

# Final Results

## BlackRock Smaller Companies Trust plc

(Legal Entity Identifier: 549300MS535KC2WH4082)

Information disclosed in accordance with Article 5 Transparency Directive and DTR 4.1

Annual Report and Financial Statements 28 February 2026

### PERFORMANCE RECORD

	As at 28 February 2026	As at 28 February 2025	
Net asset value per ordinary share (debt at par value) (pence) <sup>1,4</sup>	1,516.70	1,403.45	
Net asset value per ordinary share (debt at fair value) (pence) <sup>1,4</sup>	1,579.08	1,463.44	
Ordinary share price (pence) <sup>1</sup>	1,402.00	1,270.00	
Deutsche Numis Smaller Companies plus AIM (excluding Investment Companies) Index <sup>2</sup>	19,578.62	16,108.27	
	=====	=====	
<b>Assets</b>			
Total assets less current liabilities (£'000)	673,413	684,322	
Equity shareholders' funds (£'000) <sup>3</sup>	603,842	614,779	
Ongoing charges ratio <sup>4,5</sup>	0.8%	0.8%	
Dividend yield <sup>4</sup>	3.2%	3.5%	
Gearing <sup>4</sup>	5.7%	13.3%	
	=====	=====	
	<b>For the year ended 28 February 2026</b>	<b>For the year ended 28 February 2025</b>	
<b>Performance (with dividends reinvested)</b>			
Net asset value per ordinary share (debt at par value) <sup>2,4</sup>	11.5%	-0.6%	
Net asset value per ordinary share (debt at fair value) <sup>2,4</sup>	11.2%	0.0%	
Ordinary share price <sup>2,4</sup>	14.2%	-1.4%	
Deutsche Numis Smaller Companies plus AIM (excluding Investment Companies) Index <sup>2,4</sup>	21.5%	6.2%	
	=====	=====	
	<b>For the year ended 28 February 2026</b>	<b>For the year ended 28 February 2025</b>	<b>Change %</b>
<b>Revenue and dividends</b>			
Revenue return per ordinary share	43.77p	42.53p	+2.9
First interim dividend per ordinary share	16.00p	15.50p	+3.2
Second interim dividend per ordinary share	28.50p	28.50p	—
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<b>Total dividends payable and paid</b>	44.50p	44.00p	+1.1
	=====	=====	=====

<sup>1</sup> Without dividends reinvested.

<sup>2</sup> Total return basis with dividends reinvested.

<sup>3</sup> The change in equity shareholders' funds represents the portfolio movements, shares repurchased into treasury and dividends paid during the year.

<sup>4</sup> Alternative Performance Measure, see Glossary contained within the Annual Report and Financial Statements. Full details setting out how calculations with dividends reinvested are performed are set out in the Glossary contained within the Annual Report and Financial Statements.

<sup>5</sup> 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

Every year is unique in various ways but this past year seems to have stretched that art to new highs as we have confronted global and national geopolitical disarray with its inevitable impact on stock markets and underlying investor thinking. Economic cloudiness has added to this sense of confusion, enhanced by a Government wedged into a set of policy options that grow narrower with each day's new crisis. As our portfolio manager says in his report, this is not a very easy or comfortable place from which to make predictions for the future or even present a cogent analysis of the recent past. What I do have however, is the opportunity to usher in a new era of opportunity for investors and that is a far more positive place to start.

I want to welcome both past investors and new ones who have so recently joined us as a result of the combination of BlackRock Smaller Companies Trust plc (BRSC) with BlackRock Throgmorton Trust plc (THRG). This may not have the same impact as war in the Middle East but it does reflect the often dramatic changes that have been taking place in the investment trust sector over the past two years. Whilst not all of those changes are good, it is fair to say that this combination will help us deliver better shareholder value as well as the prospect of improving returns and lower management costs. We are delighted to take up the challenge to deliver on these enhanced opportunities and look forward to engaging with our enlarged shareholder group as we work our way toward achieving the benefits that our new combination can bring. This report will focus most on last year's results but it's important to take some time to discuss our merger, its rationale and benefits so that everyone can share a common starting point as we look ahead in these uncertain times.

### Combination with BlackRock Throgmorton Trust plc

The combination with THRG effected by way of a scheme of reconstruction of THRG, was completed on 16 April 2026, following shareholders of both companies voting overwhelmingly in favour of the combination. This combination brings together two investment trust companies with similar objectives that have both been in existence for over sixty years. While each Trust has historically taken a somewhat different approach toward achieving those investment objectives, the Boards of both companies felt that a combination now would deliver better long-term results for all our shareholders. Key among these positive changes has been the chance to provide shareholders with the substantially increased economies of scale from our enlarged asset base. These benefits also include lower management charges from Blackrock along with an enhanced profile, greater liquidity in the Company's shares and operating cost efficiencies.

The transaction also brings together the best of BlackRock's Emerging Companies team, with Dan Whitestone joining Roland Arnold as co-manager on the portfolio, along with the resources of the entire team to identify exciting new investment ideas in the UK and abroad. This merger has been hard work, requiring a large and extended commitment of time and effort by the Blackrock team, our advisors and both Boards. On behalf of the BRSC Board, I would like to thank everyone involved for their energy, support and diligence in completing the Company's combination with THRG. Further details about the combination can be found in note 21 (contained within the Annual Report and Financial Statements), which details all the post balance sheet date events.

The financial information in this annual report is for the year ending 28 February 2026 and therefore excludes any impact from the combination with THRG. At the time of writing (at 12 May 2026), the net asset value of your enlarged Company is £886 million.

### Market overview

The global macroeconomic landscape continues to be marked by significant volatility, strong inflationary pressures, shifting monetary policies, and geopolitical tensions shaping economic outcomes. Navigating a clear pathway through these evolving global conditions remains challenging for your Company as it has for many others but it is worth noting that many of the UK smaller companies in our portfolio have continued to produce good results despite the challenging circumstances, underscoring their ability to manage through complicated periods and produce good financial results for shareholders. More information on individual stocks is given in the Investment Managers report below but it's important to underscore that our portfolio companies have shown resilience and management effectiveness despite an uncertain environment.

While starting only at the end of our financial year, events in the Middle East – especially disruptions at the Strait of Hormuz – have intensified and expanded uncertainty over a range of issues, especially energy pricing. The supply bottlenecks through the Strait of Hormuz have raised concerns around the world but most of all in Europe. Dramatic price fluctuations have been a daily challenge but availability of supply is an even more fundamental issue with airlines already cutting marginal flights to reduce fuel use. All of this is complicating the efforts of central banks to balance inflation and growth, contributing to instability in financial markets across the board. The UK has been no exception, with heightened risks of supply chain disruptions, inflationary spikes and also challenges in international trade and investment. This uncertainty has once again driven significant UK market outflows as investors take risk off the table, depressing share prices indiscriminately, regardless of stock fundamentals and leaving valuations at depressed levels. That has impacted our investment results as well.

### Performance

In the year under review, your Company's net asset value (NAV) per share rose by 11.2% on a total return basis with dividends re-invested (debt at fair value), lagging well behind our benchmark index return of 21.5%. Over the same period, our share price rose by 10.4%. During the same period, the FTSE AIM All-Share Index rose by 27.3%, the FTSE 250 Index rose by 21.0% and the FTSE 100 Index rose by 28.1%. The disparity between different index returns, while not altogether surprising, also shows some relevant changes in investor sentiment toward large versus smaller cap companies during a period of ongoing market uncertainty over future prospects. Those changes in investor attitude reflect some important trends that we have explored extensively and which have influenced some of the tactical and strategic shifts in our portfolio for the future.

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

The Company's longer-term performance is set out below. In addition, the chart below illustrates how long-term investors have had an opportunity to build up an attractive annual income from an investment in BRSC over time. Even if the initial dividend yield at the point of purchase may have been unremarkable, the strong underlying growth in dividends over the years has resulted in a competitive yield on cost when compared with equity income funds in general. To illustrate this investment and income success, the chart below shows that £1,000 invested in the Company on 28 February 2006 would have increased in value by 478% in NAV terms to 28 February 2026, whereas £1,000 invested in the UK open-ended income sector median would have increased by just 254%. The chart also demonstrates that while the yield on the Company's shares was much lower at the beginning of the period, over time the Company's dividend has grown at a much faster rate than open-ended UK income fund competitors.

Performance to 28 February 2026

1 Year  
change

3 Years  
change

5 Years  
change

10 Years  
change

15 Years  
change

	%	%	%	%	%
NAV per share <sup>1,2,3</sup>	11.2	7.2	0.5	99.9	242.7
Benchmark <sup>1,3,4</sup>	21.5	21.5	14.0	86.9	150.3
Share price <sup>1,3</sup>	14.2	11.7	-5.2	107.1	257.8

<sup>1</sup> Percentages in Sterling terms with dividends reinvested.

<sup>2</sup> NAV with debt at fair value.

<sup>3</sup> Alternative Performance Measure, see Glossary contained within the Annual Report and Financial Statements.

<sup>4</sup> Benchmark Index (the Deutsche Numis Smaller Companies plus AIM (excluding Investment Companies) Index).

## Returns and dividends

The Company's revenue return per share for the year increased by 2.9% to 43.77p per share (compared to 42.53p revenue return per share for the year to 28 February 2025). The increase was mainly attributable to an increase in special dividends, which amounted to 3.99p per share (28 February 2025: 1.71p per share). Regular dividend income from portfolio companies decreased by 18.0% compared to 2025 levels, reflective of the continuing trend in the UK equity market to prioritise share buybacks over dividends which is having an impact on overall dividend growth. Changing Government policies have often influenced these choices in the past and future trends are hard to predict. The fact that the Government wants to encourage individual investors may well lead to stronger dividend growth ahead and it is an area we monitor closely.

The Board is mindful of the importance of our dividend to shareholders. 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 (£537.4 million as at 28 February 2026, including revenue reserves of £18.0 million). To put this into context, the current level of annual dividend distribution based on dividends declared in the last twelve months up to the date of this report amounted to £17.8 million.

In the ordinary course of events, the Company would pay a final dividend in respect of the financial year ending 28 February 2026, subject to approval by Shareholders at the Company's 2026 Annual General Meeting, to be paid in June 2026.

However, given that THRG paid a final dividend in respect of its financial year ended 30 November 2025 as well as a pre-liquidation dividend ahead of implementation of the Combination, it would have been inequitable if THRG Shareholders rolling over into BRSC had received the Company's final dividend in addition to this. Accordingly, rather than declaring a final dividend as part of these annual results, the Company has declared a second interim dividend on 31 March 2026 of 28.50p per share, representing the amount that would otherwise have been declared as a final dividend paid to those Shareholders who were on the Register as at 10 April 2026. Total dividends payable and paid for the year ended 28 February 2026 of 44.50p per share reflects a 1.1% increase over the total dividends paid for 2025 of 44.00p per share.

## Dividend policy

In October 2025, the Company announced a revised dividend policy. This revised policy provides that, with effect from 1 March 2026, the Company will make quarterly dividend payments instead of our previous bi-annual dividend payments. In all other respects the Company's dividend policy will remain unchanged, and the Board will continue to focus on ensuring the sustainability of dividends and their future growth through investment in companies with strong balance sheets, solid management and sustainable business growth models. Under the revised policy, the Board's intention is to make three dividend payments in September, December and March each year, each equal to a quarter of the previous year's total dividend. We will then declare a final dividend for the full year (payable in June) reflecting the final amount required to ensure an appropriate level of full year dividend.

The first dividend to be paid to all shareholders following the Combination will be the first interim dividend for the current financial year (ending 28 February 2027), to be paid in September 2026. It is intended that this first interim dividend will be equal to 11.125p per share, equal to a quarter of the total dividends paid by BRSC in respect of the financial year ending 28 February 2026. While the Company's investment objective is centered around capital growth, the Board remains mindful of the importance of yield to shareholders and to potential investors. As a point of reference, the yield on the shares as at the end of the Company's last full financial year ended 28 February 2026 (based upon total dividends of 44.5 pence per share and a share price of 1,402 pence at the end of the financial year) was 3.2%. The Company has increased its annual dividend every year since 2003. The annualised increase in dividends paid across those 23 years equates to 10.7% and your Company has received the accolade of 'AIC Dividend Hero' for its consistent growth in dividends over that period.

## Management of share rating

The Board monitors the BRSC share rating closely. We recognise the importance to shareholders that the price of the Company's shares do not trade at a significant discount to the underlying NAV over sustained periods. Therefore, where deemed to be in shareholders' long-term interests, the Board will exercise its powers to issue shares or buy back shares with the objective of ensuring that an excessive premium or discount does not arise. During the past financial year, we faced persistent market volatility with discounts across the closed end funds sector becoming persistently wide. As a result of this sector-wide pressure, BRSC shares traded at a discount to NAV ranging from 10% to 13.5% over the year.

To address the challenge of persistent discounts the Board undertook an active buyback programme during the year, with a total of 3,992,000 ordinary shares repurchased at a total cost of £52.1 million to be held in treasury. All shares were bought back at a significant discount to NAV, delivering an uplift to the NAV per share of 1.2% for continuing shareholders for the year under review. The Board believes that its actions helped to minimise discount volatility. The Company's shares traded at an average discount to NAV (with debt at fair value) over the full year of 12.3%, compared to an average discount of 11.0% for the year to 28 February 2025. To put this in context, the average discount for companies in the AIC UK Smaller Companies sector for the same period was 11.4%. Since our buyback programme began 3 years ago on 3 March 2023, we have acquired a total of 9,062,000 ordinary shares repurchased at a cost of £119.9 million. We are committed to an ongoing discount control process and as outlined below, together with improving performance, we look for a narrowing discount ahead. For context, companies in the UK closed-end fund sector bought back a record £10.2 billion of shares in 2025.

## Tender and discount control mechanism

While the Board regards the Company's share rating at any particular time as primarily a reflection of sentiment towards the sector alongside portfolio performance, both in absolute terms and relative to the peer group, it recognises that there are a number of other factors which can have a material impact on driving demand for the Company's shares. Consequently as part of

the Combination with THRG, the Board offered BRSC shareholders a tender opportunity for up to 28% of our issued share capital. The results of the tender were announced on 13 April 2026, with the tender oversubscribed and a total of 18,893,897 shares tendered (47.46% of the Company's issued share capital). Accordingly, the tender was scaled back, and 11,147,581 shares will be repurchased in due course representing 28% of the Company's issued share capital. It is currently envisaged that realisation of the assets held in the Tender Pool which has been established for the purposes of the Tender Offer will be completed in or around the week commencing 29 June 2026, with the final Tender Price and payment date to be announced by the Company shortly thereafter.

In addition to the tender offer, and as part of the Combination proposals, the Board has introduced a number of features which are designed to enhance the attraction of our Company in a number of important ways.

- We have refreshed our investment proposition with additional flexibility to diversify risk and enhance returns;
- Negotiated a new highly competitive management fee structure leading to a reduced estimated OCR for the ongoing vehicle;
- Created a formal discount control mechanism with the introduction of a triennial 100% performance-related conditional tender offer to be made available to all Shareholders. The Company will offer shareholders the ability to tender up to 100% of their shares at a 4% discount to NAV (less costs) if the Company's NAV per share underperforms its Benchmark, the Deutsche Numis Smaller Companies plus AIM (excluding Investment Companies) Index, over the relevant performance period. It is expected that the first such tender offer, were it to be triggered, would be in 2029.

The Board believes that the introduction of these initiatives, coupled with a continuation of our proactive share buyback policy, will make a sustained single-digit discount achievable for the Company in normal market conditions.

### **Investment policy changes**

As part of the Combination with THRG, the Board proposed a number of amendments to the Company's investment policy which were approved by shareholders at the General Meeting on 30 March 2026. Under the revised investment policy, the Investment Manager will continue to seek to achieve the Company's investment objective through investing predominantly in listed UK smaller companies, but will have additional latitude to invest in small cap stocks outside of the Benchmark Index and will be able to invest up to 15% of the Company's gross assets, at the time of acquisition, in global small cap stocks which are listed overseas and which do not have a primary or secondary UK listing.

The rationale for this change, as well as responding to shareholder feedback, was to provide additional flexibility for the Investment Manager to diversify risk and deliver alpha at times when the UK small cap market was under stress, while retaining a core UK small cap mandate. The additional exposure to global small cap also mirrored the limit previously adopted by the THRG. More information on the revised policy is set out in the Strategic Report below (and contained within the Annual Report and Financial Statements).

### **Management fees**

As part of the above Combination, the Board agreed revised management fee arrangements with BlackRock, moving to charge a fee on net assets instead of total assets less current liabilities and introducing a new tiered rate as follows:

- 0.5% per annum on the first £500 million of the Company's NAV;
- 0.475% per annum NAV between £500 million and £750 million; and
- 0.45% per annum on NAV in excess of £750 million.

The revised fee structure was implemented with effect from 16 April 2026. In addition to the revised fee, BlackRock has agreed to waive the management fee for six months with effect from 16 April 2026 as a contribution to the costs of the transaction.

The new fee arrangements combined with the larger asset base post Combination should result in a significant reduction in the Company's operating charges ratio, which is estimated to fall to 0.63% on an annualised basis (versus 0.8% last year). The fee also represents the lowest fee in the AIC UK Smaller Companies sector for trusts without a performance fee in place.

### **Board composition**

Having just completed a long and complicated merger process it is important to retain and integrate the corporate memory available to us in merging with THRG. With that in mind I am delighted to welcome two new directors to the Board as part of the combination with THRG. Angela Lane and Louise Nash were appointed as non-executive Directors of the Company with effect from 16 April 2026, and will stand for election at the Company's Annual General Meeting on 17 June 2026. Both Angela and Louise bring with them considerable corporate knowledge and financial services expertise. Further details of their biographies can be found within the Annual Report and Financial Statements.

### **Agreement with Saba**

On 22 January 2025, the Company announced that it had entered into an agreement with Saba Capital Management L.P. (Saba), pursuant to which Saba has given a number of undertakings to the Company regarding its shareholding in the Company. The full announcement can be viewed at the following link: <http://www.londonstockexchange.com/news-article/%20BRSC/agreement-with-Saba/16863463>. The agreement was to last until the earlier of the day following the completion of the Company's 2027 AGM or 31 August 2027 and does not limit Saba's ability to acquire or dispose of shares in the Company. As announced on 20 February 2026, the Board has subsequently agreed an extension of the period of this standstill agreement to June 2030. No other terms have been amended.

Your Board believes that the extension of this agreement is in the long-term interest of shareholders as we continue to invest for their future benefit.

### **Gearing and sources of finance**

Gearing can play an important role in portfolio performance over time although your Company continues to maintain a very conservative capital structure. The Company has current borrowing facilities of long-term fixed rate funding in the form of a £25 million senior unsecured fixed rate private placement notes issued in May 2017 at a coupon of 2.74% with a 20 year maturity, £20 million senior unsecured fixed rate private placement notes issued in December 2019 at a coupon of 2.41% with a 25 year maturity and £25 million senior unsecured fixed rate private placement notes issued in September 2021 at a coupon of 2.47% with a 25 year maturity. Shorter-term variable rate funding consists of an uncommitted overdraft facility of £60 million with The Bank of New York Mellon (International) Limited with interest charged at SONIA plus 100 basis points (of which £262,000 was utilised at year end – additional information is set out in note 13 contained within the Annual Report and Financial Statements).

It is the Board's intention that net gearing will not exceed 15% of the net assets of the Company at the time of the drawdown of the relevant borrowings. Under normal operating conditions it is envisaged that gearing will be within a range of 0%-15% of net assets. At the year end, the Company's net gearing was 5.7% of net assets (2025: 13.3%), well within our target range.

## Share sub-division

Since BlackRock was appointed as manager in December 2004, the market price of the Company's shares has increased from 204 pence to 1,402 pence (as at 28 February 2026). In order to assist the Company's growing base of individual investors, monthly savers and those who reinvest their dividends or are looking to invest smaller amounts, the Board will implement a sub-division of the Company's shares on a 5 for 1 basis, effective once the tender has completed (expected to be no later than July 2026). Following this sub-division, each shareholder will hold five sub-divided shares for each existing share. Whilst the sub-division will increase the number of ordinary shares the Company has in issue, the Net Asset Value per share and market price immediately after the sub-division will become one-fifth of their respective values immediately preceding the sub-division and hence there will be no impact on the overall value of a shareholder's holding in the Company. The subdivided shares will carry the same rights as the existing shares, including the same rights to participate in dividends paid by the Company. The Board anticipates that this share sub-division will also improve the liquidity in and marketability of the Company's ordinary shares, to the benefit of all shareholders.

## Annual General Meeting

The Company's AGM will be held in person at the offices of BlackRock at 12 Throgmorton Avenue, London EC2N 2DL on 17 June 2026 at 11.30 a.m. Details of the business of the meeting are set out in the Notice of Annual General Meeting contained within the Annual Report and Financial Statements. Shareholders are also invited to join Directors for a hot buffet lunch after the formal business of the meeting has concluded. Prior to the formal business of the meeting, our Investment Manager will make a presentation to shareholders. This will be followed by a question and answer session.

Shareholders who are unable to attend the meeting in person but who wish to view the portfolio manager's presentation can do so via a live webinar this year. Details on how to register, together with access details, will be available shortly on the Company's website at: [www.blackrock.com/uk/brsc](http://www.blackrock.com/uk/brsc) or by contacting the Company Secretary at [cosec@blackrock.com](mailto:cosec@blackrock.com). It is not possible to speak or vote via this medium and it is solely intended to provide shareholders with the ability to watch the portfolio manager's presentation. Additionally, if you are unable to attend you can exercise your right to vote by proxy or appoint a proxy to attend in your place. Details of how to do this are included on the AGM Proxy Card provided to shareholders with the Annual Report. If you hold your shares through a platform or a nominee company, you will need to contact them directly and ask them to appoint you as a proxy in respect of your shares in order to attend, speak and vote at the AGM. Further information on the business of this year's AGM can be found in the Notice of the AGM contained within the Annual Report and Financial Statements.

## Outlook

Since the financial year end, market volatility has increased as investors grapple with the implications of a messy war in the Middle East and its unpredictable side effects. During this period, the Company's NAV (as at 12 May 2026) has decreased by 7.5%, against a decrease in the benchmark of 5.6%, and the share price has fallen by 8.7%.

Against this turbulent backdrop, your Board believes that through the combination with THRG it has positioned your Company well to weather the challenges across equity markets, with a larger asset base, lower fees and operating charges, an enhanced portfolio management team and with additional flexibility under a refreshed investment policy. The Company's portfolio remains weighted towards companies with well capitalised balance sheets and entrepreneurial management teams that are able to rapidly adapt their businesses to the shifting market dynamics and have been successfully demonstrating these skills through the challenging environment we have faced. UK assets are inexpensive by global standards and we have companies with real growth and exciting long-term prospects. As such we believe that the enlarged BRSC is well-positioned and prepared to take advantage of the investment opportunities that lie ahead despite the uncertain market conditions. If shareholders would like to contact me, please write to BlackRock Smaller Companies Trust plc, Dundas House, 20 Brandon Street, Edinburgh, EH3 5PP marked for the attention of the Chairman.

## RONALD GOULD

Chairman  
15 May 2026

# INVESTMENT MANAGER'S REPORT

## Market review

There has been a pattern over the last few years, a recurring theme, not related to one specific event or notion. I'm not referring to inflation or politics although these are contributing factors and recognisable symptoms. What I'm referring to is the unnerving cycle of destabilising events that happen almost every year just as I'm sitting down to write this report. Since the start of this decade, we have had COVID-19 (lockdown March 2020), Ukraine invasion (February 2022), the failure of Silicon Valley Bank (March 2023), Tariff "Liberation Day" (April 2025), and now the US strikes on Iran (February 2026). These events are inflationary, disruptive to supply chains, drive consumer and corporate behaviour, upset geopolitical relationships, and are often binary in nature with the potential conclusions requiring very different portfolios. They also make it very difficult to write an annual letter.

Outside of these specific events the last twelve months have proven frustratingly challenging. Underlying company fundamentals have remained resilient, and whilst the portfolio has seen some disappointments, for the most part management teams have delivered against expectations. Unfortunately, valuations and therefore share prices have struggled to reflect this progress. This disconnect has been driven by the on-going structural and cyclical headwinds; inflation, tight government finances, poor governmental signalling, the uncertain and to some extent unknowable impact of artificial intelligence (AI), all of which ultimately lead to the main culprit of outflows. The result is a market where returns have been driven by a narrow set of

companies, and active management has struggled to keep pace with the market.

## Performance review

The second half of the financial year saw the portfolio return 8.1% vs a benchmark of 10.6%. From a market perspective, the period has been characterised by a number of powerful and, at times, competing forces. Global equity markets have remained heavily influenced by the dominance of AI-related narratives, with capital concentrated in a relatively small group of perceived “winners”, whilst any stock that finds itself in the AI “loser” crosshairs has seen significant weakness. The “shoot first, ask questions later” mentality has been indiscriminate and painful, upending the narrative on business models that until recently were perceived as having significant structural economic moats. Meanwhile, the negative narrative has spread into other markets, most recently private credit where fears of large-scale defaults from exposed companies have catalysed investor redemption requests.

When I look at the list of stocks that have detracted from performance in the second half, there is a common thread that runs across the bulk of them. These are businesses that have not disappointed, in fact in many cases they have not only delivered on expectations but beaten them. The single biggest detractor in the period was payments business **Boku**, where the market reaction to a company that has delivered on targets, won significant new customers, and continues to demonstrate the validity of the business model has been a near 20% fall in the share price. Similarly, **Tatton Asset Management** was rewarded with a 12% share price fall in the period despite seeing some analysts upgrade earnings by high single digits. The list goes on; **XPS Pensions** has de-rated despite continued upgrades, **IntegraFin** has been rewarded for unblemished delivery in 2025 with the lowest rating since the 2018 IPO, as has insolvency firm **FRP Advisory**. I cannot remember a period where the underperformers felt so undeserving. That is not to say all has gone to plan. **Paypoint** revealed a period of soft trading that saw the shares fall by a third. **Hilton Food Group’s** organisational difficulties and poor handling of food inflation ultimately cost the Chief Executive his job.

In the spirit of fairness, I should acknowledge some of the positive performers where share prices have been driven by thematics rather than operational excellence, in particular amongst the resources sector. Pan African Resources, Atalaya Mining, Sylvania Platinum and Hochschild Mining have all seen outsized returns because of the extraordinary performance of the relevant commodity prices. Outside of the resources sector there have been several positive contributions this year.

**Luceco** shares have responded to a well-timed move into the EV charger market, as well as a return to growth in the core electrical products market. **Serco Group** has seen both earnings momentum in the core business and a re-rating as investors seek security in their multi-year contracted revenues. Relatively new holding **Helios Towers** responded positively to a capital markets day that laid out new medium-term targets and a capital return policy. Aerospace component supplier **Senior** disposed of their Aerostructures division and latterly have announced several parties are interested in acquiring the ongoing operations. Finally, building materials producer **Sigmaroc** have rallied through a combination of sustained delivery on earnings coupled with an exposure into the potential German infrastructure spend.

## Activity

The last year has seen higher portfolio turnover than in recent years as a result of adapting the portfolio to better reflect underlying trends in the investment universe. As the number of listed companies continues to fall, the average and upper market capitalisation of the universe continues to increase. As an illustration of the changes, the market cap of the largest company in the benchmark rose from £1.9 billion to £2.5 billion when the benchmark went through the annual rebalance. Adding larger holdings brings additional benefits. Typically, the greater the market capitalisation the greater the underlying liquidity of the shares, which allows us to be more tactical with positioning.

A new position has been added in housebuilder **Bellway**. To say the UK housing backdrop has been challenging doesn’t quite do justice to the current market. New build volumes in the UK have fallen to levels not seen since the Global Financial Crisis, yet the Government has not yet walked away from the target of one and a half million new homes through this parliament. This frankly unreachable target requires volumes not seen in sixty years, but the valuation of the UK housebuilding sector is in our view suggesting several years of depressed volumes that flies in the face of demographic pressures. In times of economic uncertainty and volatility, companies that demonstrate lower revenue volatility backed by secure long-term order books become more attractive. We added positions in **Mitie Group** and **Mears Group**, both companies where we felt the negative press commentary centered around their UK asylum contracts had impacted on the valuation of the valuable non-asylum contracts. Sometimes the best opportunities come from companies where investors have failed to recognise a fundamental shift in an investment case. We believe **Helios Towers** is one such opportunity. Having listed in 2019 with a relatively levered balance sheet, investors shied away and the shares languished. Helios own and operate telecom towers in Africa and the Middle East, providing exposure to long-term inflation adjusted revenue streams derived from critical infrastructure. Over the last few years, the debt has been significantly reduced allowing management to announce a capital return strategy.

Given the amount of mergers and acquisitions (“M&A”) in recent years it has been notable how little the Company has benefited. Whilst there is no identifiable reason for this, it is encouraging to see some activity in the last twelve months with bids for **Alpha Group**, **JTC** and **Empiric Student Property**. We sold our position in **Gamma Communications** following their move into Germany, a market where we feel management have a lot to prove, as well as concerns UK small and medium sized businesses (“SME”) are struggling in the current economic and fiscal backdrop. These SME concerns were also the motivation for selling our position in **Workspace**, where deteriorating confidence has been translating into reduced occupancy and higher churn.

## The impact of artificial intelligence

The world does not need another missive on the impact of AI. There are plenty of volumes out there better informed and written than I can produce here. Indeed some of those articles have led to significant market corrections. In January Dario Amodi, CEO of Anthropic, published his thoughts which were widely shared. Amodi’s piece was followed by Matt Shumers post on X “Something Big is Coming” and Citrini Research’s vision of the world in 2028. Every new release of Claude, or developmental anecdote has driven the next phase of the “SaaSocalypse”, as the market looked beyond the AI winners and focused on the tangential losers. There is no doubt that AI has the potential to upend business models, bring down competitive barriers, and drive significant disruption. But we shouldn’t underestimate the potential for the disrupted to fight back, after all the same AI tools are available to everyone. Product development and research cycles are likely to fall dramatically, incumbent firms can respond to competitive threats by rapidly bringing out their own products and selling them into their existing customer base. Those of us with grey hair will remember how the internet was initially seen as a threat to existing business models, how legacy and lazy incumbents would struggle to compete and adapt to the new world. Yet often what happened was the upstarts failed to persuade consumers to switch, and the incumbents developed their own internet strategies. AI is different, of course it is, but human nature is the same. Management incentive structures prioritise growth, and whilst there will inevitably be cost savings in some areas, I fundamentally believe most management teams will re-invest those savings in growth rather than just pocket the enhanced margin. Cost savings are a form of profit investors ascribe with a low multiple, whereas investment that leads to sustainable profit growth draws higher multiples. All else being equal productivity should increase and inflation should fall, whilst product development timelines could vastly accelerate.

## Outlook

The near term is impossible to call. Even as I write this piece I’m painfully aware that from the moment I press send to the time the words appear in print my conclusions may well be out of date. So rather than the inevitable embarrassment of making predictions, it is likely more instructive to illustrate how we are framing our current discussions. I have commented before on the

growing disconnect between how the UK is portrayed and the reality of the situation. On the one hand there is no getting away from the tight fiscal position the country is in, with the recent surge in UK bond yields having a significant impact on Chancellor Rachel Reeves' headroom, raising the spectre of yet another tax grab budget. But the UK debt position isn't out of line to other major Western economies. In fact we can say the same for most economic indicators; inflation, growth, debt to gross domestic product (GDP), all are in the same ballpark. Yet the valuation of UK stocks relative to other developed markets is suggestive of a greater gulf, of something rotten at the heart of the UK.

Against this backdrop, the structural challenges facing UK smaller and medium sized equities remain largely unchanged. Despite several years of underperformance and increasingly compelling relative valuations, the asset class continues to experience sustained outflows. While the pace has moderated from peak levels, the ongoing withdrawal of capital remains significant for a relatively illiquid segment of the market and continues to exert downward pressure on valuations.

This raises the same fundamental question, one that I have pondered in previous reports: what is required to re-engage investors? As discussed in last year's review, a combination of attractive valuations, economic and political stability, a healthy pipeline of opportunities and, ultimately, a willing investor base are all important components. There is little doubt that valuations remain attractive, but the other items on my tick list are proving elusive. Depressingly the Labour Party are continuing the pattern of policy followed by U-turn, and questions remain about a potential change in leadership that were it to come would most likely herald a shift to the left. The pipeline of new opportunities is still blocked, with little appetite for companies to test the market, despite the continued presence of both strategic and private buyers of listed assets. On the face of it the outlook is challenging.

However, while sentiment towards UK small and mid-cap equities remains subdued, we continue to see clear evidence of value, both in absolute terms and relative to other markets. The ongoing level of corporate activity reinforces this view, with strategic buyers taking advantage of depressed valuations. The "shoot first ask questions later" mentality with regards to AI disruption is presenting significant opportunity, and analogous to the dotcom disruption a quarter of a century ago, there are now a myriad of companies trading at record low valuations where we believe the AI threat has been fundamentally overplayed or misanalysed.

In summary, the UK smaller companies market continues to experience a period of weak sentiment and structural outflows that have weighed on both absolute and relative performance. Regardless, the underlying fundamentals of many portfolio companies remain intact, and the valuation opportunity across the asset class is increasingly compelling. While the timing of a shift in investor sentiment remains uncertain, we believe the conditions for improved outcomes are gradually building, and we remain confident in the long-term opportunity set.

## **ROLAND ARNOLD**

BlackRock Investment Management (UK) Limited  
15 May 2026

## **TEN LARGEST INVESTMENTS**

as at 28 February 2026

**Together, the Company's ten largest investments represented 25.6% of the Company's portfolio as at 28 February 2026 (2025: 22.8%).**

### **1 Greencore Group (2025: 48th)**

Food Producers

Portfolio £18,015,000

Percentage of portfolio 2.8% (2025: 0.8%)

Leading manufacturer of convenience food in the UK. It supplies major supermarkets and other retailers with products like sandwiches, salads, sushi, chilled ready meals and sauces.

### **2 Great Portland Estates (2025: 15th)**

Real Estate Investment Trusts

Portfolio value £17,924,000

Percentage of portfolio 2.8% (2025: 1.7%)

London-focused real estate company that develops and manages high-quality commercial property, primarily offices and mixed-use assets.

### **3 Serco Group (2025: 55th)**

Industrial Support Services

Portfolio value £17,017,000

Percentage of portfolio 2.7% (2025: 0.8%)

A services company that delivers outsourced public services across health, transport, immigration, defence, justice and citizen services. It partners with governments to manage complex, mission-critical operations under long-term contracts.

### **4 IntegraFin (2025: 2nd)**

Financial Services

Portfolio value £16,906,000

Percentage of portfolio 2.6% (2025: 2.6%)

Leading investment platform used by financial advisers to manage client portfolios efficiently. It generates revenues primarily from administration and custody services across tax-efficient wrappers.

### **5 XPS Pensions (2025: 3rd)**

Financial Services

Portfolio value £16,826,000

Percentage of portfolio 2.6% (2025: 2.6%)

A UK-focused pensions consultancy providing actuarial, administration, investment advisory and covenant services, supporting both private and public sector pension schemes.

**6 Morgan Sindall** (2025: 18th)

Construction &amp; Materials

Portfolio value £16,696,000

Percentage of portfolio 2.6% (2025: 1.5%)

A UK construction and regeneration group operating across construction, infrastructure, fit-out, urban regeneration and housing partnerships. The group focuses on capital-light, partnership-based models with strong public-sector exposure.

**7 Boku** (2025: 9th)

Industrial Support Services

Portfolio value £16,341,000

Percentage of portfolio 2.6% (2025: 1.9%)

Global payments company, specialising in local payment methods, including direct carrier billing and digital wallets.

**8 Tatton Asset Management** (2025: 7th)

Financial Services

Portfolio value £15,127,000

Percentage of portfolio 2.4% (2025: 2.2%)

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

**9 Helios Towers** (2025: n/a)

Mobile Telecommunications

Portfolio value £14,725,000

Percentage of portfolio 2.3% (2025: n/a)

Leading telecommunications tower company operating across Africa and the Middle East. It owns and manages passive mobile infrastructure.

**10 Sigmaroc** (2025: 80th)

Construction &amp; Materials

Portfolio value £13,964,000

Percentage of portfolio 2.2% (2025: 0.5%)

A buy-and-build construction materials company focused on cementitious and lime products in the UK and Europe.

**FIFTY LARGEST INVESTMENTS**

as at 28 February 2026

Company	Business activity	Market value £'000	% of total portfolio
Greencore Group	A leading manufacturer of convenience food in the UK. It supplies major supermarkets and other retailers with products like sandwiches, salads, sushi, chilled ready meals and sauces	18,015	2.8
Great Portland Estates	London-focused real estate company that develops and manages high-quality commercial property, primarily offices and mixed-use assets	17,924	2.8
Serco Group	A services company that delivers outsourced public services across health, transport, immigration, defence, justice and citizen services. It partners with governments to manage complex, mission-critical operations under long-term contracts	17,017	2.7
IntegraFin	Leading investment platform used by financial advisers to manage client portfolios efficiently. It generates revenues primarily from administration and custody services across tax-efficient wrappers	16,906	2.6
XPS Pensions	A UK-focused pensions consultancy providing actuarial, administration, investment advisory and covenant services, supporting both private and public sector pension schemes	16,826	2.6
Morgan Sindall	A UK construction and regeneration group operating across construction, infrastructure, fit-out, urban regeneration and housing partnerships. The group focuses on capital-light, partnership-based models with strong public-sector exposure	16,696	2.6
Boku	Global payments company, specialising in local payment methods, including direct carrier billing and digital wallets	16,341	2.6

Tatton Asset Management	Leading UK financial services company that provides a range of investment management, compliance, and support services to independent financial advisers, with a focus on discretionary fund management and portfolio solutions	15,127	2.4
Helios Towers	Leading telecommunications tower company operating across Africa and the Middle East. It owns and manages passive mobile infrastructure	14,725	2.3
Sigmaroc	A buy-and-build construction materials company focused on cementitious and lime products in the UK and Europe	13,964	2.2
Young & Co's Brewery - A Shares	UK-based pub and hotel operator	13,467	2.1
Sirius Real Estate	Owner and operator of business parks, offices and industrial complexes in Germany	12,536	2.0
Rosebank Industries	Investment business that buys, improves and sells industrial and manufacturing businesses	11,428	1.8
Ithaca Energy	A UK-based oil and gas company operating in the North Sea	11,422	1.8
Genuit	Manufacturer of plastic piping systems	11,351	1.8
Grafton	Builders merchants in the UK, Ireland and Netherlands	11,028	1.7
DiscoverIE	Specialist components for electronics applications	10,970	1.7
Pollen Street Group	Alternatives asset manager with strategies across private equity and private credit	10,914	1.7
FRP Advisory	A business advisory firm providing services in corporate restructuring, insolvency, debt advisory and financial solutions to businesses	10,285	1.6
Alfa Financial Software	Provider of software for customers working in the asset finance industry	10,129	1.6
CVS Group	Operator of veterinary surgeries	10,070	1.6
Atalaya Mining	Copper miner	9,976	1.6
Polar Capital Holdings	Specialist asset management	9,758	1.5
Breedon	UK construction materials	9,506	1.5
Luceco	Designer, supplier and manufacturer of high-quality and efficient LED lighting products, as well as electrical wiring accessories	9,292	1.5
Safestore Holdings	Provider of self-storage units	9,201	1.4
Chemring Group	Advanced technology products and services for the aerospace, defence and security markets	9,006	1.4
Genus	Animal genetics company specializing in the production and sale of animal breeding products	8,972	1.4
Elementis	Speciality chemicals company	8,735	1.4
Pan African Resources	UK-listed African-focused gold mining business	8,487	1.3
Bellway	Residential property developer and housebuilder	8,333	1.3
Bodycote	Provision of thermal processing services	8,239	1.3
Hill & Smith	Production of infrastructure products and supply of galvanizing services	8,045	1.3
Mitie Group	Leading facilities management and professional services provider	8,018	1.3
Senior	A designer and manufacturer of high-technology components and systems for the OEMs	7,983	1.3
OSB Group	Specialist lending business	7,942	1.2

Premier Foods	UK food manufacturer	7,895	1.2
Central Asia Metals	Mining operations in Kazakhstan and Macedonia	7,383	1.2
Watches of Switzerland	Retailer of luxury watches	7,210	1.1
Shaftesbury Capital	A REIT investing focusing on sites in London's West End	6,922	1.1
Mortgage Advice Bureau	Leading mortgage intermediary providing mortgage advice and protection insurance	6,882	1.1
MONY Group	Leading technology-led savings platform	6,854	1.1
Porvair	UK-based specialist filtration, laboratory and environmental technology group	6,767	1.1
Vesuvius	Provider of metal flow engineering services and solutions to the steel and foundry industries	6,639	1.0
Cranswick	Food producer and supplier of premium, fresh and added-value products	6,635	1.0
Oxford Instruments	Designer and manufacturer of tools and systems for industry and scientific research	6,615	1.0
Rotork	Manufacturer of industrial flow control equipment	6,533	1.0
Volution Group	Ventilation products for the residential and commercial construction markets	6,515	1.0
Ashmore Group	Emerging market focused investment manager	6,474	1.0
Essentra	Supplier of plastic and fibre products such as plastic caps, clamps, fasteners, etc.	6,295	1.0
50 largest investments		514,253	80.6
Remaining investments		123,831	19.4
<b>Total</b>		<b>638,084</b>	<b>100.0</b>

Details of the full portfolio are available on the Company's website at [www.blackrock.com/uk/brsc](http://www.blackrock.com/uk/brsc).

## PORTFOLIO HOLDINGS IN EXCESS OF 3% OF ISSUED SHARE CAPITAL

At 28 February 2026, the Company did not hold any equity investments comprising more than 3% of any company's share capital other than as disclosed in the table below:

Company	% of issued share capital held
Tatton Asset Management	4.0
FRP Advisory	3.3
Luceco	3.3
Boku	3.0

## DISTRIBUTION OF INVESTMENTS

as at 28 February 2026

Sector	% of portfolio
Oil Equipment, Services & Distribution	1.8
<b>Energy</b>	<b>1.8</b>
Chemicals	1.4
Construction & Materials	10.0
Mining	3.7
Precious Metals & Mining	1.3

<b>Basic Materials</b>	<b>16.4</b>
	=====
Aerospace & Defence	3.9
Electronic & Electrical Equipment	5.4
General Industrials	1.0
Industrial Engineering	3.6
Industrial Support Services	11.5
	-----
<b>Industrials</b>	<b>25.4</b>
	=====
General Retailers	4.1
Leisure Goods	0.6
Media	1.8
Personal Goods	1.1
Travel & Leisure	3.5
	-----
<b>Consumer Discretionary</b>	<b>11.1</b>
	=====
Health Care Equipment & Services	1.0
Health Care Providers	0.5
Pharmaceuticals & Biotechnology	2.0
	-----
<b>Health Care</b>	<b>3.5</b>
	=====
Food Producers	6.0
Household Goods & Home Construction	2.1
Personal Care Drug & Grocery Stores	1.0
	-----
<b>Consumer Staples</b>	<b>9.1</b>
	=====
Mobile Telecommunications	2.3
Telecommunications Equipment	0.6
	-----
<b>Telecommunications</b>	<b>2.9</b>
	=====
Banks	0.7
Financial Services	18.4
	-----
<b>Financials</b>	<b>19.1</b>
	=====
Real Estate Investment & Services	2.0
Real Estate Investment Trusts	5.3
	-----
<b>Real Estate</b>	<b>7.3</b>
	=====
Software & Computer Services	3.4
	-----
<b>Technology</b>	<b>3.4</b>
	=====
<b>Total</b>	<b>100.0</b>
	=====

## PORTFOLIO ANALYSIS

as at 28 February 2026

## Analysis of portfolio value by sector

	Company	Benchmark (Deutsche Numis Smaller Companies, plus AIM (ex Investment Companies) Index)
Energy	1.8	3.9
Basic Materials	16.4	8.3
Industrials	25.4	23.5
Consumer Discretionary	11.1	15.6
Health Care	3.5	4.8
Consumer Staples	9.1	7.4
Telecommunications	2.9	1.6
Financials	19.1	17.7
Real Estate	7.3	8.9
Technology	3.4	5.3
Utilities	0.0	2.0
Other	0.0	1.0

Sources: BlackRock and LSEG Datastream.

## Investment size

	Number of investments	Market value of investments as % of portfolio
£0m-£1m	1.0	0.2
£2m-£3m	3.0	1.2
£3m-£4m	11.0	5.8
£4m-£5m	7.0	5.1
£5m-£6m	6.0	5.2
£6m-£7m	13.0	13.4
£7m-£8m	5.0	6.0
£8m-£9m	7.0	9.2
£9m-£10m	6.0	8.9
£10m-£11m	5.0	8.2
£11m-£12m	4.0	7.1
£12m-£13m	1.0	2.0
£13m-£14m	2.0	4.3
£14m-£15m	1.0	2.3
£15m-£16m	1.0	2.4
£16m-£17m	4.0	10.5
£17m-£18m	2.0	5.4
£18m-£19m	1.0	2.8

Source: BlackRock.

## Market capitalisation of our portfolio companies

	% of portfolio
£0m to £200m	0.5
£200m to £600m	27.8
£600m to £1.5bn	34.2
£1.5bn+	37.5

Source: BlackRock.

## STRATEGIC REPORT

The Directors present the Strategic Report of the Company for the year ended 28 February 2026. The aim of the Strategic Report is to provide shareholders with the information to assess how the Directors have performed their duty to promote the success of the Company for the collective benefit of shareholders.

The Chairman's Statement together with the Investment Manager's Report and the Directors' Statement setting out how they promote the success of the Company contained within the Annual Report and Financial Statements form part of the Strategic Report. The Strategic Report was approved by the Board at its meeting on 15 May 2026.

### Principal activities

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

## **Investment objective**

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

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

To achieve its investment objective the Company invests predominantly in UK smaller companies with securities admitted to trading on the Main Market of the London Stock Exchange or on AIM (including securities which are listed overseas but which have a secondary UK quotation). Although investments are primarily in companies with securities admitted to trading on recognised stock exchanges or on AIM, the Investment Manager may also invest in less liquid unquoted securities with the prior approval of the Board. The Manager may also invest in global listed small-cap companies, provided that no more than 15% of the portfolio by value at the time of investment may be held in companies which are listed overseas and do not have a primary and secondary UK listing. The Manager has adopted a consistent investment process, focusing on good quality growth companies; stock selection is the primary focus, but consideration is also given to sector weightings and underlying themes.

Whilst there are no set limits on individual sector exposures against the Company's benchmark, a schedule of sector weightings is presented at each Board meeting for review. In applying the investment objective, the Investment Manager expects the Company to be substantially fully invested and to borrow as and when appropriate.

The Company seeks to achieve an appropriate spread of investment risk by investing in a number of holdings across a range of sectors. The Company may not hold more than 10% of the share capital of any company in which it has an investment. No single portfolio holding (excluding holdings in cash fund investments held for cash management purposes) will, on the date such holding is acquired by the Company, exceed 5% of the Company's net asset value. The Company may hold shares in other listed investment companies (including investment trusts), however the Board has agreed that the Company will not invest more than 15% of its total assets in other UK listed investment companies. The Investment Manager will not deal in derivatives without prior approval of the Board.

## **Benchmark**

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

## **Gearing policy**

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

## **Business model**

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

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

## **Investment philosophy**

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

Valuation is a key consideration; it is important not to overpay for new holdings. However, investment fundamentals are also important, and the Investment Manager may be prepared to pay what seems like a high price if it believes that long-term growth prospects are very strong. Generally, a company will be held within the portfolio if it meets the criteria for core holdings; in respect of recent investments, the Investment Manager will consider whether they have the potential to meet these criteria. Holdings will be sold if there are concerns that the investment case has changed in a negative way. Holdings will be reduced where the position size becomes too large and raises concerns about risk and diversification. The general aim is for portfolio holdings not to exceed 3% of the Company's net assets (excluding cash fund investments held for cash management purposes). As the investments within the portfolio become larger over time, the Portfolio Manager will continue to assess growth prospects in comparison to smaller businesses operating within similar markets. In accordance with the guidelines, the Portfolio Manager will sell any stock that enters the FTSE 100 Index within 180 days of entry.

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

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

## Portfolio analysis

A detailed analysis of the portfolio has been provided above (and contained within the Annual Report and Financial Statements).

## Performance

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

## Results and dividends

The results for the Company are set out in the Income Statement in the Financial Statements. The total net profit for the year, after taxation, was £60,205,000 (2025: loss of £4,268,000) of which the revenue return amounted to a profit of £18,172,000 (2025: £19,918,000) and the capital profit amounted to £42,033,000 (2025: loss of £24,186,000).

The Company's revenue return amounted to 43.77p per share (2025: 42.53p). The Directors have declared a second interim dividend of 28.50p per share as set out in the Chairman's Statement.

## Future prospects

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

## Social, community and human rights issues

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

## Modern Slavery Act

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

## Directors, gender representation and employees

The Directors of the Company on 28 February 2026 are set out in the Directors' biographies contained within the Annual Report and Financial Statements. With effect from 16 April 2026, with the completion of the combination with BlackRock Throgmorton Trust plc, the Board consists of 3 male Directors and 4 female Directors. The Company does not have any executive employees.

## Key performance indicators

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

Key Performance Indicators	Year ended 28 February 2026	Year ended 28 February 2025
% change NAV per share (debt at par value) <sup>1,2</sup>	11.5%	-0.6%
% change NAV per share (debt at fair value) <sup>1,2</sup>	11.2%	0.0%
% change share price total return <sup>1,2</sup>	14.2%	-1.4%
% change Benchmark return <sup>1</sup>	21.5%	6.2%
Average discount to NAV with debt at fair value <sup>2</sup>	12.3%	11.0%
Revenue return per share	43.77p	42.53p
Ongoing charges ratio <sup>2,3</sup>	0.8%	0.8%
Retail ownership	61.7%	69.8%

<sup>1</sup> Total return basis with dividends reinvested.

<sup>2</sup> Alternative Performance Measure, see Glossary contained within the Annual Report and Financial Statements.

<sup>3</sup> Calculated as a percentage of average daily net assets and using the management fee and all other operating expenses, excluding finance costs, direct transaction costs, custody transaction charges, VAT

recovered, taxation, prior year expenses written back and certain non-recurring items in accordance with AIC guidelines.

Sources: BlackRock and LSEG Datastream.

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

## Principal risks

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

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

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

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

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

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

The key emerging risks identified are as follows:

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

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

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

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

## INVESTMENT PERFORMANCE

### Principal risk

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

The Board is responsible for:

- deciding the investment strategy to fulfil the Company's objective; and

- monitoring the performance of the Investment Manager and the implementation of the investment strategy.

An inappropriate investment strategy may lead to:

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

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

### **Mitigation/Control**

To manage this risk the Board:

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

ESG analysis is integrated into the Manager's investment process, as set out within the Annual Report and Financial Statements. This is monitored by the Board.

## **MARKET RISK**

### **Principal risk**

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

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

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

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

### **Mitigation/Control**

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

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

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

The Manager takes into account climate risk within the investment process along with other ESG considerations as set out within the Annual Report and Financial Statements.

## **INCOME/DIVIDEND RISK**

### **Principal risk**

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

dividends received by shareholders.

### **Mitigation/Control**

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

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

## **LEGAL & COMPLIANCE RISK**

### **Principal risk**

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

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

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

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

### **Mitigation/Control**

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

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

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

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

## **OPERATIONAL RISK**

### **Principal risk**

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

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

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

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

### **Mitigation/Control**

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

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

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

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

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

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

## **FINANCIAL RISK**

### **Principal risk**

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

### **Mitigation/Control**

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

## **MARKETING RISK**

### **Principal risk**

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

### **Mitigation/Control**

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

### **Viability statement**

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

The Board is cognisant of the uncertainty surrounding the potential duration of the conflicts in Russia-Ukraine and the Middle East, their impact on the global economy and the prospects for some of the Company's portfolio holdings. The Board is also cognisant of the disruptive impact on world trade as a result of US tariff initiatives and the effect these might have on the Company's portfolio. Notwithstanding these crises, and given the factors stated below, the Board expects the Company to continue for the foreseeable future and has therefore conducted this review for the period up to the AGM in 2031 being a five-year period from the date that this Annual Report will be approved by shareholders. This assessment term has been chosen as it represents a medium-term performance period over which investors in the smaller companies' sector generally refer to when making investment decisions.

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

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

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

- The Board has reviewed portfolio liquidity as at 28 February 2026;
- The Board has reviewed the Company's revenue and expense forecasts in light of the current economic back drop both in the UK and globally and the anticipated impact on dividend income and market valuations. The Board is confident that the Company's business model remains viable and that the Company has sufficient resources to meet all liabilities as they fall due for the period under review;
- The Board has reviewed the Company's borrowing and debt facilities and considers that the Company continues to meet its financial covenants in respect of these facilities and has a wide margin before any relevant thresholds are reached;
- The Board keeps the Company's principal risks and uncertainties as set out above under review, and is confident that the Company has appropriate controls and processes in place to manage these and to maintain its operating model, even given the global economic challenges posed by the impact of climate change on portfolio companies and the current climate of heightened geo-political risk (notably the invasion of Ukraine and the conflict in the Middle East);
- The operational resilience of the Company and its key service providers (the Manager, Depository, Custodian, Fund Administrator, Registrar and Broker) and their ability to continue to provide a good level of service for the foreseeable future;
- The level of current and historic ongoing charges incurred by the Company;
- The discount to NAV;

- The level of income generated by the Company; and
- Future income forecasts.

The Company is an investment company with a relatively liquid portfolio. As at 28 February 2026, the Company held one illiquid unquoted investment and 79.9% of the Company's portfolio investments were readily realisable and listed on the London Stock Exchange. The remaining 20.1% that were listed on the Alternative Investment Market are also considered to be readily realisable. The Company has largely fixed overheads which comprise a very small percentage of net assets. Therefore, the Board has concluded that the Company would comfortably be able to meet its ongoing operating costs as they fall due.

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

## **SECTION 172 STATEMENT: PROMOTING THE SUCCESS OF THE COMPANY**

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

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

### **STAKEHOLDERS**

#### **Shareholders**

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

#### **Manager and Investment Manager**

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

#### **Other key service providers**

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

#### **Investee companies**

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

## **MANAGEMENT OF SHARE RATING**

### **Issue**

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

### **Engagement**

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

The Board believes that the best way of maintaining the share rating at an optimal level over the long term is to create demand for the shares in the secondary market. To this end the Investment Manager is devoting considerable effort to broadening the awareness of the Company, particularly to wealth managers and to the wider retail shareholder market. The Company contributes to a focused investment trust sales and marketing initiative operated by BlackRock on behalf of the investment trusts under its management.

In addition to this, during the year, the Board engaged regularly with the Investment Manager and welcomed the increased level of marketing support provided to promote BlackRock Investment Trusts in the UK market. The Board was pleased to see additional marketing resources committed to the development of a new advertising campaign designed to raise awareness of the BlackRock Investment Trust range.

Alongside this, the Board initiated a broader review which included examining the retail consumer landscape, expanding retail investor target audience and widening the marketing channels options – including PR – to reach them more effectively. Building on this foundation, the Board engaged an independent marketing agency to sharpen the Company's positioning, messaging, tone and communication plan. This work is being incorporated into the ongoing marketing activity for the Company, and the Board believes it will help strengthen engagement and resonate more effectively with existing and prospective investors.

The purpose of the programme overall is to ensure effective communication with existing shareholders and to attract new shareholders to the Company to improve liquidity in the Company's shares and to sustain the stock market rating of the Company.

The Board is also cognisant of the need to ensure that the Company's mandate and structure remains relevant in the current market environment to attract demand. In the year under review it spent a significant amount of time reviewing strategic options for the Company, agreeing heads of terms for a Scheme of Combination with THRG ('the Scheme') and drafting the requisite documentation to give shareholders the option to vote on the creation of a larger combined vehicle that would offer a number of important benefits for investors, including increased scale, lower operating charges, lower management fees, and offered a substantial cash exit to allow investors to realise up to 28% of the Company's issued share capital for cash. In addition, the transaction offered a co-manager structure that brought together Roland Arnold and Dan Whitestone, two well regarded managers in BlackRock's emerging companies team with a strong long-term track record.

The Board recognises the importance of income to its shareholders and, following discussions with its advisers, concluded that an increased frequency of dividend payments would be welcomed by shareholders. The Board also notes the importance of the Company's dividend approach being attractive to new investors, which will help to support demand for its shares and to narrow the discount. With effect from 1 March 2026, the Company moved to making quarterly dividend payments in place of the previous bi-annual dividend payments. These will be made as three dividend payments in September, December and March each year equal to a quarter of the previous year's total dividend, with the Board declaring a final dividend for the full year (payable in June) reflecting the final amount required to ensure an appropriate level of full year dividend.

In addition to focusing on driving increased demand through the initiatives above, the Board was also active in buying back the Company's shares over the period under review. For the year ended 28 February 2026, the Company has repurchased 3,992,000 ordinary shares into treasury at a total cost of £52,107,000 and at an average discount of 12.4%.

Since the year end and as at the date of this report, the Company has repurchased 45,000 shares for costs of £585,000 at an average discount of 13.3%.

## **Impact**

Shareholders approved the Combination proposals by an overwhelming majority at the General Meeting held on 30 March 2026.

The tender offer for 28% of issued share capital was oversubscribed, with holders of 47.5% of the Company's share capital electing to take cash.

The combination of the Company with THRG took effect on the 16 April 2026, pursuant to which the Company acquired net assets of approximately £303.2 million from THRG in consideration for the issue of 20,892,579 new ordinary shares to THRG shareholders in accordance with the Scheme. These new ordinary shares were admitted to trading on the main market for listed securities of the London Stock Exchange with effect from 17 April 2026.

Over the last five years, the Company's discount has widened steadily, from an average discount of 5.5% for the year to 28 February 2021 to 12.3% for the year ended 28 February 2026.

As at 12 May 2026 the Company's shares were trading at a discount of 12.4% to the cum income NAV (with debt at fair value). This compares to an average discount for the Company's sector of 11.6% (based on the Association of Investment Companies sector average for the UK Smaller Companies peer group).

Over the last twelve years, the number of shares held by retail shareholders has increased from 46.2% (as at 28 February 2014) to 61.7% at 28 February 2026.

## **INVESTMENT MANDATE AND OBJECTIVE**

### **Issue**

The Board is committed to promoting the role and success of the Company in delivering on its investment mandate to shareholders over the long term. The Board also has responsibility to shareholders to ensure that the Company's portfolio of assets is invested in line with the stated investment objective and in a way that ensures an appropriate balance between spread of risk and portfolio returns.

### **Engagement**

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

A significant amount of time was expended this year reviewing strategic options for the Company, agreeing heads of terms for a Scheme of Combination with THRG ('the Scheme') and drafting the requisite documentation. As part of this process, the Board proposed changes to the Company's investment policy which were set out in a Circular to shareholders dated 20 February 2026. Conditional on shareholder approval for the Scheme, the Board proposed to give the investment manager additional latitude to invest in small cap stocks outside of the Benchmark index and to invest up to 15% of the Company's gross assets, at the time of acquisition, in global small cap stocks which are listed overseas and which do not have a primary or secondary UK listing. The Board believes that this provides the Manager with additional flexibility to diversify risk and generate alpha from a wider investment universe in times when the UK small cap market is particularly challenged and under stress.

## Impact

Shareholders approved the changes to the Company's investment policy at the General Meeting held on 30 March 2026, and these were implemented on completion of the Scheme on 16 April 2026.

Additional information on the portfolio activities undertaken by the Investment Manager can be found in the Investment Manager's Report above.

Details regarding the Company's NAV and share price performance can be found in the Chairman's Statement above and in the Strategic Report above (and contained within the Annual Report and Financial Statements).

## RESPONSIBLE INVESTING

### Issue

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

### Engagement

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

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

### Impact

The Board and the Investment Manager believe there is a positive correlation between ESG practices and investment performance. Details of the Company's performance in the year are given in the Chairman's Statement and the Performance Record above.

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

## GEARING AND SOURCES OF FINANCE

### Issue

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

### Engagement

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

As at 28 February 2026, the Company had the following borrowing facilities in place: long-term fixed rate funding in the form of a £25 million senior unsecured fixed rate private placement note issued in May 2017 at a coupon of 2.74% with a 20 year maturity, a £20 million senior unsecured fixed rate private placement note issued in December 2019 at a coupon of 2.41% with a 25 year maturity and a £25 million senior unsecured fixed rate private placement note issued in September 2021 at a coupon of 2.47% with a 25 year maturity. Shorter-term variable rate funding consisted of an uncommitted overdraft facility of £60 million with The Bank of New York Mellon (International) Limited (BNY) with interest charged at SONIA plus 100 basis points (bps).

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

### Impact

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

For the year to 28 February 2026, it is estimated that gearing contributed 0.3% to the NAV per share performance.

At the year end, the Company's gearing was 5.7% of net assets.

## **SERVICE LEVELS OF THIRD-PARTY PROVIDERS**

### **Issue**

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

### **Engagement**

The Manager reports to the Board on the Company's performance on a regular basis. The Board carries out a robust annual evaluation of the Manager's performance, their commitment and available resources. The Board performs an annual review of the service levels of all third-party service providers and concludes on their suitability to continue in their role. The Board receives regular updates from the AIFM, Depositary, Registrar and Broker on an ongoing basis. The Board works closely with the Manager to gain comfort that relevant business continuity plans are in place and are operating effectively for all of the Company's service providers.

As part of the ongoing review and oversight of service provider costs, and subject to the approval of the Scheme of Combination with THRG, the Board negotiated a revised management fee equal to: (i) 0.5% per annum on the first £500 million of the Company's NAV; (ii) 0.475% per annum on the Company's NAV between £500 million and £750 million; and (iii) 0.45% per annum on the Company's NAV in excess of £750 million. As well as a lower rate, the new fee is applied to net assets (previously the fee was applied to total assets less current liabilities). As the Company has £70 million of fixed debt, the change in the basis of the fee represented a significant reduction.

### **Impact**

All performance evaluations were performed on a timely basis and the Board concluded that all third-party service providers, including the Manager were operating effectively and providing a good level of service. The Board has received updates in respect of business continuity planning from the Company's Manager, Custodian, Depositary, Fund Administrator, Broker, Registrar and printers, and is confident that the arrangements in place are appropriate.

The revised management fee was implemented with effect from 16 April 2026, and has resulted in a significantly reduced projected operating charges ratio of c.0.63%, the lowest in the AIC UK Small Cap sector for a trust without a performance fee, which the Board believes represents excellent value for investors.

In addition to the revised fee, the Board negotiated a six month fee waiver as a contribution from BlackRock to the costs of the Scheme transaction.

## **BOARD COMPOSITION**

### **Issue**

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

### **Engagement**

The Board engaged an external firm (Linstock) to carry out an independent external evaluation of the Board in 2025.

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

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

Shareholders may attend the AGM and raise any queries in respect of Board composition or individual Directors in person or may contact the Company Secretary or the Chairman using the details provided within the Annual Report and Financial Statements with any issues.

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

### **Impact**

As at 15 May 2026, the Board had a 43:57 male to female gender ratio, in accordance with relevant regulation and best practice, and will continue to consider other diversity characteristics, such as age, ethnicity, gender, disability, educational or professional background when appraising Board composition.

The Parker Review in respect of board diversity and the recent changes to the FCA's Listing Rules set diversity targets and associated disclosure requirements for UK companies listed on the premium and standard segment of the London Stock Exchange. Listing Rule 9.8.6R (9) requires listed companies to include a statement in their annual reports and accounts in respect of certain targets on board diversity, or if those new targets have not been met to disclose the reasons for this. This new requirement applies to accounting periods commencing on or after 1 April 2022 and therefore the Company has reported against these diversity targets for the current year ending 28 February 2026.

Further information on the composition and diversity of the Board can be found in the Corporate Governance Statement contained within the Annual Report and Financial Statements.

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

Details of each Director's contribution to the success and promotion of the Company are set out in the Directors' Report contained within the Annual Report and Financial Statements and details of Directors' biographies can be found within the Annual Report and Financial Statements.

The Directors are not aware of any issues that have been raised directly by shareholders in respect of Board composition in the year under review. Details for the proxy voting results in favour and against individual Directors' re-election at the 2025 AGM are given on the Company's website at [www.blackrock.com/uk/brsc](http://www.blackrock.com/uk/brsc).

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

## SHAREHOLDERS

### Issue

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

### Engagement

For the year under review, and as described above, the Board has been active in pursuing strategic opportunities to enhance the attractiveness of the Company to investors and deliver value to shareholders, resulting in the publication of the circular on 20 February 2026 proposing the Scheme of Combination with THRG. This process was driven in part by feedback from shareholders indicating a preference for increased scale and liquidity. As part of this process the Board engaged with shareholders representing a significant proportion of the Company's share register and obtained feedback which was incorporated into the proposals.

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

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

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

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

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

### Impact

Shareholders approved the Scheme of Combination with THRG by an overwhelming majority at the General Meeting on 30 March 2026.

The Board signed an extension to its existing standstill agreement with Saba Capital to June 2030. Other than the change in date, the terms of this agreement remain unchanged. More detail can be found at the following link: <http://www.londonstockexchange.com/news-article/BRSC/agreement-with-saba/16863463>.

The Board values any feedback and questions from shareholders ahead of and during Annual General Meetings in order to gain an understanding of their views and will take action when and as appropriate. Feedback and questions will also help the Company evolve its reporting, aiming to make reports more transparent and understandable. Feedback from all substantive meetings between the Investment Manager and shareholders will be shared with the Board. The Directors will also receive updates from the Company's broker on any feedback from shareholders, as well as share trading activity, share price performance and an update from the Investment Manager.

The portfolio management team attended a number of professional investor meetings (mainly by videoconference) and held discussions with many different wealth management desks and offices in respect of the Company during the year under review. The portfolio manager also participated in a panel discussion at the Association of Investment Companies annual conference, focused on UK equities being undervalued by historical standards. In addition, the portfolio manager met with a number of investors throughout the year. Investors gave positive feedback in respect of the portfolio manager, the good long-term track record, clear investment strategy and low fee.

Some investors commented that they liked the fact that (in common with many closed-ended funds across the sector) the Company's discount had widened, making the shares excellent value. Investors expressed concerns over the outlook for UK consumers and the potential for economic data to deteriorate.

For and on behalf of the Board  
**RONALD GOULD**  
Chairman

15 May 2026

## **RELATED PARTY TRANSACTIONS: TRANSACTIONS WITH THE MANAGER AND AIFM**

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

The investment management fee for the year ended 28 February 2026 amounted to £3,908,000 (2025: £4,611,000) as disclosed in note 4 to the Financial Statements. At the year end, £1,915,000 was outstanding in respect of the management fee (2025: £4,488,000).

In addition to the above services, BIM (UK) provided the Company with marketing services. The total fees paid or payable for these services for the year ended 28 February 2026 amounted to £269,000 including VAT (2025: £195,000). Marketing fees of £240,000 (2025: £137,000) were outstanding at the year end.

During the year, the Manager pays the amounts due to the Directors. These fees are then reimbursed by the Company for the amounts paid on its behalf. As at 28 February 2026, an amount of £240,000 (2025: £129,000) was payable to the Manager in respect of Directors' fees.

The Company holds an investment in the BlackRock Institutional Cash Series plc - Sterling Liquid Environmentally Aware Fund of £36,146,000 (2025: £nil) which has been presented in the financial statements as a cash equivalent. This is a fund managed by a company within the BlackRock Group. The Company's investment in the Cash Fund is held in a share class on which no management fees are paid to BlackRock to avoid double dipping.

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

## **RELATED PARTY DISCLOSURE: DIRECTORS' EMOLUMENTS**

At the date of this report, the Board consists of non-executive Directors, all of whom are considered to be independent of the Manager by the Board. Disclosures of the Directors' interests in the ordinary shares of the Company and fees and expenses payable to the Directors are set out in the Directors' Remuneration Report, contained within the Annual Report and Financial Statements. At 28 February 2026, an amount of £17,000 (2025: £19,000) was outstanding in respect of Directors' fees.

None of the Directors has a service contract with the Company. For the year ended 28 February 2026, the Chairman received an annual fee of £52,000, the Audit Committee Chairman received an annual fee of £41,000, and the other Directors received £35,000 per annum as a base fee. The Senior Independent Director received an additional fee of £2,000 on a pro-rata basis and the Chair of the Nomination and Remuneration Committee received an additional fee of £1,000 on a pro-rata basis. Following a review on 16 April 2026, and with effect from 1 March 2026, Directors' fees will be increased in line with inflation (broadly based on CPI at 28 February 2026 of 3.2%). From this date the Chairman will receive an annual fee of £53,664, the Audit Committee Chairman will receive £42,312 and the Senior Independent Director (SID) and the Chair of the Nomination and Remuneration Committee will receive £38,184. Other Directors will receive £36,120.

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND FINANCIAL STATEMENTS**

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

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and that enable them to ensure that the Financial Statements and the Directors' Remuneration Report comply with the Companies Act 2006. They are

also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Each of the Directors, whose names are listed within the Annual Report and Financial Statements, confirms that, to the best of their knowledge:

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

The UK Code also requires Directors to ensure that the Annual Report and Financial Statements are fair, balanced and understandable. In order to reach a conclusion on this matter, the Board has requested that the Audit Committee advise on whether it considers that the Annual Report and Financial Statements fulfil these requirements. The process by which the Committee has reached these conclusions is set out in the Audit Committee's report contained within the Annual Report and Financial Statements. As a result, the Board has concluded that the Annual Report and Financial Statements for the year ended 28 February 2026, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

For and on behalf of the Board

**RONALD GOULD**  
Chairman  
15 May 2026

## INCOME STATEMENT

for the year ended 28 February 2026

	Notes	2026 Revenue £'000	2026 Capital £'000	Total £'000	2025 Revenue £'000	2025 Capital £'000	Total £'000
Gains/(losses) on investments held at fair value through profit or loss		–	45,554	45,554	–	(19,794)	(19,794)
Gains/(losses) on foreign exchange		–	39	39	–	(3)	(3)
Income from investments held at fair value through profit or loss	3	19,609	797	20,406	22,684	875	23,559
Other income	3	1,194	–	1,194	1	–	1
<b>Total income/(loss)</b>		<b>20,803</b>	<b>46,390</b>	<b>67,193</b>	<b>22,685</b>	<b>(18,922)</b>	<b>3,763</b>
<b>Expenses</b>							
Investment management fee	4	(977)	(2,931)	(3,908)	(1,153)	(3,458)	(4,611)
Other operating expenses	5	(1,127)	(27)	(1,154)	(940)	(25)	(965)
<b>Total operating expenses</b>		<b>(2,104)</b>	<b>(2,958)</b>	<b>(5,062)</b>	<b>(2,093)</b>	<b>(3,483)</b>	<b>(5,576)</b>
<b>Net profit/(loss) before finance costs and taxation</b>		<b>18,699</b>	<b>43,432</b>	<b>62,131</b>	<b>20,592</b>	<b>(22,405)</b>	<b>(1,813)</b>
Finance costs		(468)	(1,399)	(1,867)	(627)	(1,781)	(2,408)
<b>Net profit/(loss) before taxation</b>		<b>18,231</b>	<b>42,033</b>	<b>60,264</b>	<b>19,965</b>	<b>(24,186)</b>	<b>(4,221)</b>
Taxation		(59)	–	(59)	(47)	–	(47)
<b>Net profit/(loss) after taxation</b>		<b>18,172</b>	<b>42,033</b>	<b>60,205</b>	<b>19,918</b>	<b>(24,186)</b>	<b>(4,268)</b>
<b>Earnings/(loss) per ordinary share (pence) – basic and diluted</b>	7	<b>43.77</b>	<b>101.24</b>	<b>145.01</b>	<b>42.53</b>	<b>(51.64)</b>	<b>(9.11)</b>

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

attributable to the equity holders of the Company.

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

## STATEMENT OF CHANGES IN EQUITY

for the year ended 28 February 2026

	Notes	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
<b>For the year ended 28 February 2026</b>							
At 28 February 2025		12,498	51,980	1,982	529,771	18,548	614,779
Total comprehensive income:							
Net profit for the year		–	–	–	42,033	18,172	60,205
Transactions with owners, recorded directly to equity:							
Ordinary shares repurchased into treasury	11, 12	–	–	–	(51,753)	–	(51,753)
Share repurchase costs	11, 12	–	–	–	(354)	–	(354)
Tender offer costs		–	–	–	(300)	–	(300)
Dividends paid <sup>1</sup>	6	–	–	–	–	(18,735)	(18,735)
		-----	-----	-----	-----	-----	-----
<b>At 28 February 2026</b>		<b>12,498</b>	<b>51,980</b>	<b>1,982</b>	<b>519,397</b>	<b>17,985</b>	<b>603,842</b>
		=====	=====	=====	=====	=====	=====
<b>For the year ended 28 February 2025</b>							
At 29 February 2024		12,498	51,980	1,982	601,098	18,648	686,206
Total comprehensive (loss)/income:							
Net (loss)/profit for the year		–	–	–	(24,186)	19,918	(4,268)
Transactions with owners, recorded directly to equity:							
Ordinary shares repurchased into treasury	11, 12	–	–	–	(46,838)	–	(46,838)
Share repurchase costs	11, 12	–	–	–	(303)	–	(303)
Dividends paid <sup>2</sup>	6	–	–	–	–	(20,018)	(20,018)
		-----	-----	-----	-----	-----	-----
<b>At 28 February 2025</b>		<b>12,498</b>	<b>51,980</b>	<b>1,982</b>	<b>529,771</b>	<b>18,548</b>	<b>614,779</b>
		=====	=====	=====	=====	=====	=====

<sup>1</sup> Interim dividend paid in respect of the year ended 28 February 2026 of 16.00p was declared on 24 October 2025 and paid on 10 December 2025. Final dividend paid in respect of the year ended 28 February 2025 of 28.50p was declared on 7 May 2025 and paid on 26 June 2025.

<sup>2</sup> Interim dividend paid in respect of the year ended 28 February 2025 of 15.50p was declared on 24 October 2024 and paid on 4 December 2024. Final dividend paid in respect of the year ended 29 February 2024 of 27.00p was declared on 14 May 2024 and paid on 27 June 2024.

For information on the Company's distributable reserves, please refer to the Annual Report and Financial Statements.

## BALANCE SHEET

as at 28 February 2026

	Notes	2026 £'000	2025 £'000
<b>Non current assets</b>			
Investments held at fair value through profit or loss		638,084	696,573
<b>Current assets</b>			
Current taxation asset		76	84
Debtors	8	7,014	9,738
Cash and cash equivalents – Cash Fund		36,146	–
<b>Total current assets</b>		<b>43,236</b>	<b>9,822</b>
		=====	=====
<b>Current liabilities</b>			

Cash and cash equivalents – bank overdraft		(262)	(9,230)
Creditors – amounts falling due within one year	9	(7,645)	(12,843)
<b>Net current assets/(liabilities)</b>		<b>35,329</b>	<b>(12,251)</b>
		-----	-----
<b>Total assets less current liabilities</b>		<b>673,413</b>	<b>684,322</b>
		=====	=====
Creditors – amounts falling due after more than one year	10	(69,571)	(69,543)
<b>Net assets</b>		<b>603,842</b>	<b>614,779</b>
		=====	=====
<b>Total equity</b>			
Called up share capital	11	12,498	12,498
Share premium account	12	51,980	51,980
Capital redemption reserve	12	1,982	1,982
Capital reserves	12	519,397	529,771
Revenue reserve	12	17,985	18,548
<b>Total shareholders' funds</b>	<b>7</b>	<b>603,842</b>	<b>614,779</b>
		-----	-----
<b>Net asset value per ordinary share (debt at par value) (pence)</b>		<b>1,516.70</b>	<b>1,403.45</b>
		-----	-----
<b>Net asset value per ordinary share (debt at fair value) (pence)</b>		<b>1,579.08</b>	<b>1,463.44</b>
		=====	=====

## STATEMENT OF CASH FLOWS

for the year ended 28 February 2026

	<b>2026</b>	<b>2025</b>
	<b>£'000</b>	<b>£'000</b>
<b>Operating activities</b>		
Net profit/(loss) before taxation <sup>1</sup>	60,264	(4,221)
<i>Changes in working capital items:</i>		
Decrease in debtors	407	348
(Decrease)/increase in other creditors	(2,033)	1,065
Decrease/(increase) in amounts due from brokers	2,317	(5,293)
(Decrease)/increase in amounts due to brokers	(926)	3,143
<i>Other adjustments:</i>		
Finance costs	1,867	2,408
(Gains)/losses on investments held at fair value through profit or loss	(45,554)	19,794
Net (gains)/losses on foreign exchange	(39)	3
Special dividends allocated to capital	(797)	(875)
Sale of investments held at fair value through profit or loss	545,696	546,719
Purchase of investments held at fair value through profit or loss	(440,856)	(497,033)
<b>Net cash inflow from operating activities before taxation</b>	<b>120,346</b>	<b>66,058</b>
	-----	-----
Taxation paid	(51)	(47)
<b>Net cash inflow from operating activities</b>	<b>120,295</b>	<b>66,011</b>
	-----	-----
<b>Financing activities</b>		
Ordinary shares repurchased into treasury	(53,994)	(44,663)
Share repurchase costs	(354)	(303)
Tender offer costs	(300)	–
Interest paid	(1,837)	(2,383)
Dividends paid	(18,735)	(20,018)
<b>Net cash outflow from financing activities</b>	<b>(75,220)</b>	<b>(67,367)</b>
	-----	-----

<b>Increase/(decrease) in cash and cash equivalents</b>	<b>45,075</b>	<b>(1,356)</b>
Effect of foreign exchange rate changes	39	(3)
Cash and cash equivalents at beginning of year	(9,230)	(7,871)
<b>Cash and cash equivalents at end of year</b>	<b>35,884</b>	<b>(9,230)</b>
	-----	-----
<b>Comprised of:</b>		
Cash Fund <sup>2</sup>	36,146	–
Bank overdraft	(262)	(9,230)
	-----	-----
	<b>35,884</b>	<b>(9,230)</b>
	=====	=====

<sup>1</sup> Dividends and interest received in cash during the year amounted to £19,988,000 and £1,071,000 (2025: £22,774,000 and £1,000).

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

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 28 February 2026

### 1. Principal activity

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

### 2. Accounting policies

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

#### (a) Basis of preparation

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

Substantially, all of the assets of the Company consist of securities that are readily realisable and, accordingly, the Directors are satisfied that the Company has adequate resources to continue in operational existence for the period to 28 February 2028, being a period of at least 12 months from the date of approval of the financial statements, and therefore consider the going concern assumption to be appropriate. The Directors have reviewed compliance with the covenants associated with the loan notes and revolving credit facility, income and expense projections and the liquidity of the investment portfolio in making their assessment.

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

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

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

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

#### (b) Presentation of Income Statement

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

#### (c) Segmental reporting

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

#### (d) Income

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

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

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

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

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

### **(e) Expenses**

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

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

### **(f) Taxation**

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

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

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

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

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

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

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

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

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

The fair value hierarchy consists of the following three levels:

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

Level 2 – Valuation techniques using observable inputs.

Level 3 – Valuation techniques using significant unobservable inputs.

### **(h) Dividends payable**

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

### (i) Foreign currency translation

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

### (j) Share repurchases, share re-issues and new share issues

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

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

Where treasury shares are subsequently re-issued:

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

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

Share issue costs are charged to the share premium account. Costs on share re-issues are charged to the capital reserves.

### (k) Debtors

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

### (l) Creditors

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

### (m) Cash and cash equivalents

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

The investment in the BlackRock Institutional Cash Series plc - Sterling Liquid Environmentally Aware Fund has been presented in the financial statements as a cash equivalent as it is held for short-term cash management purposes.

### (n) Critical accounting estimates and judgements

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

## 3. Income

	<b>2026</b>	<b>2025</b>
	<b>£'000</b>	<b>£'000</b>
<b>Investment income<sup>1</sup>:</b>		
UK dividends	14,966	18,567
UK special dividends	691	801
UK property income distributions	649	1,007
Dividends from UK REITs <sup>2</sup>	514	493
Overseas dividends	1,424	1,514

Overseas special dividends	966	–
Dividends from overseas REITs <sup>2</sup>	399	302
<b>Total investment income</b>	<b>19,609</b>	<b>22,684</b>
<b>Other income:</b>		
Bank interest	18	1
Interest from Cash Fund	1,176	–
<b>Total other income</b>	<b>1,194</b>	<b>1</b>
<b>Total</b>	<b>20,803</b>	<b>22,685</b>

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

<sup>2</sup> REITs - real estate investment trusts.

Special dividends of £797,000 have been recognised in capital during the year (2025: £875,000).

Dividends and interest received in cash during the year amounted to £19,988,000 and £1,071,000 (2025: £22,774,000 and £1,000).

#### 4. Investment management fee

	2026			2025		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	977	2,931	3,908	1,153	3,458	4,611
<b>Total</b>	<b>977</b>	<b>2,931</b>	<b>3,908</b>	<b>1,153</b>	<b>3,458</b>	<b>4,611</b>

Up to 16 April 2026, the investment management fee was 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 was 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. With effect from 16 April 2026, the AIFM receives a revised management fee equal to: (i) 0.5% per annum on the first £500 million of the Company's Net Asset Value (NAV); (ii) 0.475% per annum on the Company's NAV between £500 million and £750 million; and (iii) 0.45% per annum on the Company's NAV in excess of £750 million.

In addition to the revised fee, BlackRock has agreed to waive the management fee for six months with effect from 16 April 2026 as a contribution to the costs of the combination with THRG. The investment management fee is allocated 25% to the revenue account and 75% to the capital account of the Income Statement.

#### 5. Other operating expenses

	2026 £'000	2025 £'000
<b>Allocated to revenue:</b>		
Custody fees	6	9
Depositary fees	68	83
Auditors' remuneration <sup>1</sup>	61	52
Registrar's fee	55	46
Directors' emoluments <sup>2</sup>	205	240
Marketing fees	269	195
AIC fees	26	22
Bank charges	24	24
Broker fees	35	23
Stock exchange listings	45	41
Printing and postage fees	60	39
Legal fees	44	43
Prior year expenses written back <sup>3</sup>	–	(11)
Other administrative costs	229	134

<b>Total revenue expenses</b>	<b>1,127</b>	<b>940</b>
	=====	=====
<b>Allocated to capital:</b>		
Custody transaction charges <sup>4</sup>	27	25
<b>Total capital expenses</b>	<b>27</b>	<b>25</b>
	-----	-----
<b>Total</b>	<b>1,154</b>	<b>965</b>
	=====	=====
Ongoing charges <sup>5</sup>	0.8%	0.8%
	=====	=====

<sup>1</sup> No non-audit services were provided by the Company's auditors (2025: none).

<sup>2</sup> Further information on Directors' emoluments can be found in the Directors' Remuneration Report contained within the Annual Report and Financial Statements.

<sup>3</sup> No prior year expenses were written back during the year ended 28 February 2026 (2025: bank charges, printing and postage fees and miscellaneous fees).

<sup>4</sup> For the year ended 28 February 2026, expenses of £27,000 (2025: £25,000) were charged to the capital account of the Income Statement. These relate to transaction costs charged by the Custodian on sale and purchase trades.

<sup>5</sup> The Company's ongoing charges are 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. Alternative Performance Measure, see Glossary contained within the Annual Report and Financial Statements.

## 6. Dividends

<b>Dividends paid on equity shares:</b>	<b>Record date</b>	<b>Payment date</b>	<b>2026 £'000</b>	<b>2025 £'000</b>
2024 Final of 27.00p	24 May 2024	27 June 2024	–	12,717
2025 Interim of 15.50p	1 November 2024	4 December 2024	–	7,301
2025 Final of 28.50p	16 May 2025	26 June 2025	12,285	–
2026 First Interim of 16.00p	7 November 2025	10 December 2025	6,450	–
			-----	-----
<b>Accounted for in the financial statements</b>			<b>18,735</b>	<b>20,018</b>
			=====	=====

The Directors have proposed a second and final interim dividend of 28.50p per share in respect of the year ended 28 February 2026. The second and final interim dividend will be paid, subject to shareholders' approval, on 8 May 2026 to shareholders on the Company's register on 10 April 2026. The proposed second and final interim dividend has not been included as a liability in these financial statements, as dividends are only recognised in the financial statements when they have been approved by shareholders.

The total dividends payable in respect of the year which form the basis of determining retained income for the purposes of Section 1158 of the Corporation Tax Act 2010 and Section 833 of the Companies Act 2006, and the amount proposed for the year ended 28 February 2026 meet the relevant requirements as set out in this legislation.

<b>Dividends paid or proposed on equity shares:</b>	<b>2026 £'000</b>	<b>2025 £'000</b>
First interim dividend paid of 16.00p (2025: 15.50p)	6,450	7,301
Second and final interim dividend proposed of 28.50p per share <sup>1</sup> (2025: 28.50p)	11,347	12,285
	-----	-----
<b>Total</b>	<b>17,797</b>	<b>19,586</b>
	=====	=====

<sup>1</sup> Based upon 39,812,792 ordinary shares (excluding treasury shares) in issue on 10 April 2026.

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

## 7. Returns and net asset value per share

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

	<b>2026</b>	<b>2025</b>
Revenue return attributable to ordinary shareholders (£'000)	18,172	19,918
Capital profit/(loss) attributable to ordinary shareholders (£'000)	42,033	(24,186)
	-----	-----
<b>Total profit/(loss) attributable to ordinary shareholders (£'000)</b>	<b>60,205</b>	<b>(4,268)</b>
	=====	=====
<b>Total shareholders' funds (£'000)</b>	<b>603,842</b>	<b>614,779</b>
	=====	=====
The weighted average number of ordinary shares in issue during the year on which the earnings per ordinary share was calculated was:	41,517,247	46,833,380
The actual number of ordinary shares in issue at the end of each year on which the undiluted net asset value was calculated was:	39,812,792	43,804,792
<b>Earnings per share</b>		
Revenue earnings per share (pence) – basic and diluted	43.77	42.53
Capital earnings/(loss) per share (pence) – basic and diluted	101.24	(51.64)
	-----	-----
<b>Total earnings/(loss) per share (pence) – basic and diluted</b>	<b>145.01</b>	<b>(9.11)</b>
	=====	=====
	<b>As at</b>	<b>As at</b>
	<b>28 February</b>	<b>28 February</b>
	<b>2026</b>	<b>2025</b>
Net asset value per ordinary share (debt at par value) (pence)	1,516.70	1,403.45
Net asset value per ordinary share (debt at fair value) (pence)	1,579.08	1,463.44
Ordinary share price (pence)	1,402.00	1,270.00
	=====	=====

## 8. Debtors

	<b>2026</b>	<b>2025</b>
	<b>£'000</b>	<b>£'000</b>
Sales for future settlement	6,553	8,870
Prepayments and accrued income	461	868
	-----	-----
<b>Total</b>	<b>7,014</b>	<b>9,738</b>
	=====	=====

## 9. Creditors – amounts falling due within one year

	<b>2026</b>	<b>2025</b>
	<b>£'000</b>	<b>£'000</b>
Purchases for future settlement	4,140	5,066
Interest payable	583	581
Share buybacks awaiting settlement	–	2,241
Accruals	2,922	4,955
	-----	-----
<b>Total</b>	<b>7,645</b>	<b>12,843</b>
	=====	=====

## 10. Creditors – amounts falling due after more than one year

	<b>2026</b>	<b>2025</b>
	<b>£'000</b>	<b>£'000</b>
2.74% loan note 2037	25,000	25,000
Unamortised loan note issue expenses	(154)	(168)
	24,846	24,832
	-----	-----

2.41% loan note 2044	20,000	20,000
Unamortised loan note issue expenses	(120)	(127)
	19,880	19,873
	-----	-----
2.47% loan note 2046	25,000	25,000
Unamortised loan note issue expenses	(155)	(162)
	24,845	24,838
	-----	-----
<b>Total</b>	<b>69,571</b>	<b>69,543</b>
	=====	=====

The fair value of the 2.74% loan note has been determined based on a comparative yield for UK Gilts for similar duration maturity and spreads, and as at 28 February 2026 equated to a valuation of 76.33p per note (2025: 73.47p), a total of £19,083,000 (2025: £18,368,000). The fair value of the 2.41% loan note has been determined based on a comparative yield for UK Gilts for similar duration maturity and spreads, and as at 28 February 2026 equated to a valuation of 59.41p per note (2025: 57.61p), a total of £11,882,000 (2025: £11,522,000). The fair value of the 2.47% loan note has been determined based on a comparative yield for UK Gilts for similar duration maturity and spreads, and as at 28 February 2026 equated to a valuation of 55.09p per note (2025: 53.50p), a total of £13,772,000 (2025: £13,375,000).

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

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

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

The Company also has available an uncommitted overdraft facility of £60 million with The Bank of New York Mellon (International) Limited, of which £262,000 had been utilised at 28 February 2026 (2025: £9,230,000).

## 11. Called up share capital

	Ordinary shares number	Treasury shares number	Total shares number	Nominal value £'000
<b>Allotted, called up and fully paid share capital comprised:</b>				
<b>Ordinary shares of 25 pence each</b>				
At 29 February 2024	47,319,792	2,673,731	49,993,523	12,498
Ordinary shares repurchased into treasury	(3,515,000)	3,515,000	–	–
At 28 February 2025	43,804,792	6,188,731	49,993,523	12,498
Ordinary shares repurchased into treasury	(3,992,000)	3,992,000	–	–
	-----	-----	-----	-----
<b>At 28 February 2026</b>	<b>39,812,792</b>	<b>10,180,731</b>	<b>49,993,523</b>	<b>12,498</b>
	=====	=====	=====	=====

During the year ended 28 February 2026, the Company repurchased 3,992,000 shares (2025: 3,515,000) into treasury for a total consideration of £52,107,000 (2025: £47,141,000).

Since 28 February 2026 and up to the latest practicable date of 12 May 2026, 45,000 ordinary shares have been repurchased into treasury for a total consideration of £585,000.

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

	Share premium account £'000	Capital redemption reserve £'000	Capital reserve (arising on investments sold) £'000	Distributable reserves Capital reserve (arising on revaluation of investments held) £'000	Revenue reserve £'000
At 29 February 2024	51,980	1,982	565,497	35,601	18,648
Movement during the year:					

Losses on realisation of investments	–	–	(2,573)	–	–
Change in investment holding gains	–	–	–	(16,346)	–
Losses on foreign currency transactions	–	–	(3)	–	–
Finance costs and expenses charged to capital	–	–	(5,264)	–	–
Net profit for the year	–	–	–	–	19,918
Ordinary shares repurchased into treasury	–	–	(46,838)	–	–
Share buyback costs	–	–	(303)	–	–
Dividends paid during the year	–	–	–	–	(20,018)
	-----	-----	-----	-----	-----
<b>At 28 February 2025</b>	<b>51,980</b>	<b>1,982</b>	<b>510,516</b>	<b>19,255</b>	<b>18,548</b>
	=====	=====	=====	=====	=====
Movement during the year:					
Losses on realisation of investments	–	–	(31,988)	–	–
Change in investment holding gains	–	–	–	78,339	–
Gains on foreign currency transactions	–	–	39	–	–
Finance costs and expenses charged to capital	–	–	(4,357)	–	–
Net profit for the year	–	–	–	–	18,172
Ordinary shares repurchased into treasury	–	–	(51,753)	–	–
Share repurchase costs	–	–	(354)	–	–
Tender offer cost	–	–	(300)	–	–
Dividends paid during the year	–	–	–	–	(18,735)
	-----	-----	-----	-----	-----
<b>At 28 February 2026</b>	<b>51,980</b>	<b>1,982</b>	<b>421,803</b>	<b>97,594</b>	<b>17,985</b>
	=====	=====	=====	=====	=====

The share premium account and capital redemption reserve of £51,980,000 and £1,982,000 (2025: £51,980,000 and £1,982,000) are not distributable reserves under the Companies Act 2006. In accordance with ICAEW Technical Release 02/17BL on Guidance on Realised and Distributable Profits under the Companies Act 2006, the capital reserve may be used as distributable reserves for all purposes and, in particular, the repurchase by the Company of its ordinary shares and for payments such as dividends. In accordance with the Company's Articles of Association, the capital reserve of £519,397,000 (2025: £529,771,000) and the revenue reserve of £17,985,000 (2025: £18,548,000) may be distributed by way of dividend. The gain on the capital reserve arising on the revaluation of investments of £97,594,000 (2025: gain of £19,255,000) 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.

As at 28 February 2026, the Company's distributable reserves (excluding capital reserves on the revaluation of investments) amounted to £439,788,000 (2025: £529,064,000).

### 13. Valuation of financial instruments

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

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

The fair value hierarchy has the following levels:

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

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

#### Level 2 – Valuation techniques using observable inputs

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

#### Level 3 – Valuation techniques using significant unobservable inputs

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

This category also includes instruments that are valued based on quoted prices for similar instruments where significant entity determined adjustments or assumptions are required to reflect differences between the instruments and instruments for which there is no active market. The Investment Manager considers observable data to be that market data that is readily available,

regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

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

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

#### Fair values of financial assets and financial liabilities

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

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Financial assets at fair value through profit or loss</b>				
Equity investments at 28 February 2026	626,656	–	11,428	638,084
Equity investments at 28 February 2025	694,356	–	2,217	696,573
	=====	=====	=====	=====

The Company held one Level 3 security as at 28 February 2026 (2025: one).

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

	<b>2026</b>	<b>2025</b>
	<b>£'000</b>	<b>£'000</b>
<b>Level 3 financial assets at fair value through profit or loss</b>		
Opening fair value	2,217	–
Additions at cost	11,303	770
Sale of investments	(2,009)	–
Total profit or loss included in net profit/(loss) on investments in the Income Statement		
– realised gain on investments sold	280	–
– unrealised (losses)/gains on assets held at the end of the year	(363)	1,447
	-----	-----
<b>Closing balance</b>	<b>11,428</b>	<b>2,217</b>
	=====	=====

As at 28 February 2026, the investment in Rosebank Industries was a Level 3 investment due to there being a temporary suspension of trading in the ordinary shares of the company and the price used to value the investment is the last available market price. Due to the temporary suspension and use of last available market price, a table of unobservable inputs is not applicable.

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

#### 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 in the Directors' Report contained within the Annual Report and Financial Statements.

The investment management fee for the year ended 28 February 2026 amounted to £3,908,000 (2025: £4,611,000) as disclosed in note 4 to the Financial Statements. At the year end, £1,915,000 was outstanding in respect of the management fee (2025: £4,488,000).

In addition to the above services, BIM (UK) provided the Company with marketing services. The total fees paid or payable for these services for the year ended 28 February 2026 amounted to £269,000 including VAT (2025: £195,000). Marketing fees of £240,000 (2025: £137,000) were outstanding at the year end.

During the year, the Manager pays the amounts due to the Directors. These fees are then reimbursed by the Company for the amounts paid on its behalf. As at 28 February 2026, an amount of £240,000 (2025: £129,000) was payable to the Manager in respect of Directors' fees.

The Company holds an investment in the BlackRock Institutional Cash Series plc - Sterling Liquid Environmentally Aware Fund of £36,146,000 (2025: £nil) which has been presented in the financial statements as a cash equivalent. This is a fund managed by a company within the BlackRock Group. The Company's investment in the Cash Fund is held in a share class on which no management fees are paid to BlackRock to avoid double dipping.

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

## 15. Related parties disclosures

### Directors' emoluments

At the date of this report, the Board consists of non-executive Directors, all of whom are considered to be independent of the Manager by the Board. Disclosures of the Directors' interests in the ordinary shares of the Company and fees and expenses payable to the Directors are set out in the Directors' Remuneration Report. At 28 February 2026, an amount of £17,000 (2025: £19,000) was outstanding in respect of Directors' fees.

### Significant holdings

The following investors are:

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

	<b>Total % of shares held by Related BlackRock Funds</b>	<b>Total % of shares held by Significant Investors who are not affiliates of BlackRock Group or BlackRock, Inc.</b>	<b>Number of Significant Investors who are not affiliates of BlackRock Group or BlackRock, Inc.</b>
As at 28 February 2026	4.7	n/a	n/a
As at 28 February 2025	6.1	n/a	n/a
	=====	=====	=====

## 16. Contingent liabilities

There were no contingent liabilities at 28 February 2026 (2025: none).

## 17. Subsequent events

On 20 February 2026, the Board announced a proposed Scheme of Combination with THRG ('the Combination'), which was approved by the Company's shareholders at a General Meeting held on 30 March 2026. The Combination was effected by way of a scheme of reconstruction and members' voluntary winding up of THRG under Section 110 of the Insolvency Act, and the issue of new ordinary shares in the Company to THRG's shareholders who are deemed to have elected to roll over their investment into the enlarged Company.

The Combination of the Company with THRG took effect on 16 April 2026, pursuant to which the Company acquired net assets of approximately £303.2 million from THRG in consideration for the issue of 20,892,579 new ordinary shares which were admitted to trading on the main market for listed securities of the London Stock Exchange with effect from 17 April 2026. Following this issue of new shares, the Company's share capital consisted of 60,705,371 ordinary shares (excluding treasury shares), and the existing 10,180,731 ordinary shares held in treasury.

In connection with the Combination, eligible shareholders were given the option to elect for a cash exit in respect of a proportion of their shareholding in the Company at a discount of 1.0% to NAV. The Company's cash exit was implemented by way of a tender offer and was limited up to 28% of the Company's issued share capital (excluding Shares held in treasury). The tender offer for 28% of issued share capital was oversubscribed, and accordingly, 11,147,581 shares will be repurchased in due course representing 28% of the Company's issued share capital. It is currently envisaged that realisation of the assets held in the Tender Pool which has been established for the purposes of the Tender Offer will be completed in or around the week commencing 29 June 2026, with the final Tender Price and payment date to be announced by the Company shortly thereafter.

As part of the Combination process, the Board proposed changes to the Company's investment policy giving the Investment Manager additional latitude to invest in small cap stocks outside of the Benchmark Index and to invest up to 15% of the Company's gross assets, at the time of acquisition, in global small cap stocks which are listed overseas and which do not have a primary or secondary UK listing. Shareholders approved the changes to the Company's investment policy at the General Meeting held on 30 March 2026, and this new policy was implemented on completion of the Combination on 16 April 2026.

Louise Nash and Angela Lane were appointed as non-executive Directors to the Company on 17 April 2026.

## 18. Publication of non-statutory accounts

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

The figures set out above have been reported upon by the auditors. The comparative figures are extracts from the audited financial statements of BlackRock Smaller Companies Trust plc for the year ended 28 February 2025, which have been filed with the Registrar of Companies. The reports of the auditors for the years ended 28 February 2025 and 28 February 2026 contain no qualification or statement under Section 498(2) or (3) of the Companies Act 2006. The 2026 Annual Report and Financial Statements will be filed with the Registrar of Companies after the Annual General Meeting.

## 19. Annual report and financial statements

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

## **20. Annual General Meeting**

The Annual General Meeting of the Company will be held at 12 Throgmorton Avenue, London EC2N 2DL on 17 June 2026 at 11:30 a.m.

### **ENDS**

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

### **For further information, please contact:**

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15 May 2026