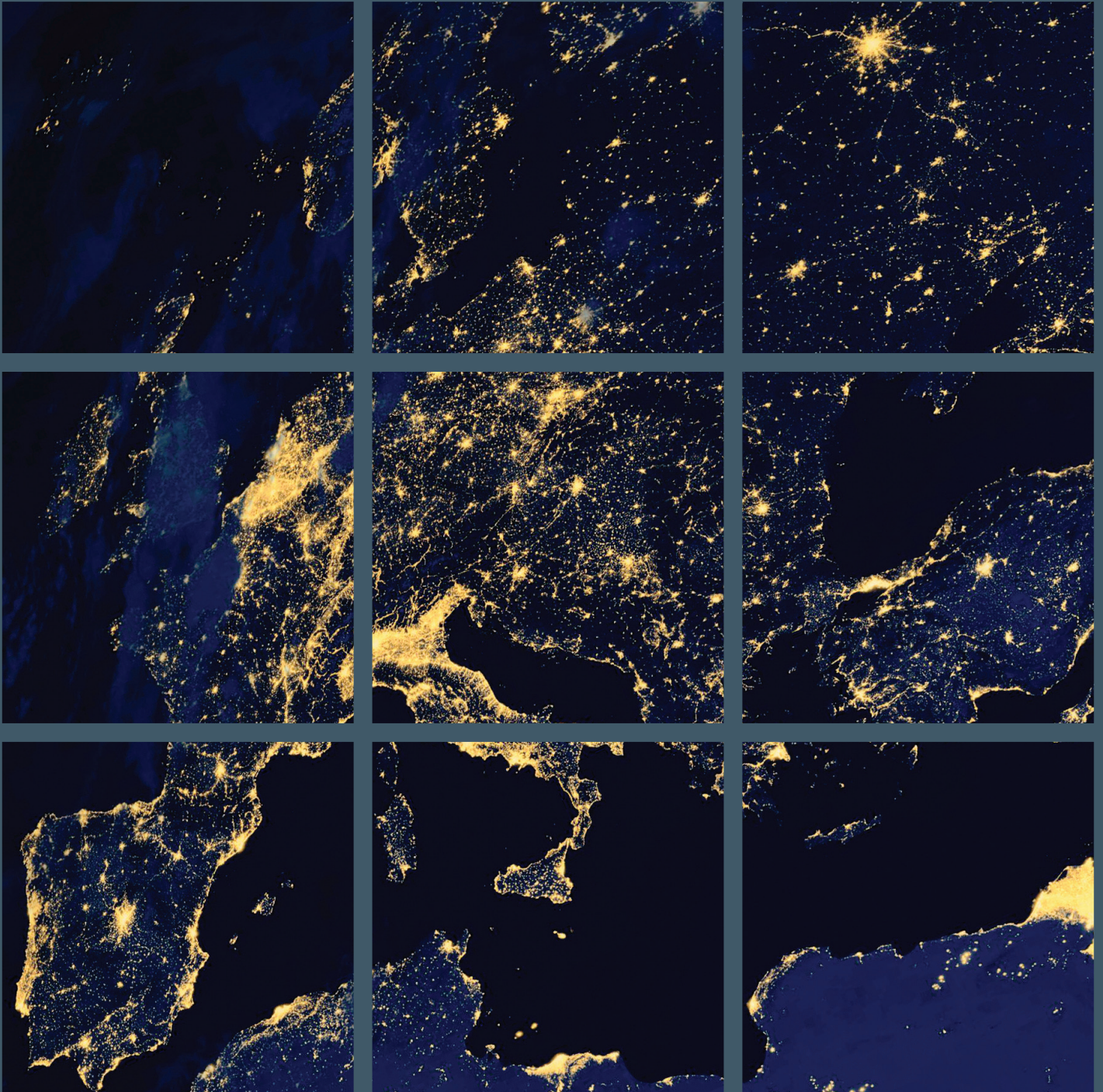


BAILLIE GIFFORD EUROPEAN GROWTH TRUST PLC



Annual Report and Financial Statements
30 September 2021



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Investor Disclosure Document

The UK Alternative Investment Fund Managers Regulations requires certain information to be made available to investors prior to their investment in the Company. The Company's Investor Disclosure Document is available for viewing at bgeuropeangrowth.com.

Notes

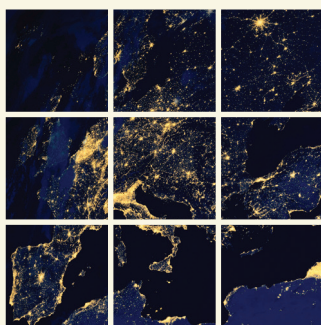
None of the views expressed in this document should be construed as advice to buy or sell a particular investment. Investment trusts are UK public listed companies and as such comply with the requirements of the UK Listing Authority. They are not authorised or regulated by the Financial Conduct Authority (FCA).

Baillie Gifford European Growth Trust plc currently conducts its affairs, and intends to continue to conduct its affairs, so that the Company's Ordinary Shares can qualify to be considered as a mainstream investment product and can be recommended by Independent Financial Advisers to ordinary retail investors in accordance with the rules of the FCA in relation to non-mainstream investment products.

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you reside in the UK and you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 immediately. If you reside outwith the UK, you should consult an appropriately authorised financial adviser.

If you have sold or otherwise transferred all of your holding in Baillie Gifford European Growth Trust plc, please forward this document, together with accompanying documents, but not your personalised Form of Proxy, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was or is being effected for delivery to the purchaser or transferee.



The principal investment objective of the Company is to achieve capital growth over the long-term from a diversified portfolio of European securities.

Financial Highlights – Year to 30 September 2021

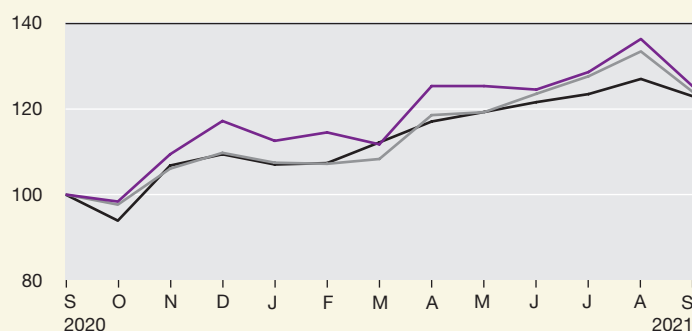
Share Price 25.2%	NAV [†] # 23.5%	NAV [†] # 24.0%	Benchmark* 23.0%
	(borrowings at book)	(borrowings at fair value)	
2020 – 54.2%	2020 – 37.5%	2020 – 37.5%	2020 – (0.3%)

Source: Refinitiv/Baillie Gifford. All figures are stated on a total return basis. Total return is an Alternative Performance Measure – see Glossary of Terms and Alternative Performance Measures on pages 64 and 65.

NAV, Share Price and Benchmark Total Return

(figures rebased to 100 at 30 September 2020)

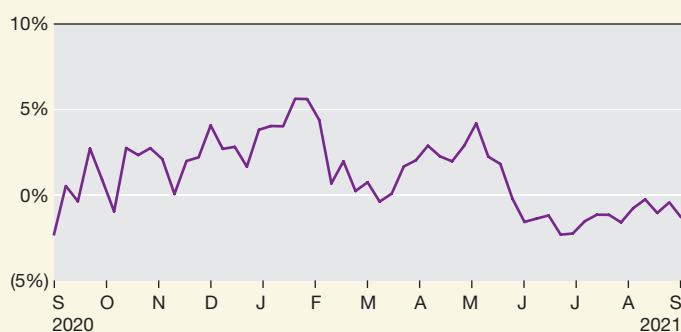
- Share price
- NAV (after deducting borrowings at fair value)[†]
- Benchmark*



(Discount)/Premium[†] to NAV (after deducting borrowings at fair value)

(figures plotted on a weekly basis)

- (Discount)/Premium



* The benchmark is the FTSE Europe ex UK Index (in sterling terms).

[†] Alternative performance measure – see Glossary of Terms and Alternative Performance Measures on pages 64 and 65.

Source: Refinitiv/Baillie Gifford and relevant underlying index providers. See disclaimer on page 63.

Net asset value per share ('NAV').

Past performance is not a guide to future performance.

Strategic Report

The Strategic Report, which includes pages 2 to 17 and incorporates the Chairman's Statement, has been prepared in accordance with the Companies Act 2006.

Chairman's Statement



Performance

I am pleased to report that the Company's portfolio has delivered positive absolute and relative returns over the year to 30 September 2021, building on the returns of the prior year. The net asset value per share ('NAV') total return over the Company's financial year was 24.0% compared to a total return of 23.0% for the FTSE Europe ex UK Index, in sterling terms. The share price total return over the year was 25.2% as the discount to NAV narrowed from 2.4% to 1.3%.

Baillie Gifford has been managing the portfolio since the end of November 2019. Over those 22 months, the NAV total return has been 69.2% compared to a total return of 22.7% for the FTSE Europe ex UK Index, in sterling terms. The share price total return has been 80.6%, with the discount narrowing from 7.5% to 1.3%.

Performance over both time periods was driven by several names, including Addlife, IMCD and Nibe. These companies are respectively involved in MedTech distribution, specialty chemicals distribution, and climate solutions including heat pumps. These are very different end markets, but all afford the potential for attractive organic growth. Each of the companies named is run by astute management teams which are adding further value through acquisitions that have helped drive consolidation and improve sector fundamentals.

Earnings and Dividend

As first flagged in the Company's 2019 Annual Report, any dividend paid will be by way of a final dividend and be the minimum required for the Company to maintain its investment trust status.

Revenue per share for the year was 0.42p (2020 – 0.42p*) and the Board is recommending a final dividend of 0.35p per share (2020 – 0.35p*). Subject to shareholder approval at the AGM, the dividend will be paid on 11 February 2022 to shareholders on the register on 7 January 2022. The ex-dividend date will be 6 January 2022.

For a definition of terms, see Glossary of Terms and Alternative Performance Measures on pages 64 and 65.

Past performance is not a guide to future performance.

* Prior year figures restated for the ten for one share split on 1 February 2021.

Borrowings

The Company has two €30 million long-term debt facilities: the first has a duration of 20 years at a fixed rate of 1.57% and the other a duration of 15 years at a fixed rate of 1.55%. The Company also has an undrawn €30 million overdraft facility with The Northern Trust Company, which at present is capped at €15 million following Board agreement with Northern Trust. The aggregated €75 million of available borrowings provides scope for an increase in the Company's invested borrowing of up to 11.4% of shareholders' funds. At the year end, the Company had invested borrowings of 7.0% with a further 2.1% drawn and held in cash.

Share Buybacks and Issuance

No shares were bought back during the year to 30 September 2021. At the forthcoming Annual General Meeting ('AGM'), shareholders are being asked to renew the annual authority to repurchase up to 14.99% of the outstanding shares; these would be held in treasury and available for future re-issuance at a premium to the prevailing NAV at the time. When buying back shares, the Board does not have a formal discount target and is prepared to buy back shares opportunistically.

Investor demand, stimulated by good performance, has meant that, at points over the course of the last financial year, the Company's shares have traded at a premium to the underlying NAV, resulting in the Company being bid for stock. Consequently, in order to balance supply and demand, the Company re-issued 2,400,000 shares out of treasury at an average 3.7% premium to the NAV, raising £3,508,000. As at 30 September 2021, there were 37,844,360 shares, 9.4% of the Company's issued share capital, held in treasury. The Company is seeking to renew its annual issuance authority at the AGM, with re-issuance from treasury or issuance of new shares to be undertaken only if the share price exceeds the NAV and after associated costs, ensuring no dilution to existing investors.

The Board and Portfolio Managers

There have been no further changes to the composition of the Board following the retirement of Michael Moule and appointment of Emma Davies earlier this year.

In March 2021, the Company announced the appointment of Chris Davies as co-portfolio manager of the Company, alongside Stephen Paice and Moritz Sitte. Chris joined Baillie Gifford in 2012 and is a co-portfolio manager of the Baillie Gifford European Fund OEIC.

Unlisted Investments

The Managers have shareholder authority to invest up to 10% of the Company's total assets in unlisted investments. As at the Company's year end, the portfolio weighting in unlisted investments stood at 4.5% of total assets, invested in three companies (2020 – 0.9% of total assets in one company). Two new private company investments were made during the year: FlixMobility, a German transport services company and sender Technologies, a German digital road freight-forwarder. Additions were made to the existing investment in Northvolt, a Swedish battery developer and manufacturer which specialises in lithium-ion technology for electric vehicles. The Managers' Report provides further details on these investments.

As at 30 September 2021, Baillie Gifford had approximately £5.6 billion invested in 73 private companies, 9 of these being European. The investments undertaken and the reputation Baillie Gifford is establishing as a private company investor is providing an increasing quantum of introductions with entrepreneurs. This in turn is increasing the number and quality of potential investment opportunities into private companies which are able to demonstrate their ability to scale at an attractive rate. The combination of these factors means that the range of opportunities is broader than the one available to the Managers in 2019 when management of the Company's assets was moved to Baillie Gifford.

This evolution is as we had hoped and, given the increasing choice of attractive unlisted investments, the Board is seeking shareholder authority, as part of this year's AGM business, to permit the Managers to invest up to 20% of the Company's total assets in this area.

Objective and Investment Policy

Should shareholders approve the resolution to permit up to 20% of total assets being invested in unlisted investments, the Company's Objective and Policy wording will be updated to reflect this. Irrespective of this, shareholders should note that the existing policy wording has been amended to clarify that the Company is invested in a diversified portfolio of between 30 and 60 European companies rather than between 30 and 60 European securities.

Annual General Meeting

The AGM will be held at 11.00am on Thursday, 3 February 2022 at The Institute of Directors, 116 Pall Mall, London, SW1Y 5ED. Baillie Gifford will make a presentation and I look forward to meeting shareholders who are able to attend. Should the situation change and it not be possible to meet in person, further information will be made available through the Company's website at bgeuropeangrowth.com and the London Stock Exchange regulatory news service.

In addition to some of the aforementioned AGM business, it is being proposed that the Company's Articles of Association be updated (as outlined on pages 22 and 23) to reflect modern practice and to permit, in extremis, shareholders to attend future AGMs by electronic means as well as in person. It is however intended that future AGMs will be physical unless restrictions prohibiting this are in force at the time.

Outlook

Despite Covid-19 and potentially because of it, entrepreneurship in Europe seemingly remains vibrant. Not being beholden to an index and having a long-term investment outlook has meant that, although the market continues to be heavily influenced by binary narratives, such as lockdown beneficiaries versus beneficiaries of re-opening, or preoccupied with the false dichotomy of the growth versus value debate, the portfolio managers have focused on what they can control: finding the companies that will progress through current events and emerge with an even more dominant position and strong prospects. For example, if inflation, inefficiency or shortage of supply is the question, it is reassuring to know, as our managers discuss in their review, that our companies are frequently at the forefront of finding the answer. Our managers remain vigilant to investment opportunities at attractive valuations in sustainable businesses with special cultures that provide the best chance of producing significant absolute returns over the coming years. They and the Board remain enthused by the scope and scale of investable opportunities.

Michael MacPhee
Chairman
23 November 2021

One Year Summary

	30 September 2021	30 September 2020	% change
Total assets (before deduction of borrowings)	£613.0m	£469.5m	
Borrowings (at book value)	£51.5m	£16.9m	
Shareholders' funds (borrowings at book value)	£561.5m	£452.6m	
Net asset value per ordinary share (borrowings at book)†	154.0p	125.0p	23.2
Net asset value per ordinary share (borrowings at fair value)*‡	154.5p	125.0p	23.6
Share price‡	152.4p	122.0p	24.9
FTSE Europe ex UK Index (in sterling terms)			20.0
Revenue earnings per ordinary share†	0.42p	0.42p	–
Dividends paid and payable in respect of the year#‡	0.35p	0.35p	–
Ongoing charges*†#	0.67%	0.41%	
Discount (with borrowings at book)*	1.0%	2.4%	
Discount (with borrowings at fair value)*	1.3%	2.4%	
Active share*	88%	89%	

Year to 30 September	2021	2020
Total returns (%)*		
Net asset value per ordinary share (borrowings at book)#	23.5	37.5
Net asset value per ordinary share (borrowings at fair value)	24.0	37.5
Share price#	25.2	54.2
FTSE Europe ex UK Index (in sterling terms)	23.0	(0.3)

Year to 30 September	2021	2021	2020 ‡	2020 ‡
Year's high and low	High	Low	High	Low
Net asset value per ordinary share (borrowings at book)	170.3p	122.0p	126.2p	72.7p
Net asset value per ordinary share (borrowings at fair value)	170.3p	122.0p	126.2p	72.7p
Share price	169.4p	119.5p	122.0p	62.0p
Premium/(discount) (borrowings at fair value)*#	6.5%	(3.5%)	1.9%	(16.9%)

	30 September 2021	30 September 2020 ‡
Net return per ordinary share		
Revenue	0.42p	0.42p
Capital	28.90p	32.77p
Total	29.32p	33.19p

* Alternative performance measure – see Glossary of Terms and Alternative Performance Measures on pages 64 and 65.

† Without the management fee waiver (see page 44), the ongoing charges for the year to 30 September 2020 would have been 0.66%. See Glossary of Terms and Alternative Performance Measures on pages 64 and 65.

Key Performance Indicator.

‡ Prior year figures restated for the ten for one share split on 1 February 2021.

Source: Refinitiv/Baillie Gifford and relevant underlying index providers. See disclaimer on page 63.

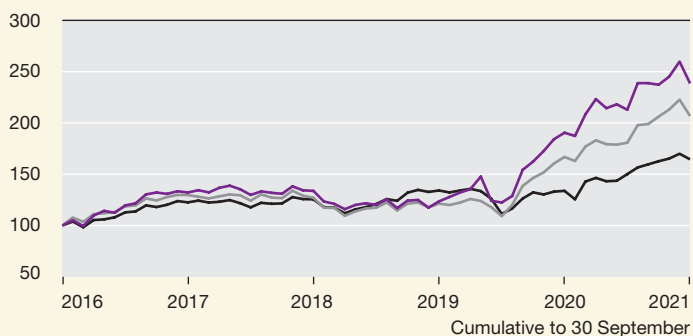
Past performance is not a guide to future performance.

Five Year Summary

The following charts indicate how an investment in Baillie Gifford European Growth Trust has performed relative to its benchmark and its underlying NAV over the five year period to 30 September 2021.

Five Year Total Return* Performance

(figures rebased to 100 at 30 September 2016)

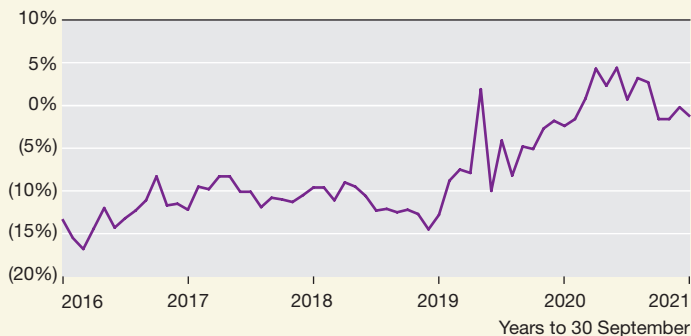


Source: Refinitiv/Baillie Gifford and relevant underlying index providers†.

- Share price
- NAV per share (after deducting borrowings at fair value)
- Benchmark#

(Discount)/Premium* to Net Asset Value

(figures plotted on a monthly basis)

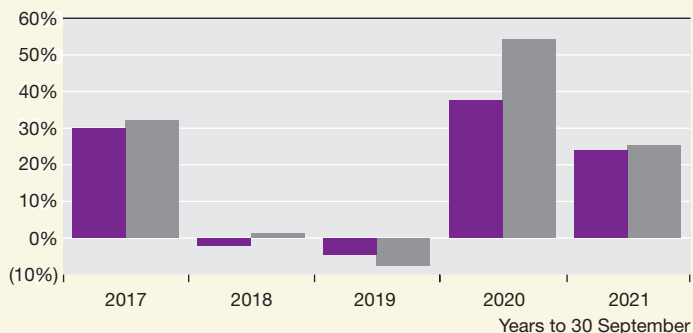


Source: Refinitiv/Baillie Gifford and relevant underlying index providers†.

- (Discount)/Premium

The (discount)/premium is the difference between Baillie Gifford European Growth Trust's quoted share price and its underlying net asset value per share expressed as a percentage of net asset value per share.

Annual Net Asset Value and Share Price Total Returns*

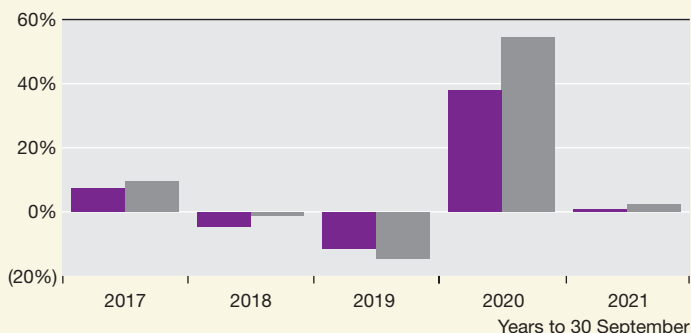


Source: Refinitiv/Baillie Gifford and relevant underlying index providers†.

- NAV return‡
- Share price return

Annual Net Asset Value and Share Price Total Returns*

(relative to the benchmark# total returns)



Source: Refinitiv/Baillie Gifford and relevant underlying index providers†.

- NAV return‡
- Share price return

* See Glossary of Terms and Alternative Performance Measures on pages 64 and 65.

† See disclaimer on page 63.

The benchmark is the FTSE Europe ex UK Index (in sterling terms).

‡ With borrowings deducted at fair value.

Past performance is not a guide to future performance.

Business Review

Business Model

Business and Status

Baillie Gifford European Growth Trust plc ('the Company') is a public company limited by shares and is incorporated in England. The Company is an investment company within the meaning of section 833 of the Companies Act 2006 and carries on business as an investment trust. Investment trusts are UK public listed companies and their shares are traded on the London Stock Exchange. They invest in a portfolio of assets in order to spread risk. The Company has a fixed share capital although, subject to shareholder approval sought annually, it may purchase its own shares or issue shares. The price of the Company's shares is determined, like other listed shares, by supply and demand. The Company has been approved as an investment trust by HM Revenue & Customs subject to the Company continuing to meet the eligibility conditions. The Directors are of the opinion that the Company has continued to conduct its affairs so as to enable it to comply with the ongoing requirements of section 1158 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) (Tax) Regulations 2011.

The Company is an Alternative Investment Fund (AIF) for the purposes of the UK Alternative Investment Fund Managers Regulations.

Investment Objective

To achieve capital growth over the long-term from a diversified portfolio of European securities.

Amendments to the Investment Policy

Currently, the Company's investment policy permits investments not listed on a public market up to 10% of the Company's total assets at the time of initial investment. The Managers are seeing more unlisted/private company opportunities and the Board is of the view that it would be appropriate to increase this limit at this point. The Board is therefore proposing that the Company amends its investment policy to stipulate that the maximum amount which may be invested in companies not listed on a public market shall not exceed 20% of the total assets of the Company, measured at the time of purchase. The Company is also proposing a clarification on the typical number of investments in the portfolio, from 'securities' to 'companies', in order to accommodate situations where different lines of stock are acquired in a single company.

Investment Policy

The Company is invested in a diversified portfolio of between 30 and 60 European securities.

The Company may not invest more than 10% of total assets in any one individual stock at the time of investment.

The Board recognises that investment in some European countries can be riskier than in others. Investment risks are diversified through holding a wide range of securities in different countries and industrial sectors. The Company has the ability to invest in securities that are listed in countries which are not included in the FTSE All-World European ex UK indices, where these securities have a meaningful connection with continental Europe.

The Board has the authority to hedge the Company's exposure to movements in the rate of exchange of currencies, principally the euro, in which the Company's investments are denominated, against sterling, its reporting currency.

Up to 10% of total assets, as measured at the time of initial investment, can be invested in unlisted investments.

The level of gearing within the portfolio is agreed by the Board and the absolute amount of any gearing should not exceed 20% of net assets at time of drawdown, excluding any unlisted investments in the calculation of net assets.

No more than 10% of the total assets of the Company may be invested in other listed investment companies (including investment trusts) except in those that have stated that they will invest no more than 15% of their total assets in other listed investment companies. In this case, the limit is 15%.

The Investment Managers' compliance with the limits set out in the investment policy is monitored by the Board and the AIFM.

Proposed Investment Policy

The Company is invested in a diversified portfolio of between 30 and 60 European companies.

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The Board recognises that investment in some European countries can be riskier than in others. Investment risks are diversified through holding a wide range of securities in different countries and industrial sectors. The Company has the ability to invest in securities that are listed in countries which are not included in the FTSE All-World European ex UK indices, where these securities have a meaningful connection with continental Europe.

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No more than 10% of the total assets of the Company may be invested in other listed investment companies (including investment trusts) except in those that have stated that they will invest no more than 15% of their total assets in other listed investment companies. In this case, the limit is 15%.

The Investment Managers' compliance with the limits set out in the investment policy is monitored by the Board and the AIFM.

Culture

As an externally managed investment company with no employees, Baillie Gifford European Growth Trust's culture is expressed through its Board and its third party service providers, in particular its Managers, in their interactions with shareholders and other stakeholders. The Board's assessment of its own interactions is described in its Section 172 Statement on page 9, and the Baillie Gifford Statement on Stewardship, which describes the Managers' culture of constructive engagement, is set out on page 11.

Performance

At each Board meeting, the Directors consider a number of performance measures to assess the Company's success in achieving its objectives.

Key Performance Indicators

The key performance indicators (KPIs) used to measure the progress and performance of the Company over time are established industry measures and are as follows:

- the movement in the net asset value per ordinary share total return relative to the benchmark;
- the movement in the share price total return relative to the benchmark;
- the premium/discount of the share price to the net asset value per share; and
- ongoing charges.

An explanation of these measures can be found in the Glossary of Terms and Alternative Performance Measures on pages 64 and 65.

The one, five and ten year records of the KPIs can be found on pages 4, 5 and 17. Further discussion is included in the Chairman's Statement on pages 2 and 3.

In addition to the above, the Board considers peer group comparative performance.

Across these measures, the Board looks for relative outperformance over the long term, while remaining mindful that the nature of the Investment Policy and the growth characteristics of the portfolio investments may entail periods of underperformance over the short and medium term. The Board is satisfied with the Company's progress and performance.

Borrowings

At 30 September 2021 the Company had an uncommitted €30m bank overdraft credit facility agreement with The Northern Trust Company for the purpose of pursuing its investment objective. As at 30 September 2021, nil had been drawn down (2020 – €18.7m). During the year the company issued €30 million of long-term, fixed rate, senior, unsecured privately placed loan notes, with a fixed coupon of 1.57% to be repaid on 8 December 2040 and a further €30 million of long-term, fixed rate, senior, unsecured privately placed loan notes with a fixed coupon of 1.55% to be repaid on 24 June 2036. Further details of the Company's borrowings are set out in note 12 on page 48.

Principal and Emerging Risks

As explained on pages 25 and 26 there is an ongoing process for identifying, evaluating and managing the risks faced by the Company. The Directors have undertaken a robust assessment of the principal and emerging risks facing the Company, including those that would threaten the business model, future performance, solvency or liquidity. A description of these risks and how they are being managed or mitigated is set out below:

Financial Risk – The Company's assets at present consist mainly of listed securities. Its principal and emerging risks are therefore market related and include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. Explanations of those risks and how they are managed or mitigated are contained in note 19 to the Financial Statements on pages 50 to 54. The Board has, in particular, considered the impact of market volatility during the Covid-19 pandemic. In monitoring this risk, the Board considers at each meeting various portfolio metrics including individual stock performance, the composition and diversification of the portfolio by sector, purchases and sales of investments and the top and bottom contributors to performance. The Manager provides rationale for stock selection decisions.

Investment Strategy Risk – pursuing an investment strategy to fulfil the Company's objective which the market perceives to be unattractive or inappropriate, or the ineffective implementation of an attractive or appropriate strategy, may lead to reduced returns for shareholders and, as a result, a decreased demand for the Company's shares. This may lead to the Company's shares trading at a widening discount to their net asset value. To mitigate this risk, the Board regularly reviews and monitors: the Company's objective and investment policy and strategy; the investment portfolio and its performance; the level of discount/premium to net asset value at which the shares trade; and movements in the share register.

Discount Risk – the discount/premium at which the Company's shares trade relative to its net asset value can change. The risk of a widening discount is that it may undermine investor confidence in the Company. To manage this, the Board monitors the level of discount/premium at which the shares trade and the Company has authority to buy back its existing shares when deemed by the Board to be in the best interests of the Company and its shareholders in aggregate.

Regulatory Risk – failure to comply with applicable legal and regulatory requirements such as the tax rules for investment companies, the FCA Listing Rules and the Companies Act could lead to suspension of the Company's Stock Exchange listing, financial penalties, a qualified audit report or the Company being subject to tax on capital gains. To mitigate this, Baillie Gifford's Business Risk, Internal Audit and Compliance Departments provide regular reports to the Company's Audit Committee on Baillie Gifford's monitoring programmes. Major regulatory change could impose disproportionate compliance burdens on the Company. In such circumstances representation is made to ensure that the special circumstances of investment trusts are recognised. Shareholder documents and announcements, including the Company's published Interim and Annual Report and Financial Statements, are subject to stringent review processes, and procedures are in place to ensure adherence to the Transparency Directive and the Market Abuse Directive with reference to inside information.

Custody and Depositary Risk – safe custody of the Company's assets may be compromised through control failures by the Depositary, including cyber security incidents. To mitigate this risk, the Audit Committee receives bi-annual reports from the Depositary confirming safe custody of the Company's assets held by the Custodian. Cash and portfolio holdings are independently reconciled to the Custodian's records by the Managers. The Custodian's audited internal controls reports are reviewed by Baillie Gifford's Business Risk Department and a summary of the key points is reported to the Audit Committee and any concerns investigated. In addition, the existence of assets is subject to annual external audit.

Operational Risk – failure of Baillie Gifford's systems or those of other third party service providers could lead to an inability to provide accurate reporting and monitoring or a misappropriation of assets. To mitigate this risk, Baillie Gifford has a comprehensive business continuity plan which facilitates continued operation of the business in the event of a service disruption (including any disruption resulting from the Covid-19 pandemic) or major disaster. Baillie Gifford has continued to operate on a business-as-usual basis throughout the Covid-19 pandemic. Following the relaxation of Covid-19 restrictions by the Scottish and UK governments, we have continued to see a gradual increase in office attendance. A hybrid model is now operating, with staff determining the most appropriate split between working from home and working in the office. The Board reviews Baillie Gifford's Report on Internal Controls and the reports by other key third party providers are reviewed by Baillie Gifford on behalf of the Board. In the year under review, the other key third party service providers have not experienced significant operational difficulties affecting their respective services to the Company.

Leverage Risk – the Company may borrow money for investment purposes (sometimes known as 'gearing' or 'leverage'). If the investments fall in value, any invested borrowings will magnify the impact of this loss. If borrowing facilities are not renewed, the Company may have to sell investments to repay borrowings. To mitigate this, all borrowings require the prior approval of the Board and leverage levels are discussed by the Board and Managers at every meeting. Covenant levels are monitored regularly. The majority of the Company's investments are in quoted securities that are readily realisable. Further information on leverage can be found on page 63 and in the Glossary of Terms and Alternative Performance Measures on pages 64 and 65.

Political Risk – political developments are closely monitored and considered by the Board. Following the departure of the UK from the European Union, the Board continues to assess the potential consequences for the Company's future activities including those that may arise from further constitutional change.

Emerging Risks – as explained on pages 25 to 26, the Board has regular discussions on principal risks and uncertainties, including any risks which are not an immediate threat but could arise in the longer term. The Board considers that the key emerging risks arise from two areas. Firstly, from the global reach of the investment portfolio and its exposure to external and emerging threats such as cyber risk and coronavirus. This is mitigated by the Investment Managers' close links to the investee companies and their ability to ask

questions on contingency plans. The Investment Managers believe the impact of such events may be to slow growth rather than to invalidate the investment rationale. Secondly, as investors place increased emphasis on Environmental, Social and Governance issues (ESG), any failure by the Investment Managers to identify potential future problems on ESG matters in an investee company could lead to the Company's shares being less attractive to investors as well as potential valuation issues in the underlying investee company.

This is mitigated by the Investment Managers' ESG application, which is integrated into the investment process, as well as the extensive up-front and ongoing due diligence which the Investment Managers undertake on each investee company. This includes the risks inherent in climate change (see page 27).

Viability Statement

Having regard to provision 31 of the UK Corporate Governance Code, the Directors have assessed the prospects of the Company over a five year period. The Directors continue to believe this period to be appropriate as it reflects the Company's longer term investment strategy and to be a period during which, in the absence of any adverse change to the regulatory environment and to the tax treatment afforded to UK investment trusts, they do not expect there to be any significant change to the current principal risks facing the Company nor to the effectiveness of the controls employed to mitigate those risks. Furthermore, the Directors do not reasonably envisage any change in strategy or any events which would prevent the Company from operating over a period of five years.

In considering the viability of the Company, the Directors have conducted a robust assessment of each of the principal risks and uncertainties detailed on pages 7 and 8, in particular the impact of market risk where a significant fall in European equity markets would adversely impact the value of the investment portfolio. The majority of the Company's investments are listed at present and readily realisable and can be sold to meet its liabilities as they fall due. The Directors have also considered the Company's leverage and liquidity in the context of the loan notes repayable in 2036 and 2040. Specific leverage and liquidity stress testing was conducted during the year, including consideration of the risk of further market deterioration resulting from the Covid-19 pandemic. The stress testing did not indicate any matters of concern. In addition, all of the key operations required by the Company are outsourced to third party service providers and it is reasonably considered that alternative providers could be engaged at relatively short notice where necessary.

Based on the Company's processes for monitoring revenue projections and operating costs, share price discount/premium, the Managers' compliance with the investment objective, asset allocation, the portfolio risk profile, leverage, counterparty exposure, liquidity risk, financial controls and the Managers' operational resilience, the Directors have concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five years.

Section 172 Statement

Under section 172 of the Companies Act 2006, the directors of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters and to the extent applicable) to:

- (a) the likely consequences of any decision in the long-term;
- (b) the interests of the company's employees;
- (c) the need to foster the company's business relationships with suppliers, customers and others;
- (d) the impact of the company's operations on the community and the environment;
- (e) the desirability of the company maintaining a reputation for high standards of business conduct; and
- (f) the need to act fairly as between members of the company.

In this context and having regard to the Company being an externally-managed investment company with no employees, the Board considers that the Company's key stakeholders are its existing and potential shareholders, its externally-appointed Managers and Secretaries (Baillie Gifford), other professional service providers (corporate broker, registrar, auditors and depositary), lenders, wider society and the environment when applicable.

Great importance is placed by the Board on communication with shareholders and the Annual General Meeting provides the key forum for the Board and Managers to present to shareholders on the performance of the Company and on the future plans and prospects for the Company. It also allows shareholders the opportunity to meet with the Board and Managers and to raise questions and concerns. The Chairman and Senior Independent Director are available to meet with shareholders, independently of the Managers' representatives, as appropriate and the Managers meet regularly with shareholders and their respective representatives, reporting back on views to the Board. Shareholders may also communicate with the Board at any time by writing to them at the Company's registered office or to the Company's broker (see contact details on back cover). Such communication helps inform the Board when considering how best to promote the success of the Company for the benefit of all stakeholders in aggregate, but particularly shareholders, over the long-term.

The Board seeks to engage with its Managers and Secretaries and other service providers in a collaborative and collegiate manner, with open and respectful discussion and debate being encouraged, whilst also ensuring that appropriate and regular challenge is brought and evaluation is conducted. The aim of this approach is to enhance service levels and strengthen relationships with the Company's providers with a view to ensuring the interests of the Company are best served by keeping cost levels proportionate and competitive, by maintaining the highest standards of business conduct and by upholding the Company's values.

Whilst the Company's operations are limited, as third party service providers conduct all substantive operations, the Board is aware of the need to consider the impact of the Company's investment strategy and policy on wider society and the environment. The Board considers that its oversight of environmental, social and governance (ESG) matters is an important part of its responsibility to all stakeholders and that consideration of ESG factors sits naturally within Baillie Gifford's investment philosophy and process and with the Company's aim of providing shareholders with capital growth.

The Board recognises the importance of maintaining the interests of the Company and its stakeholders, in aggregate, firmly front of mind in its key decision making and Baillie Gifford & Co Limited, the Company Secretaries, are at all times available to the Board to ensure that suitable consideration is given to the range of factors to which the Directors should have regard. In addition to ensuring that the Company's stated investment objective was being pursued, key decisions and actions during the year which have required the Directors to have regard to applicable section 172 factors include:

- The issuance of €60m in private placement loan notes, maturing in 2036 and 2040, increasing the Company's borrowing capacity in order to generate improved returns to shareholders through the deployment of gearing;
- As part of ongoing Board succession and refreshment, the appointment and induction of Emma Davies to the Board, with effect from 1 January 2021. The Board believes her considerable knowledge and experience will be a great benefit to the Company. Details of her relevant skills and experience are provided on page 18;
- The Board's decision to declare a final dividend of 0.35p per ordinary share, the minimum required for the Company to maintain its investment trust status;
- The Board's proposal, at the AGM in January 2021, of a sub-division of shares ('share split'), to assist regular savers and in order to improve the liquidity of the Company's shares; and
- The raising of £3.5 million from treasury share issuance, at a premium to net asset value, in order to satisfy investor demand, which also serves the interests of current shareholders by spreading the Company's operating costs over a wider capital base, thereby reducing costs per share, and helping to improve liquidity.

Employees, Human Rights and Community Issues

The Board recognises the requirement to provide information about employees, human rights and community issues. As the Company has no employees, all its Directors are non-executive and all its functions are outsourced, there are no disclosures to be made in respect of employees, human rights and community issues.

Gender Representation

At 30 September 2021, the Board comprises four Directors, three male and one female. The Company has no employees. The Board's policy on diversity is set out on page 25.

Environmental, Social and Governance Policy

Details of the Company's policy on socially responsible investment can be found under Corporate Governance and Stewardship on page 26.

The Company considers that it does not fall within the scope of the Modern Slavery Act 2015 and it is not, therefore, obliged to make a slavery and human trafficking statement. In any event, the Company considers its supply chains to be of low risk as its suppliers are typically professional advisers. A statement by the Managers under the Act has been published on the Managers' website at bailliegifford.com.

Future Developments of the Company

The outlook for the Company for the next 12 months is set out in the Chairman's Statement on pages 2 and 3 and the Managers' Report on pages 12 to 14.

The Strategic Report, which includes pages 2 to 17 was approved by the Board of Directors and signed on its behalf on 23 November 2021.

Michael MacPhee
Chairman

Baillie Gifford Statement on Stewardship

Reclaiming Activism for Long-Term Growth Investors

Baillie Gifford's over-arching ethos is that we are 'actual' investors. We have a responsibility to behave as supportive and constructively engaged long-term investors. We invest in companies at different stages in their evolution, across vastly different industries and geographies and we celebrate their uniqueness. Consequently, we are wary of prescriptive policies and rules, believing that these often run counter to thoughtful and beneficial corporate stewardship. Our approach favours a small number of simple principles which help shape our interactions with companies.

Our Stewardship Principles

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. We understand that it is easy for businesses to be influenced by short-sighted demands for profit maximisation but believe these often lead to sub-optimal long-term outcomes. We regard it as our responsibility to steer businesses away from destructive financial engineering towards activities that create genuine economic value over the long run. We are happy that our value will often be in supporting management when others don't.

A Constructive and Purposeful Board

We believe that boards play a key role in supporting corporate success and representing the interests of minority shareholders. There is no fixed formula, but it is our expectation that boards have the resources, cognitive diversity and information they need to fulfil these responsibilities. We believe that a board works best when there is strong independent representation able to assist, advise and constructively test the thinking of management.

Long-term Focused Remuneration With Stretching Targets

We look for remuneration policies that are simple, transparent and reward superior strategic and operational endeavour. We believe incentive schemes can be important in driving behaviour, and we encourage policies which create alignment with genuine long-term shareholders. We are accepting of significant pay-outs to executives if these are commensurate with outstanding long-run value creation, but plans should not reward mediocre outcomes. We think that performance hurdles should be skewed towards long-term results and that remuneration plans should be subject to shareholder approval.

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. We do not believe in one-size-fits-all governance and we recognise that different shareholder structures are appropriate for different businesses. However, regardless of structure, companies must always respect the rights of all equity owners.

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. We believe that corporate success will only be sustained if a business's long-run impact on society and the environment is taken into account. Management and boards should therefore understand and regularly review this aspect of their activities, disclosing such information publicly alongside plans for ongoing improvement.

Managers' Report

It is tempting to focus this report purely on the two years since our appointment as managers. Indeed, there would be plenty to discuss. Covid-19 wreaked havoc with many companies, the economy and stock markets alike. Our shock at the exponential rise of this horrible virus was matched by our amazement at humankind's capacity to devise viable vaccines in record time and bring hope to billions around the world. Too seldom do we harness the power of collaboration and the transformative capacity of innovative technology. Throughout this turbulent period, we've been privileged to witness the adaptability of our portfolio companies, which have largely thrived in a context of chaos and driven strong performance. Tempting as it is to dwell on this, such short-term gyrations tell us little. Most companies' share prices don't change much in the short term. If they do, it's because of an outsized impact from investor emotion and sentiment on valuation multiples. Widen the timeframe, however, and company fundamentals and corporate cultures play much more important roles in value creation. Our recent marketing slogan – 'actual investors think in decades, not quarters' – may sound like righteous admonition, but it is absolutely central to our investment philosophy. Having it written down and so publicly advertised helps galvanise and reinforce a set of behaviours that underpin successful long-term investing.

Widening time frames also means you get to see just how extreme positive returns can be from a few companies able to compound their inherent advantages and benefit from positive feedback loops. Our belief that stock market and portfolio returns are driven by a relatively small number of big winners, or outliers, is now deeply ingrained into our philosophy and might be familiar to some of our shareholders. This has been heavily influenced by academics such as Professor Hendrik Bessembinder whose seminal paper, "Do Stocks Outperform Treasury Bills?" revealed the hidden asymmetry of markets, and the fact that very few companies actually matter. This has encouraged us to be more ambitious in our search for potential outliers and extreme outperformance.

You only need look at our European investments ten years ago to see how much this has influenced our thinking. Back then our largest holdings were Nestlé, Svenska Handelsbanken and Roche. These were classic examples of what Europe had to offer. Such 'quality' businesses, founded in the late 1800s and with low but stable growth rates, were considered safe places to invest. What took us a while to really understand though, was that companies like these had almost no chance of producing the extreme returns that would propel them to outlier status. This was less to do with our imagination and more to do with average growth rates and returns on capital that we now believe to be insufficient to generate outsized returns.

Our three largest holdings now, IMCD, Adyen and Zalando, are anything but average. They are relatively young, founder-run businesses that have the potential to be much, much larger over the next five to ten years. IMCD may look like a dull speciality chemicals distributor, but it is driving the consolidation of its extremely fragmented industry and should substantially increase its market share percentage which is still in the low single digits. Adyen, a digital payment processing platform, founded in 2006, listed in 2018 and now one of Europe's most valuable companies, processed over €300bn in volume in 2020 but is still growing at more than 30% per annum. Zalando, Europe's leading online fashion platform, founded in 2008, continues to leverage its economies of scale and expects to grow gross merchandise volume by 20-25% per annum over the medium term. We believe each of these, as with every company in the portfolio, has a good chance of at least doubling in value over the next five years, but that's just the beginning. Not all of the companies in our portfolio will be successful, but we believe that the big winners will more than make up for any mistakes.

A lot of the work done on outliers and asymmetric returns has focused on companies that have generated the most wealth. This, however, is influenced by how big a company is to begin with. A €100bn company that increases in 'value' by 10% to €110bn creates the same amount of 'wealth' as a smaller €1bn company that increases by 1,000% to €11bn. Companies like Nestlé and Roche are examples of the former but we are much more interested in the latter. While we look for stocks that can at least double, we're really interested in those with the potential to increase in value by 10x, commonly called 'tenbaggers', or even more. What we always find fascinating, and encouraging, is just how many companies in Europe manage this remarkable feat. Over the last decade, there have been 60 companies from our investment universe – currently this includes around 1,200 public companies – that have increased in value by more than 10x. The last decade of course has been very favourable for growth investing, but a 5% hit rate for finding such extraordinary companies is very impressive from a region which suffers from a reputation as a low growth market.

Best Performing European Companies Over 10 Years to 30 September 2021

Company	Country	Business	Market cap €	10 year total return p.a. %	10 year total return
Sartorius	Germany	Life Science Tools	46bn	55	79x
Sartorius Stedim	France	Life Science Tools	45bn	53	69x
Nemetschek	Germany	Software	10bn	46	45x
Pandora	Denmark	Jewellery	10bn	41	30x
Nesté	Finland	Biofuels	38bn	41	30x
ASML	Netherlands	Semiconductor Equipment	267bn	39	27x

Even more impressive are the returns from the biggest winners which range from 27x to 79x for Sartorius. Imagine turning a €1,000 investment into €79,000 over ten years!

Sartorius and its main subsidiary, Sartorius Stedim – a portfolio holding – manufacture disposable equipment for making biologic drugs including monoclonal antibodies and vaccines. Over the decade, Sartorius Stedim grew revenue each year by an average 16% and operating profit by 23%. This, together with a significant re-rating of its valuation multiple, has produced a remarkable total return. Of course, investors first need to find companies like this and then hold on for a decade without selling. This is easier said than done.

ASML is another portfolio holding which has done well. Since being founded in 1984, it has grown to dominate the photolithography industry. Its latest EUV (extreme ultraviolet) lithography machines – described by an IBM executive as “definitely the most complicated machine humans have built” – are used by the largest semiconductor manufacturers to produce smaller and more powerful microchips. Without these machines, Moore’s Law and the relentless progress of global megatrends like cloud computing, 5G, gaming and, even, artificial intelligence wouldn’t be possible. ASML has generated its 27x return in the same way as Sartorius, by compounding sales and profits at high rates, in this case by 12% and 14% respectively. It has also benefitted from a re-rating of its valuation multiple.

The point of highlighting these examples is not to try to sound clever. We are well aware that the likelihood of these companies repeating this level of outperformance over the next decade is much lower. What is evident, however, is that for investors willing to be ambitious, who understand the main factors that drive extreme returns and who are willing to be patient and put faith in exceptional management teams, Europe can provide returns at least equal to anything else in the world.

Portfolio

Returning to the present and our post-pandemic world, it’s clear that supply chain disruption is one of its defining characteristics. In the UK we have also felt the effects of a truck driver shortage at petrol stations. The problems faced by the road freight industry are not limited to the UK, however. Right across Europe, the industry suffers from a lack of human capital, hyper-fragmentation with more than 400,000 truck companies, inefficient route planning, low asset utilisation and needlessly high CO2 emissions. We recently invested in unlisted company sender Technologies, a digital road freight-forwarder helping solve some of these problems. Its software should enable small and mid-sized truck

companies to connect seamlessly with shippers and, as a result, operate more efficiently and profitably. As it becomes bigger, it will invest even more in its customer proposition which will drive a positive feedback loop. We think this has a good chance of being one of Europe’s leading ‘FreightTech’ companies. We also have holdings in DSV and Kuehne + Nagel which are mainly air and sea freight-forwarders, so we are very interested in the potential for technology and consolidation to create significant value over time.

Another private company we invested in was FlixBus. Its core business today is bus transportation, where it operates under the FlixBus brand. It does not, however, own any buses. Flix’s job is to manage the customer-facing aspects of the business, like route planning and customer acquisition, for which it takes a cut of gross ticket sales before passing the remainder on to the companies that own the buses. Its low-cost model has already enabled it to reach a position of dominance in its core European markets. From here, it can expand its geographic reach and into other modes of transport such as trains. Like sender Technologies, it benefits from network effects and has a good chance of producing extreme returns.

Companies with network effects at their core are widely believed to have created the majority of value since the internet was widely available in 1994. Think about Amazon, Google, Microsoft, Facebook, or Tencent (which we hold indirectly through our holding in Prosus). Each of their product offerings increases in value as more people use them. This means that as they get bigger, they get stronger and more defensible. Classifieds businesses that help connect sellers to buyers of general merchandise, cars, or even homes are some of the most powerful network businesses we have come across. Schibsted, Adevinata, and AUTO1 are examples of current holdings that we think have these characteristics and the ability to monetise their large and growing user bases. To these we can now add two new holdings, VNV Global and Hemnet. VNV Global is a holding company that invests in private companies that themselves exhibit network effects. Most of its investments have been in classifieds, mobility or digital health. There is a scarcity value to some of these assets, but we are really backing the management team which has a tremendous track record and can also help us learn more about these industries. Hemnet, a Swedish real estate classifieds business, is very much like Rightmove in the UK, except it is even more dominant. It is the strongest brand in Sweden after Spotify, Netflix, Google and YouTube and is the most popular real estate portal in the world. Compared to most of its peers though, Hemnet has a lot of room to gradually increase prices over time while still producing a unique service to its customers.

If network effects and big tech have defined the last couple of decades, then reversing climate change will surely define the next. By reducing and removing carbon emissions, there is a race to become 'net-zero' by 2050 and limit global warming to 1.5C above pre-industrial levels. This is the biggest challenge and opportunity we face and the numbers involved are quite staggering. The IEA estimates that it will require US\$150tn of investment but, at the same time, this could save our planet and a vast amount of money that would otherwise be directed to more damaging industries.

Several of our investments contribute to a greener world. Among them are compressor business Atlas Copco, heat pump maker Nibe and building insulation distributor Kingspan. Swedish battery business Northvolt – our first unlisted investment – should be familiar to you by now. There is a lot of work still to be done, and while CNBC reported in the summer that its valuation might be around US\$12bn, for those that dream a little, the US\$200bn valuation of its Asian peer CATL might provide some inspiration. More recently we added Aker Horizons to our complement of climate champions. Horizons is a Norwegian renewable energy holding company owned and operated by the Røkke family. Its focus is on wind power, clean hydrogen and CCS (carbon capture and storage). Wind and solar have benefitted from exponential cost reductions but hydrogen and CCS are at a far earlier stage of development. It will take years of investing, building out scale and driving costs lower to bring these technologies to the level where they can help reach net zero goals. If they can, then earlier investors who have supported this development should share in the value creation.

At this point, a note of caution is warranted. We've spent far more time thinking and researching companies in these areas than our portfolio exposure might suggest. This is because many companies that are driving climate change are capital intensive, are difficult to scale and are subject to geopolitics and the will of governments. So far, we have invested in what we think are Europe's best opportunities, but we will keep looking for potential outliers here that our permanent capital can help support. This is a real opportunity for us, and Europe as a region, to become leaders. One positive observation is that we already have access to the technologies to achieve net zero emissions. Many of these are already cheaper than incumbent technologies and are therefore truly disruptive. The speed, scale and impact of these will surely be underestimated.

Over time we aim to increase the quality and the potential return of the portfolio by allocating capital to new ideas and to existing holdings which we feel are being mispriced. We have to fund this by selling or reducing companies that no longer have the prospects we originally hoped for. We sold three companies recently: cognac maker Remy Cointreau, fashion group Inditex and ophthalmology equipment seller Carl Zeiss Meditec. Like Nestlé and Roche a decade ago, these companies are all high quality and better than most of their peers. Unfortunately, we found it easier to imagine outlier scenarios with other companies and therefore redistributed the capital.

Outlook

Despite the rich opportunity set Europe has to offer, our industry has not done enough to support our most promising companies. Europe has failed to provide sufficient capital and strategic support to allow enough of our growth companies to scale without worrying about short-term profits. Europe's corporate leaders must also take responsibility for not being as ambitious as their counterparts in other regions. This is changing. Europe's start-up ecosystem is now booming, helped by an influx of funding from venture capitalists around the world. These investors have helped shape the next generation of European outliers and develop strategies to scale and create global champions. Niklas Östberg, the CEO and co-founder of Delivery Hero, highlighted this change in mindset recently when he said, "Don't buy our stock unless you believe we sit strategically right to scale efficiency and become >10x larger." This is a company that in 2020 doubled its revenue but has the ambition to create something much larger. Europe needs more of these companies, and those that have shown how innovative Europe can be, to provide inspiration to all those other entrepreneurs.

We want to match this with our own ambition to become Europe's best growth manager. To do this, we must continue creating value, for both our clients and society, by investing in Europe's outliers. When it comes to their growth potential, business economics, or corporate cultures, these companies are not just better than average, they are outliers at the extreme end of the spectrum. Their potential returns, as a consequence, are also extreme. To capture this though, we must focus on the things that matter most, be optimistic and creative when imagining how a company or industry might look in a decade from now, have the confidence to hang on when things go wrong and be comfortable ignoring large parts of the market.

Stephen Paice
Chris Davies
Moritz Sitte
Baillie Gifford & Co
23 November 2021

List of Investments at 30 September 2021

Name	Business	Country	Value £'000	% of total assets
IMCD	Speciality chemicals distributor	Netherlands	36,288	5.9
Adyen	Global payment company	Netherlands	27,207	4.4
Zalando	Online fashion retailer	Germany	25,215	4.1
Prosus	Investment company	Netherlands	24,736	4.0
Ryanair	Low-cost European airline	Ireland	22,519	3.7
Avanza Bank†	Online savings and investment platform	Sweden	20,047	3.3
Atlas Copco	Industrial compressors manufacturer	Sweden	19,833	3.2
NIBE	International heating technology company	Sweden	19,423	3.2
ASML	Semiconductor equipment manufacturer	Netherlands	19,063	3.1
Northvolt@	Battery developer and manufacturer	Sweden	18,499	3.0
adidas	Global sportswear brand	Germany	17,814	2.9
Schibsted	Media and online classifieds company	Norway	16,994	2.8
Spotify	Online music streaming service	Sweden	16,363	2.7
Kuehne + Nagel	Freight forwarding and logistics company	Switzerland	16,029	2.6
Delivery Hero	Online food-delivery service	Germany	15,763	2.6
Adevinta	Online classifieds	Norway	15,014	2.5
DSV	Freight forwarding and logistics company	Denmark	14,361	2.3
HelloFresh†	Grocery retailer	Germany	13,311	2.2
Addlife	Distributor of medical and laboratory equipment	Sweden	13,237	2.2
Kinnevik	Investment company	Sweden	12,674	2.1
Kingspan	Provider of high performance insulation and building envelope technologies	Ireland	12,423	2.0
Kering	Luxury brand conglomerate	France	12,371	2.0
Beijer	Refrigeration and air conditioning	Sweden	12,360	2.0
Reply	IT consultancy	Italy	11,637	1.9
Sartorius Stedim Biotech	Pharmaceutical and laboratory equipment provider	France	11,331	1.8
Dassault Systèmes†	Simulation software company	France	10,385	1.7
Hexpol	Manufacturer of rubber and plastic components	Sweden	10,113	1.6
Mettler-Toledo	Manufacturer of precision weighing equipment	Switzerland	9,791	1.6
Wizz Air†	Low-cost airline	Hungary	9,754	1.6
Investor	Investment company	Sweden	9,573	1.6
Richemont	Luxury goods company	Switzerland	9,218	1.5
FinecoBank†	Savings and investment platform	Italy	9,033	1.5
L'Oréal	Global cosmetics company	France	8,242	1.3
Rational	Cooking equipment manufacturer	Germany	7,890	1.3
Allegro.eu†	E-commerce marketplace	Poland	7,596	1.2
AUTO1†	Digital automotive platform	Germany	7,321	1.2
Bechtle	IT systems integrator	Germany	7,187	1.2
Ubisoft Entertainment	Video games publisher	France	6,124	1.0
Takeaway.com	Online food delivery service	Netherlands	5,440	0.9
sennder Technologies@†	Digital freight forwarder	Germany	5,156	0.8
Epiroc	Supplier for mining and construction industries	Sweden	4,909	0.8
Vostok New Ventures†	Investment company	Sweden	4,747	0.8
Aker†	Renewable energy and green technology platform	Norway	4,596	0.7
Hemnet†	Online property platform	Sweden	4,309	0.7
FlixBus@†	European transport company	Germany	4,297	0.7

List of Investments at 30 September 2021

Name	Business	Country	Value £'000	% of total assets
Pernod Ricard	Global spirits manufacturer	France	4,197	0.7
Cellectis#	Genetic engineering for cell based therapies	France	3,382	0.6
MorphoSys	Antibody based drug discovery platform	Germany	2,579	0.4
Total investments			600,351	97.9
Net liquid assets*			12,659	2.1
Total assets*			613,010	100.0
Borrowings			(51,471)	(8.4)
Shareholders' funds			561,539	91.6

Ⓞ Denotes unlisted holding.

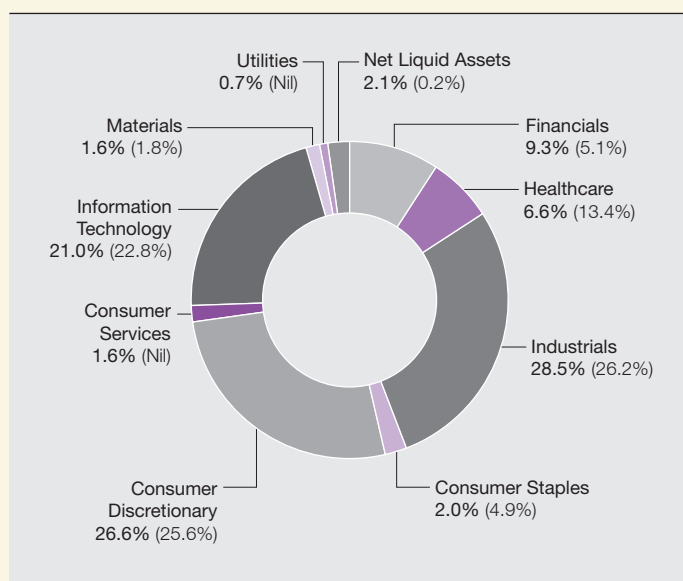
* For a definition of terms used, see Glossary of Terms and Alternative Performance Measures on pages 64 and 65.

† New holdings bought during the year (Rémy Cointreau, Carl Zeiss Meditec, Novozymes, Inditex, U-Blox were sold during the year).

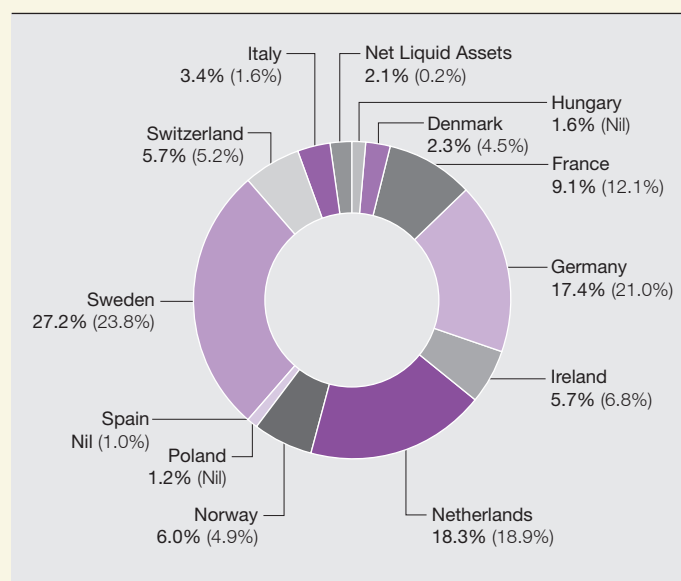
Includes ADR.

Distribution of Total Assets†

Sectoral 2021 (2020*)



Geographical 2021 (2020)



*2020 restated to reflect FTSE Industry Classification Benchmark adopted from March 2021.

† Total assets represents total net assets before deduction of borrowings.

Ten Year Record

Capital

At 30 September	Total assets £'000	Borrowings £'000	Shareholders' funds £'000	NAV per share (book) *# p	NAV per share (fair) *# p	Share price # p	Discount (book) † %	Discount (fair) † %
2011	237,350	–	237,350	55.9	55.9	46.3	17.4	17.4
2012	256,724	–	256,724	61.0	61.0	50.8	16.7	16.8
2013	323,222	–	323,222	76.8	76.8	68.5	10.9	10.9
2014	336,729	–	336,729	80.0	80.0	74.9	6.4	6.5
2015	312,239	–	312,239	74.2	74.2	67.3	9.3	9.3
2016	360,875	10,216	350,659	83.4	83.4	72.3	13.3	13.4
2017	440,200	–	440,200	104.8	104.8	92.0	12.3	12.3
2018	426,974	12,655	414,319	100.4	100.4	90.8	9.6	9.6
2019	373,857	–	373,857	92.9	92.9	81.0	12.8	12.8
2020	469,587	16,939	452,648	125.0	125.0	122.0	2.4	2.4
2021	613,010	51,471	561,539	154.0	154.5	152.4	1.0	1.3

Source: Baillie Gifford/Refinitiv. See disclaimer on page 63.

* Net asset value per ordinary share has been calculated after deducting borrowings. See Glossary of Terms and Alternative Performance Measures on pages 64 and 65.

† Discount is the difference between the Company's quoted share price and its underlying net asset value per share expressed as a percentage of net asset value per share.

See Glossary of Terms and Alternative Performance Measures on pages 64 and 65.

Prior year figures restated for the ten for one share split on 1 February 2021.

Revenue

Year to 30 September	Gross revenue £'000	Available for ordinary shareholders £'000	Revenue earnings per ordinary share ^ p	Ordinary dividends paid and proposed per share ^ p	Special dividends per share ^ p	Ongoing charges ratio ‡ %
2011	9,734	7,198	1.70	1.20	0.40	0.60
2012	9,045	6,487	1.54	1.20	0.40	0.62
2013	10,413	7,581	1.80	1.40	0.40	0.59
2014	9,528	6,246	1.49	1.40	0.10	0.61
2015	9,540	6,708	1.60	1.40	0.20	0.63
2016	10,357	8,003	1.90	1.60	0.60	0.62
2017	12,591	10,853	2.58	2.15	0.15	0.59
2018	13,775	11,461	2.74	2.70	–	0.61
2019	14,523	12,605	3.10	3.10	–	0.62
2020	2,597	1,569	0.42	0.35	–	0.41
2021	3,256	1,534	0.42	0.35	–	0.67

Source: Baillie Gifford.

‡ Total operating costs divided by average net asset value. Without the management fee waiver (see page 44), the ongoing charges for the year to 30 September 2020 would have been 0.66%. See Glossary of Terms and Alternative Performance Measures on pages 64 and 65.

¶ Total assets (including all debt used for investment purposes) less all cash and cash equivalents divided by shareholders' funds. See Glossary of Terms and Alternative Performance Measures on pages 64 and 65.

§ Total assets (including all debt used for investment purposes) divided by shareholders' funds. See Glossary of Terms and Alternative Performance Measures on pages 64 and 65.

^ Prior year figures restated for the ten for one share split on 1 February 2021.

Cumulative Performance (taking 2011 as 100)

At 30 September	Net asset value per share	Net asset value total return *	Share price	Share price total return *	Benchmark **	Benchmark ** total return	Revenue earnings per ordinary share	Dividends paid and proposed per ordinary share
2011	100	100	100	100	100	100	100	100
2012	109	112	110	114	108	112	91	100
2013	137	144	148	157	133	143	106	113
2014	143	154	162	176	135	150	88	94
2015	133	145	146	162	129	148	94	100
2016	149	167	156	178	152	180	112	138
2017	187	217	199	235	180	221	152	144
2018	179	212	196	237	179	226	161	169
2019	166	203	175	219	185	241	182	194
2020	223	279	264	338	180	241	25	22
2021	275	345	330	423	216	296	26	22

Compound annual returns

5 year	13.1%	15.6%	16.1%	18.9%	7.3%	10.5%	(25.3%)	(30.7%)
10 year	10.7%	13.2%	12.7%	15.5%	8.0%	11.5%	(12.6%)	(14.1%)

Source: Baillie Gifford/Refinitiv and relevant underlying providers. See disclaimer on page 63.

** See Glossary of Terms and Alternative Performance Measures on pages 64 and 65.

** FTSE Europe ex UK Index (in sterling terms).

Past performance is not a guide to future performance.

Gearing Ratios

Gearing ¶ %	Potential gearing § %
–	–
–	–
–	–
–	–
–	–
3	3
–	–
3	3
–	–
4	4
7	9

Directors and Management

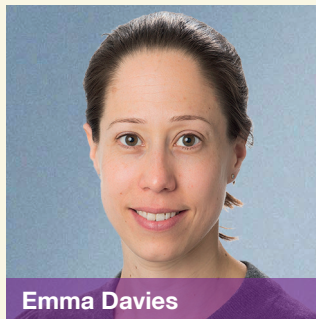
The Board can draw on an extensive pool of knowledge and experience.

Directors



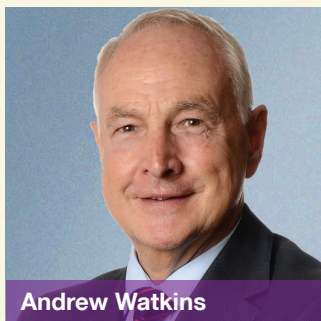
Michael MacPhee

Michael MacPhee (Chairman). He is a director of Castle European Limited. Having been called to the English Bar in 1987, he joined Baillie Gifford & Co in 1989 and became a partner in 1998. He headed the firm's European department from 2003 to 2008 and thereafter co-managed a global investment strategy. From 1998 until his retirement from the firm in 2014 he was the manager of Mid Wynd International Investment Trust PLC. He was appointed a Director of the Company in 2016 and Chairman in 2017.



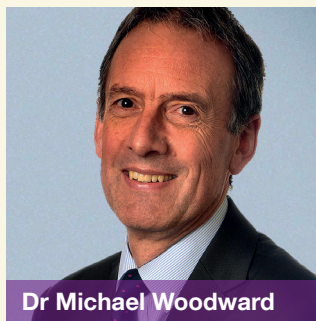
Emma Davies

Emma Davies. She is an experienced investment professional who has spent her career investing across global equity markets, as well as in the property and private equity markets in the UK. She has a sophisticated understanding of ESG considerations, particularly with regard to social and governance concerns. She is currently the co-CEO of Octopus Ventures and is also a non-executive director and chair of the audit committee of Riverstone Credit Opportunities Income Plc and a non-executive director of EdTechX Holdings Acquisition Corp II. She was appointed a Director of the Company in January 2021.



Andrew Watkins

Andrew Watkins (Senior Independent Director). Until his retirement in June 2017, was head of client relations, sales and marketing for Invesco Perpetual's listed investment funds business and is currently chairman of Ashoka India Equity Investment Trust plc and a director of BMO UK High Income Trust plc, Chelverton UK Dividend Trust plc and Consistent Unit Trust Management Company Limited. He was appointed a Director of the Company in 2019.



Dr Michael Woodward

Dr Michael Woodward (Chairman of Audit Committee). He has worked in the investment trust industry for over 35 years, both as a European portfolio manager with Ivory & Sime and as the individual with responsibility for the management of the investment trust business at Martin Currie and F&C Asset Management. He was appointed a Director of the Company in 2013 and Chairman of the Audit Committee in 2017.

All of the Directors are members of the Audit Committee.

Managers and Secretaries

The Company has appointed Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, as its Alternative Investment Fund Manager ('AIFM') and Company Secretary. Baillie Gifford & Co Limited has delegated investment management services to Baillie Gifford & Co. Baillie Gifford & Co is an investment management firm formed in 1927 out of the legal firm Baillie Gifford, WS, which had been involved in investment management since 1908.

Baillie Gifford is one of the largest investment trust managers in the UK and currently manages twelve investment trusts. Baillie Gifford also manages unit trusts and Open Ended Investment Companies, together with investment portfolios on behalf of pension funds, charities and other institutional clients, both in the UK and overseas. Funds under the management or advice of Baillie Gifford totalled around £360 billion as at 22 November 2021. Based in Edinburgh, it is one of the leading privately owned investment management firms in the UK, with 47 partners and a staff of around 1,556.

The Managers of Baillie Gifford European Growth Trust are Stephen Paice, Chris Davies and Moritz Sitte. Stephen is Head of the European Equity Team. Chris and Moritz are both Investment Managers in the European Equity Team.

Baillie Gifford & Co and Baillie Gifford & Co Limited are both authorised and regulated by the Financial Conduct Authority.

Directors' Report

The Directors present their Report together with the audited Financial Statements of the Company for the year to 30 September 2021.

Corporate Governance

The Corporate Governance Report is set out on pages 24 to 27 and forms part of this Report.

Managers and Company Secretaries

Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, was appointed as the Company's Alternative Investment Fund Manager ('AIFM') and Company Secretary on 29 November 2019. Baillie Gifford & Co Limited has delegated portfolio management services to Baillie Gifford & Co. Dealing activity and transaction reporting has been further sub-delegated to Baillie Gifford Overseas Limited and Baillie Gifford Asia (Hong Kong) Limited.

The Investment Management Agreement between the AIFM and the Company sets out the matters over which the Managers have authority in accordance with the policies and directions of, and subject to restrictions imposed by, the Board. The Investment Management Agreement is terminable on not less than three months' notice or on shorter notice in certain circumstances. Compensation would only be payable if termination occurred prior to the expiry of the notice period. The annual management fee is 0.55% of the lower of (i) the Company's market capitalisation and (ii) the Company's net asset value (which shall include income), in either case up to £500 million, and 0.50% of the amount of the lower of the Company's market capitalisation or net asset value above £500 million, calculated and payable quarterly.

Careful consideration has been given by the Board as to the basis on which the management fee is charged. The Board considers that maintaining a relatively low ongoing charges ratio is in the best interests of the shareholders. The Board is also of the view that calculating the fee with reference to performance would be unlikely to exert a positive influence over the long-term performance.

The Board considers the Company's investment management and secretarial arrangements on an ongoing basis and a formal review is conducted annually. The Board considered, amongst others, the following topics in its review: the quality of the personnel assigned to handle the Company's affairs; the investment process and the results achieved to date; investment performance; the administrative services provided by the Secretaries and the quality of information provided; the marketing efforts undertaken by the Managers; the relationship with the Managers; and comparative peer group charges and fees.

Following the most recent review, the Board concluded that the continuing appointment of Baillie Gifford & Co Limited as AIFM and the delegation of investment management services to Baillie Gifford & Co, on the terms agreed, is in the interests of shareholders as a whole.

Depositary

In accordance with the Alternative Investment Fund Managers Regulations, Northern Trust Global Services SE has been appointed as Depositary to the Company. Northern Trust Global Services SE, is a bank established in Luxembourg, and was permitted to provide trustee and depositary services into the UK by virtue of having extra permissions in the UK.

As a consequence of the UK's decision to leave the European Union, however, the FCA, has provided that UK branches of EU banks are no longer able to provide trustee and depositary services into the UK and those services have to be provided from a UK incorporated company.

In order to comply with the new rules, Northern Trust has established Northern Trust Investor Services to be the new trustee and depositary. Northern Trust Investor Services is a company established in England and Wales and is authorised by the FCA to be a trustee and depositary.

Northern Trust Investor Services will provide the same services as Northern Trust Global Services SE with the same processes and procedures in place. The change of depositary took place on 30 October 2021.

The Depositary's responsibilities include cash monitoring, safe keeping of the Company's financial instruments, verifying ownership and maintaining a record of other assets and monitoring the Company's compliance with investment limits and leverage requirements. Custody services are provided by The Northern Trust Company (as a delegate of the Depositary) ('the Custodian').

Directors

Information about the Directors, including their relevant experience, can be found on page 18.

All Directors will retire at the Annual General Meeting and offer themselves for re-election. Following a formal performance evaluation, the Chairman confirms that the Board considers that their performance continues to be effective and each remains committed to the Company. Their contribution to the Board is greatly valued and the Board recommends their re-election to shareholders.

Director Indemnification and Insurance

The Company has entered into qualifying third party deeds of indemnity in favour of each of its Directors. The deeds, which were in force during the year to 30 September 2021 and up to the date of approval of this report, cover any liabilities that may arise to a third party, other than the Company, for negligence, default or breach of trust or duty. The Directors are not indemnified in respect of liabilities to the Company, any regulatory or criminal fines, any costs incurred in connection with criminal proceedings in which the Director is convicted or civil proceedings brought by the Company in which judgement is given against her or him. In addition, the indemnity does not apply to any liability to the extent that it is recovered from another person.

The Company maintains Directors' and Officers' liability insurance.

Conflicts of Interest

Each Director submits a list of potential conflicts of interest to the Board for consideration and approval at each meeting. The Board considers these carefully, taking into account the circumstances surrounding them prior to authorisation. Having considered the lists of potential conflicts there were no situations which gave rise to a direct or indirect interest of a Director which conflicted with the interests of the Company.

Dividend

The Board recommends a final dividend of 0.35p per ordinary share (2020 (restated for ten for one share split in January 2021) 0.35p). No interim dividend was declared. Dividends will only be paid to the extent needed to maintain the Company's investment trust status.

If approved by shareholders at the Annual General Meeting, the recommended final dividend per ordinary share will be paid on 11 February 2022 to shareholders on the register at the close of business on 7 January 2022. The ex-dividend date is 6 January 2022.

Share Capital

Capital Structure

The Company's capital structure at 30 September 2021 consists of 402,443,690 ordinary shares of 2.5p each (2020 – 402,443,690) of which 364,599,330 (2020 – 362,199,330) are allotted and fully paid and 37,844,360 (2020 – 40,244,360) are held in treasury.

At the Annual General Meeting held on 21 January 2021 shareholders approved an ordinary resolution that each of the ordinary shares of 25p each in the capital of the Company be sub-divided into ten ordinary shares of 2.5p each (the 'New Ordinary Shares'). The New Ordinary Shares were admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange's market for listed securities at 8.00am on 1 February 2021. Accordingly, the 40,244,369 ordinary shares of 25p were sub-divided into 402,443,690 ordinary shares of 2.5p. There are no restrictions concerning the holding or transfer of the Company's ordinary shares and there are no special rights attached to any of the shares.

Dividend

The ordinary shares carry a right to receive dividends. Interim dividends are determined by the Directors, whereas the proposed final dividend is subject to shareholder approval.

Capital Entitlement

On a winding up, after meeting the liabilities of the Company, the surplus assets will be paid to ordinary shareholders in proportion to their shareholdings.

Voting

Each ordinary shareholder present in person or by proxy is entitled to one vote on a show of hands and, on a poll, to one vote for every share held.

Information on the deadlines for proxy appointments can be found on pages 57 and 58.

Major Interests in the Company's Shares

The Company has received notifications in accordance with the Financial Conduct Authority's Disclosure and Transparency Rule 5.1.2R of the following interests in 3% or more of the voting rights attached to the Company's issued share capital.

Name	Number of ordinary 2.5p shares held at 30 September 2021	% of issue *
Investec Wealth & Investment Ltd	18,433,790	5.06
Wells Capital Management	18,128,101	4.97
1607 Capital Partners LLC	18,005,220	4.94
Charles Stanley	17,973,280	4.93

Holdings above are stated as per the most recent notification to a Regulatory Information Service. There have been no other changes to the major interests in the Company's shares intimated up to 22 November 2021.

* Ordinary shares in issue excluding treasury shares.

Annual General Meeting

As a consequence of Covid-19 and the uncertainty regarding government policy on group meetings, shareholders are being encouraged to submit their votes by proxy ahead of the meeting. It is intended that the meeting will be open to all shareholders, but in the event that access has to be restricted to the minimum number of people necessary for it to be quorate, this will ensure your votes are counted. The details of this year's AGM, including the proposed resolutions and information on the deadlines for proxy appointments, can be found on pages 57 to 58. Shareholders who hold shares in their own name on the main register will be provided with a Form of Proxy. If you hold shares through a share platform or other nominee, the Board would encourage you to contact these organisations directly as soon as possible to arrange for you to vote at the AGM. The resolutions relating to the renewal of the Directors' authorities to issue and buy back shares, new Articles and update to the Investment Policy are explained in more detail below.

Authority to Hold General Meetings at Shorter Notice

Resolution 10, which is proposed as a special resolution, seeks authority for the Directors to convene general meetings of the Company, other than Annual General Meetings ('AGMs'), on a minimum of 14 clear days' notice. The notice period for AGMs will remain at 21 clear days. The approval will be effective until the Company's next AGM, at which it is intended that renewal will be sought. The Directors will only call general meetings on 14 clear days' notice where they consider it in the best interests of shareholders to do so and the relevant matter requires to be dealt with expediently.

Share Issuance Authority

Resolution 11 in the Notice of Annual General Meeting seeks to renew the Directors' general authority to issue shares up to an aggregate nominal amount of £3,038,327. This amount represents one third of the Company's total ordinary share capital currently in issue and meets institutional guidelines. No issue of ordinary shares will be made pursuant to the authorisation of Resolution 11 which would effectively alter the control of the Company without the prior approval of shareholders in general meeting.

Resolution 12, which is proposed as a special resolution, seeks authority for the Directors to issue shares or sell shares held in treasury on a non pre-emptive basis for cash up to an aggregate nominal amount of £911,498.33 (representing 10% of the issued ordinary share capital of the Company as at 22 November 2021). This authority will continue until the conclusion of the Annual General Meeting to be held in 2023 or on the expiry of 15 months from the passing of the resolution, if earlier.

Such authorities will only be used to issue shares or sell shares from treasury at a premium to net asset value and only when the Directors believe that it would be in the best interests of the Company to do so.

During the year to 30 September 2021, 2,400,000 shares (2020 – nil) were issued from treasury.

Market Purchases of Own Shares

At the last Annual General Meeting the Company was granted authority to purchase up to 54,293,680 ordinary shares (equivalent to 14.99% of its issued share capital), such authority to expire at the 2022 Annual General Meeting. The Directors are seeking shareholders' approval at the Annual General Meeting to renew the authority to make market purchases of up to 14.99% of the Company's ordinary shares in issue (excluding treasury shares) at the date of passing of the resolution, such authority to expire at the Annual General Meeting of the Company to be held in 2023. Such purchases will only be made at a discount to the prevailing net asset value.

During the year to 30 September 2021, no shares (2020 – nil) were bought back under the buy-back authority. The Board undertook a tender offer in January 2020 and as a result the Company bought back a total of 4,024,436 ordinary shares at a total cost of £37,366,068.

The Company may hold bought-back shares in treasury and then:

- (i) sell such shares (or any of them) for cash (or its equivalent under the Companies Act 2006); or
- (ii) cancel the shares (or any of them).

Shares will only be resold from treasury at a premium to the net asset value per ordinary share.

Treasury shares do not receive distributions and the Company will not be entitled to exercise the voting rights attaching to them.

In accordance with the Listing Rules, the maximum price (excluding expenses) that may be paid on the exercise of the authority must not exceed the higher of:

- (i) 5 per cent. above the average closing price on the London Stock Exchange of an ordinary share over the five business days immediately preceding the date of purchase; and
- (ii) the higher of the price of the last independent trade and the highest current independent bid on the London Stock Exchange.

The minimum price (exclusive of expenses) that may be paid will be the nominal value of an ordinary share. Purchases of ordinary shares will be made within guidelines established, from time to time, by the Board. Your attention is drawn to Resolution 13 in the Notice of Annual General Meeting. This authority, if conferred, will only be exercised if to do so would result in an increase in net asset value per ordinary share for the remaining shareholders and if it is considered in the best interests of shareholders generally.

Proposed Changes to the Company's Investment Policy

As noted on page 6 the Company is proposing to amend its investment objective and policy to stipulate that the maximum amount which may be invested in companies not listed on a public market shall not exceed 20% of the total assets of the Company, measured at the time of purchase. It is also proposing a clarification of the typical number of investments by amending the term 'securities' to 'companies'. The proposed amendments are subject to shareholder approval of Resolution 14 in the Notice of the Annual General Meeting.

Adoption of New Articles of Association

Resolution 15, which will be proposed as a special resolution, seeks shareholder approval to adopt new Articles of Association (the 'New Articles') in order to update the Company's current Articles of Association (the 'Existing Articles'). The proposed amendments being introduced in the New Articles primarily relate to changes in law and regulation and developments in market practice since the Existing Articles were adopted, and principally include:

- provisions enabling the Company to hold virtual shareholder meetings using electronic means (as well as physical shareholder meetings or hybrid meetings);
- amendments in response to the requirements of the Alternative Investment Fund Managers Directive (2011/61/EU);
- changes in response to the introduction of international tax regimes (notably FATCA and the Common Reporting Standard) requiring the exchange of information;
- increasing the cap on the aggregate of all fees paid to directors from £150,000 per annum to £200,000 per annum (as previously agreed by the shareholders);
- removing historic provisions in respect of share warrants;
- provisions clarifying the rights attached to ordinary shares;
- expanding the provisions on uncertificated shares;
- simplifying the untraced shareholders procedure by removing the requirement for the Company to publish newspaper advertisements;

- a provision enabling the Directors to postpone a general meeting after notice of the meeting has been sent but before the meeting is held; and
- a provision requiring all Directors to retire at each Annual General Meeting and be eligible for reappointment except any Directors appointed after notice of the meeting has been sent but before the meeting is held.

A summary of the principal amendments being introduced in the New Articles is set out in the appendix to the AGM Notice (on pages 55 and 56 of this document). Other amendments, which are of a minor, technical or clarifying nature, have not been summarised in the appendix.

While the New Articles (if adopted) would permit shareholder meetings to be conducted using electronic means, the Directors have no present intention of holding a virtual-only meeting. These provisions will only be used where the Directors consider it is in the best of interests of shareholders for hybrid or virtual-only meetings to be held. Nothing in the New Articles will prevent the Company from holding physical shareholder meetings. The full terms of the proposed amendments to the Company's Articles of Association are available at the offices of Dickson Minto W.S., Level 13, Broadgate Tower, 20 Primrose Street, London EC2A 2EW between the hours of 9.00am and 5.00pm (Saturdays, Sundays and public holidays excepted), and on the Company's website, bgeuropeangrowth.com from the date of the AGM Notice until the close of the AGM, and will also be available for inspection at the venue of the AGM from 15 minutes before and during the AGM.

Recommendation

The Directors unanimously recommend you vote in favour of the resolutions to be proposed at the Annual General Meeting as it is their view that the resolutions are in the best interests of shareholders as a whole.

Financial Instruments

The Company's financial instruments comprise its investment portfolio, cash balances, borrowings and debtors and creditors that arise directly from its operations such as sales and purchases awaiting settlement and accrued income. The financial risk management objectives and policies arising from its financial instruments and the exposure of the Company to risk are disclosed in note 19 to the Financial Statements.

Articles of Association

The Company's Articles of Association may only be amended by special resolution at a general meeting of shareholders.

Disclosure of Information to Auditors

The Directors confirm that, so far as each of the Directors is aware, there is no relevant audit information of which the Company's Auditors are unaware and the Directors have taken all the steps that they might reasonably be expected to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

Independent Auditor

The Auditor, BDO LLP, is willing to continue in office, and in accordance with section 489 and section 491(1) of the Companies Act 2006, resolutions concerning BDO LLP's reappointment and remuneration will be submitted to the Annual General Meeting.

Post Balance Sheet Events

The Directors confirm, up to 23 November 2021, that there have been no significant post Balance Sheet events which require adjustment to, or disclosure in, the Financial Statements or notes.

Stakeholder Engagement

Although the Company has no employees, trade suppliers or customers, the Directors give regular consideration to the need to foster the Company's business relationships with its stakeholders, in particular with shareholders, its externally appointed Managers, other professional service providers and lenders. The effect of this consideration upon the key decisions taken by the Company during the financial year is set out in further detail in the Strategic Report on page 9.

Greenhouse Gas Emissions and Streamlined Energy & Carbon Reporting ('SECR')

All of the Company's activities are outsourced to third parties. The Company therefore has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. For the same reasons as set out above, the Company considers itself to be a low energy user under the SECR regulations and has no energy and carbon information to disclose.

Bribery Act

The Company has a zero tolerance policy towards bribery and is committed to carrying out business fairly, honestly and openly. The Managers also adopt a zero tolerance approach and have policies and procedures in place to prevent bribery.

Criminal Finances Act 2017

The Company has a commitment to zero tolerance towards the criminal facilitation of tax evasion.

On behalf of the Board
Michael MacPhee
Chairman
23 November 2021

Corporate Governance Report

The Board is committed to achieving and demonstrating high standards of Corporate Governance. This statement outlines how the principles of the 2018 UK Corporate Governance Code (the 'Code') which can be found at frc.org.uk and the relevant principles of the Association of Investment Companies Code of Corporate Governance (the 'AIC Code') published in 2019 were applied throughout the financial year. The AIC Code provides a framework of best practice for investment companies and can be found at theaic.co.uk.

Compliance

The FRC has confirmed that AIC member companies who report against the AIC Code will be meeting their obligations in relation to the Code. The Board confirms that the Company has complied throughout the year under review with the relevant provisions of the Code and the recommendations of the AIC Code except as follows:

- a Nomination Committee has not been established. As the Board is comprised entirely of non-executive Directors and is small in size, a Nomination Committee is considered unnecessary.
- the Company has no executive Directors and no employees and consequently does not have a Remuneration Committee. The Directors' Remuneration Report on pages 30 and 31 provides information on the remuneration arrangements for the Directors of the Company. The Chairman is available to engage with shareholders on issues relating to Directors' remuneration where required.
- given the small size of the Board and the fact that all Directors are independent, the Company does not have a Management Engagement Committee. The Company's management functions are delegated to the AIFM, who has delegated the management of the Company's investment portfolio to the Investment Manager, Baillie Gifford & Co. The Board reviews at least annually the performance of the AIFM, the terms of its engagement and the continued appointment of the AIFM. The Board also reviews the performance of the Investment Manager.
- the Audit Committee comprises all Directors of the Company. The Chairman is a member of the Audit Committee as he was Independent on appointment.

The Board

The Board has overall responsibility for the Company's affairs. It has a number of matters formally reserved for its approval including strategy, investment policy, gearing, share buy-back and issuance policy, treasury matters, dividend and corporate governance policy. The Board seeks to contribute to the delivery of the Company's strategy by engaging with the Managers in a collaborative and collegiate manner with open and respectful discussion and debate being encouraged, whilst also ensuring that appropriate and regular challenge is brought and evaluation is conducted. The Board also reviews the Financial Statements, investment transactions, revenue budgets and performance of the Company. Full and timely information is provided to the Board to enable it to function effectively and to allow Directors to discharge their responsibilities.

The Board comprises four Directors, all of whom are non-executive. The Chairman is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda. The executive responsibility for investment management has been delegated to the Company's Alternative Investment Fund Manager ('AIFM'), Baillie Gifford & Co Limited, and, in the context of a Board comprising only non-executive Directors, there is no chief executive officer. The Senior Independent Director is Andrew Watkins.

The Directors believe that the Board has a balance of skills and experience that enables it to provide effective strategic leadership and proper governance of the Company. Information about the Directors, including their relevant experience, can be found on page 18.

There is an agreed procedure for Directors to seek independent professional advice, if necessary, at the Company's expense.

Appointments to the Board

The terms and conditions of Directors' appointments are set out in formal letters of appointment which are available for inspection on request.

Under the provisions of the Company's Articles of Association, Directors are subject to election by shareholders at the first AGM after their appointment. Thereafter, at each AGM any Director who has not stood for re-election at either of the two preceding AGMs is required to retire and offer themselves for re-election. In addition, one third of the Directors eligible to retire by rotation shall retire from office at each AGM. Beyond these requirements, it has been agreed that all Directors will seek annual re-election at the Company's AGMs.

Independence of Directors

All the Directors are considered by the Board to be independent of the Managers and free of any business or other relationship which could interfere with the exercise of their independent judgement. As reported last year, the Board commissioned a search to find a new independent non-executive Director in advance of the retirement of Michael Moule using the services of Trust Associates, an executive search firm which has no other connection with the Company or its Directors. Emma Davies was appointed to the Board on 1 January 2021.

The Directors recognise the importance of succession planning for company boards and review the Board composition annually. The Board is of the view that length of service will not necessarily compromise the independence or contribution of Directors of an investment trust company, where continuity and experience can be a benefit to the Board. The Board concurs with the view expressed in the AIC Code that long serving Directors should not be prevented from being considered independent.

Meetings

There is an annual cycle of Board meetings which is designed to address, in a systematic way, overall strategy, review of investment policy, investment performance, marketing, revenue budgets, dividend policy and communication with shareholders. The Board considers that it meets sufficiently regularly to discharge its duties effectively. The table on page 25 shows the attendance record for the Board and Committee meetings held during the year. The Annual General Meeting was attended by all Directors serving at that date.

Directors' Attendance at Meetings

	Board	Audit Committee
Number of meetings	5	2
Michael MacPhee	5	2
Emma Davies*	4	1
Michael Moulet†	2	1
Andrew Watkins	5	2
Michael Woodward	5	2

* Emma Davies was appointed as a Director on 1 January 2021.

† Michael Moule retired as a Director on 21 January 2021.

Policy on Chairman's Tenure

The Board's policy is that the Chairman will serve for no longer than nine years, other than in exceptional circumstances for the benefit of the Company.

Performance Evaluation

An appraisal of the Chairman, each Director and a performance evaluation and review of the Board as a whole and the Audit Committee was carried out during the year. Each Director and the Chairman responded to an evaluation questionnaire. The Chairman's appraisal was led by Andrew Watkins, the Senior Independent Director. The appraisals and evaluations considered, amongst other criteria, the balance of skills of the Board, training and development requirements, the contribution of individual Directors and the overall effectiveness of the Board and the Audit Committee. Following this process it was concluded that there was a diverse range of skills within the Board, and the performance of each Director, the Chairman, the Board and the Audit Committee continues to be effective and that each Director and the Chairman remain committed to the Company.

A review of the Chairman's and the other Directors' commitments was carried out and the Board is satisfied that they are capable of devoting sufficient time to the Company. There were no significant changes to the Chairman's other commitments during the year.

Diversity

Appointments to the Board are made on merit with due regard for the benefits of diversity including gender and ethnicity. The priority in appointing new Directors is to identify the candidate with the best range of skills and experience to complement existing Directors. The Board therefore does not consider it appropriate to set diversity targets.

Induction and Training

New Directors are provided with an induction programme which is tailored to the particular circumstances of the appointee. Regular briefings were provided during the year on industry and regulatory matters. Directors receive other relevant training as necessary.

Audit Committee

The report of the Audit Committee is set out on pages 28 and 29.

Internal Controls and Risk Management

The Directors acknowledge their responsibility for the Company's risk management and internal control systems and for reviewing their effectiveness, including with regard to preparation of the Company's Annual Report and Financial Statements. The systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company in accordance with the FRC guidance 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting'.

The practical measures in relation to the design, implementation and maintenance of control policies and procedures to safeguard the Company's assets and to manage its affairs properly, including the maintenance of effective operational and compliance controls have been delegated to the Managers and Secretaries.

The Board oversees the functions delegated to the Managers and Secretaries and the controls managed by the AIFM in accordance with the UK Alternative Investment Fund Managers Regulations (as detailed below). Baillie Gifford & Co's Internal Audit and Compliance Departments and the AIFM's permanent risk function provide the Audit Committee with regular reports on their monitoring programmes. The reporting procedures for these departments are defined and formalised within a service level agreement. Baillie Gifford & Co conducts an annual review of its system of internal controls which is documented within an internal controls report which complies with ISAE 3402 and Technical Release AAF 01/06 – Assurance Reports on Internal Controls of Service Organisations made available to Third Parties. This report is independently reviewed by Baillie Gifford & Co's Auditor and a copy is submitted to the Audit Committee.

A report identifying the material risks faced by the Company and the key controls employed to manage these risks is reviewed by the Audit Committee. These procedures ensure that consideration is given regularly to the nature and extent of risks facing the Company and that they are being actively monitored. Where changes in risk have been identified during the year they also provide a mechanism to assess whether further action is required to manage these risks.

The Directors confirm that they have reviewed the effectiveness of the Company's risk management and internal controls systems, which accord with the FRC 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting' and they have procedures in place to review their effectiveness on a regular basis. No significant weaknesses were identified in the year under review and up to the date of this Report.

The Board confirms that these procedures have been in place throughout the Company's financial year and continue to be in place up to the date of approval of this Report.

To comply with the Alternative Investment Fund Managers Regulations, Northern Trust Global Services SE acts as the Company's Depositary and Baillie Gifford & Co Limited as its AIFM. As detailed on page 20, a change of Depositary to Northern Trust Investor Services took place on 30 October 2021.

The Depositary's responsibilities include cash monitoring, safe keeping of the Company's financial instruments, verifying ownership and maintaining a record of other assets and monitoring the Company's compliance with investment limits and leverage requirements. The Depositary is liable for the loss of financial instruments held in custody. The Company's Custodian is The Northern Trust Company. The Custodian prepares reports on its key controls and safeguards which are independently reviewed by KPMG LLP. The reports are reviewed by Baillie Gifford's Business Risk Department and a summary of the key points is reported to the Audit Committee and any concerns are investigated.

The Depositary provides the Audit Committee with a report on its monitoring activities.

The AIFM has established a permanent risk management function to ensure that effective risk management policies and procedures are in place and to monitor compliance with risk limits. The AIFM has a risk management policy which covers the risks associated with the management of the portfolio, and the adequacy and effectiveness of this policy is reviewed and approved at least annually. This review includes the risk management processes and systems and limits for each risk area.

The risk limits, which are set by the AIFM and approved by the Board, take into account the objectives, strategy and risk profile of the portfolio. These limits, including leverage (see page 63), are monitored and the sensitivity of the portfolio to key risks is undertaken periodically as appropriate to ascertain the impact of changes in key variables in the portfolio. Exceptions from limits monitoring and stress testing undertaken by Baillie Gifford's Business Risk Department are escalated to the AIFM and reported to the Board along with any remedial measures being taken.

Going Concern

In accordance with the Financial Reporting Council's guidance on going concern and liquidity risk, including its Covid-19 guidance, the Directors have undertaken a rigorous review of the Company's ability to continue as a going concern.

The Company's principal risks are market related and include market risk, liquidity risk and credit risk. An explanation of these risks and how they are managed is on pages 7 and 8 and contained in note 19 to the Financial Statements. The Board has, in particular, considered the impact of heightened market volatility since the Covid-19 pandemic and specific leverage and liquidity stress testing but does not believe the Company's going concern status is affected.

The Company's assets, which at present are mainly investments in quoted securities which are readily realisable, exceed its liabilities significantly. All borrowings require the prior approval of the Board. Gearing levels and compliance with borrowing covenants are reviewed by the Board on a regular basis. The Company has continued to comply with the investment trust status requirements of section 1158 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) Regulations 2011.

The Company's primary third party suppliers, including its Managers and Secretaries, Custodian, Depositary, Registrar, Auditor and Corporate Broker, are not experiencing significant operational difficulties affecting their respective services to the Company.

Accordingly, the Financial Statements have been prepared on the going concern basis as it is the Directors' opinion, having assessed the principal risks and other matters, including the impact of the Covid-19 pandemic set out in the Viability Statement on page 8, that the Company will continue in operational existence for a period of at least 12 months from the date of approval of these Financial Statements.

Relations with Shareholders

The Board places great importance on communication with shareholders. The Company's Managers meet regularly with shareholders and their representatives. The Chairman and Senior Independent Director also meet shareholders independently of the Managers and report shareholders' views to the Board. Shareholders wishing to communicate with any members of the Board may do so by writing to them at the Company's registered office or through the Company's broker, Peel Hunt LLP (see contact details on back cover). All correspondence addressed to the Chairman is dealt with directly by the Chairman.

The Company's Annual General Meeting provides a further forum for communication with all shareholders. The level of proxies lodged for each resolution is announced at the Meeting and is published at bgeuropeangrowth.com subsequent to the meeting. The notice period for the Annual General Meeting is at least 21 clear days. Shareholders and potential investors may obtain up-to-date information from the Company's page on the Managers' website at bgeuropeangrowth.com.

Corporate Governance and Stewardship

The Company believes that it is in the shareholders' interests to consider environmental, social and governance ('ESG') factors including climate change when selecting and retaining investments and has asked the Managers to take these issues into account. The Managers do not exclude companies from their investment universe purely on the grounds of ESG factors but adopt a positive engagement approach whereby matters are discussed with management with the aim of improving the relevant policies and management systems and enabling the Managers to consider how ESG factors could impact long-term investment returns. The Managers' Statement of Compliance with the UK Stewardship Code can be found on the Managers' website: bailliegifford.com.

The Company has given discretionary voting powers to Baillie Gifford & Co. The Managers vote against resolutions they consider may damage shareholders' rights or economic interests and their actions are reported at Board meetings.

Climate Change

The Board recognises that climate change poses a serious threat to our environment, our society and to economies and companies around the globe. Addressing the underlying causes is likely to result in companies that are high emitters of carbon facing greater societal and regulatory scrutiny and higher costs to account for the true environmental impact of their activities. The Managers' pursuit of long term growth opportunities typically involves investment in entrepreneurial, disruptive and technology-driven businesses. These companies are often capital-light with a low carbon footprint. The Managers have engaged an external provider to map the carbon footprint of the portfolio, using the information to prioritise engagement and understand what higher emitting companies are doing to manage climate risk better. The Managers, Baillie Gifford & Co, are signatories to the United Nations Principles for Responsible Investment and the Carbon Disclosure Project and are also members of the International Corporate Governance Network.

On behalf of the Board
Michael MacPhee
Chairman
23 November 2021

Audit Committee Report

The Audit Committee consists of all Directors. The members of the Committee consider that they have the requisite financial skills and experience to fulfil the responsibilities of the Committee. Michael Woodward is the Chairman of the Committee. The Committee's authority and duties are clearly defined within its written Terms of Reference which are available on request from the Company and on the Company's page of the Managers' website: bgeuropeangrowth.com. The Terms of Reference are reviewed annually.

The Committee's effectiveness is reviewed on an annual basis as part of the Board's performance evaluation process (see page 25).

At least once a year the Committee meets with the external Auditor without any representative of the Manager being present.

Main Activities of the Committee

The Committee met twice during the year to 30 September 2021. BDO LLP, the external Auditor and Baillie Gifford attended both meetings. Baillie Gifford & Co's Internal Audit and Compliance Departments and the AIFM's permanent risk function provided reports on their monitoring programmes.

The matters considered, monitored and reviewed by the Committee during the course of the year included the following:

- the Annual and Interim Reports;
- the Company's accounting policies and practices and the implementation of the Managers' valuation policy for investments in unquoted companies;
- the regulatory changes impacting the Company;
- the fairness, balance and understandability of the Annual Report and Financial Statements and whether it provided the information necessary for shareholders to assess the Company's performance, business model and strategy;
- the effectiveness of the Company's internal control environment;
- the appointment/reappointment, remuneration and terms of engagement of the external Auditor;
- whether the audit services contract should be put out to tender;
- the policy on the engagement of the external Auditor to supply non-audit services;
- the independence and objectivity of the external Auditor and the effectiveness of the audit process;
- the need for the Company to have its own internal audit function;
- internal controls reports received from the Managers and other service providers; and
- the arrangements in place within Baillie Gifford & Co whereby its staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

Internal Audit

The Committee continues to believe that the compliance and internal control systems and the internal audit function in place within the Investment Managers provide sufficient assurance that a sound system of internal control, which safeguards shareholders' investment and the Company's assets, is maintained. An internal audit function, specific to the Company, is therefore considered unnecessary.

The external Auditor has adopted a wholly substantive approach to testing and therefore the absence of an internal audit function has not had an impact on audit procedures.

Financial Reporting

The Committee considers that the most significant issues likely to affect the Financial Statements are the existence and valuation of investments, as they represent 97.9% of total assets, and the accuracy and completeness of income from investments.

The majority of the investments are in quoted securities and market prices are readily available from independent external pricing sources. The Committee reviewed the Managers' Report on Internal Controls which details the controls in place regarding recording and pricing of investments, accurate recording of investment income and the reconciliation of investment holdings to third party data.

The prices of all the listed investments at 30 September 2021 were agreed to external price sources. The Committee reviewed the Managers' valuation policy for investments in unquoted companies (as described on pages 42 and 43) and approved the valuation of the unlisted investments following a detailed review of the valuation of the investments and relevant challenge where appropriate. The listed portfolio holdings were agreed to confirmations from the Company's custodian. The unlisted holdings were agreed to confirmations from the investee companies.

The Committee considered the factors, including the impact of Covid-19, that might affect the Company's viability over a period of five years and its ability to continue as a going concern for at least twelve months from the date of signing of the Financial Statements, together with the reports from the Managers on the cash position and cash flow projections of the Company, the liquidity of the investment portfolio, compliance with debt covenants, availability of borrowing facilities and the Company's ability to meet its obligations as they fall due. The Committee also reviewed the Viability Statement on page 8 and the statement on Going Concern on page 26 including the potential impact of Covid-19. Following this assessment, the Committee recommended to the Board the appropriateness of the Going Concern basis in preparing the Financial Statements and confirmed the accuracy of the Viability Statement and statement on Going Concern.

The Managers and Auditor confirmed to the Committee that they were not aware of any material misstatements in the context of the Financial Statements as a whole and that the Financial Statements are in accordance with applicable law and accounting standards.

Internal Controls and Risk Management

The Committee reviewed the effectiveness of the Company's risk management and internal controls systems as described on pages 25 and 26. No significant weaknesses were identified in the year under review.

External Auditor

To fulfil its responsibility regarding the independence and objectivity of the external Auditor, the Committee reviewed:

- the audit plan for the year to 30 September 2021;
- a report from the Auditor describing its arrangements to manage auditor independence and received confirmation of its independence; and
- the extent of non-audit services provided by the external Auditor. The Company instructed BDO to audit the cashflow statements for the years to 30 September 2018 and 2019. This non-audit service was provided in relation to borrowings drawn down during the year and incurred a fee of £6,000.

To assess the effectiveness of the external Auditor, the Committee reviewed and considered:

- the Auditor's fulfilment of the agreed audit plan;
- feedback from the Secretaries on the performance of the audit team;
- the Audit Quality Inspection Report from the FRC; and
- detailed discussion with audit personnel to challenge audit processes and deliverables.

To fulfil its responsibility for oversight of the external audit process the Committee considered and reviewed:

- the Auditor's engagement letter;
- the Auditor's proposed audit strategy;
- the audit fee; and
- a report from the Auditor on the conclusion of the audit.

BDO LLP, has been engaged as the Company's Auditor since 2017. The audit partners responsible for the audit are rotated at least every five years in accordance with professional and regulatory standards in order to protect independence and objectivity and to provide fresh challenge to the business. Neil Fung-On is the lead audit partner and has held the role since 2017 and will continue as audit partner until the conclusion of the 2021 audit.

BDO LLP has confirmed that it believes it is independent within the meaning of regulatory and professional requirements and that the objectivity of the audit partner and staff is not impaired.

Having carried out the review process described above, the Committee is satisfied that the Auditor has remained independent and effective.

There are no contractual obligations restricting the Committee's choice of external Auditor.

Accountability and Audit

The respective responsibilities of the Directors and the Auditor in connection with the Financial Statements are set out on pages 32 to 37.

On behalf of the Board
 Michael Woodward
 Audit Committee Chairman
 23 November 2021

Directors' Remuneration Report

This report has been prepared in accordance with the requirements of the Companies Act 2006.

Statement by the Chairman

The Directors' Remuneration Policy is subject to shareholder approval every three years or sooner if an alteration to the policy is proposed. The Remuneration Policy which is set out below was approved at the Annual General Meeting in January 2020 and no changes are proposed to the policy at the Annual General Meeting to be held in 2022. Directors' fees were last increased on 1 October 2020. Following the annual review, no increase to Directors' fees is proposed for the year ending 30 September 2022.

Directors' Remuneration Policy

The Company follows the recommendation of the AIC Code that Directors' remuneration should reflect their duties, responsibilities and the value of their time spent on the Company's affairs. The Board's policy is that the remuneration of the Directors should reflect the experience of the Board as a whole and be determined with reference to comparable organisations and appointments.

The Board has set three levels of fees: one for the Chairman, one for the other Directors, and an additional fee that is paid to the Director who chairs the Audit Committee. Fees are reviewed annually in accordance with the policy. The fee for any new Director appointed will be determined on the same basis.

Any views expressed by shareholders on the fees being paid to Directors will be taken into consideration by the Board when reviewing the Directors' Remuneration Policy and in the annual review of Directors' fees.

The Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits, as the Board does not consider such arrangements or benefits necessary or appropriate for non-executive Directors.

Under the Articles of Association, Directors are entitled to be paid for all reasonable travel, hotel and incidental expenses incurred in or about the performance of their duties as Directors, including expenses incurred in attending Board or shareholder meetings.

If any Director is called upon to perform extra or special services of any kind, under the Articles of Association, they shall be entitled to receive such extra remuneration as the Board may decide in addition to any remuneration they may be entitled to receive.

The Company does not enter into service contracts with its Directors. Instead, the Company has a policy of entering into a letter of appointment with each of its Directors, copies of which are available on request from the Company Secretary. It is intended that the Company's policy when determining the duration of notice periods and termination payments under the Directors' letters of appointment will be based on prevailing best practice guidelines. Under the Directors' letters of appointment, there is a notice period of one month and no compensation is payable to a Director on leaving office. No compensation is payable in the event of a takeover bid.

The terms of their appointment provide that all Directors shall retire and be subject to election at the first Annual General Meeting after their appointment. Thereafter, at each AGM any Director who has not stood for appointment or re-election at either of the two preceding AGMs is required to retire and offer themselves for re-election. Beyond these requirements, it has been agreed that all Directors will seek annual re-election at the Company's AGMs.

Limits on Directors' Remuneration

The fees for the non-executive Directors are payable quarterly in arrears and are determined within the limit set out in the Company's Articles of Association which is currently £200,000 per annum in aggregate. Any change to this limit requires shareholder approval.

The fees paid in respect of the year ended 30 September 2021 together with the expected fees payable in respect of the year ending 30 September 2022 are set out in the table below. The fees payable to the Directors in the subsequent financial years will be determined following an annual review of the Directors' fees.

	Expected fees for year ending 30 September 2022 £	Fees paid for the year to 30 September 2021 £
Chairman's Fee	40,200	40,200
Non-executive Director's Fee	27,000	27,000
Additional fee for the Chairman of the Audit Committee	3,600	3,600
Total aggregate annual fees that can be paid to the Directors in any year under the Directors' Remuneration Policy, as set out in the Company's Articles of Association	200,000	200,000

Annual Report on Remuneration

An ordinary resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting.

The law requires the Company's Auditor to audit certain of the disclosures provided in this report. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is included in the Independent Auditor's Report on pages 32 to 37.

Directors' Remuneration for the Year (audited)

The Directors who served during the year received the following remuneration in the form of fees and taxable benefits. This represents the entire remuneration paid to the Directors.

Name	2021 Fees £	2021 Taxable benefits* £	2021 Total £	Change in Year %	2020 Fees £	2020 Taxable benefits* £	2020 Total £
Michael MacPhee	40,200	–	40,200	20	33,500	–	33,500
Emma Davies (appointed 1 January 2021)	20,250	–	20,250	–	–	–	–
Michael Moule (retired 21 January 2021)	8,308	–	8,308	(63)	22,500	–	22,500
Andrew Watkins	27,000	–	27,000	20	22,500	–	22,500
Michael Woodward	30,600	641	31,241	23	25,500	–	25,500
Sue Inglis (resigned 29 November 2020)	–	–	–	(100)	3,750	–	3,750
	126,358	641	126,999	18	107,750	–	107,750

* Comprises expenses incurred by Directors in the course of travel to attend Board and Committee meetings.

Directors' Interests (audited)

The Directors at the end of the year under review, and their interests in the Company, are shown in the following table. There is no requirement under the Company's Articles of Association for Directors to hold shares in the Company. There have been no changes intimated in the Directors' interests up to 22 November 2021.

Name	Nature of interest	Ordinary 2.5p shares held at 30 September 2021	Ordinary 2.5p* shares held at 30 September 2020
Michael MacPhee	Beneficial	756,950	756,950
Emma Davies	Beneficial	7,500	–
Andrew Watkins	Beneficial	15,000	15,000
Michael Woodward	Beneficial	50,000	50,000

* Prior year figures restated for the ten for one share split on 1 February 2021.

Statement of Voting at Annual General Meeting

At the last Annual General Meeting, of the proxy votes received in respect of the Directors' Remuneration Report, 99.6% were in favour, 0.2% were against and votes withheld were 0.2%. At the last Annual General Meeting at which the Directors' Remuneration Policy was considered (January 2020), 99.6% of the proxy votes received were in favour, 0.1% were against and 0.3% votes were withheld.

Relative Importance of Spend on Pay

The table below shows the actual expenditure during the year in relation to Directors' remuneration and distributions to shareholders.

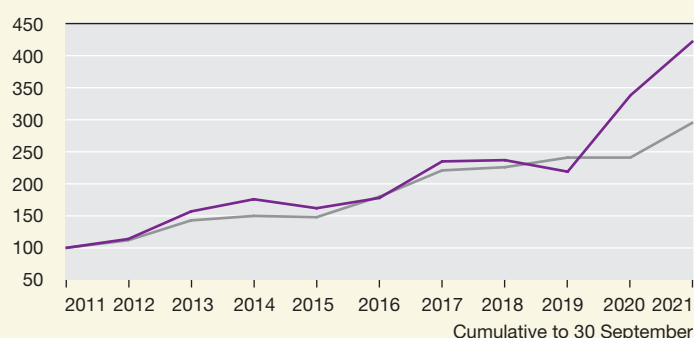
	2021 £'000	2020 £'000	Change %
Directors' remuneration	127	108	17.9
Dividends	1,276	1,267	0.7

Company Performance

The following graph compares the share price total return (assuming all dividends are reinvested) to ordinary shareholders compared with the total shareholder return on a notional investment made up of shares in the component parts of the FTSE Europe ex UK Index. This index was chosen for comparison purposes as it is a widely used measure of performance for European listed companies and also the index against which the Company measures its performance.

Performance Graph

(figures rebased to 100 at 30 September 2011)



Source: Refinitiv and relevant underlying index providers. See disclaimer on page 63.

— Baillie Gifford European Growth Trust's share price
— FTSE Europe ex UK Index (in sterling terms)

All figures are total returns (assuming net dividends are reinvested). See Glossary of Terms and Alternative Performance Measures on pages 64 and 65.

Past performance is not a guide to future performance.

Approval

The Directors' Remuneration Report on pages 30 and 31 was approved by the Board of Directors and signed on its behalf on 23 November 2021.

Michael MacPhee
Chairman

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, comprising Financial Reporting Standard 102 'The Financial Reporting Standard Applicable in the UK and Republic of Ireland' (FRS 102). 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 and of its profit or loss for that year. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 enable them to ensure that the Financial Statements and the Directors' Remuneration Report comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and are also responsible for safeguarding the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable laws and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with those laws and regulations.

The Directors are responsible for ensuring that the Annual Report and the Financial Statements are made available on a website. Financial Statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of Financial Statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's page of the Managers' website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the Financial Statements contained therein. The Directors have delegated responsibility to the Managers for the maintenance and integrity of the Company's page of the Managers' website.

Responsibility Statement of the Directors in Respect of the Annual Financial Report

We confirm that, to the best of our knowledge:

- the Financial Statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and net return of the Company;
- the Strategic Report 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 it faces; and
- the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

On behalf of the Board
Michael MacPhee
23 November 2021

Notes

The following notes relate to financial statements published on a website and are not included in the printed version of the Annual Report and Financial Statements:

- The maintenance and integrity of the Baillie Gifford & Co website is the responsibility of Baillie Gifford & Co; the work carried out by the Auditors does not involve consideration of these matters and accordingly, the Auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report

to the members of Baillie Gifford European Growth Trust plc

Opinion on the Financial Statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the Financial Statements of Baillie Gifford European Growth Trust plc (the 'Company') for the year ended 30 September 2021, which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the Audit Committee.

Independence

Following the recommendation of the Audit Committee, we were appointed by the members on 24 January 2017 to audit the Financial Statements for the year ending 30 September 2017 and subsequent financial periods. In respect of the year ended 30 September 2021 we were reappointed as auditor by the members of the Company at the annual general meeting held on 21 January 2021. The period of total uninterrupted engagement including tenders and reappointments is 5 years, covering the years ending 30 September 2017 to 30 September 2021. We remain independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Company.

Conclusions Relating to Going Concern

In auditing the Financial Statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- evaluating the appropriateness of the Directors' method of assessing going concern in light of current market volatility and the present uncertainties in economic recovery created by the ongoing COVID-19 pandemic by reviewing the information used by the Directors in completing the assessment;
- reviewing the loan agreements to identify the covenants and assessing the likelihood of them being breached based on the Directors' forecasts and our sensitivity analysis;
- assessing the liquidity position available to meet the future obligations and operating expenses for the next twelve months;
- challenging the appropriateness of the Directors' assumptions and judgements made with regards to forecasts, including stress-testing forecasts which included consideration of the covenant headroom; and
- calculating financial ratios to ascertain the financial health of the Company.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the Financial Statements are authorised for issue.

In relation to the Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the Financial Statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

	2021	2020
Key audit matters — Valuation, existence and ownership of investments.	✓	✓
— Revenue recognition.	x	✓
Revenue recognition is no longer considered to be a key audit matter because of the change in objective of the Company.		
Materiality — £5.6m (2020 – £4.5m) based on 1% (2020 – 1%) of Net Assets.		

An Overview of the Scope of Our Audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company's system of internal control, and assessing the risks of material misstatement in the Financial Statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement. In particular, we looked at where the Directors made subjective judgements, for example in respect of the valuation of investments, which have a high level of estimation uncertainty involved in determining the unquoted investment valuations.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the scope of our audit addressed the key audit matter
<p>Valuation, existence and ownership of investments (Note 1 and Note 9)</p> <p>We considered the valuation, existence and ownership of investments to be the most significant audit area as investments represent the most significant balance in the Financial Statements and underpins the principal activity of the entity.</p> <p>The valuation of investments is a key accounting estimate where there is an inherent risk of management override arising from the investment valuations being prepared by the Alternative Investment Fund Manager (AIFM), who is remunerated based on the lower of the Company's market capitalisation and net asset value.</p>	<p>We tested the valuation, existence and ownership of 100% of the portfolio of investments. We performed the following procedures:</p> <ul style="list-style-type: none"> — Considered the appropriateness of the valuation methodology applied by the AIFM under the International Private Equity and Venture Capital Valuation ('IPEV') Guidelines and applicable accounting standards. — Agreed the exchange rates used to independent sources. — Recalculated the value of investments held by multiplying the share price or latest transaction price in relation to Level 3 investments by the number of shares held at the year-end. <p>With respect of 100% of the Level 1 listed equity investments we also:</p> <ul style="list-style-type: none"> — Confirmed the year end bid price was used by agreeing to externally quoted prices and for all of the investments, assessed if there were contra indicators, such as liquidity considerations, to suggest bid price is not the most appropriate indication of fair value. — Agreed the Level 1 Investment holdings to independently received third party confirmation from the custodian. <p>With respect of 100% of the Level 3 unlisted investments we also:</p> <ul style="list-style-type: none"> — Corroborated the price of the recent funding round to the sale and purchase agreement and the amount paid to bank statement. — Reviewed the valuations prepared by the expert engaged by the Managers and challenged and corroborated the inputs to the valuation with reference to management information on investee companies, market data and our own understanding of the investee companies and assessed the impact of the estimation uncertainty concerning these assumptions and the disclosure of these uncertainties in the Financial Statements. We also considered the appropriateness of the methodology and assumptions employed by the expert through review of the accounting framework and valuation guidelines followed. — Considered the competence, capabilities and expertise of the expert engaged by the Managers through consideration of the qualifications held by the expert and the position held in the firm engaging the expert. We also considered the services provided by the firm, which engages the expert. We considered the independence and objectivity of the expert through review of the independence declaration made by the expert to the Company in its valuation report. — Agreed the Level 3 investment holding to third party confirmation received directly from the investee company, to confirm existence and ownership.
	<p>Key observations:</p> <p>Based on our procedures performed we did not identify any matters to suggest that the valuation, ownership and existence of investments was inappropriate.</p>

Our Application of Materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the Financial Statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the Financial Statements as a whole.

Based on our professional judgement, we determined materiality for the Financial Statements as a whole and performance materiality as follows:

	Company financial statements	
	2021 £'000	2020 £'000
Materiality	£5,600	£4,520
Basis for determining materiality	1% (2020 – 1%) of net assets	
Rationale for the benchmark applied	Net assets is a primary indicator of performance and is considered to be the key consideration for the users of the Financial Statements and reflects the fact that debt is present in the Company.	
Performance materiality	£4,200	£3,390
Basis for determining performance materiality	75% of materiality (2020 – 75% of materiality) based on our knowledge and experience of the client, history of errors identified and low level of expected misstatements.	

Lower testing threshold

We also determined that for those items impacting revenue return, a misstatement of less than materiality for the Financial Statements as a whole, could influence the economic decisions of users. As a result we have set a lower testing threshold for those items impacting revenue return of £175,000 which is based on 5% of total expenditure.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £280,000 (2020 – £90,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements other than the Financial Statements and our auditor's report thereon. Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the Financial Statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate Governance Statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the Financial Statements or our knowledge obtained during the audit.

Going concern and longer-term viability

- the Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified; and
- the Directors' explanation as to their assessment of the Company's prospects, the period this assessment covers and why the period is appropriate.

Other Code provisions

- Directors' statement on fair, balanced and understandable;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks;
- the section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- the section describing the work of the Audit Committee.

Other Companies Act 2006 Reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

Directors' remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Financial Statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. We considered the significant laws and regulations to be the Companies Act 2006, the FCA listing and DTR rules, the principles of the AIC Code of Corporate Governance, industry practice represented by the AIC SORP, United Kingdom Generally Accepted Accounting Practice, and the Company's qualification as an Investment Trust under UK tax legislation as any non-compliance of this would lead to the Company losing various deductions and exemptions from corporation tax.

Our tests included, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management and those charged with governance relating to the existence of any non-compliance with laws and regulations;
- review of minutes of Board meetings throughout the period;
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations; and
- reviewing the calculation in relation to Investment Trust compliance to check that the Company was meeting its requirements to retain its Investment Trust status.

We assessed the susceptibility of the Financial Statements to material misstatement, including fraud and the risk of management override of internal controls. Our audit work focussed on the valuation of investments, where the risk of material misstatement due to fraud is the greatest (refer to the Key Audit Matter section). We also:

- recalculated investment management fees in total; and
- obtained independent confirmation of bank balances.

In addressing the risk of management override of internal controls we tested journals and evaluated whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the Financial Statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the Financial Statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at:

frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Neil Fung-On (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
United Kingdom
23 November 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Income Statement

For the year ended 30 September

	Notes	2021 Revenue £'000	2021 Capital £'000	2021 Total £'000	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000
Net gains on investments	9	–	106,241	106,241	–	125,505	125,505
Currency (losses)/gains	14	(61)	1,981	1,920	(6)	(1,211)	(1,217)
Income	2	3,256	–	3,256	2,597	–	2,597
Investment management fee	3	(574)	(2,298)	(2,872)	(332)	(976)	(1,308)
Other administrative expenses	4	(636)	–	(636)	(441)	–	(441)
Net return before finance costs and taxation		1,985	105,924	107,909	1,818	123,318	125,136
Finance costs	5	(134)	(427)	(561)	(45)	(78)	(123)
Net return on ordinary activities before taxation		1,851	105,497	107,348	1,773	123,240	125,013
Tax on ordinary activities	6	(318)	(380)	(698)	(204)	–	(204)
Net return on ordinary activities after taxation		1,533	105,117	106,650	1,569	123,240	124,809
Net return per ordinary share*	7	0.42p	28.90p	29.32p	0.42p	32.77p	33.19p

* Prior year figures restated for the ten for one share split on 1 February 2021.

Dividends declared in respect of the financial year ended 30 September 2021 amount to 0.35p (2020 – 0.35p). Further information on dividend distributions can be found in note 8 on page 46.

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

All revenue and capital items in this statement 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 42 to 54 are an integral part of the Financial Statements.

Balance Sheet

As at 30 September

	Notes	2021 £'000	2021 £'000	2020 £'000	2020 £'000
Fixed assets					
Investments held at fair value through profit or loss	9		600,351		468,855
Current assets					
Debtors	10	2,320		2,469	
Cash and cash equivalents	19	12,252		57	
			14,572		2,526
Creditors					
Amounts falling due within one year	11	(1,913)		(18,733)	
Net current assets/(liabilities)			12,659		(16,207)
Total assets less current liabilities			613,010		452,648
Creditors					
Amounts falling due after more than one year	12		(51,471)		–
Net assets			561,539		452,648
Capital and reserves					
Share capital	13		10,061		10,061
Share premium account	14		125,050		123,749
Capital redemption reserve	14		8,750		8,750
Capital reserve	14		411,184		303,860
Revenue reserve	14		6,494		6,228
Shareholders' funds			561,539		452,648
Net asset value per ordinary share* (borrowings at book)			154.0p		125.0p
Net asset value per ordinary share* (borrowings at fair value)			154.5p		125.0p

†Prior year figures restated for the ten for one share split on 1 February 2021.

The Financial Statements of Baillie Gifford European Growth Trust plc (Company registration number 1055384) were approved and authorised for issue by the Board and were signed on 23 November 2021.

Michael MacPhee
Chairman

The accompanying notes on pages 42 to 54 are an integral part of the Financial Statements.

*See Glossary of Terms and Alternative Performance Measures on pages 64 and 65.

Statement of Changes in Equity

For the year ended 30 September 2021

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 October 2020		10,061	123,749	8,750	303,860	6,228	452,648
Dividends paid during the year	8	–	–	–	–	(1,267)	(1,267)
Shares issued from treasury		–	1,301	–	2,207	–	3,508
Net return on ordinary activities after taxation	14	–	–	–	105,117	1,533	106,650
Shareholders' funds at 30 September 2021		10,061	125,050	8,750	411,184	6,494	561,539

For the year ended 30 September 2020

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 October 2019		10,061	123,749	8,750	217,985	13,312	373,857
Dividends paid during the year	8	–	–	–	–	(8,653)	(8,653)
Shares bought back into treasury		–	–	–	(37,365)	–	(37,365)
Net return on ordinary activities after taxation	14	–	–	–	123,240	1,569	124,809
Shareholders' funds at 30 September 2020		10,061	123,749	8,750	303,860	6,228	452,648

The accompanying notes on pages 42 to 54 are an integral part of the Financial Statements.

Cash Flow Statement

For the year ended 30 September

	Notes	2021 £'000	2021 £'000	2020 £'000	2020 £'000
Cash flows from operating activities					
Net return on ordinary activities before taxation		107,348		125,013	
Net gains on investments		(106,241)		(125,505)	
Currency (gains)/losses		(1,920)		1,217	
Finance costs		561		123	
Overseas withholding tax suffered		(698)		(220)	
Overseas withholding tax received		576		131	
Changes in debtors and creditors		63		1,238	
Cash from operations*			(311)		1,997
Interest paid			(339)		(111)
Net cash (outflow)/inflow from operating activities			(650)		1,886
Cash flows from investing activities					
Acquisitions of investments		(126,932)		(445,038)	
Disposals of investments		101,088		471,204	
Net cash (outflow)/inflow from investing activities			(25,844)		26,166
Cash flows from financing activities					
Shares issued from treasury		3,508		–	
Shares bought back into treasury		–		(37,365)	
Equity dividends paid		(1,267)		(8,653)	
Private placement loan notes issued		52,994		–	
Costs of issuance of private placement loan notes		(103)		–	
Net cash inflow/(outflow) from financing activities			55,132		(46,018)
Increase/(decrease) in cash and cash equivalents			28,638		(17,966)
Exchange movements			496		(1,217)
Cash and cash equivalents at start of year	16		(16,882)		2,301
Cash and cash equivalents at end of year	16		12,252		(16,882)
Comprising:					
Cash at bank			12,252		57
Bank overdraft			–		(16,939)
			12,252		(16,882)

* Cash from operations includes dividends received of £3,224,000 (2020 – £2,534,000).

The accompanying notes on pages 42 to 54 are an integral part of the Financial Statements..

Notes to the Financial Statements

1 Principal Accounting Policies

The Financial Statements for the year to 30 September 2021 have been prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' on the basis of the accounting policies set out below which are consistent with those applied for the year ended 30 September 2020.

(a) Basis of Accounting

All of the Company's operations are of a continuing nature and the Financial Statements are prepared on a going concern basis under the historical cost convention, modified to include the revaluation of fixed asset investments and on the assumption that approval as an investment trust under section 1158 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) (Tax) Regulations 2011 will be retained. The Board has, in particular, considered the impact of heightened market volatility since the Covid-19 pandemic but does not believe the Company's going concern status is affected. The Company's assets, which at present are mainly investments in quoted securities which are readily realisable, exceed its liabilities significantly. All borrowings require the prior approval of the Board. Gearing levels and compliance with borrowing covenants are reviewed by the Board on a regular basis. The Company has continued to comply with the investment trust status requirements of section 1158 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) (Tax) Regulations 2011.

The Company's primary third party suppliers, including its Managers and Secretaries, Custodian, Depositary, Registrar, Auditor and Corporate Broker, are not experiencing significant operational difficulties affecting their respective services to the Company. Accordingly, the Financial Statements have been prepared on the going concern basis as it is the Directors' opinion, having assessed the principal risks and other matters, including the impact of the Covid-19 pandemic set out in the Viability Statement on page 8, that the Company will continue in operational existence for a period of at least 12 months from the date of approval of these Financial Statements.

The Financial Statements have been prepared in accordance with the Companies Act 2006, applicable UK Accounting Standards and with the AIC's Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued in November 2014 and updated in April 2021. In order to reflect better the activities of the Company and in accordance with guidance issued by the AIC, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been presented.

Financial assets and financial liabilities are recognised in the Company's Balance Sheet when it becomes a party to the contractual provisions of the instrument.

The Directors consider the Company's functional currency to be sterling as the entity is listed on a sterling stock exchange in the UK, the Company's share capital and dividends paid are denominated in sterling, Company's shareholders are predominantly based in the UK and the Company and its investment manager, which are subject to the UK's regulatory environment, are also UK based.

(b) Significant Accounting Estimates and Judgements

The preparation of the Financial Statements requires the use of estimates, assumptions and judgements. These estimates, assumptions and judgements affect the reported amounts of

assets and liabilities, at the reporting date. While estimates are based on best judgement using information and financial data available, the actual outcome may differ from these estimates. The key sources of estimation and uncertainty relate to the assumptions used in the determination of the fair value of the unlisted investments, which are detailed in note 9 on page 46.

Judgements

The Directors consider that the preparation of the Financial Statements involves the following key judgements:

- (i) the determination of the functional currency of the Company as sterling (see rationale in 1(a) above); and
- (ii) the fair valuation of the unlisted investments.

The key judgements in the fair valuation process are:

- (i) the Managers' determination of the appropriate application of the International Private Equity and Venture Capital Guidelines 2018 (IPEV Guidelines) to each unlisted investment; and
- (ii) the Directors' consideration of whether each fair value is appropriate following detailed review and challenge. The judgement applied in the selection of the methodology used for determining the fair value of each unlisted investment can have a significant impact upon the valuation.

Estimates

The key estimate in the Financial Statements is the determination of the fair value of the unlisted investments by the Managers for consideration by the Directors. This estimate is key as it significantly impacts the valuation of the unlisted investments at the Balance Sheet date. The fair valuation process involves estimation using subjective inputs that are unobservable (for which market data is unavailable). The main estimates involved in the selection of the valuation process inputs are:

- (i) the selection of appropriate comparable companies in order to derive revenue multiples and meaningful relationships between enterprise value, revenue and earnings growth. Comparable companies are chosen on the basis of their business characteristics and growth patterns;
- (ii) the selection of a revenue metric (either historic or forecast);
- (iii) the application of an appropriate discount factor to reflect the reduced liquidity of unlisted companies versus their listed peers;
- (iv) the estimation of the probability assigned to an exit being through an initial public offering ('IPO') or a company sale;
- (v) the selection of an appropriate industry benchmark index to assist with the valuation validation or the application of valuation adjustments, particularly in the absence of established earnings or closely comparable peers; and
- (vi) the calculation of valuation adjustments derived from milestone analysis (i.e. incorporating operational success against the plan/forecasts of the business into the valuation).

(c) Investments

The Company's investments are classified as held at fair value through profit and loss in accordance with sections 11 and 12 of FRS 102. Purchases and sales of investments are recognised on a trade date basis. Expenses incidental to the purchase and sale of investments are recognised in the Income Statement as capital items.

Investments are designated as held at fair value through profit or loss on initial recognition and are measured at subsequent reporting dates at fair value. The fair value of listed security investments is bid price or last traded price. 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 IPEV Guidelines. 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 valuation process recognises also, as stated in the IPEV Guidelines, that the price of a recent investment may be an appropriate starting point for estimating fair value, however it should be evaluated using the techniques described above.

(d) Cash and Cash Equivalents

Cash and cash equivalents include cash in hand and deposits repayable on demand. Deposits are repayable on demand if they can be withdrawn at any time without notice and without penalty or if they have a maturity or period of notice of not more than one working day.

(e) Income

- (i) Income from equity investments is brought into account on the date on which the investments are quoted ex-dividend or, where no ex-dividend date is quoted, when the Company's right to receive payment is established.
- (ii) Special dividends are treated as repayments of capital or income depending on the facts of each particular case.
- (iii) Interest receivable/payable on bank deposits is recognised on an accruals basis.
- (iv) Overseas dividends include the taxes deducted at source.
- (v) If scrip is taken in lieu of dividends in cash, the net amount of the cash dividend declared is credited to the revenue account. Any excess in the value of the shares received over the amount of the cash dividend foregone is recognised as capital.
- (vi) Interest from fixed interest securities is recognised on an effective yield basis.

(f) Expenses

All expenses are accounted for on an accruals basis. Expenses are charged through the revenue account except:

- (i) where they relate directly to the acquisition or disposal of an investment in which case they are recognised as capital within losses/gains on investments. These expenses are commonly referred to as transaction costs and comprise brokerage commission and stamp duty.
- (ii) where they relate directly to the buy-back/issuance of shares, in which case they are added to the buy-back cost or deducted from the share issuance proceeds.

With effect from 1 April 2020 the management fee is allocated 20% to revenue and 80% to capital in line with the Board's expected long-term split of revenue and capital return from the Company's investment portfolio. Prior to 1 April 2020 the allocation was one-third to revenue and two-thirds to capital. The Board reviews the expense allocation policy on a yearly basis and considers whether it remains appropriate.

(g) Long Term Borrowings, Overdrafts and Finance Costs

Unsecured loan notes and overdrafts are classified as loans and are measured at amortised cost. They are initially recorded at the par value of proceeds received net of direct costs. Finance costs are accounted for on an accruals basis and on an effective interest basis and are allocated 20% to revenue and 80% to capital in line with the Board's expected long-term split of revenue and capital return from the Company's investment portfolio. Prior to 1 April 2020 the allocation was one-third to revenue and two-thirds to capital. The Board reviews the expense allocation policy on a yearly basis and considers whether it remains appropriate.

(h) Taxation

The taxation charge represents the sum of current tax and the movement in the provision for deferred taxation during the year. Current taxation represents non-recoverable overseas taxes which is charged to the revenue account where it relates to income received and to capital where it relates to items of a capital nature. Deferred taxation is provided on all timing differences which have originated but not reversed by the Balance Sheet date, calculated on a non-discounted basis at the tax rates expected to apply when the timing differences reverse, based on what has been enacted or substantively enacted, relevant to the benefit or liability. Deferred tax assets are recognised only to the extent that it is more likely than not that there will be taxable profits from which underlying timing differences can be deducted.

(i) Dividend Distributions

Final dividends are recognised in the year in which the dividends are approved by the Company's shareholders in a General Meeting.

(j) Foreign Currencies

Transactions involving foreign currencies are converted at the rate ruling at the time of the transaction. Monetary assets and liabilities and fixed asset investment in foreign currencies are translated at the closing rates of exchange at the Balance Sheet date. Any gain or loss arising from a change in exchange rate subsequent to the date of the transaction is included as an exchange gain or loss in the Income Statement as capital or revenue as appropriate.

(k) Capital Reserve

Gains and losses on disposal of investments, changes in the fair value of investments held, exchange differences of a capital nature and the amount by which other assets and liabilities valued at fair value differ from their book cost are dealt with in the capital reserve. Purchases of the Company's own shares are also funded from this reserve. The nominal value of such shares is transferred from share capital to the capital redemption reserve if the shares are subsequently cancelled.

(l) Share Premium

The share premium reserve represents the excess of the issue price over the nominal value of shares issued less transaction costs incurred on the issue of the shares.

(m) Capital Redemption Reserve

The nominal value of ordinary share capital purchased and cancelled is transferred out of called-up share capital and into the capital redemption reserve on the relevant trade date.

(n) Revenue Reserve

The revenue profit or loss for the year is taken to or from this reserve. The revenue reserve may be distributed by way of a dividend.

2 Income

	2021 £'000	2020 £'000
Income from investments		
Overseas dividends	3,255	2,597
Other income		
Interest on deposits	1	–
Total income	3,256	2,597

3 Investment Management Fee

	2021 Revenue £'000	2021 Capital £'000	2021 Total £'000	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000
Investment management fee	574	2,298	2,872	332	976	1,308

Details of the Investment Management Agreement are disclosed on page 20. Baillie Gifford & Co Limited's annual management fee is 0.55% of the lower of (i) the Company's market capitalisation and (ii) the Company's net asset value (which shall include income), in either case up to £500 million, and 0.50% of the amount of the lower of the Company's market capitalisation or net asset value above £500 million, calculated and payable quarterly. Baillie Gifford & Co Limited was appointed on 29 November 2019 and agreed to waive its management fee for six months from the date of its appointment. Prior to the termination of its appointment, Edinburgh Partners AIFM Limited received £525,000 in respect of management fees, of which £215,000 represented its termination fee.

4 Other Administrative Expenses

	2021 £'000	2020 £'000
General administrative expenses	324	210
Directors' fees (see Directors' Remuneration Report on page 31)	126	108
Depository and custodian fees	152	99
Auditor's remuneration – statutory audit of Company's Annual Financial Statements	34	24
	636	441

Auditor's remuneration for non-audit services relating to the audit of cashflow statements for the year to 30 September 2018 and 2019 of £6,000 were incurred during the year. These fees are included in the cost of issuance of private placement loan notes.

5 Finance Costs

	2021 Revenue £'000	2021 Capital £'000	2021 Total £'000	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000
Negative interest on cash balances	27	–	27	19	–	19
Loan arrangement fee	1	2	3	1	2	3
Overdraft interest	19	76	95	25	76	101
Loan notes	87	349	436	–	–	–
	134	427	561	45	78	123

6 Tax on Ordinary Activities

	2021 Revenue £'000	2021 Capital £'000	2021 Total £'000	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000
Analysis of charge in year						
Overseas taxation	318	380	698	204	–	204
					2021 £'000	2020 £'000
Factors affecting tax charge for year						
The tax charge for the year is lower than the standard rate of corporation tax in the UK of 19%. The differences are explained below:						
Net return on ordinary activities before taxation					107,348	125,012
Net return on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2020 – 19%)					20,396	23,752
Effects of:						
Capital returns not taxable					(20,562)	(23,616)
Income not taxable					(607)	(492)
Overseas tax charge					318	204
Taxable losses in year not utilised					773	356
Revenue tax charge for the year					318	204
Swedish withholding tax suffered on corporate action					380	–
Capital tax charge for the year					380	–
Total tax on ordinary activities					698	204

As an investment trust, the Company's capital gains are not taxable.

Factors that may affect future tax charges

At 30 September 2021 the Company has unrelieved losses carried forward of £21,361,000 (2020 – £17,293,000) and had a potential deferred tax asset of £5,340,000 (2020 – £3,286,000) on taxable losses which is available to be carried forward and offset against future taxable profits.

A deferred tax asset has not been recognised on these losses as it is considered unlikely that the Company will make taxable revenue profits in the future and it is not liable to tax on its capital gains. The potential deferred tax asset has been calculated using a corporation tax rate of 25% (2020 – 19%). On 3 March 2021, the UK Government announced its intention to increase the rate of UK corporation tax from 19% to 25% from 1 April 2023 and this was subsequently substantively enacted on 24 May 2021.

Due to the Company's status as an investment trust, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided for deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

7 Net Return per Ordinary Share

	2021 Revenue	2021 Capital	2021 Total	2020* Revenue	2020* Capital	2020* Total
Net return per ordinary share	0.42p	28.90p	29.32p	0.42p	32.77p	33.19p

Revenue return per ordinary share is based on the net revenue return on ordinary activities after taxation of £1,533,000 (2020 – £1,569,000), and on 363,715,768 (2020 – 376,053,940*) ordinary shares, being the weighted average number of ordinary shares in issue during each year.

Capital return per ordinary share is based on the net capital gain for the financial year of £105,117,000 (2020 – net capital gain of £123,240,000), and on 363,715,768 (2020 – 376,053,940*) ordinary shares, being the weighted average number of ordinary shares in issue during each year.

There are no dilutive or potentially dilutive shares in issue.

*Prior year figures restated for the ten for one share split on 1 February 2021.

8 Ordinary Dividends

	2021	2020	2021 £'000	2020 £'000
Amounts recognised as distributions in the year:				
Previous year's final dividend (paid 31 January 2021)	0.35p	2.15p	1,267	8,653

Also set out below are the total dividends paid and proposed in respect of the financial year, which is the basis on which the requirements of section 1158 of the Corporation Tax Act 2010 are considered. The revenue available for distribution by way of dividend for the year is £1,533,000 (2020 – £1,569,000).

	2021	2020	2021 £'000	2020 £'000
Dividends paid and payable in respect of the year:				
Proposed final dividend (payable 11 February 2022)	0.35p	0.35p	1,276	1,267

9 Investments

As at 30 September 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Securities				
Listed equities	572,399	–	–	572,399
Unlisted securities	–	–	27,952	27,952
Total financial asset investments	572,399	–	27,952	600,351

As at 30 September 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Securities				
Listed equities	464,601	–	–	464,601
Unlisted security	–	–	4,254	4,254
Total financial asset investments	464,601	–	4,254	468,855

Investments in securities are financial assets designated at fair value through profit or loss on initial recognition. In accordance with FRS 102 the tables above provide an analysis of these investments based on the fair value hierarchy described below which reflects the reliability and significance of the information used to measure their fair value.

Fair Value Hierarchy

The levels are determined by the lowest (that is the least reliable or least independently observable) level of input that is significant to the fair value measurement for the individual investment in its entirety as follows:

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).

The Company's unlisted investments at 30 September 2021 were all valued using the implied equity valuation from the most recent primary financing round following an assessment incorporating a variety of techniques. These include using comparable company performance, comparable scenario analysis, and assessment of milestone achievement at investee companies. The determinations of fair value included assumptions that the comparable companies and scenarios chosen for the performance assessment provide a reasonable basis for the determination of fair value.

9 Investments (continued)

Significant Holdings Disclosure Requirements – AIC SORP

Details are disclosed below in accordance with the requirements of paragraph 82 of the AIC Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (updated in April 2021) in relation to unlisted investments included in the ten largest holdings disclosed on page 15. As required, this disclosure includes turnover, pre-tax profits and net assets attributable to investors, as reported within the most recently audited financial statements of the investee companies where possible.

As at 30 September 2021		Latest Financial Statements	Proportion of capital owned %	Book cost £'000	Market Value £'000	Income recognised from holding in the period £'000	Turnover £'000	Pre-tax profit/(loss) £'000	Net assets attributable to shareholders £'000
Name	Business								
Northvolt AB	Battery developer and manufacturer, specialised in lithium-ion technology for electric vehicles	n/a	0.21	12,229	18,499	Nil	Information not publicly available		

As at 30 September 2020		Latest Financial Statements	Proportion of capital owned %	Book cost £'000	Market Value £'000	Income recognised from holding in the period £'000	Turnover £'000	Pre-tax profit/(loss) £'000	Net assets attributable to shareholders £'000
Name	Business								
Northvolt AB	Battery developer and manufacturer, specialised in lithium-ion technology for electric vehicles	n/a	0.16	4,256	4,254	Nil	Information not publicly available		

	Listed equities £'000	Unlisted equities £'000	Total £'000
Cost of investments at 30 September 2020	335,723	4,256	339,979
Investment holding gains/(losses) at 30 September 2020	128,878	(2)	128,876
Value of investments at 30 September 2020	464,601	4,254	468,855
Analysis of transactions during the year:			
Purchases at cost	109,190	17,461	126,651
Sales proceeds received	(101,396)	–	(101,396)
Gains on investments	100,004	6,237	106,241
Value of investments at 30 September 2021	572,399	27,952	600,351
Cost of investments at 30 September 2021	381,983	21,717	403,700
Investment holding gains at 30 September 2021	190,416	6,235	196,651
Value of investments at 30 September 2021	572,399	27,952	600,351

The purchases and sales proceeds figures above include transaction costs of £96,000 (2020 – £542,000) and £45,000 (2020 – £141,000) respectively.

	2021 £'000	2020 £'000
Net gains/(losses) on investments		
Gains/(losses) on sales	38,466	(19,411)
Changes in investment holding gains	67,775	144,916
	106,241	125,505

10 Debtors

	2021 £'000	2020 £'000
Accrued income and prepaid expenses	69	80
Taxation recoverable	1,943	2,389
Investment sales awaiting settlement	308	–
	2,320	2,469

None of the above debtors are financial assets designated at fair value through profit or loss. The carrying amount of debtors is a reasonable approximation of fair value.

11 Creditors – Amounts falling due within one year

	2021 £'000	2020 £'000
Interest payable	230	12
Overdraft facility	–	16,939
Purchases for subsequent settlement	823	452
Other creditors and accruals	860	1,330
	1,913	18,733

None of the above creditors are financial liabilities held at fair value through profit or loss. Included in other creditors is £765,000 (2020 – £613,000) in respect of the investment management fee.

The Company currently has a €30,000,000 bank overdraft credit facility agreement with The Northern Trust Company (the 'Bank') for the purpose of pursuing its investment objective. As at 30 September 2021, nil had been drawn down (2020 – €18,674,000). The facility is uncommitted. Interest, detailed in note 5, is charged at 1.25% above the European Central Bank Main Financing Rate. The Board has currently agreed to cap a drawdown under this facility at €15,000,000.

The maximum aggregate principal amount which may be outstanding under the facility at any time is the lower of €30,000,000 or 20% of the aggregated value of unencumbered assets acceptable to the Bank. The facility contains covenants preventing the Company from creating any security interest over any assets of the Company held by the Bank or incurring any other financial indebtedness without the express permission of the Bank. The Company is required to maintain its status as an investment trust authorised by HMRC and to maintain the appointment of Northern Trust Global Services SE as its Depositary. As detailed on page 20, a change of Depositary to Northern Trust Investor Services took place on 30 October 2021. The facility also demands automatic repayment in the event of an unremedied breach by the Company or should the Company become insolvent or subject to insolvency, winding-up or administrative proceedings. There were no breaches of covenants during the year.

12 Creditors – Amounts falling due after more than one year

	2021 £'000	2020 £'000
Unsecured loan notes:		
€30m 1.55% 24 June 2036	25,755	–
€30m 1.57% 8 December 2040	25,716	–
	51,471	–

During the year the company issued €30 million of long-term, fixed rate, senior, unsecured privately placed loan notes, with a fixed coupon of 1.57% to be repaid on 8 December 2040 and a further €30 million of long-term, fixed rate, senior, unsecured privately placed loan notes with a fixed coupon of 1.55% to be repaid on 24 June 2036.

The main covenants which are tested monthly are: (i) Net tangible assets shall not fall below £200,000,000. (ii) Total borrowings shall not exceed 30% of the Company's adjusted assets. (iii) The Company's number of holdings shall not fall below 30.

13 Share Capital

	2021 Number	2021 £'000	2020* Number	2020 £'000
Allotted, called up and fully paid ordinary shares of 2.5p each	364,599,330	9,115	362,199,330	9,055
Treasury shares of 2.5p each	37,844,360	946	40,244,360	1,006
Total	402,443,690	10,061	402,443,690	10,061

At the Annual General Meeting held on 21 January 2021 shareholders approved an ordinary resolution that each of the ordinary shares of 25p each in the capital of the Company be sub-divided into ten ordinary shares of 2.5p each (the 'New Ordinary Shares'). The New Ordinary Shares were admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange's market for listed securities at 8.00am on 1 February 2021. Accordingly, the 36,219,933 ordinary shares of 25p in issue were sub-divided into 362,199,330 ordinary shares of 2.5p and the 4,024,436 treasury shares of 25p were sub-divided into 40,244,360 shares of 2.5p. The Company's shareholder authority permits it to hold shares bought back in treasury. Under such authority, treasury shares may be subsequently either sold for cash (at a premium to net asset value per ordinary share) or cancelled. At 30 September 2021 the Company had authority to buy back 54,293,680 ordinary shares. During the year to 30 September 2021, no ordinary shares (2020 – nil) were bought back for cancellation and no ordinary shares were bought back into treasury (2020 – 4,024,436). Under the provisions of the Company's Articles of Association share buy-backs are funded from the capital reserve. The Company has authority to allot shares under section 551 of the Companies Act 2006. The Board has authorised use of this authority to issue new shares at a premium to net asset value in order to enhance the net asset value per share for existing shareholders and improve the liquidity of the Company's shares. During the year to 30 September 2021 the Company issued a total of 2,400,000 shares on a non pre-emptive basis (nominal value £60,000, representing 0.7% of the issued share capital at 30 September 2020) at a premium to net asset value (on the basis of debt valued at book value) raising net proceeds of £3,508,000 (in the year to 30 September 2020 – no ordinary shares were issued).

* Prior year figures restated for the ten for one share split on 1 February 2021.

14 Capital and Reserves

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
At 1 October 2020	10,061	123,749	8,750	303,860	6,228	452,648
Gains on investments	–	–	–	106,241	–	106,241
Investment management fee charged to capital	–	–	–	(2,298)	–	(2,298)
Finance costs charged to capital	–	–	–	(427)	–	(427)
Shares issued from treasury	–	1,301	–	2,207	–	3,508
Exchange differences	–	–	–	1,981	–	1,981
Dividends paid in year	–	–	–	–	(1,267)	(1,267)
Revenue return on ordinary activities after taxation	–	–	–	–	1,533	1,533
Tax charged to capital	–	–	–	(380)	–	(380)
At 30 September 2021	10,061	125,050	8,750	411,184	6,494	561,539

The capital reserve includes investment holding gains of £196,651,000 (2020 – gains of £128,876,000) as disclosed in note 5. The capital reserve is not distributable.

15 Shareholders' Funds Per Ordinary Share

	2021	2020
Shareholders' funds	£561,539,000	£452,648,000
Number of ordinary shares in issue at the year end	364,599,330	362,199,330
Shareholders' funds per ordinary share	154.0p	125.0p

The shareholders' funds figures above have been calculated after deducting borrowings at book value, in accordance with the provisions of FRS 102 and based on 364,599,330 (2020 – 362,199,330) ordinary shares, being the number of ordinary shares in issue at the year end, excluding shares held in treasury. The net asset value figures shown on the Balance Sheet on page 39 have been calculated after deducting borrowings at either book value or fair value. Reconciliations between shareholders' funds and both NAV measures are shown in the Glossary of Terms and Alternative Performance Measures on pages 64 and 65. There are no dilutive or potentially dilutive shares in issue.

16 Analysis of Change in Net Debt

	1 October 2020 £'000	Cash flows £'000	Cost of issuance £'000	Other non-cash changes £'000	Exchange movement £'000	30 September 2021 £'000
Cash and cash equivalents	57	11,482	–	–	713	12,252
Loans due in less than one year	(16,939)	17,095	–	–	(156)	–
Loans due in more than one year	–	(52,994)	103	(4)	1,424	(51,471)
	(16,882)	(24,417)	103	(4)	1,981	(39,219)

17 Contingent Liabilities, Guarantees and Financial Commitments

The Company has agreed to invest €7,000,000 in 468 SPAC I conditional on it closing a business combination agreement with Boxine GmbH (a German limited liability company) in due course.

18 Transactions with Related Parties and the Managers and Secretaries

The Directors' fees for the year and interests in the Company's shares at the end of the year are detailed in the Directors' Remuneration Report on page 31. No Director has a contract of service with the Company. During the years reported, no Director was interested in any contract or other matter requiring disclosure under section 412 of the Companies Act 2006.

The Management fee due to Baillie Gifford & Co Limited is set out in note 3 on page 44 and the amount accrued at 30 September 2021 is set out in note 11 on page 48. Details of the Investment Management Agreement are set out on page 20.

19 Financial Instruments

The Company invests in equities for the long-term so as to achieve its investment objective of long-term capital growth with the aim of providing a total return in excess of the FTSE Europe Ex UK Index. The Company borrows money when the Managers have sufficient conviction that the assets funded by borrowed monies will generate a return in excess of the cost of borrowing. In pursuing its investment objective, the Company is exposed to various types of risk that are associated with the financial instruments and markets in which it invests and could result in a reduction in the Company's net assets and/or a reduction in the profits available for dividend.

These risks are categorised here as market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. The Board monitors closely the Company's exposures to these risks but does so in order to reduce the likelihood of a permanent loss of capital rather than to minimise short-term volatility.

The risk management policies and procedures outlined in this note have not changed substantially from the previous accounting year.

Market Risk

The fair value or future cash flows of a financial instrument or other investment held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements – currency, interest rate risk and market price risk. The Board of Directors reviews and agrees policies for managing these risks and the Company's Investment Manager assesses the exposure to market risk when making individual investment decisions as well as monitoring the overall level of market risk across the investment portfolio on an ongoing basis. Details of the Company's investment portfolio are shown on page 15.

19 Financial Instruments (continued)

Currency Risk

The Company's assets, liabilities and income are denominated in currencies other than sterling (the Company's functional currency and that in which it reports its results). Consequently, movements in exchange rates may affect the sterling value of those items. It is not the Company's policy to hedge foreign currency risk on a continuing basis but the Company may, and currently does through the euro denominated unsecured loan notes, match overseas investments with foreign currency borrowings.

The Investment Manager monitors the Company's exposure to foreign currencies and reports to the Board on a regular basis. The Investment Manager assesses the risk to the Company of the foreign currency exposure by considering the effect on the Company's net asset value and income of a movement in the rates of exchange to which the Company's assets, liabilities, income and expenses are exposed. However, the country in which a company is listed is not necessarily where it earns its profits. The movement in exchange rates on overseas earnings may have a more significant impact upon a company's valuation than a simple translation of the currency in which the company is quoted.

Exposure to currency risk through asset allocation, which is calculated by reference to the currency in which the asset or liability is quoted, is shown below.

	Investments £'000	Cash and deposits £'000	Loan Notes £'000	Overdraft £'000	Debtors and creditors £'000	Net exposure £'000
At 30 September 2021						
Euro	329,221	12,139	(51,471)	–	(507)	289,382
Swedish kroner	131,227	–	–	–	(54)	131,173
US dollar	46,342	–	–	–	–	46,342
Norwegian krone	36,604	–	–	–	(154)	36,450
Swiss franc	25,246	–	–	–	–	25,246
Danish krone	14,361	–	–	–	–	14,361
Polish zloty	7,596	–	–	–	–	7,596
Total exposure to currency risk	590,597	12,139	(51,471)	–	(715)	550,550
Sterling	9,754	113	–	–	1,122	10,989
	600,351	12,252	(51,471)	–	407	561,539

	Investments £'000	Cash and deposits £'000	Loan Notes £'000	Overdraft £'000	Debtors and creditors £'000	Net exposure £'000
At 30 September 2020						
Euro	288,731	–	–	(16,939)	(1,046)	270,746
Swedish kroner	88,859	–	–	–	–	88,859
US dollar	29,778	–	–	–	–	29,778
Norwegian krone	22,876	–	–	–	–	22,876
Danish krone	21,013	–	–	–	–	21,013
Swiss franc	17,598	–	–	–	–	17,598
Total exposure to currency risk	468,855	–	–	(16,939)	(1,046)	450,870
Sterling	–	57	–	–	1,721	1,778
	468,855	57	–	(16,939)	675	452,648

19 Financial Instruments (continued)

Currency Risk Sensitivity

At 30 September 2021, if sterling had strengthened by 5% in relation to all currencies, with all other variables held constant, total net assets and total return on ordinary activities would have decreased by the amounts shown below. A 5% weakening of sterling against all currencies, with all variables held constant, would have had an equal but opposite effect on the Financial Statement amounts. The analysis is performed on the same basis for 2020.

	2021 £'000	2020 £'000
Euro	14,469	13,538
Swedish kroner	6,559	4,443
US dollar	2,317	1,489
Norwegian krone	1,823	1,143
Swiss franc	1,262	880
Danish krone	718	1,050
Polish zloty	380	–
	27,528	22,543

Interest Rate Risk

Interest rate movements may affect the level of income receivable and payable on cash deposits and interest payable on variable rate borrowings and the fair value of the Company's fixed-rate borrowings. They may also impact upon the market value of the Company's investments as the effect of interest rate movements upon the earnings of a company may have a significant impact upon the valuation of that company's equity.

The possible effects on cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions and when entering borrowing agreements.

The Board reviews on a regular basis the amount of investments in cash and the income receivable on cash deposits.

The Company has the ability to finance part of its activities through borrowings at approved levels. The amount of such borrowings and the approved levels are monitored and reviewed regularly by the Board.

During the year to 30 September 2021, the majority of the Company's assets were non-interest bearing. Some of the Company's cash at bank and short-term deposits were subject to a negative interest charge and there was exposure to interest bearing liabilities through the bank overdraft facility agreement.

Financial Assets

Cash deposits generally comprise overnight call or short-term money market deposits and earn interest at floating rates based on prevailing bank base rates.

Financial Liabilities

The interest rate risk profile of the Company's financial liabilities at 30 September 2021 is shown below:

	2021 £'000	2020 £'000
Fixed rate – Euro denominated	51,471	–
Floating rate – Overdraft – Euro denominated	–	16,939
	51,471	16,939

Maturity Profile

The maturity profile of the Company's financial liabilities at 30 September was:

	2021 Within 1 year £'000	2021 Between 1 and 5 years £'000	2021 More than 5 years £'000	2020 Within 1 year £'000	2020 Between 1 and 5 years £'000	2020 More than 5 years £'000
Repayment of loans, debentures and loan notes	–	–	51,471	–	–	–
Repayment of overdraft	–	–	–	16,939	–	–
	–	–	51,471	16,939	–	–

19 Financial Instruments (continued)

Interest Rate Risk Sensitivity

An increase of 0.25% in interest rates, with all other variables being held constant, would have decreased the Company's net assets for the year to 30 September 2021 by £11,000 (year to 30 September 2020 – £20,000). A decrease of 0.25% would have had an equal but opposite effect.

Other Price Risk

Changes in market prices other than those arising from interest rate risk or currency risk may also affect the value of the Company's net assets. The Company's exposure to changes in market prices relates to the fixed asset investments as disclosed in note 8.

The Board manages the market price risks inherent in the investment portfolio by ensuring full and timely access to relevant information from the Investment Manager. The Board meets regularly and at each meeting reviews investment performance, the investment portfolio and the rationale for the current investment positioning to ensure consistency with the Company's objectives and investment policies. The portfolio does not seek to reproduce the index, investments are selected based upon the merit of individual companies and therefore performance may well diverge from the comparative index.

Other Price Risk Sensitivity

A full list of the Company's investments is shown on page 15.

101.9% (2020 – 102.6%) of the Company's net assets are invested in quoted equities. A 20% increase in quoted equity valuations at 30 September 2021 would have increased total net assets and net return on ordinary activities after taxation by £114,480,000 (2020 – £92,920,000). A decrease of 20% would have had an equal but opposite effect. 5.0% (2020 – 0.9%) of the Company's net assets are invested in unlisted investments. The fair valuation of the unlisted investments is influenced by the estimates, assumptions and judgements made in the fair valuation process (see 1(b) on page 42).

The Company's unlisted investments at 30 September 2021 were all valued using the implied equity valuation from the most recent primary financing round, therefore sensitivity analysis is not provided as the Recent Transaction Price valuation approach does not involve significant subjectivity.

Liquidity Risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk is not significant as the majority of the Company's assets are in investments that are readily realisable. The Company's holdings in unlisted investments, which are not considered to be readily realisable, amounted to 5.0% of net assets at 30 September 2021.

The Company has the power to take out borrowings, which give it access to additional funding when required.

The maturity profile of the Company's financial liabilities is on page 52.

Credit Risk

This is the risk that a failure of a counterparty to a transaction to discharge its obligations under that transaction could result in the Company suffering a loss. This risk is managed as follows:

- where the Investment Manager makes an investment in a bond or other security with credit risk, that credit risk is assessed and then compared to the prospective investment return of the security in question. The Board regularly receives information from the Managers on the credit ratings of those bonds and other securities in which the Company has invested (if any);
- the Depositary is liable for the loss of financial instruments held in custody. The Depositary will ensure that any delegate segregates the assets of the Company. The Depositary has delegated the custody function to The Northern Trust Company. Bankruptcy or insolvency of the custodian may cause the Company's rights with respect to securities held by the custodian to be delayed. The Investment Manager monitors the Company's risk by reviewing the custodian's internal control reports and reporting its findings to the Board;
- investment transactions are carried out with a large number of brokers whose creditworthiness is reviewed by the Investment Manager. Transactions are ordinarily undertaken on a delivery versus payment basis whereby the Company's custodian ensures that the counterparty to any transaction entered into by the Company has delivered on its obligations before any transfer of cash or securities away from the Company is completed;
- the creditworthiness of the counterparty to transactions involving derivatives, structured notes and other arrangements, wherein the creditworthiness of the entity acting as broker or counterparty to the transaction is likely to be of sustained interest, is subject to rigorous assessment by the Investment Manager; and
- cash is only held at banks that are regularly reviewed by the Investment Manager.

19 Financial Instruments (continued)

Credit Risk Exposure

The exposure to credit risk at 30 September was:

	2021 £'000	2020 £'000
Cash and cash equivalents	12,252	57
Debtors	2,320	2,469
	14,572	2,526

None of the Company's financial assets are past due or impaired.

Fair Value of Financial Assets and Financial Liabilities

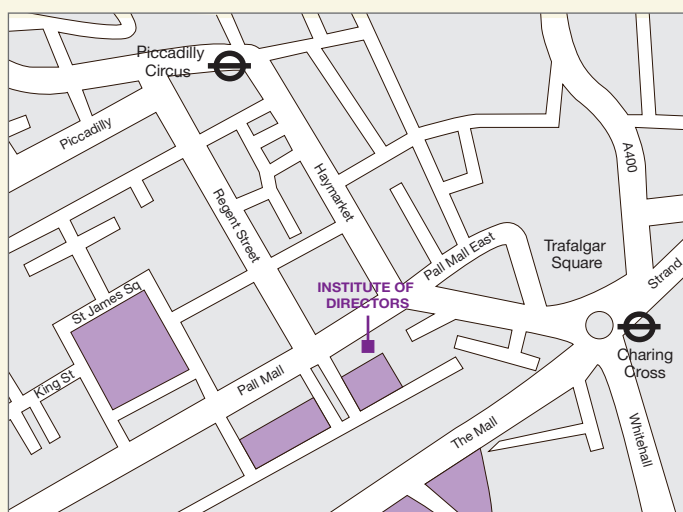
The Directors are of the opinion that there is no difference between the amounts at which the financial assets and liabilities of the Company are carried in the Balance Sheet and their fair values, with the exception of long term borrowings. The fair values of the Company's borrowings are shown below. The fair values of the loan notes are calculated by reference to corporate bonds of comparable maturity and yield.

	2021 Book value £'000	2021 Fair value £'000	2020 Book value £'000	2020 Fair value £'000
Unsecured loan notes:				
€30m – 1.57% 8 December 2040	25,716	23,905	–	–
€30m – 1.55% 24 June 2036	25,755	25,950	–	–
	51,471	49,855	–	–

Capital Management

The objective of the Company is to maximise the total return to its equity shareholders through an appropriate capital structure. Its borrowings are set out in note 12 on page 48. The Company does not have any externally imposed capital requirements other than the covenants on its loan notes which are detailed in note 12. The capital of the Company is the ordinary share capital as detailed in note 13. It is managed in accordance with its investment policy in pursuit of its investment objective, both of which are detailed on page 6, and shares may be repurchased or issued as explained on page 49.

Notice of Annual General Meeting



The Annual General Meeting of the Company will be held at the Institute of Directors, 116 Pall Mall, London SW1Y 5ED on Thursday 3 February 2022, at 11am.

If you have any queries as to how to vote or how to attend the meeting, please call us on 0800 917 2112.

Baillie Gifford may record your call.

Covid-19 coronavirus – Important note regarding arrangements for the Annual General Meeting (AGM)

The Board of Baillie Gifford European Growth Trust plc (the ‘Company’) recognises the public health risk associated with the Covid-19 pandemic arising from public gatherings. At the same time, the Board is conscious of the legal requirement for the Company to hold its AGM before the end of March 2022. Given the current uncertainty around when public health concerns will have abated, the Board has for the time being decided to aim to follow the Company’s customary corporate timetable and, accordingly, the Company’s AGM is being convened to take place at 11.00am on Thursday 3 February 2022, at the Institute of Directors, 116 Pall Mall, London SW1Y 5ED. At present, the Board expects to be able to welcome shareholders to the meeting. Should public health advice and Government measures change, however, arrangements will be made by the Company to ensure that the minimum number of shareholders required to form a quorum will attend the meeting in order that the meeting may proceed and the business be concluded. The Board will continue to monitor developments and any changes will be updated on the Company’s website. In the meantime, the Board encourages all shareholders to submit proxy voting forms as soon as possible and, in any event, by no later than 11.00am on 1 February 2022. We would encourage shareholders to monitor the Company’s website at bgeuropeangrowth.com. Should shareholders have questions for the Board or the Managers or any queries as to how to vote, they are welcome as always to submit them by email to trustenquiries@bailliegifford.com or call 0800 917 2112. Baillie Gifford may record your call.

Notice is hereby given that an Annual General Meeting of Baillie Gifford European Growth Trust plc will be held at the Institute of Directors, 116 Pall Mall, London SW1Y 5ED on Thursday 3 February 2022, at 11am for the following purposes.

Ordinary Business

To consider and, if thought fit, to pass the following Resolutions as Ordinary Resolutions.

1. To receive and adopt the Financial Statements of the Company for the year to 30 September 2021 with the Reports of the Directors and of the Independent Auditor thereon.
2. To approve the Directors’ Annual Report on Remuneration for the year to 30 September 2021.
3. To declare a final dividend of 0.35p per ordinary share.
4. To re-elect Michael MacPhee as a Director of the Company.
5. To re-elect Emma Davies as a Director of the Company.
6. To re-elect Andrew Watkins as a Director of the Company.
7. To re-elect Michael Woodward as a Director of the Company.
8. To re-appoint BDO LLP as Independent Auditor of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting at which the Financial Statements are laid before the Company.
9. To authorise the Directors to determine the remuneration of the Independent Auditor of the Company.
10. To consider and, if thought fit, pass the following resolution as a Special Resolution:

That, the Company be and is hereby generally and unconditionally authorised to hold general meetings (other than Annual General Meetings) on 14 clear days’ notice, such authority to expire at the conclusion of the next Annual General Meeting of the Company.

Special Business

To consider and, if thought fit, to pass Resolutions 11 and 14 as Ordinary Resolutions and Resolutions 12, 13 and 15 as Special Resolutions.

11. That, in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date hereof, the Directors of the Company be and they are hereby generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the 'Act') to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company ('Securities') provided that such authority shall be limited to the allotment of shares and the grant of rights in respect of shares with an aggregate nominal value of up to £3,038,327, such authority to expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on the expiry of 15 months from the passing of this resolution, whichever is the earlier, unless previously revoked, varied or extended by the Company in a general meeting, save that the Company may at any time prior to the expiry of this authority make an offer or enter into an agreement which would or might require Securities to be allotted or granted after the expiry of such authority and the Directors shall be entitled to allot or grant Securities in pursuance of such an offer or agreement as if such authority had not expired.
12. That, subject to the passing of Resolution 11 above, and in substitution for any existing power but without prejudice to the exercise of any such power prior to the date hereof, the Directors of the Company be and they are hereby generally empowered, pursuant to sections 570 and 573 of the Companies Act 2006 (the 'Act'), to allot equity securities (within the meaning of section 560(1) of the Act), for cash pursuant to the authority given by Resolution 11 above, and to sell treasury shares for cash, as if section 561(1) of the Act did not apply to any such allotment or sale, provided that this power:
- (a) expires at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution or on the expiry of 15 months from the passing of this Resolution, whichever is the earlier, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted or treasury shares to be sold after such expiry and the Directors may allot equity securities or sell treasury shares in pursuance of any such offer or agreement as if the power conferred hereby had not expired; and
 - (b) shall be limited to the allotment of equity securities or the sale of treasury shares up to an aggregate nominal value of £911,498.33, being approximately 10% of the nominal value of the issued share capital of the Company, as at 22 November 2021.
13. That, in substitution for any existing authority but without prejudice to the exercise of any such authority prior to the date hereof, the Company be and is hereby generally and unconditionally authorised, pursuant to and in accordance with section 701 of the Companies Act 2006 (the 'Act') to make market purchases (within the meaning of section 693(4) of the Act) of fully paid ordinary shares of 2.5 pence each in the capital of the Company ('ordinary shares') (either for retention as treasury shares for future reissue, resale, transfer or cancellation), provided that:
- (a) the maximum aggregate number of ordinary shares hereby authorised to be purchased is 54,653,440, or, if less, the number representing approximately 14.99% of the issued ordinary share capital of the Company as at the date of the passing of this Resolution;
 - (b) the minimum price (excluding expenses) which may be paid for each ordinary share shall be the nominal value of that share;
 - (c) the maximum price (excluding expenses) which may be paid for each ordinary share shall not be more than the higher of:
 - (i) 5 per cent above the average closing price on the London Stock Exchange of an ordinary share over the five business days immediately preceding the date of purchase; and
 - (ii) the higher of the last independent trade and the highest current independent bid on the London Stock Exchange; and
 - (d) unless previously varied, revoked or renewed by the Company in a general meeting, the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in respect of the year ending 30 September 2022, save that the Company may, prior to such expiry, enter into a contract to purchase ordinary shares under such authority which will or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of ordinary shares pursuant to any such contract.
14. That the proposed investment policy set out on page 6 of the Annual Report and Financial Statements for the year ended 30 September 2021, a copy of which has been produced to the meeting and signed by the Chairman for the purposes of identification, be and is hereby adopted as the investment policy of the Company to the exclusion of all previous investment policies of the Company.
15. That the Articles of Association produced to the meeting and signed by the chairman of the meeting for the purposes of identification be approved and adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association with effect from the conclusion of the meeting.

By order of the Board
Baillie Gifford & Co Limited
Managers and Secretaries
23 November 2021

Notes

1. As a member you are entitled to appoint a proxy or proxies to exercise all or any of your rights to attend, speak and vote at the AGM. A proxy need not be a member of the Company but must attend the AGM to represent you. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You can only appoint a proxy using the procedure set out in these notes and the notes to the proxy form. You may not use any electronic address provided either in this notice or any related documents (including the proxy form) to communicate with the Company for any purpose other than those expressly stated.
2. To be valid any proxy form or other instrument appointing a proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, must be received by post or (during normal business hours only) by hand at the Registrars of the Company at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY or eproxyappointment.com no later than 2 days (excluding non-working days) before the time of the meeting or any adjourned meeting.
3. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual and/or by logging on to the website euroclear.com/CREST. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
4. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & International Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's registrar (ID 3RA50) no later than 2 days (excluding non-working days) before the time of the meeting or any adjournment. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
5. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & International Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his/her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
6. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
7. The return of a completed proxy form or other instrument of proxy will not prevent you attending the AGM and voting in person if you wish.
8. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 and section 311 of the Companies Act 2006 the Company specifies that to be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company no later than 2 days (excluding non-working days) prior to the commencement of the AGM or any adjourned meeting. Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
9. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
10. The statement of the rights of shareholders in relation to the appointment of proxies in Notes 1 and 2 above does not apply to Nominated Persons. The rights described in those Notes can only be exercised by shareholders of the Company.
11. Under section 338 of the Companies Act 2006, members meeting the qualification criteria set out in note 14 below may, subject to certain conditions, require the Company to circulate to members notice of a resolution which may properly be moved and is intended to be moved at that meeting. The conditions are that:
 - (a) the resolution must not, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise);
 - (b) the resolution must not be defamatory of any person, frivolous or vexatious; and

- (c) the request:
- (i) may be in hard copy form or in electronic form;
 - (ii) must identify the resolution of which notice is to be given by either setting out the resolution in full or, if supporting a resolution sent by another member, clearly identifying the resolution which is being supported;
 - (iii) must be authenticated by the person or persons making it; and (iv) must be received by the Company not later than Thursday 23 December 2021.
12. Under section 338A of the Companies Act 2006, members meeting the qualification criteria set out at note 14 below may require the Company to include in the business to be dealt with at the Annual General Meeting a matter (other than a proposed resolution) which may properly be included in the business (a matter of business). The request must have been received by the Company not later than Thursday 23 December 2021. The conditions are that the matter of business must not be defamatory of any person, frivolous or vexatious.
- The request must identify the matter of business by either setting it out in full or, if supporting a statement sent by another member, clearly identify the matter of business which is being supported. The request must be accompanied by a statement setting out the grounds for the request. Members seeking to do this should write to the Company providing their full name and address.
13. Under section 527 of the Companies Act 2006, members meeting the qualification criteria set out in note 14 below may require the Company to publish, on its website, (without payment) a statement (which is also passed to the Auditor) setting out any matter relating to the audit of the Company's Financial Statements, including the Auditor's Report and the conduct of the audit. Such requests must be made in writing and must state your full name and address.
14. In order to be able to exercise the members' rights in notes 11 to 13, the relevant request must be made by:
- (a) members representing at least 5% of the total voting rights of all the members who have a right to vote on the resolution to which the requests relate; or
 - (b) at least 100 members who have a right to vote on the resolution to which the requests relate and hold shares in the Company on which there has been paid up an average sum, per member, of at least £100.
- Such requests should be sent to the Company at Calton Square, 1 Greenside Row, Edinburgh, EH1 3AN. Electronic requests permitted under section 338 (see note 11) should be sent to trustenquiries@bailliegifford.com.
15. Information regarding the Annual General Meeting, including information required by section 311A of the Companies Act 2006, is available from the Company's page of the Managers' website at bgeuropeangrowth.com.
16. As at 22 November 2021 (being the last practicable day prior to the publication of this notice) the Company's issued share capital consisted of 364,599,330 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 22 November 2021 were 364,599,330 votes.

17. Any person holding 3% or more of the total voting rights of the Company who appoints a person other than the Chairman of the meeting as his/her proxy will need to ensure that both he/she and his/her proxy complies with their respective disclosure obligations under the UK Disclosure and Transparency Rules.
18. No Director has a contract of service with the Company.
19. A copy of the proposed new Articles of Association of the Company, together with a copy showing all of the proposed changes to the existing Articles of Association, will be available for inspection at the offices of Dickson Minto W.S., Level 13 Broadgate Tower, 20 Primrose Street, London EC2A 2EW and on the Company's page of the Managers' website, bgeuropeangrowth.com from the date of the AGM Notice until the close of the AGM, and will also be available for inspection at the venue of the AGM from 15 minutes before and during the AGM.
20. Given the risks posed by the spread of Covid-19, and the potential for Government guidance to be updated prior to the date of the Annual General Meeting, which would require the venue to impose entry restrictions, all shareholders are strongly encouraged to exercise your votes in respect of the AGM in advance, and to appoint the Chair of the Meeting as your proxy, to ensure that your votes are counted should you be prevented from attending to vote in person.

Appendix

Summary of the principal amendments to the Company's Articles of Association

Set out below is a summary of the principal amendments which will be made to the Company's Existing Articles through the adoption of the New Articles if Resolution 15 to be proposed at the AGM is approved by shareholders.

This summary is intended only to highlight the principal amendments to the Existing Articles. It is not intended to be comprehensive and cannot be relied upon to identify amendments or issues which may be of interest to all shareholders. This summary is not a substitute for reviewing the full terms of the New Articles which will be available for inspection at the offices of Dickson Minto W.S., Level 13 Broadgate Tower, 20 Primrose Street, London EC2A 2EW and on the Company's page of the Managers' website, bgeuropeangrowth.com from the date of the AGM Notice until the close of the AGM.

Hybrid/Virtual-only shareholder meetings

The New Articles permit the Company to hold shareholder meetings on a virtual basis, whereby shareholders are not required to attend the meeting in person at a physical location but may instead attend and participate using electronic means. A shareholder meeting may be virtual-only if attendees participate only by way of electronic means, or may be held on a hybrid basis whereby some attendees attend in person at a physical location and others attend remotely using electronic means. This should make it easier for the Company's shareholders to attend shareholder meetings if the Board elects to conduct meetings using electronic means. Amendments have been made throughout the New Articles to facilitate the holding of hybrid or virtual-only shareholder meetings.

While the New Articles (if adopted) would permit shareholder meetings to be conducted using electronic means, the Directors have no present intention of holding a virtual-only meeting. These provisions will only be used where the Directors consider it is in the best of interests of shareholders for a hybrid or virtual-only meeting to be held. Nothing in the New Articles will prevent the Company from holding physical shareholder meetings.

The Alternative Investment Fund Managers Directive (2011/61/EU) ('AIFMD') and the Alternative Investment Fund Managers Regulations 2013 (SI 2013/1773) (the 'AIFM Regulations')

The Board is proposing to take this opportunity to make amendments to the Existing Articles in response to the AIFMD and all applicable rules and regulations implementing that Directive. The proposed new provisions are as follows:

- The Existing Articles will be amended to provide that the net asset value per share of the Company shall be calculated at least annually and be disclosed to shareholders from time to time in such manner as may be determined by the Board. The amendment will have no bearing on current practice and simply articulates the minimum requirements of the AIFM Regulations.
- The New Articles stipulate that the valuation of the Company's assets will be performed in accordance with prevailing accounting standards, the AIFM Rules, or such other accounting standards, bases, policies and procedures as the Board may determine from time to time. This reflects best practice and has no bearing on current practice and simply articulates the minimum requirements of the AIFM Regulations.

International tax regimes requiring the exchange of information

The Board is proposing to include provisions in the New Articles to provide the Company with the ability to require shareholders to co-operate in respect of the exchange of information in order to comply with the Company's international tax reporting obligations, including, without limitation, under or in relation to FATCA, the Common Reporting Standard and the European Union's Directive on Administrative Co-operation ('Tax Reporting Requirements').

The Existing Articles are being amended to provide the Company with the ability to require shareholders to co-operate with it in ensuring that the Company is able to comply with its Tax Reporting Requirements. The Existing Articles will also be amended to provide that (i) where any member fails to supply the relevant information to the Company within the relevant time period, the member will be deemed to have forfeited their shares and (ii) the Company will not be liable for any monies that become subject to a deduction or withholding relating to FATCA, the Common Reporting Standard or any similar laws as such liability would be to the detriment of shareholders as a whole.

Minor amendments

The Board is also taking the opportunity to make some additional minor or technical amendments to the Existing Articles, including:

- Increasing the cap on the aggregate of all fees paid to Directors from £150,000 per annum to £200,000 per annum (as previously agreed by the shareholders);
- Removing historic provisions in respect of share warrants;
- Provisions clarifying the rights attached to ordinary shares;
- Expanding the provisions on uncertificated shares;
- Simplifying the untraced shareholders procedure by removing the requirement for the Company to publish newspaper advertisements;
- A provision enabling the Directors to postpone a general meeting after notice of the meeting has been sent but before the meeting is held; and
- A provision requiring all Directors to retire at each Annual General Meeting and be eligible for reappointment except any Directors appointed after notice of the meeting has been sent but before the meeting is held.

These changes generally reflect modern best practice and should assist in relieving certain administrative burdens on the Company.

Further Shareholder Information

Baillie Gifford European Growth Trust is an investment trust. Investment trusts offer investors the following:

- participation in a diversified portfolio of shares;
- constant supervision by experienced professional managers; and
- the Company is free from capital gains tax on capital profits realised within its portfolio, although investors are still liable for capital gains tax on profits when selling their investment.

How to Invest

The Company's shares are traded on the London Stock Exchange. They can be bought by placing an order with a stockbroker, or by asking a professional adviser to do so. If you are interested in investing directly in Baillie Gifford European Growth Trust, you can do so online. There are a number of companies offering real time online dealing services. Find out more by visiting the investment trust pages at bailliegifford.com.

Sources of Further Information on the Company

Price of shares is quoted daily in the Financial Times and can also be found on the Company's page of the Managers' website at bgeuropeangrowth.com, Trustnet at trustnet.co.uk and on other financial websites. Company factsheets are also available on the Baillie Gifford website and are updated monthly. These are available from Baillie Gifford on request.

Baillie Gifford European Growth Trust Identifiers

ISIN	GB0003295010
Sedol	0329501
Ticker	BGEU
Legal Entity Identifier	213800QNN9EHZ4SC1R12

The ordinary shares of the Company are listed on the London Stock Exchange.

Key Dates

Ordinary shareholders normally receive one dividend in respect of each financial year paid in February. The Annual Report and Financial Statements are normally issued in November and the AGM is normally held in February.

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 889 4086.

This helpline also offers an automated self-service functionality (available 24 hours a day, 7 days a week) which allows you to:

- hear the latest share price;
- confirm your current share holding balance; and
- order Change of Address and Stock Transfer forms.

You can also check your holding on the Registrars' website at investorcentre.co.uk. They also offer a free, secure share management website service which allows you to:

- view your share portfolio and see the latest market price of your shares;
- calculate the total market price of each shareholding;
- view price histories and trading graphs;
- change address details; and
- use online dealing services.

To take advantage of this service, please log in at investorcentre.co.uk and enter your Shareholder Reference Number and Company Code (this information can be found on your share certificate).

Electronic Proxy Voting

If you hold stock in your own name you can choose to vote by returning proxies electronically at eproxyappointment.com.

If you have any questions about this service please contact Computershare on 0370 889 4086.

CREST Proxy Voting

If you are a user of the CREST system (including a CREST Personal Member), you may appoint one or more proxies or give an instruction to a proxy by having an appropriate CREST message transmitted. For further information please refer to the CREST Manual.

Analysis of Shareholders at 30 September

	2021 Number of shares held	2021 %	2020 Number of shares held*	2020 %
Institutions	59,005,189	16.2	141,445,920	39.0
Intermediaries/ Retail Savings Platforms	274,840,524	75.4	187,476,690	51.8
Individuals	29,290,281	8.0	32,068,720	8.9
Marketmakers	1,463,336	0.4	1,208,000	0.3
	364,599,330	100.0	362,199,330	100.0

* Prior year figures restated for the ten for one share split on 1 February 2021.

These Financial Statements have been approved by the Directors of Baillie Gifford European Growth Trust plc. Baillie Gifford only provides information about its products and does not provide investment advice.

Risks

Past performance is not a guide to future performance.

Baillie Gifford European Growth Trust is a listed UK Company. As a result, the value of the shares and any income from those shares can fall as well as rise and investors may not get back the amount invested.

Baillie Gifford European Growth Trust invests in overseas securities. Changes in the rate of exchange may also cause the value of your investment (and any income it may pay) to go down or up.

Baillie Gifford European 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 the investments may not be enough to cover the borrowing and interest costs.

Baillie Gifford European Growth Trust can buy back its own shares. The risks from borrowing, referred to above, are increased when the 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.

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

Baillie Gifford European Growth Trust charges 80% of its investment management fee and borrowing costs to capital, which reduces the capital value. Where income is low, 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.

Baillie Gifford European Growth Trust's risk could be increased by its investment in private companies. These assets may be more difficult to sell, so changes in their prices may be greater.

Baillie Gifford European Growth Trust'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.

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

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

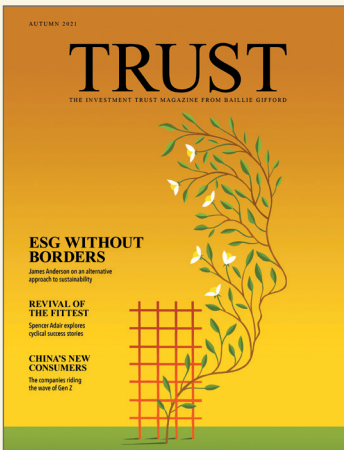
The Company is listed on the London Stock Exchange and is not authorised or regulated by the Financial Conduct Authority.

The staff of Baillie Gifford & Co and Baillie Gifford European Growth Trust Directors may hold shares in Baillie Gifford European 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 bgeuropeangrowth.com or by calling Baillie Gifford on 0800 917 2112.

The information and opinions expressed in this document 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.

Communicating with Shareholders



[Trust Magazine](#)

Trust Magazine

Trust is the Baillie Gifford investment trust magazine which is published twice a year. It provides an insight to our investment approach by including interviews with our fund managers, as well as containing investment trust news, investment features and articles about the trusts managed by Baillie Gifford, including Baillie Gifford European Growth Trust. *Trust* plays an important role in helping to explain our products so that readers can really understand them. For a copy of *Trust*, please contact the Baillie Gifford Client Relations Team (see contact details opposite).

You can subscribe to *Trust* magazine or view a digital copy at bailliegiifford.com/trust.

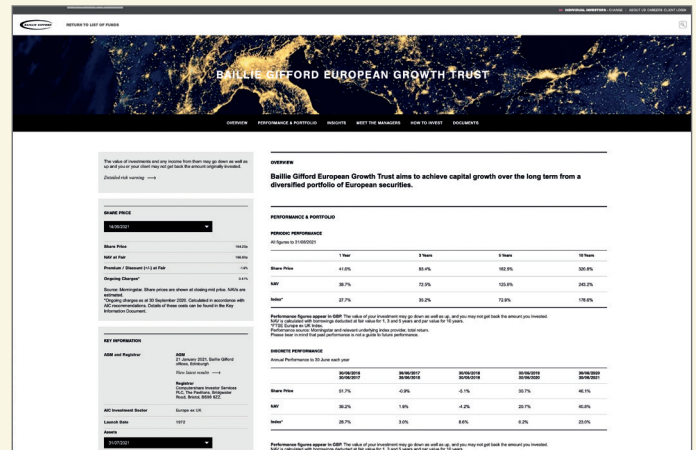
Baillie Gifford European Growth Trust on the Web

Up-to-date information about Baillie Gifford European Growth Trust is available on the Company's page of the Managers' website at bgeuropeangrowth.com. You will find full details of the Company, including recent portfolio information and performance figures.

Electronic Communications from the Company

Shareholders now have the opportunity to be notified by email when the Company's Annual Reports, Interim Reports and other formal communications are available on the website, instead of receiving printed copies by post. This has environmental benefits in the reduction of paper, printing, energy and water usage, as well as reducing costs to the Company.

If you have not already elected to receive electronic communications from the Company and wish to do so, please contact the Registrar using the details shown on page 60. Please have your Shareholder Reference Number to hand.



Baillie Gifford European Growth Trust web page at bgeuropeangrowth.com

Suggestions and Questions

Any suggestions on how communications with shareholders can be improved are welcomed, so please contact the Baillie Gifford Client Relations Team and give them your suggestions. They will also be very happy to answer questions that you may have about Baillie Gifford European Growth Trust.

Client Relations Team Contact Details

You can contact the Baillie Gifford Client Relations Team by telephone, email or post:

Telephone: 0800 917 2112

Your call may be recorded for training or monitoring purposes.

Email: trustenquiries@bailliegiifford.com

Website: bailliegiifford.com

Baillie Gifford Client Relations Team
 Calton Square
 1 Greenside Row
 Edinburgh EH1 3AN

Please note that Baillie Gifford is not permitted to give financial advice. If you would like advice, please ask an authorised intermediary.

UK Alternative Investment Fund Managers (AIFM) Regulations

In accordance with the AIFM Regulations, information in relation to the Company's leverage and the remuneration of the Company's AIFM, Baillie Gifford & Co Limited, is required to be made available to investors.

AIFM Remuneration

In accordance with the Regulations, the AIFM remuneration policy is available at bailliegifford.com or on request (see contact details on the back cover). The numerical remuneration disclosures in respect of the AIFM's reporting period are available at bailliegifford.com.

Automatic Exchange of Information

In order to fulfil its obligations under UK Tax Legislation relating to the automatic exchange of information, the Company 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. As an affected company, Baillie Gifford European 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.

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Leverage

The Company's maximum and actual leverage (see Glossary of Terms and Alternative Performance Measures on pages 64 and 65) levels at 30 September 2021 are shown below:

	Gross method	Commitment method
Maximum limit	2.50:1	2.00:1
Actual	1.09:1	1.09:1

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.

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Glossary of Terms and Alternative Performance Measures (APM)

Total Assets

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

Shareholders' Funds

Shareholders' Funds is the value of all assets held less all liabilities, with borrowings deducted at book cost.

Net Asset Value

Net Asset Value (NAV) is the value of total assets less liabilities with borrowings deducted at either book value or fair value as described below. The NAV per share is calculated by dividing this amount by the number of ordinary shares in issue (excluding treasury shares).

Net Asset Value (Borrowings at Fair Value) (APM)

Borrowings are valued at an estimate of market worth. The fair value of the Company's loan notes is set out in note 19 on page 54.

A reconciliation from shareholders' funds (borrowings at book value) to net asset value after deducting borrowings at fair value is provided below.

	2021 £'000	2021 per share	2020 £'000	2020* per share
Shareholders' funds (borrowings at book value)	561,539	154.0p	452,648	125.0p
Add: book value of borrowings	51,471	14.1p	16,939	4.7p
Less: fair value of borrowings	(49,855)	(13.6p)	(16,939)	(4.7p)
Net asset value (borrowings at fair value)	563,155	154.5p	452,648	125.0p

The per share figures above are based on 364,599,330 (2020 – 362,199,330*) ordinary shares of 2.5p*, being the number of ordinary shares in issue at the year end.

* Prior year figures restated for the ten for one share split on 1 February 2021.

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.

	2021 NAV (book)	2021 NAV (fair)	2020* NAV (book)	2020* NAV (fair)
Closing NAV per share	154.0p	154.5p	125.0p	125.0p
Closing share price	152.4p	152.4p	122.0p	122.0p
Discount	1.0%	1.3%	2.4%	2.4%

* Prior year figures restated for the ten for one share split on 1 February 2021.

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.

		2021 NAV (fair)	2021 Share price	2020* NAV (fair)	2020* Share price
Closing NAV per share/share price	(a)	154.5p	152.4p	125.0p	122.0p
Dividend adjustment factor†	(b)	1.0025	1.0024	1.0224	1.0235
Adjusted closing NAV per share/share price	(c = a x b)	154.9p	152.8p	127.8p	124.9p
Opening NAV per share/share price	(d)	125.0p	122.0p	92.9p	81.0p
Total return	(c ÷ d) - 1	24.0%	25.2%	37.5%	54.2%

† The dividend adjustment factor is calculated on the assumption that the dividends of 0.35p (2020 – 2.15p#) 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.

* Prior year figures restated for the ten for one share split on 1 February 2021.

Ongoing Charges (APM)

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

A reconciliation from the expenses detailed in the Income Statement on page 38 is provided below.

		2021	2020
Investment management fee		£2,872,000	£1,093,000
Other administrative expenses		£636,000	£441,000
Total expenses	(a)	£3,508,000	£1,534,000
Average net asset value (with borrowings deducted at fair value)	(b)	£525,380,000	£375,086,000
Ongoing charges ((a) ÷ (b) expressed as a percentage)		0.67%	0.41%

Baillie Gifford & Co Limited was appointed on 29 November 2019 and agreed to waive its management fee for six months from the date of its appointment. The calculation for 2020 above is therefore not representative of future management fees. The reconciliation below shows the ongoing charges figure if the management fee waiver had not been in place.

			2020
Investment management fee			£1,093,000
Investment management fee waiver			£951,000
Other administrative expenses			£441,000
Total expenses	(a)		£2,485,000
Average net asset value	(b)		£375,086,000
Ongoing charges ((a) ÷ (b) expressed as a percentage)			0.66%

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.

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

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.

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Emma Davies
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Dr Michael Woodward

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