BlackRock Smaller Companies Trust plc

Half Yearly Financial Report
31 August 2012

BLACKROCK®

BlackRock Smaller Companies Trust plc

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

aic
The Association of Investment Companies

A MEMBER OF THE ASSOCIATION OF INVESTMENT COMPANIES

Details about the Company are available on the BlackRock Investment Management (UK) Limited website at www.blackrock.co.uk/brsc

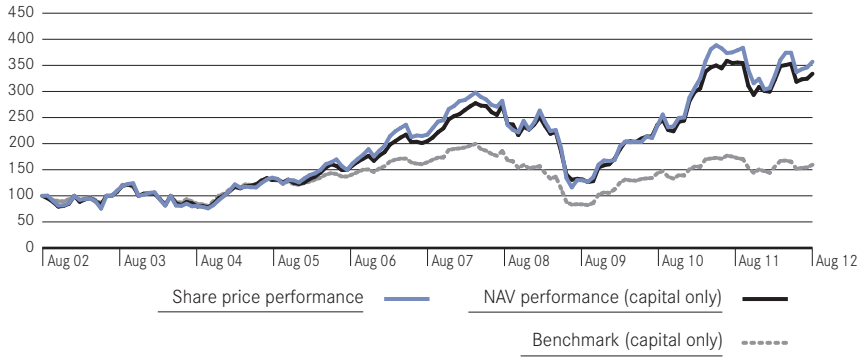
Performance Record

Financial Highlights

	Six months ended 31 August 2012	Six months ended 31 August 2011	Year ended 29 February 2012
Performance			
Net asset value per share*	**592.35p**	551.65p	619.75p
Net asset value per share (capital only)*	**586.05p**	545.73p	612.02p
Movement in net asset value per share	**-4.4%**	-11.1%	-0.2%
Movement in net asset value per share (capital only)	**-4.2%**	-11.1%	-0.3%
Movement in Numis Smaller Companies plus AIM (ex Investment Companies) Index	**-4.4%**	-10.9%	-3.4%
Share price per share	**498.00p**	476.00p	503.00p
Movement in share price	**-1.0%**	-12.2%	-7.2%
Revenue return per share	**6.30p**	5.92p	10.16p
Dividend per share	**3.50p**	2.42p	8.40p
Change in dividend	**+44.6%**	+10.0%	+20.0%
Ongoing charges (including performance fees)‡	**0.9%****	1.0%***	1.0%***
Ongoing charges (excluding performance fees)†	**0.7%****	0.7%***	0.7%***

* Debenture at par value.
** Approximate based on forecast costs for the full year and average assets to 31 August 2012.
*** Total expense ratio for the year ended 29 February 2012.
‡ Ongoing charges ratio calculated as a percentage of average net assets and using operating expenses, including performance fees and taxation, excluding finance costs.
† Ongoing charges ratio calculated as a percentage of average net assets and using operating expenses (excluding performance fees, finance costs and taxation).
Sources: BlackRock and Datastream.

Performance from 1 August 2002 to 31 August 2012



Sources: BlackRock and Datastream.
Share price and NAV, rebased to 100.
Benchmark – FTSE SmallCap Index excluding Investment Companies prior to 31 August 2007 and Numis Smaller Companies plus AIM (excluding Investment Companies) Index (formerly Hoare Govett Smaller Companies plus AIM (excluding Investment Companies) Index) from 1 September 2007, rebased to 100.

Chairman's Statement

Overview

This is my first half yearly report to you as Chairman, covering the six months ended 31 August 2012. During this period the Company's net asset value (NAV) per share closed down by 4.4%, in line with the Company's benchmark index, the Numis Smaller Companies plus AIM (excluding Investment Companies) Index; the share price was down by 1.0%. (All percentages in Sterling terms without income reinvested.) I believe this is a reasonably satisfactory outcome given that the Company's portfolio is weighted in favour of genuinely small companies. Whilst such companies tend to underperform in periods of particular uncertainty, we believe their prospects for growth are superior in the medium to long term.

Since the end of August, the Company's NAV has increased by 6.6% and the share price by 6.2%, compared with a rise in the benchmark of 5.5% (all calculated without income reinvested).

Revenue return and dividends

The Company's revenue return per share for the six months to 31 August 2012 amounted to 6.30p per share compared with 5.92p per share for the corresponding period in the previous year, a rise of 6.4%. We announced in our last Annual Report that we intended to increase this year's interim dividend disproportionately in order to move closer to a 40:60 split between the interim and final dividends. Accordingly, the Board is pleased to declare an interim dividend of 3.50p per share (2011: 2.42p per share) which will be paid on 7 December 2012 to shareholders on the Company's register on 9 November 2012. In the absence of unforseen circumstances, your Board hopes to pay out dividends totalling 9.50p per share for the year ending 28 February 2013 (year ended 29 February 2012: total dividends paid 8.40p per share).

Gearing

During the period, the Board negotiated a three year £15 million multicurrency revolving facility with Scotia (Ireland) Limited in order to be less dependent on short term borrowings. This financing is in addition to the Company's existing £15 million debenture and a £20 million uncommitted overdraft facility.

Gearing levels are reviewed regularly by the Board and will depend on prevailing market conditions. However, it is intended that gearing will not exceed 15% of the gross assets of the Company at the time of the drawdown of the relevant borrowings. At 31 August 2012, the Company's gearing was 8.5% of gross assets and 9.4% of shareholders' funds, a rise of 1.4% and 1.7% respectively since the start of the period.

Chairman's Statement continued

Discount

The Board closely monitors the level of discount at which the Company's shares trade compared with NAV. During the period, the discount has narrowed and at the end of the six months stood at 15.9%.

Board changes

Following the Annual General Meeting in June 2012, Richard Brewster stepped down as Chairman and a non-executive Director after serving for more than fourteen years. I would like to thank Richard for his outstanding contribution to the Company. We wish him every happiness and success in the future.

We are very pleased to have welcomed Michael Peacock to the Board with effect from 1 July 2012. Michael is a chartered accountant and has become Chairman of the Company's Audit Committee. He has extensive experience of smaller companies and is currently a non-executive director of Regenersis PLC; he was group finance director at Victrex plc until his retirement in October 2010.

Outlook

The momentum behind the global economic recovery weakened over the summer. This in turn prompted further policy initiatives from the major central banks which tended to have a beneficial effect on equity markets. Significant problems remain unresolved, however, and are likely periodically to reassert a negative impact on markets. Our Investment Manager remains focused on well managed, well financed companies; we remain encouraged by the resilience with which many of the UK smaller companies in our portfolio are adapting to the current challenging environment. As confidence in the smaller companies sector rebuilds, we expect to see better returns from your Company's portfolio over the next few years.

Nicholas Fry
26 October 2012

Interim Management Report and Responsibility Statement

The Chairman's Statement and the Investment Manager's Report 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:

- Performance;
- Income/dividend;
- Regulatory;
- Operational;
- Market; and
- Financial.

The Board reported on the principal risks and uncertainties faced by the Company in the Annual Report and Financial Statements for the year ended 29 February 2012. A detailed explanation can be found in the Directors' Report on page 18 and in note 19 on pages 50 to 54 of the Annual Report and Financial Statements which are available on the website maintained by the Investment Manager, BlackRock Investment Management (UK) Limited, at www.blackrock.co.uk/brsc. In the view of the Board, there have not been any changes to the fundamental nature of these risks since the previous report and these principal risks and uncertainties as summarised are equally applicable to the remaining six months of the financial year as they were to the six months under review.

Going concern

The Directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future and is financially sound. For this reason, they continue to adopt the going concern basis in preparing the financial statements. The Company has a portfolio of investments which are considered to be readily realisable and is able to meet all of its liabilities from its assets and income generated from these assets.

Interim Management Report and Responsibility Statement continued

Related party disclosure

The Investment Manager is regarded as a related party and details of the management fees payable are set out in note 3 on page 20 and note 10 on page 24. The related party disclosure in respect of the Directors is set out in note 10.

Directors' responsibility statement

The Disclosure 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 that:

- the condensed set of financial statements contained within the half yearly financial report has been prepared in accordance with applicable UK Accounting Standards and the Accounting Standards Board's Statement 'Half Yearly Financial Reports'; and

- 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 FSA's Disclosure and Transparency Rules.

This half yearly financial report has been reviewed by the Company's auditor.

The half yearly financial report was approved by the Board on 26 October 2012 and the above responsibility statement was signed on its behalf by the Chairman.

Nicholas Fry
For and on behalf of the Board
26 October 2012

Investment Manager's Report

Six months ended 31 August 2012

Market review and overall investment performance

Stock markets remained volatile during the first half of the financial year. Optimism in the early part of the calendar year was replaced by renewed nervousness that southern European countries would not be able to service their debts. Investors also had concerns about the slowing of the Chinese economy and tensions in the Middle East. These uncertainties took their toll on stock markets which fell heavily in May. Unsurprisingly, smaller, less liquid stocks were hit hardest as sellers found it difficult to find buyers. We have generally aimed to hold about 20% of the portfolio in companies with high potential capitalised up to £100 million; share prices in these companies generally underperformed.

Over the period the Company's NAV per share fell by 4.4% to 592.35p and the benchmark also fell by 4.4% (both calculated in Sterling terms without income reinvested). By comparison, the FTSE 100 Index fell by 2.7%.

Performance review

Stock selection was positive, but sector allocation and gearing both detracted slightly from relative performance.

Looking at stock selection, the most significant positive contributors to relative performance included a number of our core holdings, notably Oxford Instruments, Elementis, Howden Joinery, Consort Medical and Booker. These companies are very well run, have all continued to trade well, and should continue to do so. Interestingly, both Howden Joinery and Booker derive almost all their profits from the UK.

On the negative side, the largest detractors from relative performance were our holdings in Hargreaves Services, Yule Catto and Avocet Mining. Hargreaves Services announced that they had encountered problems driving out a new face at the underground coal mine at Maltby. Sadly, the risks inherent in deep mining cannot be totally mitigated.

Yule Catto indicated that it was seeing an increased supply of nitrile polymers from competitors and at reduced prices. Nitrile polymers are used mainly to coat disposable synthetic rubber gloves used in surgical, clean room, food handling and other applications. After some destocking, demand is expected to resume its historic growth which benefits from a structural shift away from natural rubber. We see value in the stock but profits from nitrile polymers are going to take a while to recover.

Investment Manager's Report continued

Six months ended 31 August 2012

Avocet Mining announced that their Inata gold mine had experienced what they believe will be temporarily lower grades and reduced production guidance; cash costs are higher than expected. Avocet remains profitable, has net cash and its shares now trade well below estimated net asset value.

We have slightly reduced our holdings in these companies but believe they have medium term attractions and are now lowly valued.

Activity

New holdings included Devro, Young & Co's Brewery and Coastal Energy. Devro is the world's leading supplier of collagen casings for food, used by customers mainly in the production of a wide variety of sausages. Global protein consumption is expected to continue to increase especially in emerging markets. Young & Co's Brewery own a high quality estate of predominantly London pubs, aimed mainly at the premium end of the market. Coastal Energy is an international oil and gas exploration and production company with assets in Thailand; oil production exceeds 20,000 bopd and has been growing strongly.

Bid activity in our portfolio has again been a feature with bids for WSP and Nautical Petroleum, although neither were large holdings.

Sector allocation was only marginally negative. It is worth noting that during the period we held on average 16% of the portfolio in oil and mining shares, roughly a benchmark weighting. These sectors were very weak during the period and in aggregate led to a 3.5% fall in our NAV per share. However, given our neutral sector weighting, they had no impact on relative performance. These are high beta sectors and our strategy has been to maintain a roughly neutral weighting; in this period our strategy has negatively impacted absolute performance but in the past this has worked well.

Gearing was maintained in the 9% to 10% range and this had a slightly negative impact on relative performance.

Portfolio positioning

We have sought to take a fairly defensive stance over the last six months given the uncertain global economic backdrop. We have maintained exposure to high quality, well managed and well financed companies. However, we have reduced exposure to some holdings that are more capital spending orientated and thus exposed to delayed decision making in uncertain times. We have increased exposure to more defensive growth companies such as Devro, Young & Co's Brewery and Coastal Energy.

Our high exposure to both sub £100 million market cap, AIM and resources companies has been unhelpful during the six month period. However, we believe that many of these holdings are in very interesting growth companies and have the potential to perform strongly in more confident markets; they are, however, unlikely to start to perform well in the early stages of recovery.

Although we have felt more cautious we have retained our gearing. This reflects our view that many of the problems that are regularly aired are macro-economic and that our holdings are typically able to benefit in such times at the expense of less well run, less well financed competitors. It remains the case that many of our holdings have net cash and few have significant net debt.

Outlook

Markets are likely to remain uncertain until reliable resolutions have been found to the problems of the Eurozone. The recent announcements by the European Central Bank seem much more encouraging and could help rebuild the confidence of financial markets and encourage companies to push forward with investment plans.

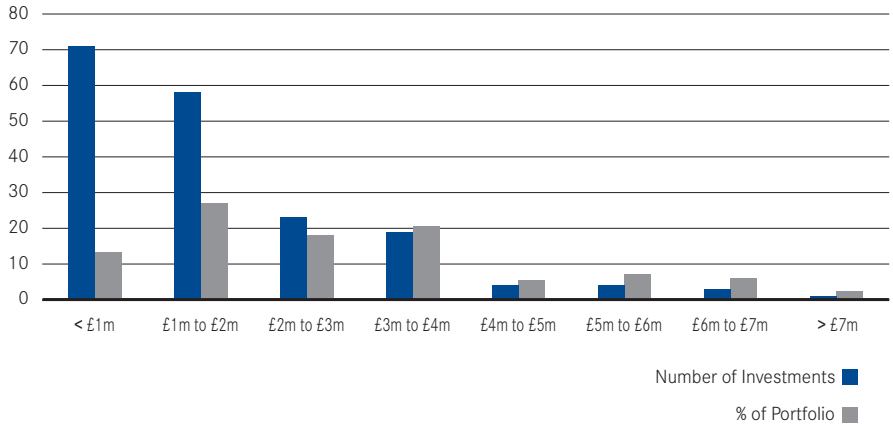
We expect good buying opportunities to continue to arise for those with a medium term perspective; we take such a medium term perspective. Over the very long term, and over most medium term timescales, shares in smaller companies have significantly outperformed their larger counterparts. As confidence rebuilds, we expect the share prices of good quality smaller companies to start to perform well.

We continue to believe that equities look very attractive relative to most government bonds. UK equities offer exposure far beyond the UK's shores and can give excellent exposure to so many growth economies and companies, and companies which are also required to adhere to good corporate governance standards. Smaller companies offer much greater growth prospects than most large companies and our portfolio contains a good mix of proven leading small and mid-caps, together with exposure to some potentially exciting micro-caps. We expect better returns over the next few years.

Mike Prentis
BlackRock Investment Management (UK) Limited
26 October 2012

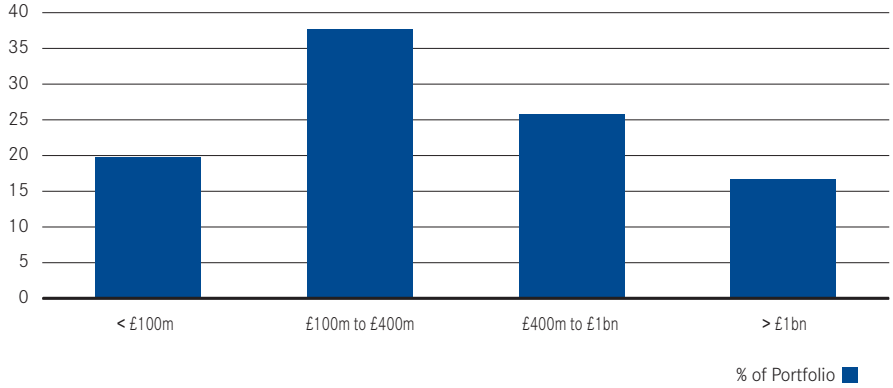
Investment Exposure

Investment Size as at 31 August 2012



Source: BlackRock.

Market Capitalisation as at 31 August 2012



Source: BlackRock.

Twenty Largest Holdings

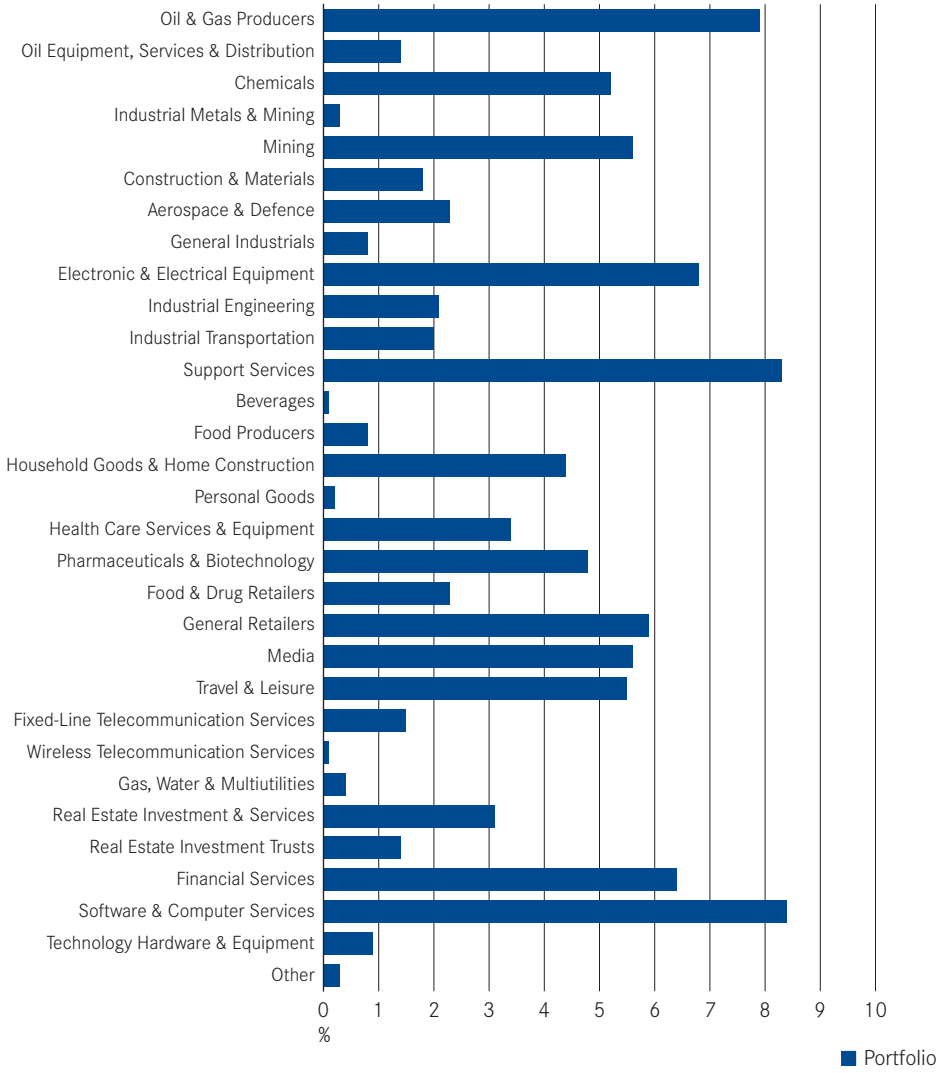
as at 31 August 2012

Company	Market value £'000	% of investments	Business activity
Oxford Instruments	7,649	2.4	Design and manufacture of tools and systems to analyse and manipulate matter at the atomic level
Bellway	6,531	2.1	House building
Aveva Group	6,528	2.1	Development and marketing of engineering computer software
Senior	6,080	1.9	Manufacture and supply of components for the aerospace and automotive sectors
Ashtead Group	5,869	1.9	Hire of plant, predominantly in the US
Howden Joinery Group	5,477	1.8	Design and manufacture of kitchens sold to local builders
Booker Group	5,435	1.7	Wholesale of grocery products
Victrex	5,103	1.6	Manufacture and supply of PEEK thermoplastic products
ITE Group	4,730	1.5	Organisation of trade exhibitions mainly in Russia and other high growth countries
Elementis	4,312	1.4	Manufacture of additives that enhance the feel, flow and finish of everyday products
Fidessa group	4,174	1.3	Development and marketing of financial trading and connectivity software
Galliford Try	4,117	1.3	House building and construction
Consort Medical	3,980	1.3	Manufacture of drug delivery devices
City of London Investment Group	3,944	1.3	Management of investment funds primarily invested in emerging markets
Workspace Group	3,759	1.2	Supply of flexible workspace to businesses in London
Restaurant Group	3,730	1.2	Operation of branded restaurants
St Modwen Properties	3,646	1.2	Property investment and development
Dunelm	3,609	1.2	Retail of home furnishings
Inchcape	3,590	1.1	Distribution and retail of cars and aftermarket services
Paypoint	3,439	1.1	Provision of payment solutions
Total of 20 largest investments	95,702	30.6	
Remaining investments	216,797	69.4	
Total	**312,499**	**100.0**	

Distribution of Investments

as at 31 August 2012

Analysis of portfolio value by sector



Source: BlackRock.

Income Statement

for the six months ended 31 August 2012

	Notes	Revenue £'000			Capital £'000			Total £'000		
		Six months ended		Year ended	Six months ended		Year ended	Six months ended		Year ended
		31.08.12 (unaudited)	31.08.11 (unaudited)	29.02.12 (audited)	**31.08.12 (unaudited)**	31.08.11 (unaudited)	29.02.12 (audited)	**31.08.12 (unaudited)**	31.08.11 (unaudited)	29.02.12 (audited)
(Losses)/gains on investments held at fair value through profit or loss	2	**–**	–	–	**(11,608)**	(31,749)	1,039	**(11,608)**	(31,749)	1,039
Income from investments held at fair value through profit or loss	2	**3,587**	3,405	5,948	**–**	–	–	**3,587**	3,405	5,948
Other income	2	**8**	2	3	**–**	–	–	**8**	2	3
Investment management and performance fees	3	**(191)**	(195)	(384)	**(1,103)**	(1,326)	(1,932)	**(1,294)**	(1,521)	(2,316)
Other operating expenses		**(204)**	(197)	(372)	**–**	–	–	**(204)**	(197)	(372)
Net return/(loss) before finance costs and taxation		**3,200**	3,015	5,195	**(12,711)**	(33,075)	(893)	**(9,511)**	(30,060)	4,302
Finance costs		**(185)**	(178)	(329)	**(558)**	(534)	(984)	**(743)**	(712)	(1,313)
Return/(loss) on ordinary activities before taxation		**3,015**	2,837	4,866	**(13,269)**	(33,609)	(1,877)	**(10,254)**	(30,772)	2,989
Taxation on ordinary activities		**–**	(2)	(1)	**–**	–	–	**–**	(2)	(1)
Return/(loss) on ordinary activities after taxation		**3,015**	2,835	4,865	**(13,269)**	(33,609)	(1,877)	**(10,254)**	(30,774)	2,988
Return/(loss) per ordinary share	4	**6.30p**	5.92p	10.16p	**(27.72p)**	(70.19p)	(3.92p)	**(21.42p)**	(64.27p)	6.24p

The total column of this statement represents the Income Statement of the Company. The supplementary revenue and capital columns are both prepared under guidance published by the Association of Investment Companies (AIC). The Company has no recognised gains or losses other than those disclosed in the Income Statement and the Reconciliation of Movements in Shareholders' Funds. All items in the above statement derive from continuing operations. No operations were acquired or discontinued during the period.

Reconciliation of Movements in Shareholders' Funds

for the six months ended 31 August 2012

	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 2012 (unaudited)						
At 29 February 2012	12,498	38,952	1,982	233,770	9,531	296,733
Net (loss)/return for the period	–	–	–	(13,269)	3,015	(10,254)
Dividends paid (a)	–	–	–	–	(2,863)	(2,863)
At 31 August 2012	12,498	38,952	1,982	220,501	9,683	283,616
For the six months ended 31 August 2011 (unaudited)						
At 28 February 2011	12,498	38,952	1,982	235,647	8,123	297,202
Net (loss)/return for the period	–	–	–	(33,609)	2,835	(30,774)
Dividends paid (b)	–	–	–	–	(2,298)	(2,298)
At 31 August 2011	12,498	38,952	1,982	202,038	8,660	264,130
For the year ended 29 February 2012 (audited)						
At 28 February 2011	12,498	38,952	1,982	235,647	8,123	297,202
Net (loss)/return for the year	–	–	–	(1,877)	4,865	2,988
Dividends paid (c)	–	–	–	–	(3,457)	(3,457)
At 29 February 2012	12,498	38,952	1,982	233,770	9,531	296,733

(a) Final dividend of 5.98p per share for the year ended 29 February 2012, declared on 26 April 2012 and paid on 4 July 2012.
(b) Final dividend of 4.80p per share for the year ended 28 February 2011, declared on 14 April 2011 and paid on 21 June 2011.
(c) Final dividend of 4.80p per share for the year ended 28 February 2011, declared on 14 April 2011 and paid on 21 June 2011 and interim dividend of 2.42p per share for the six months ended 31 August 2011, declared on 20 October 2011 and paid on 2 December 2011.

Balance Sheet

as at 31 August 2012

	Notes	**31 August 2012 (unaudited) £'000**	31 August 2011 (unaudited) £'000	29 February 2012 (audited) £'000
Fixed assets				
Investments held at fair value through profit or loss		**312,499**	284,932	321,270
Current assets				
Debtors		**525**	3,898	2,183
Creditors – amounts falling due within one year				
Bank overdraft		**(1,043)**	(6,516)	(7,934)
Other creditors		**(3,009)**	(3,343)	(3,937)
Net current liabilities		**(3,527)**	(5,961)	(9,688)
Total assets less current liabilities		**308,972**	278,971	311,582
Creditors – amounts falling due after more than one year	6	**(25,356)**	(14,841)	(14,849)
Net assets		**283,616**	264,130	296,733
Capital and reserves				
Called-up share capital	7	**12,498**	12,498	12,498
Share premium account		**38,952**	38,952	38,952
Capital redemption reserve		**1,982**	1,982	1,982
Capital reserves		**220,501**	202,038	233,770
Revenue reserve		**9,683**	8,660	9,531
Total equity shareholders' funds	4	**283,616**	264,130	296,733
Net asset value per ordinary share (debt at par value)	4	**592.35p**	551.65p	619.75p
Net asset value per ordinary share (debt at fair value)	4	**588.16p**	547.43p	615.55p

Cash Flow Statement

for the six months ended 31 August 2012

	Note	**Six months ended 31 August 2012 (unaudited) £'000**	Six months ended 31 August 2011 (unaudited) £'000	Year ended 29 February 2012 (audited) £'000
Net cash inflow from operating activities		**2,095**	1,331	3,617
Servicing of finance		**(722)**	(674)	(1,286)
Taxation				
Tax received		**20**	7	14
Overseas withholding tax paid		**–**	–	(5)
Capital expenditure and financial investment				
Purchases of investments		**(59,291)**	(76,492)	(140,086)
Proceeds from sales of investments		**57,152**	85,415	147,074
Net cash (outflow)/inflow from capital expenditure and financial investment		**(2,139)**	8,923	6,988
Financing activities				
Equity dividends paid		**(2,863)**	(2,298)	(3,457)
Inflow from drawdown of revolving facility		**10,500**	–	–
Net cash inflow/(outflow) from financing		**7,637**	(2,298)	(3,457)
Increase in cash in the period	8	**6,891**	7,289	5,871

Reconciliation of Net Return before Finance Costs and Taxation to Net Cash Flow from Operating Activities

	Six months ended 31 August 2012 (unaudited) £'000	Six months ended 31 August 2011 (unaudited) £'000	Year ended 29 February 2012 (audited) £'000
Net (loss)/return before finance costs and taxation	**(9,511)**	(30,060)	4,302
Add: capital loss before finance costs and taxation	**12,711**	33,075	893
Net revenue return before finance costs and taxation	**3,200**	3,015	5,195
Investment management and performance fees charged to capital	**(1,103)**	(1,326)	(1,932)
Increase in accrued income	**(196)**	(346)	(60)
Increase/(decrease) in creditors	**194**	(12)	414
Net cash inflow from operating activities	**2,095**	1,331	3,617

Notes to the Financial Statements

1. Principal activity and basis of preparation

The Company conducts its business so as to qualify as an investment trust company within the meaning of sub-sections 1158 – 1165 of the Corporation Tax Act 2010. The half yearly financial statements have been prepared using the same accounting policies set out in the Company's financial statements for the year ended 29 February 2012.

Under FRS 26 "Financial Instruments: Recognition and Measurement" the Company has designated its assets and liabilities as being measured at "fair value through profit or loss". The fair value of the financial instruments is based on their quoted bid price or last traded price at the balance sheet date on the exchange on which the investment is quoted, without deduction for estimated future selling costs. Unquoted investments are valued by the Directors at fair value using International Private Equity and Venture Capital Valuation Guidelines. This policy applies to all current and non current asset investments of the Company. The taxation charge has been calculated by applying an estimate of the annual effective tax rate to any profit for the period.

The Company's financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" (SORP) revised in January 2009.

2. Income

	Six months ended 31 August 2012 (unaudited) £'000	Six months ended 31 August 2011 (unaudited) £'000	Year ended 29 February 2012 (audited) £'000
Investment income:			
UK listed dividends	**3,406**	3,221	5,657
Property income dividends	**54**	70	105
Overseas listed dividends	**127**	114	186
	3,587	3,405	5,948
Other income:			
Deposit interest	**–**	–	1
Underwriting commission	**8**	2	2
	8	2	3
Total	**3,595**	3,407	5,951

(Losses)/gains on investments held at fair value through profit or loss

	Six months ended 31 August 2012 (unaudited) £'000	Six months ended 31 August 2011 (unaudited) £'000	Year ended 29 February 2012 (audited) £'000
Realised gains on sales	**14,127**	16,502	30,191
Decrease in investment holding gains	**(25,735)**	(48,251)	(29,152)
	(11,608)	(31,749)	1,039

3. Investment management and performance fees

	Six months ended 31 August 2012 (unaudited)			Six months ended 31 August 2011 (unaudited)			Year ended 29 February 2012 (audited)		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	**191**	**575**	**766**	195	585	780	384	1,151	1,535
Performance fee	**–**	**528**	**528**	–	741	741	–	781	781
	191	**1,103**	**1,294**	195	1,326	1,521	384	1,932	2,316

The investment management fee is calculated based on 0.65% in respect of the first £50 million of the Company's total assets less current liabilities, reducing to 0.5% thereafter. A performance fee is payable at the rate of 10% of the annualised outperformance over the benchmark, the Numis Smaller Companies plus AIM (excluding Investment Companies) Index, in the two previous financial years, applied to the average of the total assets less current liabilities of the Company. The fee is payable annually in April and is capped at 0.25% of the average of the total assets less current liabilities.

Performance fees have been wholly allocated to capital reserves as the performance has been predominantly generated through capital returns of the investment portfolio. A performance fee of £528,000 has been accrued for the six month period to 31 August 2012 (six months ended 31 August 2011: £741,000 and year ended 29 February 2012: £781,000). This is based on outperformance of 1.7% against the benchmark resulting from an NAV return of -2.2% against the benchmark return of -3.9%. These percentage returns are the annualised performance from 28 February 2011 to 28 February 2013 using actual performance for the period 28 February 2011 to 31 August 2012 and assuming the performance is in line with the benchmark for the six months ended 28 February 2013.

4. Returns and net asset value per ordinary share

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

	Six months ended 31 August 2012 (unaudited)	Six months ended 31 August 2011 (unaudited)	Year ended 29 February 2012 (audited)
Net revenue return attributable to ordinary shareholders (£'000)	**3,015**	2,835	4,865
Net capital loss attributable to ordinary shareholders (£'000)	**(13,269)**	(33,609)	(1,877)
Total (loss)/return (£'000)	**(10,254)**	(30,774)	2,988
Equity shareholders' funds (£'000)	**283,616**	264,130	296,733
The actual and weighted number of ordinary shares in issue at the end of each period, on which the return and net asset value per ordinary share was calculated, was:	**47,879,792**	47,879,792	47,879,792
Revenue return per ordinary share	**6.30p**	5.92p	10.16p
Capital loss per ordinary share	**(27.72p)**	(70.19p)	(3.92p)
Total (loss)/return per ordinary share	**(21.42p)**	(64.27p)	6.24p
Net asset value per ordinary share (debt at par value)	**592.35p**	551.65p	619.75p
Net asset value per ordinary share (debt at fair value)	**588.16p**	547.43p	615.55p

5. Dividend

The Board has declared an interim dividend of 3.50p per share (2011: 2.42p per share), payable on 7 December 2012 to shareholders on the register as at 9 November 2012; the ex dividend date is 7 November 2012. The total cost of this dividend, based on 47,879,792 shares in issue at 26 October 2012, is £1,676,000 (2011: £1,159,000).

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

	Six months ended 31 August 2012 (unaudited) £'000	Six months ended 31 August 2011 (unaudited) £'000	Year ended 29 February 2012 (audited) £'000
Revolving facility	**10,500**	–	–
7.75% debenture stock 2022	**14,856**	14,841	14,849
	25,356	14,841	14,849

7. Called-up share capital

	Ordinary shares (number)	Treasury shares (number)	Total shares	Nominal value £'000
Allotted, issued and fully paid share capital comprised:				
Ordinary shares of 25p each				
At 1 March and 31 August 2012	47,879,792	2,113,731	49,993,523	12,498

8. Movement in net debt

	Six months ended 31 August 2012 (unaudited) £'000	Six months ended 31 August 2011 (unaudited) £'000	Year ended 29 February 2012 (audited) £'000
Reconciliation of net cash flow to movement in net debt			
Increase in cash in the period	**6,891**	7,289	5,871
Drawdown of revolving facility	**(10,500)**	–	–
Amortised debenture stock issue expenses	**(7)**	(7)	(15)
Movement in net (debt)/funds in the period	**(3,616)**	7,282	5,856
Opening net debt	**(22,783)**	(28,639)	(28,639)
Closing net debt	**(26,399)**	(21,357)	(22,783)

9. Publication of non statutory accounts

The financial information contained in this half yearly financial report does not constitute statutory accounts as defined in the Companies Act 2006. The financial information for the six months ended 31 August 2012 and 31 August 2011 has not been audited.

The information for the year ended 29 February 2012 has been extracted from the latest published audited financial statements which have been filed with the Registrar of Companies. The report of the auditor on those accounts contained no qualification or statement under sections 498(2) or 498(3) of the Companies Act 2006.

10. Related party disclosure

The related party transaction with BlackRock is set out on page 20. The fee due to the Investment Manager for the six months ended 31 August 2012 amounted to £1,294,000 (six months ended 31 August 2011: £1,521,000 and year ended 29 February 2012: £2,316,000). At the period end, £1,702,000 was outstanding in respect of investment management and performance fees (six months ended 31 August 2011: £1,108,000 and year ended 29 February 2012: £1,535,000).

The Board consists of five non-executive Directors, all of whom are considered to be independent by the Board. None of the Directors has a service contract with the Company. The Chairman receives an annual fee of £31,200, the Chairman of the Audit Committee receives an annual fee of £23,920, and each of the other Directors receives an annual fee of £20,800. Four members of the Board hold shares in the Company. Mr Fry holds 40,000 shares, Mrs Nott 11,500 shares, Mr Robertson 83,571 shares and Ms Burton 3,000 shares. Mr Peacock does not hold any shares in the Company.

11. Contingent liabilities

There were no contingent liabilities at 31 August 2012 (31 August 2011 and 29 February 2012: nil).

12. Annual results

The Board expects to announce the annual results for the year ended 28 February 2013, in late April 2013. Copies of the annual results announcement can be obtained from the Secretary on 020 7743 3000. The annual report should be available by the beginning of May 2013 with the Annual General Meeting being held in June 2013.

Independent Review Report

to BlackRock Smaller Companies Trust plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half yearly financial report for the six month period ended 31 August 2012 which comprises the Income Statement, Reconciliation of Movements in Shareholders' Funds, Balance Sheet, Cash Flow Statement, Reconciliation of Net Return before Finance Costs and Taxation to Net Cash Flow from Operating Activities, and the related notes 1 to 12. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half yearly financial report in accordance with the Listing Rules of the Financial Services Authority.

As disclosed in note 1, the annual financial statements of the Company are prepared in accordance with United Kingdom Generally Accepted Accounting Practice. The condensed set of financial statements included in this half yearly financial report has been prepared in accordance with the Accounting Standards Board Statement "Half Yearly Financial Reports".

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half yearly financial report based on our review.

Independent Review Report continued

to BlackRock Smaller Companies Trust plc

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half yearly financial report does not give a true and fair view of the financial position of the Company as at 31 August 2012, and of its financial performance and its cash flows for the six month period then ended, in accordance with the Accounting Standards Board Statement "Half Yearly Financial Reports" and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Scott-Moncrieff
Chartered Accountants
Edinburgh
26 October 2012

Directors, Management & Administration

Directors
Nicholas Fry (Chairman)
Caroline Burton
Gillian Nott (Senior Independent Director)
Michael Peacock (Chairman of the Audit Committee)
Robert Robertson

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BlackRock Investment Management (UK) Limited*
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London EC2N 2DL

Secretary and Administrator
BlackRock Investment Management (UK) Limited*
12 Throgmorton Avenue
London EC2N 2DL

Registrar
Computershare Investor Services PLC*
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Savings Plan and ISA Administrator
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Stockbrokers
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20 Castle Terrace
Edinburgh EH1 2EN

Custodian and Banker
The Bank of New York Mellon (International) Limited*
One Canada Square
London E14 5AL

Auditor
Scott-Moncrieff
Chartered Accountants
Exchange Place 3
Semple Street
Edinburgh EH3 8BL

* Authorised and regulated by the Financial Services Authority.

Shareholder Information

Contact information

General enquiries about the Company should be directed to the Secretary, BlackRock Investment Management (UK) Limited (BlackRock), on 020 7743 3000.

Enquiries about the Savings Plan and ISA should be directed to BlackRock on 0800 44 55 22.

Website

www.blackrock.co.uk/brsc

Main register holders of ordinary shares

Shareholders who wish to manage their shareholding online can do so using Investor Centre, Computershare's secure website www.investorcentre.co.uk. All you need is your Shareholder Reference Number (SRN) to access any of these features. Your SRN can be found on paper or electronic communications you have previously received from Computershare. Details of individual shareholdings and other information can be obtained from the website. Shareholders can also update bank details and download forms, including dividend mandates, stock transfer, dividend reinvestment and change of address forms. Alternatively, please contact the Registrar on 0870 707 1649.

Internet dealing is available via Investor Centre.

Internet Dealing – The fee for this service is 1% of the value of each sale or purchase of shares (subject to a minimum of £30). Stamp duty of 0.5% is payable on purchases.

Telephone Dealing – The fee for this service will be 1% of the value of the transaction (plus £35). Stamp duty of 0.5% is payable on purchases. To use this service please call 0870 703 0084 with your SRN to hand.

Savings Plan

The Company participates in the BlackRock Investment Trust Savings Plan, which facilitates both regular and monthly investments and occasional lump sum investments in the Company's ordinary shares. If you would like information on the Savings Plan you should call BlackRock free on 0800 44 55 22.

Stocks and shares Individual Savings Accounts (ISA)

ISAs are a tax-efficient method of investment and the Company's shares are eligible investments within the BlackRock Investment Trust stocks and shares ISA. Details are available from BlackRock free on 0800 44 55 22.

Financial calendar

End April 2013 – Announcement of results for year ended 28 February 2013

End June 2013 – Annual General Meeting

End October 2013 – Announcement of results for six months ended 31 August 2013

blackrock.co.uk/brsc

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