BlackRock

BlackRock Smaller Companies Trust plc

Annual Report and Financial Statements for the year ended 29 February 2020

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 31.	
Benchmark index	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 blackrock.com/uk/brsc	
AIC	The Company is a member of the Association of Investment Companies.	
Financial calendar	June 2020	Announcement of results for year ending 29 February 2020
	June 2020	Payment of second interim dividend on ordinary shares
	July 2020	Annual General Meeting
	October/ November 2020	Announcement of results for six months ending 31 August 2020
	November 2020	Payment of interim dividend on ordinary shares
Depositary, Custodian and Fund Accountant	The Bank of New York Mellon (International) Limited ("BNYM")	

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 blackrock.com/uk/brsc. Shareholders and other interested parties who wish to receive copies of monthly announcements and other significant matters put into the public domain should send their email address to cosec@blackrock.com.

Reasons to invest

Outperforming asset class

The Company offers investors exposure to UK smaller companies, an asset class that has historically outperformed larger companies by circa +4%[1] per annum.

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 presents an attractive hunting ground since these companies operate in an inefficient and under-researched area of the market thereby presenting great opportunities to generate good returns for investors over the long-term.

Highly experienced UK small and mid-cap team 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.

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 50%[2] of the portfolio's revenues are generated from overseas operations.

IPO Opportunities

Due to the high standards of governance, strong accounting standards and consistent rule of law, London is attractive for companies seeking an 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.

Differentiated source of income

Investing in high quality, cash generative businesses has enabled the Company to increase its dividend every year for 17 years. Since 2006, dividend growth has substantially outperformed the dividend growth of the median Equity Income Fund[2].

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.

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.

Strong performance record

The Company has a proven strategy with an impressive and consistent track record, outperforming its benchmark for 17[2] consecutive financial years.

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: Datastream. For the period 1955 to 2020. Numis Smaller Companies Index + AIM ex 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 2019).

[2] Sources: BlackRock and Datastream.

aic The Association of Investment Companies

A member of the Association of Investment Companies

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

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Performance record

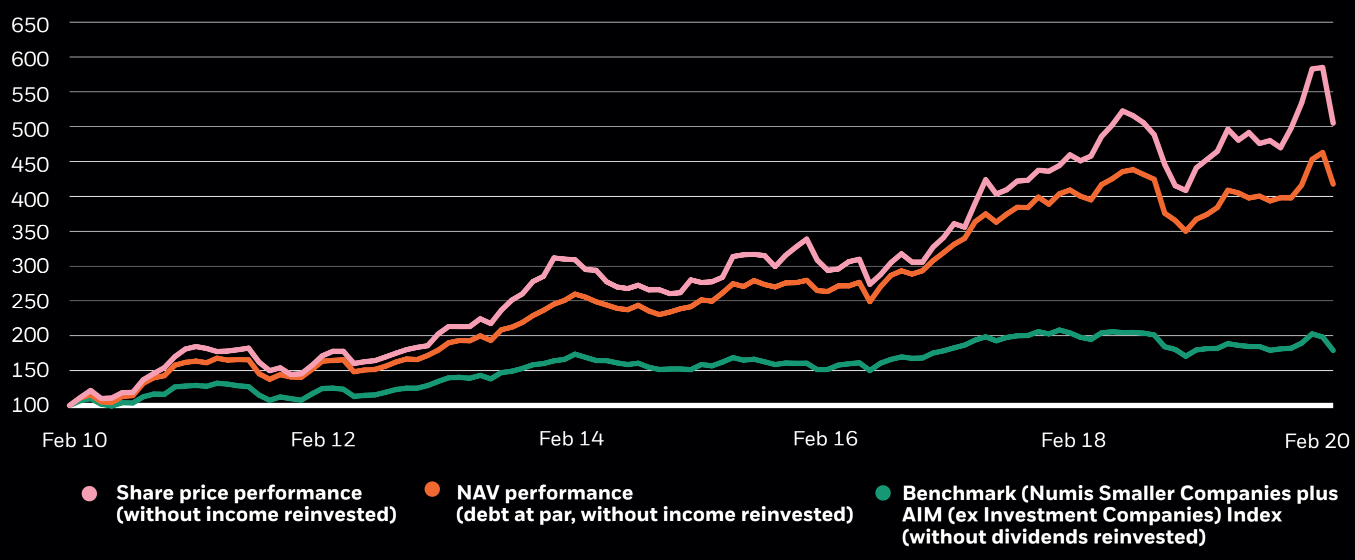
	29 February 2020	28 February 2019	Change %
Performance			
Net asset value per share (debt at par value)[1,4]	1,572.55p	1,407.88p	+11.7
Net asset value per share (debt at par value, capital only)[1,4]	1,548.57p	1,386.21p	+11.7
Net asset value per share (debt at fair value)[1,2,4]	1,556.41p	1,400.57p	+11.1
Numis Smaller Companies plus AIM (excluding Investment Companies) Index[1]	5,159.73	5,231.98	-1.4
Ordinary share price	1,484.00p	1,330.00p	+11.6

	Year ended 29 February 2020	Year ended 28 February 2019	Change %
Revenue and dividends			
Revenue return per share	37.13p	33.67p	+10.3
First interim/Interim dividend per share	12.80p	12.00p	+6.7
Second interim/Final dividend per share	19.70p	19.20p	+2.6
Total dividends paid and payable	32.50p	31.20p	+4.2
Assets			
Total assets less current liabilities (£'000)	847,423	716,287	+18.3
Equity shareholders' funds (£'000)	767,873	674,089	+13.9
Ongoing charges ratio[3,4]	0.7%	0.7%	–
Dividend yield[4]	2.2%	2.3%	
Gearing[4]	5.7%	4.9%	

1 Without income reinvested.
2 The basis of calculation for the fair value of the debt is disclosed in note 13 of the financial statements and in the Glossary.
3 Ongoing charges ratio calculated as a percentage of average shareholders' funds and using operating expenses, finance costs, transaction costs and taxation, in accordance with AIC guidelines.
4 Alternative performance measures, see Glossary on pages 112 to 114.

Sources: BlackRock and Datastream.

Performance from 1 March 2010 to 29 February 2020



Sources: BlackRock and Datastream.
Share price, NAV and Benchmark rebased to 100.

Chairman's statement

Dear Shareholder

Ronald Gould
Chairman

No Chairman would take satisfaction in writing their first letter to Shareholders under the circumstances that we all face today as the world fights a pandemic. Since our 29 February year end, we have moved into a period of unprecedented global economic and social upheaval caused by COVID-19. As this crisis has escalated, your Board and the Manager have concentrated on protecting shareholder interests and maintaining operational resilience. It is good to report that these robust efforts have helped ensure smooth operations despite the sharp market volatility that has plagued investors in markets around the world. Our key areas of focus are noted below.

Operational security and well being

The Board has been working closely with BlackRock and the Company's key suppliers to minimise the risk the virus poses to the health and wellbeing of all those working on the management and administration of the Company. We have received regular updates to ensure that the Company's operations are not affected and that established business continuity plans are effective.

Gearing

The Board has reviewed our current range of borrowings and debt facilities (details of which are set out on pages 7 and 8) and note that despite recent market falls, the Company has remained compliant with all financial covenants and still maintains ample headroom above the relevant thresholds. The Company's borrowings are well within the range of gearing limits set by the Company's investment guidelines. More detail is provided on page 8.

Investment portfolio construction

Board members have maintained a regular dialogue with our portfolio manager to monitor the resilience of the portfolio in these extraordinary times and the actions that have been taken since the outbreak of the pandemic. A detailed update by the portfolio manager is provided in the Investment Manager's report on pages 11 to 13.

Focus on well governed companies

Your Company's investment team is very experienced and has available a wide range of resources dedicated to the UK smaller companies universe. Their history of investing in this sector has shown that one of the best strategies to deal with adverse economic and market conditions is to populate the portfolio with well capitalised companies that have strong balance sheets and experienced,

Your Company's remarkable record continued last year as it outperformed the benchmark for over fifteen consecutive years. Over that period, the NAV has increased by over 600%, greatly outdistancing the benchmark increase of just over 145%.

effective management teams. The Company's portfolio is well diversified by sector and geography, with around half of the revenues from portfolio companies being generated from overseas.

The year under review

While it is understandable that we should be focused on recent market events, it is also important to look back over the year just passed. Your Company's remarkable record continued last year as it outperformed the benchmark for over fifteen years. Over that period, the net asset value ('NAV') per share has increased by over 600%, greatly outdistancing the benchmark increase of just over 145% (all calculations with income reinvested). The Company has also increased its dividends every year for over fifteen years; the compound annual increase in dividends paid over the last fifteen years has been 14% per annum.

Performance

In the year under review the Company's Net Asset Value per share increased by 11.7%[1,2,3], outperforming its benchmark, the Numis Smaller Companies plus AIM (excluding Investment Companies) Index, which decreased by 1.4%[1]. Over the same period your Company's share price increased by 11.6%[1] to 1,484.00p per share compared with the FTSE AIM All Share Index which fell by 5.8%[1], the FTSE 250 Index which rose by 0.8%[1] and the FTSE 100 Index which fell by 7.0%[1].

The first half of the Company's financial year was challenging for UK equity markets, which underperformed many other equity markets as the uncertainties surrounding Brexit, together with global concerns over elevated levels of geopolitical risk made investors cautious. The UK market later experienced a resurgence through to the end of 2019 however, responding positively to signs of progress on US/China trade discussions and the outcome of the UK General Election. Sterling strengthened on the back of the election result and UK small & mid-cap companies outperformed. This improving picture was abruptly curtailed as measures to contain the fast-spreading COVID-19 virus started to hit markets globally.

The table below demonstrates your Company's consistent outperformance over its benchmark during the last fifteen years.

In addition to capital returns, the Company has also provided impressive income growth.

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 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.

Specifically, the chart on page 7 shows that £1,000 invested in the Company on 31 March 2006 would have increased in value by 418% in NAV terms to 29 February 2020, whereas £1,000 invested in the median open-ended UK Income Fund would have increased by just 102%. 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

Performance to 29 February 2020	1 Year change %	3 Years change %	5 Years change %	10 Years change %	15 Years change %
NAV per share[1,2,3]	11.7	26.1	66.1	317.7	458.4
Benchmark[1]	-1.4	-2.0	12.8	79.0	67.5
Share price[1]	11.6	40.0	82.8	405.2	548.0
NAV per share[2,3] (with income reinvested)	14.1	33.3	81.4	389.7	605.1
Benchmark (with income reinvested)	1.4	6.2	29.1	131.4	145.2
Share price[3] (with income reinvested)	14.0	48.6	101.6	504.5	748.3

1. Percentages in Sterling terms without income reinvested.
2. Debt at par.
3. Alternative Performance Measures – See Glossary on pages 112 to 114.

grown at a much faster rate than open-ended UK income fund competitors. As a result, the yield on the purchase cost of an investment in the Company would now be more than that on the median UK Income Fund.

Returns and dividends

The Company's revenue return per share for the year ended 29 February 2020 increased by 10.3% to 37.13p per share compared with 33.67p per share for the previous year.

Regular dividends from portfolio companies rose by 11.0%, while special dividends received were 4.2% higher than in the previous year.

In November 2019 the Board declared an interim dividend of 12.80p per share (November 2018: 12.00p per share). In normal operating circumstances, the Board would declare a final dividend in respect of the year ended 29 February 2020. However as announced in the Company's trading update published on 3 June 2020, the Company's annual results (normally released in May) were delayed due to a historic technical issue that was identified in respect of the Company's Articles of Association (the 'Articles') (see note 16 on pages 92 and 93 for more details). Given the later release date for the Company's annual results and the consequent delay to the Company's AGM which will now be held on 28 July 2020, the Board decided to declare a second interim dividend in lieu of a final dividend. This was to ensure that the payment timetable anticipated by shareholders could be met despite the later AGM date. Accordingly, on 3 June 2020, the Directors announced the payment of a second interim dividend of 19.70p per share (2019: 19.20p per share), making a total for the year of 32.50p per share, an increase of 4.2% over the total dividends of 31.20p per share paid in the previous year. In determining the level of dividend the Board was mindful of ensuring that the Company retains a buffer of revenue reserves for future years.

Your Company has now increased its annual dividends every year since 2003.

Gearing and sources of finance

The Company has traditionally maintained a range of borrowings and facilities to provide balance between longer-term and short-term maturities and between fixed and floating rates of interest. On 3 December 2019, this range was expanded when the Company issued £20 million in senior unsecured fixed rate private placement notes at a coupon of 2.41% maturing in 2044. The net proceeds from the issuance, as well as being in place to provide refinancing for the £15 million debenture which is due to expire in

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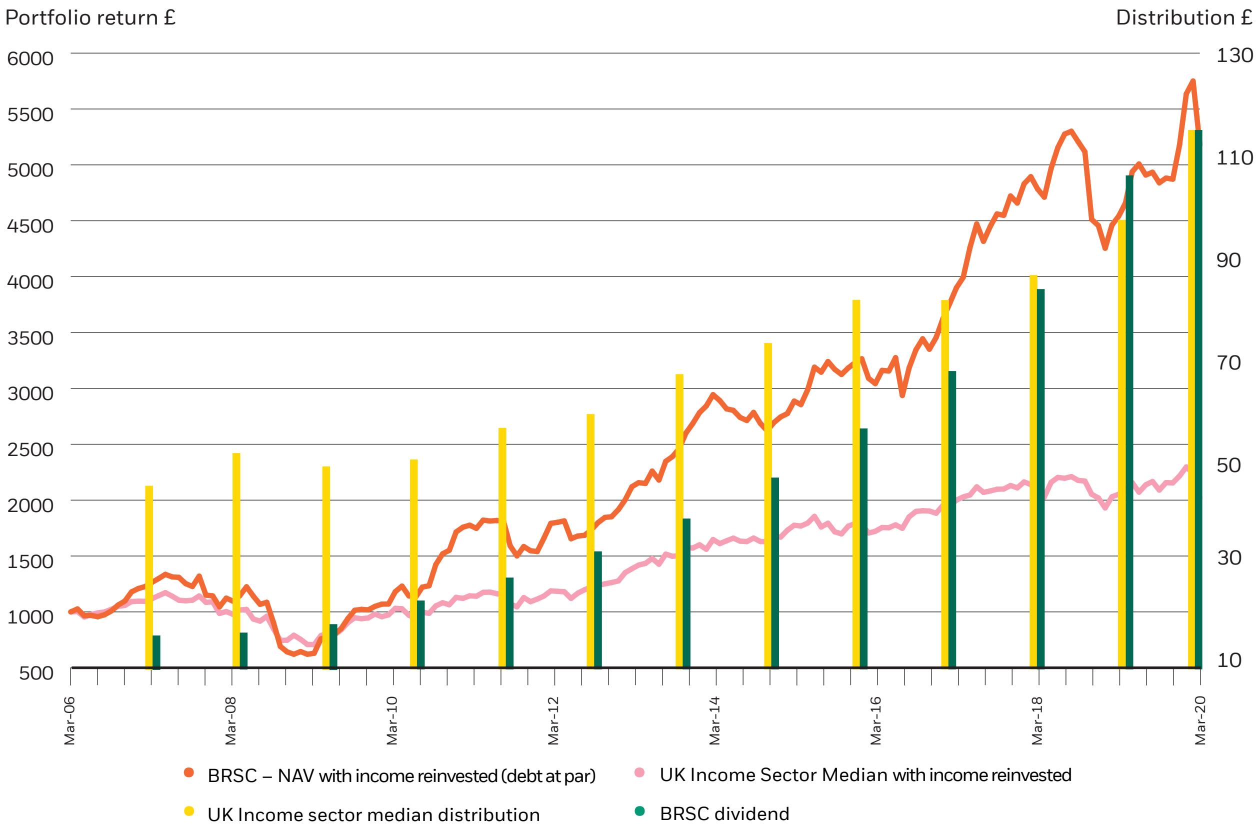
Capital and income growth



Source: BlackRock.

The compound annual increase in dividends paid over the last fifteen years has been 14% per annum.

2022, will also be used for additional investment in the market within the Company's existing gearing limits and will give the Investment Manager more scope to take advantage of suitable investment opportunities. The Board considers that obtaining such Sterling denominated financing on an unsecured basis at this price level and at a 25-year term to be highly attractive.

The Company now has in place fixed rate funding consisting of the Company's existing £15 million debenture, £25 million senior unsecured fixed rate private placement notes issued in May 2017 at a coupon of 2.74% maturing in 2037 and the new notes maturing in 2044 as described above. Shorter-term variable rate funding consists of a £35 million three-year revolving loan facility with Sumitomo Mitsui Banking Corporation Europe Limited and an uncommitted overdraft facility of £10 million with Bank Of New York Mellon (International) Limited.

It continues to be 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. The Company's net gearing stands at 7.6% of net assets as at 22 June 2020. At the year end, the Company's net gearing was 5.7% of net assets (2019: 4.9%).

Discount

The Board monitors the Company's share rating closely, and recognises the importance to shareholders that the price of the Company's shares in the stock market does not trade at either a significant premium or discount to the underlying NAV.

During the year the Company's discount narrowed steadily, moving to trade at a premium for significant periods of time, and trading at an average discount of 2.9% to NAV (with debt at fair value) over the full year (compared to an average discount of 7.9% for the year to 28 February 2019). As markets descended into turmoil following the outbreak of COVID-19, the Company's shares again moved to trade at a discount which was 3.7% as at 22 June 2020.

Share issuance

During the financial year ended 29 February 2020, the Company issued 950,000 ordinary shares at an average price of 1,686.84p per share for a total consideration of £16 million.

The shares were issued at a premium to NAV with the objective of maintaining the Company's share rating within a sensible range, and providing ongoing market liquidity in a manner that was accretive to shareholders. More details are set out on page 111. Since 29 February 2020, and up to the close of business on 22 June 2020 no additional shares have been issued.

At the forthcoming Annual General Meeting ('AGM') the Company will be seeking the authority to allot new ordinary shares or sell from treasury ordinary shares representing up to 10% of the Company's issued ordinary share capital.

Board composition and policy on tenure

Mr Robertson, who has served on the Board for more than twelve years, has informed the Board of his intention to retire in the forthcoming year, subject to a suitable replacement being recruited. The Board has commenced the recruitment process and a further announcement will be made in due course. The Board wishes to thank Mr Robertson for his wise counsel and invaluable contribution to the Company over his tenure as a Director and since June 2016 as Senior Independent Director. Mr Robertson will step down from his role as the Company's Senior Independent Director at the Company's next Annual General Meeting. Ms Platts-Martin will become the Senior Independent Director of the Company with effect from this date.

Mindful of the desirability of a combination of continuity and renewal, the Board has decided to combine this, over time, with 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.

In setting this policy, the Board is mindful that several Board members have exceeded or are close to exceeding the proposed nine year limit. To ensure an orderly Board refreshment process, the implementation of the new policy on tenure will be phased in over a period of time. As well as Mr Robertson, the tenure of both Mr Peacock and Mrs Burton will exceed nine years by July 2021, and it is envisaged that they will retire in due course as the new policy is implemented.

Annual General Meeting

In light of the current situation with COVID-19, the Board considers the well-being of shareholders and attendees as its top priority. On 26 March 2020, the Stay at Home Measures were passed into law in England and Wales, with immediate effect, in statutory instruments (2020/350 in England and 2020/353 in Wales) made pursuant to the Public Health (Control of Disease) Act 1984.

Under these restrictions, public gatherings of more than two people are not permitted. Accordingly, it may not be possible for shareholders to attend Annual General Meetings in person and they are therefore advised to submit their votes by proxy. The AGM of the Company will be held at the offices of BlackRock at 12 Throgmorton Avenue, London EC2N 2DL on 28 July 2020 at 2.30 p.m. If the current restrictions remain in force, the only attendees who will be permitted entry to the meeting will be those who will need to be present to form the quorum to allow the business to be conducted. Further information will be provided in due course by way of a regulatory news announcement and through the Company's website at www.blackrock.com/uk/brsc.

Changes to Articles

Hybrid general meetings

The COVID-19 pandemic has resulted in unprecedented social and economic damage. One consequence (as noted above) is that shareholders are unable to attend physical general meetings under current legislation. The current crisis has highlighted the need for companies to be flexible in their approach to general meetings and to take advantage of available technology to maximise shareholders' ability to participate in such meetings. The Board is therefore proposing to make amendments to the Company's Articles to enable the Company to hold hybrid general meetings such that shareholders may attend by electronic means as well as in person and to give additional powers in respect of postponing or adjourning meetings in appropriate circumstances. Whilst these changes may come too late to be of any benefit to shareholders in respect of the Company's 2020 AGM, the Board's aim in introducing them is to make it easier for shareholders to participate in general meetings in future through the introduction of electronic access where appropriate, and also to ensure relevant security measures are in place for the protection and wellbeing of shareholders.

Distribution of capital reserves

The Company's Articles do not currently permit the distribution of capital reserves. This restriction dates back to earlier times when legislation prohibited the distribution of realised capital profits by way of dividends or share buy backs.

Changes introduced by the Companies Act in 1999 made it permissible for investment companies to make distributions by way of share buy backs from realised capital profits, and the Company amended its Articles in May 2000 to add a provision to permit this type of distribution from the Company's capital reserves. However when the Company's Articles were updated in June 2008 to reflect changes to the rules on distributions applicable to investment companies under the Companies Act 2006, this provision was inadvertently deleted. The Board is now proposing to reinstate it such that the Company will be permitted to distribute realised capital profits by way of share buy backs.

Revised investment trust company tax rules introduced in 2012 made it possible for companies to distribute realised capital profits by way of dividends. The Board is also proposing to remove restrictions on the use of the Company's capital reserves to allow realised capital profits to be distributed by way of dividends. While the Board has no present intention of making dividend distributions from capital, and the Company has a comfortable surplus of revenue reserves, the Board believes that as a matter of good housekeeping it is prudent to provide the Company with this additional flexibility in respect of how the capital reserve may be distributed should this ever be required in the future.

Retirement and re-election of Directors

The Company's Articles currently provide that one third of Directors retire by rotation each year; however, the UK Code of Corporate Governance requires all Directors to stand for re-election annually. Consequently, the Board is proposing a change to the Articles to introduce the requirement for annual re-election of Directors.

Other

Some additional minor amendments are being made to bring the Articles in line with changes to legislation and for administrative purposes.

The changes proposed to be introduced in the Articles, and their effect, are set out in more detail in the Directors' report on pages 51 to 53.

Outlook

Since the financial year end the Company's NAV (as at 22 June 2020) has decreased by 10.7%[1], against a decrease in the benchmark of 7.7%[1], and the share price has fallen by 10.1%[1].

The COVID-19 outbreak and its rapid spread beyond China has caused mounting concerns over the impact on global growth, leading to significant volatility in stock markets around the world. The market falls in March and April as the crisis developed were savage and indiscriminate, only to be followed by a dramatic rally. This extreme volatility is likely to continue for some time and has created dislocations in market valuations that are not consistent with the long-term fundamentals of the stocks in which we invest; our portfolio management team remain attuned to the investment opportunities that may be presented by these dislocations in pricing.

These are unprecedented times. The impact of COVID-19 is unpredictable and it is impossible at this stage to estimate its scale and duration. However, things will improve in time.

The Investment Manager's focus on financially strong businesses with robust balance sheets provides us with confidence that the Company's portfolio is well placed to weather the storm. The Company's investment strategy remains focused on quality growth investment opportunities in smaller companies, a style that has demonstrably worked for the long-term, and historically periods of sudden underperformance, such as this, have proven to be excellent investment opportunities.

If shareholders would like to contact me, please write to BlackRock Smaller Companies Trust plc, Exchange Place One, 1 Semple Street, Edinburgh EH3 8BL marked for the attention of the Chairman.

Ronald Gould

Chairman
24 June 2020

1. Percentages in Sterling terms without income reinvested.

Investment manager's report

Roland Arnold

Market review and overall investment performance

The Company's strong NAV performance masked a significant increase in market volatility during the year under review, with multiple factors at play. Equity markets rallied through the first half of the financial year, as the headwinds created by global trade uncertainties were offset by central bank easing in both the US and Europe. The shifting sands of the UK political outlook proved a never ending source of drama throughout the year, with the developments around Brexit (which now seems like a distant memory) a key driver of investor sentiment and Sterling weakness. However with Boris Johnson leading the Conservative Party to a convincing majority in the December General Election there was an immediate and dramatic change in sentiment towards the UK economy, boosting small and mid-cap companies. The final day of January marked the UK's last day as a member of the EU, but there continue to be many hurdles to overcome as the UK seeks to renegotiate trading relationships.

A repeat contributor to performance, YouGov continued to trade well during the second half of the year, benefiting from the long-term investment in their Data Services and Products.

This has been a challenging period for UK smaller companies given the ongoing headwinds discussed above, that have caused significant volatility for our asset class. However our focus on bottom up fundamental company analysis has resulted in the Company delivering another strong year of outperformance over our benchmark.

2020 started on an optimistic tone; however this was overshadowed by the outbreak of COVID-19, which sparked one of the most rapid contractions in equity markets ever witnessed, as investors became concerned over the potential impact of the virus on the global economy. Country by country steps have been taken to contain the virus, which has subsequently developed into a global pandemic, but these necessary steps come with extreme economic consequences which we will cover in the outlook.

Performance review

The Company's NAV per share (debt at par) rose by 11.7% during the year, outperforming our benchmark which fell by 1.4%, and the FTSE 100 Index which fell by 7.0% (all percentages stated without income reinvested).

This has been a challenging period for UK smaller companies given the ongoing headwinds discussed above. However our focus on bottom-up fundamental analysis has resulted in the Company delivering another strong year of outperformance over our benchmark. In particular our focus on differentiated well-capitalised quality growth companies, that have been able to generate strong sustainable earnings growth and cashflow has been key to the Company's performance. Key contributors this year have been **Avon Rubber**, **Liontrust Asset Management**, **Team17**, **4imprint Group** and **YouGov**.

Shares in **Avon Rubber** rallied after the company acquired the ballistic-protection business from US conglomerate 3M. The division manufactures bulletproof vests and helmets for the US army, and the acquisition should increase the pace of the company's expansion into global military and law enforcement markets. The company continued to report strong trading at the beginning of 2020, while increasing global tensions provide a further fillip to the defence sector. **Liontrust Asset Management** has continued to see positive fund flows, particularly in the retail market. The acquisition of Neptune Investment Management provided further diversification to the business and added £2.7 billion in assets under management, while the sustainable products have been in demand as investors' appetite for ESG related investment continues to build momentum. Shares in **Team17** rallied throughout the period, as the video game developer reported multiple upgrades to profit guidance. In fact, the company provided five upgrades to forecasts in the last 12 months, and the future continues to look promising, with a number of new titles scheduled to be launched in the coming year, further adding to the group's growing portfolio. **4imprint Group**, a long-term core holding which we have mentioned in many previous reports, remained a top contributor for the full year as the business continued to deliver organic top-line growth with upgrades to forward guidance. Another repeat contributor to performance is **YouGov**, which continued to trade well during the second half of the year. Many people still think of **YouGov** as a UK political polling business, but if investors take the time to look beneath the bonnet, they will find a company that has been repositioning itself, pushing the valuable consumer data they have generated through their internal analysis system (the 'Cube') to produce actionable insights for their clients in the marketing industry.

Unsurprisingly given the strong performance during the period, detractors were limited. The largest was **Zotefoams**, the global manufacturer of specialty foams. Whilst still seeing demand for high performance products like those supplied to Nike, the challenging economic environment has resulted in a slowdown in sales in its more competitive industrial division. **Eco Animal Health Group** fell after the company issued a profit warning in November in response to a sharp slowdown in sales in China where demand has fallen further on the back of the African Swine Fever epidemic than we had anticipated. The company's decision to maintain the cost base in order to benefit from the recovery once the outbreak is contained meant the reduction in revenues had a disproportionate impact on profitability. We have subsequently reduced the position but maintain a holding as we see its long-term competitive position unchanged and expect demand to improve as the Chinese pig herd recovers.

Activity

The portfolio currently holds 127 positions, reflecting both the number of opportunities we see within our universe, and the high levels of uncertainty that we are currently facing. We took part in the IPO of **Watches of Switzerland** and continued to add to the luxury watch retailer throughout the year. The company has built a strong position in both the UK and US markets, in an industry where there is little competition from online. Strong relationships with key brands allows the business to offer an unrivalled product range, which has ensured they have historically been able to grow sales despite the structural headwinds facing many other retailers. We purchased a new holding in **Serco Group**, a business we have carefully monitored over recent years as the management has unpicked a raft of legacy loss-making contracts. It had identified the US Navy as an attractive client to grow given future spending patterns, so we were not surprised to see the announcement of a deal to acquire **NSBU**, a leading supplier of ship design and engineering services to that sector. We took part in the IPO of **The Pebble Group**, a global designer and manufacturer of bespoke branded promotional goods, an attractive and growing market where they have a broad and loyal global client base. These repeat customers bring a large proportion of recurring revenues, while their subscription-based offering provides a high level of earnings visibility. Following the result of the general election, we also took steps to add to our UK exposure by purchasing new holdings in **Pets at Home**, and adding to **Breedon, Joules, IntegraFin and Ibstock**. Each of these holdings were added to the portfolio for stock specific reasons and the secular drivers they face, with the pessimism towards the UK during the year providing attractive entry points in our opinion.

Portfolio positioning

Portfolio positioning is very much a result of stock selection and therefore, reflecting the conviction we have in our core holdings, sector exposure remains broadly unchanged from previous reports. Relative to our benchmark we are overweight media companies, financial services companies, and the support services sector. Our media companies include **4imprint Group**, **YouGov** and **Team17**. **4imprint Group** operates in a highly fragmented industry where despite having less than a 4% share, they are the undisputed market leader, and will benefit from any recovery in US corporate spending. **YouGov**, as discussed above, is adapting its business to changing customer demands opening up future channels for growth. **Team17** operates in the fast-growing video games market, benefitting from the lengthening product cycle of the industry which has been driven by the rise of downloadable content. Within the financial services sector our holdings have more of a focus on equities, alternatives, sustainable investing or outsourcing services. Holdings include **IntegraFin**, **Impax Asset Management, Liontrust Asset Management**, **AJ Bell** and **Polar Capital Holdings**. Support services is an extremely diverse sector. Our largest holdings include recruiter **Robert Walters** and workwear and linen rental business **Johnson Service Group. Robert Walters** is well diversified globally, generating more than three quarters of its profits from outside of the UK. We remain underweight travel & leisure companies, food producers and general retailers; all sectors where we have structural concerns. We are also underweight software and computer services as ongoing uncertainty could continue to impact business investment decisions and IT spending. Where we do have exposure in these areas, it is through specific investment cases such as our holdings in **Fuller Smith & Turner** and **GB Group**.

Our investment universe remains well diversified by sector and geography, allowing us to build a portfolio of market leading globally exposed businesses. We have maintained a high exposure to international companies, with over half of the revenues of our portfolio originating from overseas. Our UK exposure is very deliberate, either exposed to more defensive businesses or to those benefiting from positive structural or cyclical trends such as **Big Yellow**, **Workspace Group** and **Johnson Service Group**.

Outlook

As shareholders will be aware, the recent COVID-19 outbreak and its spread beyond China has caused mounting concerns over the impact on global growth, resulting in a dramatic and significant market sell-off, which has been immediately followed by an equally dramatic rally. These are unprecedented times. Never have we faced such an unknown quantity, and never have we seen these levels of government support or central bank stimulus. Given the uncertainty regarding the scope, scale, effect or implications of the virus at this stage, we have not materially changed positioning. Our unwavering focus on financially strong businesses gives us confidence in the holdings in our portfolio. The impact of COVID-19 is unpredictable, unavoidable and unprecedented, but it will get better. Our immediate outlook is for volatility to remain high as COVID-19 continues to dominate global events, but we must not allow the focus on the virus to let us overlook some of the other issues that can and will drive volatility. Brexit, US/China relations and the US election will all take center stage at some point in the months to come, fighting a battle for market dominance with central bank policy, fiscal stimulus, and asset flows. The Company's investment strategy remains focused on the identification of quality growth opportunities in smaller companies, a style that has demonstrably worked.

Roland Arnold
BlackRock Investment Management (UK) Limited
24 June 2020

Portfolio

Team17 was another key contributor to performance. The video game developer provided five upgrades to profit forecasts in the last twelve months. A number of new titles are due to launch in the coming year.

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Ten largest investments

as at 29 February 2020

1 IntegraFin

Financial Services

Portfolio value	**£**	**20,838,000**
Percentage of portfolio	**%**	**2.6**

Provider of a leading investment platform, called Transact, to UK financial advisers and their clients. The platform runs off proprietary technology, facilitating the smooth operation of client portfolios.

2 YouGov

Data analytics

Portfolio value	**£**	**19,835,000**
Percentage of portfolio	**%**	**2.4**

An international provider of specialist data analytics and marketing information. The company was recently named one of the world's top 25 research companies.

3 4imprint Group

Marketing

Portfolio value	**£**	**17,838,000**
Percentage of portfolio	**%**	**2.2**

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 personalised with the customers' brand or logo. The leader in a highly fragmented market, its growth is underpinned by data-driven traditional and online marketing initiatives.

Ten largest investments
continued

4 Avon Rubber
Aerospace and defence

Portfolio value	**£**	**17,598,000**
Percentage of portfolio	**%**	**2.2**

An innovative technology group which designs and produces specialist Chemical, Biological, Radiological and Nuclear ('CBRN') respiratory protection systems. The company has two businesses: Avon Protection (the recognised global leader in CBRN respiratory protection systems for the world's Military, Law Enforcement and Fire markets) and Milkrite, a global leader providing complete milking point solutions to dairy farmers across the world.

5 IG Design Group
Consumer goods

Portfolio value	**£**	**15,897,000**
Percentage of portfolio	**%**	**2.0**

A leading manufacturer and supplier of gift packaging, greetings cards, stationery and creative play products serving the requirements of some of the largest global retailers.

6 Johnson Service Group
General industrials

Portfolio value	**£**	**14,177,000**
Percentage of portfolio	**%**	**1.7**

A business providing textile rental high volume linen services and premium linen services for the hotel, catering and hospitality market throughout the UK and the leading supplier of work wear and protective wear in the UK.

7 Watches of Switzerland
Personal goods

Portfolio value	**£**	**13,556,000**
Percentage of portfolio	**%**	**1.7**

The UK's leading luxury watch specialist with a growing US presence. The group is comprised of four prestigious retail brands; Watches of Switzerland, Mappin & Webb, Goldsmiths and Mayors and has been transformed over the last 5 years into a modern, technologically advanced, multi-channel retailer. The group has an invested showroom network including flagships in London, two flagship showrooms in New York, and increasing presence of mono-brand boutiques along with an industry leading E-commerce platform.

8 Breedon
Construction and materials

Portfolio value	**£**	**13,327,000**
Percentage of portfolio	**%**	**1.6**

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

9 Team17
Leisure goods

Portfolio value	**£**	**12,187,000**
Percentage of portfolio	**%**	**1.5**

An independent developer and games label. The company collaborates with fellow developers around the globe sharing expertise from creation to launch across PC, console and mobile devices.

10 Impax Asset Management
Financial Services

Portfolio value	**£**	**11,725,000**
Percentage of portfolio	**%**	**1.4**

A niche asset management company offering a range of listed equity, fixed income, smart beta and real asset strategies with a focus on environmental investing, a niche that is rapidly becoming more popular in today's market place.

Fifty largest investments

as at 29 February 2020

Company	Business activity	Market value £'000	% of total portfolio
IntegraFin	Investment platform for financial advisers	20,838	2.6
YouGov	Survey data and specialist data analytics	19,835	2.4
4imprint Group	Promotional merchandise in the US	17,838	2.2
Avon Rubber	Safety masks and dairy related products	17,598	2.2
IG Design Group	Design and supply of greetings products	15,897	2.0
Johnson Service Group	Textile rental and related services	14,177	1.7
Watches of Switzerland	Retailer of luxury watches	13,556	1.7
Breedon	Construction materials	13,327	1.6
Team17	Video game developer and publisher	12,187	1.5
Impax Asset Management	Asset management services	11,725	1.4
Workspace Group	Flexible workspace to businesses in London	11,459	1.4
Robert Walters	Recruitment services	11,198	1.4
Morgan Sindall	Office fit out, construction and urban regeneration services	10,983	1.4
Games Workshop	Developer, publisher and manufacturer of miniature war games	10,745	1.3
DiscoverIE	Specialist components for electronics applications	10,455	1.3
The Pebble Group	Design and manufacturing of promotional goods	10,319	1.3
Stock Spirits Group	Branded spirits mainly in Eastern Europe	10,198	1.3
Central Asia Metals	Mining operations in Kazakhstan and North Macedonia	10,151	1.3
Ibstock	Manufacture of clay bricks and concrete products	10,120	1.2
Alliance Pharma	Pharmaceutical and healthcare products	9,853	1.2
Treatt	Development and manufacture of ingredients for the flavour and fragrance industry	9,829	1.2
Liontrust Asset Management	Asset management	9,720	1.2
Learning Technologies	E-learning services	9,498	1.2
Fuller Smith & Turner – A Shares	Pubs in the London area and South East England	9,468	1.2
Oxford Instruments	Design and manufacture of tools and systems for industry and research	9,409	1.2
Pets at Home	Pet supplies retailer	9,032	1.1
GB Group	Identity verification software and solutions	8,868	1.1
St. Modwen Properties	Investment in, and development of property	8,848	1.1
Sirius Real Estate	Owner and operator of business parks, offices and industrial complexes in Germany	8,697	1.1
Grafton	Builders merchants in the UK, Ireland and Netherlands	8,564	1.0
Next Fifteen Communications	Digital communication products and services	8,511	1.0
Renew	Engineering services group supporting UK infrastructure	8,314	1.0
CVS Group	Operator of veterinary surgeries	8,206	1.0
Polar Capital Holdings	Asset management	7,910	1.0
Mattioli Woods	Wealth management services	7,865	1.0
James Fisher and Sons	Innovative marine solutions and specialised engineering services	7,858	1.0
Qinetiq Group	British multi-national defence technology company	7,854	1.0
Chemring Group	Advanced technology products and services for the aerospace, defence and security markets	7,792	1.0
IMImobile	Cloud communications software provider	7,655	0.9
Quartix	Vehicle telematics services for the fleet and insurance sectors	7,633	0.9
Volution Group	Ventilation products for the residential and commercial construction markets	7,594	0.9

Fifty largest investments

continued

Company	Business activity	Market value £'000	% of total portfolio
OneSavings Bank	Financial services	7,591	0.9
Serco Group	Public services across health, transport, immigration, defence, justice and citizen services.	7,572	0.9
Calisen	Leading owner and manager of essential energy infrastructure assets	7,487	0.9
Sumo Group	Creative and development services to the video games and entertainment industries	7,435	0.9
RM	Educational software company	7,150	0.9
Vistry Group	UK housebuilder	7,139	0.9
Hyve Group	International exhibitions company	7,026	0.9
Clarkson	Shipping services	6,820	0.8
Tatton Asset Management	On-platform discretionary fund manager and IFA support service business	6,794	0.8
50 largest investments		506,598	62.4
Remaining investments		305,418	37.6
Total		**812,016**	**100.0**

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

Portfolio holdings in excess of 3% of issued share capital

At 29 February 2020, 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:

Security	% of shares held
Longboat Energy	4.90
Filta Group Holdings	4.64
Angling Direct	4.64
Capital Drilling	4.56
Tatton Asset Management	4.50
Tekmar Group	4.32
WLL London	4.32
Everyman Media Group	4.31
Quartix Holdings	4.30
City of London Investment Group	4.23
Cello Health	4.09
The Pebble Group	4.08
RBG Holdings	4.04
Ten Entertainment Group	3.69
Treatt	3.68
Anpario	3.61
Mattioli Woods	3.46
Fuller Smith and Turner	3.45
Maxcyte	3.35
Ergomed	3.34
RM	3.30
Duke Royalty	3.19
Curtis Banks Group	3.18
Lok'n Store Group	3.16
Bloomsbury Publishing	3.15
Joules Group	3.14
Central Asia Metals	3.13
Mind Gym	3.10

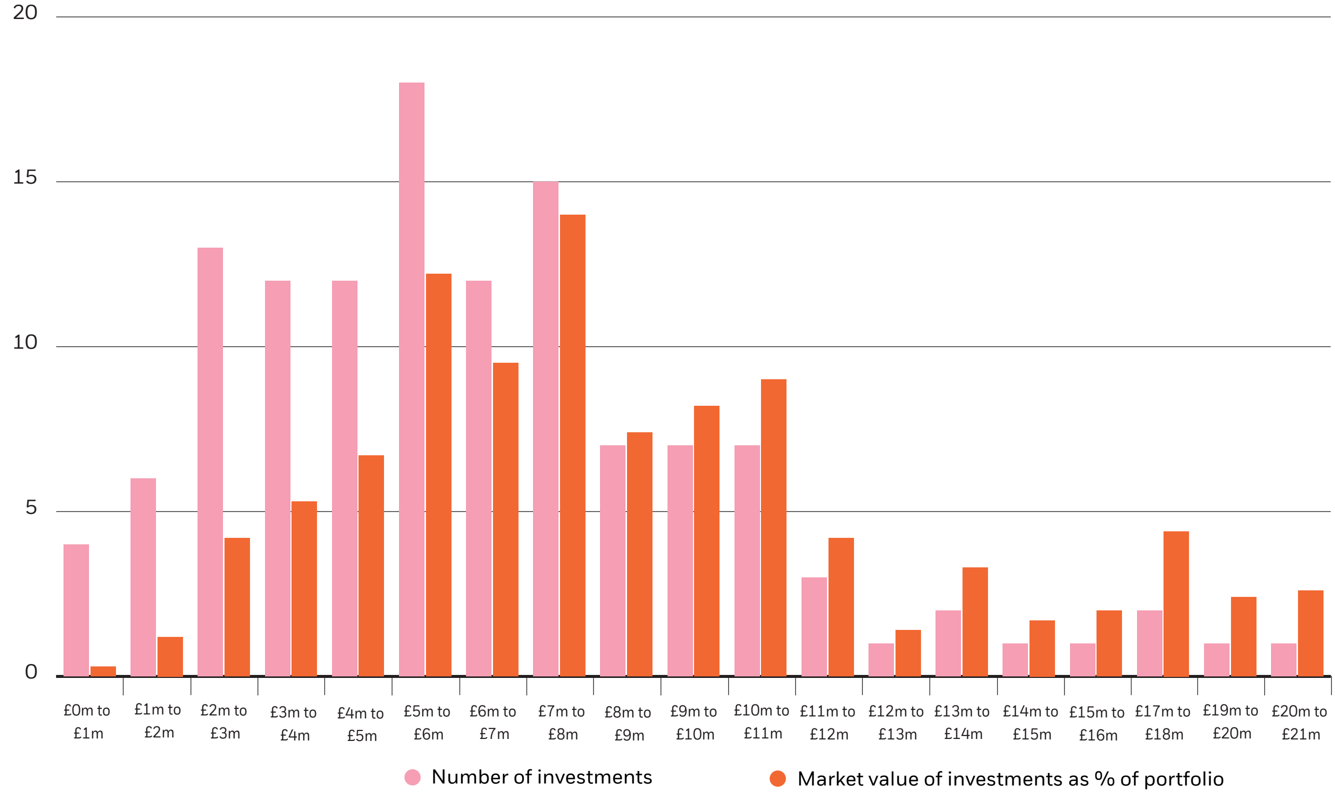
Distribution of investments

as at 29 February 2020

Sector	% of portfolio
Oil & Gas Producers	0.8
Alternative Energy	0.5
Oil & Gas	**1.3**
Chemicals	1.4
Mining	2.0
Basic Materials	**3.4**
Construction & Materials	7.8
Aerospace & Defence	4.1
Electronic & Electrical Equipment	3.8
General Industrials	1.6
Industrial Engineering	1.8
Industrial Transportation	1.8
Support Services	11.4
Industrials	**32.3**
Beverages	1.3
Household Goods & Home Construction	4.1
Personal Goods	2.0
Leisure Goods	3.7
Consumer Goods	**11.1**
Health Care Equipment & Services	2.2
Pharmaceuticals & Biotechnology	3.6
Health Care	**5.8**
Food & Drug Retailers	0.7
General Retailers	2.8
Media	9.6
Travel & Leisure	4.8
Consumer Services	**17.9**
Mobile Telecommunications	0.7
Telecommunications	**0.7**
Financial Services	15.8
Real Estate Investment & Services	3.6
Real Estate Investment Trusts	2.2
Financials	**21.6**
Software & Computer Services	5.9
Technology	**5.9**
Total	**100.0**

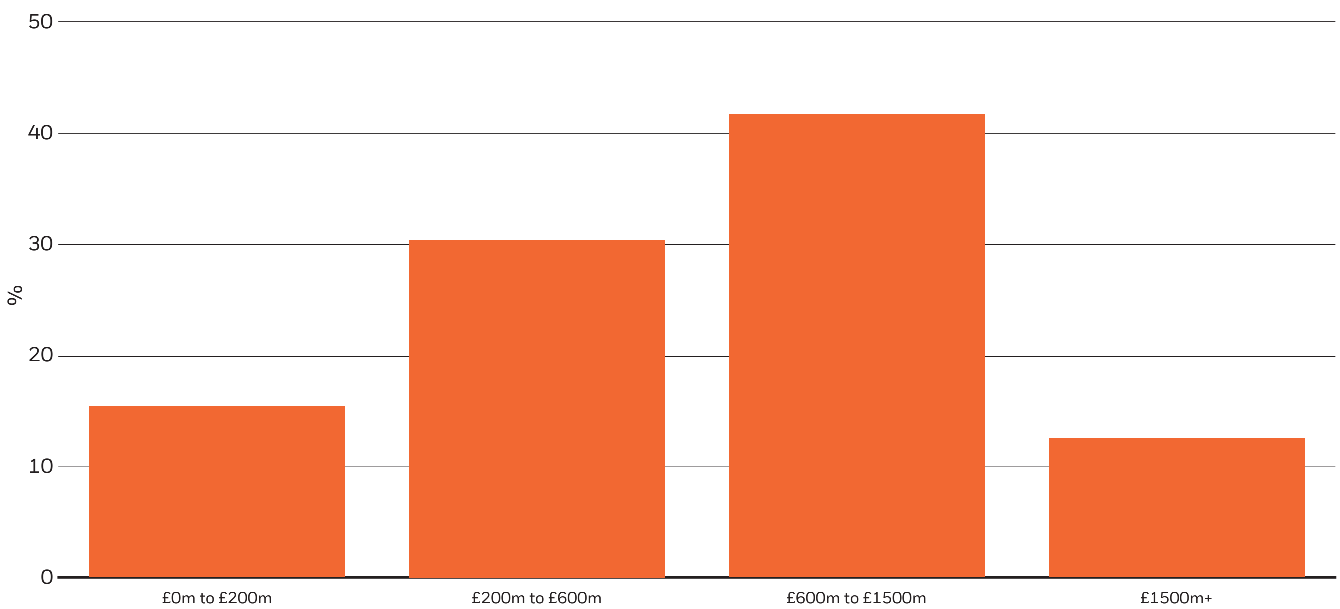
Portfolio analysis
as at 29 February 2020

Investment size as at 29 February 2020



Source: BlackRock.

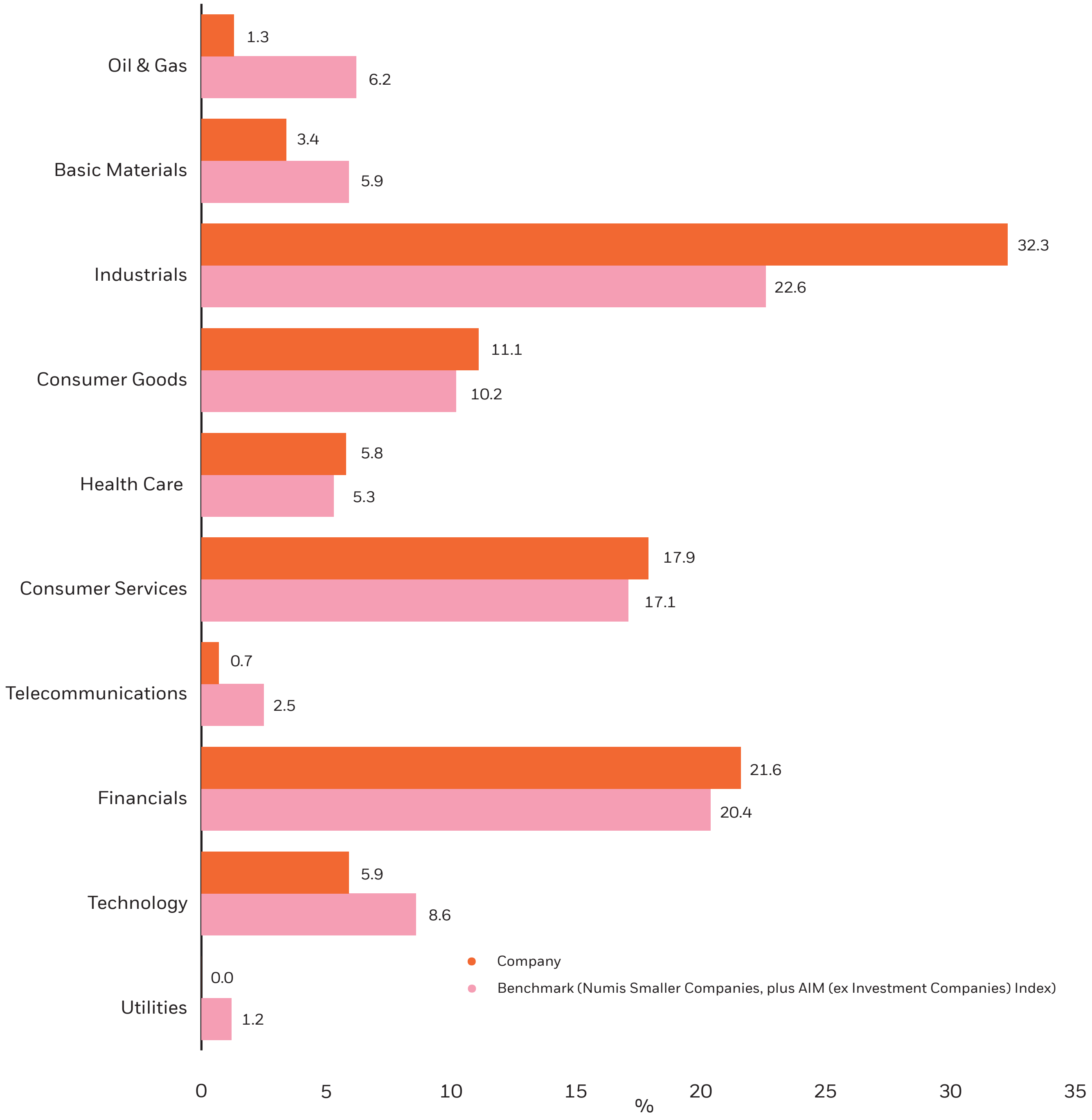
Market capitalisation of our portfolio companies as at 29 February 2020



Source: BlackRock.

Portfolio analysis
continued

Analysis of portfolio value by sector



Sources: BlackRock and Datastream.

Avon Rubber was a key contributor to performance with the market reacting favourably to the acquisition of 3M's ballistic-protection business.

Governance

Support services group Serco is a new holding. The acquisition of leading ship design and engineering services firm NSBU in August 2019 doubled Serco Group's business supporting the US Navy. Serco is also the largest private sector provider of air traffic control services in the world.

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

Five 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]
3 scheduled meetings per annum

Membership[2]: Michael Peacock, Caroline Burton and Susan Platts-Martin

Chairman: Michael Peacock

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 committee[1]
1 scheduled meeting per annum

Membership: All NEDs

Chairman: Ronald Gould

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

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 blackrock.com/uk/brsc.

2 Ronald Gould and Robert Robertson are not members of the Committee but may attend by invitation. Mr Robertson was a member of the Committee during the year and stepped down on 16 December 2019.

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 previously of Compliance Science Limited, as well as a non-executive director of JPMorgan Asian Investment Trust plc. Mr Gould was appointed Chairman on 4 June 2019.

Attendance record:
Board: 5/5
Nomination Committee: 1/1
Management Engagement Committee: 1/1

Caroline Burton
Appointed on 27 July 2011

She was previously a non-executive director of Liverpool Victoria, LVGIG Limited and TR Property Investment Trust plc and was also previously a member of the Appointments Committee of Hermes Property Unit Trust. She has over forty years of investment experience across a wide range of asset classes and geographies acting with a variety of different types of investor. She has been involved with investment trusts for many years, as well as with insurance companies, wealth managers and pension funds.

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

Michael Peacock
Audit Committee Chairman
Appointed on 1 July 2012

He was previously a non-executive director and chairman of the audit committee of Regenersis plc. A qualified chartered accountant, he has over 19 years’ experience in a number of senior roles in industry, and was the group finance director of Victrex plc until his retirement in 2010. He also spent a number of years in corporate finance, first at Hill Samuel & Co Limited and between 1987 and 1990 at Barclays de Zoete Wedd Limited.

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

Susan Platts-Martin
Appointed on 21 April 2016

She is the Chairman of Witan Pacific Investment Trust PLC and sits on the Advisory Board of the Barings Targeted Return Fund. A qualified chartered accountant with over 30 years' experience in financial services, she was the first head of investment trusts at Fidelity International, responsible for establishing and growing a successful investment trust business. She has experience of both open and closed ended funds, having also been director of product development and head of fund accounting at Fidelity.

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

Robert Robertson
Senior Independent Director
Appointed on 23 April 2008

He is the Chairman of Lowland Investment Company plc and director of a number of private companies. He was previously chairman of West China Cement Limited, a director of Buro Happold Engineers Limited and Mondi Europe and chief executive of Tarmac Group Limited and Anglo American's Industrial Minerals division. His early career was in finance, working in London, Paris, Johannesburg, New York and Rio de Janeiro. He brings over forty years' experience in industry, a considerable amount of which being with smaller companies.

Attendance record:
Board: 5/5
Audit Committee: 3/3
Nomination 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 29 February 2020. 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 38 to 44 form part of the Strategic Report. The Strategic Report was approved by the Board at its meeting on 24 June 2020.

Principal activity

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.

Objective

The Company's prime objective is 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.

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), with a limit on the level of AIM investments that may be held within the portfolio of 50% of the portfolio by value. 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 less liquid unquoted securities with the prior approval of the Board. At 29 February 2020 the Company did not hold any illiquid unquoted investments in its portfolio.

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 ("BNYM"). Other service providers include the Depositary (also BNYM) and the Registrar, Computershare Investor Services PLC. The Depositary has sub-delegated the provision of custody services to the Asset Servicing division of BNYM. 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 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 6% 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 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 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 0.50% 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

Strategic report
continued

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 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 must have a market cap beneath £2 billion, however 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 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.

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.

Gearing policy
Details of the Company's gearing policy and borrowing arrangements are set out in detail in the Chairman's statement on pages 7 and 8.

Portfolio analysis
A detailed analysis of the portfolio has been provided on pages 17 to 24.

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 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 in the Financial Statements. The total net profit for the year, after taxation, was £93,080,000 (2019: loss of £33,946,000) of which the revenue return amounted to £17,837,000 (2019: profit of £16,123,000), and the capital profit amounted to £75,243,000 (2019: loss of £50,069,000).

The Company's revenue return amounted to 37.13p per share (2019: 33.67p). The Directors have declared a second interim dividend of 19.70p 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 13.

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 pages 44 and 45.

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 29 February 2020 are set out in the Directors' biographies on pages 29 to 30. With effect from 4 June 2019, the Board consists of three male Directors and two female Directors. The Company's policy on diversity is set out on page 60. 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 3 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 112 to 114.

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.

Key Performance Indicators	Year ended 29 February 2020	Year ended 28 February 2019
NAV per share (debt at par value)[1,2]	11.7%	-6.6%
NAV per share (debt at fair value)[1,2]	11.1%	-6.6%
NAV per share (debt at par value, capital only)[1,2]	11.7%	-6.8%
NAV per share total return performance (debt at fair value)[2]	13.5%	-4.9%
Share price[1,2]	11.6%	0.4%
Benchmark return[1]	-1.4%	-8.2%
Average discount to NAV with debt at fair value[2]	2.9%	7.9%
Revenue return per share	37.13p	33.67p
Ongoing charges ratio[2,3]	0.7%	0.7%
Retail ownership	64.9%	62.3%

1 Without income reinvested.
2 Alternative performance measures, see Glossary on pages 112 to 114.
3 Calculated as a percentage of average shareholders' funds and using operating expenses, finance costs, transaction costs and taxation in accordance with AIC guidelines.
Sources: BlackRock and Datastream.

Strategic report
continued

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 principle 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 & 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. Since the year end, the COVID-19 pandemic has given rise to unprecedented challenges for businesses across the globe and the Board has taken into consideration the risks posed to the Company by the crisis and incorporated these into the Company's risk register. 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.

The Board will continue to assess these 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.

Principal risk	Mitigation/Control
Investment performance 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; and • receives reports showing the Company's performance against the benchmark.

Principal risk	Mitigation/Control
Market 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, such as the COVID-19 pandemic.	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 as the COVID-19 pandemic escalates. 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.
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 Board meeting. The Company has substantial revenue reserves which can be utilised.
Legal & Compliance 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 and the Market Abuse Regulation.	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.

Strategic report
continued

Principal risk	Mitigation/Control
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, 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.	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 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 on an ongoing basis and reviews these as part of their review of the Company's risk register. In respect of the unprecedented and emerging risks posed by the COVID-19 pandemic in terms of the ability of service providers to function effectively, the Board have received reports from key service providers (the Manager, the Depositary, the Custodian, the Fund Administrator, the Broker, the Registrar and the printers) setting out the measures that they have put in place to address the crisis in addition to their existing business continuity framework. Having considered these arrangements and reviewed service levels since the crisis has evolved, the Board are confident that a good level of service will be maintained.
Financial risk	
The Company's investment activities expose it to a variety of financial risks that include interest rate, credit and liquidity risk.	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	
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.	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.

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 COVID-19 pandemic, its impact on the global economy and the prospects for many of the Company's portfolio holdings. Notwithstanding this crisis, 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 2025 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, factoring in the impact of recent market volatility related to the COVID-19 pandemic;
- 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 31 May 2020 in light of the impact of the COVID-19 pandemic on global market liquidity. As at 31 May 2020, 62% of the portfolio was estimated as being capable of being liquidated within 30 days.
- The Board has reviewed the Company's revenue and expense forecasts in light of the COVID-19 pandemic and its 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 despite recent market falls 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 challenges posed by COVID-19;
- 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 effectiveness of business continuity plans in place for the Company and key service providers in particular in respect to COVID-19;
- 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 29 February 2020, the Company held no illiquid unquoted investments and 67% of the Company's portfolio investments were readily realisable and listed on the London Stock Exchange. The remaining 33% 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, even in exceptionally stressed operating conditions, including the challenges presented by the COVID-19 pandemic, 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

New regulations (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 consider 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	Manager and Investment Manager	Other key service providers	Investee companies
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'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.	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 consider 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.	Portfolio holdings are ultimately shareholders' assets, and the Board recognise 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 arrangements and receives regular feedback from the Manager in respect of meetings with the management of portfolio companies.

A summary of the key areas of engagement undertaken by the Board with its key stakeholders in the year under review and how Directors have acted upon this to promote the long-term success of the Company are set out in the table below.

Area of Engagement	Issue	Engagement	Impact
Management of share rating	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.	The Board monitors the Company's share rating on an ongoing basis and receives regular updates from the Company's brokers 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 £66,000 and this contribution is matched by the Investment Manager for the year ended 31 December 2019. In addition, a budget of £42,000 was allocated for Company specific sales and marketing activity also for the year to 31 December 2019. 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.	Over the last four years, the Company's discount has narrowed steadily, from an average discount of 15.4% for the year to 28 February 2017 to 2.9% for the year ended 29 February 2020; in the year under review the Company's shares moved to trade at a premium for significant periods of time. Market demand for the Company's shares has been strong and between December 2019 and the date of this report the Company has issued 950,000 shares for proceeds of £16 million, improving the Company's liquidity and resulting in a lower operating charges ratio. Over the last nine years, the number of shares held by retail shareholders has increased from 29.5% (as at 28 February 2011) to 64.9% at 29 February 2020.
Investment mandate and objective	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.	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.	The portfolio activities undertaken by the Investment Manager can be found in the Report on pages 11 to 13. Details regarding the Company's NAV and share price performance can be found in the Chairman's Statement on page 6 and in the Strategic Report on page 32.

Area of Engagement	Issue	Engagement	Impact
Responsible investing	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.	The Board believes that responsible investment and sustainability are integral 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, responsible and sustainable 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 to encourage the adoption of sustainable business practices which support long-term value creation are kept under review by the Board. The Investment Manager reports to the Board in respect of its ESG policies and how these are integrated into the investment process; a summary of BlackRock's approach to ESG and sustainability is set out on page 44. The Investment Manager's engagement and voting policy is detailed on pages 44 to 45 and page 48 and on the BlackRock website.	The Board and the Investment Manager believe there is a positive correlation between strong ESG practices and investment performance. Details of the Company's performance in the year are given in the Chairman's Statement on page 6 and the Performance Record on page 4.

Area of Engagement	Issue	Engagement	Impact
Gearing and sources of finance	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.	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. The Board moved the Company's existing £35 million Revolving Credit Facility (RCF) from Scotiabank (Ireland) Limited to Sumitomo Bank Limited in November 2019 in order to benefit from lower finance costs. Mindful of the fact that the Company's £15 million debenture will need refinancing in 2022, the Board decided in November 2019 to borrow an additional £20 million at a rate of 2.41% per annum through issuing additional unsecured, fixed rate, private placement notes. The notes have a 25 year maturity, and will be repaid in November 2044. As at 29 February 2020, the Company had the following borrowing facilities in place: long-term fixed rate funding in the form of a £15 million debenture with a coupon of 7.75% maturing in 2022, £25 million senior unsecured fixed rate private placement notes issued in May 2017 at a coupon of 2.74% with a 20 year maturity and £20 million senior unsecured fixed rate private placement notes issued in December 2019 at a coupon of 2.41% with a 25 year maturity. Shorter-term variable rate funding consisted of a £35 million three-year revolving loan facility with Sumitomo Bank Limited with interest charge at Libor plus 75 basis points and an uncommitted overdraft facility of £10 million with Bank of New York (Europe) Limited with interest charged at Libor plus 100 basis points. 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.	The transfer of the RCF from Scotiabank to Sumitomo will result in significant savings for the Company by way of reduced finance charges. By way of example, if the RCF were fully utilised, the reduction in interest over the three year RCF term equates to £210,000. The Board believes that the issue of the £20 million private placement notes in December 2019 locks in fixed rate, long dated, Sterling denominated financing at a highly competitive pricing level. The net proceeds of the additional debt issue, as well as being in place to provide refinancing for the £15 million debenture when it expires in 2022, will also be used for additional investment in the market within the Company's existing gearing limits and will give the Investment Manager significantly more scope to take advantage of suitable investment opportunities. The Board is optimistic that the Investment Manager will be able to find investments in the future which will provide returns comfortably in excess of the interest rate on the additional tranche of debt. At the year end, the Company's gearing was 5.7% of net assets.

Strategic report
continued

Area of Engagement	Issue	Engagement	Impact
Service levels of third party providers	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 Brokers in respect of the provision of advice and acting as a market maker for the Company's shares.	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 Brokers on an ongoing basis. Since the year end, in light of the challenges presented by the COVID-19 pandemic to the operation of business across the globe, the Board has worked closely with the Manager to gain comfort that relevant business continuity plans are operating effectively for all of the Company's service providers.	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, Brokers, Registrar and printers, and is confident that arrangements are in place to ensure that a good level of service will continue to be provided despite the impact of the COVID-19 pandemic.
Board composition	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 new UK Code, including guidance on tenure and the composition of the Board's committees.	During the 2019 financial year Mr Nick Fry advised of his desire to retire at the 2019 AGM, creating the need to select a new director and chairman. The Nomination Committee agreed the selection criteria and the method of selection, recruitment and appointment. Board diversity, including gender, was taken into account when establishing the criteria. The services of an external search consultant, were used to identify potential candidates. All Directors are subject to a formal evaluation process on an annual basis (more details and the conclusions in respect of the 2020 evaluation process are given on page 49). All Directors stand for re-election by shareholders annually. Notwithstanding the issues posed by the COVID-19 pandemic, in normal operating conditions, 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 109 with any issues.	As a result of the recruitment process, Mr Ronald Gould was appointed as a Director of the Company with effect from 1 April 2019. Mr Nick Fry retired as a Director and Chairman of the Company on 4 June 2019, with Mr Gould taking on the role of Chairman with effect from this date. One Director, Mr Robertson, has served for more than nine years. He has given notice of his intention to retire as soon as a replacement is found. The recruitment process is underway. Details of each Directors' contribution to the success and promotion of the Company are set out in the Directors' report on pages 50 to 51 and details of Directors' biographies can be found on pages 29 to 30. 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 2019 AGM are given on the Company's website at www.blackrock.com/uk/brsc.

Area of Engagement	Issue	Engagement	Impact
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 committed to maintaining open channels of communication and to engage with shareholders. Under normal operating circumstances, the Board welcomes and encourages attendance and participation from shareholders at its Annual General Meetings. Given the COVID-19 crisis and restrictions on public meetings, this may not be possible for the 2020 AGM, however the Board look forward to offering opportunities for shareholders to meet the portfolio manager and the Board at some safer stage in the future. 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 109. 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 blackrock.com/uk/brsc. 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 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, and held discussions with many different wealth management desks and offices in respect of the Company during the year under review. Investors gave positive feedback in respect of the portfolio manager and how well the handover process had been executed following the retirement of Mr Prentis as manager in June 2019 and succession of Mr Arnold. Investors also commented that they liked the investment process, the positioning of the portfolio and its track record, the level of diversity in the portfolio and the approach to risk management, as well as the impressive dividend growth. Investors expressed concerns over the impact of Brexit on the UK Smaller Companies sector.

Area of Engagement	Issue	Engagement	Impact
		The Manager also coordinates public relations activity, including meetings between the portfolio managers and relevant industry publications to set out their vision for the portfolio strategy and outlook for the region. 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.	

Sustainability and our ESG policies

The Board's approach

Environmental, social and governance (ESG) issues can present both opportunities and threats to long-term investment performance. These ethical and sustainability issues cannot be ignored, and your Board is committed to ensuring that we have appointed a manager that applies the highest standards of ESG practice. The Board believes effective engagement with management is, in most cases, the most effective way of driving meaningful change in the behaviour of investee company management. This is particularly true for the Manager given the extent of BlackRock's shareholder engagement (BlackRock held 2,050 engagements with 1,458 companies based in 42 markets for the year to 30 June 2019). As well as the influence afforded by its sheer scale, the Board believes that BlackRock is well placed as Manager to fulfil these requirements due to the integration of ESG into its investment processes, the emphasis it places on sustainability, its collaborative approach in its investment stewardship activities and its position in the industry as one of the largest suppliers of sustainable investment products in the global market. More information on BlackRock's approach to sustainability is set out below.

Responsible ownership – BlackRock's approach

As a fiduciary to its clients, BlackRock has built its business to protect and grow the value of clients' assets. From BlackRock's perspective, business-relevant sustainability issues can contribute to a company's long-term financial performance, and thus further incorporating these considerations into the investment research, portfolio construction, and stewardship process can enhance long-term risk adjusted returns. By expanding access to data, insights and learning on material ESG risks and opportunities in investment processes across BlackRock's diverse platform, BlackRock believes that the investment process is greatly enhanced. The Company's portfolio managers work closely with BlackRock's Investment Stewardship team to assess the governance quality of companies and investigate any potential issues, risks or opportunities. The portfolio managers use ESG information when conducting research and due diligence on new investments and again when monitoring investments in the portfolio.

BlackRock's approach to sustainable investing

Considerations about sustainability have been at the center of BlackRock's investment approach for many years and the firm offers more than 100 sustainable products and solutions. BlackRock believes that climate change is now a defining factor in companies' long-term prospects, and that it will have a significant and lasting impact on economic growth and prosperity. BlackRock believes that climate risk now equates to investment risk, and this will drive a profound reassessment of risk and asset values as investors seek to react to the impact of climate policy changes. This in turn is likely to drive a significant reallocation of capital away from traditional carbon intensive industries over the next decade. In January 2020, with this transition in mind, BlackRock announced that it would accelerate its sustainable investing efforts and make a number of enhancements to its investment management and risk processes, including the following:

- Heightening scrutiny on sectors and issuers with a high ESG risk, such as thermal coal producers, due to the investment risk they present to client portfolios;
- Putting ESG analysis at the heart of Aladdin (BlackRock's proprietary trading platform) and using proprietary tools to help analyse ESG risk; and
- Placing oversight of ESG risk with BlackRock's Risk and Quantitative Analysis group (RQA), to ensure that ESG risk is given increased weighting as a risk factor and is analysed with the same weight given to traditional measures such as credit or liquidity risk.

Investment Stewardship

BlackRock also places a strong emphasis on sustainability in its stewardship activities. BlackRock have engaged with companies on sustainability-related questions for a number of years, urging management teams to make progress while also deliberately giving companies time to enhance disclosure consistent with the Sustainability Accounting Standards Board (SASB) and the Task Force on Climate related Financial Disclosures (TCFD). This includes each company's plan for operating under a scenario where the Paris Agreement's goal of limiting global warming to less than two degrees is fully realised, as expressed by the TCFD guidelines. To this end, BlackRock is now a member of Climate Action 100+, a group of investors that engages with companies to improve climate disclosure and align business strategy with the goals of the Paris Agreement. BlackRock will be aligning its engagement and stewardship priorities to UN Sustainable Development Goals (including Gender Equality and Affordable and Clean Energy). BlackRock is committed to voting against management to the extent that they have not demonstrated sufficient progress on sustainability issues.

BlackRock is committed to transparency in terms of disclosure on its engagement with companies and voting rationales. Last year BlackRock voted against or withheld votes from 4,800 directors at 2,700 different companies. More details about BlackRock's investment stewardship process can be found on BlackRock's website at https://www.blackrock.com/uk/individual/about-us/investment-stewardship.

By order of the Board

SARAH BEYNSBERGER
For and on behalf of
BlackRock Investment Management (UK) Limited
Company Secretary
24 June 2020

Directors' report

The Directors present the Annual Report and audited Financial Statements of the Company for the year ended 29 February 2020.

Status of the Company

The Company was incorporated in Scotland on 2 May 1906 under the registered number 006176 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). The Company is governed by the provisions of the European Union Alternative Investment Fund Managers' Regulations 2013 (the Regulations) and is required to be authorised by the Financial Conduct Authority (FCA) and must comply with a number of obligations, including the appointment of an Alternative Investment Fund Manager (AIFM) and a depositary to carry out certain functions. 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 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 a New Individual Savings Account ("NISA").

Section 172 statement

New regulations (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. Details of how the Board have complied with these regulations are set out on pages 38 to 44.

Information to be disclosed in accordance with Listing Rule 9.8.4 (information to be included in annual report and accounts)

Disclosures in respect of how the Company has complied with Listing Rule 9.8.4 are set out on page 111.

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 are 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. Under the agreement 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 £66,000 and this contribution is matched by the Investment Manager for the year ended 31 December 2019. In addition, a budget of £42,000 has been allocated for Company specific sales and marketing activity also for the year to 31 December 2019. For the year ended 29 February 2020, £153,000 (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 UK Smaller Companies Team, as manager of some of the best performing UK equity funds specialising in small and mid cap investments.

Depositary and custodian

The Company is required under AIFMD to appoint an AIFMD compliant depositary. The Company appointed BNY Mellon Trust & Depositary (UK) Limited (the Depositary) 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 BNYMTD to its parent Company, The Bank of New York Mellon (International) Limited (BNYM 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

Directors' report

continued

monitoring cash flows and ensuring that the Company's assets are 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. With effect from 1 January 2019 the Depositary receives a fee payable at 0.0095% of the net assets of the Company (prior to this the fee was 0.0115%). 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 BNYM. BNYM 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. BlackRock believes that sound corporate governance practices by companies contribute to their long-term financial performance and thus to better risk-adjusted returns.

BlackRock's proxy voting process is led by the BlackRock Investment Stewardship team, located in five offices around the world. In addition to its own professional staff, the BlackRock Investment Stewardship team draws upon the expertise of BlackRock's portfolio managers, researchers and other internal and external resources globally. BlackRock's global corporate governance and engagement principles are published on the website at blackrock.com/corporate/en-us/about-us/investment-stewardship. The principles set out BlackRock's views on the overarching features of corporate governance that apply in all markets. For each region, BlackRock also publishes market-specific policies, which are updated every year to ensure they remain relevant. The voting guidelines are principles based and not prescriptive because BlackRock believes that each voting situation needs to be assessed on its merits. Voting decisions are taken to support the outcome that BlackRock believes (in its professional judgement) will best protect the economic interests of its clients.

During the year under review, the Investment Manager voted on 1,811 proposals at 148 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 66 management resolutions and abstained from voting on 21 resolutions. Most of the votes against were in respect of resolutions relating to directors' remuneration or to elect or remove directors or to approve the issuance of equity, which were deemed by the Investment Manager as not being in the best interest of shareholders.

Principal risks

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

Going concern

As described in the viability statement on page 37 of the annual report, the Board is mindful of the uncertainty surrounding the potential duration of the COVID-19 pandemic and its impact on the global economy. Since the year end, and as disclosed in the post balance sheet event note on page 101 to the Financial Statements, the Company's net asset value has fallen by 10.7% as at 22 June 2020. Notwithstanding this significant market fall and the uncertainties set out above, the Directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future and is financially sound, and that the Company and its key third party service providers have in place appropriate business continuity plans and will be able to maintain service levels through the COVID-19 pandemic. For this reason, they continue to adopt the going concern basis in preparing the financial statements. The Company is able to meet all of its liabilities and its ongoing expenses from its assets and income generated from these assets.

The Company's longer-term viability is considered in the Viability Statement.

Directors

The Directors of the Company as at 29 February 2020 and their biographies are set out on pages 29 to 30. Details of Directors' interests in the ordinary shares of the Company are set out in the Directors' Remuneration Report. All of the Directors, other than Mr Ronald Gould who was appointed on 1 April 2019, held office throughout the year under review.

The Company's Articles provide that one third of Directors retire by rotation each year and that each Director shall retire and offer himself/herself for re-election at intervals of no more than three years. However, in accordance with best practice and developing Corporate Governance, the Board has agreed that all Directors will retire and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting (AGM) to be held on 28 July 2020.

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 decided to combine this, over time, with 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.

More details in respect of how this policy will be implemented are set out on the Chairman's Statement on page 8.

After due consideration and further to the annual evaluation process, the Board has concluded that Robert Robertson, who has served as a Director for over nine years, continues 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. Mr Robertson has informed the Board of his intention to retire in the forthcoming year, subject to a suitable replacement being identified. 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 of the Directors to be proposed for re-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 are 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 51.

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.

Global greenhouse gas emissions for the period 1 March 2019 to 29 February 2020

The Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

Articles

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

Remuneration Report

The Directors' Remuneration Report is set out on pages 54 to 57. 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 58 and 59. An ordinary resolution to approve this policy will be put to shareholders at the forthcoming Annual General Meeting.

Directors' report
continued

Notifiable interest in the Company's voting rights
As at 29 February 2020, the following investors had declared a notifiable interest in the Company's voting rights:

	Holding	%
BlackRock, Inc.*	6,220,855	12.7
Rathbone Bros	4,609,329	9.4
Investec Wealth & Management	2,825,258	5.7
Royal London Asset Management	1,548,566	3.1

* Including 3,210,709 shares held by BlackRock Institutional Jersey Funds (The Dynamic Diversified Growth Fund) representing 6.6% 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 exceed 3% of the Company's issued share capital on an individual fund basis.

As at 22 June 2020, the following investors had declared a notifiable interest in the Company's voting rights:

	Holding	%
BlackRock, Inc.*	6,121,033	12.5
Rathbone Bros	4,609,329	9.4
Investec Wealth & Management	2,825,258	5.7
Royal London Asset Management	1,548,566	3.1

* Including 3,210,709 shares held by BlackRock Institutional Jersey Funds (The Dynamic Diversified Growth Fund) representing 6.6% 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 exceed 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 29 February 2020, the Company's issued share capital was 48,829,792 ordinary shares, excluding 1,163,731 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. No shares were purchased or issued under either authority during the year. The current authority to repurchase ordinary shares was granted to Directors on 4 June 2019 and expires at the conclusion of the Annual General Meeting in 2020. 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
The Board has determined that up to 10% of the Company's issued shares 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 bought back 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 29 and 30 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 the Directors apart from Mr Gould held office throughout the year under review and will stand for re-election by shareholders at the meeting in accordance with the requirements of the UK Code.

Resolution 5
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 6

Relates to the re-election of Mrs Caroline Burton who was appointed on 27 July 2011. Mrs Burton brings over forty years of investment experience to the Board, with investment experience over a wide range of asset classes and geographies, and has detailed knowledge of the investment trust industry.

Resolution 7

Relates to the re-election of Mr Michael Peacock who was appointed on 1 July 2012, and who also chairs the Company's Audit Committee. Mr Peacock has many years of experience in the corporate finance sector and acted as group finance director for Victrex plc. He is a qualified chartered accountant.

Resolution 8

Relates to the re-election of Ms Susan Platts-Martin who was appointed on 21 April 2016. She brings over 30 years financial services experience and an in-depth knowledge of investment trusts, having run the investment trust business at Fidelity International for many years. She is a qualified chartered accountant and brings this skill set to her role as a member of the Company's Audit Committee.

Resolution 9

Relates to the re-election of Mr Robert Robertson who was appointed on 23 April 2008. Mr Robertson brings in-depth and extensive financial markets experience to his role, with over forty years experience in industry. Mr Robertson has announced his intention to retire in the forthcoming year subject to a suitable replacement being recruited.

Special business

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

Ordinary resolution

Resolution 12 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 £1,220,744.75 which is equivalent to 4,882,979 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 2021, unless renewed prior to that date at an earlier general meeting.

Special resolutions

Resolution 13 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 13 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 £1,220,744.75 which is equivalent to 4,882,979 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 2021, unless renewed prior to that date at an earlier general meeting.

Resolution 14 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 7,319,585 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 2021, unless renewed prior to that date at an earlier general meeting.

Resolution 15 Amendment to the Articles

The Board is proposing to make a number of amendments to the Articles as set out below.

1. General meetings

The Board is proposing to amend the Articles to expand on the ability of the Company to hold general meetings in more than one location by allowing shareholders to attend by electronic means as well as in person and to

Attendance Record	Total meetings	Ronald Gould	Michael Peacock	Robert Robertson	Caroline Burton	Susan Platts-Martin
Board	5	5	5	5	5	5
Audit Committee	3	3	3	3	3	3
Management Engagement Committee	1	1	1	1	1	1
Nomination Committee	1	1	1	1	1	1

reflect developments in practice. The Articles are also being amended to give the Board additional powers in respect of postponing or adjourning meetings in appropriate circumstances. The amendments are being sought in response to challenges posed by government restrictions on social interactions as a result of the COVID-19 pandemic, which have made it difficult for shareholders to attend physical general meetings in person. The Board's aim in introducing these changes is to make it easier for shareholders to participate in general meetings through electronic access where appropriate, and also to ensure appropriate security measures are in place for the protection and wellbeing of shareholders.

In addition, the Board is proposing to make other key amendments to the Articles to permit the Company to pay dividends from capital, remove outdated provisions relating to share warrants to bearer and bring the provisions related to retirement of directors in line with the UK Corporate Governance Code as published by the Financial Reporting Council in July 2018.

The principal changes proposed to be introduced in the Articles in respect of general meetings, and their effect, are set out below.

(i) Electronic participation in general meetings
Providing that a physical meeting is scheduled, the Board will have the ability to permit hybrid satellite meetings to take place anywhere in the world, and to allow attendees to participate, speak and vote at the meeting by electronic means. The members or proxies present at a general meeting by way of electronic means and/or at satellite meetings shall be counted in the quorum for and be entitled to vote at the meeting.

(ii) Adjournment of general meetings
The Chairman will have the ability to interrupt or adjourn general meetings without the consent of the meeting if it appears to the Chairman that the facilities at any general meeting (including those conducted partly electronically) have become inadequate for enabling those participating by electronic means or at a satellite meeting place to participate in the business of the meeting and hear and be heard by all other persons participating in the meeting.

(iii) Postponement of general meetings
The Board will have the ability to postpone a general meeting if, in its absolute discretion, it considers that it is impractical or unreasonable for any reason to hold the meeting on the date or at the time or at any place specified in the notice calling the general meeting.

(iv) Documents available for inspection at a meeting
If, in the case of a general meeting which is held partly by electronic means, any document is required to be on display or available for inspection at that meeting (whether prior to and/or for the duration of the meeting), the Company shall ensure that it is electronically available to persons entitled to inspect it for at least the required period of time.

(v) Accommodation of members and security arrangements
The Board will have the ability to implement measures for the purposes of controlling the level of attendance and ensuring the safety of those attending and participating at any physical place specified for the holding of a general meeting, ensuring the security of the meeting and ensuring the future orderly conduct of the meeting. The entitlement of any member or proxy to attend and participate in a general meeting at such place (or places) shall be subject to any such arrangements.

Similarly, if a general meeting is held partly by electronic means, the Board or the Chairman may make any proportionate arrangement and impose any proportionate requirement or restriction that is necessary to ensure the identification of those taking part by way of such electronic facility and the security of electronic communication.

(vi) Method of voting at meetings conducted partly electronically
A resolution put to the vote at a general meeting held partly by electronic means shall be decided on a poll, with poll votes to be cast by such electronic means as the Board, in its sole discretion, deems appropriate for the purposes of the meeting.

2. Distribution of capital reserves

The Company's Articles do not currently permit the distribution of capital reserves. This restriction dates back to earlier times when legislation prohibited the distribution of realised capital profits by way of dividends or share buy backs.

Changes introduced by the Companies Act in 1999 made it permissible for investment companies to make distributions by way of share buy backs from realised capital profits, and the Company amended its Articles in May 2000 to add a provision to permit this type of distribution from the Company's capital reserves. However when the Company's Articles were updated in June 2008 to reflect changes to the rules on distributions applicable to investment companies under the Companies Act 2006, this provision was inadvertently deleted. The Board is now proposing to reinstate it such that the Company will be permitted to distribute realised capital profits by way of share buy backs.

Revised investment trust company tax rules introduced in 2012 made it possible for companies to distribute realised capital profits by way of dividends. The Board is also proposing to remove restrictions on the use of the Company's capital reserves to allow realised capital profits to be distributed by way of dividends. While the Board has no present intention of making dividend distributions from capital, and the Company has a comfortable surplus of revenue reserves, the Board believes that as a matter of good housekeeping it is prudent to provide the Company with this additional flexibility in respect of how the capital reserve may be distributed should this ever be required in the future.

3. Director retirement

The current Articles provide for Directors to retire and offer themselves for re-election at an annual general meeting of the Company at intervals of no more than three years. However, the UK Code requires directors of all main market companies be subject to annual re-election. The proposed new Articles remove the requirement for directors to retire by rotation and instead provide that Directors will stand for re-election on an annual basis, in line with the UK Code requirements.

4. Share warrants to bearer

Under the current Articles, the Company has the ability to issue 'share warrants to bearer' (bearer shares). Changes brought in by The Small Business, Enterprise and Employment Act 2015 to improve corporate transparency mean that bearer shares have been abolished. Accordingly, the proposed new Articles do not include any provision to permit the issue of share warrants and remove any articles associated with such.

The proposed new Articles (marked to show the proposed changes) will be available for inspection on the Company's website at www.blackrock.com/uk/brsc from the date of this Report and Accounts until the conclusion of the Annual General Meeting or may be obtained from the Company Secretary by requesting a copy using the address and details provided on page 109. The proposed new Articles (marked to show the proposed changes) will also be available for inspection at the place of the forthcoming Annual General Meeting for at least 15 minutes before and during that Annual 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.

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 24 June 2020.

By order of the Board

SARAH BEYNSBERGER
For and on behalf of
BlackRock Investment Management (UK) Limited
Company Secretary
24 June 2020

Directors' remuneration report

Introduction

The Board presents the Directors' Remuneration Report for the year ended 29 February 2020 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 2020. 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 72 to 78.

Statement of the chairman

The Board's policy on remuneration is set out on pages 58 and 59. 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 Board'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 three 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 when required 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 such as the COVID-19 pandemic. 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 29 February 2020, the Chairman received an annual fee of £42,500, the Audit Committee Chairman received £32,500 per annum and the other Directors received £28,500 per annum. Following a review on 26 March 2020, it was determined that no change to Directors' remuneration would be made for the current financial year to 28 February 2021. Directors' fees were last increased with effect from 1 March 2019. The basis for determining the level of any increase in Directors' remuneration is set out in the Directors' Remuneration Policy on pages 58 and 59.

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. 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 committee

The Board as a whole fulfils the function of the Remuneration Committee and considers any change in the Directors' remuneration policy. The Board is of the opinion that a Remuneration Committee is not appropriate for a Company of this size and nature and a separate Committee has therefore not been established.

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 29 February 2020 and 28 February 2019:

Directors	29 February 2020 Fees £	Taxable benefits[4] £	Total £	28 February 2019 Fees £	Taxable benefits[5] £	Total £
Ronald Gould[1] (Chairman)	36,414	-	36,414	n/a	n/a	n/a
Caroline Burton	28,500	-	28,500	26,750	–	26,750
Nicholas Fry[2]	11,148	906	12,054	40,000	2,814	42,814
Michael Peacock[3]	32,500	4,874	37,374	30,000	1,509	31,509
Susan Platts-Martin	28,500	179	28,679	26,750	219	26,969
Robert Robertson[4]	28,500	428	28,928	26,750	464	27,214
Total	165,562	6,387	171,949	150,250	5,006	155,256

1 Mr Gould joined the Board on 1 April 2019 and became Chairman on 4 June 2019.
2 Mr Fry retired as Chairman and Director on 4 June 2019.
3 Audit Committee Chairman.
4 Senior Independent Director.
5 Taxable benefits relate to travel and subsistence costs.

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 29 February 2020, an amount of £13,000 was outstanding to Directors in respect of their annual fees (28 February 2019: £13,000).

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

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) dividend distributions, and buy back of ordinary shares.

As the Company has no employees, no consideration is required to be given to employment conditions elsewhere in setting Directors' pay.

	2020 £'000	2019 £'000	Change £'000
Directors' total remuneration	172	155	+17
Total dividends paid and payable	15,747	14,939	+808
Income from investments	20,294	18,434	+1,860

No payments were made in the period to any past Directors (2019: nil).

Directors' remuneration report

continued

Five year change comparison

Over the last five years, Directors' pay has increased as set out in the table below:

	29 February 2020 £'000	28 February 2015 £'000	Change % £'000
Chairman	42,500	36,000	18.06
Audit Chairman	32,500	27,000	20.37
Director	28,500	24,000	18.75

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, with the exception of Nicholas Fry and Ronald Gould held office throughout the year under review.

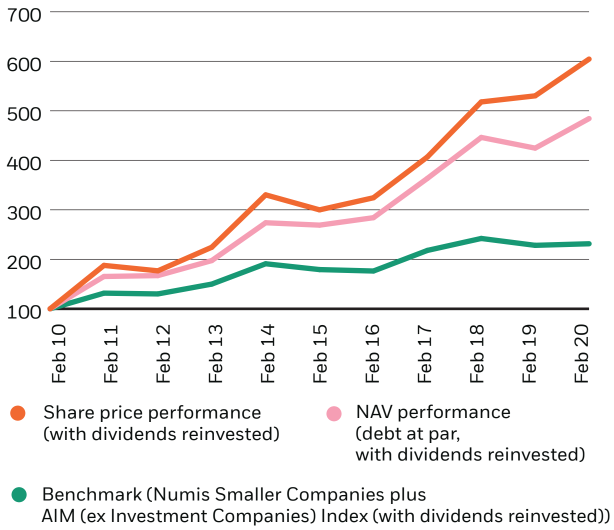
	29 February 2020	28 February 2019
Ronald Gould (Chairman)	–	–
Caroline Burton	5,500	5,500
Nicholas Fry	n/a	40,000
Michael Peacock	1,000	1,000
Susan Platts-Martin	2,800	2,000
Robert Robertson	91,062	91,062

All of the holdings of the Directors are beneficial. No changes to these holdings had been notified up to the date of this report. Mr Ronald Gould was appointed a Director on 1 April 2019 and held no shares in the Company as at that date. Mr Fry retired from the Board on 4 June 2019; at this date he held 40,000 shares in the Company.

Performance

The line graph which follows compares the Company's net asset value (with income reinvested) and share price total return with the total return on an equivalent investment in the 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 2010 to 29 February 2020



Data rebased to 100, with dividends reinvested.
Sources: BlackRock and Datastream.

Implementation of the Remuneration Policy in the 2021 financial year

The Directors intend that the future Remuneration Policy, which forms part of this report, will be implemented as set out on pages 58 and 59.

Retirement of Directors

Details are given in the Directors' Report on page 49.

By order of the Board

RONALD GOULD
Chairman
24 June 2020

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 page 54. 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 2017. 99.48% of the votes cast were in favour of the resolution to approve the Directors' remuneration policy and 0.52% of votes were cast against. The remuneration policy will next be put to shareholders for approval at the AGM in 2020.

At the Company's Annual General Meeting held on 4 June 2019, the resolution to approve the Directors' remuneration report was approved by 99.54% of votes cast in favour of the resolution and 0.46% 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	Current levels of fixed annual fee: Chairman – £42,500 Audit Committee Chairman – £32,500 Directors – £28,500 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 £200,000 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, although all Directors are currently shareholders.
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 Company's registered offices 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 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.

Both the UK Code and the AIC Code apply to accounting periods beginning on or after 1 January 2019. 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 as set out on page 62.

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.

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 attheaic.co.uk.

The Board

The Board currently consists of five non-executive Directors, all of whom are considered to be independent of the Manager. Provision 9 of the 2018 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 and Directors' biographies on pages 29 to 30. 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

Details of the Board's policy on tenure and independence are set out on page 8 and page 49.

Diversity

The Board's policy on diversity, including gender, is to take this into account during the recruitment and appointment process. However, the Board is committed to appointing the most appropriate candidate, regardless of gender or other forms of diversity and therefore no targets have been set against which to report. As at the date of this report, the Board consists of two women and three men.

Directors' appointment, retirement and rotation

The rules concerning the appointment, retirement and rotation of Directors are set out in the Directors' Report on page 49.

Directors' recruitment

The Nomination Committee, which comprises all the Directors, reviews Board structure, size and composition, the balance of knowledge, experience and skills to consider succession planning and tenure policy.

Appointments of new Directors are made on a formalised basis, with the Committee agreeing the selection criteria and the method of selection, recruitment and appointment. Board diversity, including gender, are taken into account in establishing the 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.

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.

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.

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 51.

Key representatives of the Investment Manager attend each meeting. Details of the Directors' other significant time commitments can also be found on pages 29 and 30.

Performance evaluation

In order to review the effectiveness of the Board, the 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 formal 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). Robert Robertson, as Senior Independent Director, is pleased to confirm that, following the formal 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).

Corporate governance statement
continued

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 47 of the Directors' Report.

Details of the Manager's approach to voting at shareholder meetings are set out on page 48.

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 47.

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 28. Further details are provided in the Report of the Audit Committee on pages 65 to 68.

Remuneration committee
Under the UK Listing Rules, where an investment trust company has no executive directors, the Code provisions relating to directors' remuneration do not apply. The remuneration of the Chairman and the Directors is determined by the Board. Details of the Directors' fees are given in the Directors' Remuneration Report.

Nomination Committee
Details of the Committee's membership and responsibilities are set out on page 28, 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 28.

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 annual and quarterly SOC 1 reports respectively, from BlackRock and BNYM 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 conducts a review of those controls, 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 BNYM in its capacity as Depositary, Custodian and Fund Accountant.

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 page 69, the Independent Auditor's Report on pages 72 to 78, and the Statement of Going Concern on page 48.

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 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 on its behalf 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. The Board has sought and received assurances from its third party service providers that they have taken appropriate steps to ensure compliance with the new regulation. The Company's 'Data Privacy Policy' can be found on the Company's website at www.blackrock.com/uk/brsc.

Communication with shareholders

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 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 brokers also attend 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 blackrock.co.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

Corporate governance statement

continued

changes that have occurred to the accounts since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the accounts may differ from legislation in their jurisdiction.

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

With effect from 1 January 2018, the European Union's PRIIPs Regulation came into force and requires that anyone manufacturing, advising on, or selling a PRIIP to a retail investor in the EEA must comply with the Regulation. Shares issued by investment trusts fall into scope of the Regulation. Investors should be aware that the PRIIPs Regulation requires the AIFM, as PRIIPs manufacturer, to prepare a key information document ('KID') in respect of the Company. This KID must be made available, free of charge, to EEA 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 law. The figures in the KID may not reflect the expected returns for the Company and anticipated performance returns cannot be guaranteed.

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

Disclosure Guidance and Transparency Rules

Other information required to be disclosed pursuant to the Disclosure Guidance and Transparency Rules has been placed in the Directors' Report on pages 46 to 53 because it is information which refers to events that have taken place during the course of the year.

By order of the Board

RONALD GOULD
Chairman
24 June 2020

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 blackrock.com/uk/brsc.

The Audit Committee meets at least three times a year. Two of the planned meetings are held prior to the Board meetings to approve the half yearly and annual results. The third meeting focuses 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 and Mr Robertson, who both attend 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 29 and 30.

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 page 62.

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.

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 66 sets out the key areas of risk identified and also explains how these were addressed.

Report of the audit committee continued

Significant issue	How the issue was addressed
The accuracy of the valuation of the investment portfolio	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.
The risk of misappropriation of assets and unsecured ownership of investments	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.
The accuracy of the calculation of the management fee	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.
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	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.
The risk that the global economic disruption caused by COVID-19 will affect the Company's ability to continue in operation due to the impact on the market valuations of portfolio companies or the ability of key service providers (including the Manager, the Depositary, the Custodian, the Fund Accountant, the Brokers and the printers) to maintain business continuity and continue to provide appropriate service levels	The Audit Committee has reviewed the impact of recent market volatility related to the COVID-19 pandemic on the Company's portfolio and have received regular updates on portfolio performance from the portfolio manager. The Audit Committee has also reviewed portfolio liquidity as at 22 June 2020 and updated revenue and expense forecasts in light of the COVID-19 pandemic and its anticipated impact on portfolio liquidity, dividend income and market valuations and considers that the Company's business model remains viable and that the Company has sufficient resources to continue in operation and to meet all liabilities as they fall due. The Audit Committee has reviewed the Company's borrowing and debt facilities and considers that despite recent market falls 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 Audit Committee keeps the Company's principal risks and uncertainties as set out above under review, and are 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 COVID-19. The Audit Committee has received presentations and updates from key service providers in respect of their business continuity plans to address the issues posed by COVID-19 and are confident that they will be able to continue to provide a good level of service for the foreseeable future.

As the provision of portfolio valuation, fund accounting and administration services is delegated to the Investment Manager, which sub-delegates fund accounting to BNYM and the provision of depositary services and custody services are contracted to BNYM, the Audit Committee has also reviewed the Service Organisation Control (SOC 1) reports prepared by BlackRock and BNYM 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.

Auditors and audit tenure

The Audit Committee reviews the performance of the auditors on an annual basis, taking into consideration the services and advice provided to the Company and the fees charged for these services. The last formal tender for audit services was conducted in December 2015 and following presentations and interviews with a number of audit firms, it was agreed to replace Scott-Moncrieff with PricewaterhouseCoopers LLP with effect from 13 January 2016. Mr Allan McGrath has been the audit partner since that date.

The Committee, in conjunction with the Board, is committed to reviewing this appointment on an annual basis to ensure the Company is receiving an optimal level of service. In addition to this, even if no change is made to the audit firm appointed, the audit partner changes at least every five years.

There are no contractual obligations that restrict the Company's choice of auditors. The new EU regulations on mandatory "firm" rotation require the appointment of new auditors every ten years, although this can be extended up to an additional ten years if tenders are carried out at the decade mark or another audit firm is appointed to do a joint audit.

The non-audit service work carried out during the year related to the review of the debenture certificate. Fees paid to PricewaterhouseCoopers LLP in respect of these services were £2,650 (excluding VAT) (2019: £5,225 related to the review of the debenture certificate and a review in respect of the impact of the new management fee arrangements).

The Committee also considers the risks associated with audit firms withdrawing from the market and the relationship with the Company's auditors.

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and resolutions proposing their appointment and authorising the Audit Committee to determine their remuneration for the ensuing year will be proposed at the forthcoming Annual General Meeting.

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. On an annual basis, PricewaterhouseCoopers LLP review the independence of their relationship with the Company and report 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 are independent of the Company.

Report of the audit committee continued

Review of the Company's accounts by the Conduct Committee of the Financial Reporting Council ('FRC')

The Conduct Committee of the FRC is a body authorised by the Secretary of State to review and investigate the annual accounts, strategic reports and directors' reports of public and large private companies for compliance with relevant reporting requirements. The Committee's monitoring activity is designed to stimulate improvements in the quality of corporate reporting to increase trust by investors.

The Conduct Committee carried out a review of the Company's report and accounts for the year ended 28 February 2019 and the Audit Committee is pleased to note that it had no issues or queries to raise. The FRC's review was limited to considering the Company's compliance with reporting requirements; it provides no assurance that the report and accounts were correct in all material respects; the FRC's role is not to verify the content of the annual report.

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 BNYM.

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.

MICHAEL PEACOCK
Chairman
Audit Committee
24 June 2020

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 29 to 30, 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 65 to 68. As a result, the Board has concluded that the Annual Report and Financial Statements for the year ended 29 February 2020, 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
24 June 2020

Financial statements

Financial services holding Liontrust Asset Management was a key contributor in the period under review. The firm continued to see positive fund flows and the acquisition of Neptune Investment Management in October 2019 added a further £2.7 billion in assets under management.

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 29 February 2020 and of its profit 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, comprising 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 29 February 2020; 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 to the Company.

Other than those disclosed in note 5 to the financial statements, we have provided no non-audit services to the Company in the period from 1 March 2019 to 29 February 2020.

Our audit approach

Overview

Materiality	• Overall materiality: £7.6 million (2019: £6.7 million), based on 1% of net assets.
Audit scope	• The Company is a standalone Investment Trust Company and engages BlackRock Fund Managers Limited (the "Manager") to manage its assets. • We conducted our audit of the financial statements using information from The Bank of New York Mellon (International) Limited (the "Fund Accountant") to whom the Manager has, with the consent of the Directors, delegated the provision of certain administrative functions. • We tailored the scope of our audit taking into account the types of investments within the Company, the involvement of the third parties referred to above, 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 dividend income • Consideration of the impact of COVID-19

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. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Capability of the audit in detecting irregularities, including fraud

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 Chapter 4 of Part 24 of the Corporation Tax Act 2010 (see page 35 of the Annual Report), 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 preparation of the financial statements such as the 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 net asset value and management bias in accounting estimates. 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;
- reviewing relevant meeting minutes, including those of the Audit Committee;
- evaluation of 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 Chapter 4 of Part 24 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; and
- designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. 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.

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.

Independent auditors' report
continued

Key audit matter	How our audit addressed the key audit matter
Valuation and existence of investments Refer to the Report of the Audit Committee (page 66), Accounting Policies (page 84) and Notes to the Financial Statements (pages 89 and 90). The investment portfolio at the year-end comprised of listed equity investments. We focused on the valuation and existence of investments because investments represent the principal element of the net asset value as disclosed on the Balance Sheet.	We tested the valuation of the equity investments by agreeing the prices used in the valuation to independent third party sources. We tested the existence of the investment portfolio by agreeing investment holdings to an independent custodian confirmation. No material issues were identified.
Accuracy, occurrence and completeness of dividend income Refer to the Report of the Audit Committee (page 66), Accounting Policies (page 83) and Notes to the Financial Statements (page 85). We focused on the accuracy, occurrence and completeness of dividend income recognition as incomplete or inaccurate income could have a material impact on the Company's net asset value and dividend cover. We also focused on the accounting policy for income recognition and its presentation in the Income Statement as set out in the requirements of The Association of Investment Companies Statement of Recommended Practice (the "AIC SORP") as incorrect application could result in a misstatement in income recognition.	We have assessed the accounting policy for investment income recognition for compliance with accounting standards and the AIC SORP and performed testing to check that income has been accounted for in accordance with this stated accounting policy. We tested the accuracy of dividend receipts by agreeing the dividend rates from investments to independent market data. To test for completeness, we tested, for all investment holdings in the portfolio, that dividends declared in the market had been recorded. To test for occurrence, we confirmed that all dividends recorded had occurred in the market, and audited cash reconciliations to identify any unreconciled dividend cash payments. We also tested the allocation and presentation of dividend income between the revenue and capital return columns of the Income Statement in line with the requirements set out in the AIC SORP by determining reasons behind dividend distributions. No material issues were identified.

Key audit matter	How our audit addressed the key audit matter
Consideration of the impact of COVID-19 Refer to the Chairman's Statement (page 5), Principal Risk and Uncertainties (pages 35 and 36), Viability Statement (page 37), the Going Concern Statement (page 48) and Subsequent Events note (page 101), which disclose the impact of the COVID-19 coronavirus pandemic. From a small number of cases of an unknown virus in 2019, the COVID-19 viral infection has become a global pandemic. It has caused disruption to supply chains and travel, slowed global growth and caused volatility in global markets and in exchange rates during the first quarter of 2020. The impact of COVID-19 has been treated as a non-adjusting event after the end of the reporting period. Subsequent to the year-end, the net asset value per share of the Company has decreased by 10.7% from 1,572.55p to 1,404.34p and the Company's share price has decreased by 10.1% from 1,484.00p to 1,334.00p as at 22 June 2020. The Company's benchmark has decreased by 7.7% from 5,159.73 to 4,760.41. The Directors have prepared the financial statements of the Company on a going concern basis, and believe this assumption remains appropriate. This conclusion is based on the assessment that notwithstanding the significant market fall and the related uncertainties, they are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future and is financially sound, and that the Company and its key third party service providers have in place appropriate business continuity plans and will be able to maintain service levels through the coronavirus pandemic.	We evaluated the Directors' assessment of the impact of the COVID-19 pandemic on the Company by: • evaluating the Company's updated risk assessment and considering whether it addresses the relevant threats presented by COVID-19; and • evaluating management's assessment of operational impacts, considering their consistency with other available information and our understanding of the business and assessing the potential impact on the financial statements. We obtained and evaluated the Directors' going concern assessment which reflects conditions up to the point of approval of the Annual Report by: • obtaining evidence to support the key assumptions and forecasts driving the Directors' assessment. This included reviewing the Directors assessment of the Company's financial position and forecasts as well as their review of the operational resilience of the Company and oversight of key third party service providers. We assessed the disclosures presented in the Annual Report in relation to COVID-19 by: • testing note 21 'Post balance sheet events' in the financial statements by agreeing the post-year end Net Asset Value and Company share price to supporting evidence; and • reading the other information, including the Principal Risks and Viability Statement set out in the Strategic Report, and assessing its consistency with the financial statements and the evidence we obtained in our audit. Our conclusions relating to other information are set out in the 'Reporting on other information' section of our report. We are satisfied that the Directors' conclusion that the impact of COVID-19 should be treated as a non-adjusting event after the end of the reporting period is appropriate and have been appropriately disclosed as such in the financial statements. Our conclusions relating to going concern are set out in the 'Going concern' section below.

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.

The Company's accounting is delegated to the Fund Accountant who maintains the Company's accounting records and who has implemented controls over those accounting records. We obtained our audit evidence from substantive tests. However, as part of our risk assessment, we understood and assessed the internal controls in place at both the Manager and the Fund Accountant to the extent relevant to our audit. This assessment of the operating and accounting structure in place at both organisations involved obtaining and analysing the relevant control reports issued by the independent service auditor of the Manager and the Fund Accountant in accordance with generally accepted assurance standards for such work. Following this assessment, we applied professional judgement to determine the extent of testing required over each balance in the financial statements.

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.

Independent auditors' report

continued

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

Overall materiality	£7.6 million (2019: £6.7 million).
How we determined it	1% of net assets.
Rationale for benchmark applied	We applied this benchmark, which is a generally accepted auditing practice for investment trust audits.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £383,000 (2019: £337,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern
In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.
We are required to report if the Directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to 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 the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' 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 29 February 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

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. (CA06)

The Directors' assessment of the prospects of the Company and of the principal risks that would threaten the solvency or liquidity of the Company

We have nothing material to add or draw attention to regarding:

- The Directors' confirmation on page 34 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The Directors' explanation on page 37 of the Annual Report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their 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 their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Company and statement in relation to the longer-term viability of the Company. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the Company and its environment obtained in the course of the audit. (Listing Rules)

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the Directors, on page 68, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Company obtained in the course of performing our audit.
- The section of the Annual Report on pages 65 to 68 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- 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.

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. (CA06)

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 set out on page 69, 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.

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.

Independent auditors' report
continued

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 received 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 5 years, covering the years ended 29 February 2016 to 29 February 2020.

Allan McGrath (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
24 June 2020

Income statement

for the year ended 29 February 2020

		2020			2019		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments held at fair value through profit or loss	10	–	80,423	80,423	–	(44,856)	(44,856)
(Losses)/gains on foreign exchange		–	(1)	(1)	–	16	16
Income from investments held at fair value through profit or loss	3	20,294	–	20,294	18,434	–	18,434
Other income	3	157	–	157	135	–	135
Total income/(expenses)		20,451	80,422	100,873	18,569	(44,840)	(26,271)
Expenses							
Investment management and performance fees	4	(1,170)	(3,511)	(4,681)	(1,147)	(3,443)	(4,590)
Operating expenses	5	(839)	(28)	(867)	(650)	(29)	(679)
Total operating expenses		(2,009)	(3,539)	(5,548)	(1,797)	(3,472)	(5,269)
Net profit/(loss) on ordinary activities before finance costs and taxation		18,442	76,883	95,325	16,772	(48,312)	(31,540)
Finance costs	6	(547)	(1,640)	(2,187)	(586)	(1,757)	(2,343)
Net profit/(loss) on ordinary activities before taxation		17,895	75,243	93,138	16,186	(50,069)	(33,883)
Taxation	7	(58)	–	(58)	(63)	–	(63)
Net profit/(loss) on ordinary activities after taxation		17,837	75,243	93,080	16,123	(50,069)	(33,946)
Revenue return/(loss) per ordinary share (pence)	9	37.13	156.62	193.75	33.67	(104.57)	(70.90)

The total column of this statement represents the Company's profit and loss account. 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. 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 83 to 101 form part of these financial statements.

Statements of changes in equity

for the year ended 29 February 2020

	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 2020 (restated)[1]							
At 28 February 2019		12,498	38,952	1,982	598,272	22,385	674,089
Total comprehensive income:							
Net profit for the year		–	–	–	75,243	17,837	93,080
Transactions with owners, recorded directly to equity:							
Share issues	15	–	13,028	–	3,029	–	16,057
Share issue costs	15	–	–	–	(32)	–	(32)
Dividends paid[2]	8	–	–	–	–	(15,321)	(15,321)
At 29 February 2020		12,498	51,980	1,982	676,512	24,901	767,873
For the year ended 28 February 2019							
At 28 February 2018 (as previously presented)		12,498	38,952	1,982	646,791	21,219	721,442
Restatement due to prior period error[1]		–	–	–	1,550	(1,550)	–
Restated reserves as at 28 February 2018		12,498	38,952	1,982	648,341	19,669	721,442
Total comprehensive (expenses)/income:							
Net (loss)/profit for the year		–	–	–	(50,069)	16,123	(33,946)
Transactions with owners, recorded directly to equity:							
Dividends paid[3]	8	–	–	–	–	(13,407)	(13,407)
At 28 February 2019 (restated)[1]		12,498	38,952	1,982	598,272	22,385	674,089

1 The prior year comparatives for the capital reserves balance and the revenue reserve balance have been restated to correct a prior period error by reallocating the cost of share buy backs undertaken in prior years (amounting to £1,549,811) from the capital reserves to the revenue reserve. More information is given in note 16 to the financial statements on pages 92 to 93.

2 Interim dividend paid in respect of the year ended 29 February 2020 of 12.80p was declared on 5 November 2019 and paid on 3 December 2019. Final dividend paid in respect of the year ended 28 February 2019 of 19.20p was declared on 5 May 2019 and paid on 12 June 2019.

3 Interim dividend paid in respect of the year ended 28 February 2019 of 12.00p was declared on 29 October 2018 and paid on 26 November 2018. Final dividend paid in respect of the year ended 28 February 2018 of 16.00p was declared on 27 April 2018 and paid on 15 June 2018.

The notes on pages 83 to 101 form part of these financial statements.

Balance sheet

as at 29 February 2020

	Notes	2020 £'000	2019 £'000
Fixed assets			
Investments held at fair value through profit or loss	10	812,016	707,150
Current assets			
Debtors	11	3,825	2,379
Cash and cash equivalents		39,250	11,719
		43,075	14,098
Creditors – amounts falling due within one year	12	(7,668)	(4,961)
Net current assets		35,407	9,137
Total assets less current liabilities		847,423	716,287
Creditors – amounts falling due after more than one year	13	(79,550)	(42,198)
Net assets		767,873	674,089
Capital and reserves			
Called up share capital	15	12,498	12,498
Share premium account	16	51,980	38,952
Capital redemption reserve	16	1,982	1,982
Capital reserves	16	676,512	598,272[1]
Revenue reserve	16	24,901	22,385[1]
Total shareholders' funds		767,873	674,089
Net asset value per ordinary share (debt at par value) (pence)	9	1,572.55	1,407.88
Net asset value per ordinary share (debt at fair value) (pence)	9	1,556.41	1,400.57

[1] The prior year comparatives for the capital reserves balance and the revenue reserve balance have been restated to correct a prior period error by reallocating the cost of share buy backs undertaken in prior years (amounting to £1,549,811) from the capital reserves to the revenue reserve. More information is given in note 16 to the financial statements on pages 92 to 93.

The financial statements on pages 79 to 101 were approved and authorised for issue by the Board of Directors on 24 June 2020 and signed on its behalf by Ronald Gould, Chairman and Michael Peacock, Director and Audit Committee Chairman.

BlackRock Smaller Companies Trust plc

Registered in Scotland, No. 6176

The notes on pages 83 to 101 form part of these financial statements.

Statement of cash flows

for the year ended 29 February 2020

	2020 £'000	2019 £'000
Operating activities		
Net profit/(loss) before taxation	93,138	(33,883)
Add back finance costs	2,187	2,343
(Gains)/losses on investments held at fair value through profit or loss	(80,423)	44,856
Net movement in foreign exchange	1	(16)
Sales of investments held at fair value through profit or loss	307,040	330,276
Purchases of investments held at fair value through profit or loss	(330,558)	(295,132)
Increase in debtors	(166)	(584)
Increase/(decrease) in creditors	375	(1,624)
Taxation on investment income	(58)	(63)
Net cash (used in)/generated from operating activities	(8,464)	46,173
Financing activities		
Proceeds from 2.41% loan note issue	20,000	–
Issue costs of loan note	(179)	–
Drawdown of Sumitomo Mitsui Banking Corporation revolving credit facility	20,000	–
Net repayment of Scotia Bank revolving credit facility	(2,500)	(32,500)
Interest paid	(2,029)	(2,355)
Cash proceeds from ordinary shares reissued from treasury	16,025	–
Dividends paid	(15,321)	(13,407)
Net cash generated from/(used in) financing activities	35,996	(48,262)
Increase/(decrease) in cash and cash equivalents	27,532	(2,089)
Cash and cash equivalents at beginning of the year	11,719	13,792
Effect of foreign exchange rate changes	(1)	16
Cash and cash equivalents at end of year	39,250	11,719
Comprised of:		
Cash at bank	12,584	1,535
Cash Funds*	26,666	10,184
	39,250	11,719

* Cash Funds represent funds held on deposit with the BlackRock Institutional Cash Series plc – Sterling Liquid Environmentally Aware Fund (2019: BlackRock Institutional Cash Series plc – Sterling Liquidity Fund).

The notes on pages 83 to 101 form part of these financial statements.

Notes to the financial statements

for the year ended 29 February 2020

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 Company presents its results and positions under FRS 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102), which forms part of the revised Generally Accepted Accounting Practice (New UK GAAP) issued by the Financial Reporting Council (FRC) in 2013.

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 and updated in October 2019 and the provisions of the Companies Act 2006.

The revised SORP issued in October 2019 is applicable for accounting periods beginning on or after 1 January 2019. As a result, the gain arising from disposals of investments of £48,411,000 (2019: £73,210,000) and gain on revaluation of investments of £32,012,000 (2019: loss of £118,066,000) have now been combined, as shown in note 10 to the financial statements. The result of this change has no impact on the net asset value or total return for both the current year and prior year. No other accounting policies or disclosures have changed as a result of the revised SORP.

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 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 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 on the face of 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 dividend.

Dividends are accounted for in accordance with Section 29 of FRS 102 on the basis of income actually receivable. Dividends from overseas companies continue to be shown gross of withholding tax.

Deposit interest receivable is accounted for on an accruals basis.

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 column 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 column 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;
- 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 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.

Notes to the financial statements
continued

2. Accounting policies continued

(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.

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 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 of assets are recognised at the trade date of the disposal. 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

(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 column 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 an appropriate reserve.

Shares repurchased and held in treasury – the full cost of the repurchase is charged to an appropriate reserve.

Where treasury shares are subsequently reissued:

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

(k) 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, 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.

(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

	2020 £'000	2019 £'000
Investment income:		
UK listed dividends	16,012	14,020
UK listed scrip dividends	–	54
UK listed special dividends	1,210	1,372
Property income dividends	809	777
Overseas listed dividends	1,878	2,053
Overseas listed scrip dividends	–	–
Overseas listed special dividends	385	158
	20,294	18,434
Other income:		
Bank interest	10	14
Interest from Cash Funds	147	121
	157	135
Total	**20,451**	**18,569**

No special dividends have been recognised in capital during the year (2019: £nil).

Dividends and interest received in cash in the period amounted to £20,020,000 and £153,000 (2019: £17,762,000 and £128,000).

4. Investment management and performance fees

	2020			2019		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	1,170	3,511	4,681	1,147	3,443	4,590
Total	**1,170**	**3,511**	**4,681**	**1,147**	**3,443**	**4,590**

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 75% to the capital column and 25% to the revenue column of the Income Statement.

Notes to the financial statements

continued

5. Operating expenses

	2020 £'000	2019 £'000
Allocated to revenue:		
Custody fees	7	6
Depositary fees	84	98
Auditors' remuneration:		
– audit services	27	27
– non-audit services[1]	3	6
Registrar's fee	43	41
Directors' emoluments[2]	172	155
Director search fees	24	6
Marketing fees	153	113
AIC fees	26	23
Bank Charges	87	18
Broker fees	46	36
Stock exchange listings	22	21
Printing and Postage	37	24
Other administrative costs	108	76
	839	**650**
Allocated to capital:		
Transaction charges	28	29
	867	**679**

	2020	2019
The Company's ongoing charges[3], calculated as a percentage of average net assets and using recurring expenses excluding finance costs, direct transaction costs, custody transaction charges and taxation were:	0.7%	0.7%

1 Fees for non audit services relate to the debenture compliance work carried out by the Auditors (2019: Debenture compliance work and a review by the Auditors in respect of the impact of the new management fee arrangements (as set out in note 4)).

2 Further information on Directors' emoluments can be found in the Directors' Remuneration Report on page 55.

3 Alternative performance measure, see Glossary on pages 112 to 114.

6. Finance costs

	2020			2019		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Interest on 7.75% debenture stock 2022	292	874	1,166	290	871	1,161
Interest on 2.74% loan note 2037	171	514	685	170	511	681
Interest on 2.41% loan note 2044	29	88	117	–	–	–
Interest on bank loan	47	141	188	118	353	471
Interest on overdraft	–	–	–	–	2	2
7.75% Amortised debenture stock issue expenses	4	12	16	4	10	14
2.74% Amortised loan note issue expenses	4	10	14	4	10	14
2.41% Amortised loan note issue expenses	–	1	1	–	–	–
	547	**1,640**	**2,187**	**586**	**1,757**	**2,343**

Finance costs have been allocated 75% to the capital column and 25% to the revenue column of the Income Statement in line with the Directors' expected long-term split of returns from the investment portfolio.

7. Taxation

(a) Analysis of charge for the year

	2020			2019		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Current tax:						
Overseas tax	58	–	58	63	–	63
Total taxation (note 7 (b))	**58**	**–**	**58**	**63**	**–**	**63**

(b) Factors affecting current taxation charge for the year

The tax assessed for the year is lower (2019: higher) than the standard rate of corporation taxation in the UK: the differences are explained below.

	2020			2019		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Profit/(loss) on ordinary activities before taxation	17,895	75,243	93,138	16,186	(50,069)	(33,883)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax of 19.00% (2019: 19.00%)	3,400	14,296	17,696	3,075	(9,513)	(6,438)
Effects of:						
Income not subject to corporation tax	(3,702)	–	(3,702)	(3,347)	–	(3,347)
(Gains)/losses on investments held at fair value through profit or loss	–	(15,280)	(15,280)	–	8,523	8,523
Foreign exchange loss not taxable	–	–	–	–	(3)	(3)
Disallowed expenses	–	5	5	–	5	5
Excess expenses not utilised	302	957	1,259	273	945	1,218
Expense relief	–	–	–	(1)	–	(1)
Overseas tax charge	58	–	58	63	–	63
Effect of corporate interest restriction in current period	–	22	22	–	43	43
Total corporation tax charge (note 7(a))	**58**	**–**	**58**	**63**	**–**	**63**

(c) Factors that may affect future tax changes

At 29 February 2020, the Company had net surplus management expenses of £57,513,000 (2019: £52,851,000) and a non-trade loan relationship deficit (relating to interest on the Company's debenture, loan notes, revolving credit facility and bank overdraft) of £28,990 000 (2019: £26,874,000). 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.

Notes to the financial statements

continued

8. Dividends

Dividends paid on equity shares:	Record date	Payment date	2020 £'000	2019 £'000
2018 Final of 16.00p	18 May 2018	15 June 2018	–	7,661
2019 Interim of 12.00p	09 November 2018	26 November 2018	–	5,746
2019 Final of 19.20p	17 May 2019	12 June 2019	9,193	–
2020 First Interim of 12.80p	15 November 2019	03 December 2019	6,128	–
			15,321	**13,407**

The Directors have proposed a second interim dividend of 19.70p per share in respect of the year ended 29 February 2020. The second interim dividend will be paid on 29 June 2020 to shareholders on the Company's register on 12 June 2020. The second interim dividend has not been included as a liability in these financial statements, as such dividends are only recognised in the financial statements when they have been paid.

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 2020 meet the relevant requirements as set out in this legislation.

Dividends paid or proposed on equity shares:	2020 £'000	2019 £'000
Interim dividend paid 12.80p (2019: 12.00p)	6,128	5,746
Second interim dividend payable of 19.70p per share* (2019 final dividend proposed: 19.20p)	9,619	9,193
	15,747	**14,939**

* Based upon 48,829,792 ordinary shares (excluding treasury shares) in issue on 12 June 2020.

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

9. Returns and net asset value per share

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

	Year ended 29 February 2020	Year ended 28 February 2019
Revenue return attributable to ordinary shareholders (£'000)	17,837	16,123
Capital return/(loss) attributable to ordinary shareholders (£'000)	75,243	(50,069)
Total profit/(loss) attributable to ordinary shareholders (£'000)	**93,080**	**(33,946)**
Equity shareholders' funds (£'000)	767,873	674,089
The weighted average number of ordinary shares in issue during the year on which the return per ordinary share was calculated was:	48,040,516	47,879,792
The actual number of ordinary shares in issue at the end of each year on which the undiluted net asset value was calculated was:	48,829,792	47,879,792
Earnings per share		
Revenue return per share (pence)	37.13	33.67
Capital return/(loss) per share (pence)	156.62	(104.57)
Total return/(loss) per share (pence)	**193.75**	**(70.90)**

	As at 29 February 2020	As at 28 February 2019
Net asset value per ordinary share (debt at par value) (pence)	1,572.55	1,407.88
Net asset value per ordinary share (debt at fair value) (pence)	1,556.41	1,400.57
Net asset value per ordinary share (with debt at par value, capital only) (pence)	1,548.57	1,386.21
Ordinary share price (pence)	1,484.00	1,330.00

10. Investments held at fair value through profit or loss

	2020 £'000	2019 £'000
UK investments held at fair value	544,435	413,696
UK AIM investments held at fair value	267,581	293,454
Valuation of investments at 29 February/28 February	**812,016**	**707,150**
Opening book cost of equity and fixed income investments	561,747	528,591
Investment holding gains	145,403	263,469
Opening fair value	**707,150**	**792,060**
Analysis of transactions made during the year:		
Purchases at cost	332,763	289,337
Sales proceeds received	(308,320)	(329,391)
Gains/(losses) on investments	80,423	(44,856)
Closing fair value	**812,016**	**707,150**
Closing book cost of equity and fixed income investments	634,601	561,747
Closing investment holding gains	177,415	145,403
Closing fair value	**812,016**	**707,150**

The Company received £308,320,000 (2019: £329,391,000) from investments sold in the year. The book cost of these investments when they were purchased was £259,909,000 (2019: £256,181,000). 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.

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10. Investments held at fair value through profit or loss continued
The revised SORP issued in October 2019 is applicable for accounting periods beginning on or after 1 January 2019. As a result, the gain on disposals of investments of £48,411,000 (2019: £73,210,000) and gain on revaluation of investments of £32,012,000 (2019: loss of £118,066,000) have now been combined in the note above. The result of this change has no impact on the net asset value or total return for both the current year and prior year. No other accounting policies or disclosures have changed as a result of the revised SORP.

Transaction costs of £1,117,000 were incurred on the acquisition of investments (2019: £919,000). Costs relating to the disposal of investments during the year amounted to £217,000 (2019: £256,000). All transaction costs have been included within capital reserves.

11. Debtors

	2020 £'000	2019 £'000
Sales for future settlement	2,602	1,322
Prepayments and accrued income	1,132	982
Taxation recoverable	91	75
	3,825	**2,379**

12. Creditors – amounts falling due within one year

	2020 £'000	2019 £'000
Purchases for future settlement	4,392	2,187
Interest payable	396	269
Accrued expenditure	2,880	2,505
	7,668	**4,961**

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

	2020 £'000	2019 £'000
7.75% debenture stock 2022	15,000	15,000
Unamortised debenture stock issue expenses	(34)	(50)
	14,966	14,950
2.74% loan note 2037	25,000	25,000
Unamortised loan note issue expenses	(238)	(252)
	24,762	24,748
2.41% loan note 2044	20,000	–
Unamortised loan note issue expenses	(178)	–
	19,822	–
Revolving loan facility – Scotia Bank	–	2,500
Revolving loan facility – Sumitomo Mitsui Banking Corporation	20,000	–
Total	**79,550**	**42,198**

The fair value of the 7.75% debenture stock using the last available quoted offer price from the London Stock Exchange as at 29 February 2020 was 121p per debenture (2019: 125p), a total of £18,150,000 (2019: £18,750,000). 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 29 February 2020 equated to a valuation of 112.21p per note (2019: 97.78p), a total of £28,053,000 (2019: £24,445,000). 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 29 February 2020 equated to a valuation of 106.14p per note (2019: nil), a total of £21,228,000 (2019: £nil).

The £15 million debenture stock was issued on 8 July 1997. Interest on the stock is payable in equal half yearly instalments on 31 July and 31 January in each year. The stock is secured by a first floating charge over the whole of the assets of the Company and is redeemable at par on 31 July 2022.

The £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 Company has in place a £35 million three year multi-currency revolving loan facility with Sumitomo Mitsui Banking Corporation Europe Limited. As at 29 February 2020, £20 million of the facility had been utilised. Under the agreement the termination date of this facility is the third anniversary of the effective date being November 2022. Interest on this facility is reset every three months and is currently charged at the rate of 1.43%.

As at 28 February 2019, the Company had in place a £35 million three year multi-currency revolving loan facility with Scotiabank (Ireland) Limited, of which £2.5 million had been utilised. Interest on this facility was reset every three months and the interest rate charged as at 28 February 2019 was 1.68%.

The Company also has available an uncommitted overdraft facility of £10 million with BNYM, of which £nil had been utilised at 29 February 2020 (2019: £nil).

14. Reconciliation of liabilities arising from financing activities

	Year ended 29 February 2020 £'000	Year ended 28 February 2019 £'000
Debt arising from financing activities:		
Debt arising from financing activities at beginning of the year	42,198	74,670
Cash flows:		
Repayment of Scotiabank revolving credit facility	(2,500)	(32,500)
Drawdown of Sumitomo revolving credit facility	20,000	–
Issue of 2.41% loan note 2044	20,000	–
Payment of 2.41% loan note issue expenses	(179)	–
Non-cash flows:		
Amortisation of debenture and loan note issue expenses	31	28
Debt arising from financing activities at end of the year	**79,550**	**42,198**

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15. Called up share capital

	Ordinary shares in issue number	Treasury shares number	Total shares number	Nominal Value £'000
Allotted, called up and fully paid share capital comprised:				
Ordinary shares of 25p each				
At 28 February 2019	47,879,792	2,113,731	49,993,523	12,498
Ordinary shares issued from Treasury	950,000	(950,000)	–	–
At 29 February 2020	**48,829,792**	**1,163,731**	**49,993,523**	**12,498**

During the year ended 29 February 2020, the Company issued 950,000 (2019: nil) shares from treasury for a total consideration of £16,025,000 (2019: £nil) including costs.

No shares have been issued since 29 February 2020 up to the date of this report.

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.

16. Reserves

	Share premium account £'000	Capital redemption reserve £'000	Capital reserve (arising on investments sold) £'000	Capital reserve (arising on revaluation of investments held) £'000	Revenue reserve* £'000
At 28 February 2019 (restated)	38,952	1,982	452,869	145,403	22,385
Movement during the year:					
Share issues	13,028	–	3,029	–	–
Share issue costs	–	–	(32)	–	–
Gains on realisation of investments	–	–	48,411	–	–
Change in investment holding gains	–	–	–	32,012	–
Gains on foreign currency transactions	–	–	(4)	3	–
Finance costs and expenses charged to capital	–	–	(5,179)	–	–
Net profit for the year	–	–	–	–	17,837
Dividends paid during the year	–	–	–	–	(15,321)
At 29 February 2020	**51,980**	**1,982**	**499,094**	**177,418**	**24,901**

* Represents the Company's distributable reserves.

The share premium account and capital redemption reserve are not distributable profits under the Companies Act 2006. In addition, in accordance with the Company's Articles, capital reserves may not be distributed by way of payment of dividends and may not be regarded or treated as profits of the Company available for distribution. The revenue reserve is distributable and may be used to pay dividends and for the repurchase of shares.

The prior year balances of the Company's capital reserves and revenue reserve have been restated to reflect an increase of £1,549,811 to the capital reserves and a decrease of the same amount to the revenue reserve. The background to this prior year adjustment is set out below. With effect from 4 June 2008 when the Company's Articles were updated to reflect changes to the rules on distributions applicable to investment companies under the Companies Act 2006, a provision of the Articles which permitted the Company to make distributions from realised capital profits by way of share buy backs was inadvertently deleted. Between 4 June 2008 and 5 February 2010, the Company bought back 629,916 shares at a total cost of £1,549,811 as part of the Board's discount management programme. At the time each of the relevant buy backs was implemented, the Company had sufficient distributable revenue reserves to cover the cost of the transaction. However, the cost of the share buy backs was misallocated in the Company's 2009 and 2010 accounts as a debit from the Company's capital reserve. To correct this prior period error, the prior year adjustment has been made to reallocate the cost of these distributions by way of buy backs from the capital reserve to the revenue reserve. The impact of this adjustment on the relevant reserves is set out in the table below. There is no impact on the Company's financial position or net asset value as a result of the reallocation.

	Capital reserve (arising on investments sold) £'000	Capital reserve (arising on revaluation of investments held) £'000	Capital reserve (Total) £'000	Revenue reserve £'000
28 February 2018 (as previously presented)	383,322	263,469	646,791	21,219
Restatement	1,550	–	1,550	(1,550)
28 February 2018 (as restated)	384,872	263,469	648,341	19,669
28 February 2019 (as previously presented)	451,319	145,403	596,722	23,935
Restatement	1,550	–	1,550	(1,550)
28 February 2019 (as restated)	452,869	145,403	598,272	22,385

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 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 AIFM; however, as disclosed in the Corporate Governance Statement on pages 60 to 64 and in the Statement of Directors' Responsibilities on page 69, 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 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 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.

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17. Risk management policies and procedures continued
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 the RQA Group 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, unlike a traditional sensitivity analysis.

The VaR calculations are based on an adjusted historical simulation model with a confidence level of 99%, a holding period of one day and a historical observation period of not less than one year (250 business 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 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 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 29 February 2020 and 28 February 2019 (based on a 99% confidence level) was 3.37% and 2.41%, respectively.

(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 29 February 2020, there were no non-sterling denominated investments (2019: one non-sterling denominated investment with a market value of £3,516,000).

(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.

	2020			2019		
	Within one year	More than one year	Total	Within one year	More than one year	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Exposure to floating interest rates:						
Cash and cash equivalents	39,250	–	39,250	11,719	–	11,719
Scotia revolving credit facility	–	–	–	–	(2,500)	(2,500)
Sumitomo revolving credit facility	–	(20,000)	(20,000)	–	–	–
Exposure to fixed interest rates:						
7.75% debenture stock 2022	–	(14,966)	(14,966)	–	(14,950)	(14,950)
2.74% loan note 2037	–	(24,762)	(24,762)	–	(24,748)	(24,748)
2.41% loan note 2044	–	(19,822)	(19,822)	–	–	–
Total exposure to interest rates	**39,250**	**(79,550)**	**(40,300)**	**11,719**	**(42,198)**	**(30,479)**

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 BNYM and the loan with Sumitomo Mitsui Banking Corporation Europe Limited and Scotia Bank. Borrowing is varied throughout the year as part of a Board endorsed policy. As set out in the table above, as at 29 February 2020, the Company had a net overdraft of £nil as well as a multi-currency revolving loan facility of £35,000,000 of which £20,000,000 was utilised at the year end (2019: overdraft of £nil and loan facility of £35,000,000 of which £2,500,000 was utilised at the year end). The Company also has available an uncommitted overdraft facility of £10 million with BNYM, of which £nil had been utilised at 29 February 2020 (2019: £nil).

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 debenture stock and loan notes accrue interest at a fixed rate of 7.75%, 2.74% and 2.41% 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 0.38% and 1.57% per annum (2019: 0.30% and 0.96%). Interest payable on the £20 million utilised multi-currency revolving loan facility is at a rate of 1.43% (2019: £2.5 million payable at a rate of 1.68%).

(iii) Market risk arising from other price risk

Exposure to other price risk

Other price risk is the risk that the fair value of 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 issue, recessions, or other events could have a significant impact on the Company and market prices of its investments.

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.

The Company's exposure to other changes in market prices at 29 February 2020 on its equity investments was £812,016,000 (2019: £707,150,000).

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.

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17. Risk management policies and procedures continued
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 29 February 2020, 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
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.

Depositary
The Company's Depositary is The Bank of New York Mellon (International) Limited (BNYM or the Depositary) (S&P long-term credit rating as at 29 February 2020: AA- (2019: A)). 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 may cause the Company's rights with respect to its investments held by the Depositary to be delayed or limited. The maximum exposure to this risk at 29 February 2020 is the total value of equity investments held with the Depositary 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's listed investments are held on its behalf by BNYM's Asset Servicing division who act as the Company's custodian under a sub-delegation agreement with the Depositary (also BNYM). Bankruptcy or insolvency of the custodian may also cause the Company's rights with respect to securities held by the custodian to be delayed or limited.

The Company will also 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. 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**	Collateral held	Total exposure to all other counterparties**	Lowest credit rating of any one counterparty*
		£'000	£'000	£'000	
2020	9	26,666	–	15,186	BBB
2019	10	10,184	–	2,857	BBB

* Standard & Poor's ratings.
** Calculated on a net exposure basis.

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

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 in respect of cash holdings, brokers and other debtors at 29 February 2020 and 28 February 2019 was as follows:

	2020	2019
	3 months or less	3 months or less
	£'000	£'000
Cash and cash equivalents	39,250	11,719
Sales for future settlement	2,602	1,322
Other debtors	1,223	1,057
	43,075	**14,098**

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 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 migration criteria designed to reduce the risk to the Company of default;

- the Company's listed investments are held on its behalf by The Bank of New York Mellon (International) Limited as the Company's custodian. Bankruptcy or insolvency of the custodian may cause the Company's rights with respect to securities held by the custodian to be delayed. The Board monitors the Company's risk by reviewing the custodian's internal control reports:

- the creditworthiness of financial institutions with whom cash is held is reviewed regularly by RQA CCR;

- all transactions in quoted securities are settled on a payment against delivery basis using approved brokers. 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 purchase once the securities have been delivered by the broker. The trade will fail if either party fails to meets its obligation. The RQA CCR team reviews 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;

Notes to the financial statements
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17. Risk management policies and procedures continued

- amounts due from other receivables as disclosed on the Balance Sheet are subject to the same scrutiny by the BlackRock RQA CCR team and BlackRock's Fund administration team monitors the ageing of debtors to mitigate the risk of balances becoming overdue.

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 Manager's SOC 1 reports which include a report by the Manager's auditor. This report sets out any exceptions or issues noted as a result of the auditor's 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.

There were no past due or impaired assets as of 29 February 2020 (2019: nil). The major counterparties engaged with the Company are all widely recognised and regulated entities.

(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 £10 million and a three year multi-currency revolving loan facility of £35 million (2019: overdraft £10 million and loan facility £35 million). The Company also had a £15 million debenture stock which is secured by a floating charge over the whole of its assets and which is redeemable at par on 31 July 2022, a £25 million loan note (2019: £25 million) and a £30 million loan note. These loan notes are unsecured and are redeemable at par on 24 May 2037 and 3 December 2044 respectively.

Liquidity risk exposure

The remaining undiscounted gross cash outflows of the financial liabilities as at 29 February 2020 and 28 February 2019, based on the earliest date on which payment can be required, were as follows:

	2020			2019		
	Within one year £'000	Between 1 and 5 years £'000	More than 5 years £'000	Within one year £'000	Between 1 and 5 years £'000	More than 5 years £'000
Debenture stock	1,163	16,650	–	1,163	17,810	–
Loan note 2037	685	2,740	33,380	685	2,740	34,065
Loan note 2044	482	2,410	29,043			
Revolving loan facility – Scotiabank	–	–	–	–	2,500	–
Revolving loan facility – Sumitomo	–	20,000	–	–	–	–
Purchases for future settlement	4,392	–	–	2,187	–	–
Other creditors	2,880	–	–	2,774	–	–
	9,602	**41,800**	**62,423**	**6,809**	**23,050**	**34,065**

Management of liquidity risk

Liquidity risk is not significant as the majority of the Company's assets are investments in quoted equities and other quoted 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 11 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 and regularly 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. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. 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 judgment, considering factors specific to the asset or liability.

The table below sets out fair value measurements using FRS 102 fair value hierarchy.

Financial assets at fair value through profit or loss at 29 February 2020	**Level 1**	**Level 2**	**Level 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Equity investments	812,016	–	–	812,016
Total	**812,016**	**–**	**–**	**812,016**

Financial assets at fair value through profit or loss at 28 February 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Equity investments	707,150	–	–	707,150
Total	**707,150**	**–**	**–**	**707,150**

There were no transfers between levels for financial assets during the year recorded at fair value as at 29 February 2020 and 28 February 2019. The Company did not hold any Level 3 securities throughout the financial year or as at 29 February 2020 (2019: nil).

Notes to the financial statements
continued

17. Risk management policies and procedures continued

(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
- secure long-term capital growth primarily through investing in smaller UK quoted companies.

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 29 February 2020 was £847,423,000 (2019: £716,287,000) comprising £20,000,000 (2019: £2,500,000) of revolving credit facility, £14,966,000 (2019: £14,950,000) of debenture stock at par value, £24,762,000 (2019: £24,748,000) of 2.74% unsecured loan note, £19,822,000 (2019: £nil) of 2.41% unsecured loan note and £767,873,000 (2019: £674,089,000) of equity share capital and other reserves.

The Board with the assistance of the Investment Manager monitor and review 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's objectives, policies and processes for managing capital remain unchanged from the preceding accounting period.

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 manager and the investment manager

The Manager was appointed as the Company's Alternative Investment Fund Manager (AIFM) with effect from 2 July 2014. The Manager has (with the Company's consent) delegated certain portfolio and risk management services, and other ancillary services, to the Investment Manager. Details of the fees payable to the Manager are set out in note 4 on page 85.

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

The investment management fee payable for the year ended 29 February 2020 amounted to £4,681,000 (2019: £4,590,000) as disclosed in note 4 to the Financial Statements. At the year end, £2,383,000 was outstanding in respect of the management fee (2019: £2,099,000).

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 2020 amounted to £153,000 including VAT (2019: £113,000). Marketing fees of £151,000 (2019: £152,000) were outstanding at the year end.

As of 29 February 2020, an amount of £190,000 (2019: £137,000) 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. During the period, PNC Financial Services Group, Inc. (“PNC”) was a substantial shareholder in BlackRock, Inc. PNC did not provide any services to the Company during the financial years ended 29 February 2020 and 28 February 2019.

19. Related party disclosure: Directors’ emoluments

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 29 February 2020, an amount of £13,000 (2019: £13,000) was outstanding in respect of Directors’ fees.

20. Contingent liabilities

There were no contingent liabilities at 29 February 2020 (2019: nil).

21. Post balance sheet events

Subsequent to the year end, the net asset value per share of the Company (with debt at par) has decreased by 10.7% from 1,572.55p to 1,404.34p and the Company’s share price has decreased by 10.1% from 1,484.00p to 1,334.00p as at 22 June 2020. The Company’s benchmark has decreased by 7.7% from 5,159.73 to 4,760.41 (all calculations without income reinvested).

As noted in the Chairman’s Statement and the Investment Manager’s Report, since 29 February 2020, equity markets have fallen significantly due primarily to concerns around the scale of the impact of COVID-19 on the global economy. The Board and the Manager continue to monitor investment performance in line with the Company’s investment objectives.

On 11 May 2020, PNC announced its intent to sell its investment in BlackRock, Inc. through a registered offering and related buyback by BlackRock, Inc.

There were no other significant events affecting the Company since the financial year end.


TACHYMETRE
TAG HEUER
TAG HEUER
FORMULA 1
SWISS MADE

Additional information

We continued to add to new holding Watches of Switzerland throughout the year. The luxury watch retailer has a strong position in the UK and the US, in an industry where there is little competition from online.

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[1]:

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

1 The publication of the Company's annual results was delayed this year due to a technical issue that was identified in respect of the Company's Articles (see note 16 on pages 92 and 93 for more details). The timetable above sets out the expected timetable under normal operating conditions on an ongoing basis; however in 2020 the Company's AGM will be held in July and a final dividend will not be paid. Instead, a second interim dividend will be paid in respect of the financial year ended 29 February 2020 in lieu of a final dividend. In future years the Board expects to revert to paying a final dividend in July which will be approved by shareholders at an AGM to be held in June.

Dividend – 2020

A second interim dividend in respect of the year ended 29 February 2020 of 19.70p per share was declared on 3 June 2020.

Ex-dividend date (shares transferred without the dividend)	11 June 2020
Record date (last date for registering transfers to receive the dividend)	12 June 2020
Last date for registering DRIP instructions	16 June 2020
Dividend payment date	29 June 2020

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 16 June 2020.

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 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 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. To purchase this investment through Computershare, investors can do so by applying for a Trading Account at www.computershare.com/dealing/uk, you must have read the Key Information Document before the trade can be executed. Computershare can email or post this to you.

For existing shareholders the Company's registrar, Computershare, has an internet and telephone share dealing service. The telephone share dealing service is available on 0370 703 0084. To access the internet share dealing service, you will need to access www.computershare.com/dealing/uk. You will require your shareholder reference number, which can be found on paper or electronic communications that you have previously received from Computershare.

The above services are offered in normal operating circumstances. However, some temporary changes have had to be implemented due to the COVID-19 pandemic. Where internet and telephone certificated sales have had to be suspended temporarily and replaced with a postal option, details are set out below.

Certificated sale service

What are we doing?

- Temporarily, we have suspended our internet and telephone certificated sales service.

- Our intention is to restore this service as soon as possible and when we can be confident that it does not give rise to financial exposure to shareholders.

Why are we doing this?

- We are doing this to limit the potential for shareholders to be exposed and suffer loss.
- This potential exposure arises because the shareholder selling shares need to send their completed CREST transfer form and share certificate(s) to us in a timely fashion. In the event that these cannot be returned to us in time for the trade to settle, the shareholder is liable for any buyback costs incurred by our dealing partner, The Share Centre.
- Due to emerging challenges with the postal system and restrictions on the movements of individuals, we feel there is the potential for shareholders to be at risk, financially.

What are we doing instead?

- We will continue to offer certificated shareholders a postal option to sell their shares.
- This requires the individual to deposit the necessary paperwork and certificates with us before the trade is carried out.
- This results in no exposure to the shareholder from the risk of failed/late settlement of the trade.
- This practice is not inconsistent with how other retail brokers operate in the sense that they require the stock to be deposited into their CREST account before instigating a trade. This will typically require the submission by the shareholder of a completed CREST transfer form and share certificate(s), in much the same way as our postal service will operate.

What about other dealing services?

- All other dealing services continue to operate as normal.
- This includes certificated purchases (with the exception of Investment Trust clients where the purchase needs to be through a Trading Account) and, if applicable, internet and telephone sales for Corporate Sponsored Nominee participants.

Internet dealing – The fee for this service is 1% of the value of the transaction (subject to a minimum of £30). Stamp duty of 0.5% is payable on purchases.

Telephone dealing – The fee for this service will be 1% of the value of the transaction (plus £50). Stamp duty of 0.5% is payable on purchases.

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.

Shareholder information

continued

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 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 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.

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

From April 2018 the annual tax-free allowance on dividend income across an individual's entire share portfolio is £2,000.

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.

New individual savings accounts ("NISA")

NISAs are a tax-efficient method of investment and the Company's shares are eligible investments for inclusion within a stocks and shares NISA. In the 2019/2020 tax year investors will be able to invest up to £20,000 (2018/2019: £20,000) 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

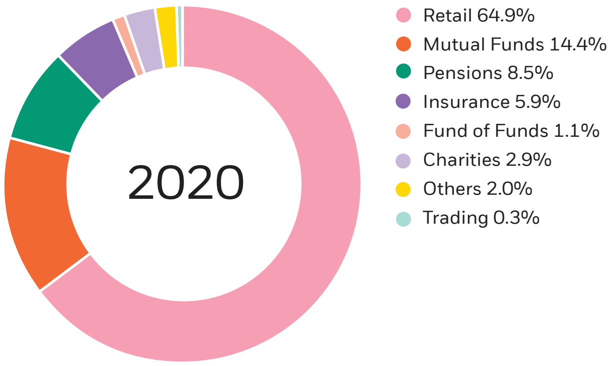
Enquiries about the Company should be directed to:

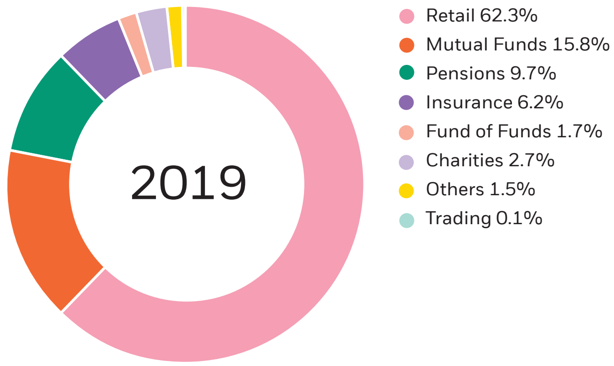
The Secretary
BlackRock Smaller Companies Trust plc
12 Throgmorton Avenue
London EC2N 2DL
Telephone: 020 7743 3000
Email: cosec@blackrock.com

Analysis of ordinary shareholders

as at 29 February 2020

By type of holder





By size of holding*

	Number of shares	% of total 2020	% of total 2019	Number of holders	% of total 2020	% of total 2019
1-10,000	973	82.2	81.9	1,576,274	3.2	3.4
10,001-100,000	132	11.2	11.5	4,488,055	9.2	9.9
100,001-1,000,000	64	5.5	5.4	20,125,586	41.2	41.0
1,000,001-5,000,000	13	1.1	1.2	22,639,877	46.4	45.7
	1,182	**100.0**	**100.0**	**48,829,792**	**100.0**	**100.0**

* Excludes 1,163,731 shares held in treasury.

Historical record

Year ended 29 February	Shareholders' funds	Net Asset Value per Share[4]	Share Price	Revenue return per share	Dividends per share	Net asset value per share with income reinvested[5]	Cumulative return per share with income 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**	**2,455.8**	**1,640.5%**

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 29 February 2020 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. 006176)
Exchange Place One
1 Semple Street
Edinburgh EH3 8BL

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]
12 Throgmorton Avenue
London EC2N 2DL
Telephone: 020 7743 3000

Depositary
The Bank of New York Mellon (International) Limited[1]
One Canada Square
London E14 5AL

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

Solicitors
Herbert Smith Freehills LLP
Exchange House
Primrose Street
London EC2A 2EG

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.

AIFMD disclosures

Report on remuneration

The Alternative Investment Fund Managers' Directive (the AIFMD), requires certain disclosures to be made with regard to the remuneration policy of the Company's AIFM.

Details of the BlackRock AIFM Remuneration Policy are disclosed on the Company's website at blackrock.com/uk/brsc.

Quantitative remuneration disclosure

Disclosures in accordance with FUND 3.3.5, Article 22(2)e and 22(2)f of the AIFMD and Article 107 of the Delegated Regulation are disclosed on the website at blackrock.com/uk/brsc.

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 29 February 2020	**Gross leverage as at 29 February 2020**
Leverage ratio*	1.22	1.17

* Leverage arises from the Company's Revolving Credit Facility with Sumitomo Mitsui, the 7.75% debenture stock 2022, the 2.74% £25 million long dated note 2037 and the 2.41% £20 million long dated note 2044. The Company did not hold any derivatives during the year ended 29 February 2020.

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 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.

For and on behalf of the Board

SARAH BEYNSBERGER
For and on behalf of
BlackRock Investment Management (UK) Limited
Company Secretary
24 June 2020

Information to be disclosed in accordance with Listing Rule 9.8.4

The disclosures below are made in compliance with the requirements of Listing Rule 9.8.4.

9.8.4 (1) The Company has not capitalised any interest in the period under review.

9.8.4 (2) The Company has not published any unaudited financial information in a class 1 circular or prospectus or any profit forecast or profit estimate.

9.8.4 (3) This provision has been deleted.

9.8.4 (4) The Company does not have any long-term incentive schemes in operation.

9.8.4 (5) and 9.8.4 (6) No Director of the Company has waived or agreed to waive any current or future emoluments from the Company.

9.8.4 (7) During the year, the Company issued 950,000 ordinary shares from treasury in total with a value of £16,057,000. Details of the shares issued and details of the allottees are set out in the following table:

Date of share issue	Number of shares issued	Price (pence) paid per Share	Total Consideration excluding costs	Allottee	Average premium
13.12.2019	50,000	1,640.0	£820,000	Investec	5.1
16.12.2019	350,000	1,666.7	£5,833,500	Investec	3.1
17.12.2019	50,000	1658.8	£829,400	Investec	1.1
27.12.2019	50,000	1708.1	£854,080	Investec	1.5
30.12.2019	175,000	1711.0	£2,994,250	Investec	1.1
09.01.2020	175,000	1717.0	£3,004,750	Investec	1.3
10.01.2020	100,000	1721.0	£1,721,000	Investec	1.3

The Company is a stand-alone entity therefore Listing Rules 9.8.4 (8) and 9.8.4 (9) are not applicable.

9.8.4 (10) 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.

9.8.4 (11) This provision is not applicable to the Company.

9.8.4 (12) and 9.8.4 (13) There were no arrangements under which an ordinary shareholder has waived or agreed to waive any dividends or future dividends.

9.8.4 (14) This provision is not applicable to the Company.

For and on behalf of the Board

SARAH BEYNSBERGER
For and on behalf of
BlackRock Investment Management (UK) Limited
Company Secretary
24 June 2020

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.

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 shareholders' funds by the total number of shares in issue. For example, as at 29 February 2020, shareholders' funds were £767,873,000 and there were 48,829,792 ordinary shares in issue (excluding shares held in treasury) (as set out in note 9 of the notes to the Financial Statements); the NAV per share was therefore 1,572.55p per share (debt at par value) and 1,556.41p per share (debt at fair value). 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.

Net asset value per share – Capital Only ("Capital Only NAV")

This is the capital value of the Company's assets attributable to one ordinary share. It is calculated by taking the total shareholders' funds and subtracting the current year net revenue (net of dividends paid out for the year) and then dividing by the total number of shares in issue. For example, as at 29 February 2020, shareholders' funds were £767,873,000 (1,572.55p), current year net revenue was £17,837,000 (37.13p) and the interim dividend paid out for the year was £6,128,000 (12.80p). The net total is £756,164,000 and there were 48,829,792 ordinary shares in issue (excluding shares held in treasury); the Capital Only NAV was therefore 1,548.57p per share. 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. (Please see note 9 of the Financial Statements for the audited inputs to the calculation).

Net asset value and share price return per share with income reinvested ("Total return NAV")*

This is the theoretical return on shareholders' funds per share or share price, reflecting the change in value of the NAV per share or share price assuming that dividends paid to shareholders were reinvested at the first opportunity. The measure is also known as 'total return' and this information enables investors to make performance comparisons between investment trusts with different dividend policies. The dividend reinvestment calculation 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	29 February 2020	28 February 2019	
Closing NAV per share (pence)	4	1,572.55	1,407.88	
Add back interim and final dividends (pence)	4	32.00	28.00	
Effect of dividend reinvestment (pence)		1.34	(2.16)	
Adjusted closing NAV (pence)		1,605.89	1,433.72	(a)
Opening NAV per share (pence)	4	1,407.88	1,506.78	(b)
NAV total return (c = ((a – b)/b)) (%)		14.1	(4.8)	(c)

NAV total return (Debt at fair value)	Page	29 February 2020	28 February 2019	
Closing NAV per share (pence)	4	1,556.41	1,400.57	
Add back interim and final dividends (pence)	4	32.00	28.00	
Effect of dividend reinvestment (pence)		0.70	(2.18)	
Adjusted closing NAV (pence)		1,589.11	1,426.39	(a)
Opening NAV per share (pence)	4	1,400.57	1,500.04	(b)
NAV total return (c = ((a – b)/b)) (%)		13.5	(4.9)	(c)

Share price total return	Page	29 February 2020	28 February 2019	
Closing share price (pence)	4	1,484.00	1,330.00	
Add back interim and final dividends (pence)	4	32.00	28.00	
Effect of dividend reinvestment (pence)		0.26	(1.59)	
Adjusted closing share price (pence)		1,516.26	1,356.41	(a)
Opening share price (pence)	4	1,330.00	1,325.00	(b)
Share price total return (c = ((a – b)/b)) (%)		14.0	2.4	(c)

Net asset value per share with debt at par value

The net asset value per share adjusted to include the debenture stock and loan note at fair value rather than at par is as follows:

		As at 29 February 2020		As at 28 February 2019	
	Page	NAV per share (pence)	Shareholders' funds £'000	NAV per share (pence)	Shareholders' funds £'000
Net asset value (debt at par value)	81	1,572.55	767,873	1,407.88	674,089
Add back: 7.75% debenture stock 2022 - debt at par	90	30.65	14,966	31.22	14,950
Add back: 2.74% loan note 2037 - debt at par	90	50.71	24,762	51.69	24,748
Add back: 2.41% loan note 2044 - debt at par	90	40.59	19,822	-	-
Add back: revolving loan facility - Scotiabank	90	–	–	5.22	2,500
Add back: revolving loan facility - Sumitomo Mitsui Banking Corporation	90	40.96	20,000	–	–
Less: 7.75% debenture stock 2022 - debt at fair value	90	(37.17)	(18,150)	(39.17)	(18,750)
Less: 2.74% loan note 2037 - debt at fair value	90	(57.45)	(28,053)	(51.05)	(24,445)
Less: 2.41% loan note 2044 - debt at fair value	90	(43.47)	(21,228)	–	–
Less: revolving loan facility - Scotiabank	90	–	–	(5.22)	(2,500)
Less: revolving loan facility - Sumitomo Mitsui Banking Corporation	90	(40.96)	(20,000)	–	–
Net asset value (debt at fair value)	89	1,556.41	759,992	1,400.57	670,592

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. This discount is the difference between the share price and the NAV, expressed as a percentage of the NAV. For example, if the share price was 100p and the NAV 110p, the discount would be 10%. As at 29 February 2020, the share price was 1,484.00p (2019: 1,330.00p) and the audited NAV per share (debt at fair value) was 1,556.41p (2019: 1,400.57p), therefore giving a discount of 4.7% (2019: 5.0%) (please see note 9 of the financial statements for the audited inputs to the calculations).

A premium occurs when the share price (based on the mid-market share price) is more than the NAV and investors therefore would 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.

Ongoing charges ratio*

$$\text{Ongoing charges (\%)} = \frac{\text{Ongoing charges for the year}}{\text{Average NAV over the year}}$$

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, excluding the costs of acquisition/disposal of investments, financing charges and gains/losses arising on investments (as set out in note 5 of the notes to the financial statements on page 86). The inputs that have been used to calculate the ongoing charges percentage are set out in the following table.

Ongoing charges calculation	**Page**	**29 February 2020 £'000**	**28 February 2019 £'000**	
Management fee	85	4,681	4,590	
Other operating expenses	86	839	650	
Total management fee and other operating expenses		5,520	5,240	(a)
Average net assets in the year		742,387	722,793	(b)
Ongoing charges (c = a/b) (%)		0.7	0.7	(c)

* Alternative Performance Measures

Glossary
continued

As recommended by the AIC in its guidance, ongoing charges are the Company's annualised revenue and capital expenses (excluding performance fees, finance costs, VAT refunded, transaction charges, taxation and certain non-recurring items) expressed as a percentage of the average monthly net assets of the Company during the year.

Gearing*

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	29 February 2020 £'000	28 February 2019 £'000	
Net assets	81	767,873	674,089	(a)
Borrowings	90	79,550	42,198	(b)
Total assets (a + b)		847,423	716,287	(c)
Current assets[1]	81	43,075	14,098	(d)
Current liabilities (excluding borrowings)	90	(7,668)	(4,961)	(e)
Cash and cash equivalents (d + e)		35,407	9,137	(f)
Net gearing figure (g = (c - f - a)/ a) (%)		5.7	4.9	(g)

1 Includes cash at bank and the Company's investment in the BlackRock Institutional Cash Series plc – Sterling Liquidity Environmentally Aware Fund. (2019: BlackRock Institutional Cash Series plc – Sterling Liquidity Fund).

Yield*

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.

	Page	29 February 2020	28 February 2019	
Interim and final dividends paid/ payable (pence)	88	32.50	31.20	(a)
Ordinary share price (pence)		1,484.00	1,330.00	(b)
Yield (c=a/b) (%)		2.2	2.3	(c)

* Alternative Performance Measures

Workwear and linen rental business Johnson Service Group is one of our largest holdings in the support services sector.

Notice of annual general meeting

New holding Pets at Home is the UK's largest pet care business, providing everything from food and bedding through to grooming and veterinary services.

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 28 July 2020 at 2.30 p.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 12 as ordinary resolutions, and in the case of resolutions 13, 14 and 15, as special resolutions).

Resolution 2 is an advisory vote on the Directors' Remuneration Report, excluding any content relating to the proposed remuneration policy as set out on pages 58 and 59. Resolution 3 is a resolution subject to a binding vote, as a result of the remuneration disclosure regulations published by the Department for Business, Innovation and Skills (now replaced by the Department for Business, Energy and Industrial Strategy) which were effective from 1 October 2013. As required under the regulations, the Company is seeking approval in this resolution for its remuneration policy as set out on pages 58 and 59 of the Directors' Remuneration Report.

Ordinary business

1. To receive the report of the Directors and the financial statements for the year ended 29 February 2020, together with the report of the auditors thereon.

2. To approve the Directors' Remuneration Report for the year ended 29 February 2020 (excluding the Directors' Remuneration policy set out on pages 58 and 59).

3. To approve the Directors' Remuneration Policy as set out in the Directors' Remuneration Report on pages 58 and 59.

4. To approve the Company's dividend policy for the year to 29 February 2020 to pay a first interim dividend of 12.80p per share and a second interim dividend of 19.70p per share.

5. To re-elect Ronald Gould as a Director.

6. To re-elect Caroline Burton as a Director.

7. To re-elect Michael Peacock as a Director.

8. To re-elect Susan Platts-Martin as a Director.

9. To re-elect Robert Robertson as a Director.

10. To re-appoint PricewaterhouseCoopers LLP, Chartered Accountants, as auditors to the Company until the conclusion of the next Annual General Meeting of the Company.

11. To authorise the Audit Committee to determine the auditors' remuneration.

Special business

Ordinary resolution

12. 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 £1,220,744.75 (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 2021 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

13. That, in substitution for all existing authorities and subject to the passing of resolution 12, 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 12, 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 2021, 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 £1,220,744.75 (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).

14. 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 7,319,585 (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 2021, 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.

15. That the draft articles of association produced to the meeting and marked 'A' (and for the purposes of identification initialled by the Chairman of the meeting) be hereby approved and adopted as the Articles of Association of the Company, in substitution for, and to the exclusion of, the existing Articles of Association.

By order of the Board

SARAH BEYNSBERGER
For and on behalf of
BlackRock Investment Management (UK) Limited
Company Secretary
24 June 2020

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 2.30 p.m. on 24 July 2020. 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 2.30 p.m. on 24 July 2020.
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 2.30 p.m. on 24 July 2020 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 6.00 p.m. two days prior to the time 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 6.00 p.m. two days prior to the time 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 accounts (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 accounts 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. 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 blackrock.co.uk/brsc.

17. As at the date of this report, the Company's issued share capital comprised 48,829,792 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 24 June 2020 is 48,829,792.

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

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

MIX
Paper from responsible sources
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