

BAILLIE GIFFORD UK GROWTH TRUST PLC



Interim Financial Report
31 October 2022





Objective

Baillie Gifford UK Growth Trust's objective is to achieve capital growth predominantly from investment in UK equities, with the aim of providing a total return in excess of the FTSE All-Share Index total return.

Benchmark

The portfolio benchmark against which performance has been measured is the FTSE All-Share Index total return.

Principal Risks and Uncertainties

The principal risks facing the Company are financial risk, investment strategy risk, climate and governance risk, discount risk, regulatory risk, custody and depositary risk, operational risk, cyber security risk, leverage risk, political risk and emerging risks. An explanation of these risks and how they are managed is set out on pages 7 to 9 of the Company's Annual Report and Financial Statements for the year to 30 April 2022 which is available on the Company's website: bgukgrowthtrust.com. The principal risks and uncertainties have not changed since the date of that report.

Responsibility Statement

We confirm that to the best of our knowledge:

- a) the condensed set of Financial Statements has been prepared in accordance with FRS 104 'Interim Financial Reporting';
- b) the Interim Management Report includes a fair review of the information required by Disclosure Guidance and Transparency Rule 4.2.7R (indication of important events during the first six months, their impact on the Financial Statements and a description of the principal risks and uncertainties for the remaining six months of the year); and
- c) the Interim Financial Report includes a fair review of the information required by Disclosure Guidance and Transparency Rule 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board
Carolyn Dobson
Chairman
29 November 2022

Summary of Unaudited Results*

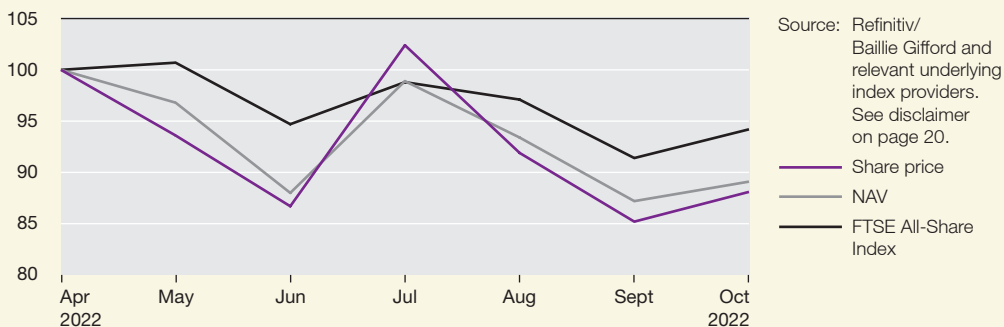
	31 October 2022	30 April 2022 (audited)	% change
Shareholders' funds	£261.0m	£302.9m	
Net asset value per ordinary share	172.4p	197.4p	(12.7)
Share price	150.0p	174.2p	(13.9)
FTSE All-Share Index†			(7.4)
Discount#	(13.0%)	(11.8%)	
Active share#	85%	85%	
Equity gearing#	3%	2%	

	Six months to 31 October 2022	Six months to 31 October 2021	% change
Revenue earnings per share	2.22p	2.28p	(2.6)

	Six months to 31 October 2022	Year to 30 April 2022
Total returns (%)#		
Net asset value	(10.9)	(16.0)
Share price	(11.9)	(27.9)
FTSE All-Share Index†	(5.8)	8.7

Six Months Total Return# Performance

(figures plotted on a monthly basis and rebased to 100 at 30 April 2022)



* For a definition of terms see Glossary of Terms and Alternative Performance Measures on pages 18 and 19.

† Source: Refinitiv/Baillie Gifford and relevant underlying data providers. See disclaimer on page 20.

Alternative Performance Measure, see Glossary of Terms and Alternative Performance Measures on pages 18 and 19.

Past performance is not a guide to future performance.

The Managers' Core Investment Principles

Investment Philosophy

The following are the three core principles underpinning our investment philosophy. We have a consistent, differentiated long-term investment approach to managing UK equities that should stand investors in the Company in good stead:

Growth

We search for the few companies which have the potential to grow substantially and profitably over many years. Whilst we have no insight into the short-term direction of a company's share price, we believe that, over the longer term, those companies which deliver above average growth in cash flows will be rewarded with above average share price performance and that the power of compounding is often under-appreciated by investors. Successful investments will benefit from a rising share price and also from income accumulated over long periods of time.

Patience

Great growth companies are not built in a day. We firmly believe that investors need to be patient to fully benefit from the scale of the potential. Our investment time horizon, therefore, spans decades rather than quarters and our portfolio turnover*, at 4.1%, is significantly below the UK industry average. This patient, long-term approach affords a greater chance for the superior growth and competitive traits of companies to emerge as the dominant influence on their share prices and allows compounding to work in the investors' favour.

Active Investment Management

It is our observation that many investors pay too much attention to the composition of market indices and active managers should make meaningful investments in their best ideas regardless of the weightings of the index. For example, we would never invest in a company just because it is large or to reduce risk. As a result, shareholders should expect the composition of the portfolio to be significantly different from the benchmark. This differentiation is a necessary condition for delivering superior returns over time and shareholders should be comfortable tolerating the inevitable ups and downs in short-term relative performance that will follow from that.

Portfolio construction flows from the investment beliefs stated above.

* Alternative Performance Measure, see Glossary of Terms and Alternative Performance Measures on pages 18 and 19. This reflects a rolling 12 month period to 31 October 2022.

Past performance is not a guide to future performance.

The Managers' Stewardship Principles

We have a responsibility to behave as supportive and constructively engaged long-term investors. Our approach favours a small number of simple principles which help shape our interactions with companies:

Prioritisation of Long-term Value Creation

We encourage company management and their boards to be ambitious and focus their investments on long-term value creation.

Sustainable Business Practices

We look for companies to act as responsible corporate citizens, working within the spirit and not just the letter of the laws and regulations that govern them.

Fair Treatment of Stakeholders

We believe it is in the long-term interests of companies to maintain strong relationships with all stakeholders, treating employees, customers, suppliers, governments and regulators in a fair and transparent manner.

A Constructive and Purposeful Board

We believe that boards play a key role in supporting corporate success and representing the interests of minority shareholders.

Long-term Focused Remuneration With Stretching Targets

We look for remuneration policies that are simple, transparent and reward superior strategic and operational endeavour.

Interim Management Report

Performance

Over the six months to 31 October 2022, the Company's net asset value ('NAV') total return per share declined by 10.9% which compares to a 5.8% decrease in the FTSE All-Share Index, total return, over the same period. The share price total return over the six months declined by 11.9% as the shares moved from a discount of 11.8% to the NAV per share to a discount of 13.0%. Our short term performance continued to disappoint, with the headwinds against our pronounced growth style, that we discussed in the Annual Report, continuing to persist. The paradox is that in operational terms the portfolio in general is continuing to perform satisfactorily and therefore portfolio activity was relatively low.

The main detractors from performance in the period included the kitchen company Howden Joinery, car platform AutoTrader and clean air solution provider Volution. In all three cases, despite strong trading, the market is worried about the impact of an economic downturn in the short term although all of these businesses have compelling growth opportunities over the longer term and strong balance sheets to weather any near term turbulence. Our exposure to fast growing unlisted technology businesses through Molten Ventures was another notable detractor as markets correctly assumed that the fall in valuations in the quoted market would have an impact on the carrying value of Molten's investments; although the pessimism baked into its share price, when compared to its most recent written down valuation of its assets, seems excessive to us. Finally, not owning the major oil stocks in the period was again the other notable detractor to our relative performance.

In terms of positives, we benefitted from a couple of businesses that agreed to be taken over; namely the home emergency service business HomeServe and the information, data and events business Euromoney Institutional Investor. In both cases we were actually supportive of management's growth strategy and although both bids were at significant premiums to the pre bid share price, we would have been happy to have remained owners of both

businesses. However, it was clear that the boards of both were determined to accept the bids and we reluctantly decided to accept both offers. The other notable positive in the period was Wise, the foreign exchange platform that offers a more compelling and cheaper proposition to consumers and small businesses than using banks. Like many growth businesses, its shares had been pummelled but our old adage that share prices will reflect fundamentals was partially borne out, with the shares recovering strongly following a very encouraging trading statement where growth was much stronger than expected; this bodes wells for the future.

'A week is a long time in politics' and other market musings'

Perhaps one of the main reasons why it's difficult to be a long-term investor is that when events keep coming thick and fast there is natural human tendency to want to make sense of them (or be asked to comment on them). This six month period is no exception. Although it seems a long time ago now, it was only at the beginning of the period that Boris Johnson dramatically lost the confidence of his MPs and resigned as leader of the Conservative Party, triggering a leadership election that resulted in Liz Truss being appointed as Prime Minister. This ceremonial handing over of power was poignantly the last official act of our late Queen Elizabeth. Her passing, after an incredible seventy years on the throne, led to understandable mourning by many people in the UK and beyond. Yet, with barely a pause, we witnessed yet more astonishing events with the implosion of the Truss Government after a disastrously received 'mini' budget which ultimately led to her resignation as Prime Minister after just 49 days. The subsequent appointment of Rishi Sunak as our first British Asian Prime Minister, and the youngest for over a century and a half, was a moment of tremendous symbolism, yet few would envy his task of trying to restore calm to the market and to attempt to sort out the finances of the Government in the midst of a difficult economic backdrop with a fractious governing party on its fifth prime minister since the Brexit referendum.

For a definition of terms see Glossary of Terms and Alternative Performance Measures on pages 18 and 19.

What interested us in this tumultuous period was less the hurly burly of politics and more the attempt by some commentators to sum up the changes seen in this country over the long reign of our late Monarch. In particular, in this ‘instant analysis’ there was a fundamental misunderstanding of progress in our view. Of course, today we have many pressing social and economic challenges and it’s also true that Britain’s relative standing in the world has declined in part because of self-inflicted mistakes over the decades. However, what this gloomy, near term focussed analysis forgets is the astonishing progress and general increase in prosperity over the last seventy years. Frankly, much of this progress would amaze previous generations so it begs the question of why this misunderstanding? The answer is deceptively simple: behaviourally, after the novelty wears off, we take most instances of progress, such as a new product, for granted, but quietly and gradually these all incrementally add up over time to something quite dramatic. This is exactly the same when it comes to investing in companies over the long term. However, as mentioned at the start of this commentary, most people don’t think like that and would rather we comment on Sterling, interest rates, inflation, domestic and world politics etc. This isn’t daft, as they are big questions and, as a former colleague said once, “we all have bosses”. Why wouldn’t you want to know if you thought we might have the answer? But we don’t.

Instead, we’d rather have the honesty and humility in communicating with fellow shareholders to acknowledge that forecasting macro-economic events is a skill we simply don’t possess. Moreover, it is a skill that is anathema to our bottom-up style of researching and investing in companies that we believe have superior growth prospects. Of course, we’re not blind to the tougher near-term environment but we’re also alert to understanding what the opportunities might be for the many businesses that have superior business models and competitive positions. As we’ve seen many times before, these companies usually come out of tough times with enhanced competitive positions.

Portfolio Update

In terms of portfolio activity, we made some modest changes in the period. The thinking is straightforward. It has clearly been a very tough market for growth stocks, and we have been monitoring a number where the share price has been beaten up but the operational performance is, in fact, ahead of expectations. We, therefore, added to existing holdings in Wise (foreign exchange transfers) and Experian (credit checking) as both stocks have been unfairly derated given their strong fundamentals, and, as noted earlier, it was pleasing that, subsequent to our purchase, Wise reported much better than expected trading.

We also decided to take new holdings in Softcat and Kainos – two businesses which we know well but where valuation has been a stumbling block. Both are beneficiaries of what we think is a very compelling long-term structural trend, namely growth in corporate IT investment. The Covid-19 pandemic has only reinforced the imperative for companies of all shapes and sizes to invest in their IT estate and develop capabilities in areas such as data management and analytics, cyber security and the cloud in order to remain competitive. Softcat is a value-added reseller, mainly serving SMEs in the UK. We think it possesses a differentiated corporate culture which has enabled it to outperform the underlying market consistently and meaningfully. Kainos is a Northern Irish company which leads digitisation projects for the government (but increasingly corporates as well) and is also one of only a handful of Workday software implementation partners globally. Workday is a US enterprise software company which has successfully disrupted the on-premise HR and financial software market with its cloud-based offering. We think Kainos will continue to benefit from the global roll out of Workday’s product suite.

These purchases have been funded by reductions in our holdings in the information business RELX and the distributor Bunzl. Both have held up much better in share price terms than many holdings, but their growth profiles are more sedate, so we decided to reallocate capital to our new holdings. We also decided to sell Just Eat Takeaway.com. Although we reduced our holding when it completed the now disastrous US acquisition, it was a mistake not to sell out completely. Our worry is that fierce competition by incumbents and other parties encouraging competition, such as Amazon, will result in businesses never able to exploit network benefits. We have also utilised some borrowings to fund some of purchases and equity gearing stood at 3% as at 31 October 2022.

Outlook

We're currently working hard at developing a pipeline of new investment ideas that might be mispriced in the current environment. We are not market timers or forecasters, but the evidence of a growing opportunity set of potential investments shows there is an interesting and growing disconnect between top-down perceptions of the UK market and what we are starting to see in terms of long-term opportunities for growth investors, notwithstanding the near term economic challenges. In plain English and with apologies to Charles Dickens: it was the worst of times, it was the best of times.

Iain McCombie and Milena Mileva
Baillie Gifford & Co
29 November 2022

Valuing Private Companies

We aim to hold our private company investments at 'fair value' i.e., the price that would be paid in an open-market transaction. Valuations are adjusted both during regular valuation cycles and on an ad hoc basis in response to 'trigger events'. Our valuation process ensures that private companies are valued in both a fair and timely manner.

The valuation process is overseen by a valuations committee at Baillie Gifford which takes advice from an independent third party (S&P Global). The portfolio managers feed into the process, but the valuations committee owns the process and the portfolio managers only receive final valuation notifications once they have been applied.

We revalue the private holdings on a three-month rolling cycle, with one-third of the holdings reassessed each month. The prices are also reviewed twice per year by the Company's Board and are subject to the scrutiny of external auditors in the annual audit process.

Beyond the regular cycle, the valuations committee also monitors the portfolio for certain 'trigger events'. These may include: changes in fundamentals; a takeover approach; an intention to carry out an Initial Public Offering (IPO); or significant changes to the valuation of comparable public companies.

The valuations committee also monitors relevant market indices on a weekly basis and updates valuations in a manner consistent with our external valuer's (S&P Global) most recent valuation report where appropriate. When market volatility is particularly pronounced the team undertake these checks daily. Any ad hoc change to the fair valuation of any holding is implemented swiftly and reflected in the next published NAV. There is no delay.

As at 31 October 2022, the valuation for Wayve was based on the recent purchase price adjusted for market movements in comparable companies.

The principal risks and uncertainties facing the Company are set out on the inside front cover of this report. Past performance is not a guide to future performance.

List of Investments at 31 October 2022

Name	Business	Value £'000	% of total assets
Basic Materials			
Rio Tinto	Metals and mining company	6,856	2.5
Victrex	Speciality high-performance chemicals manufacturer	3,835	1.4
Bodycote	Heat treatment and materials testing	3,422	1.2
		14,113	5.1
Consumer Discretionary			
Games Workshop	Toy manufacturer and retailer	9,519	3.5
Howden Joinery	Manufacturer and distributor of kitchens to trade customers	7,393	2.7
Burberry	Luxury goods retailer	7,252	2.6
RELX	Professional publications and information provider	6,758	2.5
4imprint	Direct marketer of promotional merchandise	6,039	2.2
Farfetch	Technology platform for the global fashion industry	3,138	1.1
Boohoo.com	Online fashion retailer	1,213	0.4
Naked Wines	Online wine retailer	383	0.1
		41,695	15.1
Consumer Staples			
Diageo	International drinks company	10,231	3.7
		10,231	3.7
Financials			
St. James's Place	UK wealth manager	11,419	4.1
Legal & General	Insurance and investment management company	7,554	2.7
Prudential	International life insurer	6,176	2.2
Lancashire Holdings	General insurance	6,006	2.2
AJ Bell	Investment platform	5,675	2.1
Just Group	Provider of retirement income products and services	4,542	1.7
Hiscox	Property and casualty insurance	4,353	1.6
Hargreaves Lansdown	UK retail investment platform	4,082	1.6
HomeServe	Domestic insurance	3,792	1.4
IntegraFin	Provides platform services to financial clients	3,654	1.3
Molten Ventures	Technology focused venture capital firm	3,423	1.2
IG Group	Spread betting website	3,419	1.2
		64,095	23.3

Name	Business	Value £'000	% of total assets
Healthcare			
Abcam	Online platform selling antibodies to life science researchers	11,469	4.2
Genus	World leading animal genetics company	8,158	2.9
Oxford Nanopore	Novel DNA sequencing technology	813	0.3
Exscientia	Biotech company	803	0.3
Creo Medical	Designer and manufacturer of medical equipment	205	0.1
		21,448	7.8
Industrials			
Experian	Global provider of credit data and analytics	11,234	4.1
Ashtead	Construction equipment rental company	10,950	4.0
Volution Group	Supplier of ventilation products	9,906	3.6
Wise	Online platform to send and receive money	9,064	3.3
Renishaw	World leading metrology company	8,357	3.0
Bunzl	Distributor of consumable products	7,327	2.6
Inchcape	Car wholesaler and retailer	7,289	2.6
Halma	Specialist engineer	6,777	2.5
FDM Group	Provider of professional services focusing on information technology	4,916	1.8
PageGroup	Recruitment consultancy	4,609	1.7
Euromoney Institutional Investor	Specialist publisher	4,589	1.7
		85,018	30.9
Real Estate			
Rightmove	UK's leading online property portal	7,994	2.9
Helical	Property developer	5,988	2.2
		13,982	5.1
Technology			
Auto Trader Group	Advertising portal for second hand cars in the UK	11,252	4.1
First Derivatives	IT consultant and software developer	3,431	1.2
Kainos Group	IT services and implementer	2,397	0.9
Softcat	IT reseller and infrastructure solutions provider	1,723	0.6
Wayve Technologies Ltd Series B Pref. [Ⓜ]	Developer of full autonomous driving systems	1,055	0.4
		19,858	7.2
Total Equities		270,440	98.2
Net Liquid Assets		4,993	1.8
Total Assets		275,433	100.0

[Ⓜ] Denotes unlisted (private company) investment.

Stocks highlighted in bold are the 20 largest holdings.

Income Statement (unaudited)

	For the six months ended 31 October 2022			For the six months ended 31 October 2021			For the year ended 30 April 2022 (audited)		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments	–	(35,463)	(35,463)	–	7,350	7,350	–	(63,036)	(63,036)
Currency gains	–	–	–	–	18	18	–	40	40
Income from investments and interest receivable	3,912	–	3,912	4,047	–	4,047	7,787	–	7,787
Investment management fee (note 3)	(209)	(489)	(698)	(280)	(653)	(933)	(519)	(1,211)	(1,730)
Other administrative expenses	(265)	–	(265)	(248)	–	(248)	(498)	–	(498)
Net return before finance costs and taxation	3,438	(35,952)	(32,514)	3,519	6,715	10,234	6,770	(64,207)	(57,437)
Finance costs of borrowings	(50)	(118)	(168)	(18)	(42)	(60)	(33)	(76)	(109)
Net return on ordinary activities before taxation	3,388	(36,070)	(32,682)	3,501	6,673	10,174	6,737	(64,283)	(57,546)
Tax on ordinary activities	–	–	–	–	–	–	–	–	–
Net return on ordinary activities after taxation	3,388	(36,070)	(32,682)	3,501	6,673	10,174	6,737	(64,283)	(57,546)
Net return per ordinary share (note 4)	2.22p	(23.66p)	(21.44p)	2.28p	4.35p	6.63p	4.39p	(41.89p)	(37.50p)
Note: Dividends paid and payable per share (note 5)	–	–	–	–	–	–	3.91p	–	–

The total column of this statement is the profit and loss account of the Company. The supplementary revenue and capital columns are prepared under guidance published by the Association of Investment Companies.

All revenue and capital items in the above statements derive from continuing operations.

A Statement of Comprehensive Income is not required as all gains and losses of the Company have been reflected in the above statement.

The accompanying notes on pages 13 to 15 are an integral part of the Financial Statements.

Balance Sheet (unaudited)

	At 31 October 2022 £'000	At 30 April 2022 (audited) £'000
Fixed assets		
Investments held at fair value through profit or loss (note 6)	270,440	306,585
Current assets		
Debtors	236	1,824
Cash and cash equivalents	5,329	1,491
	5,565	3,315
Creditors		
Amounts falling due within one year:		
Bank loan (note 7)	(14,450)	(6,450)
Other creditors	(572)	(517)
	(15,022)	(6,967)
Net current liabilities	(9,457)	(3,652)
Net assets	260,983	302,933
Capital and reserves		
Share capital	40,229	40,229
Share premium account	11,664	11,664
Capital redemption reserve	19,759	19,759
Warrant exercise reserve	417	417
Share purchase reserve	57,116	60,433
Capital reserve	119,433	155,503
Revenue reserve	12,365	14,928
Shareholders' funds	260,983	302,933
Net asset value per ordinary share*	172.4p	197.4p
Ordinary shares in issue (note 8)	151,395,484	153,495,484

* See Glossary of Terms and Alternative Performance Measures on pages 18 and 19.

The accompanying notes on pages 13 to 15 are an integral part of the Financial Statements.

Statement of Changes in Equity (unaudited)

For the six months ended 31 October 2022

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Warrant exercise reserve £'000	Share purchase reserve £'000	Capital reserve* £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 May 2022	40,229	11,664	19,759	417	60,433	155,503	14,928	302,933
Net return on ordinary activities after taxation	–	–	–	–	–	(36,070)	3,388	(32,682)
Ordinary shares bought back into treasury	–	–	–	–	(3,317)	–	–	(3,317)
Dividends paid (note 5)	–	–	–	–	–	–	(5,951)	(5,951)
Shareholders' funds at 31 October 2022	40,229	11,664	19,759	417	57,116	119,433	12,365	260,983

For the six months ended 31 October 2021

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Warrant exercise reserve £'000	Share purchase reserve £'000	Capital reserve* £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 May 2021	40,229	11,328	19,759	417	60,433	218,981	11,906	363,053
Ordinary shares sold from treasury	–	336	–	–	–	805	–	1,141
Net return on ordinary activities after taxation	–	–	–	–	–	6,673	3,501	10,174
Dividends paid (note 5)	–	–	–	–	–	–	(3,715)	(3,715)
Shareholders' funds at 31 October 2021	40,229	11,664	19,759	417	60,433	226,459	11,692	370,653

* The Capital Reserve balance at 31 October 2022 includes investment holding losses of £38,250,000 (31 October 2021 – gains of £64,943,000).

The accompanying notes on pages 13 to 15 are an integral part of the Financial Statements.

Cash Flow Statement (unaudited)

	Six months to 31 October 2022 £'000	Six months to 31 October 2021 £'000
Cash flows from operating activities		
Net return on ordinary activities before taxation	(32,682)	10,174
Net losses/(gains) on investments	35,463	(7,350)
Currency gains	–	(18)
Finance costs of borrowings	168	60
Changes in debtors and creditors	1,501	1,147
Cash from operations*	4,450	4,013
Interest paid	(100)	(64)
Net cash inflow from operating activities	4,350	3,949
Cash flows from investing activities		
Acquisitions of investments	(13,289)	(12,577)
Disposals of investments	13,970	16,907
Net cash inflow from investing activities	681	4,330
Cash flows from financing activities		
Bank loan drawn down	8,000	2,450
Bank loan repaid	–	(2,450)
Equity dividends paid	(5,951)	(3,715)
Ordinary shares sold from treasury	–	1,141
Ordinary shares bought back into treasury and stamp duty thereon	(3,242)	–
Net cash outflow from financing activities	(1,193)	(2,574)
Increase in cash and cash equivalents	3,838	5,705
Exchange movements	–	18
Cash and cash equivalents at start of period	1,491	1,872
Cash and cash equivalents at end of period†	5,329	7,595

* Cash from operations includes dividends received of £5,470,000 (2021 – £5,218,000).

† Cash and cash equivalents represent cash at bank and short term money market deposits repayable on demand.

The accompanying notes on pages 13 to 15 are an integral part of the Financial Statements.

Notes to the Condensed Financial Statements (unaudited)

- 1 The condensed Financial Statements for the six months to 31 October 2022 comprise the statements set out on the previous pages together with the related notes below. They have been prepared in accordance with FRS 104 'Interim Financial Reporting' and the AIC's Statement of Recommended Practice issued in November 2014 and updated in July 2022 with consequential amendments and have not been audited or reviewed by the Auditor pursuant to the Auditing Practices Board Guidance 'Review of Interim Financial Information'. The Financial Statements for the six months to 31 October 2022 have been prepared on the basis of the same accounting policies as set out in the Company's Annual Report and Financial Statements at 30 April 2022.

Going Concern

Having considered the nature of the Company's principal risks and uncertainties, as set out on the inside front cover, together with its current position, investment objective and policy, its assets and liabilities and projected income and expenditure, together with the Company's dividend policy, it is the Directors' opinion that the Company has adequate resources to continue in operational existence for the foreseeable future. The Board has, in particular, considered the ongoing impact of market volatility since the Covid-19 pandemic and over recent months due to macroeconomic and geopolitical concerns, including the Russia-Ukraine conflict, but does not believe the Company's going concern status is affected. The Company's assets, the majority of which are investments in quoted securities which are readily realisable, exceed its liabilities significantly and could be sold to repay borrowings if required. All borrowing facilities require the prior approval of the Board. Gearing levels and compliance with borrowing covenants are reviewed by the Board on a regular basis. In accordance with the Company's Articles of Association, shareholders have a right to vote on the continuation of the Company every five years, the next vote being in 2024. Accordingly, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing these Financial Statements and confirm that they are not aware of any material uncertainties which may affect the Company's ability to continue to do so over a period of at least twelve months from the date of approval of these Financial Statements.

- 2 The financial information contained within this Interim Financial Report does not constitute statutory accounts as defined in sections 434 to 436 of the Companies Act 2006. The financial information for the year ended 30 April 2022 has been extracted from the statutory accounts which have been filed with the Registrar of Companies. The Auditor's Report on those accounts was not qualified, did not include a reference to any matters to which the Auditor drew attention by way of emphasis without qualifying their report, and did not contain a statement under sections 498(2) or (3) of the Companies Act 2006.
- 3 Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, has been appointed by the Company as its Alternative Investment Fund Manager (AIFM) and Company Secretary. The investment management function has been delegated to Baillie Gifford & Co. The management agreement can be terminated on six months' notice. The annual fee is 0.5% of net asset value, calculated and payable quarterly.

Notes to the Condensed Financial Statements (unaudited)

	Six months to 31 October 2022 £'000	Six months to 31 October 2021 £'000
4 Net return per ordinary share		
Revenue return on ordinary activities after taxation	3,388	3,501
Capital return on ordinary activities after taxation	(36,070)	6,673
Total net return	(32,682)	10,174
Weighted average number of ordinary shares in issue	152,402,008	153,420,349

Net return per ordinary share is based on the above totals of revenue and capital and the weighted average number of ordinary shares in issue during each period. There are no dilutive or potentially dilutive shares in issue.

	Six months to 31 October 2022 £'000	Six months to 31 October 2021 £'000
5 Dividends		
Amounts recognised as distributions in the period:		
Previous year's final dividend of 3.91p (2021 – 2.42p), paid 16 September 2022	5,951	3,715

No interim dividend will be declared in respect of the current period.

6 Fair Value Hierarchy

The fair value hierarchy used to analyse the basis on which the fair values of financial instruments held at fair value through the profit or loss account are measured is described below. Fair value measurements are categorised on the basis of the lowest level input that is significant to the fair value measurement.

Level 1 – using unadjusted quoted prices for identical instruments in an active market;

Level 2 – using inputs, other than quoted prices included within Level 1, that are directly or indirectly observable (based on market data); and

Level 3 – using inputs that are unobservable (for which market data is unavailable).

As at 31 October 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed equities	269,385	–	–	269,385
Unlisted preference shares*	–	–	1,055	1,055
Total financial asset investments	269,385	–	1,055	270,440

As at 30 April 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed equities	305,193	–	–	305,193
Unlisted preference shares*	–	–	1,392	1,392
Total financial asset investments	305,193	–	1,392	306,585

* The unlisted preference shares investment represents a holding in Wayve Technologies Limited.

Notes to the Condensed Financial Statements (unaudited)

6 Fair Value Hierarchy (continued)

The fair value of listed investments is either bid price or last traded price depending on the convention of the exchange on which the investment is listed. Listed investments are categorised as Level 1 if they are valued using unadjusted quoted prices for identical instruments in an active market and as Level 2 if they do not meet all these criteria but are, nonetheless, valued using market data. Unlisted investments are valued at fair value by the Directors following a detailed review and appropriate challenge of the valuations proposed by the Managers. The Managers' unlisted investment policy applies methodologies consistent with the International Private Equity and Venture Capital Valuation Guidelines ('IPEV'). These methodologies can be categorised as follows: (a) market approach (multiples, industry valuation benchmarks and available market prices); (b) income approach (discounted cash flows); and (c) replacement cost approach (net assets). The Company's holding in an unlisted investment is categorised as Level 3 as unobservable data is a significant input to its fair value measurement.

7 At 31 October 2022 the Company had borrowings of £14,450,000 (30 April 2022 – £6,450,000). This was drawn down under the one year £30 million unsecured revolving credit loan facility with The Royal Bank of Scotland International Limited which expires in July 2023.

8 At 31 October 2022, the Company had the authority to buy back 22,226,628 ordinary shares and to allot or sell from treasury 15,299,548 ordinary shares without application of pre-emption rights in accordance with the authorities granted at the AGM in September 2022. During the six months to 31 October 2022, no shares were sold from treasury (year to 30 April 2022 – 475,000 ordinary shares were sold from treasury at a premium to net asset value, with a nominal value of £119,000 raising net proceeds of £1,141,000). During the six months to 31 October 2022, 2,100,000 ordinary shares with a nominal value of £525,000 were bought back at a total cost of £3,317,000 and held in treasury (year to 30 April 2022 – no shares were bought back).

9 During the period, transaction costs on equity purchases amounted to £58,000 (31 October 2021 – £23,000) and on equity sales £6,000 (31 October 2021 – £2,000).

10 Related Party Transactions

There have been no transactions with related parties during the first six months of the current financial year that have materially affected the financial position or the performance of the Company during that period and there have been no changes in the related party transactions described in the last Annual Report and Financial Statements that could have had such an effect on the Company during that period.

None of the views expressed in this document should be construed as advice to buy or sell a particular investment.

Further Shareholder Information

How to Invest

Baillie Gifford UK Growth Trust's shares are traded on the London Stock Exchange. They can be bought through a stockbroker or by asking a professional adviser to do so.

Client Relations Team Contact Details

You can contact the Baillie Gifford Client Relations Team by telephone (your call may be recorded for training or monitoring purposes), email or post. See contact details in the 'Further Information' box on the back cover.

Share Register Enquiries

Computershare Investor Services PLC maintains the share register on behalf of the Company. In the event of queries regarding shares registered in your own name, please contact the Registrars on 0370 703 0025.

Automatic Exchange of Information

In order to fulfil its obligations under UK tax legislation relating to the automatic exchange of information, Baillie Gifford UK Growth Trust plc is required to collect and report certain information about certain shareholders.

The legislation requires investment trust companies to provide personal information to HMRC on certain investors who purchase shares in investment trusts. Accordingly, Baillie Gifford UK Growth Trust plc will have to provide information annually to the local tax authority on the tax residencies of a number of non-UK based certificated shareholders and corporate entities.

New shareholders, excluding those whose shares are held in CREST, who come on to the share register will be sent a certification form for the purposes of collecting this information.

For further information, please see HMRC's Quick Guide: Automatic Exchange of Information – information for account holders [gov.uk/government/publications/exchange-of-information-account-holders](https://www.gov.uk/government/publications/exchange-of-information-account-holders).

Risk Warnings

Past performance is not a guide to future performance.

Baillie Gifford UK Growth Trust is a listed UK Company. The value of its shares and any income from them can fall as well as rise and investors may not get back the amount invested.

The Company's risk could be increased by investing in private companies. These assets may be more difficult to sell, so changes in their prices may be greater.

Baillie Gifford UK Growth Trust can borrow money to make further investments (sometimes known as 'gearing' or 'leverage'). The risk is that when this money is repaid by the Company, the value of these investments may not be enough to cover the borrowing and interest costs, and the Company will make a loss. If the Company's investments fall in value, any invested borrowings will increase the amount of this loss.

Baillie Gifford UK Growth Trust can buy back its own shares. The risks from borrowing, referred to above, are increased when a company buys back its own shares.

Market values for securities which have become difficult to trade may not be readily available, and there can be no assurance that any value assigned to such securities will accurately reflect the price the Company might receive upon their sale.

The Company's risk is increased as it holds fewer investments than a typical investment trust and the effect of this, together with its long term approach to investment, could result in large movements in the share price.

Baillie Gifford UK Growth Trust's exposure to a single market may increase risk.

Baillie Gifford UK Growth Trust can make use of derivatives which may impact upon its performance. Currently the Company does not make use of derivatives.

Baillie Gifford UK Growth Trust charges 70% of its investment management fee and borrowing costs to capital, which reduces the capital value. Also, where income is low, the remaining expenses may be greater than the total income received, meaning the Company may not pay a dividend and the capital value would be further reduced.

The aim of Baillie Gifford UK Growth Trust is to achieve capital growth. You should not expect a significant, or steady, annual income from the Company.

Share prices may either be below (at a discount) or above (at a premium) the net asset value (NAV). The Company may issue new shares when the price is at a premium which may reduce the share price. Shares bought at a premium may have a greater risk of loss than those bought at a discount.

Shareholders in Baillie Gifford UK Growth Trust have the right to vote every five years on whether to continue the Company or wind it up. If shareholders decide to wind the Company up, the assets will be sold and you will receive a cash sum in relation to your shareholding. The next vote will be held at the Annual General Meeting in 2024.

You should note that tax rates and reliefs may change at any time and their value depends on your circumstances.

The Company is listed on the London Stock Exchange and is not authorised or regulated by the Financial Conduct Authority.

The staff of Baillie Gifford & Co and Baillie Gifford UK Growth Trust Directors may hold shares in Baillie Gifford UK Growth Trust and may buy or sell such shares from time to time.

Further details of the risks associated with investing in the Company, including a Key Information Document and how charges are applied, can be found at [bgukgrowthtrust.com](https://www.bgukgrowthtrust.com), or by calling Baillie Gifford on 0800 917 2112.

The information and opinions expressed within this Interim Financial Report are subject to change without notice. This information has been issued and approved by Baillie Gifford & Co Limited, the Managers and Secretaries, and does not in any way constitute investment advice.

Glossary of Terms and Alternative Performance Measures (APM)

Total Assets

Total assets less current liabilities, before deduction of all borrowings.

Net Asset Value

Net Asset Value (NAV) is the value of total assets less liabilities (including borrowings). The NAV per share is calculated by dividing this amount by the number of ordinary shares in issue (excluding treasury shares).

Net Liquid Assets

Net liquid assets comprise current assets less current liabilities, excluding borrowings.

Discount/Premium (APM)

As stockmarkets and share prices vary, an investment trust's share price is rarely the same as its NAV. When the share price is lower than the NAV per share it is said to be trading at a discount. The size of the discount is calculated by subtracting the share price from the NAV per share and is usually expressed as a percentage of the NAV per share. If the share price is higher than the NAV per share, it is said to be trading at a premium.

	31 October 2022	30 April 2022
Closing NAV per share	172.4p	197.4p
Closing share price	150.0p	174.2p
Discount	(13.0%)	(11.8%)

Total Return (APM)

The total return is the return to shareholders after reinvesting the net dividend on the date that the share price goes ex-dividend.

		31 October 2022 NAV	31 October 2022 Share price	30 April 2022 NAV	30 April 2022 Share price
Closing NAV per share/share price	(a)	172.4p	150.0p	197.4p	174.2p
Dividend adjustment factor*	(b)	1.0203	1.0233	1.0096	1.0098
Adjusted closing NAV per share/share price	(c = a x b)	175.9p	153.5p	199.3p	175.9p
Opening NAV per share/share price	(d)	197.4p	174.2p	237.3p	244.0p
Total return	(c ÷ d) - 1	(10.9%)	(11.9%)	(16.0%)	(27.9%)

* The dividend adjustment factor is calculated on the assumption that the dividends of 3.91p (2021 – 2.42p) paid by the Company during the year were reinvested into shares of the Company at the cum income NAV per share/share price, as appropriate, at the ex-dividend date.

Ongoing Charges (APM)

The total expenses (excluding borrowing costs) incurred by the Company as a percentage of the average net asset value. The ongoing charges have been calculated on the basis prescribed by the Association of Investment Companies.

Turnover (APM)

Annual turnover is a measure of portfolio change or trading activity in a portfolio. Turnover is calculated as the minimum of purchases and sales in a month, divided by the average market value of the portfolio, summed to get rolling 12 month turnover data.

Gearing (APM)

At its simplest, gearing is borrowing. Just like any other public company, an investment trust can borrow money to invest in additional investments for its portfolio. The effect of the borrowing on the shareholders' assets is called 'gearing'. If the Company's assets grow, the shareholders' assets grow proportionately more because the debt remains the same. But if the value of the Company's assets falls, the situation is reversed. Gearing can therefore enhance performance in rising markets but can adversely impact performance in falling markets.

Equity gearing is the Company's borrowings adjusted for cash and cash equivalents expressed as a percentage of shareholders' funds.

	31 October 2022	30 April 2022
Borrowings	£14,450,000	£6,450,000
Less: cash and cash equivalents	(£5,329,000)	(£1,491,000)
Adjusted borrowings	£9,121,000	£4,959,000
Shareholders' funds	£260,983,000	£302,933,000
Equity gearing	3%	2%

Potential gearing is the Company's borrowings expressed as a percentage of shareholders' funds.

	31 October 2022	30 April 2022
Borrowings	£14,450,000	£6,450,000
Shareholders' funds	£260,983,000	£302,993,000
Potential gearing	6%	2%

Leverage (APM)

For the purposes of the Alternative Investment Fund Managers (AIFM) Regulations, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company's exposure and its net asset value and can be calculated on a gross and a commitment method. Under the gross method, exposure represents the sum of the Company's positions after the deduction of sterling cash balances, without taking into account any hedging and netting arrangements. Under the commitment method, exposure is calculated without the deduction of sterling cash balances and after certain hedging and netting positions are offset against each other.

Active Share (APM)

Active share, a measure of how actively a portfolio is managed, is the percentage of the portfolio that differs from its comparative index. It is calculated by deducting from 100 the percentage of the portfolio that overlaps with the comparative index. An active share of 100 indicates no overlap with the index and an active share of zero indicates a portfolio that tracks the index.

Unlisted (Private) Company

An unlisted (private) company means a company whose shares are not available to the general public for trading and not listed on a stock exchange.

Third Party Data Provider Disclaimer

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FTSE Index Data

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Sustainable Finance Disclosure Regulation ('SFDR')

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The EU Sustainable Finance Disclosure Regulation ('SFDR') does not have a direct impact in the UK due to Brexit, however, it applies to third-country products marketed in the EU. As Baillie Gifford UK Growth Trust plc is marketed in the EU by the AIFM, BG & Co Limited, via the National Private Placement Regime (NPPR) the following disclosures have been provided to comply with the high-level requirements of SFDR.

The AIFM has adopted Baillie Gifford & Co's Governance and Sustainable Principles and Guidelines as its policy on integration of sustainability risks in investment decisions.

Baillie Gifford & Co's approach to investment is based on identifying and holding high quality growth businesses that enjoy sustainable competitive advantages in their marketplace. To do this it looks beyond current financial performance, undertaking proprietary research to build an in-depth knowledge of an individual company and a view on its long-term prospects. This includes the consideration of

sustainability factors (environmental, social and/or governance matters) which it believes will positively or negatively influence the financial returns of an investment.

More detail on the Managers' approach to sustainability can be found in the Governance and Sustainability Principles and Guidelines document, available publicly on the Baillie Gifford website ([bailliegifford.com](https://www.bailliegifford.com)).

Taxonomy Regulation

The Taxonomy Regulation establishes an EU-wide framework of criteria for environmentally sustainable economic activities in respect of six environmental objectives. It builds on the disclosure requirements under SFDR by introducing additional disclosure obligations in respect of Alternative Investment Funds that invest in an economic activity that contributes to an environmental objective. The Company does not commit to make sustainable investments as defined under SFDR. As such, the underlying investments do not take into account the EU criteria for environmentally sustainable economic activities.

Directors

Chairman:
Carolán Dobson

Ruary Neill
Cathy Pitt
Andrew Westenberger

Alternative Investment Fund Managers, Secretaries and Registered Office

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