

BlackRock[®]

BlackRock Smaller Companies Trust plc

Half Yearly Financial Report 31 August 2023



Keeping in touch

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

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



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



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.	
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 www.blackrock.com/uk/brsc .	
AIC	The Company is a member of the Association of Investment Companies.	
Financial calendar	November 2023	Announcement of results for six months ending 31 August 2023
	November/December 2023	Payment of interim dividend on ordinary shares
	April/May 2024	Announcement of results for year ending 28 February 2024
	June 2024	Payment of final dividend on ordinary shares
	June 2024	Annual General Meeting
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 www.blackrock.com/uk/brsc.

Reasons to invest



Outperforming asset class

The Company offers investors exposure to UK smaller companies, an asset class that has historically outperformed larger companies by circa 3.9%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 represents an attractive hunting ground since these companies operate in an inefficient and under-researched area of the market thereby presenting attractive opportunities to generate good returns for investors over the long term.



Highly experienced Emerging Companies team² 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%^{3,4} 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 total annual dividend every year for 20 years. Since 2006, dividend growth has substantially outperformed the dividend growth of the median Equity Income Fund³.



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 a consistent track record, outperforming its benchmark for 18 out of the last 20 financial years³.

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 2023. 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 August 2023).

² Previously referred to as UK small and mid-cap team.

³ Sources: BlackRock and Datastream, for the year ended 28 February 2023.

⁴ Based on total revenue earned during the period.

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

Contents

Section 1: Overview and performance

Corporate summary	1
Why BlackRock Smaller Companies Trust plc?	2
Performance record	4
Chairman's Statement	5
Investment Manager's Report	8

Section 2: Portfolio

Twenty largest investments	11
Investment exposure	12

Section 3: Governance

Interim Management Report and Responsibility Statement	13
--	----

Section 4: Financial statements

Income Statement	15
Statement of Changes in Equity	16
Balance Sheet	17
Statement of Cash Flows	18
Notes to the Financial Statements	19

Section 5: Additional information

Management and other service providers	29
Shareholder information	30
Glossary	33
Share fraud warning	38

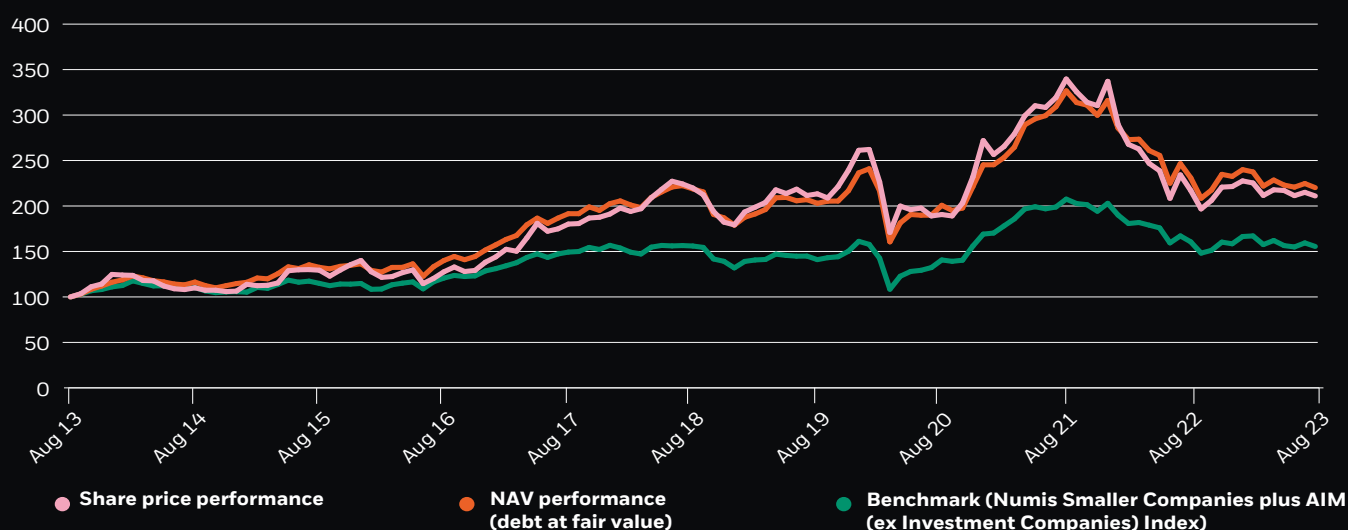
A member of the Association of Investment Companies



Performance record

	As at 31 August 2023	As at 28 February 2023	
Net asset value per ordinary share (debt at par value) (pence) ¹	1,407.04	1,553.41	
Net asset value per ordinary share (debt at fair value) (pence) ¹	1,460.02	1,601.42	
Ordinary share price (mid-market) (pence) ¹	1,268.00	1,380.00	
Numis Smaller Companies plus AIM (excluding Investment Companies) Index ²	14,990.01	16,108.12	
Assets			
Total assets less current liabilities (£'000)	753,092	828,033	
Equity shareholders' funds (£'000) ³	683,573	758,529	
Ongoing charges ratio ^{4,5}	0.7%	0.7%	
Dividend yield ⁴	3.2%	2.9%	
Gearing ⁴	10.3%	6.3%	
	For the six months ended 31 August 2023	For the six months ended 31 August 2022	
Performance (with dividends reinvested)			
Net asset value per share (debt at par value) ^{2,4}	-7.8%	-17.1%	
Net asset value per share (debt at fair value) ^{2,4}	-7.3%	-15.4%	
Ordinary share price (mid-market) ^{2,4}	-6.3%	-18.9%	
Numis Smaller Companies plus AIM (excluding Investment Companies) Index ^{2,4}	-6.9%	-11.1%	
	For the six months ended 31 August 2023	For the six months ended 31 August 2022	Change %
Revenue and dividends			
Revenue return per share	25.11p	25.07p	+0.2
Interim dividend per share	15.00p	14.50p	+3.4

Performance from 31 August 2013 to 31 August 2023



Sources: BlackRock and Datastream.

Share price, NAV and Benchmark is with dividends reinvested and rebased to 100.

¹ Without dividends reinvested.

² Total return basis with dividends reinvested.

³ The change in equity shareholders' funds represents the portfolio movements during the year and dividends paid.

⁴ Alternative Performance Measures, see Glossary on pages 33 to 37. Full details setting out how calculations with dividends reinvested are performed are set out in the Glossary on page 35.

⁵ Ongoing charges ratio calculated as a percentage of average daily net assets and using the management fee and all other operating expenses, excluding finance costs, direct transaction costs, custody transaction charges, VAT recovered, taxation, prior year expenses written back and certain non-recurring items in accordance with AIC guidelines.

Chairman's Statement

for the six months ended 31 August 2023

Dear Shareholder



Ronald Gould
Chairman

I am pleased to present to shareholders the half yearly financial report for the six months ended 31 August 2023.

Performance

The first six months of the Company's financial year have been characterised by powerful, sometimes contradictory and volatile, macroeconomic drivers. High inflation coupled with the threat of contagion from the US banking crisis acted to exacerbate an already nervous UK market despite a surprisingly robust consumer environment. Stubborn inflation and persistent wage growth data saw the Bank of England (BoE) implement a 50-basis point rise in the base interest rate in June raising interest rates to 5.0%, the highest level since 2008. As the BoE wrestled with the conundrum of bringing down inflation whilst avoiding an economic recession, the negative sentiment towards UK assets continued to weigh heavily on our asset class.

Against this challenging backdrop, the Company's net asset value (NAV) fell by 7.3%^{1,2,3} over the period under review, to 1,460.02p per share, underperforming the Company's benchmark, the Numis Smaller Companies plus AIM (excluding Investment Companies) Index, which fell by 6.9%^{1,3} over the same period. The Company's share price fell by 6.3%^{1,3} to 1,268.00p per share over the same period. Performance relative to the benchmark was driven mainly by stock selection, with a number of our stronger conviction stocks underperforming despite trading well and delivering positively against their long-term strategies. Further details, and some examples of such stocks, are given in the Investment Manager's Report on pages 8 to 10. Looking at the broader market environment, the FTSE 100 Index fell by 3.0%¹ over the period, the FTSE 250 Index fell by 4.6%¹ and the FTSE All Share Index fell by 3.2%¹. The performance of both the NAV and share price over the longer term are illustrated in the table on the next page.

Returns and dividends

Dividend revenue from portfolio companies increased this year, with the Company's revenue return per share for the six months ended 31 August 2023 up by 0.2% to 25.11p per share (compared to 25.07p revenue return per share for the six months to 31 August 2022). After adjusting for the impact of special dividends received, which amounted to 2.02p per share (31 August 2022: 1.90p per share), regular dividend income from portfolio companies decreased by 0.4% compared to 2022 levels.

¹ Percentages in Sterling terms with dividends reinvested.

² Debt at fair value.

³ Alternative Performance Measure, see Glossary on pages 33 to 37.

Performance to 31 August 2023	6 Months change %	1 Year change %	3 Years change %	5 Years change %	10 Years change %
Net asset value per share (with dividends reinvested) ^{1,2}	-7.3	-4.7	+9.7	+0.6	+124.1
Share price (with dividends reinvested) ¹	-6.3	-2.8	+10.7	-4.0	+111.0
Benchmark (with dividends reinvested) ¹	-6.9	-3.2	+10.6	-0.3	+55.5

¹ All calculations are in Sterling terms with dividends reinvested. Full details of how these calculations are performed are set out in the Glossary on pages 33 to 37.

² Debt at fair value.

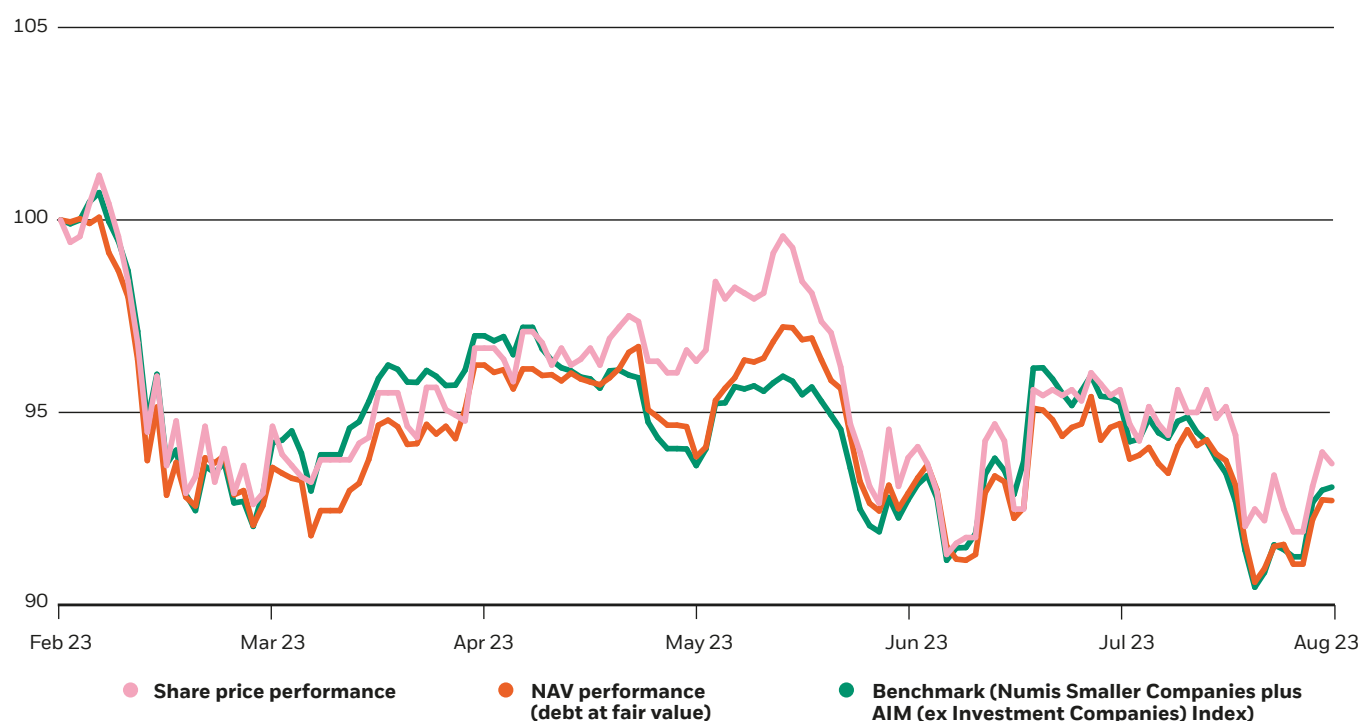
The Board is mindful of the importance of our dividend to shareholders. This is particularly true in the current environment as inflation and a challenging global economic backdrop erodes the value of the pound in consumers' pockets. The Board is also cognisant of the benefits of the Company's investment trust structure which enables it to retain up to 15% of total revenue each year to build up reserves which may be carried forward and used to pay dividends during leaner times. The Company has substantial distributable reserves (£617.1 million as at 31 August 2023, including revenue reserves of £18.4 million). To put this into context, the annual dividend distribution based on dividends declared in respect of the year ended 28 February 2023 amounted to £19.5 million. Accordingly, the Board is pleased to declare an interim dividend of 15.00p per share (2022: 14.50p per share) representing an increase of 3.4% over the previous interim dividend. The interim dividend will be paid on 4 December 2023 to shareholders on the Company's register on 3 November 2023. The Board continues to monitor the Company's income levels and projected future dividend income streams closely as the year proceeds and will make an assessment in respect of the final dividend in due course, noting that it has the ability to utilise revenue reserves should it deem this appropriate.

Your Company has increased its annual dividend every year since 2003 and, in 2023, gained the AIC accolade of "Dividend Hero" for its' consistent 20 year growth in dividends.

Gearing

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

Performance for the six months to 31 August 2023



Sources: BlackRock and Datastream.

Share price, NAV (debt at fair value) and Benchmark data is with dividends reinvested and rebased to 100.

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 10.5% of net assets as at 23 October 2023, well within our target range.

Share Buybacks

During the period, the Company's shares traded at an average discount to NAV (with debt at fair value) of 13.1%. The discount ranged between 11.3% and 14.3% and ended the period at 13.2%. As at 23 October 2023, the Company's shares were trading at a discount of 14.1% to NAV (with debt at fair value). During the period the Company bought back a total of 247,500 ordinary shares into treasury for a total consideration of £3,295,000. The entire investment trust sector has seen an expansion of the average discount to net asset values as investor confidence and interest in UK risk assets has diminished. In such circumstances, we have undertaken a more aggressive discount management posture.

The Board believes that the share buyback activity undertaken has helped reduce the volatility in our share rating, which currently stands at 14.1% compared to an AIC UK Smaller Companies sector average of 14.8%. As we navigate these more volatile and uncertain markets, your Board will continue to monitor the Company's share rating and may deploy its powers to buyback the Company's shares where it believes that it is in shareholders' long-term best interests to do so. Shares are only bought back at a discount to NAV which ensures that these transactions are accretive to the NAV per share and enhance NAV returns for shareholders.

Since the period end and as at the date of this report, the Company has bought back 330,000 shares to be held in treasury for a total consideration of £4,092,000 at an average discount of 13.5%. Collectively, this share buyback activity undertaken in 2023 contributed 0.13% to the NAV per share return over this period.

Board Composition, Implementation of Policy on Tenure and Diversity

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

The Board appointed an external agency to undertake a search and selection process in 2023 with the aim of further enhancing Board diversity. A broad range of factors were taken into account in setting the appointment brief and during the search and selection process. These will be underpinned by our conviction that all Board appointments must be made on merit, in the context of the skills, experience, independence and knowledge which the Board as a whole requires to be effective.

As previously announced, the Board has appointed a new Director, Ms Dunke Afe, as a non-executive Director with effect from 1 January 2024. Ms Afe is an accomplished global marketing executive with extensive experience in raising brand and product awareness, as a marketing expert the Board expects this to be helpful for the Company in the future. She has previously worked with top blue chip multinationals including Unilever, Kimberly-Clark and Estee Lauder companies. She is also a non-Executive Director of CT UK Capital and Income Investment Trust plc. We look forward to benefitting from her outstanding marketing knowledge and insights as we navigate an increasingly competitive environment for investor attention.

Outlook

Since the period end, and up until the close of business on 23 October 2023, the Company's NAV per share fell by 5.9%^{1,2} and the share price decreased by 6.9%, whilst the benchmark fell by 8.3%¹.

There are indications that we may be reaching the peak of the current interest rate hike cycle, which may be the catalyst for a change in sentiment towards UK risk assets and smaller companies in particular and in turn a potential re-rating of our asset class. The Board believes that this presents a compelling investment opportunity for the medium to long-term investor. Our Portfolio Manager's focus on financially strong companies with innovative and disruptive business models and market leading offerings should, over time, see a return of the strong and consistent investment performance to which our shareholders have become accustomed. Your Board therefore remains fully supportive of our Portfolio Manager, their investment philosophy and the investment approach.

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
25 October 2023

¹ All calculations are in Sterling terms with dividends reinvested.

² Debt at fair value.

Investment manager's report

for the six months ended 31 August 2023



Roland Arnold

We are now in one of the deepest and longest cycles of UK small and mid-cap underperformance in recent history, and if there is one question I have heard more than any other this year on the lips of every investor and potential investor in UK equities, it is “but what is the catalyst for this cycle to reverse?” The question itself is telling, it suggests most investors accept that most of the prerequisites for investing (valuation, outlook, opportunity) have been accomplished; yet one major impediment remains: the elusive catalyst.

In this report I hope to provide some degree of comfort that our on-going positivity towards the UK Small and Mid-cap market is well founded, that the economic outlook whilst still volatile and uncertain is perhaps not as bad as some fear, that structural changes present opportunity, and that investors from outside the equity market (such as Private Equity firms) are starting to take interest.

Our process has forever been bottom-up, focused on the specifics of each investment case and the opportunity that each individual company brings. Over time this analysis, when correctly placed, will identify companies capable over many years of compounding earnings growth which will eventually and inevitably be reflected in share prices. Unfortunately, there can be periods where earnings and share prices fundamentally disconnect, and we are most certainly in one of those periods. As such, unusually, we will begin this report with a focus on the market environment.

During the final quarter of 2021 the market correctly identified that inflation and therefore rising interest rates were a risk, catalysing a dramatic and prolonged period of Small and Mid-cap underperformance. To put this in context, this cycle of mid-cap underperformance is worse than those experienced during the Global Financial Crisis of 2008, COVID-19, Brexit, the bursting of the Tech bubble and subsequent sell-off of 2001 and the Black Monday stock market crash of 1987. In the face of rapidly accelerating inflation, Central Banks brought a sudden and immediate end to the global low interest rate policy.

In the face of this, the UK has been highlighted by many as a particularly weak economy, with inflation more persistent than other developed nations, a poor recent record of growth, a succession of Prime Ministers, a weakening consumer environment, and a collapsing housing market. All of these factors have been compounded by the on-going disruption caused by Brexit. However, we would question this negative narrative. Starting with inflation (where recent published data has shown a moderation from the high levels previously experienced) we note that higher wage settlements are starting to feed through into the economy. The result is a potential increase in real wages towards the end of the year which (all else being equal) will be supportive for consumer spending. How about mortgage costs? No doubt mortgage costs at the population level are increasing, and will continue to do so, but the transmission mechanism is not as immediate as in

previous interest rate cycles, with a higher proportion of mortgages on five-year fixed rate deals, giving time for wage growth to moderate the impact (or indeed for the rate cycle to start to turn). There is no doubt the housing market will continue to face headwinds as potential homeowners either struggle to find willing lenders or hold off purchases in the expectation of a better deal next year, but we believe that the housing market will eventually bounce back, perhaps as a reaction to government policy. Finally, we note that unemployment, which tends to have a high correlation to consumer confidence, has remained low.

However, the negative narrative has gained traction, bolstered by a political backdrop which gives a perception of a country in turmoil. It is interesting to note the recent changes to GDP statistics show that rather than lagging behind pre-COVID-19 GDP, the UK has in fact recovered all lost ground. But perception matters, and in the case of equity markets, perception manifests in flows, with the UK Smallcap market recording negative flows every month since September 2021. We note the recent statements from the Chancellor with regards to encouraging equity ownership in the UK, and from the London Stock Exchange with regards to reviewing and amending the listing rules in an attempt to encourage more companies to list in the UK. We also have to acknowledge the potential for the Labour party to win the next election, a party who are currently projecting a more market friendly set of policies, not least with regards to housing.

If equity investors are unwilling to take advantage of the valuation opportunities that currently exist, there are other forms of capital more than capable of doing so. After a lull around the time of the Truss budget, M&A activity has started to step up again in the UK. The Company has directly benefited from Deutsche Bank's acquisition of broker Numis, and the recently announced offer for Ergomed. But whilst the Company has had limited participation, there have been a number of bids in the market from cash rich Private Equity firms. Given the huge sums these parties have to invest, and the attractive valuations of UK assets, we would expect this to continue.

Whilst the narrative so far has focused on the UK, we should not forget that the UK market is not the UK economy. UK listed growth companies have significant international exposure and global trends matter. From a global perspective we see a number of opportunities. The significant disruption to supply chains brought about by COVID-19 will see a prolonged period of capital investment. Investment will be made to near shore or "friend shore" essential components, supported by government initiatives such as the Inflation Reduction Act. The increasing cost of labour will lead to a long overdue investment in productivity as firms look to reduce labour content and automate where possible. This brings us on to those two magic letters, "AI" (Artificial Intelligence). AI has hit the headlines at a furious pace this year. Never have we seen a technology so widely adopted so quickly. AI will change business models and industries for years to come, there will be use cases that haven't been thought of yet. But as with all new waves of technology, the reality is often more nuanced than the rhetoric would suggest, leading to opportunities to invest in businesses where the valuation suggests their business models will be obliterated.

And so we turn to performance. The Company's NAV (debt at fair value) fell by 7.3% during the first half of the year, broadly in line with the benchmark which fell by 6.9%. Whilst it is disappointing that we didn't produce a more positive result for the six months, it is comforting to note that the accelerated devaluation of UK growth companies appears to have passed, leaving share prices much more correlated to underlying earnings rather than sentiment.

4imprint Group has once again been the most significant contributor to performance. Long term holders of the Company will have heard this story many times before, indeed it is the consistency of the investment case that is so attractive. 4imprint Group provides promotional products into the US market,

Recent changes to GDP statistics show that rather than lagging behind pre-COVID-19 GDP, the UK has in fact recovered all lost ground

where 6% market share makes them the overwhelming market leader. Management continue to fine tune their advertising strategy, exploring different media and developing the brand, whilst investing in the infrastructure required to fulfil the subsequent demand. Following the disposal of their French galvanizing operations, **Hill & Smith** is now much more exposed to structurally growing US infrastructure expenditure, which itself is supported by a number of initiatives from the US Democratic Party. The recent interim statement demonstrated the benefit of this re-positioning, with 29% revenue growth in the Engineered Solutions division. Veterinary group **CVS Group** performed strongly in the period under discussion, although it would be remiss not to address the more recent newsflow regarding the Competition and Markets Authority's (CMA) decision to conduct a market study into the veterinary sector. It would be inappropriate for us to comment on the merits of an investigation or to pre-empt the CMA's conclusions, we would however note that previous investigations into sectors with far higher margins have proposed behavioural remedies rather than price controls. We accept the CMA provides unwelcome uncertainty to the CVS Group investment case, which is frustrating given the continued operational success and new Australian acquisition strategy. Finally **Baltic Classifieds Group** has seen a recovery in the share price following the substantial drop that followed the Russian invasion of Ukraine. Trading at Baltic Classifieds Group has remained robust, with continued investment in their brands leading to the already substantial gap to their rivals widening even further.

Turning to the positions that have detracted from performance it is frustrating to once again be highlighting **Watches of Switzerland** as the largest detractor. The shares were weak through the period on persistent fears of a slowdown in the luxury watch category. A trading statement in May highlighted some weakness in margins, but this was due to the cost of providing interest free credit, not due to underlying demand. The following statement in July reinforced the demand outlook, and started to generate some positive momentum in the shares. Frustratingly this has been curtailed by Rolex's acquisition of jeweller Bucherer, which raises the prospect of Rolex diverting volume to their own retail operations, although Rolex have been clear to point out they expect their retail partners to see no impact. As with CVS Group this "black swan" event increases the range of outcomes for the industry but we feel this is captured in the 10x PE that Watches of Switzerland now trades on. One of the peculiarities of the Numis Smaller Companies Benchmark is that the constituents are rebalanced on an annual basis, rather than the quarterly basis that is more common in FTSE or MSCI benchmarks. Typically this isn't an issue, but following years where market moves have been more extreme it brings the "fallen angels" into the top end of the benchmark. This year we have seen **Aston Martin, Burford, Carnival and Alphawave** all fall into the benchmark. For a variety of reasons none of these businesses pass our investment criteria, it could be market position, debt levels, or earnings visibility. However this doesn't mean they don't meet the criteria for other investors, or indeed look attractive simply because of the scale of the decline in their share prices. Collectively the rally in these shares has cost nearly 2% in relative performance.

The fallen angel phenomenon has presented us with the opportunity to invest in some exciting new opportunities. The first of these is UK defence business **Babcock**, where the new management team are getting to grips with the business, have reset margin expectations, disposed of non core assets to put the balance sheet into good shape, and most importantly repaired the relationship with the Ministry of Defence. Industry change is an important dynamic, and when we see industry participants change their business models it often presents an opportunity. The food delivery industry has been unattractive to us for a number of years, with unprofitable players battling for market share in a world where cash was easy to come by. However rising rates have changed the rules of the game, leading to a focus on profitability. With this in mind we have initiated a position in **Deliveroo**.

We have exited a few positions in the period. The most significant has been **Alpha Financial Markets Consulting**, where we have become worried about budgetary pressure and extended decision making in their client base. We also exited **Spirent** for similar reasons. On a more positive note we sold our position in **Numis** post the announcement of the approach from Deutsche Bank.

Inevitably we have to come back to the awkward question posed at the start, "what is the catalyst to end this period of UK Small and Mid-cap underperformance?" Sadly the answer is unsatisfactory. I don't know. There it is, I simply don't know. So often the catalyst is something we only see in a rear view mirror, a moment that is only identified from post event analysis, a trough on a Bloomberg chart we look back on and say "that was the bottom, and what an opportunity it was". I have highlighted the issues (the economic uncertainty, the political uncertainty, the structural flow issues in the UK market, the risk of more pervasive inflation) but also the opportunities (the companies delivering on their ambitions, the potential end of interest rate rises, the significant level of return-hungry outside capital, the industries going through structural change, and the impact government measures can have). At some point investors will decide the balance of probabilities is in favour of the opportunities, that the risks are more than adequately priced in, and that an increased allocation to UK Small and Mid-caps is warranted. In the meantime quality management teams will get on with the day job, manage their businesses, grow their earnings, and wait patiently for the day when share prices reward us all.

Roland Arnold

BlackRock Investment Management (UK) Limited
25 October 2023

Twenty largest investments

as at 31 August 2023

Company	Business activity	Market value £'000	% of total portfolio
4imprint Group	Promotional merchandise in the US	20,726	2.8
CVS Group	Operator of veterinary surgeries	20,545	2.7
Gamma Communications	Provider of communication services to UK businesses	19,403	2.6
Hill & Smith	Production of infrastructure products and supply of galvanizing services	16,878	2.2
Workspace Group	Supply of flexible workspace to businesses in London	15,029	2.0
Breedon	UK construction materials	14,539	1.9
Chemring Group	Advanced technology products and services for the aerospace, defence and security markets	14,161	1.9
Watches of Switzerland	Retailer of luxury watches	13,231	1.8
Oxford Instruments	Designer and manufacturer of tools and systems for industry and scientific research	13,150	1.7
Baltic Classifieds Group	Operator of online classified businesses in the Baltics	13,138	1.7
Bloomsbury Publishing	Publisher of fiction and non-fiction	13,071	1.7
Ergomed	Provider of pharmaceuticals services	12,998	1.7
Tatton Asset Management	Provider of discretionary fund management services to financial advisors	12,938	1.7
Moneysupermarket.com	Price comparison website specialising in financial services	12,592	1.7
QinetiQ Group	British multi-national defence technology company	12,370	1.6
YouGov	International online research data and analysis group	11,838	1.6
TT Electronics	Global manufacturer of electronic components	11,414	1.5
Auction Technology Group	Operator of marketplaces for curated online auctions	10,974	1.5
Grafton	Builders merchants in the UK, Ireland and Netherlands	10,954	1.5
IntegraFin	Investment platform for financial advisers	10,340	1.4
Twenty largest investments		280,289	37.2
Remaining investments		473,470	62.8
Total		753,759	100.0

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

Portfolio holdings in excess of 3% of issued share capital

At 31 August 2023, 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 share capital held
City Pub Group	5.2
The Pebble Group	5.0
Tatton Asset Management	4.4
Ten Entertainment Group	4.4
Distribution Finance Capital Holdings	4.2
Bloomsbury Publishing	3.9
TT Electronics	3.8
Animalcare Group	3.6
Robert Walters	3.5
Kitwave Group	3.4
Mercia Asset Management	3.4
Fuller Smith & Turner - A Shares	3.3
Gresham Technologies	3.3
Macfarlane Group	3.3

Investment exposure

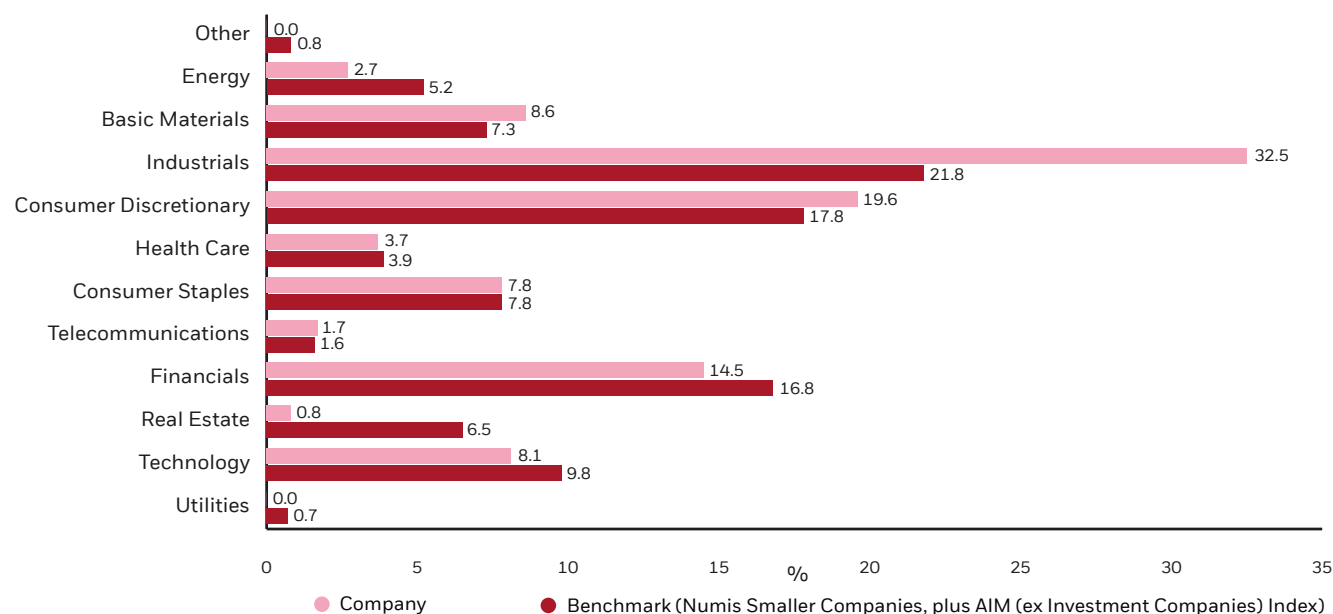
as at 31 August 2023

Investment size



Source: BlackRock.

Analysis of portfolio value by sector



Sources: BlackRock and Datastream.

Interim Management Report and Responsibility Statement

The Chairman's Statement on pages 5 to 7 and the Investment Manager's Report on pages 8 to 10 give details of the important events which have occurred during the period and their impact on the financial statements.

Principal risks and uncertainties

The principal risks faced by the Company can be divided into various areas as follows:

- Investment performance;
- Market;
- Counterparty;
- Income/dividend;
- Legal and regulatory compliance;
- Operational;
- Financial; and
- Marketing.

The Board reported on the principal risks and uncertainties faced by the Company in the Annual Report and Financial Statements for the year ended 28 February 2023. A detailed explanation can be found in the Strategic Report on pages 31 to 34 and note 17 on pages 92 to 99 of the Annual Report and Financial Statements which is available on the website maintained by BlackRock at www.blackrock.com/uk/brsc.

The Board and the Investment Manager continue to monitor investment performance in line with the Company's investment objectives, and the operations of the Company and the publication of net asset values are continuing.

In the view of the Board, there have not been any changes to the fundamental nature of the principal risks and uncertainties since the previous report and these are equally applicable to the remaining six months of the financial year as they were to the six months under review.

Going concern

The Board is mindful of the risk that unforeseen or unprecedented events including (but not limited to) heightened geopolitical tensions such as the war in Ukraine, high inflation and the current cost of living crisis has had a significant impact on global markets. Notwithstanding this significant degree of uncertainty, the Directors, having considered the nature and liquidity of the portfolio, the Company's investment objective, the Company's projected income and expenditure, are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future and is financially sound.

Related party disclosure and transactions with the AIFM and Investment Manager

BlackRock Fund Managers Limited (BFM) was appointed as the Company's Alternative Investment Fund Manager (AIFM) with effect from 2 July 2014. BFM has (with the Company's consent) delegated certain portfolio and risk management services, and other ancillary services, to BlackRock Investment Management (UK) Limited (BIM (UK)). Both BFM and BIM (UK) are regarded as related parties under the Listing Rules. Details of the management and marketing fees payable are set out in notes 4 and 5 respectively on page 20 and note 14 on pages 26 and 27. The related party transactions with the Directors are set out in note 15 on page 27.

Directors' Responsibility Statement

The Disclosure Guidance and Transparency Rules (DTR) of the UK Listing Authority require the Directors to confirm their responsibilities in relation to the preparation and publication of the Interim Management Report and Financial Statements.

The Directors confirm to the best of their knowledge and belief that:

- the condensed set of financial statements contained within the Half Yearly Financial Report has been prepared in accordance with the applicable UK Accounting Standard FRS 104 Interim Financial Reporting; and

Interim Management Report and Responsibility Statement continued

- the Interim Management Report together with the Chairman's Statement and Investment Manager's Report, include a fair review of the information required by 4.2.7R and 4.2.8R of the Financial Conduct Authority's (FCA) Disclosure Guidance and Transparency Rules.

The Half Yearly Financial Report has not been audited or reviewed by the Company's Auditor.

The Half Yearly Financial Report was approved by the Board on 25 October 2023 and the above Responsibility Statement was signed on its behalf by the Chairman.

Ronald Gould

for and on behalf of the Board

25 October 2023

Income Statement

for the six months ended 31 August 2023

		Six months ended 31 August 2023 (unaudited)			Six months ended 31 August 2022 (unaudited)			Year ended 28 February 2023 (audited)		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Losses on investments held at fair value through profit or loss		–	(69,846)	(69,846)	–	(165,111)	(165,111)	–	(155,358)	(155,358)
Gains/(losses) on foreign exchange		–	–	–	–	12	12	–	(5)	(5)
Income from investments held at fair value through profit or loss	3	13,385	782	14,167	13,371	–	13,371	21,468	–	21,468
Other income	3	155	–	155	368	–	368	1,237	–	1,237
Total income/(loss)		13,540	(69,064)	(55,524)	13,739	(165,099)	(151,360)	22,705	(155,363)	(132,658)
Expenses										
Investment management fee	4	(564)	(1,692)	(2,256)	(638)	(1,915)	(2,553)	(1,196)	(3,588)	(4,784)
Operating expenses	5	(439)	(14)	(453)	(436)	(12)	(448)	(832)	(22)	(854)
Total operating expenses		(1,003)	(1,706)	(2,709)	(1,074)	(1,927)	(3,001)	(2,028)	(3,610)	(5,638)
Net profit/(loss) on ordinary activities before finance costs and taxation		12,537	(70,770)	(58,233)	12,665	(167,026)	(154,361)	20,677	(158,973)	(138,296)
Finance costs	6	(237)	(708)	(945)	(356)	(1,067)	(1,423)	(577)	(1,733)	(2,310)
Net profit/(loss) on ordinary activities before taxation		12,300	(71,478)	(59,178)	12,309	(168,093)	(155,784)	20,100	(160,706)	(140,606)
Taxation		(88)	–	(88)	(66)	–	(66)	(120)	–	(120)
Net profit/(loss) on ordinary activities after taxation		12,212	(71,478)	(59,266)	12,243	(168,093)	(155,850)	19,980	(160,706)	(140,726)
Earnings/(loss) per ordinary share (pence) – basic and diluted	8	25.11	(146.99)	(121.88)	25.07	(344.24)	(319.17)	40.92	(329.12)	(288.20)

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

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

The notes on pages 19 to 28 form part of these financial statements.

Statement of Changes in Equity

for the six months ended 31 August 2023

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
For the six months ended 31 August 2023 (unaudited)						
At 28 February 2023	12,498	51,980	1,982	673,479	18,590	758,529
Total comprehensive (loss)/income:						
Net (loss)/profit for the period	–	–	–	(71,478)	12,212	(59,266)
Transactions with owners, recorded directly to equity:						
Ordinary shares repurchased into treasury	–	–	–	(3,272)	–	(3,272)
Share buyback costs	–	–	–	(23)	–	(23)
Dividends paid ¹	–	–	–	–	(12,395)	(12,395)
At 31 August 2023	12,498	51,980	1,982	598,706	18,407	683,573
For the six months ended 31 August 2022 (unaudited)						
At 28 February 2022	12,498	51,980	1,982	834,185	16,433	917,078
Total comprehensive (loss)/income:						
Net (loss)/profit for the period	–	–	–	(168,093)	12,243	(155,850)
Transactions with owners, recorded directly to equity:						
Dividends paid ²	–	–	–	–	(10,743)	(10,743)
At 31 August 2022	12,498	51,980	1,982	666,092	17,933	750,485
For the year ended 28 February 2023 (audited)						
At 28 February 2022	12,498	51,980	1,982	834,185	16,433	917,078
Total comprehensive (loss)/income:						
Net (loss)/profit for the year	–	–	–	(160,706)	19,980	(140,726)
Transactions with owners, recorded directly to equity:						
Dividends paid ³	–	–	–	–	(17,823)	(17,823)
At 28 February 2023	12,498	51,980	1,982	673,479	18,590	758,529

¹ Final dividend paid in respect of the year ended 28 February 2023 of 25.50p per share was declared on 9 May 2023 and paid on 27 June 2023.

² Final dividend paid in respect of the year ended 28 February 2022 of 22.00p was declared on 29 April 2022 and paid on 17 June 2022.

³ Interim dividend paid in respect of the year ended 28 February 2023 of 14.50p was declared on 3 November 2022 and paid on 9 December 2022. Final dividend paid in respect of the year ended 28 February 2022 of 22.00p was declared on 29 April 2022 and paid on 17 June 2022.

For information on the Company's distributable reserves, please refer to note 12.

The notes on pages 19 to 28 form part of these financial statements.

Balance Sheet

as at 31 August 2023

	Notes	31 August 2023 (unaudited) £'000	31 August 2022 (unaudited) £'000	28 February 2023 (audited) £'000
Fixed assets				
Investments held at fair value through profit or loss	13	753,759	734,959	806,088
Current assets				
Current tax assets		177	78	97
Debtors		2,092	4,173	6,858
Cash and cash equivalents		644	85,189	23,536
Total current assets		2,913	89,440	30,491
Creditors – amounts falling due within one year				
Other creditors		(3,580)	(4,423)	(8,546)
Net current (liabilities)/assets		(667)	85,017	21,945
Total assets less current liabilities		753,092	819,976	828,033
Creditors – amounts falling due after more than one year	9, 10	(69,519)	(69,491)	(69,504)
Net assets		683,573	750,485	758,529
Capital and reserves				
Called up share capital	11	12,498	12,498	12,498
Share premium account		51,980	51,980	51,980
Capital redemption reserve		1,982	1,982	1,982
Capital reserves		598,706	666,092	673,479
Revenue reserve		18,407	17,933	18,590
Total shareholders' funds	8	683,573	750,485	758,529
Net asset value per ordinary share (debt at par value) (pence)	8	1,407.04	1,536.94	1,553.41
Net asset value per ordinary share (debt at fair value) (pence)	8	1,460.02	1,572.01	1,601.42

The financial statements on pages 15 to 28 were approved and authorised for issue by the Board of Directors on 25 October 2023 and signed on its behalf by Ronald Gould, Chairman and Mark Little, Director and Audit Committee Chairman.

BlackRock Smaller Companies Trust plc

Registered in Scotland, No. 006176

The notes on pages 19 to 28 form part of these financial statements.

Statement of Cash Flows

for the six months ended 31 August 2023

	Six months ended 31 August 2023 (unaudited) £'000	Six months ended 31 August 2022 (unaudited) £'000	Year ended 28 February 2023 (audited) £'000
Operating activities			
Net loss on ordinary activities before taxation	(59,178)	(155,784)	(140,606)
Add back finance costs	945	1,423	2,310
Losses on investments held at fair value through profit or loss	69,846	165,111	155,358
Net movement in foreign exchange	–	(12)	5
Sales of investments held at fair value through profit or loss	149,604	178,013	304,837
Purchases of investments held at fair value through profit or loss	(163,539)	(120,867)	(309,973)
Net amount for capital special dividends received	(782)	–	–
Increase in debtors	(771)	(629)	(591)
(Decrease)/increase in creditors	(2,315)	(2,269)	36
Taxation on investment income	(88)	(66)	(120)
Net cash (used in)/generated from operating activities	(6,278)	64,920	11,256
Financing activities			
Redemption of 7.75% debenture stock	–	(15,000)	(15,000)
Repayment of SMBC Bank International plc revolving credit facility	–	(25,000)	(25,000)
Interest paid	(924)	(1,479)	(2,371)
Ordinary shares repurchased into treasury	(3,295)	–	–
Dividends paid	(12,395)	(10,743)	(17,823)
Net cash used in financing activities	(16,614)	(52,222)	(60,194)
(Decrease)/increase in cash and cash equivalents	(22,892)	12,698	(48,938)
Cash and cash equivalents at beginning of the period/year	23,536	72,479	72,479
Effect of foreign exchange rate changes	–	12	(5)
Cash and cash equivalents at end of period/year	644	85,189	23,536
Comprised of:			
Cash at bank	644	8,826	794
Cash Fund*	–	76,363	22,742
	644	85,189	23,536

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

The notes on pages 19 to 28 form part of these financial statements.

Notes to the Financial Statements

for the six months ended 31 August 2023

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. Basis of preparation

The financial statements of the Company are prepared on a going concern basis in accordance with Financial Reporting Standard 104 Interim Financial Reporting (FRS 104) applicable in the United Kingdom and Republic of Ireland and the revised Statement of Recommended Practice – Financial Statements of Investment Trust Companies and Venture Capital Trusts (SORP) issued by the Association of Investment Companies (AIC) in October 2019, and updated in July 2022, and the provisions of the Companies Act 2006.

The accounting policies and estimation techniques applied for the condensed set of financial statements are as set out in the Company's Annual Report and Financial Statements for the year ended 28 February 2023.

3. Income

	Six months ended 31 August 2023 (unaudited) £'000	Six months ended 31 August 2022 (unaudited) £'000	Year ended 28 February 2023 (audited) £'000
Investment income¹:			
UK dividends	9,686	9,347	15,162
UK special dividends	984	210	389
Property income dividends	558	571	851
Overseas dividends	2,157	2,526	4,348
Overseas special dividends	–	717	718
Total investment income	13,385	13,371	21,468
Other income:			
Bank interest	3	4	76
Interest from Cash Fund	152	364	1,161
	155	368	1,237
Total income	13,540	13,739	22,705

¹ UK and overseas dividends are disclosed based on the country of domicile of the underlying portfolio company.

Special dividends of £782,000 have been recognised in capital during the period ended 31 August 2023 (six months ended 31 August 2022: £nil; year ended 28 February 2023: £nil).

Dividends and interest received in cash in the period amounted to £12,413,000 and £231,000 (six months ended 31 August 2022: £12,760,000 and £282,000; year ended 28 February 2023: £20,835,000 and £1,174,000).

Notes to the Financial Statements

continued

4. Investment management fee

	Six months ended 31 August 2023 (unaudited)			Six months ended 31 August 2022 (unaudited)			Year ended 28 February 2023 (audited)		
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Investment management fee	564	1,692	2,256	638	1,915	2,553	1,196	3,588	4,784
Total	564	1,692	2,256	638	1,915	2,553	1,196	3,588	4,784

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

5. Operating expenses

	Six months ended 31 August 2023 (unaudited) £'000	Six months ended 31 August 2022 (unaudited) £'000	Year ended 28 February 2023 (audited) £'000
Allocated to revenue:			
Custody fees	5	5	9
Depository fees	52	52	98
Auditor's remuneration	34	23	48
Registrar's fee	19	21	45
Directors' emoluments	90	90	188
Director search fees	18	–	4
Marketing fees	59	109	170
AIC fees	11	11	21
Bank charges	16	28	51
Broker fees	18	18	40
Stock exchange listings	17	27	48
Printing and postage fees	22	16	37
Legal fees	8	6	–
Prior year expenses written back ¹	(7)	(23)	(7)
Other administrative costs	77	53	80
	439	436	832
Allocated to capital:			
Custody transaction charges ²	14	12	22
	453	448	854

¹ Relates to prior year accruals for depository fees and miscellaneous fees written back during the six month period ended 31 August 2023 (six months ended 31 August 2022: legal fees and Directors' expenses; year ended 28 February 2023: legal fees).

² For the six month period ended 31 August 2023, expenses of £14,000 (six months ended 31 August 2022: £12,000; year ended 28 February 2023: £22,000) were charged to the capital account of the Income Statement. These relate to transaction costs charged by the custodian on sale and purchase trades.

The direct transaction costs incurred on the acquisition of investments amounted to £708,000 for the six months ended 31 August 2023 (six months ended 31 August 2022: £427,000; year ended 28 February 2023: £1,233,000). Costs relating to the disposal of investments amounted to £113,000 for the six months ended 31 August 2023 (six months ended 31 August 2022: £142,000; year ended 28 February 2023: £243,000). All direct transaction costs have been included within capital reserves.

6. Finance costs

	Six months ended 31 August 2023 (unaudited)			Six months ended 31 August 2022 (unaudited)			Year ended 28 February 2023 (audited)		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Interest on 7.75% debenture stock 2022 ¹	–	–	–	120	360	480	117	355	472
Interest on 2.74% loan note 2037	87	260	347	87	260	347	173	518	691
Interest on 2.41% loan note 2044	60	182	242	60	182	242	121	362	483
Interest on 2.47% loan note 2046	76	228	304	76	228	304	152	456	608
Interest on bank loan	–	–	–	8	23	31	6	18	24
Interest on bank overdraft	10	28	38	–	–	–	–	–	–
7.75% Amortised debenture stock issue expenses ¹	–	–	–	1	4	5	–	4	4
2.74% Amortised loan note issue expenses	2	5	7	2	5	7	4	10	14
2.41% Amortised loan note issue expenses	1	2	3	1	2	3	2	5	7
2.47% Amortised loan note issue expenses	1	3	4	1	3	4	2	5	7
Total	237	708	945	356	1,067	1,423	577	1,733	2,310

¹ The £15 million 7.75% debenture stock was redeemed at par on 31 July 2022.

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

7. Dividends

In accordance with FRS 102, Section 32 Events After the End of the Reporting Period, the interim dividend payable on the ordinary shares has not been included as a liability in the financial statements, as interim dividends are only recognised when they have been paid.

The Board has declared an interim dividend of 15.00p per share (31 August 2022: 14.50p per share), payable on 4 December 2023 to shareholders on the Company's register as at 3 November 2023; the ex dividend date is 2 November 2023. The total cost of this dividend, based on 48,252,292 shares in issue at 23 October 2023, is £7,238,000 (31 August 2022: £7,080,000).

Notes to the Financial Statements

continued

8. Returns and net asset value per share

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

	Six months ended 31 August 2023 (unaudited)	Six months ended 31 August 2022 (unaudited)	Year ended 28 February 2023 (audited)
Revenue return attributable to ordinary shareholders (£'000)	12,212	12,243	19,980
Capital loss attributable to ordinary shareholders (£'000)	(71,478)	(168,093)	(160,706)
Total loss attributable to ordinary shareholders (£'000)	(59,266)	(155,850)	(140,726)
Total shareholders' funds (£'000)	683,573	750,485	758,529
The weighted average number of ordinary shares in issue during the period on which the earnings per ordinary share was calculated was:	48,625,566	48,829,792	48,829,792
The actual number of ordinary shares in issue at the end of each period on which the undiluted net asset value was calculated was:	48,582,292	48,829,792	48,829,792
Earnings per share			
Revenue return per share (pence) - basic and diluted	25.11	25.07	40.92
Capital loss per share (pence) - basic and diluted	(146.99)	(344.24)	(329.12)
Total loss per share (pence) - basic and diluted	(121.88)	(319.17)	(288.20)
	As at 31 August 2023 (unaudited)	As at 31 August 2022 (unaudited)	As at 28 February 2023 (audited)
Net asset value per ordinary share (debt at par value) (pence)	1,407.04	1,536.94	1,553.41
Net asset value per ordinary share (debt at fair value) (pence)	1,460.02	1,572.01	1,601.42
Ordinary share price (pence)	1,268.00	1,344.00	1,380.00

9. Borrowings

	Six months ended 31 August 2023 (unaudited) £'000	Six months ended 31 August 2022 (unaudited) £'000	Year ended 28 February 2023 (audited) £'000
Amounts falling due after more than one year			
2.74% loan note 2037	25,000	25,000	25,000
Unamortised loan note issue expenses	(189)	(203)	(196)
	24,811	24,797	24,804
2.41% loan note 2044	20,000	20,000	20,000
Unamortised loan note issue expenses	(136)	(143)	(140)
	19,864	19,857	19,860
2.47% loan note 2046	25,000	25,000	25,000
Unamortised loan note issue expenses	(156)	(163)	(160)
	24,844	24,837	24,840
Total amounts falling due after more than one year	69,519	69,491	69,504

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 31 August 2023 equated to a valuation of 72.24p per note (31 August 2022: 82.80p; 28 February 2023: 75.22p), a total of £18,060,000 (31 August 2022: £20,700,000; 28 February 2023: £18,805,000). 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 31 August 2023 equated to a valuation of 59.30p per note (31 August 2022: 72.74p; 28 February 2023: 62.80p), a total of £11,860,000 (31 August 2022: £15,548,000; 28 February 2023: £12,560,000). The fair value of the 2.47% loan note has been determined based on a comparative yield for UK Gilts for similar duration maturity and spreads, and as at 31 August 2023 equated to a valuation of 55.44p per note (31 August 2022: 68.48p; 28 February 2023: 58.79p), a total of £13,860,000 (31 August 2022: £17,120,000; 28 February 2023: £14,698,000).

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

The Company had in place a £35 million three year multi-currency revolving loan facility with SMBC Bank International plc. This facility was terminated on 25 November 2022 and any loan amounts repaid. As at 31 August 2022, the facility was not utilised. Prior to the termination, interest on the facility was reset every three months and was charged at the Sterling Overnight Index Average rate (SONIA) plus a credit adjustment spread of 0.326% for one month borrowings and 0.1193% for three month borrowings.

The Company also has available an uncommitted overdraft facility of £60 million with The Bank of New York Mellon (International) Limited, of which £nil had been utilised at 31 August 2023 (31 August 2022: £nil; 28 February 2023: £nil).

The Company has complied with all covenants during the period related to the loan and borrowings.

Notes to the Financial Statements

continued

10. Reconciliation of liabilities arising from financing activities

	Six months ended 31 August 2023 (unaudited) £'000	Six months ended 31 August 2022 (unaudited) £'000	Year ended 28 February 2023 (audited) £'000
Debt arising from financing activities:			
Debt arising from financing activities at beginning of the period/year	69,504	109,454	109,454
Cash flows:			
Repayment of SMBC Bank International plc revolving credit facility	–	(25,000)	(25,000)
Redemption of 7.75% debenture	–	(15,000)	(15,000)
Non-cash flows:			
Amortisation of debenture and loan note issue expenses	15	37	50
Debt arising from financing activities at end of the period/year	69,519	69,491	69,504

11. 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 2023	48,829,792	1,163,731	49,993,523	12,498
Ordinary shares bought back into treasury	(247,500)	247,500	–	–
At 31 August 2023	48,582,292	1,411,231	49,993,523	12,498

During the period ended 31 August 2023, the Company has bought back 247,500 shares into treasury for a total consideration of £3,295,000 (six months ended 31 August 2022: no shares for a total consideration of £nil; year ended 28 February 2023: no shares for a total consideration of £nil).

Since 31 August 2023 and up to the latest practicable date of 23 October 2023 a further 330,000 shares have been bought back into treasury for a total consideration of £4,092,000.

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

12. Reserves

The share premium account and capital redemption reserve are not distributable reserves under the Companies Act 2006. In accordance with ICAEW Technical Release 02/17BL on Guidance on Realised and Distributable Profits under the Companies Act 2006, the capital reserve may be used as distributable reserves for all purposes and, in particular, the repurchase by the Company of its ordinary shares and for payments such as dividends. In accordance with the Company's Articles of Association, the capital reserve and the revenue reserve may be distributed by way of dividend. The gain on the capital reserve arising on the revaluation of investments of £18,222,000 (31 August 2022: gain of £19,241,000; 28 February 2023: gain of £52,812,000) is subject to fair value movements and may not be readily realisable at short notice, as such it may not be entirely distributable. The investments are subject to financial risks; as such capital reserves (arising on investments sold) and the revenue reserve may not be entirely distributable if a loss occurred during the realisation of these investments.

13. Valuation of financial instruments

The Company's investment activities expose it to the various types of risk which are associated with the financial instruments and markets in which it invests. The risks are substantially consistent with those disclosed in the previous annual financial statements.

Market risk arising from price risk

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

The current environment of heightened geopolitical risk given the war in Ukraine has undermined investor confidence and market direction. In addition to the tragic and devastating events in Ukraine, the war has constricted supplies of key commodities, pushing prices up and creating a level of market uncertainty and volatility which is likely to persist for some time.

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 and cash equivalents and bank overdrafts). Section 34 of FRS 102 requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The valuation techniques used by the Company are explained in the accounting policies note on page 83 of the Annual Report and Financial Statements for the year ended 28 February 2023.

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

The fair value hierarchy has the following levels:

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

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

Level 2 – Valuation techniques using observable inputs

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

Level 3 – Valuation techniques using significant unobservable inputs

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

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

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

Notes to the Financial Statements

continued

13. Valuation of financial instruments continued

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

Fair values of financial assets and financial liabilities

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

Financial assets at fair value through profit or loss at 31 August 2023 (unaudited)

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	753,759	–	–	753,759
Total	753,759	–	–	753,759

Financial assets at fair value through profit or loss at 31 August 2022 (unaudited)

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	734,959	–	–	734,959
Total	734,959	–	–	734,959

Financial assets at fair value through profit or loss at 28 February 2023 (audited)

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	806,088	–	–	806,088
Total	806,088	–	–	806,088

There were no transfers between levels for financial assets during the period recorded at fair value as at 31 August 2023, 31 August 2022 and 28 February 2023. The Company did not hold any Level 3 securities throughout the six month period or as at 31 August 2023 (31 August 2022: none; 28 February 2023: none).

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

14. Transactions with the Investment Manager and AIFM

BlackRock Fund Managers Limited (BFM) provides management and administration services to the Company under a contract which is terminable on six months' notice. BFM has (with the Company's consent) delegated certain portfolio and risk management services, and other ancillary services to BlackRock Investment Management (UK) Limited (BIM (UK)). Further details of the investment management contract are disclosed on page 48 of the Directors' Report in the Company's Annual Report and Financial Statements for the year ended 28 February 2023.

The investment management fee payable for the six months ended 31 August 2023 amounted to £2,256,000 (six months ended 31 August 2022: £2,553,000; year ended 28 February 2023: £4,784,000). At the period end, £2,256,000 was outstanding in respect of the management fee (31 August 2022: £2,553,000; 28 February 2023: £4,784,000).

In addition to the above services, BIM (UK) has provided the Company with marketing services. The total fees paid or payable for these services for the period ended 31 August 2023 amounted to £59,000 including VAT (six months ended 31 August 2022: £109,000; year ended 28 February 2023: £170,000). Marketing fees of £196,000 were outstanding at 31 August 2023 (31 August 2022: £76,000; 28 February 2023: £137,000).

As of 31 August 2023, an amount of £196,000 (31 August 2022: £114,000; 28 February 2023: £105,000) was payable to the Manager in respect of Directors' fees.

The Company has an investment in the BlackRock Institutional Cash Series plc – Sterling Liquid Environmentally Aware Fund of £nil as at 31 August 2023 (31 August 2022: £76,363,000; 28 February 2023: £22,742,000).

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

15. Related party disclosure

Directors' emoluments

As at 31 August 2023, the Board consisted of five non-executive Directors, all of whom are considered to be independent of the Manager by the Board. None of the Directors has a service contract with the Company. The Chairman receives an annual fee of £46,735, the Audit Committee Chairman receives an annual fee of £35,700, the Senior Independent Director receives a fee of £32,550 and each of the other Directors receives an annual fee of £31,500.

As at 31 August 2023, an amount of £15,000 (31 August 2022: £14,000; 28 February 2023: £14,000) was outstanding in respect of Directors' fees.

At the period end members of the Board held ordinary shares in the Company as set out below:

	Ordinary shares 25 October 2023	Ordinary shares 31 August 2023
Ronald Gould (Chairman)	3,544	3,544
Susan Platts-Martin	2,800	2,800
Mark Little	491	491
James Barnes	2,500	2,500
Helen Sinclair	988	988

Significant holdings

The following investors are:

- funds managed by the BlackRock Group or are affiliates of BlackRock, Inc. (Related BlackRock Funds); or
- investors (other than those listed in (a) above) who held more than 20% of the voting shares in issue in the Company and are, as a result, considered to be related parties to the Company (Significant Investors).

As at 31 August 2023

Total % of shares held by Related BlackRock Funds	Total % of shares held by Significant Investors who are not affiliates of BlackRock Group or BlackRock, Inc.	Number of Significant Investors who are not affiliates of BlackRock Group or BlackRock, Inc.
9.19	n/a	n/a

As at 31 August 2022

Total % of shares held by Related BlackRock Funds	Total % of shares held by Significant Investors who are not affiliates of BlackRock Group or BlackRock, Inc.	Number of Significant Investors who are not affiliates of BlackRock Group or BlackRock, Inc.
12.10	n/a	n/a

Notes to the Financial Statements

continued

16. Contingent liabilities

There were no contingent liabilities at 31 August 2023, 28 February 2023 or 31 August 2022.

17. Publication of non-statutory accounts

The financial information contained in this Half Yearly Financial Report does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006. The financial information for the six months ended 31 August 2023 and 31 August 2022 has not been audited, or reviewed, by the Company's auditors.

The information for the year ended 28 February 2023 has been extracted from the latest published audited financial statements, which have been filed with the Registrar of Companies. The report of the auditor in those financial statements contained no qualification or statement under Sections 498(2) or (3) of the Companies Act 2006.

18. Annual results

The Board expects to announce the annual results for the year ending 28 February 2024 in early May 2024.

Copies of the results announcement can be obtained from the Secretary on 020 7743 3000 or at cosec@blackrock.com. The Annual Report should be available by the beginning of May 2024 with the Annual General Meeting being held in June 2024.

Management and other service providers

Directors

Ronald Gould (Chairman)

James Barnes

Mark Little (Chairman of the Audit Committee)

Susan Platts-Martin (Senior Independent Director and Chair of the Nomination and Remuneration Committee)

Helen Sinclair

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) Limited¹

12 Throgmorton Avenue

London EC2N 2DL

Email: cosec@blackrock.com

Alternative Investment Fund Manager

BlackRock Fund Managers Limited^{1,2}

12 Throgmorton Avenue

London EC2N 2DL

Telephone: 020 7743 3000

Depository

The Bank of New York Mellon (International) Limited¹

160 Queen Victoria Street

London EC4V 4LA

Registrar

Computershare Investor Services PLC¹

The Pavilions

Bridgwater Road

Bristol BS99 6ZZ

Telephone: 0370 707 1649

Stockbroker

Investec Bank plc¹

30 Gresham Street

London EC2V 7QP

Independent Auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Atria One

144 Morrison Street

Edinburgh

EH3 8EX

¹ Authorised and regulated by the Financial Conduct Authority.

² BlackRock Fund Managers (BFM) was appointed as the Alternative Investment Fund Manager on 2 July 2014. BlackRock Investment Management (UK) Limited continues to act as the Investment Manager of the Company under a delegation agreement with BFM.

Shareholder information

Financial calendar

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

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

Interim dividend

The interim dividend in respect of the year ending 28 February 2024 is 15.00p per share.

Ex-dividend date (shares transferred without the dividend)	2 November 2023
Record date (last date for registering transfers to receive the dividend)	3 November 2023
Last date for registering DRIP instructions	13 November 2023
Dividend payment date	4 December 2023

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 13 November 2023.

Share price

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

ISIN/SEDOL numbers

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

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

Share dealing

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

CREST

The Company's shares may be held in CREST, an electronic system for uncertificated securities trading. Private investors can continue to retain their share certificates and remain outside the CREST system. Private investors are able to buy and sell their holdings in the same way as they did prior to the introduction of CREST, although there may be differences in dealing charges.

Electronic communications

We encourage you to play your part in reducing our impact on the environment and elect to be notified by email when your shareholder communications become available online. This means you will receive timely, cost-effective and greener online annual reports, half yearly financial reports and other relevant documentation. Shareholders who opt for this service will receive an email from Computershare with a link to the relevant section of the BlackRock website where the documents can be viewed and downloaded. Please submit your email address by visiting investorcentre.co.uk/ecomms.

You will need your shareholder reference number which you will find on your share certificate or tax voucher. You will continue to receive a printed copy of these reports if you have elected to do so. Alternatively, if you have not submitted your email address nor have elected to receive printed reports, we will write and let you know where you can view these reports online.

Risk factors

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

Nominee code

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

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

Publication of net asset value/portfolio analysis

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

Online access

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

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.

Shareholder information

continued

- **Bank details update** – choose to receive your dividend payment directly into your bank account instead of by cheque.
- **Outstanding payments** – reissue payments using the online replacement service.
- **Downloadable forms** – including dividend mandates, stock transfer, dividend reinvestment and change of address forms.

Dividend tax allowance

The annual tax-free allowance on dividend income across an individual's entire share portfolio reduced to £1,000 from 6 April 2023 and will reduce again to £500 from 6 April 2024. 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 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 a shareholder's responsibility to include all dividend income when calculating any tax liability.

If you have any tax queries, please contact a financial advisor.

Individual savings accounts (ISA)

ISAs are a tax-efficient method of investment and the Company's shares are eligible investments for inclusion within a stocks and shares Individual Savings Account. In the 2023/2024 tax year investors will be able to invest up to £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

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 Half Yearly Financial Report.

Closed-end company

An investment trust works along the same lines as a unit trust, in that it pools money from investors which is then managed on a collective basis. The main difference is that an investment trust is a company listed on the Stock Exchange and, in most cases, trading takes place in shares which have already been issued, rather than through the creation or redemption of units. As the number of shares which can be issued or cancelled at any one time is limited, and requires the approval of existing shareholders, investment trusts are known as closed-end funds or companies. This means that investment trusts are not subject to the same liquidity constraints as open-ended funds and can therefore invest in less liquid investments.

Discount and Premium*

Investment trust shares can frequently trade at a discount to NAV. This occurs when the share price (based on the mid-market share price) is less than the NAV (debt at fair value) and investors may therefore buy shares at less than the value attributable to them by reference to the underlying assets. The discount is the difference between the share price and the NAV, expressed as a percentage of the NAV. As at 31 August 2023, the share price was 1,268.00p (31 August 2022: 1,344.00p; 28 February 2023: 1,380.00p) and the NAV (debt at fair value) was 1,460.02p (31 August 2022: 1,572.01p; 28 February 2023: 1,601.42p) therefore the discount was 13.2% (31 August 2022: 14.5%; 28 February 2023: 13.8%). Please see note 8 of the financial statements on page 22 for the inputs to the calculation.

The approach to calculate the discount at the period end shown above is used on a daily basis to calculate the daily discount. This daily discount is then averaged over the period (being the number of days that the Company's share price and NAV (with debt at fair value) are available).

The average share price, NAV (debt at fair value) and discount for the period are shown in the table below.

Average share price	Average NAV (debt at fair value)	Average discount
1,300.80	1,497.69	13.1%

A premium occurs when the share price (based on the mid-market share price) is more than the NAV and investors would therefore be paying more than the value attributable to the shares by reference to the underlying assets. For example, if the share price was 100p and the NAV 90p, the premium would be 11.1%.

Discounts and premiums are mainly the consequence of supply and demand for the shares on the stock market.

Gearing*

Investment companies can borrow to purchase additional investments. This is called 'gearing'. It allows investment companies to take advantage of a favourable situation or a particularly attractive stock without having to sell existing investments.

Gearing has the effect of magnifying a company's performance. If a company 'gears up' and then the value of the company's investments rises and the returns on those investments outstrip the costs of borrowing, the overall returns to investors will be greater. But if the value of the company's investments falls then losses suffered by the investor will also be magnified.

The Company may achieve gearing through borrowings or the effect of gearing through an appropriate balance of equity capital and borrowings.

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 table on the following page.

* Alternative Performance Measure

Glossary

continued

Net gearing calculation	Page	31 August 2023 £'000 (unaudited)	31 August 2022 £'000 (unaudited)	28 February 2023 £'000 (audited)	
Net assets	17	683,573	750,485	758,529	(a)
Borrowings	17	69,519	69,491	69,504	(b)
Total assets (a + b)		753,092	819,976	828,033	(c)
Current assets ¹	17	2,913	89,440	30,491	(d)
Current liabilities (excluding borrowings)	17	(3,580)	(4,423)	(8,546)	(e)
Cash and cash equivalents (d + e)		(667)	85,017	21,945	(f)
Net gearing figure (g = (c - f - a)/a) (%)		10.3	nil	6.3	(g)

¹ Includes cash at bank and the Company's investment in BlackRock's Institutional Cash Series plc - Sterling Liquid Environmentally Aware Fund.

Leverage

Leverage is defined in the AIFM Directive as "any method by which the AIFM increases the exposure of an AIF it manages whether through borrowing of cash or securities, or leverage embedded in derivative positions or by any other means".

Leverage is measured in terms of 'exposure' and is expressed as a ratio of net asset value:

$$\text{Leverage ratio} = \frac{\text{Total assets}}{\text{Net assets}}$$

The Directive sets out two methodologies for calculating exposure. These are the Gross Method and the Commitment Method. The process for calculating exposure under each methodology is largely the same, except that, where certain conditions are met, the Commitment Method enables instruments to be netted off to reflect 'netting' or 'hedging' arrangements and the entity's exposure is effectively reduced.

Net asset value per share (NAV)

This is the value of the Company's assets attributable to one ordinary share. It is calculated by dividing total shareholders' funds by the total number of ordinary shares in issue (excluding treasury shares). For example, as at 31 August 2023, shareholders' funds were worth £683,573,000 (debt at par value) (31 August 2022: £750,485,000; 28 February 2023: £758,529,000) and £709,312,000 (debt at fair value) (31 August 2022: £767,608,000; 28 February 2023: £781,970,000) and there were 48,582,292 ordinary shares in issue (excluding treasury shares) (31 August 2022: 48,829,792; 28 February 2023: 48,829,792); the NAV per share was therefore 1,407.04p per share (debt at par value) (31 August 2022: 1,536.94p; 28 February 2023: 1,553.41p) and 1,460.02p per share (debt at fair value) (31 August 2022: 1,572.01p; 28 February 2023: 1,601.42p). 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 – debt at fair value (NAV)

The Company has in issue a number of tranches of long term debt as described in detail on note 9 on page 23. For accounting purposes and in accordance with UK GAAP, this debt is valued at par less amortised costs on the Company's balance sheet. However, the fair value of this debt reflects instead the market price that investors would be willing to buy it for, which differs from the book value on the balance sheet.

To the extent that a company's debt is publicly traded, the most recently available quoted offer price is typically used to value it. For private placement debt, the fair value is typically calculated using a discounted cash flow technique utilising inputs including interest rates obtained from comparable loans on the market.

The calculation of the Company's NAV per share with debt at fair value is set out in the table on page 36.

* Alternative Performance Measure

Net asset value and share price return (with dividends reinvested)*

Performance statistics enable the investor to make performance comparisons between investment trusts with different dividend policies. The performance measures the combined effect of any dividends paid together with the rise or fall in the share price or NAV. This is calculated by the movement in the share price or NAV plus the dividends paid by the Company assuming these are reinvested in the Company at the prevailing NAV/share price (please see the performance record on page 4 for the inputs to the calculations which are set out in the tables below).

NAV total return (Debt at par value)	Page	Six months to 31 August 2023 (unaudited)	Six months to 31 August 2022 (unaudited)	Year ended 28 February 2023 (audited)	
Closing NAV per share (pence)	22	1,407.04	1,536.94	1,553.41	
Add back interim and final dividends (pence)	16	25.50	22.00	36.50	
Effect of dividend reinvestment (pence)		(0.93)	(1.47)	(0.75)	
Adjusted closing NAV (pence)		1,431.61	1,557.47	1,589.16	(a)
Opening NAV per share (pence)	22	1,553.41	1,878.11	1,878.11	(b)
NAV total return (c = ((a - b)/b)) (%)		(7.8)	(17.1)	(15.4)	(c)

NAV total return (Debt at fair value)	Page	Six months to 31 August 2023 (unaudited)	Six months to 31 August 2022 (unaudited)	Year ended 28 February 2023 (audited)	
Closing NAV per share (pence)	22	1,460.02	1,572.01	1,601.42	
Add back interim and final dividends (pence)	16	25.50	22.00	36.50	
Effect of dividend reinvestment (pence)		(0.85)	(1.13)	(0.17)	
Adjusted closing NAV (pence)		1,484.67	1,592.88	1,637.75	(a)
Opening NAV per share (pence)	22	1,601.42	1,882.38	1,882.38	(b)
NAV total return (c = ((a - b)/b)) (%)		(7.3)	(15.4)	(13.0)	(c)

Share price total return	Page	Six months to 31 August 2023 (unaudited)	Six months to 31 August 2022 (unaudited)	Year ended 28 February 2023 (audited)	
Closing share price (pence)	22	1,268.00	1,344.00	1,380.00	
Add back interim and final dividends (pence)	16	25.50	22.00	36.50	
Effect of dividend reinvestment (pence)		(0.86)	(0.54)	0.48	
Adjusted closing share price (pence)		1,292.64	1,365.46	1,416.98	(a)
Opening share price (pence)	22	1,380.00	1,684.00	1,684.00	(b)
Share price total return (c = ((a - b)/b)) (%)		(6.3)	(18.9)	(15.9)	(c)

* Alternative Performance Measure

Glossary

continued

Net asset value per share with debt at fair value

The net asset value per share adjusted to include the debt at fair value rather than at par value is as follows:

	As at 31 August 2023		As at 31 August 2022		As at 28 February 2023	
	NAV ¹ per share (pence)	Shareholders' funds £'000	NAV ¹ per share (pence)	Shareholders' funds £'000	NAV ¹ per share (pence)	Shareholders' funds £'000
Net asset value (debt at par value)	1,407.04	683,573	1,536.94	750,485	1,553.41	758,529
Add back: 2.74% loan note 2037 - debt at par	51.07	24,811	50.78	24,797	50.80	24,804
Add back: 2.41% loan note 2044 - debt at par	40.88	19,864	40.67	19,857	40.67	19,860
Add back: 2.47% loan note 2046 - debt at par	51.14	24,844	50.86	24,837	50.87	24,840
Less: 2.74% loan note 2037 - debt at fair value	(37.17)	(18,060)	(42.39)	(20,700)	(38.51)	(18,805)
Less: 2.41% loan note 2044 - debt at fair value	(24.41)	(11,860)	(29.79)	(14,548)	(25.72)	(12,560)
Less: 2.47% loan note 2046 - debt at fair value	(28.53)	(13,860)	(35.06)	(17,120)	(30.10)	(14,698)
Net asset value (debt at fair value)	1,460.02	709,312	1,572.01	767,608	1,601.42	781,970

¹ Based on 48,582,292 ordinary shares in issue as at 31 August 2023 (31 August 2022: 48,829,792; 28 February 2023: 48,829,792).

Ongoing charges ratio*

$$\text{Ongoing charges (\%)} = \frac{\text{Annualised ongoing charges for the year}}{\text{Average net asset value (debt at par) in the period}}$$

Ongoing charges are those expenses of a type which are likely to recur in the foreseeable future, whether charged to capital or revenue, and which relate to the operation of the investment company as a collective fund. Ongoing charges are based on costs incurred in the year as being the best estimate of future costs and include the annual management charge.

As recommended by the AIC in its guidance, ongoing charges are the Company's annualised revenue and capital expenses (excluding finance costs, direct transaction costs, custody transaction charges, VAT recovered, taxation, prior year expenses written back and certain non-recurring items) expressed as a percentage of the average daily net assets (debt at par value) of the Company during the year.

The inputs that have been used to calculate the ongoing charges percentage are set out in the following table:

		28 February 2023 £'000 (audited)	28 February 2022 £'000 (audited)	
Ongoing charges calculation	Page			
Management fee	20	4,784	6,285	
Other operating expenses ¹	20	839	746	
Total management fee and other operating expenses		5,623	7,031	(a)
Average daily net assets in the year		780,220	1,015,584	(b)
Ongoing charges (c = a/b) (%)		0.7	0.7	(c)

¹ Excludes prior year expenses written back in the year ended 28 February 2023 of £7,000 (year ended 28 February 2022: £nil).

* Alternative Performance Measure

Quoted and unquoted securities

Quoted securities are securities that trade on an exchange and therefore there is a publicly quoted price. Unquoted securities are securities that do not trade on an exchange and therefore there is not a publicly quoted price.

Revenue return and revenue reserves

Revenue return represents the net revenue income earned after deduction of fees and expenses allocated to the revenue account and taxation suffered by the Company. Revenue reserves is the undistributed income that the Company keeps as reserves. Investment trusts do not have to distribute all the income they generate, after expenses. They may retain up to 15% of revenue generated each year which will be held in a revenue reserve. This reserve can be used at a later date to supplement dividend payments to shareholders.

Treasury shares

Treasury shares are shares that a company keeps in its own treasury which are not currently issued to the public. These shares do not pay dividends, have no voting rights and are not included in a company's total issued share capital amount for calculating percentage ownership. Treasury shares may have come from a repurchase or buy back from shareholders, or it may never have been issued to the public in the first place. Treasury shares may be reissued from treasury to the public to meet demand for a company's shares in certain circumstances.

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	31 August 2023	31 August 2022	28 February 2023	
Interim and final dividends paid/payable (pence) ¹	21	40.50	36.50	40.00	(a)
Ordinary share price (pence)		1,268.00	1,344.00	1,380.00	(b)
Yield (c = a/b) (%)		3.2	2.7	2.9	(c)

¹ Comprising dividends declared/paid for the twelve months to 31 August 2023, 31 August 2022 and 28 February 2023 respectively.

* Alternative Performance Measure

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

Printed by Park Communications on FSC® certified paper.

Park works to the EMAS standard and its Environmental Management System is certified to ISO 14001.

This publication has been manufactured using 100% offshore wind electricity sourced from UK wind.

100% of the inks used are vegetable oil based, 95% of press chemicals are recycled for further use and, on average 99% of any waste associated with this production will be recycled and the remaining 1% used to generate energy.

This document is printed on paper made of material from well-managed FSC®-certified forests and other controlled sources.



