Further details are disclosed on pages 56 to 62 of the Annual Report and Financial Statements, together with a summary of the policies for managing these risks.

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

VIABILITY STATEMENT

In accordance with provision C.2.2 of the 2014 Code on UK Corporate Governance, 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 conducted this review for the period up to the AGM in 2021 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 above;
- the impact of a significant fall in UK equity markets on the value of the Company's investment portfolio;
- 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, including:

- The level of current and historic ongoing charges incurred by the Company;
- The discount to NAV;
- The level of income generated by the Company;
- Future income forecasts; and
- The liquidity of the Company's portfolio.

The Company is an investment company with a relatively liquid portfolio. As at 29 February 2016, the Company held no unquoted investments, and 65% of the Company's portfolio investments were readily realisable and listed on the London Stock Exchange. The remaining 35% that were listed on the Alternative Investment Market are also considered to be readily realisable. The Company has largely fixed overheads (excluding performance fees) which comprise a very small percentage of net assets (0.7%). In addition, any performance fees are capped at 0.25% of NAV. Therefore the Board has concluded that even in exceptionally stressed operating conditions, the Company would comfortably be able to meet its ongoing operating costs as they fall due.

However, investment companies may face other challenges, such as a significant decrease in size due to substantial share buy back activity. The Company has in place the authority to buy back up to 14.99% of issued share capital, but under current circumstances the Board do not envisage that this facility will need to be utilised. In making this assessment the Board have considered the Company's performance which has outstripped the Company's benchmark for the last thirteen consecutive years; the Company's share price has outperformed the benchmark index by 10.7% over one year, 21.1% over three years and 41.4% over 5 years respectively (all performance calculations exclude income reinvestment).

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.

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 and the Investment Manager's Report.

SOCIAL, COMMUNITY AND HUMAN RIGHTS ISSUES

As an investment trust, the Company has no direct social or community responsibilities. 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 Company's policy on socially responsible investment are set out on page 33 of the Annual Report and Financial Statements.

DIRECTORS, GENDER REPRESENTATION AND EMPLOYEES

The Directors of the Company on 29 February 2016 are set out in the Directors' biographies on page 19 of the Annual Report and Financial Statements. As at 29 February 2016 the Board consisted of three male Directors and two female Directors. With effect from 21 April 2016, following the appointment of Susan Platts-Martin, the Board will consist of three male Directors and three female Directors, up to the date of the AGM when Gillian Nott will retire. The Company's policy on diversity is set out on page 31 of the Annual Report and Financial Statements. The Company does not have any employees.

The Chairman's Statement together with the Investment Manager's Report, forms part of the Strategic Report. The Strategic Report was approved by the Board at its meeting on 25 April 2016.

BY ORDER OF THE BOARD
BlackRock Investment Management (UK) Limited
Company Secretary
25 April 2016

RELATED PARTY TRANSACTIONS

BlackRock Investment Management (UK) Limited continues to act as the Company's Investment Manager under a delegation agreement with BFM. Further details of the investment management contract are disclosed in the Directors' Report on pages 20 and 21 of the Annual Report and Financial Statements.

The investment management fee due to the Manager for the year ended 29 February 2016 amounted to £2,722,000 (2015: £2,481,000). A performance fee accrued for the year ended 29 February 2016 amounted to £1,258,000 (2015: £1,259,000). At the year end, £1,341,000 was outstanding in respect of the management fee (2015: £1,218,000) and £1,258,000 (2015: £1,259,000) in respect of the performance fee. The management fee and any performance fee are payable to BFM.

In addition to the above services, BlackRock provided the Company with marketing services. The total fees paid or payable for these services for the year ended 29 February 2016 amounted to £164,000 including VAT (2015: £186,000). £229,000 (2015: £236,000) was outstanding at year end in respect of marketing fees.

For the year under review, the Board consisted of five non-executive Directors, all of whom are considered to be independent by the Board. With effect from 21 April 2016, an additional Director, Susan Platts-Martin, was appointed, and is also considered to be independent by the Board. For the year ended 29 February 2016, the Chairman received an annual fee of £37,500, the Audit Committee Chairman received £28,000 per annum and the other Directors received £25,000 per annum. Following a review on 17 March 2016 and with effect from 1 March 2016, the Chairman will receive an annual fee of £38,500, the Audit Committee Chairman will receive £28,750 per annum and the other Directors will each receive £25,750 per annum. Additional information regarding the basis for determining Directors' remuneration is set out in the policy report included in the Annual Report and Financial Statements.

The interests of the Directors in the ordinary shares of the Company are set out in the tables 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.

	29 February 2016	28 February 2015
Nicholas Fry (Chairman)	40,000	40,000
Caroline Burton	4,500	4,500
Gillian Nott	11,500	11,500
Michael Peacock	1,000	1,000
Robert Robertson	86,062	80,062

All of the holdings of the Directors are beneficial. No changes to these holdings had been notified up to the date of this report. Susan Platts-Martin was appointed on 21 April 2016 and did not hold any shares in the Company as at the date of this report.

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 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 and Transparency Rules. The Directors have delegated responsibility to the Investment Manager for the maintenance and integrity of the Company's corporate and financial information included on the Investment Manager'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 page 19 of the Annual Report and Financial Statements confirm 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 2014 UK Corporate Governance 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 fulfils these requirements. The process by which the Committee has reached these conclusions is set out in the Audit Committee's report on pages 35 to 37 of the Annual Report and Financial Statements. As a result, the Board has concluded that the Annual Report and Financial Statements for the year ended 29 February 2016, 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 OF DIRECTORS
Nicholas Fry
Chairman
25 April 2016

INCOME STATEMENT FOR THE YEAR ENDED 29 FEBRUARY 2016

	Notes	Revenue 2016 £'000	Capital 2016 £'000	Total 2016 £'000	Revenue 2015 £'000	Capital 2015 £'000	Total 2015 £'000
Net gains/(losses) on investments held at fair value through profit or loss		–	20,409	20,409	–	(12,578)	(12,578)
Exchange losses		–	(4)	(4)	–	–	–
Income from investments held at fair value through profit or loss	3	11,550	53	11,603	9,741	127	9,868
Other income	3	24	–	24	24	–	24
Total income		11,574	20,458	32,032	9,765	(12,451)	(2,686)
Investment management and performance fees	4	(681)	(3,299)	(3,980)	(620)	(3,120)	(3,740)
Other operating expenses	5	(630)	(20)	(650)	(611)	(26)	(637)
Total operating expenses		(1,311)	(3,319)	(4,630)	(1,231)	(3,146)	(4,377)
Net profit/(loss) before finance costs and taxation		10,263	17,139	27,402	8,534	(15,597)	(7,063)
Finance costs		(402)	(1,206)	(1,608)	(413)	(1,239)	(1,652)
Net profit/(loss) on ordinary activities before taxation		9,861	15,933	25,794	8,121	(16,836)	(8,715)
Taxation		(14)	–	(14)	(16)	–	(16)
Net profit/(loss) on ordinary activities after taxation	7	9,847	15,933	25,780	8,105	(16,836)	(8,731)
Revenue return per ordinary share	7	20.57p	33.27p	53.84p	16.93p	(35.17p)	(18.24p)

The total column of this statement represents the Profit and Loss Account of the Company.

The supplementary revenue and capital columns are both prepared under guidance published by the Association of Investment Companies ("AIC"). All items in the above statement derive from continuing operations and 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.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 29 FEBRUARY 2016

	Note	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 2015							
At 28 February 2014		12,498	38,952	1,982	406,226	12,185	471,843
Total comprehensive income:							
(Loss)/profit for the year		–	–	–	(16,836)	8,105	(8,731)
Transactions with owners, recorded directly to equity:							
Dividends paid(a)	6	–	–	–	–	(6,176)	(6,176)

At 28 February 2015		12,498	38,952	1,982	389,390	14,114	456,936
For the year ended 29 February 2016							
At 28 February 2015		12,498	38,952	1,982	389,390	14,114	456,936
Total comprehensive income:							
Profit for the year		–	–	–	15,933	9,847	25,780
Transactions with owners, recorded directly to equity:							
Dividends paid(b)	6	–	–	–	–	(7,661)	(7,661)
At 29 February 2016		12,498	38,952	1,982	405,323	16,300	475,055

(a) Final dividend of 7.40p per share for the year ended 28 February 2014, declared on 25 April 2014 and paid on 17 June 2014, and interim dividend of 5.50p per share for the six months ended 31 August 2014, declared on 24 October 2014 and paid on 3 December 2014.

(b) Final dividend of 9.00p per share for the year ended 28 February 2015, declared on 27 April 2015 and paid on 25 June 2015, and interim dividend of 7.00p per share for the six months ended 31 August 2015, declared on 26 October 2015 and paid on 30 November 2015

BALANCE SHEET AS AT 29 FEBRUARY 2016

	Notes	2016 £'000	2015 £'000
Fixed assets			
Investments held at fair value through profit or loss		506,588	496,332
Current assets			
Cash and cash equivalents		11,988	2,414
Debtors		1,254	2,607
		13,242	5,021
Creditors – amounts falling due within one year		(4,868)	(4,525)
Net current assets		8,374	496
Total assets less creditors – amounts falling due within one year		514,962	496,828
Creditors – amounts falling due after more than one year		(39,907)	(39,892)
Net assets		475,055	456,936
Capital and reserves			
Called up share capital	8	12,498	12,498
Share premium account		38,952	38,952
Capital redemption reserve		1,982	1,982
Capital reserves		405,323	389,390
Revenue reserve		16,300	14,114
Total shareholders' funds		475,055	456,936
Net asset value per ordinary share (debenture at par value)	7	992.18p	954.34p
Net asset value per ordinary share (debenture at fair value)	7	982.59p	946.91p

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 29 FEBRUARY 2016

	Note	2016 £'000	2015 £'000
Operating activities			
Net profit/(loss) before taxation		25,794	(8,715)
Interest expense		1,608	1,652
(Gains)/losses on investments		(20,409)	12,578
Net movement on foreign exchange		4	–
Sales of investments		205,660	204,076
Purchases of investments		(193,747)	(203,832)
Increase in debtors		(70)	(132)
Increase in creditors		6	419
Taxation on investment income		(14)	(4)
Net cash generated from operating activities		18,832	6,042
Financing activities			
Interest paid		(1,593)	(1,639)
Dividends paid	6	(7,661)	(6,176)
Net cash used in financing activities		(9,254)	(7,815)
Increase/(decrease) in cash and cash equivalents		9,578	(1,773)
Cash and cash equivalents at start of the year		2,414	4,187
Effect of foreign exchange rate changes		(4)	–
Cash and cash equivalents at end of the year		11,988	2,414
Comprised of:			
Cash at bank		2,241	2,414
BlackRock's Institutional Sterling Liquidity Fund		9,747	–
		11,988	2,414

NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACTIVITY

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

2. ACCOUNTING POLICIES

(a) Basis of preparation

This is the first year that the Company has presented its results and financial position under FRS 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102), which forms part of revised Generally Accepted Accounting Practice (New UK GAAP) issued by the Financial Reporting Council (FRC) in 2013. The last financial statements prepared under the previous UK GAAP were for the year ended 28 February 2015.

The financial statements have been prepared on a going concern basis in accordance with 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 November 2014.

As a result of the first time adoption of New UK GAAP and the revised SORP, comparative amounts and presentation formats have been amended where required. The changes to accounting policies relate to the composition of cash and cash equivalents, change in the presentation of cash flows (see below) and the fair value hierarchy of financial instruments (see note 17). There were no adjustments to the Company's Income Statement for the financial year ended 28 February 2015 and the total equity as at 1 March 2014 and 28 February 2015 between UK GAAP as previously reported and FRS 102 as a result of changes to accounting policies. There were no adjustments to the Company's Balance Sheet at 1 March 2014 or 28 February 2015 on transition to FRS 102.

The Company's Statement of Cash Flows reflects the presentation requirements of FRS 102, which are different to that prepared under FRS 1. In addition the Statement of Cash Flows reconciles to cash and cash equivalents whereas under previous UK GAAP the Statement of Cash Flows reconciled to cash. Cash and cash equivalents are defined in FRS 102 as 'cash in hand and demand deposits and 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' whereas cash is defined in FRS 1 as 'cash in hand and deposits repayable on demand with any qualifying institution, less overdrafts from any qualifying institution repayable on demand'. Accordingly, the Company's investment in BlackRock's Institutional Sterling Liquidity Fund of £9,747,000 (2015: £nil) which is managed as part of the Company's cash management policy has been classified in the Balance Sheet and Statement of Cash Flows as cash and cash equivalents. The comparative figures in the Statement of Cash Flows have been restated with the increase/(decrease) in cash and cash equivalents remaining unchanged.

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. References to prior, individual Financial Reporting Standards (FRS) should now be taken as reference to FRS 102.

The Company's financial statements are presented in sterling, which is the currency of 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 reflect better 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. Fixed returns on non equity securities are recognised on a time apportionment basis. Interest income is accounted for on an accruals basis.

Special dividends are treated as a capital receipt or revenue receipt depending on the facts or circumstances of each particular case.

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.

Where the Company has elected to receive its dividends in the form of additional shares rather than in cash, the amount of the cash dividend foregone is recognised in the capital column of the Income Statement.

(e) Expenses

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

- expenses including finance costs which are incidental to the acquisition or disposal of investments are included within the cost of the investments. Details of transaction costs on the purchases and sales of investments are disclosed in note 10 on page 53 of the Annual Report and Financial Statements;

- the investment management fee has been allocated 75% to the capital column and 25% to the revenue column of the Income Statement in line with the Board's expected long term split of returns, in the form capital gains and income respectively, from the investment portfolio; and

- performance fees have been allocated 100% to the capital column of the Income Statement, as performance has been predominantly generated through capital returns of the investment portfolio.

(f) Long term borrowings and finance costs

Long term borrowings are carried in the Balance Sheet at amortised cost, representing the cumulative amount of net proceeds on issue plus accrued finance costs. Finance costs are accounted for on an accruals basis. Finance costs are allocated, insofar as they relate to the financing of the Company's investments, 75% to the capital column and 25% to the revenue column 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.

(g) Taxation

Deferred taxation is recognised in respect of all temporary 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 temporary differences can be deducted.

Where expenses are allocated between capital and revenue any tax relief in respect of the expenses is allocated between capital and revenue returns on the marginal basis using the Company's effective rate of corporation taxation for the accounting period.

(h) Investments designated as 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 Section 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 designated upon initial recognition as held at fair value through profit or loss. Purchases of investments are recognised on a trade date basis. Sales are recognised at the trade date of the disposal and the proceeds are measured at fair value, which is 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.

FRED 62, 'Draft amendments to FRS 102 - Fair value hierarchy disclosures' amends paragraphs 34.22 and 34.42 of FRS 102, revising the disclosure requirements for financial instruments held at fair value and aligning the disclosures with those required by EU-adopted IFRS. The Company has chosen to early adopt these amendments to FRS 102. There are no accounting policy or disclosure changes as a result of this adoption.

The fair value hierarchy consists of the following three levels:

Level 1 – Quoted prices for identical instruments in active markets

Level 2 – Valuation techniques using observable inputs

Level 3 – Valuation techniques using significant unobservable inputs

(i) Debtors

Debtors include sales for future settlement, other debtors and pre-payments and accrued income in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Debtors are recognised initially at fair value and, where applicable, subsequently measured at amortised cost using the effective interest rate method.

(j) Creditors

Creditors include purchases for future settlements, interest payable, share buyback cost and accruals in the ordinary course of business. Creditors 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. Creditors are recognised initially at fair value and, where applicable, subsequently measured at amortised cost using the effective interest rate method.

(k) 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 only recognised in the financial statements in the period in which they are paid.

(l) Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short term, highly liquid investments, that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

3. INCOME

	2016 £'000	2015 £'000
Investment Income:		
UK listed dividends	9,370	8,005
UK listed dividends – scrip	25	–
UK listed dividends – special	1,035	1,085
Property income dividends	384	153
Overseas listed dividends	736	498
	--------	--------
	11,550	9,741
	--------	--------
Other income:		
Deposit interest	7	4
Underwriting commission	17	20
	--------	--------
	24	24
	--------	--------

	2016	2015
Total	11,574	9,765
	======	=====

Special dividends of £53,000 have been recognised in capital (2015: £127,000).

4. INVESTMENT MANAGEMENT AND PERFORMANCE FEES

	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000	2015 Revenue £'000	2015 Capital £'000	2015 Total £'000
Investment management fee	681	2,041	2,722	620	1,861	2,481
Performance fee	–	1,258	1,258	–	1,259	1,259
	--------	--------	--------	-------	--------	--------
Total	681	3,299	3,980	620	3,120	3,740
	=====	=====	=====	====	====	====

The investment management fee is calculated based on 0.65% in respect of the first £50 million of the Company's total assets less current liabilities, reducing to 0.50% thereafter. A performance fee is payable at the average rate of 10% of the annualised excess performance over the benchmark in the two previous financial years, applied to the average of the total assets less current liabilities of the Company. The fee is payable annually in April and is capped at 0.25% of the average of the total assets less current liabilities of the Company.

The annualised excess performance against the Company's benchmark for the two years ended 29 February 2016 was 6.7% (2015: 8.0%). The fee was restricted by the 0.25% cap and £1,258,000 has been accrued for the year ended 29 February 2016 (2015: £1,259,000).

Performance fees have been wholly allocated to capital reserves as the performance has been predominantly generated through capital returns of the investment portfolio.

5. OPERATING EXPENSES

	2016 £'000	2015 £'000
Auditors' remuneration:		
– audit services	25	21
– non audit services (1)	9	6
Registrar's fee	33	31
Marketing fees	164	186
Depositary fees	67	40
Directors' remuneration (excluding expenses)	141	131
Other administrative costs	191	196
	--------	--------
	630	611
Transaction charges – capital (2)	20	26
	--------	--------
	650	637
	=====	=====
The Company's ongoing charges – calculated as a percentage of average shareholders' funds and using operating expenses, excluding performance fees, finance costs and taxation were:	0.7%	0.7%
	--------	--------
The Company's ongoing charges – calculated as a percentage of average shareholders' funds and using operating expenses, including performance fees, and excluding finance costs and taxation were:	0.9%	1.0%
	--------	--------

1. Non audit services relate to the review of the half yearly financial statements for the six months to 31 August 2015 (which was carried out by Scott-Moncrieff) and the debenture compliance work which was carried out by PricewaterhouseCoopers in 2016.
2. Expenses charged to capital arise from custodian transaction charges.

6. DIVIDENDS

Dividends paid on equity shares:	Record date	Payment date	2016 £'000	2015 £'000
2014 final of 7.40p	16 May 2014	17 June 2014	–	3,543
2015 interim of 5.50p	7 November 2014	3 December 2014	–	2,633
2015 final of 9.00p	22 May 2015	25 June 2015	4,309	–
2016 interim of 7.00p	6 November 2015	30 November 2015	3,352	–
			--------	--------
			7,661	6,176
			=====	=====

The Directors have proposed a final dividend of 10.50p per share in respect of the year ended 29 February 2016. The proposed dividend will be paid, subject to shareholders' approval on 20 June 2016 to shareholders on the Company's register on 20 May 2016. The final dividend has not been included as a liability in these financial statements as proposed dividends are only recognised in the financial statements when they have been approved by shareholders, or in the case of special dividends, recognised when paid to 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 amounts proposed meet the relevant requirements as set out in this legislation.

Dividends paid or proposed on equity shares:	2016 £'000	2015 £'000
Interim paid 7.00p (2015: 5.50p)	3,352	2,633
Final proposed of 10.50p per share (2015:9.00p)*	5,027	4,309
	--------	--------
	8,379	6,942
	--------	--------

* Based upon 47,879,792 ordinary shares (excluding treasury shares) in issue on 25 April 2016.

All dividends paid or payable are distributed from the Company's revenue profits.

7. REVENUE RETURN AND NAV PER ORDINARY SHARE

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

	2016	2015
Net revenue profit attributable to ordinary shareholders (£'000)	9,847	8,105
Net capital profit/(loss) attributable to ordinary shareholders (£'000)	15,933	(16,836)
	--------	--------
Total profit/(loss) attributable to ordinary shareholders (£'000)	25,780	(8,731)
	--------	--------
Total shareholders' funds (£'000)	475,055	456,936
	--------------	--------------
The weighted average number of ordinary shares in issue during each year on which the earnings per ordinary share was calculated was:	47,879,792	47,879,792
	--------------	---------------
The actual number of ordinary shares in issue at the end of the year on which the net asset value was calculated was:	47,879,792	47,879,792
	========	========

	2016 Revenue p	2016 Capital p	2016 Total p	2015 Revenue p	2015 Capital p	2015 Total p
Revenue return per share Calculated on weighted average number of ordinary shares	20.57	33.27	53.84	16.93	(35.17)	(18.24)

Calculated on actual number of ordinary shares	20.57	33.27	53.84	16.93	(35.17)	(18.24)
Net asset value per share (debenture at par value)	–	–	992.18	–	–	954.34
Net asset value per share (debenture at par value)	–	–	982.59	–	–	946.91

8. CALLED UP SHARE CAPITAL

Allotted, called up and fully paid share capital comprised:	Ordinary shares in issue number	Treasury shares number	Total shares number	Nominal value £'000
Ordinary shares of 25p each				
At 1 March 2015	47,879,792	2,113,731	49,993,523	12,498
At 29 February 2016	47,879,792	2,113,731	49,993,523	12,498

During the year no ordinary shares were purchased for cancellation or placed in treasury (2015: nil).

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.

9. CONTINGENT LIABILITIES

There were no contingent liabilities at 29 February 2016 (2015: nil).

10. PUBLICATION OF NON-STATUTORY ACCOUNTS

The financial information contained in this announcement does not constitute statutory accounts as defined in section 435 of the Companies Act 2006.

The figures set out above have been reported upon by the auditors. The comparative figures are extracts from the audited financial statements of BlackRock Smaller Companies Trust plc for the year ended 28 February 2015, which have been filed with the Registrar of Companies. The report of the auditors for the years ended 28 February 2015 and 29 February 2016 contain no qualification or statement under section 498(2) or (3) of the Companies Act 2006. The 2016 Annual Report and Financial Statements will be filed with the Registrar of Companies after the Annual General Meeting.

11. ANNUAL REPORT AND FINANCIAL STATEMENTS

Copies of the Annual Report and Financial Statements will be sent to members shortly and will be available from The Company Secretary, BlackRock Smaller Companies Trust plc, 12 Throgmorton Avenue, London EC2N 2DL.

12. ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at 12 Throgmorton Avenue, London EC2N 2DL on 9 June 2016 at 11:30 a.m.

ENDS

The Annual Report and Financial Statements will also be available on the BlackRock Investment Management website at http://www.blackrock.co.uk/brsc. Neither the contents of the Manager's website nor the contents of any website accessible from hyperlinks on the Manager's website (or any other website) is incorporated into, or forms part of, this announcement.

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25 April 2016