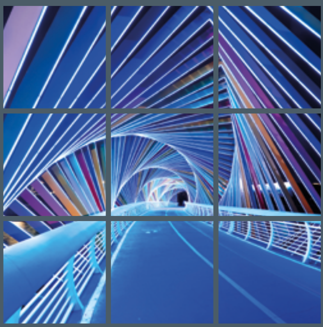
SCOTTISH MORTGAGE INVESTMENT TRUST PLC

Your low cost choice
for global investment

Annual Report and Financial Statements
31 March 2020

BAILLIE GIFFORD



Scottish Mortgage Investment Trust PLC is a low cost investment trust that aims to maximise total return over the long term from a high conviction, actively managed portfolio. It invests globally, looking for strong businesses with above-average returns.

Contents

Investor Disclosure Document

The EU Alternative Investment Fund Managers Directive 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 www.scottishmortgageit.com.

Fiona McBain, Chair

Message from the Chair

Memories of the year to 31 March 2020 will no doubt be dominated by Covid-19. The global pandemic has created testing times for all, and I wish to preface this Report with an acknowledgement of the immediate challenges many face, far beyond the narrow world of investment.

Scottish Mortgage's corporate structure and investment strategy mean it is in a very fortunate and stable position. It does not have its own operational business to contend with, as the assets and other functions are managed by Baillie Gifford. And the highly experienced portfolio managers, James Anderson and Tom Slater, remain steadfast in their focus on long term investment for shareholders.

Over the short period of the Company's financial year, the portfolio once again produced a strong return for shareholders. As ever, I urge all investors to focus on the long term returns as these are far more representative of the benefits of the investment approach set out with clarity by the Managers in the pages of this report.

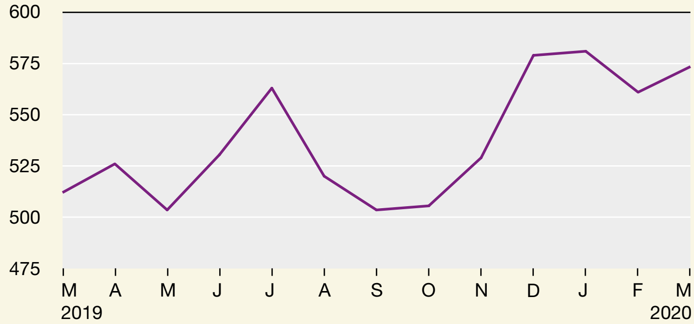
Financial Highlights – Year to 31 March 2020

Share Price* +12.7%	**NAV* +13.3%** (borrowings at book value)	**NAV* +13.7%** (borrowings at fair value#)	**Benchmark*† -6.2%**

* 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 87 to 89. Comparatives for 2019 can be found on page 5.

Share Price (pence)

Share price

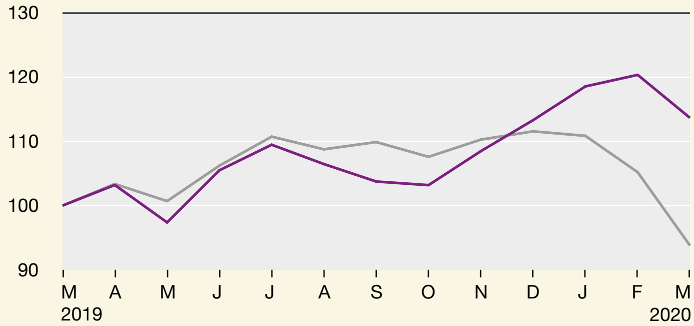


NAV and Benchmark

(figures rebased to 100 at 31 March 2019)

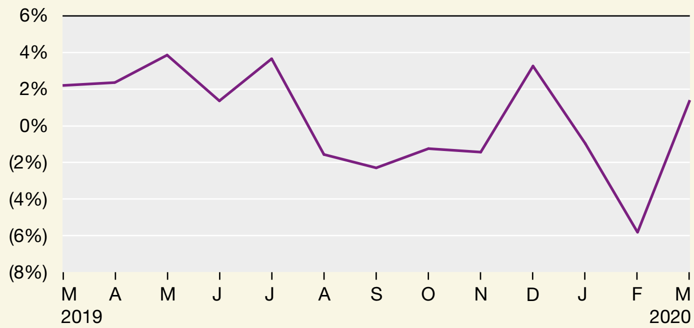
NAV total return (after deducting borrowings at fair value#)

Benchmark† total return



Premium/(Discount)#

Premium/(Discount) (after deducting borrowings at fair value#) plotted as at month end dates



Source: Refinitiv/Baillie Gifford.

† Benchmark: FTSE All-World Index (in sterling terms).

Alternative Performance Measure – see Glossary of Terms and Alternative Performance Measures on pages 87 to 89.

Past performance is not a guide to future performance.

See disclaimer on page 86.

Strategic Report

This Strategic Report, which includes pages 2 to 33 and incorporates the Statement from the Chair, has been prepared in accordance with the Companies Act 2006.

Statement from the Chair

Memories of the twelve months ending 31 March 2020 will almost certainly be dominated by the start of the spread of Covid-19. The resulting global pandemic is creating testing times for everyone and I wish to acknowledge the immediate challenges many face, far beyond the world of investment. I hope all of Scottish Mortgage's shareholders and their families are managing through this difficult period and I recognise that the immediate focus of many may well not be on investment matters.

Corporate Strategy

Scottish Mortgage is in a very fortunate and stable position. Its scale, low cost base and corporate structure are all important long run competitive advantages, and never more so than in the current environment. As it is an externally managed investment trust, it has no employees or offices of its own and is therefore not facing the same responsibilities and immediate difficulties that many other companies are having to address. Its Managers, Baillie Gifford, and other services providers have all navigated the challenges of recent months admirably and have continued with business as 'unusual' but very much fully functioning. In each case, their operational resilience has proven to be robust and flexible, in particular in moving to homeworking and video conference calls, many facilitated by a Scottish Mortgage investment – Zoom.

The portfolio Managers, James Anderson and Tom Slater, have remained focused on their task of patient investment on behalf of Scottish Mortgage shareholders. They continue to concentrate on the long term prospects for the companies they hold but are also mindful that these businesses must also be able to endure to reach that point. Those that do will likely emerge stronger. Consistent with a long term approach, there have been no significant changes to the portfolio in recent months in response to the current pandemic.

It is important for the Board to support the Managers amidst the current tumult and for them in turn to offer that same constructive support as responsible owners to those running the companies in the portfolio. This may be strikingly different to the behaviour of many in markets who feel entitled to pass comment from afar, but remembering the importance of relationships through times like these matters. This approach has enabled the Managers to develop mature long term relationships with those at some of the world's most innovative companies, providing valuable insights. The Managers' reputation for doing so has underpinned Scottish Mortgage's access to a number of great investment opportunities, particularly in private companies. Both of these have been to the clear benefit of Scottish Mortgage shareholders.

Performance

For the financial year to 31 March 2020, shareholders once again saw a strong return, particularly when compared with the FTSE All-World Index. Following on from the year end, Scottish Mortgage's share price increased by 23 per cent from the end of March to close of day on 12 May 2020, driven by the strength of the portfolio's performance. As a result, the Company reached a new milestone of over £10 billion in market capitalisation.

Total Return* (%)	12 months to 31 March 2020
NAV	13.7
Share price	12.7
FTSE All-World Index	(6.2)
Global Sector Average – NAV	0.1
Global Sector Average – share price	(4.5)

Source: AIC/Refinitiv/Baillie Gifford. NAV after deducting borrowings at fair value*.

* Alternative Performance Measure – see Glossary of Terms and Alternative Performance Measures on pages 87 to 89.

Despite that, I would urge all investors to focus on the long term returns, over rolling five and ten year periods, when judging Scottish Mortgage. I am delighted to say that these continue to provide compelling support for the Managers' straightforward investment philosophy and discipline in patiently investing in outstanding growth businesses across the globe.

Total Return* (%)	Five years to 31 March 2020	Ten years to 31 March 2020
NAV	124.6	360.8
Share price	123.5	434.2
FTSE All-World Index	41.5	128.1
Global Sector Average – NAV	69.1	203.6
Global Sector Average – share price	68.4	237.9

Source: AIC/Refinitiv/Baillie Gifford. NAV after deducting borrowings at fair value*.

* Alternative Performance Measure – see Glossary of Terms and Alternative Performance Measures on pages 87 to 89.

Ongoing Costs

I am also pleased to report that this continued growth in Scottish Mortgage's assets has meant that costs have also continued to fall for shareholders. This was in large part due to the tiered fee scale for the annual management charge (AMC). There is only a very tiny level of fixed costs for the Company, relative to its size. The ongoing charges for the year were a market leading 0.36%. This is particularly exceptional given the access to unlisted investments in the portfolio.

The long run compounding benefit from this uniquely low cost level for an actively managed portfolio can often be overlooked, especially when compared for example with the impact that charges of, say, 1.5% per annum would have had on the long run returns achieved for Scottish Mortgage shareholders (for further details please see page 23).

Financial Position

Scottish Mortgage is in a robust financial position. It has a modest amount of borrowings in place, supported by a much larger pool of liquid assets. There is considerable flexibility to adjust the level of indebtedness at relatively minimal cost, if that were to become appropriate.

Past performance is not a guide to future performance.

See disclaimer on page 86.

The level of the gearing during the year remained well within an appropriate range around the long run strategic level set by the Board, notwithstanding the impact of the pandemic elsewhere, and the overall value of the borrowings of the Company represented approximately 11% of its total assets at the year end. This included the £188 million in new long term borrowings raised in the private placement debt market in January 2020, at highly attractive rates of interest. All covenants remain well covered.

The absolute level of the borrowings has risen in recent years to keep pace with the rise in the value of the assets. The Board remains committed to the strategic use of borrowings for the Company, in the belief that this will enhance returns to shareholders over the long term, especially given the funding rates achieved in the private placement market over the last few years.

Earnings and Dividend

The portfolio continues to yield a very modest level of earnings, consistent with the investment approach focused on growth companies. The earnings per share for Scottish Mortgage over the period were 1.55 pence, slightly down on the previous year (1.64p in 2019). As is to be expected, income only forms a very minor part of the total return generated.

While no shareholder could reasonably invest in Scottish Mortgage for the prospect of its dividend yield alone, one of the benefits of its investment trust structure is the ability to distribute a portion of the Company's overall returns as income in a predictable manner year on year. This allows shareholders to plan for their own overall portfolio's income needs accordingly. The Board also recognises that at the current time many other UK companies are having to cut or postpone their dividends to retain more cash to help support their businesses and so the income upon which many UK investors rely from other FTSE100 companies may not be available in the coming months. Fortunately, Scottish Mortgage does not face the same challenges. In such difficult times, the small income yielded by holding the shares of this Company may therefore be of greater importance for many individuals than might ordinarily be expected to be the case.

The Board believes that the level of the long run total return generated for Scottish Mortgage continues to justify supporting those of its shareholders who do value the Company's modest but progressive distribution policy. The Board is therefore recommending that this year, the total dividend be increased by 4% on the level of the previous year to a total of 3.25p (3.13p in 2019). Just under half of the dividend will be funded from the portfolio's earnings, with the rest to be paid from the Company's significant distributable capital reserves which have built up as a result of realised gains achieved over the long term in the portfolio. The Board encourages all those who do not require the income to consider reinvesting it in the Company.

Liquidity

Over the period, the Company has continued to operate its liquidity policy of meeting imbalances in supply and demand in its shares over short run periods in normal market conditions. In total, the Company issued 10.5 million shares and bought back 31.5 million, resulting in a net buyback of around £112 million, or just over 1% of the total assets of the Company at the start of the period. As such share issuance is conducted at a premium to the prevailing NAV and share buy backs at a discount, these operations are of incremental benefit to the NAV for ongoing shareholders.

The liquidity policy is designed for the benefit of long term shareholders. It is not intended to smooth short term returns or facilitate other market actors. The Board does not believe it to be in the interests of long term shareholders to step into the market when all share prices, including the Company's own, are moving rapidly intraday, or when short term actors are disproportionately weighing on the markets.

Board Update

Professor John Kay has decided not to stand for re-election at this year's AGM and will retire from the Board in June after twelve years' service as a Director. John's career has spanned academic work, think tanks, business schools and consultancies. Scottish Mortgage has been extremely fortunate to have had the benefit of his input over the past twelve years. He joined the Board just before the start of the Global Financial Crisis and served the Company through the subsequent fall out, as he has done over the course of the current Global crisis and all the intervening years. His great intellect and wit are known and appreciated by many, through his writing as well as his presence at Scottish Mortgage events. I know I speak for all of my colleagues when I say it has been a real privilege to sit alongside John, to benefit from his great expertise always delivered with a quiet, unassuming style that never fails to hit the mark. He will be sorely missed and we wish him well in all future endeavours.

I am delighted to announce the appointment of a new Non-Executive Director, Professor Amar Bhidé who is standing for election at the forthcoming AGM. Amar is a distinguished professor of business, and is currently professor at Tufts University, Massachusetts. A particular focus in his work over the past thirty years has been economic innovation and entrepreneurship, areas I am sure you will agree resonate strongly with Scottish Mortgage. We very much look forward to his contribution on a wide range of topics in the Board.

Maintaining the knowledge base and diversity of thought on the Board is critical towards helping to guide the Company's future. The Company's policy on this and Board tenure is set out on pages 40 and 41.

Shareholder Engagement

This year, the Annual General Meeting (AGM) of Scottish Mortgage is scheduled for 25 June 2020. As ever I encourage shareholders to participate, raising any questions they may have and exercising their votes. Unfortunately, this year it is looking most unlikely that this will be allowed in person as we must of course ensure that everyone involved is kept safe by abiding by the UK and Scottish Governments' Covid-19 prevailing guidance on social distancing and other applicable measures, such as restrictions on public gatherings.

I would remind shareholders that they are able to submit proxy voting forms before the applicable deadline and also to direct any questions or comments for the Board in advance of the meeting through the Company's Managers, Baillie Gifford. Alternatively, they may also get in touch via either of the Corporate Brokers, Jefferies International and Numis Securities. Contact details for all three firms are included in the Annual Report and are available on their respective websites.

As the Governments' guidelines are necessarily continually evolving, the Board will keep the position under review and any changes will be advised to shareholders by post and details will be updated on the Company website.

As always the details of the conclusions of the AGM's business, together with films of the reports on the portfolio from the two Managers, will also subsequently be available on the website.

Further, I would encourage shareholders to engage with Scottish Mortgage throughout the year, not solely via the AGM. Investors have a number of options for this. The primary means is through the Company's Managers, who hold multiple shareholder meetings and events around the country throughout the year (circumstances permitting), as well as providing a wealth of information and 'Insight' pieces on the portfolio on the Company's website www.scottishmortgageit.com. Now more than ever these digital resources allow shareholders to stay well informed, by hearing directly from those managing their money. The Managers are currently considering digital alternatives for the Scottish Mortgage events that have had to be postponed or cancelled. Details will be put on the website.

It is hoped that the Managers will be able to proceed with the various Scottish Mortgage Forums planned for later in the year. If such events are able to take place, Board members will look to attend a number of these to provide opportunities for face to face engagement with shareholders.

Update to the Investment Policy

The Notice of the AGM will include a shareholder resolution proposing an update to the Company's Investment Policy. There is only one proposed change, which is to raise the current limit on all assets not listed on a public exchange by 5 per cent. to 30 per cent. at time of purchase of the next such asset.

This flexibility to invest in the best companies which the Managers find, regardless of the capital structure, has been an important driver of the returns generated for shareholders over the last decade. As an increasing number of the best growth companies have remained private until much later in their development, it has enabled the Managers to maintain the quality and depth of their opportunity set and to invest simply in any company which met their investment philosophy and criteria. This capacity utilises the benefits of Scottish Mortgage's closed-end structure and low-cost proposition to its shareholders' advantage.

The updated policy retains not only a limit on the ability of the Managers to invest in unlisted assets to provide shareholders with clarity, but also crucially the pragmatic 'at time of purchase' caveat. The latter ensures that the Company would not become a forced seller of such assets due to rises in the fair valuations of the private businesses or falls in the share prices of individual public companies in the portfolio alone, as this would clearly not be in the interests of shareholders. The Managers recently reminded shareholders of the fair valuation process for the unlisted assets, as part of their wider Insight piece 'Staying the Course for Scottish Mortgage' available on the website. It is also summarised in every Annual Report. The policy was consistently applied throughout the year and as a result, additional valuation meetings were held in relation to a significant number of these holdings in March, in swift response to the large swings in public markets' prices. The policy therefore helps to ensure that the published NAVs for Scottish Mortgage remain reflective of the prices one might expect to achieve for all the assets in the portfolio at that point.

This Annual Report includes a paper from the Managers focused on this area of the portfolio which I encourage all to read when considering their vote. The proposed change will give the Managers more capacity to invest simply in the best opportunities which they find, without changing the core investment proposition for shareholders. The Board accordingly will be urging all shareholders to vote in favour of this resolution.

Brexit

This year the Company is once again required to provide guidance on any potential material impacts on it from 'Brexit'. Little has changed in this regard over the period. The largest potential related exposure remains to significant changes in the relative value of sterling around the exit process. Scottish Mortgage holds a global portfolio of companies, the vast majority of which are denominated in foreign currencies, particularly the US dollar. If sterling were to strengthen relative to these other currencies, it would have a negative impact on the sterling value of such assets, while the converse would be true. There is a natural long term structural hedge in place for the largest such exposure, as the Company has both US dollar denominated assets and liabilities and changes in this exchange rate have opposing impacts on these, thereby reducing the net impact. There is also now a similar but more modest hedge in place related to the euro denominated assets, as the Company raised €45million in long term borrowings in January 2020. I would remind investors that the long-run impact of currency fluctuations is further diversified by the nature of this portfolio, including as it does many global companies, listed in a wide range of countries.

Outlook

In the current difficult environment, I wish to conclude with the positive reminder that, 'this too will pass'. While humans are generally poor at understanding and dealing with sudden change in the moment, as a group we excel at innovation and adaptation over the longer term. Collectively, we will find ways to move forward.

This is not a halcyon view. At this early stage I would also observe that no one can predict with any reasonable confidence when that will be. It will take time and the road is likely to be bumpy. I highlighted last year that the ability to accept and deal with such radical uncertainty is a vital skill. That seems even more apposite today, and is considered in Professor Kay's recent book with Mervyn King, 'Radical Uncertainty: Decision-making for an unknowable future'. Scottish Mortgage represents the attempt to do that in terms of investment. The Managers' investment philosophy and processes have evolved in this area over the last two decades and I would direct shareholders to read the Managers' Statement of Core Beliefs later in this Annual Report.

Together, the members of the Board and the Managers have many decades of experience. The combined lesson from all would be the importance of enduring through difficult periods. In long term investment, often the best course is to remain steadfast. Scottish Mortgage remains best suited to those who share its long term and patient approach.

I thank everyone who has continued to work on and support this Company throughout this year and look forward to the future.

Fiona McBain
Chair
14 May 2020

One Year Summary

The following information illustrates how Scottish Mortgage has performed over the year to 31 March 2020.

	31 March 2020	31 March 2019	% change
Total assets (before deduction of debentures, long and short term borrowings)†	£9,151.4m	£8,133.4m	
Borrowings	£906.8m	£703.5m	
Shareholders' funds	£8,244.6m	£7,429.9m	
Net asset value per ordinary share (after deducting borrowings at fair value)*	565.7p	500.8p	13.0
Net asset value per ordinary share (after deducting borrowings at book)†	567.3p	504.0p	12.6
Share price	573.5p	512.0p	12.0
FTSE All-World Index (in sterling terms for year to 31 March)			(8.6)
Dividends paid and proposed per ordinary share	3.25p	3.13p	3.8
Revenue earnings per ordinary share	1.55p	1.64p	(5.5)
Ongoing charges ratio*	0.36%	0.37%	
Premium (after deducting borrowings at fair value)*	1.4%	2.2%	
Active share*	93%	94%	

Year to 31 March	2020	2019
Total returns (%)*		
Net asset value per ordinary share (after deducting borrowings at fair value)*	13.7	14.6
Net asset value per ordinary share (after deducting borrowings at book)†	13.3	14.4
Share price	12.7	16.5
FTSE All-World Index (in sterling terms)	(6.2)	10.7

Year to 31 March	2020	2020	2019	2019
Year's high and low	**High**	**Low**	**High**	**Low**
Share price	659.0p	468.4p	568.3p	420.6p
Net asset value per ordinary share (after deducting borrowings at fair value)*	659.4p	479.2p	545.6p	420.5p
Premium/(discount) (after deducting borrowings at fair value)*	4.2%	(15.6%)	5.9%	(3.4%)
Average sector discount (AIC Global Sector)	1.8%	(5.0%)	0.3%	(2.4%)

	Year to 31 March 2020	Year to 31 March 2019
Net return per ordinary share		
Revenue return	1.55p	1.64p
Capital return	64.55p	59.58p
	66.10p	**61.22p**

† See Glossary of Terms and Alternative Performance Measures on pages 87 to 89.
* Alternative Performance Measure – see Glossary of Terms and Alternative Performance Measures on pages 87 to 89.
Source: AIC/Refinitiv/Baillie Gifford and relevant underlying index providers. See disclaimer on page 86.

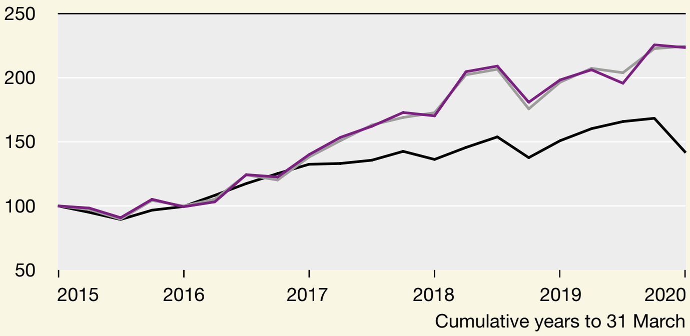
Past performance is not a guide to future performance.

Five Year Summary

The following charts indicate how Scottish Mortgage has performed relative to its benchmark* and the dividend against the retail price index (RPI) over the five year period to 31 March 2020.

Five Year Total Return Performance†

(figures rebased to 100 at 31 March 2015)



Source: Refinitiv#.

Share price total return

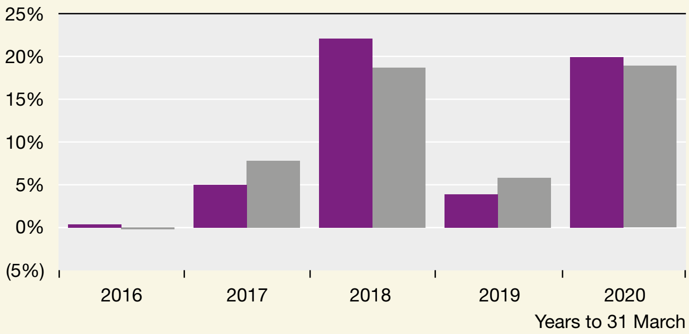
NAV (after deducting borrowings at fair value) total return

Benchmark* total return

* Benchmark: FTSE All-World Index (in sterling terms)#.

Annual Net Asset Value and Share Price Total Returns†

(relative to the benchmark total returns)



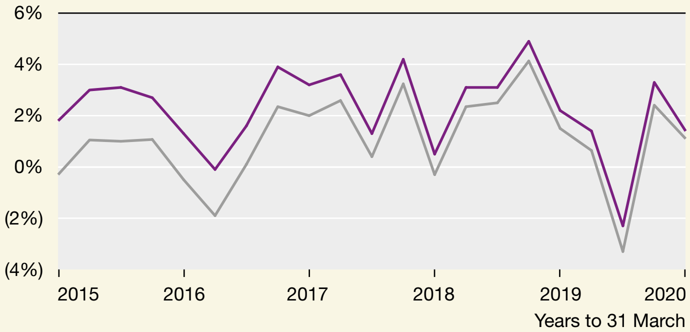
Source: Refinitiv#.

NAV (fair) return

Share price return

Premium/(Discount) to Net Asset Value†

(plotted on a quarterly basis)



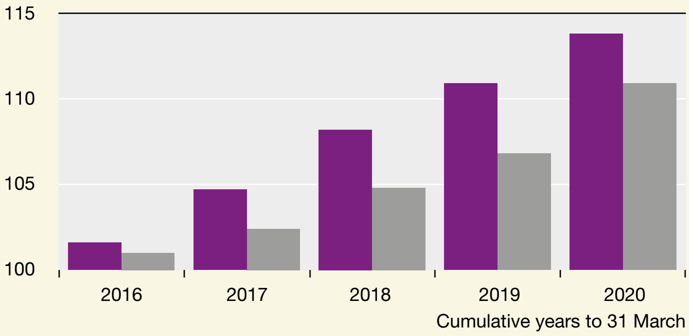
Source: Refinitiv/Baillie Gifford#.

Scottish Mortgage premium/(discount) (after deducting borrowings at fair value)†

Scottish Mortgage premium/(discount) (after deducting borrowings at par)†

Dividend and RPI Growth

(figures rebased to 100 at 31 March 2015)



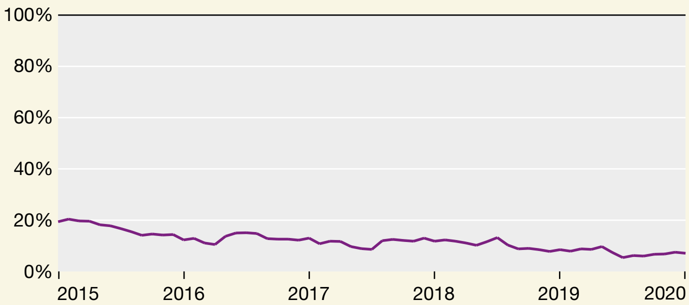
Source: Refinitiv/Baillie Gifford#.

RPI

Scottish Mortgage dividend

Five Year Turnover†

(plotted on a monthly basis, for the previous 12 months)

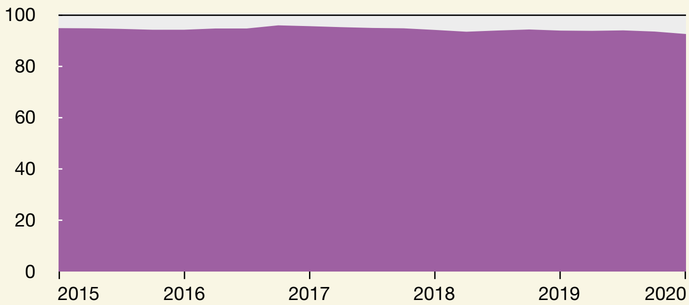


Source: Baillie Gifford.

Turnover

Five Year Active Share† Relative to the Benchmark*

(plotted on a quarterly basis)



Source: Baillie Gifford and relevant underlying index providers†.

Active share

* Benchmark: FTSE All-World Index (in sterling terms)#.

† See Glossary of Terms and Alternative Performance Measures on pages 87 to 89.

See disclaimer on page 86.

Past performance is not a guide to future performance.

Business Review

Business Model

Business and Status

Scottish Mortgage Investment Trust PLC ('the Company') is a public company limited by shares and is incorporated in Scotland. 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 amount of 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 EU Alternative Investment Fund Managers Directive.

Investment Objective

Scottish Mortgage carries on business as an investment trust. The objective is to maximise total return from a portfolio of long term investments chosen on a global basis enabling the Company to provide capital and dividend growth.

Investment Policy

Investment is predominantly in equities. The number of equity holdings will typically range between 50 and 100 and the portfolio can be relatively concentrated. Achieving diversification is a requirement when selecting investments but an unconstrained approach is adopted and there are no fixed limits set as to geographical, industry and sector exposure. Portfolio concentration and levels of diversity are monitored by the Board on a regular basis. The maximum investment in any one holding is limited to 8% of total assets at the time of purchase.

A long term investment horizon is observed and little attention is paid to short term market trends when deciding strategy. This patient approach allows market volatility to be exploited to shareholders' long term advantage. An average holding period for investments of five years or more is targeted.

The major part of the portfolio will be held in quoted equities with good liquidity. Investment may also be made in fixed interest securities, convertible securities, funds, unquoted entities and other assets based on the individual investment case. The maximum amount which may be invested in companies not listed on a public market shall not exceed 25 per cent. of the total assets of the Company, measured at the time of purchase.

With prior approval of the Board, the Company may use derivatives for the purpose of efficient portfolio management (for the purpose of reducing, transferring or eliminating investment risk in its investment portfolio, including protection against currency risk) and for investment purposes. The maximum permitted investment in other UK listed investment companies in aggregate is 15% of gross assets.

The Company aims to achieve a greater return than the FTSE All-World Index (in sterling terms) over a five year rolling period or longer. This benchmark is a reference point for considering performance and emphatically is not a portfolio construction tool. The portfolio does not set out to reproduce the index and there will be periods when performance diverges significantly from the benchmark.

Borrowings are invested in equity markets when it is believed that long term investment considerations merit the Company taking a geared position. Apart from in exceptional market conditions the Company will not take out additional borrowings if, at the time of borrowing, this takes the level of gearing beyond 30% calculated in accordance with the Association of Investment Companies (AIC) guidelines. In any event, the Company will not exceed the limit on borrowings set out in its Articles of Association, which provide that the amount of all the Company's borrowings shall not, without the previous sanction of an ordinary resolution of shareholders, exceed one half of the aggregate issued and fully paid share capital and capital reserves of the Company and, in addition, that the Company may from time to time borrow for temporary purposes sums not exceeding 20% of the Company's issued and fully paid share capital.

The Managers' Core Investment Beliefs with respect to the Company are set out on page 22.

Details of investment strategy and activity this year can be found in the Statement from the Chair on pages 2 to 4 and in the Managers' Review on pages 13 to 16. A detailed analysis of the Company's investment portfolio is set out on pages 25 to 32.

Proposed Amendment to the Investment Policy

The flexibility to invest in the best companies the Managers find, regardless of the capital structure, has been an important driver of the returns generated for shareholders. The Company proposes raising the current limit in the investment policy on investments in companies not listed on a public market by 5 per cent. from 25 per cent. to 30 per cent. of the total assets of the Company, measured at time of purchase. This will give the Managers more capacity to invest simply in the best opportunities which they find, whether these are listed companies or not, without changing the core investment proposition for shareholders. Having secured the prior approval of the proposed change from the UK Listing Authority of the Financial Conduct Authority ('UKLA'), the Company is seeking shareholder approval to make this sole change to the investment policy at the forthcoming AGM, which is currently scheduled for 25 June 2020.

Liquidity Policy

The Board recognises that it is in the long term interests of shareholders to manage discount/premium volatility. Whilst the Board believes that the primary driver of discounts over the longer term is performance, the relationship between the Company's NAV and share price can be impacted in the shorter term by an imbalance of buyers and sellers in the market.

The Board does not have formal discount or premium targets at which shares will be bought back or sold respectively, as it believes that the announcement of specific targets is likely to hinder rather than help the successful execution of a buyback/issuance policy. However, it will undertake to aid the efficient functioning of the market in its shares in normal market conditions, by acting when such a significant imbalance in supply and demand for the Company's shares exists.

In furtherance of this policy, during the year the Company bought back a total of 31,521,072 shares into treasury. Between 1 April and 12 May 2020 a further 800,000 shares were bought back. During the year the Company issued 10,525,000 ordinary shares at a premium to the net asset value. Between 1 April and 12 May 2020, a further 2,400,000 ordinary shares were issued at a premium to net asset value.

In order to be able to implement this strategy again over the coming year, the Directors will seek the relevant authorities from shareholders at the forthcoming Annual General Meeting.

To prevent substantial demand for the Company's shares pushing them to trade at a significant premium to the underlying NAV, the Board will again seek shareholder authority to allot equity securities, or sell treasury shares, for cash without having to offer such shares to existing shareholders pro-rata to their existing holdings, up to a total amount representing approximately 10 per cent. of the Company's total issued Ordinary Share capital.

Having regard to guidance previously received from the UKLA and consistent with the approach adopted in previous years, the Directors wish to ensure that any such sale of Ordinary Shares held in treasury or issue of new Ordinary Shares will not result in an inadvertent breach of the Listing Rules by virtue of the UKLA determining that 'net asset value' should be calculated on the basis of debt valued at par value, instead of the general market understanding that net asset value is determined on the basis of debt valued at fair value. The Directors will therefore also seek to renew the authority previously granted to issue shares at a discount to net asset value with debt at par value, in order to continue to protect against any such inadvertent breach. The Directors wish to stress that they will in no circumstances seek to issue Ordinary Shares (including any Ordinary Shares held in treasury) for cash at a price below the net asset value per share on the basis of debt valued at fair value.

The Directors are further seeking shareholders' approval at the Annual General Meeting to renew the authority to purchase up to 14.99 per cent. of the Ordinary Shares in issue from the date of grant of the authority to the date of the Annual General Meeting in 2021. Such purchases will only be made at a discount to the prevailing net asset value. Any such shares which are bought back may be held in treasury and may subsequently then either be sold for cash or cancelled.

Dividend Policy

The Board intends to pay a modest but growing dividend in accordance with the stated Investment Objective of the Company to maximise total return from a portfolio of long term investments chosen on a global basis enabling the Company to provide capital and dividend growth. The Board anticipates that returns will primarily be driven by long term capital appreciation and that income will remain a small component of the total return, consistent with the Company's growth focused investment strategy.

The dividend will be paid from a combination of revenue earnings, revenue reserves (if any) and distributable capital reserves (comprising mainly realised investment gains), provided that the Board remains of the view that the total returns being earned by the Company over the long run justify this use of capital reserves.

The Board will continue to keep the dividend policy and the use of realised capital reserves under review.

Gearing Policy

The Board is committed to the strategic use of borrowings in the belief that gearing the portfolio into long run equity market returns will enhance returns to shareholders over the long term. The Board views this capacity to use debt as one of the principal advantages of the investment trust structure. In line with the long term approach taken, no attempt is made to time short term market movements through tactical shifts in the level of gearing. The gearing instruments will include debt instruments with different durations. Where the Board deems it appropriate, borrowings may be denominated in foreign currencies as well as sterling.

Although the borrowings limit set out in the Articles of Association is 50% of issued and fully paid share capital and reserves, borrowing covenants are in place restricting gearing to 35% of adjusted net asset value or total assets (dependent on the lender). The Company will not take out additional borrowings if, at the time of borrowing, this takes gearing beyond 30% (calculated in accordance with the AIC guidelines).

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 net asset value per ordinary share (after deducting borrowings at fair value);
- the movement in the share price;
- the movement of net asset value and share price performance compared to the FTSE All-World Index;
- the premium/discount (after deducting borrowings at fair value);
- the ongoing charges ratio;
- revenue return; and
- dividend per share.

An explanation of these measures can be found in the Glossary of Terms and Alternative Performance Measures on pages 87 to 89.

The one, five and ten year records of the KPIs are shown on pages 5, 6 and 33. The primary KPIs are also presented on page 1.

In addition to the above, the Board considers performance against other companies within the AIC Global Sector.

Borrowings

There are four debentures in issue, all of which are listed and quoted on the London Stock Exchange and details of which are given on pages 67 to 68, page 73 and page 77. The Company has issued private placement loan notes as detailed on page 68. In addition, loan facilities are in place which are shown on page 67.

During the year the Company issued the following private placement unsecured loan notes:

— £150 million at a coupon of 2.30% maturing on 15 January 2040

— €18 million at a coupon of 1.65% maturing on 15 January 2045

— €27 million at a coupon of 1.77% maturing on 15 January 2050

Additionally, the US$85 million two year revolving loan with The Royal Bank of Scotland plc was refinanced during the year with a US$85 million two year revolving loan with The Royal Bank of Scotland International Limited.

Principal Risks

As explained on page 42 there is a process for identifying, evaluating and managing the risks faced by the Company on a regular basis. The Directors have carried out a robust assessment of the principal and emerging risks facing the Company, including those that would threaten its 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 consist mainly of listed securities and its principal and emerging financial risks are therefore market-related and include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. An explanation of those risks and how they are managed is contained in note 19 to the Financial Statements on pages 70 to 77. The Board has, in particular, considered the impact of heightened market volatility since the coronavirus outbreak. To mitigate these risks, the Board considers at each meeting various metrics including portfolio concentration, regional and industrial sector weightings, top and bottom stock contributors to performance and contribution to performance by industrial sector. The Managers provide the rationale for stock selection decisions and both the investment strategy and portfolio risk are formally considered in detail at least annually. The Board has considered the potential impact on sterling from the remaining Brexit related uncertainties. The value of the Company's investment portfolio would be affected by any impact, positively or negatively, on sterling but would be partially offset by the effect of exchange movements on the Company's US$ denominated borrowings.

Unlisted Investments – the Company's risk could be increased by its investment in unlisted investments. These assets may be more difficult to buy or sell, so changes in their prices may be greater than for listed investments.

To mitigate this risk, the Board considers the unlisted investments in the context of the overall investment strategy and provides guidance to the Managers on the maximum exposure to unlisted investments. The investment policy limits the amount which may be invested in unlisted companies to 25 per cent. of the total assets of the Company, measured at time of purchase. The Board is seeking shareholder approval at the forthcoming Annual General Meeting to increase the limit to 30 per cent. (see pages 7 and 19).

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 risk, 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. The Liquidity Policy is set out on page 7.

Regulatory Risk – failure to comply with applicable legal and regulatory requirements such as the tax rules for investment trust companies, the UKLA 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 risk, Baillie Gifford's Business Risk, Internal Audit and Compliance Departments provide regular reports to the 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 Board receives six monthly 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.

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 coronavirus outbreak) or major disaster. Since the introduction of the Covid-19 restrictions, almost all Baillie Gifford staff have been working from home and operations have continued very largely as normal. 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. 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. If the investments fall in value, any 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 risk, 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 83 and the Glossary of Terms and Alternative Performance Measures on pages 87 to 89.

Political Risk – Political developments are closely monitored and considered by the Board. Following the departure of the UK from the European Union on 31 January 2020, the Board continues to assess the potential consequences for the Company's future activities. Whilst there remains considerable uncertainty, the Board believes that the Company's global portfolio, with no significant exposure to the United Kingdom, positions the Company to be suitably insulated from Brexit-related risk (see page 4).

Viability Statement

In accordance with provision 31 of the UK Corporate Governance Code that the Directors assess the prospects of the Company over a defined period, the Directors have elected to do so over a period of 10 years. The Directors continue to believe this period to be appropriate as the investment objective of the Company is aimed at investors with a 5 to 10 year investment horizon and, subject to the assumptions detailed below, the Directors do not expect there to be any significant change to the current principal risks facing the Company nor to the adequacy of the controls in place to effectively mitigate those risks. Furthermore, the Directors do not reasonably envisage any change in strategy or any events, including the impact of the coronavirus outbreak, which would prevent the Company from operating over a 10 year period.

Assumption 1

There is no significant adverse change to the regulatory environment and tax treatment enjoyed by UK investment trusts.

Assumption 2

The Company does not suffer sustained inadequate relative investment performance with the current or any successor fund managers such that the Company fails to maintain a supportive shareholder base.

Using the long term expectations of shareholders as the main determinant of the chosen assessment period, the Directors have conducted a robust assessment of the principal risks and uncertainties facing the Company (as detailed on pages 9 and 10) and, in particular, the impact of market risk where a significant fall in global equity markets would adversely impact the value of the investment portfolio. In reviewing the viability of the Company, the Directors have considered the key characteristics of the Company which include an investment portfolio that takes account of different degrees of liquidity, with moderate levels of debt and a business model where substantially all of the essential services required are outsourced to third party providers; this outsourcing structure allows key service providers to be replaced at relatively short notice where necessary.

The Directors have also considered the Company's leverage and liquidity in the context of fixed term debentures, the existing and additional private placement loan notes issued during the year and short term bank loans, the revenue projections, the readily realisable nature of the listed portfolio which could be sold to provide funding if necessary and its stable closed ended structure. In April 2017, an unsecured loan note was agreed for issuance on 30 September 2020 to refinance the £20 million 8–14% stepped interest debenture stock maturing on 30 September 2020. Specific leverage and liquidity stress testing was conducted during the year, including consideration of the risk of further market deterioration resulting from the coronavirus outbreak. The leverage stress testing identified the impact on leverage in scenarios where gross assets fall by 25% and 50%, reflecting a range of market conditions that may adversely impact the portfolio. The liquidity stress testing identified the reduction in the value of assets that can be liquidated within one month that would result in the value of those assets falling below the value of the borrowings. The stress testing did not indicate any matters of concern. The Board has specifically considered the UK's departure from the European Union on 31 January 2020 and believes that the Company's global portfolio, with no significant exposure to the United Kingdom, positions the Company to be suitably insulated from Brexit-related risk.

The Directors have concluded that these sustainable long term characteristics provide a high degree of flexibility to the Company and afford an ability to react so as to mitigate both controllable and most external uncontrollable risks and events, including the impact of the coronavirus outbreak, in order to ensure the long term prosperity of the business.

Based upon the Company's processes for monitoring operating costs, share price premium/discount, the Managers' compliance with the investment objective, the portfolio risk profile, leverage, counterparty exposure, liquidity risk, financial controls and the Managers' operational resilience, the Board believes that the prospects of the Company are sound and the Directors are able to confirm that they have a reasonable expectation that it will continue in operation and meet its liabilities as they fall due over a period of at least 10 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 Scottish Mortgage being an externally-managed investment company with no employees, the Board considers that the Company's key stakeholders are its shareholders, its externally-appointed Managers (Baillie Gifford) and other professional service providers (corporate brokers, registrar, auditors and depositary), lenders, wider society and the environment.

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 Scottish Mortgage and on the future plans/prospects for the Company (see Notice of Meeting on page 78). It also allows shareholders the opportunity to meet with the Board and Managers and to raise questions and concerns. This year, regrettably it is looking likely that the presentations will be 'virtual' as opposed to in person, nevertheless strong emphasis is placed on ensuring that shareholders still have opportunity to ask questions of the Board and Managers (see page 85). Various Scottish Mortgage shareholder events provide additional opportunities for shareholders and potential investors to engage with the Managers (see page 86). Several forums were held over the past year at various locations around the UK and the Chair attended the forums held in London and Edinburgh. Furthermore, the Chair of the Board and the Chair of the Audit Committee are available to meet with shareholders 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 brokers. These communication opportunities help inform the Board when considering how best to promote the success of the Company for the benefit of all shareholders over the long term.

The Board seeks to engage with the Managers 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's shareholders and other stakeholders 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 (with all substantive operations being conducted by the Company's third party service providers), the Board is keenly 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 proper consideration of ESG factors sits naturally with Scottish Mortgage's long term approach to investment. The Board is supportive of the Managers' use of technology to reduce business travel. The Board's approach to matters of diversity and inclusion is set out on page 41.

The Board recognises the importance of keeping the interests of the Company's stakeholders, and of acting fairly between them, firmly front of mind in its key decision making and 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:

— as part of the Board's succession planning, the completion of the recruitment process and the subsequent appointment of Professor Amar Bhidé on 14 May 2020 (see page 41). This appointment is consistent with the AIC Corporate Governance Code principle that 'a successful company is led by an effective board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society';

— the appointment of Numis Securities Limited as joint corporate broker following the completion of a tender process. The Board believes that the appointment of Numis will support the liquidity of the Company's shares to the benefit of existing and potential shareholders and provide the Board with access to its market expertise;

— the raising of over £188 million of long term, fixed rate, unsecured loan notes at attractive rates of interest for the purpose of maintaining the relative gearing level of the Company which the Board believes will enhance returns to shareholders over the long term; and

— the proposal to amend the investment objective and policy at the forthcoming Annual General Meeting to increase the maximum amount that may be invested in unlisted companies from 25 per cent. to 30 per cent. of total assets, measured at time of purchase. The Board believes that this proposal will benefit shareholder returns over the long term by giving the Managers more flexibility to invest in the best opportunities they find regardless of the companies' capital structures.

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. Further information on the Company's approach to environmental, social and governance (ESG) matters is provided on page 12. The Board encourages all service providers to the Company to consider matters of diversity and inclusion and report on progress to the Board annually (see page 41).

Gender Representation

The Board comprises six Directors, four male and two female. The Company has no employees. The Board's policy on diversity is set out on page 41.

Environmental, Social and Governance Policy

The Company believes that it is in the shareholders' interests to consider environmental, social and governance (ESG) factors 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 at www.bailliegifford.com. The Managers' policy has been reviewed and endorsed by the Board.

The Managers 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 and the Asian Corporate Governance Association.

Further information can be found under Corporate Governance and Stewardship on page 43.

The Company considers that it does not fall within the scope of the Modern Slavery Act 2015 ('Act') 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 www.bailliegifford.com.

Future Developments of the Company

The outlook for the Company is set out in the Statement from the Chair on pages 2 to 4 and the Managers' Report on pages 13 to 16.

The Strategic Report which includes pages 2 to 33 was approved by the Board of Directors and signed on its behalf on 14 May 2020.

Fiona McBain
Chair

Managers' Review

We cannot know the consequences of Covid-19 beyond human tragedy. It is presumptuous to make predictions about complex and inherently uncertain matters at any time. Under conditions of stress in society and markets it is even more dangerous. We are better observing rather than concluding prematurely. When faced with the extraordinary it's far too easy to retreat to preconceptions. As investors we would like to see the current crisis provoke a further acceleration in digitalisation and healthcare innovation. As observers we would hope that the current crisis will prompt increased concern over the threat driven by other extreme outcomes in inequality or climate decay. But it isn't at all clear that these are more than pious hopes.

It is far harder to identify how and why the pandemic has changed our views. Generally it's perilously early to do so. It's also dangerous to focus solely on one event however terrible. Two years ago this report quoted the late, great Hans Rosling. He frequently cited a global pandemic as his greatest fear. But he also warned that unusual and negative events warp our minds: 'if we are not extremely careful, we come to believe that the unusual is usual: that this is what the world looks like.' At some point he emphasised that we need to return to 'the secret, silent miracle of human progress'.

The End of Carbon

One such miracle may already have occurred. It may eventually be seen as equally historic and as beneficial as the pandemic has been malign. The age of carbon may have ended before the virus spread. For all the drama of the Saudi-Russian clash or of negative oil prices this was a transformation long foretold but finally turning unstoppable in the first quarter of 2020. The remorseless fall in the prices of renewable energy has at last translated into savage competition against traditional fuels.

In the first three months of 2020, 52% of German electricity came from renewables. In the UK that figure was 45%. No wonder the share prices of Exxon, BP and Schlumberger were already falling sharply in January and February. Sad though it is to say pandemics are far more common than energy transitions in the history of the world. The rise of renewables and the electrification of transportation will be central to the investing world of the next twenty years at least. It matters.

Geography

The Coronavirus has already exacerbated the name calling between America and China. It could hardly be otherwise given the characteristics of leadership in both countries. But it seems clear to us that the geographical centre of the global economy continues to move to Asia, generally at an accelerated pace. This is an observation not an endorsement of one country or a political system. It's likely at the simplest level that Asian GDP can grow in 2020. That's improbable in the USA and impossible in Europe. Before and beyond the virus we have been disconcerted by the extent to which business model leadership and systemic dynamism appear to be fading in America, even on the West coast. This too appears to be in contrast to Asia and, in the world of corporate giants, particularly relative to China. I will leave the specific examples to Tom Slater to discuss in the next section of this Report to our shareholders.

The geographical centre of the global economy continues to move to Asia.

Risk and the Index

Scottish Mortgage has long believed in the energy revolution. But we cannot become unduly confident. It's critically important to test all our beliefs. This applies more strongly to our general contentions than to our individual stock decisions. The latter are necessarily subject to specific uncertainties that we cannot wish or diversify away. But if our underlying beliefs are structurally wrong and we are therefore unable to make sense of the investing world for a prolonged period, then we need to reassess. We need to ask ourselves if our philosophy is adapted to the world as it will be rather than as we hope it is. This applies at all times. It applies at least as much when we have been successful as in times of disappointment. It applies even more when the shape of the investing world is changing dramatically.


Searching for new fishing grounds.

Two years ago in this report we wrote that 'We do not share the presumption that Scottish Mortgage is doomed to suffer unduly in a bear market. To us the underlying cause of the next market retreat is most likely to be the dawning realisation that broad swathes of the stock market that are assumed to be strong and stable in difficult market conditions are instead acutely vulnerable to severe setbacks'. Three years ago we said that 'we do not accept that risk resides in owning a portfolio that is different from the index' and suggested that this definition of risk owed more to the self-interest of the investment industry than to economic reality. We did not predict the current pandemic although the possibility of such a disaster was always present as experts in healthcare and fragility have repeatedly observed. So we did not suspect that the trigger for the collapse in the businesses and share prices of so many major index constituents would lie in Covid-19. But they were indeed vulnerable to severe setbacks even if we expected this to unwind over a decade not a year.

There's not much evidence that capital market ideology will take much notice of the crass failings of its prescriptions. Managers and consultants will continue to talk to themselves of tracking errors and Sharpe ratios as risk controls (the reader is fortunate if they are unexposed to such terms) whilst their clients suffer. The curriculum of the ever more dominant Chartered Financial Analyst (CFA) will not change although its teachings bear little resemblance to market outcomes.

These comments are meant to convey meaning beyond irritation. The opportunity for us in the last decade has come about because stock markets did not learn. This is unusual. Normally investors, speculators and traders leap restlessly onto new paradigms however questionable their underpinnings. But that hasn't happened despite, for example, the clear evidence of the power of the internet, the increasing returns to scale it tends towards and the consequent deep competitive moats it offers. Instead of embracing exponential growth, investors and asset allocators have fled. Performance chasing has its own evils but replacing it with endless rebalancing towards 'value' strategies backed by a blind conviction that reversion to the mean is inevitable has been an investment tragedy. It's largely been prompted by misguided theorising. But the theory has been reinforced by the extraordinary grip that Warren Buffett has exercised over the investment world. Of course the very long term record of Berkshire Hathaway is brilliant, of course Buffett has a splendid way with words and the public, of course he doesn't believe in the silliness of risk as divergence from the index. But Buffett's success has sanctified a freezing of the investment narrative. Or as Buffett's brilliant partner, Charlie Munger, puts it with the clarity of a 96 year old, too many investors are 'like a bunch of cod fishermen after all the cod's been overfished...that's what happened to all these value investors. Maybe they should move to where the fish are'. So where will the fish be in the future?

Whilst the collective investment world has shown little enthusiasm for shifting to new hunting grounds the market has adapted, as it does, without most participants. This carries potential problems. The universe of great growth whales is swallowing the minnows. At one point in April the US Nasdaq index, dominated by technology companies, enjoyed a market capitalisation greater than all the developed markets outside America. Or on a plaintive local note Amazon and Alphabet combined are more highly capitalised than all quoted British companies. It's not clear that this is unjustified. Moreover the perception of relative vulnerability has changed. Most investors craving safety now see Amazon and its kin as far less exposed to economic angst. In general our quoted portfolio has therefore become more conventional and gradually, then suddenly, less differentiated from the index than in the past. This does not unduly concern us at present as the world adapts to wrenching changes but it may become an issue in the future. We must continue to evolve.

James Anderson

Managers' Review

Through the patient provision of capital, we aim to support the people and companies that are building the future of our economy. So the absence of dramatic change in the portfolio over the past twelve months should come as little surprise. We still own 29 of our top 30 holdings from a year ago. We believe that having long-term, committed owners can increase the chance of success for companies. Moreover, long-term ownership is the key to capturing the value created by the small number of exceptional companies that drive long-term wealth creation. Our objective is to find such companies and own them long enough to earn that return.

Studying the output of our investment process (a portfolio with modest turnover and long holding-periods) risks confusing low turnover with no turnover. Amazon does not remain our largest holding because we are contented owners. It remains our largest holding because our constant search for the world's most exciting and innovative Growth companies has not turned up another opportunity which we think offers greater risk-adjusted upside.

This fierce competition for our capital goes part way to explaining the sale of Chinese internet search company, Baidu, once Scottish Mortgage's largest holding. Baidu has struggled to use its enduring dominance in Search as a base to build new services for consumers. Failing to evolve means being left behind. China's online companies have built the backbone of its consumer economy and their pace of development and innovation has been ferocious. Alibaba and Tencent have become dominant platforms through which much economic activity flows and recent events have further cemented their centrality. Whilst these companies started out in the retail and entertainment businesses, they now drive financial inclusion and provide access to credit. In a country where advanced software has been scarce, they are beginning to digitise and upgrade a huge swathe of China's economy and public sector through the provision of systems and data on an unprecedented scale.

TikTok's popularity continues to grow.

© Imaginechina Limited/Alamy Stock Photo.

It is encouraging to see new innovative companies emerging from China's internet ecosystem. Bytedance is a media company focused on short-form video. It was founded by several former Baidu engineers and may be the first Chinese media company to build a big presence internationally. Younger audiences have flocked to its social media platform, TikTok, which has transcended cultural and geographic boundaries. Bytedance's core skill is in deploying artificial intelligence to predict the content that each member of its vast audience will be interested in. This skill-set should extend the opportunity well beyond current products. The addition of Bytedance to our portfolio has helped to ensure that we retain a significant exposure to Chinese companies despite the sale of Baidu. The creative ferment, intensive competition and relentless execution that exist in this vast market are a powerful combination for shaping great companies and it remains an important hunting ground for new ideas.

Meituan's yellow jacketed riders have become ubiquitous in large Chinese cities.

© Imaginechina Limited/Alamy Stock Photo.

Chinese food delivery and local service company, Meituan, narrowly missed out on joining its geographic complement, Delivery Hero, in our top ten holdings. These businesses are driving change in the food industry and their focus on the fastest-moving countries has allowed them to achieve massive scale. Meituan delivers more than 20 million meals per day compared to a mere 500 thousand for US-based peer Grubhub (which we sold during the year). Scale is driving it forward towards profitability and dominance.

The current food industry paradigm of driving to a grocery store, pushing a shopping trolley around the aisles, queuing at a check-out, driving home, putting groceries into cupboards, retrieving them, preparing and cooking a meal then cleaning the dishes is inefficient. Amazon is attacking a number of the steps in the process as it broadens its online offerings and integrates the Whole Foods brand to provide click and collect and home delivery services. Competition in grocery is likely to be intense and capital-consumptive but that is exactly the type of environment

© Tesla.

Amazon thrives in. The scale of the opportunity is big enough to make a difference even to a company of Amazon's size. Berlin-based HelloFresh's subscription model of delivering locally-sourced, fresh ingredients for home-cooked recipes is seeing burgeoning demand across many markets including the US where, notably, it has outcompeted the domestic alternatives.

Bytedance's innovation and audience creation have happened in a time of limited progress in the Western advertising industry from either a product or business model perspective. Facebook and Alphabet are smaller holdings than they once were. Whilst Alphabet continues to make good progress in Search, Facebook's product focus has for some time been predominantly on firefighting. Thankfully we have been fortunate to benefit from the wisdom of others in navigating this evolving media landscape. We bought a holding in You and Mr Jones, an unlisted advertising agency founded by the eponymous former CEO of Havas, back in 2015. His underlying insight was that the corporate sector needed specialist help in harnessing the increasingly complex online and mobile advertising environment. That foresight has proved correct with big brands moving their business away from large agencies to You and Mr Jones.

With consumer internet development muted, it has been left to Tesla to uphold the reputation of West Coast America for bringing disruptive innovation to the world. It has made remarkable progress. The vision and ambition at Tesla have always been clear but at times the company has struggled with execution. That has changed. Steadily increasing and profitable production of the Model 3 sedan has been accompanied by the successful (and earlier-than-planned) production ramp of a new SUV, the Model Y. At the same time the company has completed a second production facility in Shanghai and launched a pickup truck which has already amassed hundreds of thousands of pre-orders. This progress has come amidst delays, cancellations and false starts in electric vehicle production for the established auto manufacturing industry. We wish we could find other big companies that were making such progress in the move to a sustainable energy economy.

We believe software is going to bring profound changes to the transport industry over the next decade. Tesla's autonomous driving functionality continues to improve as it gathers data from the sensors attached to its large and growing fleet of customer vehicles. The traditional industry will be unable to compete with this technology and we expect it will increasingly turn to companies like our holding, Aurora, which is building a virtual driver for car manufacturers to integrate into their vehicles. If the task of producing autonomous terrestrial vehicles proves too complex then it may be left to companies like Joby Aero to bring the once fanciful idea of flying cars into reality.

Healthcare has dominated the headlines of recent months but at the corporate level there have been relatively few noteworthy developments. We are encouraged by the progress of companies working at the intersection of information technology and medicine such as Grail, Zipline and Tempus Labs. Thus far their growth rates reflect their software inheritance rather than the institutional inertia of their chosen market. However, it has been the companies deploying the tools of modern biology in an industrial setting that have been making the most progress. Ginkgo Bioworks is automating the jobs performed by human scientists in order to industrialise the development of new materials. It is harnessing the power of micro-organisms to produce products across industries as diverse as food ingredients, agriculture and speciality chemicals. Without the understandable safety constraints and (less understandable) bureaucratic challenges of working within a healthcare environment, the pace of improvement and related cost declines are remarkable.

Whilst the newspapers focus on the gloom associated with the impact of Covid-19 it is important not to lose sight of the fact that we live in a time of great progress. The opportunities for Growth investors are plentiful.

Tom Slater

Breaking Down Artificial Boundaries

Over the last decade, a significant and growing number of companies around the world have been staying private for much longer in their development before listing on a public stock exchange. The value created while a company remains private is out of reach of most investors, or at least extremely expensive to access.

In order to maintain the same quality of opportunity set for Scottish Mortgage, we have simply continued to invest directly in any company, public or private, which meets our investment philosophy and criteria. This was achieved with the support of the Board and shareholders. It utilises the benefits of the Company's closed-end structure and low-cost proposition. There are no additional fees hidden here.

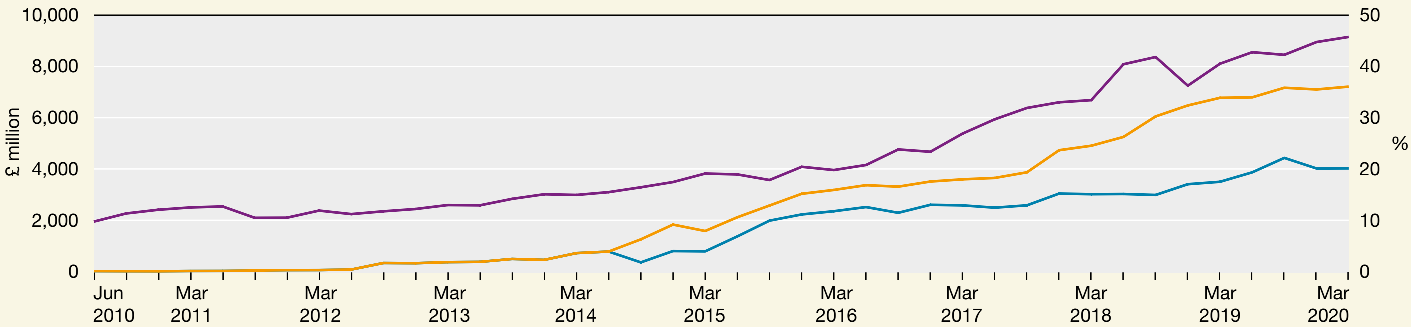
Equity Investing Is All about Capturing Long Run Compounding Returns

One of the important advantages that Scottish Mortgage has when investing in established private companies is the ability to continue owning such businesses as and when they become public companies. This means that it is possible to capture the benefits from the long run compounding of returns as they grow from a lower starting value.

In 2012, Alibaba became the first private business Scottish Mortgage invested in directly. It became a public company in 2014. Scottish Mortgage still holds every single share in Alibaba that it bought in 2012 as well as many more besides and it has been a top ten holding for years now.

Since then, a number of the other private businesses in the portfolio have also subsequently become public companies, most of which continue to be held today. A handful of the unlisted businesses have been taken over while we have held them. Most importantly though, a wide variety of new private companies have continued to enter the portfolio and the overall number and weight of these have continued to rise over time as this has simply been where the best new investment opportunities were found.

This graph shows the growth of the importance of this flexibility over the last decade:



Source: Baillie Gifford.

Total assets (in sterling) (left hand axis)

Unlisted securities as a % of total assets (right hand axis)

Unlisted securities and listed securities previously held in the portfolio as unlisted securities as a % of total assets (right hand axis)

The purple line shows the growth in the total assets of Scottish Mortgage (left hand scale). The orange line shows the growth in the percentage of the portfolio invested in those companies that we initially bought when still private, regardless of their status today (right hand scale). The blue line starts in 2014 at Alibaba's initial public offering (IPO) and shows the level of just the assets which are not listed on a public market (right hand scale).

As can be seen from the orange line, the companies which started out as unlisted holdings now account for well over a third of the total portfolio. Included at the end of this report on page 20 is a table showing the return from each of these companies over the period that they have been held. As shareholders will have gathered from the Company's Interim Reports, the flexibility to invest in this way has been an important driver of returns over the last decade.

The Importance of Reputation and Relationships

The best growth business seek investors whose interests and time horizons are aligned to their own, rather than purely the highest bidder today. As a firm, we have built a reputation based on our actions as engaged and constructive owners of businesses across the world over periods spanning many years on behalf of our clients. Scottish Mortgage's flexibility means it offers private companies the prospect of an enduring relationship few others can match. We do not come with a predetermined exit timetable, potentially requiring an IPO at an inopportune moment for a business. Further, if and when it does decide to become public, there is clear potential for the level of investment to scale significantly, both for Scottish Mortgage and across Baillie Gifford's much wider client base. This helps to stabilise what can be a turbulent time for newly public companies. In a world with plenty of investment capital available to the best opportunities, such competitive advantages matter. It is often the companies, rather than the investors, who make the final decision.

Not only does our reputation open doors when we seek out opportunities, but we have also seen an increasing number of private companies approach us in recent years. Further, as key individuals work with multiple companies, we see a network effect from these relationships. We go on to select only a very few of the opportunities available. Over this financial year, we considered several hundred private companies but invested in only seven.

We have found that it is often possible to have more open discussions with the management teams at private companies, precisely because both sides have made a long term commitment. This helps to build a solid foundation for our relationship, improving the quality of the insights we gain from those running these businesses. The relationship created during the first couple of years of investment while Alibaba was still private, helped us to understand the development not only of the company but also of China better. Such relationships can also be valuable in another way. Scottish Mortgage's initial investment in Alibaba enabled us to invest in Ant Financial, the financial services giant that Alibaba created directly.

Putting the Private Companies in the Portfolio into Context

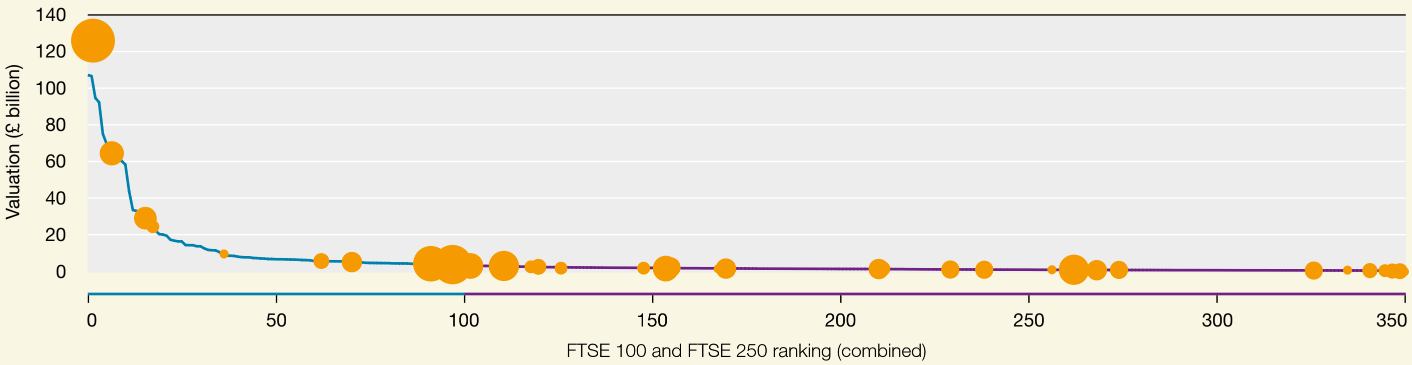
We seek companies where the likelihood of them succeeding in their extraordinary ambitions combined with the potential returns from doing so far outweigh the likely risk to the capital invested from failure. Though size alone is also not a definitive indication of where this balance of risk and potential return might be in a company, it is somewhat more reflective of this than the public/private distinction used as a proxy by many.

Today, Ant is the largest unlisted holding (2.3% of the total) and also the largest such company by market value in the portfolio. Its payments platform alone already handles a multiple of the transactions each day that Visa's does across the globe, yet payments only represents one of the five broad areas of financial services it offers. Were Ant to be listed on the London Stock Exchange (LSE), it would be the largest company in the FTSE 100 based on its size, as can be seen from the graph below.

Ant is far from the only private company held already of a scale equivalent to those in the FTSE 100 Index. At the end of March 2020, just under half of the weight of the assets invested in individual private businesses was in companies which would have been already within or very close to joining this group based on their scale, if they were UK listed public companies. Nor is this a new phenomenon. In 2015, when we first invested in Meituan Dianping, it was already of a similar scale to Amazon when we first invested in that company in 2005 and would also have come within the FTSE100 cohort by valuation. By the time it became a public company in 2018, it was almost three times that size. Similarly, Spotify was already a global company when we first invested in 2015 and would have come within this group on the same basis. Again, it was almost three times that size when it became public. These are not the only examples.

The graph below places the scale of these private companies held against a familiar frame of reference for shareholders. The line graph plots the market capitalisations of the companies in the FTSE 100 and FTSE 250 against their rank in those indices. The bubbles on the line indicate the private companies' approximate ranking in these indices based on their market value. The size of the bubbles represents their relative portfolio weights.

Scottish Mortgage's Unlisted Holdings



Source: Baillie Gifford and Factset.

FTSE 100

FTSE 250

Scottish Mortgage's unlisted holdings

Valuations based on market capitalisation for FTSE 350 (FTSE 100 and FTSE 250) and enterprise value for Scottish Mortgage's unlisted holdings. As at 31 March 2020.

The table below ranks these companies by their size and gives their main area of business and their overall portfolio weight.

Unlisted Holdings by Scale

Scale	Company	Total assets %	Country*	Industry
1	Ant International	2.3	China	Financial Services
2	Bytedance	0.7	China	Social Media
3	Space Exploration Technologies	0.6	US	Satellite Communications and Aerospace
4	Stripe	0.3	US	Financial Services
5	Airbnb	0.2	US	Travel and Leisure
6	Snowflake	0.1	US	IT
7	Full Truck Alliance	0.3	China	Logistics
8	Tanium	0.5	US	IT
9	Tempus Labs Inc	1.5	US	Healthcare AI
10	Palantir Technologies	0.3	US	IT
11	Ginkgo BioWorks	1.8	US	Synthetic Biology
12	Grail	0.8	US	Healthcare
13	TransferWise	1.1	UK	Financial Services
14	AUTO1	0.2	Germany	Automotives
15	Affirm	0.3	US	Financial Services
16	Aurora	0.2	US	Transport
17	Convoy	0.2	US	Logistics
18	Indigo Agriculture	0.8	US	Agriculture
19	JAND Inc (Warby Parker)	0.5	US	Eyewear Online
20	Joby Aero	0.1	US	Transport
21	Essence Healthcare	0.5	US	US Healthcare Insurance
22	Carbon	0.5	US	Industrial Manufacturing
23	Clover Health	0.3	US	Healthcare
24	HeartFlow	0.4	US	Healthcare
25	Away Inc (JRSK)	0.4	US	Digital Retailer
26	CureVac	0.1	Germany	Life Sciences
27	You & Mr Jones	1.4	US	Digital Brand Agency
28	Zipline	0.5	Rwanda	Healthcare Logistics
29	Thumbtack	0.4	US	Services Network
30	Recursion Pharmaceuticals	0.4	US	Life Sciences
31	Sana Biotechnology	0.1	US	Life Sciences
32	Bolt Threads	0.3	US	Manufacturing
33	KSQ Therapeutics	0.2	US	Healthcare
34	Udacity	0.1	US	Education
35	The Production Board	0.4	US	Food science
36	ZocDoc	0.2	US	Healthcare
37	Uptake Technologies	0.3	US	Industrial Assets
38	Intarcia Therapeutics	0.1	US	Life Sciences

US Germany China UK Rwanda

* Country represents the primary area of business exposure for the company.

This is a diverse group of businesses, operating across a wide range of industries, but it must also be considered within the context of the whole portfolio for Scottish Mortgage.

The fair valuation pricing policy for these assets is detailed elsewhere in this report and on the Company's website. The disciplined application of our valuation policy means that the prices of these assets will also be impacted during turbulent times in public markets. We saw this most clearly towards the end of the Company's financial year in March. However, this policy does also ensure that the published net asset values for Scottish Mortgage remain reflective of the prices we would likely be paid at that point for all of the assets in the portfolio, allowing shareholders to make informed investment choices.

Investment Policy Update

Initially, the level of the private companies in the portfolio remained very modest and was monitored by the Board. By 31 March 2016, the unlisted assets represented 11.8% of the total portfolio and it was agreed that it was an appropriate moment to provide further clarity in this area. Shareholders approved a resolution at the Company's Annual General Meeting (AGM) in June 2016 to update the investment policy. This included the following new provision: 'the maximum amount which may be invested in companies not listed on a public market shall not exceed 25 per cent. of the total assets of the Company, measured at the time of purchase'. Although this construction meant that, if this level were to be exceeded, no further unlisted investments may be made while this remained the case, it also protected Scottish Mortgage from becoming a forced seller of these private companies based purely on relative and/or absolute changes in the values of the assets.

As at 31 March 2020, the unlisted assets represented 20.1% of the total. Though the level has previously been higher than this, it has consistently remained under one quarter of the whole portfolio (see graph on page 17). While we have not yet been formally prevented from simply investing in the best companies available, in practice as the level draws near to the limit considerations over the best use of the remaining capacity do weigh on the investment decisions taken.

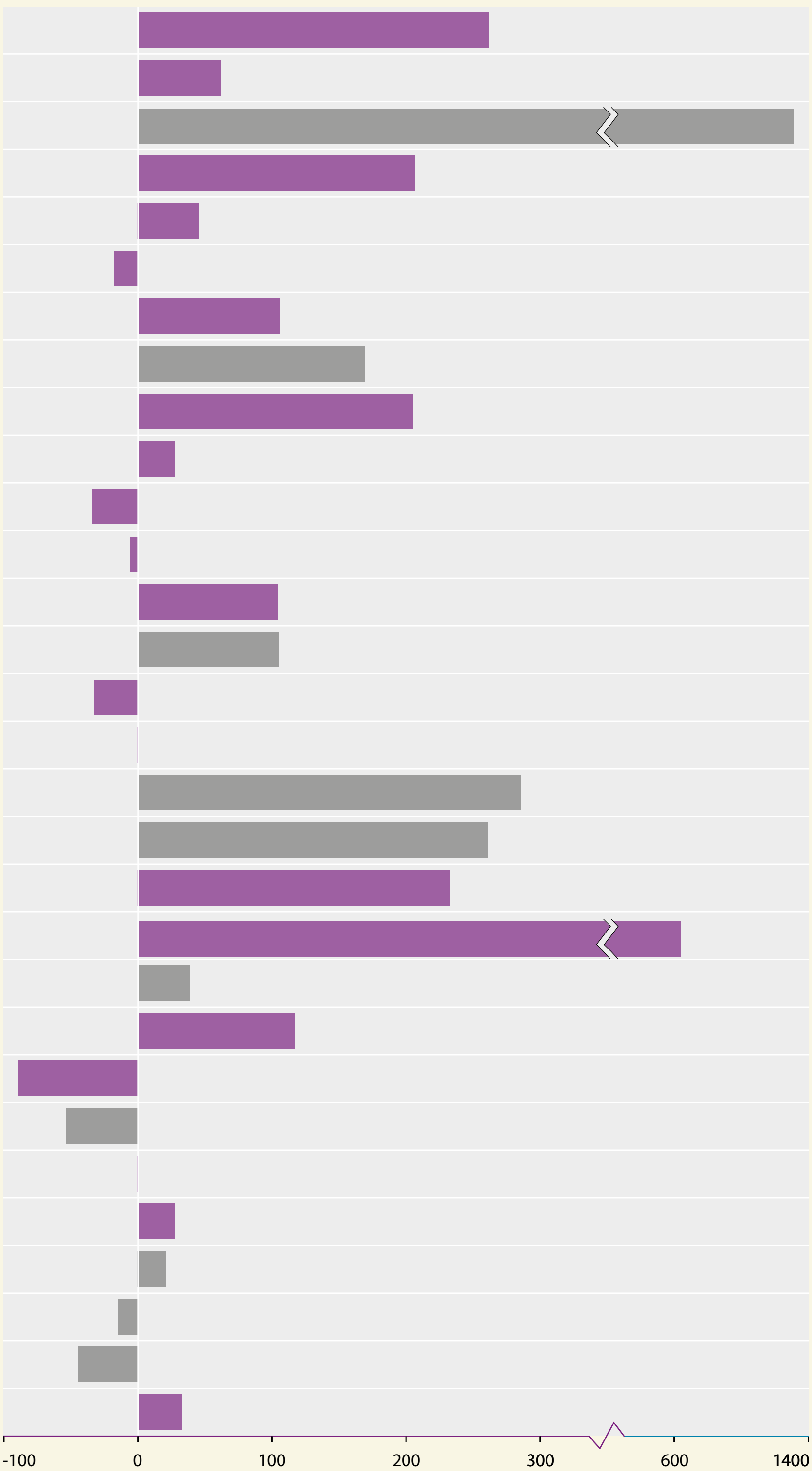
It is just as important to ensure that further investments may be made in those private companies showing real progress, as it is to ensure that all new opportunities may be judged equally on their fundamental merits. Accordingly, we are seeking shareholder approval to raise the current limit by 5 per cent. to 30 per cent. The scale of Scottish Mortgage ensures that this will be a material amount of additional flexibility in absolute, but not relative, terms. It will enable us to continue to invest simply in the best opportunities available, be they public or private companies, without changing the nature of the investment proposition. Without this change, this valuable flexibility will become severely constrained and largely dependent on the timings of the IPOs of our existing unlisted companies, which we believe would be to the clear detriment of shareholders.

Catharine Flood
Corporate Strategy Director for Scottish Mortgage

Performance of Holdings Initially Purchased as Private Companies

Name	Calendar year of initial purchase	Annualised return %
Innovation Works Development Fundⓤ	2010	14.0
WI Harper Fund VIIⓤ	2011	5.4
Alibaba Groupⓟ	2012	41.9
Essence Healthcareⓤ	2014	20.8
WI Harper Fund VIIIⓤ	2014	6.9
Palantir Technologiesⓤ	2014	(3.5)
JAND Inc (Warby Parker)ⓤ	2015	15.7
Spotify Technology SAⓟ	2015	22.2
You & Mr Jonesⓤ	2015	26.1
Airbnbⓤ	2015	5.4
ZocDocⓤ	2015	(8.5)
Thumbtackⓤ	2015	(1.2)
Sinovation Fund IIIⓤ	2015	17.0
HelloFreshⓟ	2015	17.4
CureVacⓤ	2015	(8.3)
Udacityⓤ	2015	(0.1)
Meituan Dianpingⓟ	2015	36.9
Anaplanⓟ	2015	35.2
TransferWiseⓤ	2016	34.1
Ginkgo BioWorksⓤ	2016	67.4
Denali Therapeuticsⓟ	2016	9.2
ARCH Ventures Fund IXⓤ	2016	23.1
Intarcia Therapeuticsⓤ	2016	(46.2)
Unity Biotechnologyⓟ	2016	(19.7)
AUTO1ⓤ	2016	–
Grailⓤ	2017	8.3
Orchard Therapeuticsⓟ	2017	6.5
Lyftⓟ	2017	(5.0)
Rubius Therapeuticsⓟ	2017	(18.9)
Clover Healthⓤ	2017	10.8

Absolute return %



ⓤ Denotes unlisted security. Absolute return %.

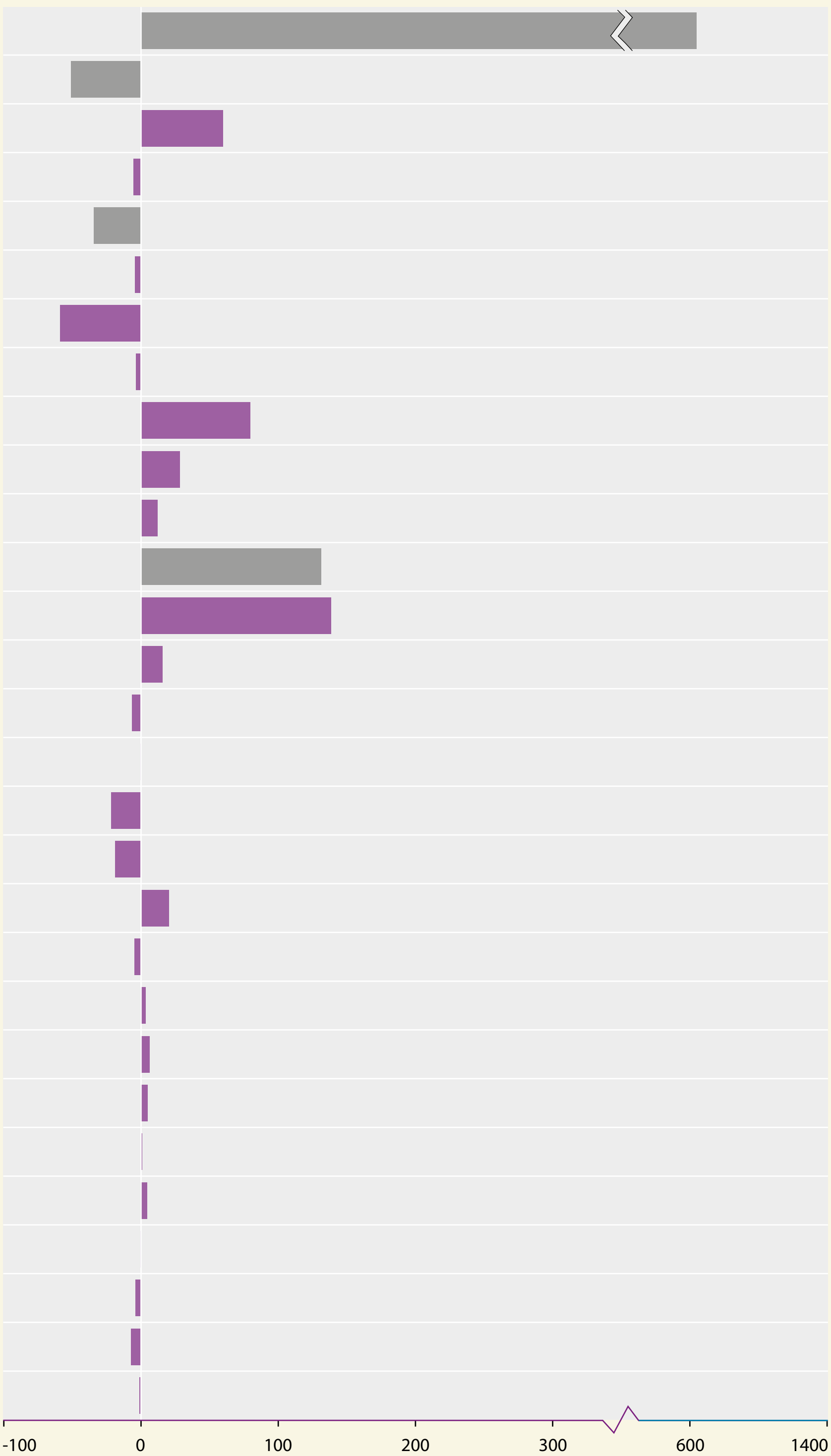
ⓟ Denotes listed security previously held in the portfolio as an unlisted security. Absolute return %.

* For holdings purchased during the year to 31 March 2020, the return for the holding period is provided in lieu of the annualised return.

The change in colour on the horizontal axis indicates a change in scale.

Name	Calendar year of initial purchase	Annualised return %
Vir BiotechnologyⓅ	2017	114.6
EventbriteⓅ	2017	(23.9)
Indigo AgricultureⓊ	2017	20.5
Bolt ThreadsⓊ	2017	(2.1)
NIOⓅ	2017	(16.1)
HeartFlowⓊ	2017	(1.8)
Uptake TechnologiesⓊ	2017	(31.2)
CarbonⓊ	2017	(1.6)
ZiplineⓊ	2018	34.9
Full Truck AllianceⓊ	2018	14.7
Ant InternationalⓊ	2018	6.6
Slack TechnologiesⓅ	2018	67.7
Tempus Labs IncⓊ	2018	72.0
The Production BoardⓊ	2018	9.9
KSQ TherapeuticsⓊ	2018	(4.2)
TaniumⓊ	2018	0.4
ARCH Ventures Fund XⓊ	2018	(16.6)
ARCH Ventures Fund X OverageⓊ	2018	(14.3)
Space Exploration TechnologiesⓊ	2018	15.7
Recursion PharmaceuticalsⓊ	2019	(3.9)
Sana BiotechnologyⓊ	2019	3.3
AffirmⓊ	2019	6.5
AuroraⓊ	2019	5.1 *
Away Inc (JRSK)Ⓤ	2019	1.0 *
BytedanceⓊ	2019	4.8 *
StripeⓊ	2019	– *
ConvoyⓊ	2019	(3.6)*
Joby AeroⓊ	2020	(7.1)*
SnowflakeⓊ	2020	(1.0)*

Absolute return %



Ⓤ Denotes unlisted security. Absolute return %.

Ⓟ Denotes listed security previously held in the portfolio as an unlisted security. Absolute return %.

* For holdings purchased during the year to 31 March 2020, the return for the holding period is provided in lieu of the annualised return.

The change in colour on the horizontal axis indicates a change in scale.

Managers' Core Beliefs

Whilst fund managers claim to spend much of their careers assessing the competitive advantage of companies, they are notoriously reluctant to perform any such analysis on themselves. The tendency is to cite recent performance as evidence of skill despite the luck, randomness and mean-reverting characteristics of most such data. If this does not suffice then attention turns to a discussion of the high educational qualifications, hard work and exotic remuneration packages that the fund manager enjoys. Sometimes the procedural details of the investment process are outlined with heavy emphasis on risk controls. Little attention is given to either the distinctiveness of the approach or the strategic advantages the manager might enjoy in order to make imitation improbable. We think we should try to do better than this.

— We are long term in our investment decisions. It is only over periods of at least five years that the competitive advantages and managerial excellence of companies become apparent. It is these characteristics that we want to identify and support. We own companies rather than rent shares. We do not regard ourselves as experts in forecasting the oscillations of economies or the mood swings of markets. Indeed we think that it is hard to excel in such areas as this is where so many market participants focus and where so little of the value of companies lies. Equally Baillie Gifford is more likely to possess competitive advantages for the good of shareholders when it adopts a long-term perspective. We are a 112 year old Scottish partnership. We think about our own business over decades not quarters. Such stability may not be exciting but it does encourage patience in this most impatient of industries. We only judge our investment performance over five year plus time horizons. In truth it takes at least a decade to provide adequate evidence of investment skill.

— The investment management industry is ill-equipped to deal with the behavioural and emotional challenges inherent in today's capital markets. Our time frame and ownership structure help us to fight these dangers. We are besieged by news, data and opinion. The bulk of this information is of little significance but it implores you to rapid and usually futile action. This can be particularly damaging at times of stress. Academic research argues that most individuals dislike financial losses twice as much as they take pleasure in gains. We fear that for fund managers this relationship is close to tenfold. Internal and external pressures make the avoidance of loss dominant. This is damaging in a portfolio context. We need to be willing to accept loss if there is an equal or greater chance of (almost) unlimited gain.

— We are very dubious about the value of routine information. We have little confidence in quarterly earnings and none in the views of investment banks. We try to screen out rather than incorporate their noise. In contrast we think that the world offers joyous opportunities to hear views, perspectives and visions that are barely noticed by the markets. There is more in the investment world than the *Financial Times* or *Wall Street Journal* describe.

— We are global in stock selection, asset allocation and attribution. We are active not passive – or far worse – index plus in stock selection. Holding sizes reflect the potential upside and its probability (or otherwise) rather than the combination of the market capitalisation and geographical location of the company and its headquarters. We do not have sufficient confidence in our top-down asset allocation skills to wish to override stock selection. We do not have enough confidence in our market timing abilities to wish to

add or remove gearing at frequent intervals. We do, however, have strong conviction that our portfolio should be comparatively concentrated, and that it is of little use to shareholders to tinker around the edges of indices. We think this produces better investment results and it certainly makes us more committed shareholders in companies. We suspect that selecting stocks on the basis of the past (their current market capitalisation) is a policy designed to protect the security of tenure of asset managers rather than to build the wealth of shareholders. Companies that are large and established tend to be internally complacent and inflexible. They are often vulnerable to assault by more ambitious and vibrant newcomers.

— We are Growth stock investors. Such has been the preference for Value and the search to arbitrage away minor rating differentials that investors find it very hard to acknowledge the extraordinary growth rates and returns that can be found today. The growth that we are particularly interested in is of an explosive nature and often requires minimal fixed assets or indeed capital. We think of it as 'Growth at Unreasonable Prices' rather than the traditional discipline of 'Growth at a Reasonable Price'. We need to be willing to pay high multiples of immediate earnings because the scale of future potential and returns can be so dramatic. On the stocks that flourish the valuation will have turned out to be derisorily low. On the others we will lose money.

— We believe that it is our first duty to shareholders to limit fees. Both the investment management fee (0.30% on the first £4 billion of assets, and 0.25% thereafter – please see page 36) and ongoing charges ratio (0.36% as at 31 March 2020) are low by comparative standards but at least adequate in absolute terms. We think that the malign impact of high fees is frequently underestimated. The difference between an ongoing charges ratio of 0.36% and one of 1.5% may not appear great but if the perspective is altered to think of costs as a percentage of expected annual returns then the contrast becomes obvious. If annual returns average 10% then this is the difference between removing approximately 4% or 15% of your returns each year. Nor do we believe in a performance fee. Usually it undermines investment performance. It increases pressure and narrows perspective.

Evolution

We first set out our Core Beliefs in the Annual Report of 2013 and reviewed the statement of these in 2018 to ensure that it still accurately captured how we approach investment. The original still stands, but inevitably our investment philosophy has evolved and no doubt will continue to do so. We therefore added the following:

— We are optimists. In a world where limiting volatility and avoiding downside is the dominant investor mentality, we focus unashamedly on the drivers and implications of corporate success. Limiting volatility can make sense for an overall investment portfolio but we doubt the benefits of using equities to meet this objective. The asymmetric payoff structure (you can make far more if you're right about a stock than you can lose if you're wrong) is the fundamental attraction of investing in equity markets. Whilst we have long believed in the impact of a small number of exceptional companies, even we are surprised by how narrowly returns have been shown to extend within the market. Our own research demonstrates that in the past thirty years approximately five per cent. of stocks have returned at least five-fold in any five-year period. Over longer time horizons, this power law is even more dramatic. Academic work on the past ninety years of US data shows that over half of the excess return from equities came from just 90 companies. Investors enjoy little (if any) reward for taking the risk of owning the median stock in the market. Instead it is the outsized impact of a small number of exceptional companies that dominate the payoff structure.

— In this context we have defined our core task more narrowly: to identify companies that have sufficient opportunity to deliver such outlying returns and to own them for long enough without interference so that the return accrues to our shareholders. We previously noted our investment time horizon to be at least five years. In practice, for businesses where our conviction has remained steadfast and our difference from the market view is clear, we have held the shares for far longer. Today eight of our top ten listed holdings have been held for more than five years and three have been held for more than ten.

— Whilst listed equity markets currently remain the principal focus of our investments, the nature of capital markets has changed and our search for outliers has moved with it. Some of our most successful investee companies have benefited from (and indeed created) new growth models with dramatically lower financing requirements than has been the case historically. Access to online distribution has grown the addressable market for breakthrough businesses by an order of magnitude. The ability to harness third party infrastructure has drastically reduced the capital intensity of growth. This has made new companies less dependent on external financing. As a consequence, their boardrooms are not dominated by early financial investors looking to realise their gains and these companies are remaining private longer. They are being selective about their shareholders and they are reluctant to accept the burdens that accompany public status.

— We are determined to own the most promising Growth companies in the world. To maintain our opportunity set we have expanded our operations in private markets. This has little impact on our investment process. Access to fluctuating daily quotations for our holdings is more often a distraction than an advantage for a fund with permanent capital. We are preoccupied with company fundamentals and increasingly indifferent to a company's private or public status. As access to the most promising private companies is dependent on relationships and reputation our task becomes more important, as it is much harder for our shareholders to invest directly. Our scale and commitment to low costs allows us to do this without changing our fee structure.

— As we make these investments we are providing more primary capital to businesses and directly funding investment in future economic growth. The role of public equity markets in providing such investment capital has diminished. Declining holding periods and frenzied speculation around newsflow is the norm. More insidiously, the demand for immediate returns pressures companies to pay out their cashflows to shareholders rather than investing in their future. Professional management teams incentivised to maximise share prices have been happy to oblige, resulting in a declining proportion of cash flow being devoted to research and development or capital expenditure across the market. Such investments are needed more than ever in a world that is experiencing rapid change. Our holdings in public markets are heavily focused on companies whose ownership or management structure allows them to ignore such demands.

— Whilst we expressed our scepticism of the value of routine information in our original document, we didn't articulate where more useful counsel might lie or suggest that we ought to play our part in ensuring its existence. Some of you may have attended the book festivals we sponsor or read some of the shortlisted titles for the Baillie Gifford Prize for Non-Fiction. We have invested in supporting interesting authors and sought to enhance our investment thinking with their insight. We have built relationships with academics and universities. We are funding research which we hope will inform our long run thinking on companies. At the same time, our time horizon is facilitating a different type of relationship with the management teams with whom we invest. They find little of value or interest in the endless cycle of quarterly updates. They delight in having less frequent and more in-depth discussion about the longer-term development of their business. Getting to listen to the entrepreneurs and visionaries that have built some of these outstandingly successful franchises is a hugely valuable input to our investment approach.

— In turn, this is challenging us to re-evaluate our long-held belief that there is no opportunity for informational advantage in markets. Such inputs seem largely neglected in a world where 'colour on the quarter's numbers' is the main preoccupation of so-called investors. For instance, we first invested in Alibaba back in 2012 as a private company. Through our patient ownership and ongoing support, we have earned the opportunity to speak with the company's senior management. We believe the growth of the Chinese consumer economy is a transformational force in the global economy and there is no one better placed to help us understand its implications.

— Dialogue with management is a valuable input but the relationship extends in both directions. The investment management industry has ceded much of its role in the governance of companies to the vested interests of activist investors. We must do better. Ensuring strong governance and engaging with our holdings on matters of substance is our responsibility. More than that, it is essential if we are to be seen as attractive shareholders by our investee companies and if we are to maximise the returns we can generate on your behalf.

Tom Slater and James Anderson
Joint Portfolio Managers

Thirty Largest Holdings and Twelve Month Performance at 31 March 2020

Name	Business	Fair value 31 March 2020 £'000	% of total assets	Absolute performance* %	Contribution to absolute performance† %	Fair value 31 March 2019 £'000
Amazon.com	Online retailer and cloud computing	849,809	9.3	15.1	1.7	778,843
Tesla Inc	Electric cars, autonomous driving and solar energy	790,650	8.6	96.6	4.5	428,304
Tencent Holdings	Internet services	596,292	6.5	12.4	0.7	531,946
Alibaba Groupⓟ	Online retailing and financial services	595,818	6.5	12.0	0.9	532,441
Illumina	Biotechnology equipment	565,677	6.2	(7.6)	(0.1)	613,045
ASML	Lithography	347,067	3.8	51.0	1.6	233,003
Kering	Luxury goods producer and retailer	286,032	3.1	(2.5)	0.1	299,236
Netflix	Subscription service for TV shows and movies	281,127	3.1	10.7	0.3	254,115
Delivery Hero	Online food delivery service	278,012	3.0	116.7	2.0	124,960
Ferrari	Luxury automobiles	250,807	2.7	22.7	0.8	246,825
Meituan Dianpingⓟ	Local services aggregator	225,547	2.5	88.2	0.8	67,254
Ant International Limitedⓤ	Online financial services platform	209,168	2.3	9.0	0.2	191,858
NVIDIA	Visual computing	184,024	2.0	54.7	0.8	119,284
Ginkgo Bioworks Incⓤ‡	Bio-engineering company	163,032	1.8	190.7	1.4	44,663
Spotify Technology SAⓟ	Online music streaming service	161,695	1.8	(8.1)	(0.1)	176,293
Inditex	Global clothing retailer	149,757	1.6	(4.6)	–	178,783
Alphabet	Holding company for Google and associated ventures	137,517	1.5	4.1	0.1	132,109
Tempus Labs Incⓤ‡	Offers molecular diagnostics tests for cancer and aggregates clinical oncology records	136,442	1.5	82.0	0.6	40,849
You & Mr Jonesⓤ‡	Digital advertising	130,300	1.4	97.5	0.6	50,650
HelloFreshⓟ	Grocery retailer	125,253	1.4	275.0	1.2	33,661
Transferwise Ltdⓤ‡	Online money transfer services	97,915	1.1	5.1	–	93,173
Intuitive Surgical	Surgical robots	97,625	1.1	(8.8)	(0.1)	106,974
Vir Biotechnology Incⓟ	Biotechnology company developing anti-infective therapies	95,187	1.0	86.2	0.5	46,046
Atlas Copco	Engineering	94,603	1.0	34.1	0.4	71,839
Workday	Enterprise information technology	88,318	1.0	(29.0)	(0.4)	124,657
Shopify	Cloud-based commerce platform provider	87,895	1.0	112.1	0.6	41,338
Zalando	International online clothing retailer	87,796	1.0	3.5	0.2	116,867
Zoom#	Remote conferencing service provider	82,451	0.9	326.0	0.7	–
Trip.com	Travel agent	78,099	0.8	(43.6)	(0.8)	138,253
Grail Incⓤ	Clinical stage biotechnology company	77,077	0.8	15.4	0.2	66,768
		7,350,992	**80.3**			

* Absolute performance (in sterling terms) has been calculated on a total return basis over the period 1 April 2019 to 31 March 2020. For the definition of total return see Glossary of Terms and Alternative Performance Measures on pages 87 to 89.

† Contribution to absolute performance (in sterling terms) has been calculated to illustrate how an individual stock has contributed to the overall return. It is influenced by both share price performance and the weighting of the stock in the portfolio, taking account of any purchases or sales over the period.

\# Figures relate to part period returns where the investment has been purchased in the period.

ⓤ Denotes unlisted investment.

ⓟ Denotes listed security previously held in the portfolio as an unlisted security.

‡ Multiple lines of stock held. Holding information represents the aggregate of all lines of stock.

Source: Baillie Gifford/StatPro and underlying data providers. See disclaimer on page 86.

Past performance is not a guide to future performance.

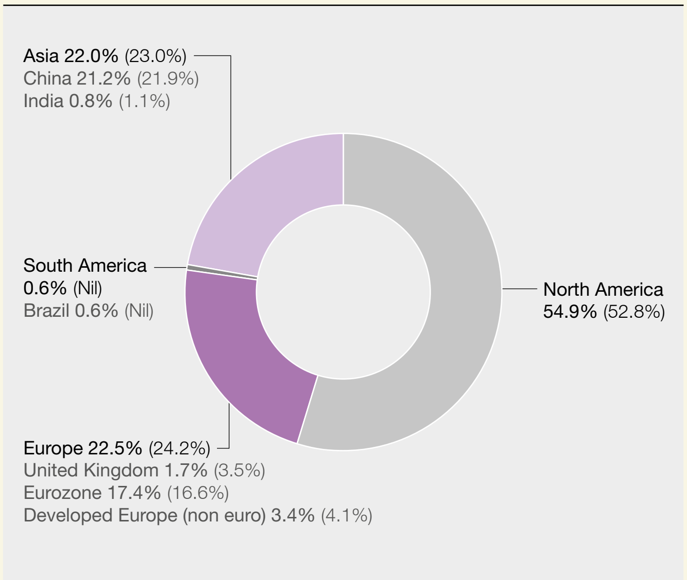
Investment Changes

	Valuation at 31 March 2019 £'000	Net acquisitions/ (disposals) £'000	Appreciation/ (depreciation) £'000	Valuation at 31 March 2020 £'000
North America	4,283,689	8,122	688,104	4,979,915
South America				
Brazil	–	79,712	(23,530)	56,182
Europe				
United Kingdom	259,208	(83,075)	(57,309)	118,824
Eurozone	1,346,430	(91,525)	350,553	1,605,458
Developed Europe (non euro)	332,491	(19,531)	218	313,178
Asia				
China	1,784,433	68,734	79,015	1,932,182
India	92,568	(6)	(18,651)	73,911
Total investments	**8,098,819**	**(37,569)**	**1,018,400**	**9,079,650**
Net liquid assets	34,572	34,533	2,654	71,759
Total assets	**8,133,391**	**(3,036)**	**1,021,054**	**9,151,409**

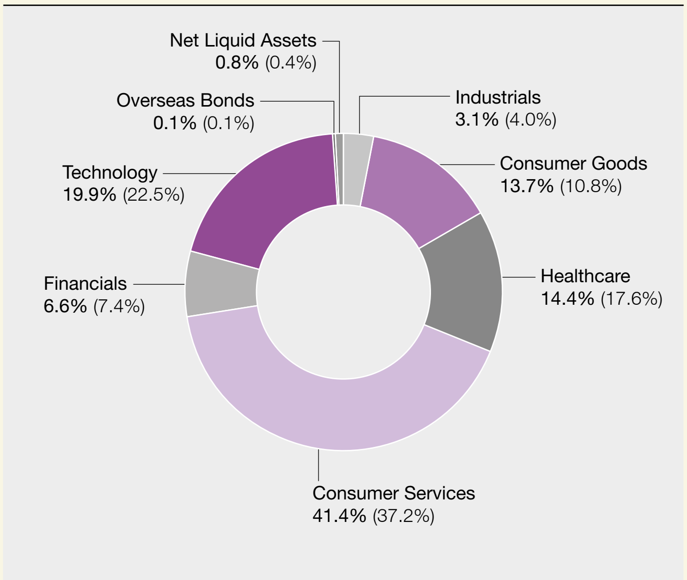
The figures above for total assets are made up of total net assets before deduction of all borrowings.

Distribution of Total Assets†

Geographical 2020 (2019)



Sectoral 2020 (2019)



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

Long Term Investment

Portfolio Holding Periods as at 31 March 2020

More Than 5 Years

Name		% of total assets
Amazon.com	⑩	9.3
Tesla Inc		8.6
Tencent Holdings	⑩	6.5
Alibaba Group	ⓟ	6.5
Illumina		6.2
ASML		3.8
Kering	⑩	3.1
Ferrari		2.7
Inditex		1.6
Alphabet	⑩	1.5
Intuitive Surgical	⑩	1.1
Atlas Copco	⑩	1.0
Workday		1.0
Zalando		1.0
Trip.com	⑩	0.8
Housing Development Finance Corporation	⑩	0.8
Kinnevik		0.6
Facebook		0.5
Rocket Internet		0.5
Essence Healthcare	ⓤ	0.5
Alnylam Pharmaceuticals		0.3
Palantir Technologies	ⓤ	0.3
Bluebird Bio Inc		0.3
Innovation Works Development Fund	ⓤ	0.2
WI Harper Fund VIII	ⓤ	0.1
WI Harper Fund VII	ⓤ	0.1
Global AI Opportunities Fund*		<0.1
Total		**58.9**

2–5 Years

Name		% of total assets
Netflix		3.1
Delivery Hero		3.0
Meituan Dianping	ⓟ	2.5
NVIDIA		2.0
Ginkgo Bioworks	ⓤ	1.8
Spotify Technology SA	ⓟ	1.8
You & Mr Jones	ⓤ	1.4
HelloFresh	ⓟ	1.4
TransferWise	ⓤ	1.1
Vir Biotechnology	ⓟ	1.0
Grail	ⓤ	0.8
Indigo Agriculture	ⓤ	0.8
Denali Therapeutics	ⓟ	0.6
NIO	ⓟ	0.6
Carbon	ⓤ	0.5
Anaplan	ⓟ	0.5
JAND Inc (Warby Parker)	ⓤ	0.5
HeartFlow	ⓤ	0.4
Thumbtack	ⓤ	0.4
Lyft	ⓟ	0.4
Bolt Threads	ⓤ	0.3
Uptake Technologies	ⓤ	0.3
Clover Health	ⓤ	0.3
AUTO1	ⓤ	0.2
Airbnb	ⓤ	0.2
ZocDoc	ⓤ	0.2
Orchard Therapeutics	ⓟ	0.2
Unity Biotechnology	ⓟ	0.2
ARCH Ventures Fund IX	ⓤ	0.2
CureVac	ⓤ	0.1
Rubius Therapeutics	ⓟ	0.1
Udacity	ⓤ	0.1
Eventbrite	ⓟ	0.1
Sinovation Fund III	ⓤ	0.1
Intarcia Therapeutics	ⓤ	0.1
Total		**27.3**

Less Than 2 Years

Name		% of total assets
Ant International	ⓤ	2.3
Tempus Labs Inc	ⓤ	1.5
Shopify		1.0
Zoom		0.9
Pinduoduo		0.7
Bytedance	ⓤ	0.7
Space Exploration Technologies	ⓤ	0.6
MercadoLibre		0.6
Zipline	ⓤ	0.5
Tanium	ⓤ	0.5
Wayfair		0.5
Recursion Pharmaceuticals	ⓤ	0.4
Away Inc (JRSK)	ⓤ	0.4
The Production Board	ⓤ	0.4
Stripe	ⓤ	0.3
Full Truck Alliance	ⓤ	0.3
Affirm	ⓤ	0.3
Convoy	ⓤ	0.2
Aurora	ⓤ	0.2
Slack Technologies	ⓟ	0.2
KSQ Therapeutics	ⓤ	0.2
Joby Aero	ⓤ	0.1
Snowflake	ⓤ	0.1
Sana Biotechnology	ⓤ	0.1
ARCH Ventures Fund X	ⓤ	<0.1
ARCH Ventures Fund X Overage	ⓤ	<0.1
Total		**13.0**

ⓤ Denotes unlisted security.
ⓟ Denotes listed security previously held in the portfolio as an unlisted security.
⑩ Denotes security held for more than 10 years.
* In the period 1 April 2019 to 31 March 2020, Global AI Opportunities Fund changed its name from Level E Maya Fund.
Net liquid assets represent 0.8% of total assets. See Glossary of Terms and Alternative Performance Measures on pages 87 to 89.

List of Investments as at 31 March 2020

Name	Business	Fair value 31 March 2020 £'000	% of total assets	Contribution to absolute performance * %	Notes †	Fair value 31 March 2019 £'000
Amazon.com	Online retailer and cloud computing	849,809	9.3	1.7		778,843
Tesla Inc	Electric cars, autonomous driving and solar energy	790,650	8.6	4.5		428,304
Tencent Holdings	Internet services	596,292	6.5	0.7		531,946
Alibaba Group℗	Online retailing and financial services	595,818	6.5	0.9		532,441
Illumina	Biotechnology equipment	565,677	6.2	(0.1)		613,045
ASML	Lithography	347,067	3.8	1.6		233,003
Kering	Luxury goods producer and retailer	286,032	3.1	0.1		299,236
Netflix	Subscription service for TV shows and movies	281,127	3.1	0.3		254,115
Delivery Hero	Online food delivery service	278,012	3.0	2.0		124,960
Ferrari	Luxury automobiles	250,807	2.7	0.8		246,825
Meituan Dianping℗	Local services aggregator	225,547	2.5	0.8	Significant addition	67,254
Ant International Limited Class C Ord.ⓤ	Online financial services platform	209,168	2.3	0.2		191,858
NVIDIA	Visual computing	184,024	2.0	0.8		119,284
Ginkgo Bioworks Inc Series D Pref.ⓤ	Bio-engineering company	76,164	0.8	0.7		22,796
Ginkgo Bioworks Inc Series C Pref.ⓤ	Bio-engineering company	74,064	0.8	0.7		21,867
Ginkgo Bioworks Inc Series E Pref.ⓤ	Bio-engineering company	12,804	0.2	–	New purchase	–
		163,032	1.8	1.4		44,663
Spotify Technology SA℗	Online music streaming service	161,695	1.8	(0.1)		176,293
Inditex	Global clothing retailer	149,757	1.6	–		178,783
Alphabet	Holding company for Google and associated ventures	137,517	1.5	0.1		132,109
Tempus Labs Inc Series E Pref.ⓤ	Offers molecular diagnostics tests for cancer and aggregates clinical oncology records	95,821	1.0	0.5	Significant addition	40,849
Tempus Labs Inc Series F Pref.ⓤ	Offers molecular diagnostics tests for cancer and aggregates clinical oncology records	34,976	0.4	0.1	New purchase	–
Tempus Labs Inc Series G Pref.ⓤ	Offers molecular diagnostics tests for cancer and aggregates clinical oncology records	5,645	0.1	–	New purchase	–
		136,442	1.5	0.6		40,849
You & Mr Jones Class A Unitsⓤ	Digital advertising	100,004	1.1	0.7		50,650
You & Mr Jones Class C Unitsⓤ	Digital advertising	30,296	0.3	(0.1)	New purchase	–
		130,300	1.4	0.6		50,650
HelloFresh℗	Grocery retailer	125,253	1.4	1.2		33,661

* Contribution to absolute performance has been calculated on a total return basis over the period 1 April 2019 to 31 March 2020. For the definition of total return see Glossary of Terms and Alternative Performance Measures on pages 87 to 89.

† Significant additions and reductions to investments have been noted where the transaction value is at least a 20% movement from the value of the holding at 31 March 2019. The change in value over the year also reflects the share price performance and the movement in exchange rates.

ⓤ Denotes unlisted security.

℗ Denotes listed security previously held in the portfolio as an unlisted security.

Past performance is not a guide to future performance.

Name	Business	Fair value 31 March 2020 £'000	% of total assets	Contribution to absolute performance * %	Notes †	Fair value 31 March 2019 £'000
Transferwise Ltd Series D Pref.ⓤ	Online money transfer services	47,633	0.5	–		45,327
Transferwise Ltd Series Ord.ⓤ	Online money transfer services	20,247	0.2	–		19,266
Transferwise Ltd Series A Pref.ⓤ	Online money transfer services	11,078	0.1	–		10,542
Transferwise Ltd Series B Pref.ⓤ	Online money transfer services	10,076	0.1	–		9,588
Transferwise Ltd Series E Pref.ⓤ	Online money transfer services	5,761	0.1	–		5,482
Transferwise Ltd Series Seed Pref.ⓤ	Online money transfer services	2,696	0.1	–		2,565
Transferwise Ltd Series C Pref.ⓤ	Online money transfer services	424	<0.1	–		403
		97,915	1.1	–		93,173
Intuitive Surgical	Surgical robots	97,625	1.1	(0.1)		106,974
Vir Biotechnology Incⓟ	Biotechnology company developing anti-infective therapies	95,187	1.0	0.5		46,046
Atlas Copco	Engineering	94,603	1.0	0.4		71,839
Workday	Enterprise information technology	88,318	1.0	(0.4)		124,657
Shopify	Cloud-based commerce platform provider	87,895	1.0	0.6		41,338
Zalando	International online clothing retailer	87,796	1.0	0.2	Significant reduction	116,867
Zoom	Remote conferencing service provider	82,451	0.9	0.7	New purchase	–
Trip.com	Travel agent	78,099	0.8	(0.8)		138,253
Grail Inc Series B Pref.ⓤ	Clinical stage biotechnology company	77,077	0.8	0.2		66,768
Housing Development Finance Corporation	Indian mortgage provider	73,911	0.8	(0.2)		92,568
Indigo Agriculture Inc Series D Pref.ⓤ	Analyses plant microbiomes to increase crop yields	37,834	0.4	(0.2)		55,273
Indigo Agriculture Inc Series E Pref.ⓤ	Analyses plant microbiomes to increase crop yields	19,531	0.2	–		22,152
Indigo Agriculture Inc Sub Promissory Noteⓤ	Analyses plant microbiomes to increase crop yields	10,126	0.1	–	New purchase	–
Indigo Agriculture Inc Commonⓤ	Analyses plant microbiomes to increase crop yields	2,120	0.1	–	New purchase	–
		69,611	0.8	(0.2)		77,425
Pinduoduo Inc	Chinese e-commerce	60,602	0.7	0.3		39,711
Bytedance Ltd Series E Pref.ⓤ	Social media	60,486	0.7	–	New purchase	–
Space Exploration Technologies Corp Series J Pref.ⓤ	Designs, manufactures and launches rockets and spacecraft	57,234	0.6	0.1		50,502
Kinnevik	Investment company	56,880	0.6	–	Significant reduction	84,359
MercadoLibre	Latin American e-commerce platform	56,182	0.6	(0.3)	New purchase	–

* Contribution to absolute performance has been calculated on a total return basis over the period 1 April 2019 to 31 March 2020. For the definition of total return see Glossary of Terms and Alternative Performance Measures on pages 87 to 89.

† Significant additions and reductions to investments have been noted where the transaction value is at least a 20% movement from the value of the holding at 31 March 2019. The change in value over the year also reflects the share price performance and the movement in exchange rates.

ⓤ Denotes unlisted security.

ⓟ Denotes listed security previously held in the portfolio as an unlisted security.

Past performance is not a guide to future performance.

Name	Business	Fair value 31 March 2020 £'000	% of total assets	Contribution to absolute performance* %	Notes†	Fair value 31 March 2019 £'000
Denali Therapeutics℗	Biotechnology	52,834	0.6	(0.2)	Significant addition	51,851
NIO Inc℗	Designs and manufactures electric and autonomous vehicles	50,171	0.6	(0.6)		87,726
Facebook	Social networking site	48,543	0.5	0.2	Significant reduction	105,764
Zipline International Inc Series D Pref.ⓤ	Logistics company that designs, manufactures and operates drones to deliver medical supplies	28,204	0.3	–		30,697
Zipline International Inc Series C Pref.ⓤ	Logistics company that designs, manufactures and operates drones to deliver medical supplies	20,258	0.2	(0.1)		26,209
		48,462	0.5	(0.1)		56,906
Carbon Inc Series D Pref.ⓤ	Manufactures and develops 3D printers	28,031	0.3	(0.1)		36,796
Carbon Inc Series E Pref.ⓤ	Manufactures and develops 3D printers	19,394	0.2	–		23,023
		47,425	0.5	(0.1)		59,819
Tanium Inc Class B Commonⓤ	Provides security and systems management solutions	46,629	0.5	–		46,813
Rocket Internet	Internet start-up factory	45,777	0.5	(0.1)		54,691
Anaplan Inc Common℗	Enterprise planning software	45,661	0.5	(0.1)		56,535
Essence Healthcare Series 3 Pref.ⓤ	Cloud-based health provider	45,391	0.5	–		46,105
Wayfair	Online household goods retailer	45,049	0.5	(0.2)	New purchase	–
JAND Inc (Warby Parker) Series D Pref.ⓤ	Online and physical glasses retailer	23,631	0.2	0.1		17,087
JAND Inc (Warby Parker) Series A Commonⓤ	Online and physical glasses retailer	15,239	0.2	0.1		11,019
JAND Inc (Warby Parker) Series E Pref.ⓤ	Online and physical glasses retailer	5,744	0.1	–		4,220
		44,614	0.5	0.2		32,326
Heartflow Inc Series E Pref.ⓤ	Develops software for cardiovascular disease diagnosis and treatment	38,009	0.4	–		40,065
Recursion Pharmaceuticals Inc Series C Pref.ⓤ	Uses image recognition/machine learning and automation to improve drug discovery	37,136	0.4	–		38,372
Thumbtack Inc Series G Pref.ⓤ	Online directory service for local businesses	30,942	0.3	0.1		25,791
Thumbtack Inc Series H Pref.ⓤ	Online directory service for local businesses	6,188	0.1	–	New purchase	–
		37,130	0.4	0.1		25,791
JRSK Inc (Away) Series D Pref.ⓤ	Manufactures luggage	21,388	0.2	–	New purchase	–
JRSK Inc (Away) Series Seed Pref.ⓤ	Manufactures luggage	14,804	0.2	–	New purchase	–
		36,192	0.4	–		–
The Production Board Series A–2 Pref.ⓤ	Holding company for food technology companies	36,130	0.4	0.1		31,925

* Contribution to absolute performance has been calculated on a total return basis over the period 1 April 2019 to 31 March 2020. For the definition of total return see Glossary of Terms and Alternative Performance Measures on pages 87 to 89.

† Significant additions and reductions to investments have been noted where the transaction value is at least a 20% movement from the value of the holding at 31 March 2019. The change in value over the year also reflects the share price performance and the movement in exchange rates.

ⓤ Denotes unlisted security.

℗ Denotes listed security previously held in the portfolio as an unlisted security.

Past performance is not a guide to future performance.

Name	Business	Fair value 31 March 2020 £'000	% of total assets	Contribution to absolute performance * %	Notes †	Fair value 31 March 2019 £'000
Lyft Incⓟ	Ridesharing services	33,372	0.4	(0.8)		92,448
Bolt Threads Inc Series D Pref.ⓤ	Natural fibres and fabrics manufacturer	24,181	0.2	(0.1)		31,182
Bolt Threads Inc Convertible Promissory Noteⓤ	Natural fibres and fabrics manufacturer	7,236	0.1	–	New purchase	–
		31,417	0.3	(0.1)		31,182
Stripe Inc Series G Pref.ⓤ	Online payment platform	29,597	0.3	–	New purchase	–
Full Truck Alliance Ltd Series A–15 Pref.ⓤ	Freight-truck matching platform	28,976	0.3	0.1		23,023
Alnylam Pharmaceuticals	Biotechnology	28,682	0.3	0.1		23,459
Palantir Technologies Inc Series J Pref.ⓤ	Data integration software and service provider	26,535	0.3	–		23,394
Uptake Technologies Inc Series D Pref.ⓤ	Designs and develops enterprise software	26,375	0.3	(0.3)		47,427
Bluebird Bio Inc	Provider of biotechnological products and services	25,755	0.3	(0.9)	Significant reduction	123,604
Clover Health Investments Series D Pref.ⓤ	Healthcare insurance provider	25,499	0.3	0.1		19,190
Affirm Inc Series F Pref.ⓤ	Online platform which provides lending and consumer credit services	22,979	0.3	–		21,872
Convoy Inc Series D Pref.ⓤ	Marketplace for truckers and shippers	22,408	0.2	–	New purchase	–
AUTO1 Group GmbH Series E Pref.ⓤ	Online retailer of used cars	22,277	0.2	(0.1)		31,269
Airbnb Inc Series E Pref.ⓤ	Online market place for travel accommodation	20,625	0.2	–		20,648
Aurora Innovation Inc Series B Pref.ⓤ	Developer of driverless vehicle technology	20,161	0.2	–	New purchase	–
Slack Technologies Incⓟ	Enterprise messaging platform	20,030	0.2	0.1		10,338
Innovation Works Development Fundⓤ	Venture capital fund	19,329	0.2	–		22,300
KSQ Therapeutics Inc Series C Pref.ⓤ	Biotechnology company	17,887	0.2	–		19,186
Zocdoc Inc Series D–2 Pref.ⓤ	Online platform for searching for doctors and booking appointments	16,862	0.2	–		17,492
Orchard Therapeuticsⓟ	Gene therapy for rare diseases	16,551	0.2	(0.4)	Significant reduction	64,778
Unity Biotechnologyⓟ	Clinical stage biotechnology company	14,878	0.2	(0.1)		20,003
ARCH Ventures Fund IXⓤ	Venture capital fund to invest in biotech start-ups	14,028	0.2	0.1		8,242
CureVac AG Series B Pref.ⓤ	Biotechnology	12,680	0.1	(0.1)		21,542
Rubius Therapeutics Incⓟ	Biotechnology	12,156	0.1	(0.4)		47,558
Joby Aero Inc Series C Pref.ⓤ	Electric aircraft	10,704	0.1	–	New purchase	–
Udacity Inc Series D Pref.ⓤ	Online education	9,774	0.1	–		9,606
Eventbrite Incⓟ	Online ticketing service	9,599	0.1	(0.2)		23,924
Snowflake Inc Class B Commonⓤ	Developer of a SaaS-based cloud data warehousing platform	8,584	0.1	–	New purchase	–

* Contribution to absolute performance has been calculated on a total return basis over the period 1 April 2019 to 31 March 2020. For the definition of total return see Glossary of Terms and Alternative Performance Measures on pages 87 to 89.

† Significant additions and reductions to investments have been noted where the transaction value is at least a 20% movement from the value of the holding at 31 March 2019. The change in value over the year also reflects the share price performance and the movement in exchange rates.

ⓤ Denotes unlisted security.

ⓟ Denotes listed security previously held in the portfolio as an unlisted security.

Past performance is not a guide to future performance.

Name	Business	Fair value 31 March 2020 £'000	% of total assets	Contribution to absolute performance * %	Notes †	Fair value 31 March 2019 £'000
Sana Biotechnology Inc Series A–2 Pref.ⓤ	Biotechnology company creating and delivering engineered cells as medicine	8,011	0.1	–		6,395
Sinovation Fund IIIⓤ	Venture capital fund	7,694	0.1	–		8,256
WI Harper Fund VIIIⓤ	Venture capital fund	7,540	0.1	–		6,970
Intarcia Therapeutics Inc Convertible Bondⓤ	Implantable drug delivery system	3,370	0.1	(0.1)		11,511
Intarcia Therapeutics Inc Series EE Pref.ⓤ	Implantable drug delivery system	2,671	<0.1	(0.1)		8,039
Intarcia Therapeutics Inc Commonⓤ	Implantable drug delivery system	62	<0.1	–	New purchase	–
		6,103	0.1	(0.2)		19,550
WI Harper Fund VIIⓤ	Venture capital fund	5,515	0.1	–	Return of capital	9,885
Global AI Opportunities Fund‡	Artificial intelligence based algorithmic trading	4,358	<0.1	–		4,846
ARCH Ventures Fund Xⓤ	Venture capital fund to invest in biotech start-ups	845	<0.1	–	Additional investment	413
ARCH Ventures Fund X Overageⓤ	Venture capital fund to invest in biotech start-ups	813	<0.1	–	Additional investment	397
Total Investments		**9,079,650**	**99.2**			
Net Liquid Assets		71,759	0.8			
Total Assets		**9,151,409**	**100.0**			

	Listed equities %	Unlisted securities # %	Unlisted bonds %	Net liquid assets %	Total %
31 March 2020	**79.1**	**19.9**	**0.2**	**0.8**	**100.0**
31 March 2019	82.2	17.3	0.1	0.4	100.0

Figures represent percentage of total assets.

* Contribution to absolute performance has been calculated on a total return basis over the period 1 April 2019 to 31 March 2020. For the definition of total return see Glossary of Terms and Alternative Performance Measures on pages 87 to 89.

† Significant additions and reductions to investments have been noted where the transaction value is at least a 20% movement from the value of the holding at 31 March 2019. The change in value over the year also reflects the share price performance and the movement in exchange rates.

ⓤ Denotes unlisted security.

ⓟ Denotes listed security previously held in the portfolio as an unlisted security.

\# Includes holdings in preference shares and ordinary shares.

‡ In the period 1 April 2019 to 31 March 2020, Global AI Opportunities Fund changed its name from Level E Maya Fund.

The following investments were completely sold during the period: Baidu, Funding Circle, Grubhub, Home24, Renishaw, SurveyMonkey and Tableau Software.

Source: Baillie Gifford/StatPro.

Past performance is not a guide to future performance.

Ten Year Record

Capital

At 31 March	Total assets £'000	Borrowings £'000	Shareholders' funds £'000	Shareholders' funds/net asset value (book) per share p	Net asset value per share * (fair) p	Net asset value per share * (par) p	Share price p	Premium/ (discount) † (fair) %	Premium/ (discount) † (par) %
2010	2,154,585	314,677	1,839,908	141.8	138.6	142.2	121.8	(12.1)	(14.4)
2011	2,502,278	369,984	2,132,294	166.2	163.3	166.7	148.4	(9.1)	(11.0)
2012	2,378,319	365,996	2,012,323	158.7	153.7	159.1	141.6	(7.9)	(11.0)
2013	2,593,446	375,078	2,218,368	176.7	171.5	177.1	164.5	(4.1)	(7.1)
2014	2,986,580	388,867	2,597,713	211.8	208.0	212.2	208.8	0.4	(1.6)
2015	3,820,439	487,221	3,333,218	267.6	262.4	268.0	267.2	1.8	(0.3)
2016	3,955,398	497,954	3,457,444	263.4	259.2	263.8	262.5	1.3	(0.5)
2017	5,383,157	509,566	4,873,591	358.7	354.6	359.0	366.1	3.2	2.0
2018	6,673,471	485,715	6,187,756	443.5	439.9	443.7	442.2	0.5	(0.3)
2019	8,133,391	703,461	7,429,930	504.0	500.8	504.2	512.0	2.2	1.5
2020	**9,151,409**	**906,775**	**8,244,634**	**567.3**	**565.7**	**567.5**	**573.5**	**1.4**	**1.1**

Source: Refinitiv/Baillie Gifford. See disclaimer on page 86.

* Net asset value per ordinary share has been calculated after deducting long term borrowings at either par, book or fair value (see note 19, page 77 and Glossary of Terms and Alternative Performance Measures on pages 87 and 89).

† Premium/(discount) is the difference between the Company's quoted share price and its underlying net asset value with borrowings at either par value or fair value. See Glossary of Terms and Alternative Performance Measures on pages 87 and 89.

Revenue

Year to 31 March	Gross revenue £'000	Available for ordinary shareholders £'000	Revenue earnings per ordinary share # p	Dividend paid and proposed per ordinary share (net) p	Ongoing charges ratio ‡ %
2010	49,174	30,200	2.24	2.26	0.52
2011	53,703	34,374	2.66	2.40	0.51
2012	52,689	33,473	2.61	2.60	0.51
2013	58,950	39,510	3.12	2.80	0.51
2014	50,385	30,209	2.43	2.90	0.50
2015	38,964	27,540	2.24	2.93	0.48
2016	32,910	21,428	1.66	2.96	0.45
2017	27,796	14,136	1.07	3.00	0.44
2018	30,663	16,701	1.20	3.07	0.37
2019	28,187	23,669	1.64	3.13	0.37
2020	**28,914**	**22,865**	**1.55**	**3.25**	**0.36**

Gearing Ratios

Gearing ¶ %	Potential gearing § %
16	17
17	17
17	18
16	17
15	15
12	15
13	14
9	10
7	8
9	9
10	**11**

Source: Baillie Gifford.

The calculation of earnings per ordinary share is based on the revenue from ordinary activities after taxation and the weighted average number of ordinary shares in issue (excluding treasury shares) (see note 7, page 64).

‡ Calculated as total operating costs divided by average net asset value (with debt at fair value) in accordance with AIC guidelines. See Glossary of Terms and Alternative Performance Measures on pages 87 to 89.

¶ 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 87 to 89.

§ Total assets (including all debt used for investment purposes) divided by shareholders' funds. See Glossary of Terms and Alternative Performance Measures on pages 87 to 89.

Cumulative Performance (taking 2010 as 100)

At 31 March	Net asset value per share (fair)	Net asset value total return (fair)	Benchmark ^	Benchmark ^ total return	Share price	Share price total return	Revenue earnings per ordinary share	Dividend paid and proposed per ordinary share (net)	Retail price index
2010	100	100	100	100	100	100	100	100	100
2011	118	120	106	108	122	124	119	106	105
2012	111	115	103	108	116	121	117	115	109
2013	124	130	117	127	135	143	139	124	113
2014	150	161	121	135	171	184	109	128	115
2015	189	205	141	161	219	239	100	130	116
2016	187	205	137	160	216	237	74	131	118
2017	256	284	178	214	301	335	48	133	122
2018	317	354	178	220	363	407	54	136	126
2019	361	403	193	243	420	474	73	138	129
2020	**408**	**461**	**176**	**228**	**471**	**534**	**69**	**144**	**133**
Compound annual returns									
5 year	16.6%	17.6%	4.5%	7.2%	16.5%	17.5%	(7.1%)	2.1%	2.6%
10 year	15.1%	16.5%	5.8%	8.6%	16.8%	18.2%	(3.6%)	3.7%	2.9%

Source: Refinitiv/Baillie Gifford and relevant underlying providers. See disclaimer on page 86.

^ Benchmark: FTSE All-World Index (in sterling terms). See disclaimer on page 86. All per share figures have been restated for the five for one share split on 30 June 2014.

Past performance is not a guide to future performance.

Directors and Management

The members of the Board come from a broad variety of backgrounds. The Board can draw on an extensive pool of knowledge and experience.

Directors

Chair – FC McBain

Fiona McBain is the former chief executive of Scottish Friendly Assurance, a mutually owned financial services group with over 1,000,000 policyholders. Fiona was appointed a Director in 2009 and became Chair in 2017. She is also Chair of the Nomination Committee. Before joining Scottish Friendly in 1998, Fiona, a chartered accountant, was employed by Prudential plc and Arthur Young (now EY) where she spent some time working across a number of industry sectors, both in the UK and in the United States. She is also a non-executive director of Dixons Carphone plc, Direct Line Insurance Group plc and Monzo Bank Limited.

Professor A Bhidé

Amar Bhidé is a distinguished writer and academic. Amar was appointed to the Board on 14 May 2020. Amar is a graduate of Harvard Business School. He spent five years as a consultant with McKinsey & Co in the US and Europe before taking up professorships (from assistant to chaired) at Harvard, Chicago, and Columbia universities. He is currently professor at Tufts University, Massachusetts. He has served on the staff of a Presidential Commission and is the author of many publications on topics such as entrepreneurship, corporate governance, globalisation and medical innovation.

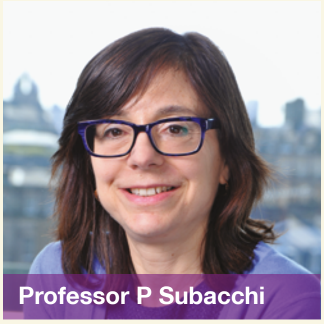
LJ Dowley

Justin Dowley is a former international investment banker and was appointed a Director in 2015 and is Chair of the Audit Committee. He qualified as a chartered accountant at Price Waterhouse in 1980. Subsequently he was a director of Morgan Grenfell & Co. Limited, Head of Investment Banking at Merrill Lynch Europe and a founder partner of Tricorn Partners LLP. Formerly the chairman of Intermediate Capital Group plc, he is currently a deputy chairman of The Takeover Panel, the chairman of Melrose Industries plc and a non-executive director of a number of private companies.

Professor JA Kay

John Kay has a distinguished record as an economist, academic, author and commentator on business, government and economic issues. John was appointed a Director in 2008. He is a fellow of St John's College, University of Oxford and Investment Officer of the College and he is a non-executive director of Value and Income Trust PLC.

Patrick Maxwell is the Regius Professor of Physic and Head of the School of Clinical Medicine at Cambridge University. He was appointed a Director in 2016. Patrick has extensive knowledge and experience of the biotechnology sector and holds a Wellcome Trust senior investigator award for his research on oxygen sensing. He was elected a Fellow of the Academy of Medical Sciences in 2005. He is currently a member of the boards of Cambridge University Health Partners (CUHP), Cambridge University Hospitals NHS Foundation Trust and Cambridge Enterprise.



Paola Subacchi is an economist, writer and commentator on the functioning and governance of the international and monetary system. Paola was appointed to the Board in 2014. She is Professor of International Economics and Chair of the Advisory Board, Global Policy Institute, Queen Mary University of London, a visiting professor at the University of Bologna, and the founder of Essential Economics Ltd. She writes regularly on Project Syndicate. She is the author of *The Cost of Free Money* (Yale University Press, 2020).

The Directors listed above were in office during the year to 31 March 2020 (with the exception of Professor Amar Bhidé who was appointed Director on 14 May 2020) and remained in office as at 14 May 2020. The Chair is also chair of the Nomination Committee. All Directors are members of the Nomination and Audit Committees with the exception of Professor John Kay and Professor Amar Bhidé who are not 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 and Company Secretary. Baillie Gifford & Co Limited has delegated portfolio 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 Managers and Secretaries to the Company since its formation in 1909.

Baillie Gifford is one of the largest investment trust managers in the UK and currently manages ten investment trusts. Baillie Gifford also manages 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 total around £227 billion. Based in Edinburgh, it is one of the leading privately owned investment management firms in the UK, with 46 partners and a staff of around 1,300.

The Managers of Scottish Mortgage's portfolio are James Anderson and Tom Slater. James Anderson is a partner of Baillie Gifford & Co. Tom Slater is also a partner and Head of the North American equities 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 Financial Statements of the Company for the year to 31 March 2020.

Corporate Governance

The Corporate Governance Report is set out on pages 40 to 43 and forms part of this Report.

Manager and Company Secretaries

Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, has been appointed as the Company's Alternative Investment Fund Manager ('AIFM') and Company Secretaries. 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 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 six months' notice. The annual management fee for the year to 31 March 2020 was 0.30% on the first £4 billion of total assets less current liabilities (excluding short term borrowings for investment purposes) and 0.25% on the remaining assets.

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 low ongoing charges ratio is in the best interests of all shareholders as lower costs mean higher returns, particularly when compounded over long periods. 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 as a whole fulfils the functions of the Management Engagement Committee. The Board considers the Company's investment management and secretarial arrangements on a continuing basis and a formal review is conducted at least annually. The Board considers, 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, the administrative services provided by the Secretaries, the marketing efforts undertaken by the Managers and the promotion of diversity by the Managers. Following the most recent review and the good performance (particularly over the long term), it is the opinion of the Directors 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 Directive, the AIFM must appoint a Depositary to the Company. The Bank of New York Mellon (International) Limited has been appointed as the Company's Depositary.

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 custody function is also undertaken by The Bank of New York Mellon (International) Limited ('the Custodian').

Directors

Information about the Directors, including their relevant experience, can be found on pages 34 and 35.

Professor A Bhidé was appointed to the Board on 14 May 2020 and is required to seek election by shareholders at the Annual General Meeting. The Directors believe that the Board will benefit from his extensive knowledge and experience and recommend his election to shareholders.

All other Directors will retire at the Annual General Meeting and offer themselves for re-election with the exception of Professor JA Kay who will be retiring from the Board at the Annual General Meeting on 25 June 2020.

Following a formal performance evaluation, the Board considers that the performance of the Directors 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.

The Board also considers that FC McBain and Professor JA Kay remain independent notwithstanding having served on the Board for more than nine years (see page 40).

Director Indemnification and Insurance

The Company has entered into qualifying third party deeds of indemnity in favour of each of its Directors. The deeds 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 him or her. In addition, the indemnity does not apply to any liability to the extent that it is recovered from another person. The indemnities were in force during the year to 31 March 2020 and up to the date of approval of this Report.

The Company maintains Directors' and Officers' Liability Insurance.

Conflicts of Interest

Each Director submits a list of potential conflicts of interest to the Nomination Committee on an annual basis. The Committee considers these carefully, taking into account the circumstances surrounding them and makes a recommendation to the Board on whether or not the potential conflicts should be authorised. Board authorisation is for a period of one year. 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.

Dividends

The Board recommends a final dividend of 1.86p per ordinary share which, together with the interim dividend of 1.39p per ordinary share already paid, makes a total of 3.25p for the year compared with 3.13p per ordinary share for the previous year.

If approved, the recommended final dividend on the ordinary shares will be paid on 1 July 2020 to shareholders on the register at the close of business on 5 June 2020. The ex-dividend date is 4 June 2020.

The Company's Registrars offer a Dividend Reinvestment Plan (see page 82) and the final date for elections for this dividend is 10 June 2020.

Share Capital

Capital Structure

The Company's capital structure as at 31 March 2020 consists of 1,453,259,808 ordinary shares of 5p each, all of which are allotted and fully paid. At 31 March 2020, 31,521,072 shares were held in treasury. 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.

Dividends

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 79 and 80.

Major Interests Disclosed in the Company's Shares

Name	No. of ordinary 5p shares held at 31 March 2020	% of issue *
Rathbone Investment Management Ltd & Rathbone Investment Management Intl. (combined, indirect)	74,493,453	5.1

There have been no changes to the major interests in the Company's shares disclosed to the Company following the year end up to 12 May 2020.

* Ordinary shares in issue excluding treasury shares.

Share Issuances and Share Buy-backs

At the last Annual General Meeting the Directors were granted power to allot equity securities or sell ordinary shares held in treasury for cash up to a maximum nominal amount of £7,393,529.40.

During the year to 31 March 2020 the Company issued 10,525,000 shares (nominal value £526,000), representing in aggregate 0.7% of the called up share capital (excluding treasury shares), at 31 March 2019). The shares were issued on a non pre-emptive basis at a premium to net asset value (on the basis of debt valued at fair value) over 13 separate occasions at an average price of 518.4 pence per share raising net proceeds of £54,478,000. At 31 March 2020, 31,521,072 shares were held in treasury. Between 1 April and 12 May 2020 the Company issued a further 2,400,000 shares raising proceeds of £16,778,000.

During the year to 31 March 2020, 31,521,072 shares were bought back and 800,000 shares were bought back between 1 April and 12 May 2020.

The Directors will again be seeking authorities at the forthcoming Annual General Meeting to buy back shares and to sell any shares held in treasury and allot new shares at a premium to the net asset value per share with debt valued at a fair value. Details of these resolutions are set out below.

Annual General Meeting

Resolution 12 – Authority to allot shares

Section 551 of the Companies Act 2006 provides that the Directors may not allot new shares without shareholder approval. Resolution 12 seeks to renew the Directors' authority to allot shares up to a maximum nominal amount of £7,274,299, representing approximately 10 per cent. of the Company's total issued ordinary share capital as at 12 May 2020, being the latest practicable date prior to publication of this document.

The Directors presently intend to exercise this power when the number of shares held by the Company in treasury is not sufficient to support share issuance by the Company in accordance with its stated liquidity policy. As at 12 May 2020, the Company held 29,921,072 ordinary shares in treasury. The authority will expire on 25 September 2021 or, if earlier, at the end of the Annual General Meeting of the Company to be held in 2021, unless previously cancelled or varied by the Company in general meeting.

Resolution 13 – Disapplication of pre-emption rights

Resolution 13, which is being proposed as a Special Resolution, seeks to renew the Directors' authority to allot equity securities, or sell treasury shares, for cash without having to offer such shares to existing shareholders pro-rata to their existing holdings, up to a total nominal amount of £7,274,299, representing approximately 10 per cent. of the Company's total issued ordinary share capital as at 12 May 2020, being the latest practicable date prior to publication of this document.

The Directors consider that the authority proposed to be granted by Resolution 13 continues to be advantageous when the Company's shares trade at a premium to net asset value and the level of natural liquidity in the market is unable to meet demand. The Directors do not intend to use this authority to sell or issue ordinary shares on a non pre-emptive basis at a discount to net asset value on the basis of debt valued at fair value. The attention of shareholders is drawn to information set out under Resolution 14 below.

While the level of the authority being sought is greater than the 5 per cent. recommended by the Pre-Emption Group in their Statement of Principles on disapplying pre-emption rights, it is specifically recognised in the Statement of Principles that, where an investment trust is seeking authority to issue shares at a premium to the underlying net asset value per share, this should not normally raise concerns and the Directors consider the greater flexibility provided by this authority to be justified in the circumstances.

Resolution 14 – Authority to issue shares at a discount to net asset value

As noted above, the Directors do not intend to sell ordinary shares held in treasury or to issue new ordinary shares on a non pre-emptive basis at a discount to net asset value on the basis of debt valued at fair value. The Directors are aware that LR 15.4.11 of the Listing Rules prohibits the issue of ordinary shares (including ordinary shares held in treasury) for cash at a price below the net asset value per share of those shares without such shares first being offered to existing shareholders pro-rata to their existing holdings.

It is a general market understanding in this context that 'net asset value' is determined on the basis of debt valued at fair value, but, for the purposes of LR 15.4.11, the term 'net asset value' is not specifically defined. As a result, having regard to guidance previously received from the UKLA and consistent with the approach adopted last year, the Directors wish to ensure that any sale of ordinary shares held in treasury or issue of new ordinary shares will not result in an inadvertent breach of the Listing Rules by virtue of the UKLA determining that 'net asset value' should be calculated on the basis of debt valued at par value. Resolution 14 seeks to renew the authority granted to the Company at the 2019 Annual General Meeting to issue shares at a discount to net asset value, in order to continue to protect against any such inadvertent breach. The Directors wish to reiterate that they will in no circumstances seek to issue ordinary shares (including ordinary shares held in treasury) for cash at a price below the net asset value per share on the basis of debt valued at fair value.

Resolution 15 – Market purchase of own shares by the Company

The Directors are seeking shareholders' approval (by way of a Special Resolution) at the Annual General Meeting to renew the authority to purchase up to 14.99 per cent. of the ordinary shares in issue (excluding treasury shares) as at 12 May 2020, being the latest practicable date prior to publication of this document (or, if less, up to 14.99 per cent. of the ordinary shares in issue (excluding treasury shares) on the date on which the Resolution is passed). This authority will expire at the end of the Annual General Meeting of the Company to be held in 2021. Such purchases will only be made at a discount to the prevailing net asset value. The Company may hold bought back shares in treasury and then:

(a) sell such shares (or any of them) for cash (or its equivalent under the Companies Act 2006); or

(b) cancel such shares (or any of them).

Shares will only be re-sold from treasury at (or at a premium to) the net asset value per ordinary share on the basis of debt valued at fair value, in accordance with Resolution 14.

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

Under the Listing Rules, the maximum price (exclusive of expenses) that may be paid on the exercise of the authority shall be an amount equal to 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 the purchase; and

(ii) the higher of the price of the last independent trade and the highest current independent bid as stipulated by Article 5(1) of Commission Regulation (EC) 22 December 2003 implementing the Market Abuse Directive as regards exemptions for buy back programmes and stabilisation of financial instruments (No. 2273/2003).

The minimum price (again exclusive of expenses) that may be paid will be the par value of an ordinary share. Purchases of ordinary shares will be made within guidelines established, from time to time, by the Board. The Company does not have any warrants or options in issue.

The Directors intend that this authority, if conferred, will be exercised only if to do so would result in an increase in net asset value per ordinary share for the remaining shareholders and if it is in the best interests of shareholders generally.

Resolution 16 – Proposed Amendment to the Investment Policy

As noted on page 7, the Company proposes raising the current limit in the investment policy on investments in companies not listed on a public market by 5 per cent. from 25 per cent. to 30 per cent. of the total assets of the Company, measured at time of purchase.

Recommendation

The Board considers that all the Resolutions to be proposed at the Annual General Meeting are in the best interests of the Company and its shareholders as a whole. Accordingly, the Board unanimously recommends that you vote in favour of all of the Resolutions, as the Directors intend to do where possible in respect of their own beneficial shareholdings which amount in aggregate to 302,230 shares, representing 0.02% of the current issued share capital of the Company.

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 of 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 is unaware and the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's Auditors is aware of that information.

Independent Auditors

PricewaterhouseCoopers LLP are willing to continue in office and in accordance with section 489 and section 491(1) of the Companies Act 2006, resolutions concerning their reappointment and remuneration will be submitted to the Annual General Meeting.

Post Balance Sheet Events

The Directors confirm that there have been no post Balance Sheet events up to 14 May 2020.

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 pages 10 to 11.

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 therefore is not required to disclose energy and carbon information.

Criminal Finances Act 2017

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

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.

Approved by the Board of Directors and signed on its behalf
Fiona McBain
14 May 2020

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 www.frc.org.uk and the principles of the Association of Investment Companies ('AIC') Code of Corporate Governance were applied throughout the financial year. The AIC Code provides a framework of best practice for investment companies and can be found at www.theaic.co.uk.

Compliance

The Board confirms that the Company has complied throughout the year under review with the relevant provisions of the Code and the recommendation of the AIC Code. The Code includes provisions relating to the role of the chief executive, executive directors' remuneration and the need for an internal audit function. Given that the Company is an externally managed investment trust, the Board considers these provisions are not relevant to the Company (the need for an internal audit function specific to the Company has been addressed on page 44).

The FRC has confirmed that AIC member companies who report against the AIC Code will be meeting their obligations in relation to the UK Code (the AIC Code can be found at www.theaic.co.uk).

The Board

The Board has overall responsibility for the Company's affairs. The Board appoints the Managers and Secretaries and approves the terms of the investment management agreement. It has a number of matters reserved for its approval including strategy, investment policy, currency hedging, borrowings, gearing, share buy back and issuance policy, treasury matters, dividend and corporate governance policy. A separate meeting devoted to strategy is held each year. 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. Full and timely information is provided to the Board to enable the Board to function effectively and to allow Directors to discharge their responsibilities.

Following the appointment of Professor Amar Bhidé on 14 May 2020 the Board comprises six Directors and on the retirement of Professor JA Kay on 25 June 2020, the Board will comprise five Directors, all of whom are non-executive. The Chair 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. Professor JA Kay is the Senior Independent Director. Mr LJ Dowley will become the Senior Independent Director following the retirement of Professor JA Kay on 25 June 2020.

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 pages 34 and 35.

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

Appointments

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, a Director appointed during the year is required to retire and seek election by shareholders at the next Annual General Meeting. In accordance with the Code all the Directors will retire at each Annual General Meeting and, if appropriate, offer themselves for re-election.

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 that could interfere with the exercise of their independent judgement.

The Directors recognise the value of progressive refreshing of, and succession planning for, company boards and the Board's composition is reviewed 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 does not believe the simple imposition of inflexible numerical based limits on the tenure of individual members to be the best way to ensure ongoing diversity and Board refreshment overall. In determining the appropriate length of service for each Director, including the Chair, the Board must judge the appropriate balance between the retention of the corporate memory of the Company with a suitable rate of refreshment at any given point in time. Further, the Board wishes to retain the flexibility to be able to recruit outstanding candidates when they become available rather than simply adding new Directors based upon a predetermined timetable.

Following formal performance evaluation, the Board has concluded that, notwithstanding that both Professor JA Kay and FC McBain have each served on the Board for more than nine years, they have continued to demonstrate clear independence of character and judgement and their range of skills and experience have been beneficial for the Board.

Policy on Tenure of the Chair

The Board considers that the tenure of the Chair should be determined principally by how the Board's purpose in providing strategic leadership, governance and bringing challenge and support to the Managers can best be maintained, whilst also recognising the importance of independence, refreshment, diversity and retention of the corporate memory. It firmly believes that an appropriate balance of these factors is essential for an effective functioning Board and, at times, will naturally result in some longer serving directors, including the Chair. The Nomination Committee of the Board considers the long term succession planning for this role, as part of its broader remit to ensure there is an appropriate level of refreshment and diversity on the Board. It does not believe the imposition of hard time limits to be helpful in respect of this role, any more than for the tenure of Directors overall.

FC McBain joined the Board in 2009 as a Non-Executive Director and was appointed Chair in June 2017. The Chair was considered independent on appointment. The Board views FC McBain to be independent and highly effective for the reasons set out above, notwithstanding her length of service.

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 below shows the attendance record for the core Board and Committee Meetings held during the year (various additional meetings were also held). The Annual General Meeting was attended by all Directors serving at that date.

Directors' Attendance at Meetings

	Board	Audit Committee	Nomination* Committee
Number of meetings	**6**	**2**	**1**
Fiona McBain	6	2	1
Justin Dowley	6	2	1
Professor John Kay†	6	–	1
Professor Patrick Maxwell	6	2	1
Professor Paola Subacchi	6	2	1

* The main Nomination Committee meeting for the year was held on 13 May 2020.

† Professor Kay is not a member of the Audit Committee.

Nomination Committee

The Nomination Committee consists of the whole Board due to the relatively modest size of the Board. The Chair of the Board is Chair of the Committee. The Committee meets on an annual basis and at such other times as may be required. The Committee has written terms of reference which include reviewing the Board, identifying and nominating new candidates for appointment to the Board, Board appraisal, Board independence, succession planning and training. The Committee also considers whether Directors should be recommended for re-election by shareholders. The Committee is responsible for considering Directors' potential conflicts of interest and for making recommendations to the Board on whether or not the potential conflicts should be authorised.

Diversity and Inclusion

The Board believes diversity of thought is vital for informing the decisions taken for the Company both operationally and strategically at Board level. Maintaining this will promote the success of the Company for its shareholders and other key stakeholders (see Section 172 Statement on page 10) and support the Company in adapting to change over the coming decades.

As an externally managed investment trust, the Company's Managers, Baillie Gifford carry out all of the executive functions and so the Company itself has no employees. Accordingly, the Company itself therefore does not have any specific policies relating to employees or those applicable to an operating business.

Baillie Gifford strives for diversity in its own business and reports on its progress in this area to the Board annually. The principles of fairness, equality and openness form the backbone of its approach to diversity and inclusion. Further information about the initiatives to promote diversity and inclusion are available on the Managers' website at www.bailliegifford.com/en/uk/about-us/diversity-inclusion.

The Board also encourages all other major service providers to the Company to consider these issues and report on progress to the Board each year.

Board Diversity Policy

Appointments to the Board are made on merit with due regard for the benefits of diversity. The priority in appointing new directors is to identify the candidate with the best range of skills and experience to complement the existing Directors. The Board considers that diversity of thought is more likely to arise through debate between a group of individuals who can bring together a mix of experiences, whether those arise through their variety of professional disciplines, cultural backgrounds, gender or other factors, rather than the application of rigid criteria. The Board therefore does not consider it appropriate to apply rigid criteria within its diversity policy or to set diversity targets.

Board Composition

The Board reviewed its composition during the year, with regard to the depth and breadth of experience. The Board reviewed its succession planning during the year and decided to recruit an additional non-executive Director to maintain the broad range of experience that is particularly valuable when supporting and challenging the Managers. Following the appointment of Professor Amar Bhidé, the Board comprises six non-executive Directors, four men and two women, and includes two economists, two chartered accountants, a professor of clinical medicine and an academic.

The Board recruitment process seeks to draw upon as diverse a pool of candidates as possible, including men and women from across all ethnic backgrounds working in the fields of science and industry as well as finance. Following the conclusion of the process, Professor Amar Bhidé was appointed to the Board with effect from 14 May 2020. The Board believes that Professor Bhidé's knowledge and experience will be of great benefit to the Company and is satisfied, after reviewing Professor Bhidé's other commitments, that he will be able to devote sufficient time to the Company. As part of the appointment process, Spencer Stuart, an external search consultancy, was engaged to review the candidate specification and, based on research and interviews, assess the preferred candidate on merit by reference to objective criteria, carry out due diligence and pass an independent recommendation to the Nomination Committee. Spencer Stuart, which has no other connection with the Company or any of the Directors, was specifically tasked with considering the promotion of diversity on the Board as an integral part of the recruitment process, having regard to the skills, experience and knowledge of each of the current and prospective Directors.

The Committee's terms of reference are available on request from the Company and within the 'Literature' section on the Company's pages of the Managers' website: www.scottishmortgageit.com.

Performance Evaluation

The Nomination Committee met to assess the performance of the Chair, each Director, the Board as a whole and its Committees. Prior to the meeting each Director considered an evaluation form which they discussed individually with the Chair. The appraisal of the Chair was led by Professor JA Kay, as the Senior Independent Director. The appraisals and evaluations considered, amongst other criteria, the balance of skills of the Board, the contribution of individual Directors, the overall competency and effectiveness of the Board and its Committees and the continuing professional development undertaken by Directors during the year.

Following this process, it was concluded that the performance of each Director, the Chair, the Board and its Committees continues to be effective and each Director and the Chair remains committed to the Company.

A review of the Chair's and other Directors' commitments was carried out and the Nomination Committee is satisfied that they are capable of devoting sufficient time to the Company. During the year the Chair was appointed non-executive director of Monzo Bank. Following a review of the Chair's other commitments, the Board approved the appointment after becoming satisfied that she would continue to devote sufficient time to the Company. The Chair is not the chair of any other company.

Lintstock, an independent company which assists companies with the design and execution of board evaluations, facilitated the performance evaluation in 2019. It is intended that the evaluation will again be externally facilitated in 2022.

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. The Directors receive other training as necessary.

Remuneration

As all the Directors are non-executive, there is no requirement for a separate Remuneration Committee. Directors' fees are considered by the Board as a whole within the limits approved by shareholders with the Chair's fees considered by the Board in the absence of the Chair. The Company's policy on remuneration is set out in the Directors' Remuneration Report on pages 46 and 47.

Audit Committee

The report of the Audit Committee is set out on pages 44 and 45.

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. 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 a continuing process for identifying, evaluating and managing the significant risks faced by the Company in accordance with the FRC 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting' issued in September 2014.

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 Alternative Investment Fund Managers Directive (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.

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 Directive, The Bank of New York Mellon (International) Limited acted as the Company's Depositary and Baillie Gifford & Co Limited as its AIFM.

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 Depositary will ensure that any delegate segregates the assets of the Company. The Company's Depositary also acts as the Company's Custodian. The Custodian prepares a report on its key controls and safeguards which is independently reviewed by its appointed auditors, 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 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 83), 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 are escalated to the AIFM and reported to the Board along with remedial measures being taken. No exceptions occurred during the year.

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 and specifically in the context of the coronavirus pandemic.

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 contained on pages 9 and 10 and in note 19 to the Financial Statements.

The Board has, in particular, considered the impact of heightened market volatility since the coronavirus outbreak but does not believe the Company's going concern status is affected. The Company's assets, the majority of which are investments in quoted securities which are readily realisable, exceed its liabilities significantly. 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. An unsecured loan note has been agreed for issuance on 30 September 2020 to refinance the £20 million 8–14% stepped interest debenture stock that matures on 30 September 2020. The US$200 million 2 year revolving credit facility with National Australia Bank Limited ('NAB') that was due to expire on 21 May 2020 was refinanced on 21 April 2020 with a US$200 million 3 year revolving credit facility with NAB.

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.

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 coronavirus outbreak, set out in the Viability Statement on page 10, which assesses the prospects of the Company over a period of 10 years, 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 and report shareholders' views to the Board. The Chair and the Audit Committee Chair are each available to meet with shareholders as appropriate. 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 brokers, Numis Securities and Jefferies (see contact details on the back cover).

The Company's Annual General Meeting provides a forum for communication with all shareholders. The level of proxies lodged for each resolution is announced at the meeting and published at www.scottishmortgageit.com. The notice period for the Annual General Meeting is at least twenty working days. Shareholders and potential investors may obtain up-to-date information on the Company at www.scottishmortgageit.com.

Authorities to Issue and Buy Back Shares

The Directors' remaining authorities at 31 March 2020 to issue and buy back the ordinary shares are disclosed in note 13 on page 68.

Corporate Governance and Stewardship

In its oversight of the Managers and the Company's other service providers, the Board received assurances that they have due regard to the benefits of diversity and promote these within their respective organisations. The Board's approach to matters of diversity is set out on page 41 of this report.

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 report their actions to the Board.

The Company believes that it is in the shareholders' interests to consider environmental, social and governance (ESG) factors 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 at www.bailliegifford.com. The Managers' policy has been reviewed and endorsed by the Board.

The Managers 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.

Approved by the Board of Directors and signed on its behalf
Fiona McBain
Chair
14 May 2020

Audit Committee Report

The Audit Committee consists of Mr LJ Dowley, Professor PH Maxwell, Ms FC McBain and Professor P Subacchi. The Chair of the Board, Ms McBain, is a member of the Audit Committee in accordance with the provisions of the AIC Code of Corporate Governance.

The Board believes that Ms McBain's knowledge, experience and professional expertise as a Chartered Accountant is a significant benefit to the Committee. The members of the Committee consider that they have the requisite financial skills and experience to fulfil the responsibilities of the Committee. The Chair of the Committee, Mr Dowley and Ms McBain are Chartered Accountants. The Committee's authority and duties are clearly defined within its written terms of reference which are available on request from the Company Secretaries and at www.scottishmortgageit.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 42).

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

Main Activities of the Committee

The Committee met formally twice during the year and PricewaterhouseCoopers LLP, the external Auditors, attended both meetings. The Committee also met on a number of other occasions to consider specific matters, such as the valuation of unlisted investments. Baillie Gifford & Co's Internal Audit and Compliance Departments and the AIFM's permanent risk function provided reports on their monitoring programmes for these meetings.

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

- the results announcement and 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 requirement to ensure the Annual Report and Financial Statements are fair, balanced and understandable 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;
- re-appointment, remuneration and engagement letter of the external Auditors;
- whether the audit services contract should be put out to tender;
- the policy on the engagement of the external Auditors to supply non-audit services;
- the independence, objectivity and effectiveness of the external Auditors;
- the need for the Company to have its own internal audit function;
- internal controls reports received from the Managers and Custodian; and
- the arrangements in place within Baillie Gifford & Co whereby their 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 controls 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.

Financial Reporting

The Committee considers that the most significant area of risk likely to impact the Financial Statements is the existence, ownership and valuation of investments as they represent 99.2% of total assets.

- ***Unlisted Investments***

  The Committee reviewed the Managers' valuation approach for investments in unquoted companies (as described on page 61) and approved the valuations of the unlisted investments following a detailed review of the valuation of each investment and relevant challenge where appropriate.

  The Managers agreed the holdings in certificated form to confirmations from the Company's custodian and holdings of uncertificated unlisted investments were agreed to confirmations from the relevant investee companies.

- ***Listed Investments***

  The majority of the investments are in quoted securities and market prices are readily available from independent external pricing sources. The Committee reviewed Baillie Gifford's Report on Internal Controls which details the controls in place regarding the recording and pricing of investments.

  The Managers agreed the prices of all the listed investments at 31 March 2020 to external price sources and the holdings were agreed to confirmations from the Company's Custodian or Transfer Agent.

The Managers and Auditors 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 page 42. No significant weaknesses were identified in the year under review.

Audit Tender

Following the audit tender process in the year to 31 March 2019, the Board unanimously decided to appoint PricewaterhouseCoopers LLP as Auditors.

In recognition of underlying audit rotation requirements, the Committee currently intends that a further tender process should be undertaken during the year to 31 March 2029 to cover the financial years ending 31 March 2030 onwards.

External Auditors

To fulfil its responsibility regarding the independence of the external Auditors the Committee reviewed:

— a report from the Auditors describing the arrangements to identify, report and manage any conflicts of interest and received confirmation of their independence; and

— the extent of non-audit services provided by the external Auditors. Non-audit fees for the year to 31 March 2020 were £3,500 and related to the certification of financial information for the debenture trustee. The Committee does not believe that this has impaired the Auditors' independence.

The effectiveness of the external Auditors was reviewed and the Committee considered:

— the Auditors' 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 Auditors' engagement letter;

— the Auditors' proposed audit strategy;

— the audit fee; and

— a report from the Auditors on the conclusion of the audit.

Non-audit service requests were considered on a case by case basis.

The audit partner responsible for the audit will be 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. Ms Catrin Thomas, the current audit partner has held this role for one year and will continue as audit partner until the conclusion of the 2024 audit.

PricewaterhouseCoopers 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 Auditors have remained independent and effective.

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

Accountability and Audit

The respective responsibilities of the Directors and the Auditors in connection with the Financial Statements are set out on pages 48 to 55.

By order of the Board
Justin Dowley
Audit Committee Chair
14 May 2020

Directors' Remuneration Report

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

Statement by the Chair

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 June 2017. No changes are proposed to the policy and an ordinary resolution for the approval of the Remuneration Policy will be put to shareholders at the forthcoming Annual General Meeting on 25 June 2020.

The Board reviewed the level of fees during the year and it was agreed that with effect from 1 April 2020 the fee for the Chair will be increased to £70,000, the fee for the Chair of the Audit Committee will be increased to £56,000 and the Directors' fees will be increased to £45,000. The fees were last increased on 1 April 2017.

Directors' Remuneration Policy

The Board is composed wholly of non-executive Directors, none of whom has a service contract with the Company. There is no separate remuneration committee and the Board as a whole considers changes to Directors' fees from time to time, with the Chair's fee being considered in the absence of the Chair. Baillie Gifford & Co Limited, who has been appointed by the Board as the Company Secretaries, provide comparative information when the Board considers the level of Directors' fees.

The Board's policy is that the remuneration of Directors should be set at a reasonable level that is commensurate with the duties and responsibilities of the role and consistent with the requirement to attract and retain Directors of the appropriate quality and experience. The Board believes that the fees paid to the Directors should reflect the experience of the Board as a whole, be fair and should take account of the level of fees paid by comparable investment trusts and prevailing rates of retail price inflation. Any views expressed by shareholders on the fees being paid to Directors will be taken into consideration by the Board when reviewing the Board's policy on remuneration.

Directors are not eligible for any other remuneration or benefits apart from the reimbursement of allowable expenses. There are no performance conditions relating to Directors' fees and there are no long term incentive schemes or pension schemes. No compensation is payable on loss of office.

Limits on Directors' Remuneration

The fees for the Directors are payable six monthly in arrears and are determined within the limit set out in the Company's Articles of Association which is currently £400,000 in aggregate. Any change to this limit requires shareholder approval.

The fees paid to Directors in respect of the year ended 31 March 2020 and the expected fees payable in respect of the year ending 31 March 2021 are set out in the table below. The fees payable to the Directors in the subsequent financial periods will be determined following an annual review of the Directors' fees.

	Expected fees for year ending 31 Mar 2021 £	Fees for year ending 31 Mar 2020 £
Chair's fee	70,000	60,000
Chair of Audit Committee's fee	56,000	50,000
Director's fee	45,000	40,000
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	400,000	400,000

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 Auditors to audit certain of the disclosures provided in this report. Where disclosures have been audited, they are indicated as such. The Auditors' opinion is included in PricewaterhouseCoopers LLP's report on pages 49 to 55.

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	2020 Fees £	2020 Taxable benefits* £	2020 Total £	2019 Fees £	2019 Taxable benefits* £	2019 Total £
Fiona McBain (Chair)	60,000	1,918	**61,918**	60,000	1,186	**61,186**
Justin Dowley (Audit Committee Chair)	50,000	4,365	**54,365**	50,000	4,436	**54,436**
Professor John Kay	40,000	1,193	**41,193**	40,000	2,747	**42,747**
Professor Patrick Maxwell	40,000	3,164	**43,164**	40,000	2,659	**42,659**
Professor Paola Subacchi	40,000	2,737	**42,737**	40,000	2,511	**42,511**
	230,000	**13,377**	**243,377**	**230,000**	**13,539**	**243,539**

* Comprises travel and subsistence expenses incurred by or on behalf of Directors in the course of travel to attend Board, Committee and other meetings held at the Company's registered office in Edinburgh. These amounts have been grossed up for income tax.

Directors' Interests (audited)

Name	Nature of interest	Ordinary 5p shares held at 31 March 2020	Ordinary 5p shares held at 31 March 2019
Fiona McBain	Beneficial	7,163	6,163
Justin Dowley	Beneficial	205,618	204,437
Professor John Kay	Beneficial	32,792	32,792
Professor Patrick Maxwell	Beneficial	36,759	26,586
Professor Paola Subacchi	Beneficial	19,898	23,002

The Directors at the year end, and their interests in the Company, were as shown above. There have been no changes in the Directors' interests up to 12 May 2020.

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, 99.4% were in favour, 0.3% were against and votes withheld were 0.3%. At the last Annual General Meeting at which the Directors' Remuneration Policy was considered (June 2017), 99.2% of votes received were in favour, 0.5% were against and votes withheld were 0.3%.

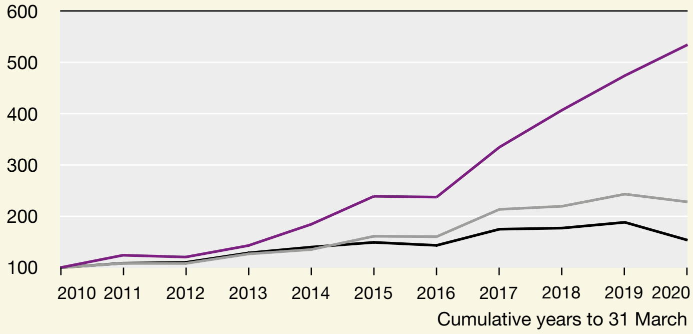
Relative Importance of Spend on Pay

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

	2020 £'000	2019 £'000	Change %
Directors' remuneration	243	244	(0.1)
Dividends	46,092	43,995	4.8
Share buy-backs	166,738	–	n/a

Company Performance

Scottish Mortgage's Share Price, FTSE All-Share Index and Benchmark*
(figures have been rebased to 100 at 31 March 2010)



Source: Refinitiv#

Scottish Mortgage share price
Benchmark†
FTSE All-Share Index

* All figures are total return (assuming all dividends are reinvested). See Glossary of Terms and Alternative Performance Measures on pages 87 to 89.

† Benchmark: FTSE All-World Index (in sterling terms).

See disclaimer on page 86.

Past performance is not a guide to future performance.

The graph compares the total return (assuming all dividends are reinvested) to ordinary shareholders compared to the total shareholder return on a notional investment made up of shares in the component parts of the FTSE All-Share Index. This index was chosen for comparison purposes, as it is a widely used measure of performance for UK listed companies (benchmark provided for information purposes only).

Approval

The Directors' Remuneration Report on pages 46 and 47 was approved by the Board of Directors and signed on its behalf on 14 May 2020.

Fiona McBain
Chair

Statement of Directors' Responsibilities in Respect of the Annual Report and the 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 are required to prepare the Financial Statements in accordance with UK accounting standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 its Financial Statements 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

The Directors have delegated responsibility to the Managers for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

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 profit or loss of the Company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

On behalf of the Board
Fiona McBain
14 May 2020

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 Auditors' Report to the members of Scottish Mortgage Investment Trust PLC

Report on the audit of the financial statements

Opinion

In our opinion, Scottish Mortgage Investment Trust PLC's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 and of its net return and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the 'Annual Report'), which comprise: the Balance Sheet as at 31 March 2020; the Income Statement, the Cash Flow Statement, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' 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.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company.

Other than those disclosed in note 4 to the financial statements, we have provided no non-audit services to the Company in the period from 1 April 2019 to 31 March 2020.

Our audit approach

Overview

- Overall materiality: £82.0 million, based on 1% of net assets.

- The Company is a standalone Investment Trust Company and engages Baillie Gifford & Co Limited (the 'AIFM') to manage its assets.
- We conducted our audit of the financial statements using information from the AIFM to whom the Directors have delegated the provision of all administrative functions.
- We tailored the scope of our audit taking into account the types of investments within the Company, the involvement of the third party referred to above, the accounting processes and controls, and the industry in which the Company operates.
- We obtained an understanding of the control environment in place at the AIFM and adopted a fully substantive testing approach using reports obtained from the AIFM.

- Income from investments.
- Valuation and existence of listed investments.
- Valuation and existence of unlisted investments.
- Consideration of impacts of Covid-19.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of section 1158 of the Corporation Tax Act 2010 (see page 60 of the Annual Report), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue (investment income and capital gains) or to increase net asset value, and management bias in accounting estimates. Audit procedures performed by the engagement team included:

— Discussions with the manager and the audit committee, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;

— Reviewing relevant Board meeting minutes, including those of the Audit Committee;

— Assessment of the Company's compliance with the requirements of section 1158 of the Corporation Tax Act 2010, including recalculation of numerical aspects of the eligibility conditions;

— Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the valuation of unlisted investments (see related key audit matter below);

— Identifying and testing journal entries posted throughout the year and in particular manual year end journal entries posted during the preparation of the financial statements. This included, but was not limited to testing journals with unusual account combinations, inappropriate users or reviewers and journals posted at unusual times; and

— Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above 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 would become aware of it. Also, 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 or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, 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, and any comments we make on the results of our procedures thereon, 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. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Income from investments Refer to page 61 (Principal Accounting Policies) and page 62 (Notes to the Financial Statements). ISAs (UK) presume there is a risk of fraud in income recognition because of the pressure management may feel to achieve a certain objective. In this instance, we consider that 'income' refers to all the Company's income streams, both revenue and capital (including gains and losses on investments). As the Company has a capital objective, there might be an incentive to overstate income in that category if capital is particularly underperforming. As such, we focussed this risk on the existence/occurrence of gains/losses on investments and completeness of dividend income recognition and its presentation in the Income Statement as set out in the requirements of The Association of Investment Companies' Statement of Recommended Practice (the 'AIC SORP').	We assessed the accounting policy for income recognition for compliance with accounting standards and the AIC SORP and performed testing to confirm that income had been accounted for in accordance with this stated accounting policy. We found that the accounting policies implemented were in accordance with accounting standards and the AIC SORP, and that income has been accounted for in accordance with the stated accounting policy. We understood and assessed the design and implementation of key controls surrounding income recognition. The gains/losses on investments held at fair value comprise realised and unrealised gains/losses. For unrealised gains and losses, we sample tested the valuation of the portfolio at the year-end (see below), together with testing the reconciliation of opening and closing investments. For realised gains/losses, we tested a sample of disposal proceeds by agreeing the proceeds to bank statements and we re-performed the calculation of a sample of realised gains/losses. In addition, we tested a sample of dividend receipts by agreeing the dividend rates from all investments to independent third party sources. No significant exceptions were identified from this testing. To test for completeness, we tested that the appropriate dividends had been received in the year by reference to independent data of dividends declared for all listed investments during the year. Our testing did not identify any unrecorded dividends. We tested the allocation and presentation of dividend income between the revenue and capital return columns of the Income Statement in line with the requirements set out in the AIC SORP. We did not find any special dividends that were not treated in accordance with the AIC SORP.
Valuation and existence of listed investments Refer to pages 44 (Audit Committee Report), page 61 (Principal Accounting Policies) and page 64 (Notes to the Financial Statements). The investment portfolio at 31 March 2020 comprised listed equity investments of £7,238.0 million. We focused on the valuation and existence of investments because investments represent the principal element of the net asset value as disclosed in the Balance Sheet in the financial statements.	We tested the valuation of all the listed investments by agreeing the prices used in the valuation to independent third party sources. We tested the existence of all listed investments by agreeing the holdings of all investments to an independent confirmation from the Depository, The Bank of New York Mellon (International) Limited as at 31 March 2020. No significant exceptions were identified from this testing.

Key audit matter	How our audit addressed the key audit matter
Valuation and existence of unlisted investments Refer to page 44 (Audit Committee Report), page 61 (Principal Accounting Policies) and page 64 (Notes to the Financial Statements). The investment portfolio at 31 March 2020 included unlisted investments. We focused on the valuation and existence of the unlisted investments as these investments represented a material balance in the financial statements (£1,841.6 million) and the valuation requires significant estimates and judgements to be applied by the Directors such that changes to key inputs to the estimates and/or the judgements made can result in a material change to the valuation of unlisted investments.	We understood and evaluated the valuation methodology applied, by reference to the International Private Equity and Venture Capital Valuation guidelines (IPEV), and tested the techniques used by the Directors in determining the fair value of unquoted investments. Our testing, performed on a sample basis, included: — Assessing the appropriateness of the valuation models used and testing the inputs either through validation to appropriate third party sources, or where relevant, assessing the reasonableness of significant estimates and judgements used; — Comparing valuations to recent transactions, where relevant; — Comparing valuations to recent investments made in investee companies where there was a significant new investor; and — Assessing the impact of Covid-19 on the valuation of investments as at the Balance Sheet date. We also read the internal AIFM valuation committee meeting minutes where the valuations of the unquoted investments were discussed and agreed and attended relevant Audit Committee meetings where the valuation of these investments were discussed. This, together with the work outlined above and our knowledge of the investee entities, FRS 102, the AIC SORP and the International Private Equity and Venture Capital Valuation guidelines (IPEV), enabled us to discuss with and challenge the Directors as to the appropriateness of the methodology used and the appropriateness of key inputs used in arriving at the valuations. We found that the Directors' valuations of unquoted investments were materially consistent with the IPEV guidelines and that the assumptions used to derive the valuations within the financial statements were reasonable based on the investee's circumstances or consistent with appropriate third party sources. We tested the existence of the unquoted investment portfolio by agreeing a sample of the holdings to independently obtained third party confirmations as at 31 March 2020. No significant exceptions were identified from this testing.

Key audit matter	How our audit addressed the key audit matter
Consideration of Impacts of Covid-19 Refer to the Statement from the Chair (page 2), Principal Risks and Uncertainties (page 9), the Viability Statement (page 10) and the Going Concern Statement (page 43), which disclose the impact of the Covid-19 pandemic. From a small number of cases of an unknown virus in 2019, the Covid-19 viral infection has become a global pandemic. It has caused disruption to supply chains and travel, slowed global growth and caused volatility in global markets and in exchange rates during the first quarter of 2020 and to date. The coronavirus impacted global capital markets significantly in March 2020. The Company's net assets were £8,244.6m at 31 March 2020. The Directors have prepared the financial statements of the Company on a going concern basis, and believe this assumption remains appropriate. This conclusion is based on the assessment that, notwithstanding the significant market uncertainties, they are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future and that the Company and its key third party service providers have in place appropriate business continuity plans and will be able to maintain service levels through the coronavirus pandemic.	We evaluated the Directors' assessment of the impact of the Covid-19 pandemic on the Company by: — Evaluating the Company's updated risk assessment and considering whether it addresses the relevant threats presented by Covid-19. — Evaluating management's assessment of operational impacts, considering their consistency with other available information and our understanding of the business and assessing the potential impact on the financial statements. — Testing the impact of Covid-19 on the valuation of sampled investments. We obtained and evaluated the Directors' going concern assessment which reflects conditions up to the point of approval of the Annual Report. — We obtained evidence to support the key assumptions and forecasts driving the Directors' assessment. This included reviewing the Directors' assessment of the Company's financial position and forecasts, their assessment of liquidity and loan covenant compliance as well as their review of the operational resilience of the Company and oversight of key third party service providers. We assessed the disclosures presented in the Annual Report in relation to Covid-19 by: — Reading the other information, including the Principal Risks and Viability Statement set out in the Strategic Report, and assessing its consistency with the financial statements and the evidence we obtained in our audit. Our conclusions relating to other information are set out in the 'Reporting on other information' section of our report. Our conclusions relating to going concern are set out in the 'Conclusions relating to going concern' section below.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which it operates.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£82.0 million.
How we determined it	1% of net assets.
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice for investment trust audits, in the absence of indicators that an alternative benchmark would be appropriate and because we believe this provides an appropriate and consistent year-on-year basis for our audit.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £4.1 million as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.
We are required to report if the Directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

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 Directors' Report for the year ended 31 March 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. *(CA06)*

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. *(CA06)*

The Directors' assessment of the prospects of the Company and of the principal risks that would threaten the solvency or liquidity of the Company

We have nothing material to add or draw attention to regarding:

- The Directors' confirmation on page 9 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The Directors' explanation on page 10 of the Annual Report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Company and statement in relation to the longer-term viability of the Company. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the 'Code'); and considering whether the statements are consistent with the knowledge and understanding of the Company and its environment obtained in the course of the audit. *(Listing Rules)*

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the Directors, on page 48, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Company obtained in the course of performing our audit.
- The section of the Annual Report on page 44 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

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*. (CA06)*

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in Respect of the Annual Report and the Financial Statements set out on page 48, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also 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.

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.

Auditors' 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 auditors' 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; 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.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the audit committee, we were appointed by the members on 27 June 2019 to audit the financial statements for the year ended 31 March 2020 and subsequent financial periods. This is therefore our first year of uninterrupted engagement.

Catrin Thomas (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
14 May 2020

Income Statement

For the year ended 31 March

	Notes	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000
Gains on investments	9	–	1,018,400	**1,018,400**	–	923,535	**923,535**
Currency losses		–	(12,949)	**(12,949)**	–	(12,180)	**(12,180)**
Income	2	28,914	–	**28,914**	28,187	–	**28,187**
Investment management fee	3	–	(23,922)	**(23,922)**	–	(21,879)	**(21,879)**
Other administrative expenses	4	(4,835)	–	**(4,835)**	(4,342)	–	**(4,342)**
Net return before finance costs and taxation		24,079	981,529	**1,005,608**	23,845	889,476	**913,321**
Finance costs of borrowings	5	–	(31,338)	**(31,338)**	–	(29,866)	**(29,866)**
Net return before taxation		24,079	950,191	**974,270**	23,845	859,610	**883,455**
Tax	6	(1,214)	–	**(1,214)**	(176)	–	**(176)**
Net return after taxation		**22,865**	**950,191**	**973,056**	**23,669**	**859,610**	**883,279**
Net return per ordinary share	7	**1.55p**	**64.55p**	**66.10p**	**1.64p**	**59.58p**	**61.22p**

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 60 to 77 are an integral part of the Financial Statements.

Balance Sheet

As at 31 March

	Notes	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Fixed assets					
Investments held at fair value through profit or loss	9		9,079,650		8,098,819
Current assets					
Debtors	10	48,420		27,892	
Cash and cash equivalents	19	38,526		35,587	
		86,946		63,479	
Creditors					
Amounts falling due within one year	11	(329,715)		(309,019)	
Net current liabilities			(242,769)		(245,540)
Total assets less current liabilities			8,836,881		7,853,279
Creditors					
Amounts falling due after more than one year	12		(592,247)		(423,349)
			8,244,634		**7,429,930**
Capital and reserves					
Called up share capital	13		74,239		73,713
Share premium account	14		764,521		710,569
Capital redemption reserve	14		19,094		19,094
Capital reserve	14		7,363,915		6,602,885
Revenue reserve	14		22,865		23,669
Total shareholders' funds	15		**8,244,634**		**7,429,930**
Net asset value per ordinary share (after deducting borrowings at book)*	15		**567.3p**		**504.0p**

The Financial Statements of Scottish Mortgage Investment Trust PLC (Company registration No. SC007058) were approved and authorised for issue by the Board and were signed on its behalf on 14 May 2020.

Fiona McBain
Chair

The accompanying notes on pages 60 to 77 are an integral part of the Financial Statements.

* See Glossary of Terms and Alternative Performance Measures on pages 87 to 89.

Statement of Changes in Equity

For the year ended 31 March 2020

	Notes	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve* £'000	Revenue reserve* £'000	Shareholders' funds £'000
Shareholders' funds at 1 April 2019		73,713	710,569	19,094	6,602,885	23,669	**7,429,930**
Net return after taxation	14	–	–	–	950,191	22,865	**973,056**
Ordinary shares bought back into treasury	13	–	–	–	(166,738)	–	**(166,738)**
Ordinary shares issued	13	526	53,952	–	–	–	**54,478**
Dividends paid during the year	8	–	–	–	(22,423)	(23,669)	**(46,092)**
Shareholders' funds at 31 March 2020		**74,239**	**764,521**	**19,094**	**7,363,915**	**22,865**	**8,244,634**

For the year ended 31 March 2019

	Notes	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve* £'000	Revenue reserve* £'000	Shareholders' funds £'000
Shareholders' funds at 1 April 2018		71,086	352,375	19,094	5,741,352	3,849	**6,187,756**
Net return after taxation	14	–	–	–	859,610	23,669	**883,279**
Ordinary shares sold from treasury	13	–	91,044	–	42,069	–	**133,113**
Ordinary shares issued	13	2,627	267,150	–	–	–	**269,777**
Dividends paid during the year	8	–	–	–	(40,146)	(3,849)	**(43,995)**
Shareholders' funds at 31 March 2019		**73,713**	**710,569**	**19,094**	**6,602,885**	**23,669**	**7,429,930**

The accompanying notes on pages 60 to 77 are an integral part of the Financial Statements.

* The Revenue Reserve and the Capital Reserve (to the extent it constitutes realised profits) are distributable.

Cash Flow Statement

For the year ended 31 March

	Notes	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Cash flows from operating activities					
Net return before taxation		974,270		883,455	
Gains on investments		(1,018,400)		(923,535)	
Currency losses		12,949		12,180	
Finance costs of borrowings		31,338		29,866	
Overseas withholding tax refunded		144		2,978	
Overseas withholding tax incurred		(1,358)		(1,488)	
Changes in debtors and creditors		596		1,448	
Cash (used in)/generated from operations			(461)		4,904
Interest paid			(31,252)		(28,162)
Net cash outflow from operating activities			(31,713)		(23,258)
Cash flows from investing activities					
Acquisitions of investments		(634,686)		(1,248,097)	
Disposals of investments		636,818		707,123	
Net cash inflow/(outflow) from investing activities			2,132		(540,974)
Equity dividends paid	8	(46,092)		(43,995)	
Ordinary shares bought back into treasury and stamp duty thereon		(166,738)		(67)	
Ordinary shares sold from treasury		–		133,113	
Ordinary shares issued		54,478		269,776	
Bank loans repaid		–		(28,221)	
Bank loans drawn down and loan notes issued		188,218		226,207	
Net cash inflow from financing activities			29,866		556,813
Increase/(decrease) in cash and cash equivalents			285		(7,419)
Exchange movements			2,654		8,032
Cash and cash equivalents at start of period	16,19		35,587		34,974
Cash and cash equivalents at end of period*	16,19		**38,526**		**35,587**

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

The accompanying notes on pages 60 to 77 are an integral part of the Financial Statements.

Notes to the Financial Statements

1 Principal Accounting Policies

The Financial Statements for the year to 31 March 2020 have been prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and on the basis of the accounting policies set out below which are unchanged from the prior year and have been applied consistently.

(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 coronavirus outbreak but does not believe the Company's going concern status is affected. The Company's assets, the majority of which are investments in quoted securities which are readily realisable, exceed its liabilities significantly. 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. An unsecured loan note has been agreed for issuance on 30 September 2020 to refinance the £20 million 8–14% stepped interest debenture stock that matures on 30 September 2020. The US$200 million 2 year revolving credit facility with National Australia Bank Limited ('NAB') that was due to expire on 21 May 2020 was refinanced on 21 April 2020 with a US$200 million 3 year revolving credit facility with NAB. It is the Directors' opinion, having assessed the principal risks and other matters set out in the Viability Statement on page 10, that the Company will continue in operational existence for a period of at least twelve 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 October 2019 with consequential amendments.

In order to reflect better the activities of the Company and in accordance with guidance issued by the AIC, supplementary information which analyses the profit and loss account between items of a revenue and capital nature has been presented in the Income Statement.

The Directors consider the Company's functional currency to be sterling as the Company's share capital and dividends paid are denominated in sterling, the Company's shareholders are predominantly based in the UK, and the Company and its investment manager, who are subject to the UK's regulatory environment, are also UK based.

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 Company has only one material segment being that of an investment trust company investing in a portfolio of long term investments chosen on a global basis.

(b) Significant Accounting Estimates and Judgements

The preparation of the Financial Statements requires the use of estimates and judgements. These estimates 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 fair valuation of the unlisted investments.

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') 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 (see 1(c) below) 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 significance of this estimate has increased over the year with the increase in unlisted investments (see note 9). 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).

Fair value estimates are cross-checked to alternative estimation methods where possible to improve the robustness of the estimate. As the valuation outcomes may differ from the fair value estimates a price sensitivity analysis is provided in Other Price Risk Sensitivity in note 19 on page 74 to illustrate the effect on the Financial Statements of an over or under estimation of fair values. The risk of an over or under estimation of fair values is greater when methodologies are applied using more subjective inputs.

The determination of fair value by the Managers involves key assumptions dependent upon the valuation technique used. As explained in 1(c) below, the primary technique applied under the IPEV Guidelines is the Multiples approach. 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. The Multiples approach involves subjective inputs and therefore presents a greater risk of over or under estimation and particularly in the absence of a recent transaction.

The key assumptions for the Multiples approach are that the selection of comparable companies provides a reasonable basis for identifying relationships between enterprise value, revenue and growth to apply in the determination of fair value. Other assumptions include that (i) the discount applied for reduced liquidity versus listed peers, (ii) the probabilities assigned to an exit being through either an IPO or a company sale, and (iii) the application of milestone analysis and industry benchmark indices are a reasonable basis for applying appropriate adjustments to the valuations. Valuations are cross-checked for reasonableness to alternative multiples-based approaches or benchmark index movements as appropriate.

(c) Investments

Purchases and sales

Purchases and sales of investments are accounted for on a trade date basis. All investments are designated as valued at fair value through profit or loss upon initial recognition and are measured at subsequent reporting dates at fair value.

Listed Investments

The fair value of listed security investments is bid value or, in the case of holdings on certain recognised overseas exchanges, at last traded prices.

Unlisted Investments

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 techniques consistent with the International Private Equity and Venture Capital Valuation Guidelines 2018 ('IPEV'). The techniques applied are predominantly market-based approaches. The market-based approaches available under IPEV are set out below and are followed by an explanation of how they are applied to the Company's unlisted portfolio:

— Multiples;

— Industry Valuation Benchmarks; and

— Available Market Prices.

The nature of the unlisted portfolio currently will influence the valuation technique applied. The valuation approach recognises that, as stated in the IPEV Guidelines, the price of a recent investment, if resulting from an orderly transaction, generally represents fair value as at the transaction date and may be an appropriate starting point for estimating fair value at subsequent measurement dates. However, consideration is given to the facts and circumstances as at the subsequent measurement date, including changes in the market or performance of the investee company. Milestone analysis is used where appropriate to incorporate the operational progress of the investee company into the valuation. Additionally, the background to the transaction must be considered. As a result, various multiples-based techniques are employed to assess the valuations particularly in those companies with established revenues. Discounted cashflows are used where appropriate. An absence of relevant industry peers may preclude the application of the Industry Valuation Benchmarks technique and an absence of observable prices may preclude the Available Market Prices approach. All valuations are cross-checked for reasonableness by employing relevant alternative techniques.

The unlisted investments are valued according to a three monthly cycle of measurement dates. The fair value of the unlisted investments will be reviewed before the next scheduled three monthly measurement date on the following occasions:

— at the year end and half year end of the Company; and

— where there is an indication of a change in fair value as defined in the IPEV guidelines (commonly referred to as 'trigger' events).

Significant Holdings

The Company has a significant holding in the shares of the Global AI Opportunities Fund and in the limited partnership of the WI Harper Fund VII (see note 9 on page 66). The Company has taken advantage of the exemption from preparing consolidated Financial Statements available in FRS 102 for investments held as part of an investment portfolio with a view to subsequent resale.

Gains and Losses

Gains and losses on investments, including those arising from foreign currency exchange differences are recognised in the Income Statement as capital items.

(d) Cash and Cash Equivalents

Cash and cash equivalents includes 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) Interest from fixed interest securities is recognised on an effective interest rate basis. Where income returns are for a non-fixed amount, the impact of these returns on the effective interest rate is recognised once such returns are known. If there is reasonable doubt that a return will be received, its recognition is deferred until that doubt is removed.

(iii) Unfranked investment income includes the taxes deducted at source.

(iv) Interest receivable on deposits is recognised on an accruals basis.

(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) Special dividends are treated as repayments of capital or income depending on the facts of each particular case.

(f) Expenses

All expenses are accounted for on an accruals basis. Where expenses relate directly to the acquisition or disposal of an investment (transaction costs) they are recognised as capital within losses/gains on investments; and where they are connected with the maintenance or enhancement of the value of investments they are charged to capital reserve. Accordingly, the management fee is charged fully to capital as this reflects the primary source of returns to shareholders over the long term. All other expenses are charged through the revenue column of the Income Statement.

(g) Long Term Borrowings and Finance Costs

Long term borrowings are carried in the Balance Sheet at amortised cost, representing the cumulative amount of net proceeds after issue, plus accrued finance costs attributable to the stepped interest debentures. The finance costs of such borrowings have been allocated to the capital reserve at a constant rate on the carrying amount. The borrowings are invested with the aim of enhancing long term returns therefore the related costs are charged to capital. Issue costs are written off at a constant rate over the life of the borrowings. Gains and losses on the repurchase or early settlement of debt is wholly charged to capital.

(h) Taxation

Current tax is provided at the amounts expected to be paid or recovered. The tax effect of different items of income and expenditure is allocated between revenue and capital on the same basis as the particular item to which it relates, under the marginal method, using the Company's effective tax rate for the accounting period.

Deferred taxation is provided on an undiscounted basis on all timing differences which have originated but not reversed by the Balance Sheet date, calculated at the tax rates expected to apply when the timing differences reverse, based on what has been enacted or substantially enacted, relevant to the benefit or liability. Deferred tax assets are recognised only to the extent that it is probable that there will be taxable profits from which underlying timing differences can be deducted.

(i) Foreign Currencies

Transactions involving foreign currencies are converted at the rate ruling at the time of the transaction. Assets and liabilities 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 capital reserve or revenue reserve as appropriate.

(j) Capital Reserve

Gains and losses on disposal of investments, changes in 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 this reserve. Purchases of the Company's own shares are also funded from this reserve. 100% of management fees and finance costs have been allocated to the capital reserve. The capital reserve, to the extent it constitutes realised profits, is distributable.

(k) Share Premium Account

The balance classified as share premium represents:

— the proceeds of sales of shares held in treasury in excess of the weighted average purchase price paid by the Company to repurchase the shares; and

— the excess of the proceeds of issuance of new shares over the nominal value.

2 Income

	2020 £'000	2019 £'000
Income from investments		
UK dividend income	666	1,048
Overseas dividends*	26,008	26,142
Overseas interest	1,033	62
	27,707	**27,252**
Other income		
Deposit interest	1,207	935
	1,207	**935**
Total income	**28,914**	**28,187**
Total income comprises:		
Dividends from financial assets designated at fair value through profit or loss	26,674	27,190
Interest from financial assets designated at fair value through profit or loss	1,033	62
Interest from financial assets not at fair value through profit or loss	1,207	935
	28,914	**28,187**

* Overseas dividend income represents income from equity holdings. There was no income from preference share (non-equity) holdings during the year (2019 – £nil).

3 Investment Management Fee

	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000
Investment management fee	–	23,922	**23,922**	–	21,879	**21,879**

Details of the Investment Management Agreement are disclosed on page 36. The annual management fee is 0.30% on the first £4 billion of total assets less current liabilities (excluding short term borrowings for investment purposes) and 0.25% thereafter and is calculated quarterly.

The investment management fees for the years to 31 March 2020 and 31 March 2019 were charged 100% to capital.

4 Other Administrative Expenses

	2020 £'000	2019 £'000
General administrative expenses	4,556	4,061
Directors' fees (see Directors' Remuneration Report page 46)	230	230
Auditors' remuneration for audit services	45	50
Auditors' remuneration for non-audit services – certification of financial information for the debenture trustee	4	1
Other administrative expenses charged to revenue	**4,835**	**4,342**

5 Finance Costs of Borrowings

	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000
Financial liabilities not at fair value through profit or loss						
Bank loans and overdrafts repayable within five years or less	–	8,681	**8,681**	–	8,916	**8,916**
Debentures repayable wholly or partly in five years or less	–	2,513	**2,513**	–	7,738	**7,738**
Debentures repayable wholly or partly in more than five years	–	10,946	**10,946**	–	5,779	**5,779**
Loan notes repayable in more than five years	–	9,198	**9,198**	–	7,433	**7,433**
	–	**31,338**	**31,338**	**–**	**29,866**	**29,866**

The finance costs for the years to 31 March 2020 and 31 March 2019 have been charged 100% to capital.

6 Tax

	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000
Overseas taxation	1,358	–	**1,358**	1,488	–	**1,488**
Overseas tax refunded	(144)	–	**(144)**	(1,312)	–	**(1,312)**
	1,214	**–**	**1,214**	**176**	**–**	**176**

	2020 £'000	2019 £'000
The tax charge for the year is lower (2019 – lower) than the standard rate of corporation tax in the UK of 19% (2019 – 19%)		
The differences are explained below:		
Net return before taxation	974,270	883,455
Net return before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2019 – 19%)	185,111	167,856
Capital returns not taxable	(191,036)	(173,157)
Income not taxable (UK dividends)	(127)	(199)
Income not taxable (overseas dividends)	(4,941)	(4,967)
Current year management expenses and non-trade loan relationship deficit not utilised	10,993	10,467
Overseas withholding tax	1,358	1,488
Overseas withholding tax refunded	(144)	(1,312)
Tax charge for the year	**1,214**	**176**

At 31 March 2020 the Company had surplus management expenses and losses on non-trading loan relationships of £361.6 million (2019 – £295 million) which have not been recognised as a deferred tax asset. This is because the Company is not expected to generate taxable income in a future period in excess of the deductible expenses of that future period and, accordingly, it is unlikely that the Company will be able to reduce future tax liabilities through the use of existing surplus expenses.

7 Net Return per Ordinary Share

	2020 Revenue	2020 Capital	2020 Total	2019 Revenue	2019 Capital	2019 Total
Net return per ordinary share	**1.55p**	**64.55p**	**66.10p**	**1.64p**	**59.58p**	**61.22p**

Revenue return per ordinary share is based on the net revenue after taxation of £22,865,000 (2019 – £23,669,000), and on 1,472,047,860 (2019 – 1,442,733,808) ordinary shares, being the weighted average number of ordinary shares (excluding treasury shares) during the year.

Capital return per ordinary share is based on the net capital return for the financial year of £950,191,000 (2019 – net capital return of £859,610,000), and on 1,472,047,860 (2019 – 1,442,733,808) ordinary shares, being the weighted average number of ordinary shares (excluding treasury shares) during the year.

There are no dilutive or potentially dilutive shares in issue.

8 Ordinary Dividends

	2020	2019	2020 £'000	2019 £'000
Amounts recognised as distributions in the year:				
Previous year's final (paid 2 July 2019)	1.74p	1.68p	25,797	23,766
Interim (paid 6 December 2019)	1.39p	1.39p	20,295	20,229
	3.13p	**3.07p**	**46,092**	**43,995**

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 £22,935,000 (2019 – £23,669,000).

	2020	2019	2020 £'000	2019 £'000
Dividends paid and payable in respect of the year:				
Interim dividend per ordinary share (paid 6 December 2019)	1.39p	1.39p	20,295	20,229
Proposed final dividend per ordinary share (payable 1 July 2020)	1.86p	1.74p	27,031	25,652
	3.25p	**3.13p**	**47,326**	**45,881**

9 Investments held at Fair Value through Profit or Loss

As at 31 March 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equities/funds	7,238,048	–	–	**7,238,048**
Unlisted ordinary shares	–	–	302,049	**302,049**
Unlisted preference shares†	–	–	1,518,821	**1,518,821**
Unlisted convertible notes	–	–	20,732	**20,732**
Total financial asset investments	**7,238,048**	**–**	**1,841,602**	**9,079,650**

As at 31 March 2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equities/funds	6,680,183	–	–	**6,680,183**
Unlisted ordinary shares	–	–	268,956	**268,956**
Unlisted preference shares†	–	–	1,138,169	**1,138,169**
Unlisted convertible note	–	–	11,511	**11,511**
Total financial asset investments	**6,680,183**	**–**	**1,418,636**	**8,098,819**

†The investments in preference shares are not classified as equity holdings as they include liquidation preference rights that determine the repayment (or multiple thereof) of the original investment in the event of a liquidation event such as a take-over.

9 Investments held at Fair Value through Profit or Loss (continued)

Investments in securities are financial assets designated at fair value through profit or loss on initial recognition. In accordance with Financial Reporting Standard 102, the preceding tables 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 fair value hierarchy used to analyse the fair values of financial assets is described below. 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 valuation techniques used by the Company are explained in the accounting policies on page 60. A sensitivity analysis by valuation technique of the unlisted securities is on page 74.

During the year investments with a book cost of £32,330,000 (2019 – £284,681,000) were transferred from Level 3 to Level 1 on becoming listed. Investments with a book cost of £nil (2019 – £16,292,000) were transferred from Level 2 to Level 1 following conversion to a different share class.

	Listed Securities * £'000	Unlisted Securities † £'000	Unlisted Bonds £'000	Total £'000
Cost of investments at 1 April 2019	2,950,371	1,172,581	11,480	**4,134,432**
Investment holding gains at 1 April 2019	3,729,812	234,544	31	**3,964,387**
Value of investments at 1 April 2019	6,680,183	1,407,125	11,511	**8,098,819**
Movements in year:				
Purchases at cost	302,996	288,925	27,082	**619,003**
Sales proceeds received	(641,675)	(3,111)	(11,786)	**(656,572)**
Gains on investments	864,214	160,261	(6,075)	**1,018,400**
Changes in categorisation	32,330	(32,330)	–	**–**
Value of investments at 31 March 2020	**7,238,048**	**1,820,870**	**20,732**	**9,079,650**
Ordinary share investments*	7,238,048	302,049	–	**7,540,097**
Preference share investments	–	1,518,821	–	**1,518,821**
Convertible note investment	–	–	20,732	**20,732**
Value of investments at 31 March 2020	**7,238,048**	**1,820,870**	**20,732**	**9,079,650**
Cost of investments at 31 March 2020	2,917,682	1,426,912	26,776	**4,371,370**
Investment holding gains at 31 March 2020	4,320,366	393,958	(6,044)	**4,708,280**
Value of investments at 31 March 2020	**7,238,048**	**1,820,870**	**20,732**	**9,079,650**

* Includes funds.

† Includes holdings in preference shares and ordinary shares.

The disclosure of gains on investments has been amended to comply with the requirements of the AIC Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (updated in October 2019).

The purchases and sales proceeds figures above include transaction costs of £181,000 (2019 – £531,000) and £259,000 (2019 – £100,000) respectively.

	2020 £'000	2019 £'000
Net gains on investments designated at fair value through profit or loss on initial recognition		
Gains on sales	274,507	351,218
Changes in investment holding gains	743,893	572,317
	1,018,400	**923,535**

Of the gains on sales during the year of £274,507,000 (2019 – gains of £351,218,000), a net gain of £290,525,000 (2019 – gain of £314,604,000) was included in the investment holding gains/(losses) at the previous year end.

9 Investments held at Fair Value through Profit or Loss (continued)

Significant Holdings Disclosure Requirements – Companies Act 2006 and AIC SORP

Details of significant holdings are detailed below in accordance with the disclosure requirements of the Companies Act 2006 where the requirements are met in relation to investments which amount to 20% or more of the nominal value of any class of shares in an undertaking. Details are also disclosed 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 October 2019) in relation to unlisted investments included in the thirty largest holdings disclosed on page 25. As required, this disclosure includes turnover, pre-tax profits (or post-tax profits) and net assets attributable to investors, as reported within the most recently audited financial statements of the investee companies.

As at 31 March 2020

Name	Business	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)
Global AI Opportunities Fund*¶	Artificial intelligence based algorithmic trading	31/3/19	90.0	5,611	4,358	Nil	(£1)	(£365)‡	**£5,543** #
WI Harper Fund VII*	Venture capital fund	31/12/19	87.7	1,651	5,515	Nil	US$2,480	US$3,268 ‡	**US$8,715**
Ant International Limited†	Online financial services platform	n/a	0.3	186,185	209,168	Nil	Information not publicly available		
Ginkgo Bioworks Inc†	Bio-engineering company	n/a	4.9	43,263	163,032	65	Information not publicly available		
You & Mr Jones†	Digital advertising	n/a	18.9	72,164	130,300	Nil	Information not publicly available		
Tempus Labs Inc†	Offers molecular diagnostics tests for cancer and aggregates clinical oncology records	n/a	3.4	67,163	136,442	Nil	Information not publicly available		
Transferwise Ltd†	Online money transfer services	31/3/19	3.5	36,712	97,915	Nil	£179,100	£10,100	**£126,400**
Grail Inc†	Clinical stage biotechnology company	n/a	2.6	60,270	77,077	Nil	Information not publicly available		

As at 31 March 2019

Name	Business	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)
Global AI Opportunities Fund*¶	Artificial intelligence based algorithmic trading	31/3/18	55.7	5,611	4,846	Nil	(£376)	(£743)‡	**£6,284** #
WI Harper Fund VII*	Venture capital fund	31/12/18	88.2	3,740	9,885	Nil	US$2,595	US$2,412 ‡	**US$14,606**
Ant International Limited†	Online financial services platform	n/a	0.3	186,185	191,858	Nil	Information not publicly available		
Ginkgo Bioworks Inc†	Bio-engineering company	n/a	5.0	31,412	44,663	Nil	Information not publicly available		
You & Mr Jones†	Digital advertising	n/a	17.7	32,802	50,650	Nil	Information not publicly available		
Tempus Labs Inc†	Offers molecular diagnostics tests for cancer and aggregates clinical oncology records	n/a	2.7	31,165	40,849	Nil	Information not publicly available		
Transferwise Ltd†	Online money transfer services	31/3/18	3.5	36,712	93,173	Nil	£117,280	£7,860	**£107,450**
Grail Inc†	Clinical stage biotechnology company	n/a	2.8	60,270	66,768	Nil	Information not publicly available		
Indigo Agriculture Inc†	Analyses plant microbiomes to increase crop yields	31/12/18	3.1	48,770	77,425	Nil	US$36,760	(US$218,900)	**US$265,200**

* Information provided in accordance with the Companies Act 2006 disclosure requirements where more than 20% of the capital is held.
The registered address of the Global AI Opportunities Fund is: Level E Capital SICAV p.l.c., 171, Old Bakery Street, Valletta, VLT 1455, Malta.
The address of the WI Harper Fund VII is: 50 California Street, Suite 2580, San Francisco, California 94111, U.S.A.

† Information provided in accordance with paragraph 82 of the AIC Statement of Recommended Practice.

¶ In the period 1 April 2019 to 31 March 2020, Global AI Opportunities Fund changed its name from Level E Maya Fund.

Global AI Opportunities Fund information represents the holding in Class A shares, in accordance with the Companies Act disclosure requirements. No other share classes are held by the Company.

‡ For the Global AI Opportunities Fund and the WI Harper Fund VII the post-tax profit/(loss) is disclosed in accordance with the disclosure requirements.

10 Debtors

	2020 £'000	2019 £'000
Amounts falling due within one year:		
Accrued income	1,031	267
Sales for subsequent settlement	47,142	27,388
Other debtors and prepayments	247	237
	48,420	**27,892**

None of the above debtors is a financial asset 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

	2020 £'000	2019 £'000
The Royal Bank of Scotland International Limited 2 year loan	68,551	65,232
The Royal Bank of Scotland International Limited 3 year loan	64,519	61,394
National Australia Bank Limited 2 year loan	161,297	153,486
£20 million 8–14% stepped interest debenture stock 2020*	20,161	–
Purchases for subsequent settlement	–	15,683
Other creditors and accruals	15,187	13,224
	329,715	**309,019**

* Nominal rate: 14.0%. Effective rate: 12.3%.

Included in other creditors is £6,220,000 (2019 – £5,583,000) in respect of the investment management fee.

Borrowing facilities at 31 March 2020

A 2 year US$85 million revolving loan facility has been arranged with The Royal Bank of Scotland International Limited.

A 2 year US$200 million revolving loan facility has been arranged with National Australia Bank Limited.

A 3 year US$80 million revolving loan facility has been arranged with The Royal Bank of Scotland International Limited.

At 31 March 2020 drawings were as follows:

The Royal Bank of Scotland International Limited	US$80 million (revolving facility expiring 9 April 2021) at an interest rate (at 31 March 2020) of 2.664% per annum
	US$85 million (revolving facility expiring 27 August 2021) at an interest rate (at 31 March 2020) of 2.438% per annum
National Australia Bank Limited	US$200 million (revolving facility expiring 21 May 2020 (see note below)) at an interest rate (at 31 March 2020) of 2.375% per annum

At 31 March 2019 drawings were as follows:

The Royal Bank of Scotland plc	US$80 million (revolving facility) at an interest rate (at 31 March 2019) of 3.629% per annum
	US$85 million (revolving facility) at an interest rate (at 31 March 2019) of 3.410% per annum
National Australia Bank Limited	US$200 million (revolving facility) at an interest rate (at 31 March 2019) of 3.324% per annum

During the year the US$85 million 2 year revolving loan with The Royal Bank of Scotland plc was refinanced with a US$85 million 3 year revolving loan with The Royal Bank of Scotland International Limited. An unsecured loan note has been agreed for issuance on 30 September 2020 to refinance the £20 million 8–14% stepped interest debenture stock that matures on 30 September 2020. Following the year end on 21 April 2020, the US$200 million 2 year revolving credit facility with National Australia Bank Limited ('NAB') that was due to expire on 21 May 2020 was refinanced with a US$200 million 3 year revolving credit facility with NAB.

The main covenants which are tested monthly are:

(i) Total borrowings shall not exceed 35% of the Company's adjusted net asset value.

(ii) Total borrowings shall not exceed 35% of the Company's adjusted total assets.

(iii) The Company's minimum net asset value shall be £1,000 million.

(iv) The Company shall not change the investment manager without prior written consent of the lenders.

12 Creditors – Amounts falling due after more than one year

	Nominal rate	Effective rate	2020 £'000	2019 £'000
Debenture stocks:				
£20 million 8–14% stepped interest debenture stock 2020 (see note 11)	14.0%	12.3%	–	20,448
£75 million 6.875% debenture stock 2023	6.875%	6.9%	74,895	74,858
£50 million 6–12% stepped interest debenture stock 2026	12.0%	10.8%	52,565	52,842
£675,000 4½% irredeemable debenture stock			675	675
Unsecured loan notes:				
£30 million 2.91% 2038	2.91%	2.91%	29,962	29,960
£150 million 2.30% 2040	2.30%	2.30%	149,801	–
£50 million 2.94% 2041	2.94%	2.94%	49,937	49,933
£45 million 3.05% 2042	3.05%	3.05%	44,899	44,896
£30 million 3.30% 2044	3.30%	3.30%	29,932	29,929
€18 million 1.65% 2045	1.65%	1.65%	15,907	–
£30 million 3.12% 2047	3.12%	3.12%	29,931	29,929
£90 million 2.96% 2048	2.96%	2.96%	89,883	89,879
€27 million 1.77% 2050	1.77%	1.77%	23,860	–
			592,247	**423,349**

Debenture Stocks

The debenture stocks are stated at the cumulative amount of net proceeds after issue, plus accrued finance costs attributable to the stepped interest debentures. The cumulative effect is to increase the carrying amount of borrowings by £2,621,000 (2019 – £3,148,000) over nominal value. The debenture stocks are secured by a floating charge over the assets of the Company.

Unsecured Loan Notes

During the year the Company issued the following private placement unsecured loan notes:

- £150 million at a coupon of 2.30% maturing on 15 January 2040
- €18 million at a coupon of 1.65% maturing on 15 January 2045
- €27 million at a coupon of 1.77% maturing on 15 January 2050

The unsecured loan notes are stated at the cumulative amount of net proceeds after issue. The cumulative effect is to reduce the carrying amount of borrowing by £704,661 (2019 – £474,000).

Borrowing Limits

Under the terms of the Articles of Association and the Debenture Trust Deeds, total borrowings should not exceed a sum equal to one half of the adjusted total of capital and reserves at the Company's year end.

13 Called Up Share Capital

	2020 Number	2020 £'000	2019 Number	2019 £'000
Allotted, called up and fully paid ordinary shares of 5p each	1,453,259,808	72,663	1,474,255,880	73,713
Treasury shares of 5p each	31,521,072	1,576	–	–
Total	**1,484,780,880**	**74,239**	**1,474,255,880**	**73,713**

The Company's authority permits it to hold shares bought back 'in treasury'. Such treasury shares may be subsequently either sold for cash (at, or at a premium to, net asset value per ordinary share) or cancelled. In the year to 31 March 2020, 31,521,072 shares with a nominal value of £1,576,000 were bought back at a total cost of £166,738,000 and held in treasury (2019 – no shares were bought back). At 31 March 2020 the Company had authority to buy back 190,136,939 ordinary shares.

Under the provisions of the Company's Articles the share buy-backs are funded from the capital reserve.

In the year to 31 March 2020, the Company issued 10,525,000 ordinary shares at a premium to net asset value, with a nominal value of £526,000 raising net proceeds of £54,478,000 (31 March 2019 – 26,367,671 ordinary shares sold from treasury with a nominal value of £1,318,000 raising net proceeds of £133,113,000 and issued 52,525,000 ordinary shares, with a nominal value of £2,627,000, at a premium to net asset value raising proceeds of £269,777,000). At 31 March 2020 the Company had authority to issue or sell from treasury a further 147,870,588 ordinary shares (31,521,072 shares were held in treasury at 31 March 2020).

14 Capital and Reserves

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
At 1 April 2019	73,713	710,569	19,094	6,602,885	23,669	**7,429,930**
Gains on sales	–	–	–	274,507	–	**274,507**
Changes in investment holding gains and losses	–	–	–	743,893	–	**743,893**
Exchange differences	–	–	–	2,654	–	**2,654**
Exchange differences on loans	–	–	–	(15,603)	–	**(15,603)**
Shares bought back into treasury	–	–	–	(166,738)	–	**(166,738)**
Shares issued	526	53,952	–	–	–	**54,478**
Investment management fee charged to capital	–	–	–	(23,922)	–	**(23,922)**
Finance costs of borrowings charged to capital	–	–	–	(31,338)	–	**(31,338)**
Dividends paid in year	–	–	–	(22,423)	(23,669)	**(46,092)**
Revenue return after taxation	–	–	–	–	22,865	**22,865**
At 31 March 2020	**74,239**	**764,521**	**19,094**	**7,363,915**	**22,865**	**8,244,634**

The capital reserve includes investment holding gains of £4,708,280,000 (2019 – gains of £3,964,387,000) as disclosed in note 9. The Revenue Reserve and the Capital Reserve (to the extent it constitutes realised profits) are distributable.

15 Shareholders' Funds

	2020 £'000	2019 £'000
Total shareholders' funds are attributable as follows:		
Equity shares	**8,244,634**	**7,429,930**

Total shareholders' funds have been calculated in accordance with the provisions of FRS 102.

	2020	2019
Shareholders' funds attributable to ordinary shares (as above)	£8,244,634,000	£7,429,930,000
Number of ordinary shares in issue at the year end*	1,453,259,808	1,474,255,880
Shareholders' funds per ordinary share	**567.3p**	**504.0p**

* Excluding shares held in treasury at 31 March 2020. No shares were held in treasury at 31 March 2019.

16 Analysis of Change in Net Debt

	At 1 April 2019 £'000	Cash flows £'000	Other non-cash changes £'000	Exchange movement £'000	At 31 March 2020 £'000
Cash at bank and in hand	35,587	285	–	2,654	38,526
Loans due within one year	(280,112)	–	–	(14,255)	(294,367)
Debenture stock due within one year	–	–	(20,161)	–	(20,161)
Debenture stock due in over one year	(148,823)	–	20,688	–	(128,135)
Loan notes due in over five years	(274,526)	(188,218)	(20)	(1,348)	(464,112)
	(667,874)	**(187,933)**	**507**	**(12,949)**	**(868,249)**

17 Related Parties and Transaction with the Managers

The Directors' fees for the year and Directors' interests are detailed in the Directors' Remuneration Report on pages 46 and 47.

No Director has a contract of service with the Company. During the year no Director was interested in any contract or other matter requiring disclosure under section 412 of the Companies Act 2006.

The management fee payable for the year end and details of the management fee arrangements are included on page 67 and 36 respectively.

18 Contingencies, Guarantees and Financial Commitments

At the year end the Company had capital commitments amounting to US$11,205,000 (2019 – US$15,623,000) in respect of subscription agreements.

Subscription Agreement Capital Commitments

As at 31 March 2020	Expiry	Total commitment	Drawn down as at 31 March 2020	Remaining commitment at 31 March 2020
Innovation Works Development Fund, L.P.	21 May 2020	US$15.00 million	US$15.00 million	Nil
Sinovation Fund III, L.P.	31 December 2025	US$10.00 million	US$7.60 million	US$2.40 million
WI Harper Fund VII, L.P.	Expired 3 March 2019	US$10.00 million	US$9.80 million	US$0.20 million
WI Harper Fund VIII, L.P.	31 July 2024	US$10.00 million	US$9.02 million	US$0.98 million
ARCH Venture Fund IX, L.P.	6 July 2026	US$10.00 million	US$9.05 million	US$0.95 million
ARCH Venture Fund X, L.P.	3 December 2028	US$5.00 million	US$1.63 million	US$3.38 million
ARCH Venture Fund X Overage, L.P.	4 December 2028	US$5.00 million	US$1.50 million	US$3.50 million

As at 31 March 2019	Expiry	Total commitment	Drawn down as at 31 March 2019	Remaining commitment at 31 March 2019
Innovation Works Development Fund, L.P.	21 May 2020	US$15.00 million	US$15.00 million	Nil
Sinovation Fund III, L.P.	31 December 2025	US$10.00 million	US$7.60 million	US$2.40 million
WI Harper Fund VII, L.P.	Expired 3 March 2019	US$10.00 million	US$9.58 million	Nil
WI Harper Fund VIII, L.P.	31 July 2024	US$10.00 million	US$8.70 million	US$1.30 million
ARCH Venture Fund IX, L.P.	6 July 2026	US$10.00 million	US$7.00 million	US$3.00 million
ARCH Venture Fund X, L.P.	3 December 2028	US$5.00 million	US$0.55 million	US$4.45 million
ARCH Venture Fund X Overage, L.P.	4 December 2028	US$5.00 million	US$0.53 million	US$4.47 million

Additionally, the Company has committed to purchase US$41.67 million of Sana Biotechnology Inc Series B preference shares (2019 – commitments to purchase US$41.67 million of Sana Biotechnology Inc series B preference shares and to purchase US$20 million for Vir Biotechnology Inc Series B preference shares by 31 March 2020).

19 Financial Instruments

As an investment trust, the Company invests in listed and unlisted securities and makes other investments so as to achieve its investment objective to maximise total return from a portfolio of long term investments chosen on a global basis enabling it to provide capital and dividend growth. 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.

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 the short term volatility. Risk provides the potential for both losses and gains and in assessing risk, the Board encourages the Managers to exploit the opportunities that risk affords.

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

Market Risk

The fair value of 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 risk, interest rate risk and other price risk. The Board reviews and agrees policies for managing these risks and the Company's Investment Managers both assess the exposure to market risk when making individual investment decisions and monitor the overall level of market risk across the investment portfolio on an ongoing basis. Details of the Company's investment portfolio are shown in note 9 and on pages 28 to 32.

19 Financial Instruments (continued)

Currency Risk

Certain of 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.

The Investment Managers monitor the Company's exposure to foreign currencies and report to the Board on a regular basis. The Investment Managers assess 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 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.

Foreign currency borrowings can limit the Company's exposure to anticipated future changes in exchange rates which might otherwise adversely affect the value of the portfolio of investments.

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.

As at 31 March 2020	Investments £'000	Cash and cash equivalents £'000	Loans, loan notes and debentures £'000	Other debtors and creditors £'000	Net exposure £'000
US dollar	6,422,602	33,017	(294,367)	64	**6,161,316**
Euro	1,605,457	–	(39,767)	–	**1,565,690**
Hong Kong dollar	821,839	–	–	–	**821,839**
Swedish krona	151,483	–	–	–	**151,483**
Indian rupee	73,911	–	–	–	**73,911**
Total exposure to currency risk	**9,075,292**	**33,017**	**(334,134)**	**64**	**8,774,239**
Sterling	4,358	5,509	(572,641)	33,169	**(529,605)**
	9,079,650	**38,526**	**(906,775)**	**33,233**	**8,244,634**

As at 31 March 2019	Investments £'000	Cash and cash equivalents £'000	Loans, loan notes and debentures £'000	Other debtors and creditors £'000	Net exposure £'000
US dollar	5,761,829	28,147	(280,112)	(16,854)	**5,493,010**
Euro	1,346,429	–	–	159	**1,346,588**
Hong Kong dollar	599,200	–	–	–	**599,200**
Swedish krona	156,199	–	–	–	**156,199**
Indian rupee	92,568	–	–	–	**92,568**
Canadian dollar	41,338	–	–	–	**41,338**
Total exposure to currency risk	**7,997,563**	**28,147**	**(280,112)**	**(16,695)**	**7,728,903**
Sterling	101,256	7,440	(423,349)	15,680	**(298,973)**
	8,098,819	**35,587**	**(703,461)**	**(1,015)**	**7,429,930**

19 Financial Instruments (continued)

Currency Risk Sensitivity

At 31 March 2020, 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 other variables held constant, would have had an equal but opposite effect on the Financial Statement amounts. The analysis is performed on the same basis as it was for 2019.

	2020 £'000	2019 £'000
US dollar	308,066	274,651
Euro	78,285	67,329
Hong Kong dollar	41,092	29,960
Swedish krona	7,574	7,810
Indian rupee	3,695	4,628
Canadian dollar	–	2,067
	438,712	**386,445**

Interest Rate Risk

Interest rate movements may affect directly:

— the fair value of the investments in fixed interest rate securities;

— the level of income receivable on cash deposits;

— the fair value of the Company's fixed-rate borrowings; and

— the interest payable on the Company's variable rate borrowings.

Interest rate movements may also impact upon the market value of the Company's investments outwith fixed income securities. 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 fair value and 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 fixed income securities and the income receivable on cash deposits, floating rate notes and other similar investments.

The Company finances 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. Movements in interest rates, to the extent that they affect the market value of the Company's fixed rate borrowings, may also affect the amount by which the Company's share price is at a discount or a premium to the net asset value at fair value.

The interest rate risk profile of the Company's financial assets and liabilities at 31 March is shown below:

Financial Assets

	2020 Fair value £'000	2020 Weighted average interest rate	2020 Weighted average period until maturity *	2019 Fair value £'000	2019 Weighted average interest rate	2019 Weighted average period until maturity *
Cash and short term deposits:						
Other overseas currencies	33,017	–	n/a	28,147	–	n/a
Sterling	5,509	–	n/a	7,440	0.3%	n/a

* Based on expected maturity date.

The cash deposits generally comprise call or short term money market deposits of less than one month which are repayable on demand. The benchmark rate which determines the interest payments received on cash balances is the Interbank market rate.

19 Financial Instruments (continued)

Financial Liabilities

The interest rate risk profile of the Company's bank loans, debentures and loan notes (at amortised cost) and the maturity profile of the undiscounted future cash flows in respect of the Company's contractual financial liabilities at 31 March are shown below.

Interest Rate Risk Profile

The interest rate risk profile of the Company's financial liabilities at 31 March was:

	2020 £'000	2019 £'000
Floating rate – US$ denominated	294,367	280,112
Fixed rate – Sterling denominated	572,641	423,349
– Euro denominated	39,767	–
	906,775	**703,461**

The interest rates of the financial liabilities are disclosed in note 11 and 12 on pages 67 and 68.

Maturity Profile

The maturity profile of the Company's financial liabilities at 31 March was:

	2020 Within 1 year £'000	2020 Between 1 and 5 years £'000	2020 More than 5 years £'000	2019 Within 1 year £'000	2019 Between 1 and 5 years £'000	2019 More than 5 years £'000
Repayment of loans, debentures and loan notes	314,367	75,000	515,494*	280,112	95,000	325,675*
Accumulated interest on loans, debentures and loan notes to maturity date	26,833	85,096	238,641	24,680	79,369	184,090
	341,200	**160,096**	**754,135**	**304,792**	**174,369**	**509,765**

* Includes £675,000 irredeemable debenture stock.

Interest Rate Risk Sensitivity

An increase of 100 basis points in bond yields as at 31 March 2020 would have had no significant impact on the net assets or net return after taxation (2019 – £nil) and would have increased the net asset value per share (with borrowings at fair value) by 5.19p (2019 – increased by 3.52p). A decrease of 100 basis points 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 Board manages the market price risks inherent in the investment portfolio by ensuring full and timely access to relevant information from the Managers. 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 short term fluctuations of the benchmark. The Board provides guidance to the Managers on the level of unlisted investments.

19 Financial Instruments (continued)

Other Price Risk Sensitivity

Fixed asset investments are valued at bid prices which equate to their fair value. A full list of the Company's investments is given on pages 28 to 32. In addition, a geographical analysis of the portfolio, an analysis of the investment portfolio by broad industrial sector and a list of the 30 largest investments by their aggregate market value are contained in the Strategic Report.

87.8% (2019 – 89.9%) of the Company's net assets are invested in quoted investments. A 3% increase in quoted companies equity valuations at 31 March 2020 would have increased net assets and net return after taxation by £217,141,000 (2019 – £200,405,000). A decrease of 3% would have had an equal but opposite effect. In light of the heightened market volatility resulting from the coronavirus pandemic, specific stress testing was performed and no matters of concern were identified.

22.3% (2019 – 19.1%) 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 60). A sensitivity analysis is provided below which recognises that the valuation methodologies employed involve different levels of subjectivity in their inputs. The sensitivity analysis below applies a wider range of input variable sensitivity to the multiples methodology as it involves more significant subjective estimation than the recent transaction method (the risk of over or under estimation is higher due to the greater subjectivity involved, for example, in selecting the most relevant measure of sustainable revenues and identifying appropriate comparable companies).

As at 31 March 2020 Valuation Technique	Fair value of investments £'000	Key variable input*	Variable input sensitivity (%)	Impact £'000 †	Impact % of net assets
Recent Transaction/ Adjusted recent transaction	1,110,675	Selection of appropriate benchmark Selection of comparable companies Probability estimation of liquidation event‡ Application of valuation basis	±10	±111,068	±1.4
Multiples	675,164	Estimated sustainable earnings Selection of comparable companies Application of illiquidity discount Probability estimation of liquidation event‡ Application of valuation basis	±20	±135,033	±1.6
Net Asset Value/ Adjusted Net Asset Value#	55,763	Application of valuation basis	±10	±5,576	±0.1
Total	**1,841,602**			**±251,677**	**±3.1**

As at 31 March 2019 Valuation Technique	Fair value of investments £'000	Key variable input*	Variable input sensitivity (%)	Impact £'000 †	Impact % of net assets
Recent Transaction/ Adjusted recent transaction	1,047,125	Selection of appropriate benchmark Selection of comparable companies Probability estimation of liquidation event‡ Application of valuation basis	±10	±104,713	±1.4
Multiples	315,048	Estimated sustainable earnings Selection of comparable companies Application of illiquidity discount Probability estimation of liquidation event‡ Application of valuation basis	±20	±63,010	±0.8
Net Asset Value#	56,463	Application of valuation basis	±10	±5,646	±0.1
Total	**1,418,636**			**±173,369**	**±2.3**

† Impact on net assets and net return after taxation.

Unlisted fund investments held at net asset values produced by the relevant fund administrators using appropriate fair valuation principles.

‡ A liquidation event is typically a company sale or an initial public offering ('IPO').

* **Key Variable Inputs**

The variable inputs applicable to each broad category of valuation basis will vary dependent on the particular circumstances of each unlisted company valuation. An explanation of each of the key variable inputs is provided below and includes an indication of the range in value for each input, where relevant. The assumptions made in the production of the inputs are described in note 1(b) on page 60.

19 Financial Instruments (continued)

Selection of appropriate benchmarks

The selection of appropriate benchmarks is assessed individually for each investment. The industry and geography of each company are key inputs to the benchmark selection, with either one or two key indices or benchmarks being used for comparison.

Selection of comparable companies

The selection of comparable companies is assessed individually for each investment at the point of investment, and the relevance of the comparable companies is continually evaluated at each valuation. The key criteria used in selecting appropriate comparable companies are the industry sector in which they operate, the geography of the company's operations, the respective revenue and earnings growth rates and the operating margins. Typically, between 4 and 10 comparable companies will be selected for each investment, depending on how many relevant comparable companies are identified. The resultant revenue or earnings multiples derived will vary depending on the companies selected and the industries they operate in and can vary in the range of 1x to 10x.

Probability estimation of liquidation events

The probability of a liquidation event such as a company sale, or alternatively an initial public offering ('IPO'), is a key variable input in the transaction-based and multiples-based valuation techniques. The probability of an IPO versus a company sale is typically estimated from the outset to be 50:50 if there has been no indication by the company of pursuing either of these routes. If the company has indicated an intention to IPO, the probability is increased accordingly to 75% and if an IPO has become a certainty the probability is increased to 100%. Likewise, in a scenario where a company is pursuing a trade sale the weightings will be adjusted accordingly in favour of a sale scenario, or in a situation where a company is underperforming expectations significantly and therefore deemed very unlikely to pursue an IPO.

Application of valuation basis

Each investment is assessed independently, and the valuation basis applied will vary depending on the circumstances of each investment. When an investment is pre-revenue, the focus of the valuation will be on assessing the recent transaction and the achievement of key milestones since investment. Adjustments may also be made depending on the performance of comparable benchmarks and companies. For those investments where a trading multiples approach can be taken, the methodology will factor in revenue, earnings or net assets as appropriate for the investment, and where a suitable correlation can be identified with the comparable companies then a regression analysis will be performed. Discounted cash flows will also be considered where appropriate forecasts are available.

Estimated sustainable earnings

The selection of sustainable revenue or earnings will depend on whether the company is sustainably profitable or not, and where it is not then revenues will be used in the valuation. The valuation approach will typically assess companies based on the last twelve months of revenue or earnings, as they are the most recent available and therefore viewed as the most reliable. Where a company has reliably forecasted earnings previously or there is a change in circumstance at the business which will impact earnings going forward, then forward estimated revenue or earnings may be used instead.

Application of illiquidity discount

The application of an illiquidity discount will be applied either through the calibration of a valuation against the most recent transaction, or by application of a specific discount. The discount applied where a calibration is not appropriate is typically 10%, reflecting that the majority of the investments held are substantial companies with some secondary market activity.

Liquidity Risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

Liquidity risk is potentially significant but 79.1% of the Company's total assets are investments in quoted securities that are believed to be readily realisable. The Board provides guidance to the Investment Managers as to the maximum exposure to any one holding and to the maximum aggregate exposure to substantial holdings.

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

The maturity profile of the Company's financial liabilities is on page 73.

19 Financial Instruments (continued)

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 Managers make 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 Depository has delegated the custody function to The Bank of New York Mellon (International) Limited. 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 Managers. Transactions are ordinarily undertaken on a delivery versus payment basis whereby the Company's custodian bank ensures that the counterparty to any transaction entered into by the Company has delivered on its obligations at the same time as any transfer of cash or securities away from the Company is completed;

— transactions involving derivatives, and other arrangements wherein the creditworthiness of the entity acting as broker or counterparty to the transaction is likely to be of continuing interest, are subject to rigorous assessment by the Managers of the creditworthiness of that counterparty. The Company's aggregate exposure to each such counterparty is monitored regularly by the Board; and

— cash is held only at banks that are regularly reviewed by the Managers.

The Company owns a number of unquoted preference share securities. Some of these may have been classified as debt by the issuer. There are no material amounts past due in relation to these securities. As these instruments (alongside the ordinary share securities) have been recognised at fair value through profit and loss, the fair value takes into account credit, market and other price risk.

Credit Risk Exposure

The maximum exposure to direct credit risk at 31 March was:

	2020 £'000	2019 £'000
Fixed interest investments	20,732	11,511
Cash and short term deposits	38,526	35,587
Debtors and prepayments	48,420	27,892
	107,678	**74,990**

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

19 Financial Instruments (continued)

Fair Value of Financial Assets and Financial Liabilities

The Directors are of the opinion that the financial assets and liabilities of the Company are stated at fair value in the Balance Sheet with the exception of long term borrowing. Long term borrowings in relation to debentures are included in the Financial Statements at the amortised amount of net proceeds after issue, plus accrued finance costs in accordance with FRS 102. The fair value of bank loans is calculated with reference to government bonds of comparable maturity and yield. A comparison with the fair value (closing offer value) is as follows:

	2020 Par/nominal £'000	2020 Book £'000	2020 Fair £'000	2019 Par/nominal £'000	2019 Book £'000	2019 Fair £'000
8–14% stepped interest debenture stock 2020	20,000	20,161	21,244	20,000	20,448	23,335
6.875% debenture stock 2023	75,000	74,895	82,920	75,000	74,858	86,400
6–12% stepped interest debenture stock 2026	50,000	52,565	78,786	50,000	52,842	79,944
4½% irredeemable debenture stock	675	675	920	675	675	736
Total debentures	**145,675**	**148,296**	**183,870**	**145,675**	**148,823**	**190,415**
£30 million 2.91% 2038	30,000	29,962	30,445	30,000	29,960	30,339
£150 million 2.30% 2040	150,000	149,801	137,792	–	–	–
£50 million 2.94% 2041	50,000	49,937	50,482	50,000	49,933	50,422
£45 million 3.05% 2042	45,000	44,899	46,120	45,000	44,896	46,082
£30 million 3.30% 2044	30,000	29,932	31,914	30,000	29,929	31,882
€18 million 1.65% 2045	15,928	15,907	13,554	–	–	–
£30 million 3.12% 2047	30,000	29,931	31,079	30,000	29,929	31,003
£90 million 2.96% 2048	90,000	89,883	90,766	90,000	89,879	90,490
€27 million 1.77% 2050	23,892	23,860	20,084	–	–	–
Total unsecured loan notes	**464,820**	**464,112**	**452,236**	**275,000**	**274,526**	**280,218**
Floating rate loans		294,367	294,367		280,112	280,112
Total borrowings		**906,775**	**930,473**		**703,461**	**750,745**

All short term floating rate borrowings are stated at fair value, which is considered to be equal to their par value.

Deducting long term borrowings at fair value would have the effect of reducing the net asset value per share from 567.3p to 565.7p. Taking the market price of the ordinary shares at 31 March 2020 of 573.5p, this would have given a premium to net asset value of 2.2% as against a premium of 1.6% on a debt at book basis. At 31 March 2019 the effect would have been to reduce the net asset value from 504.05p to 500.8p. Taking the market price of the ordinary shares at 31 March 2019 of 512.0p, this would have given a premium to net asset value of 2.2% as against a premium of 1.6% on a debt at book basis.

Deducting long term borrowings at par value would have the effect of increasing the net asset value per share from 504.0p to 504.2p. Taking the market price of the ordinary shares at 31 March 2020 of 573.5p, this would have given a premium to net asset value of 1.5% as against a premium of 1.6% on a debt at book basis. At 31 March 2019 the effect would have been to increase the net asset value from 504.0p to 504.2p. Taking the market price of the ordinary shares at 31 March 2019 of 512.0p, this would have given a premium to net asset value of 2.2% as against a premium of 1.6% on a debt at book basis.

Capital Management

The capital of the Company is its share capital and reserves as set out in notes 13 and 14 together with its borrowings (see notes 11 and 12). The objective of the Company is to maximise total return from a portfolio of long term investments chosen on a global basis, enabling the Company to provide capital and dividend growth. The Company's investment policy is set out on page 7. In pursuit of the Company's objective, the Board has a responsibility for ensuring the Company's ability to continue as a going concern and details of the related risks and how they are managed are set out on pages 9 and 10 and on page 42. The Company has the authority to issue and buy back its shares (see page 7) and changes to the share capital during the year are set out in notes 13 and 14. The Company does not have any externally imposed capital requirements other than the covenants on its loans, loan notes and debentures which are detailed in notes 11 and 12.

Annual General Meeting

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

The Board of Scottish Mortgage Investment Trust PLC (Scottish Mortgage) recognises the public health risk associated with the Covid-19 outbreak arising from public gatherings and notes the Government's measures restricting such gatherings, travel and attendances at workplaces. At the same time, the Board is conscious of the legal requirement for Scottish Mortgage to hold its AGM before the end of September. 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 as scheduled at 4.30pm on Thursday 25 June 2020 at the offices of Baillie Gifford & Co, Calton Square, 1 Greenside Row, Edinburgh EH1 3AN without access for shareholders. Please see page 3 for how to submit queries. The Board will, however, continue to monitor developments and any changes will be advised to shareholders by post and details 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 4.30pm on 23 June 2020. We would encourage shareholders to monitor the Company's website at www.scottishmortgageit.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 Scottish Mortgage Investment Trust PLC (the 'Company') will be held at the offices of Baillie Gifford & Co, Calton Square, 1 Greenside Row, Edinburgh EH1 3AN, on Thursday, 25 June 2020 at 4.30pm for the purposes of considering and, if thought fit, passing the following Resolutions, of which Resolutions 1 to 12, 14 and 16 will be proposed as Ordinary Resolutions and Resolutions 13 and 15 will be proposed as Special Resolutions. Resolutions 14 and 16 comprise the special business to be proposed and all the remaining Resolutions comprise the ordinary business:

1. To receive and adopt the Company's Annual Report and Financial Statements for the financial year ended 31 March 2020, together with the Reports of the Directors and the Independent Auditors' report thereon.
2. To approve the Directors' Remuneration Policy.
3. To approve the Directors' Annual Report on Remuneration for the financial year ended 31 March 2020.
4. To declare a final dividend of 1.86p per Ordinary Share.
5. To re-elect Ms FC McBain as a Director of the Company.
6. To re-elect Mr LJ Dowley as a Director of the Company.
7. To re-elect Professor PH Maxwell as a Director of the Company.
8. To re-elect Professor P Subacchi as a Director of the Company.
9. To elect Professor A Bhidé as a Director of the Company.
10. To re-appoint PricewaterhouseCoopers LLP as Independent Auditors of the Company to hold office until the conclusion of the next Annual General Meeting at which the Financial Statements are laid before the Company.
11. To authorise the Directors to determine the remuneration of the Independent Auditors of the Company.
12. That:
    (a) the Directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the 'Act') to allot shares in the Company, or to grant rights to subscribe for or convert any security into shares in the Company, up to a maximum nominal amount of £7,274,299; and
    (b) the authority given by this Resolution:
        (i) shall be in substitution for all pre-existing authorities under section 551 of the Act; and
        (ii) unless renewed, revoked or varied in accordance with the Act, shall expire on 25 September 2021 or, if earlier, at the conclusion of the Annual General Meeting of the Company to be held in 2021 save that the Company may, before such expiry, make any offer or enter into an agreement which would or might require the allotment of shares in the Company, or the grant of rights to subscribe for or to convert any security into shares in the Company, after such expiry.
13. That, subject to the passing of Resolution 12 set out in the Notice of Annual General Meeting dated 26 May 2020 (the 'Allotment Authority'), the Directors be given power 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 Allotment Authority, and to sell treasury shares for cash, as if section 561(1) of the Act did not apply to such allotment or sale, provided that such power:
    (a) shall be limited to the allotment of equity securities or the sale of treasury shares up to an aggregate nominal amount of £7,274,299;
    (b) shall be in substitution for all pre-existing powers under sections 570 and 573 of the Act; and
    (c) shall expire at the same time as the Allotment Authority, save that the Company may, before expiry of the power conferred on the Directors by this Resolution, make an offer or agreement which would or might require equity securities to be allotted after such expiry.
14. That the Directors be authorised for the purposes of LR15.4.11 of the Listing Rules of the UK Listing Authority of the Financial Conduct Authority to allot ordinary shares and to sell treasury shares for cash at a price below the net asset value per share of those shares without first offering those shares pro rata to existing shareholders.

15. 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 generally and unconditionally authorised, 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 its ordinary shares, (either for retention as treasury shares for future reissue, resale, transfer or for cancellation), provided that:
    - (a) the maximum number of ordinary shares hereby authorised to be purchased is 218,083,485 or, if less, the number representing approximately 14.99 per cent. of the issued share capital of the Company on the date on which this Resolution is passed;
    - (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 any ordinary share purchased pursuant to this authority 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 price of the last independent trade of an ordinary share and the highest current independent bid for such a share on the London Stock Exchange; and
    - (d) unless previously varied, revoked or renewed by the Company in general meeting, the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2021, save that the Company may, prior to the expiry of such authority, enter into a contract or contracts 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 or contracts.
16. That the Company's published investment policy, as set out on page 7 of the Annual Report and Financial Statements for the year ended 31 March 2020, a copy of which has been signed by the Chair for the purposes of identification and produced to the meeting, be amended solely by increasing the maximum amount which may be invested in companies not listed on a public market by 5 per cent. from 25 per cent. to 30 per cent. of the total assets of the Company measured at time of purchase, such that the relevant sentence in the Company's investment policy shall read: 'The maximum amount which may be invested in companies not listed on a public market shall not exceed 30 per cent. of the total assets of the Company, measured at the time of purchase.'

By order of the Board
Baillie Gifford & Co Limited
Company Secretaries
26 May 2020

General 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 Financial Statements and 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 www.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 www.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 & Ireland 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 provider(s) should note that Euroclear UK & Ireland 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 service by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) 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, subject to Government guidelines in light of the Covid-19 pandemic.
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 48 hours (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. The members of the Company may require the Company to publish on its website, (without payment) a statement (which is also passed to the Auditors) setting out any matter relating to the audit of the Company's Financial Statements, including the Auditors' report and the conduct of the audit. The Company will be required to do so once it has received such requests from either members representing at least 5 per cent. of the total voting rights of the Company or at least 100 members who have a relevant right to vote and hold shares in the Company on which there has been paid up an average sum per member of at least £100. Such requests must be made in writing and must state your full name and address and be sent to the Company at Calton Square, 1 Greenside Row, Edinburgh, EH1 3AN.
12. 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 www.scottishmortgageit.com.
13. Members have the right to have questions raised at the meeting in accordance with section 319A of the Companies Act 2006.
14. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
15. As at 12 May 2020 (being the last practicable date prior to the publication of this notice) the Company's issued share capital consisted of 1,454,859,808 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 12 May 2020 were 1,454,859,808 votes.
16. Any person holding 3 per cent. or more of the total voting rights of the Company who appoints a person other than the Chair 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.
17. No Director has a contract of service with the Company.

Explanatory Notes

Resolutions 5 to 9 – Directors standing for election/ re-election

Ms FC McBain, Mr LJ Dowley, Professor PH Maxwell and Professor P Subacchi are seeking re-election at this year's AGM. The performance of each Director has been reviewed as part of the Board effectiveness review; it is confirmed that each Director contributes effectively and continues to demonstrate commitment to the role. Through its Nomination Committee, the Board has undertaken appropriate due diligence on the Directors' other interests and external time commitments and has concluded that the Directors are able to commit fully to their roles and are free from any relationship or circumstances that could affect their judgement and are accordingly considered independent by the Board. The Chair was considered independent on appointment.

The AIC Code of Corporate Governance does not impose any limit on the tenure of Directors (including the Chair) on the Board. The Company therefore remains fully compliant with the relevant provisions of the AIC Code in this respect. The Policy on the Tenure of the Chair is disclosed on page 40.

Appointment of new Director – Professor A Bhidé

The Board reviewed its composition during the year, with regard to the depth and breadth of experience. During the year to 31 March 2020 the Board comprised five non-executive Directors, three men and two women, and includes two economists, two chartered accountants and a professor of clinical medicine. The Board reviewed its succession planning during the year and decided to recruit an additional non-executive Director to maintain the broad range of experience that is particularly valuable when supporting and challenging the Managers.

The Board recruitment process seeks to draw upon as diverse a pool of candidates as possible, including men and women from across all ethnic backgrounds working in the fields of science and industry as well as finance. Following the conclusion of the process, Professor Amar Bhidé was appointed to the Board with effect from 14 May 2020. The Board believes that Professor Bhidé's knowledge and experience will be of great benefit to the Company and is satisfied, after reviewing Professor Bhidé's other commitments, that he will be able to devote sufficient time to the Company. As part of the appointment process, Spencer Stuart, an external search consultancy, was engaged to review the candidate specification and, based on research and interviews, assess the preferred candidate on merit by reference to objective criteria, carry out due diligence and pass an independent recommendation to the Nomination Committee. Spencer Stuart, which has no other connection with the Company or any of the Directors, was specifically tasked with considering the promotion of diversity on the Board as an integral part of the recruitment process, alongside having regard to the skills, experience and knowledge of each of the current and prospective Directors.

Biographical details, in support of each Director's re-election are provided below.

Fiona McBain is the former chief executive of Scottish Friendly Assurance, a mutually owned financial services group with over 1,000,000 policyholders. Fiona was appointed a Director in 2009 and became Chair in 2017. She is also Chair of the Nomination Committee. Before joining Scottish Friendly in 1998, Fiona, a chartered accountant, was employed by Prudential plc and Arthur Young (now EY) where she spent some time working across a number of industry sectors, both in the UK and in the United States. She is also a non-executive director of Dixons Carphone plc, Direct Line Insurance Group plc and Monzo Bank Limited.

Amar Bhidé is a distinguished writer and academic. Amar was appointed to the Board in 2020. Amar is a graduate of Harvard Business School. He spent five years as a consultant with McKinsey & Co in the US and Europe before taking up professorships (from assistant to chaired) at Harvard, Chicago, and Columbia universities. He is currently professor at Tufts University, Massachusetts. He has served on the staff of a Presidential Commission and is the author of many publications on topics such as entrepreneurship, corporate governance, globalisation and medical innovation.

Justin Dowley is a former international investment banker and was appointed a Director in 2015 and is Chair of the Audit Committee. He qualified as a chartered accountant at Price Waterhouse in 1980. Subsequently he was a director of Morgan Grenfell & Co. Limited, Head of Investment Banking at Merrill Lynch Europe and a founder partner of Tricorn Partners LLP. Formerly the chairman of Intermediate Capital Group plc, he is currently a deputy chairman of The Takeover Panel, the chairman of Melrose Industries plc and a non-executive director of a number of private companies.

Patrick Maxwell is the Regius Professor of Physic and Head of the School of Clinical Medicine at Cambridge University. He was appointed a Director in 2016. Patrick has extensive knowledge and experience of the biotechnology sector and holds a Wellcome Trust senior investigator award for his research on oxygen sensing. He was elected a Fellow of the Academy of Medical Sciences in 2005. He is currently a member of the boards of Cambridge University Health Partners (CUHP), Cambridge University Hospitals NHS Foundation Trust and Cambridge Enterprise.

Paola Subacchi is an economist, writer and commentator on the functioning and governance of the international and monetary system. Paola was appointed to the Board in 2014. She is Professor of International Economics and Chair of the Advisory Board, Global Policy Institute, Queen Mary University of London, a visiting professor at the University of Bologna, and the founder of Essential Economics Ltd. She writes regularly on Project Syndicate. She is the author of The Cost of Free Money (Yale University Press, 2020).

Further Shareholder Information

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 Scottish Mortgage you can do so online. There are a number of companies offering real time online dealing services – find out more by visiting www.scottishmortgageit.com.

Sources of Further Information on the Company

The price of shares is quoted daily in the Financial Times and can also be found on the Scottish Mortgage pages of the Baillie Gifford website at www.scottishmortgageit.com, Trustnet at www.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.

Scottish Mortgage Share Identifiers

ISIN GB00BLDYK618

Sedol BLDYK61

Ticker SMT

Legal Entity Identifier 213800G37DCS3Q9IJM38

The ordinary shares of the Company are listed on the London Stock Exchange and the price is shown in the Financial Times, Daily Telegraph and The Scotsman under 'Investment Companies'.

AIC

Scottish Mortgage was one of the founding members of The Association of Investment Companies in 1932. The AIC's website www.theaic.co.uk contains detailed information about investment trusts, such as factsheets and statistics on the investment trust industry.

Key Dates

Ordinary shareholders normally receive two dividends in respect of each financial year. An interim dividend is paid at the end of November/early December and a final dividend is paid in early July. The Annual General Meeting is normally held in late June or early July.

Capital Gains Tax

For Capital Gains Tax indexation purposes, the market value (adjusted for the bonus issue of 4 for 1 and the stock split of 5 for 1) of an ordinary share in the Company as at 31 March 1982 was 6.12p.

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 707 1300.

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;
— confirm your payment history; and
— order Change of Address, Dividend Bank Mandate and Stock Transfer forms.

By quoting the reference number on your share certificate you can check your holding on the Registrar's website at www.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 value of each shareholding;
— view price histories and trading graphs;
— register to receive communications from the Company, including the Annual Report and Financial Statements, in electronic format;
— update bank mandates and change address details;
— use online dealing services; and
— pay dividends directly into your overseas bank account in your chosen local currency.

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

Dividend Reinvestment Plan

Computershare operates a Dividend Reinvestment Plan which can be used to buy additional shares instead of receiving your dividend via cheque or into your bank account. For further information log in to www.investorcentre.co.uk and follow the instructions or telephone 0370 707 1694.

Electronic Communications and Proxy Voting

If you hold stock in your own name you can choose to receive communications from the Company, and vote, in electronic format. This method reduces costs, is environmentally friendly and, for many, is convenient too. The paragraphs below explain how you can use these services.

— **Electronic Communications** If you would like to take advantage of this service, please visit our Registrar's website at www.investorcentre.co.uk and register. You will need your shareholder reference number (which is on your share certificate and tax voucher) to hand. If you then agree to the terms and conditions, in future, on the day that documents are sent to shareholders by post, you will receive an e-mail providing the website address link to the documents. After you register, paper documents will be available on request.

— **Electronic Proxy Voting** You can also return proxies electronically at www.eproxyappointment.com. If you have registered for electronic communications you will be issued a PIN number to use when returning proxies to the secure Registrar website. You do not need to register for electronic communications to use electronic proxy voting, paper proxy forms will contain a PIN number to allow you to return proxies electronically.

If you have any questions about this service please contact Computershare on 0370 707 1300.

Scottish Mortgage 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.

These Financial Statements have been approved by the Directors of Scottish Mortgage Investment Trust PLC.

Analysis of Shareholders at 31 March

	2020 Number of shares held	2020 %	2019 Number of shares held	2019 %
Institutions	260,340,786	17.9	274,535,666	18.6
Intermediaries*	1,131,349,961	77.9	964,008,624	65.4
Individuals	48,667,835	3.3	57,513,087	3.9
Baillie Gifford Share Plans/ISA	–	–	166,055,595	11.3
Marketmakers	12,901,226	0.9	12,142,980	0.8
	1,453,259,808	**100.0**	**1,474,255,880**	**100.0**

* Intermediaries include wealth managers and execution-only platforms.

Automatic Exchange of Information

In order to fulfil its obligations under UK tax legislation relating to the automatic exchange of information, Scottish Mortgage Investment Trust PLC is required to collect and report information about certain categories of shareholders.

The legislation requires investment trust companies to provide personal information to HMRC on certain investors who purchase shares in investment trusts. Accordingly, Scottish Mortgage Investment Trust PLC must provide information annually to the local tax authority on the tax residencies of a number of non-UK based certificated shareholders and corporate entities.

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 https://www.gov.uk/government/publications/exchange-of-information-account-holders.

Alternative Investment Fund Managers (AIFM) Directive

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

Leverage

The Company's maximum and actual leverage levels (see Glossary of Terms and Alternative Performance Measures on pages 87 to 89) at 31 March 2020 are shown below:

	Gross method	Commitment method
Maximum limit	2.50:1	2.00:1
Actual	1.11:1	1.11:1

Investing in Scottish Mortgage

Information on how to invest in Scottish Mortgage can be found at www.scottishmortgageit.com.

Risks

— Past performance is not a guide to future performance.

— Scottish Mortgage is listed on the London Stock Exchange. The value of its shares and any income from them can fall as well as rise and investors may not get back the amount invested.

— Scottish Mortgage's risk could be increased by its investment in unlisted investments. These assets may be more difficult to buy or sell, so changes in their prices may be greater.

— Scottish Mortgage invests in overseas securities. Changes in the rates of exchange may also cause the value of your investment (and any income it may pay) to go down or up.

— Scottish Mortgage invests in emerging markets where difficulties in dealing, settlement and custody could arise, resulting in a negative impact on the value of your investment.

— Scottish Mortgage has borrowed 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, and the Company will make a loss. If the Company's investments fall in value, any borrowings will increase the amount of this loss.

— Scottish Mortgage can buy back its own shares. The risks from borrowing, referred to above, are increased when a Company buys back its 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.

— Scottish Mortgage can make use of derivatives which may impact on its performance.

— Scottish Mortgage charges 100% of the investment management fee and 100% of borrowing costs to capital which reduces the capital value.

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

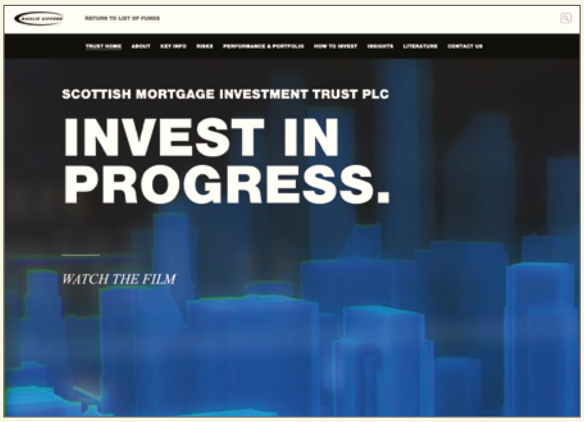
Scottish Mortgage Investment Trust is listed on the London Stock Exchange and is not authorised or regulated by the Financial Conduct Authority.

Further details of the risks associated with investing in the Company, including how charges are applied, can be found at www.scottishmortgageit.com, or by calling Baillie Gifford on 0800 917 2112.

The information and opinions expressed within this Annual Report and Financial Statements 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.

The staff of Baillie Gifford and the Directors of Scottish Mortgage may hold shares in Scottish Mortgage and may buy or sell such shares from time to time.

Communicating with Shareholders



A Scottish Mortgage web page at www.scottishmortgageit.com

Trust Magazine

Promoting Scottish Mortgage

Baillie Gifford carries out extensive marketing activity to promote Scottish Mortgage to institutional, intermediary and direct investors.

Scottish Mortgage on the Web

Up-to-date information about Scottish Mortgage is on the Scottish Mortgage pages of the Managers' website at www.scottishmortgageit.com. You will find full details of Scottish Mortgage, including recent portfolio information and performance figures.

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 Scottish Mortgage. *Trust* plays an important role in helping to explain our products so that readers can really understand them.

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

Suggestions and Questions

Any suggestions on how communications with shareholders can be improved are welcome. Please contact the Baillie Gifford Client Relations Team (see contact details below) and give them your suggestions. They will also be very happy to answer any questions that you may have about Scottish Mortgage.

Client Relations Team Contact Details

Telephone: 0800 917 2112
Your call may be recorded for training or monitoring purposes.

E-mail: trustenquiries@bailliegifford.com
Website: www.bailliegifford.com
Fax: 0131 275 3955

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

Scottish Mortgage specific queries

Please use the following contact details:
Website: www.scottishmortgageit.com
E-mail: scottishmortgage@bailliegifford.com

The Scottish Mortgage Investor Forums

The Scottish Mortgage Investor Forums were created a few years ago to offer existing and prospective Scottish Mortgage shareholders the opportunity to hear from and ask questions directly of the Joint Managers, James Anderson and Tom Slater. These have proved very popular, with the London Forum in June each year building up a loyal cohort of attendees. The Managers would like to take this opportunity to thank all those who have attended these events for their participation.

Two more forums were planned for the first half of this year. Unfortunately, due to Government guidance and the restrictions around the pandemic, these have now had to be cancelled. Instead, they will be replaced with two webinars, one with Mr Anderson and one with Mr Slater, to take place in June 2020. Investors will be able to sign up for these through the website www.scottishmortgageit.com. There will also be an opportunity for those attending to submit questions in advance to be put to the Managers.

Scottish Mortgage Investor Forums – Blue Sky Thinking for Tomorrow's World

Subject to the conditions prevailing in the second half of 2020, the current plan is to hold two Scottish Mortgage Investor Forums in the autumn. These events are scheduled to be held in Harrogate (12 November) and London (23 November). Please visit the website: www.scottishmortgageit.com again for more details on these events. A final decision will not be taken on whether to go ahead with these until nearer the proposed dates, when the Managers are able to confirm that the Government advice is that it is safe for all concerned to hold such events.

Third Party Data Provider Disclaimer

No third party data provider ('Provider') makes any warranty, express or implied, as to the accuracy, completeness or timeliness of the data contained herewith nor as to the results to be obtained by recipients of the data. No Provider shall in any way be liable to any recipient of the data for any inaccuracies, errors or omissions in the index data included in this document, regardless of cause, or for any damages (whether direct or indirect) resulting therefrom.

No Provider has any obligation to update, modify or amend the data or to otherwise notify a recipient thereof in the event that any matter stated herein changes or subsequently becomes inaccurate.

Without limiting the foregoing, no Provider shall have any liability whatsoever to you, whether in contract (including under an indemnity), in tort (including negligence), under a warranty, under statute or otherwise, in respect of any loss or damage suffered by you as a result of or in connection with any opinions, recommendations, forecasts, judgments, or any other conclusions, or any course of action determined, by you or any third party, whether or not based on the content, information or materials contained herein.

FTSE Index Data

FTSE International Limited ('FTSE') © FTSE 2020. 'FTSE®' is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under licence. All rights in the FTSE indices and/or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and/or FTSE ratings or underlying data and no party may rely on any FTSE indices, ratings and/or data underlying data contained in this communication. No further distribution of FTSE Data is permitted without FTSE's express written consent. FTSE does not promote, sponsor or endorse the content of this communication.

Glossary of Terms and Alternative Performance Measures (APM)

An alternative performance measure ('APM') is a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. The APMs noted below are commonly used measures within the investment trust industry and serve to improve comparability between investment trusts.

Total Assets

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

Net Asset Value

Also described as shareholders' funds. Net Asset Value (NAV) is the value of total assets less liabilities (including borrowings). Net Asset Value can be calculated on the basis of borrowings stated at book value, fair value and par value. An explanation of each basis is provided 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 Book)/Shareholders' Funds

Borrowings are valued at adjusted net issue proceeds. The value of the borrowings at book is set out on page 77.

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

Borrowings are valued at an estimate of their market worth. The value of the borrowings at fair is set out on page 77 and a reconciliation to Net Asset Value with borrowings at book value is provided below.

	31 March 2020	31 March 2019
Net Asset Value per ordinary share (borrowings at book value)	567.3p	504.0p
Shareholders' funds (borrowings at book value)	£8,244,634k	£7,429,930k
Add: book value of borrowings	£906,775k	£703,461k
Less: fair value of borrowings	(£930,473k)	(£750,745k)
Net Asset Value (borrowings at fair value)	£8,220,936k	£7,382,646k
Shares in issue at year end (excluding treasury shares)	1,453,259,808	1,474,255,880
Net Asset Value per ordinary share (borrowings at fair value)	567.7p	500.8p

Net Asset Value (Borrowings at Par) (APM)

Borrowings are valued at their nominal par value. The value of the borrowings at par is set out on page 77 and a reconciliation to Net Asset Value with borrowings at book value is provided below.

	31 March 2020	31 March 2019
Net Asset Value per ordinary share (borrowings at book value)	567.3p	504.0p
Shareholders' funds (borrowings at book value)	£8,244,634k	£7,429,930k
Add: allocation of interest on borrowings	£3,160k	£3,805k
Less: expenses of debenture issue	(£1,245k)	(£1,131k)
Net Asset Value (borrowings at par value)	£8,246,549k	£7,432,604k
Shares in issue at year end (excluding treasury shares)	1,453,259,808	1,474,255,880
Net Asset Value per ordinary share (borrowings at par value)	567.5p	504.2p

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.

	2020 NAV (book)	2020 NAV (fair)	2019 NAV (book)	2019 NAV (fair)
Closing NAV per share	567.3p	565.7p	504.0p	500.8p
Closing share price	573.5p	573.5p	512.0p	512.0p
Premium	**1.1%**	**1.4%**	**1.6%**	**2.2%**

Ongoing Charges Ratio (APM)

The total expenses (excluding borrowing costs) incurred by the Company as a percentage of the average net asset value (with debt 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 56 is provided below.

		2020	2019
Investment management fee		£23,922k	£21,879k
Other administrative expenses		£4,835k	£4,342k
Total expenses	(a)	£28,757k	£26,221k
Average net asset value (with borrowings deducted at fair value)	(b)	£7,942,625k	£7,051,629k
Ongoing Charges ((a) ÷ (b) expressed as a percentage)		**0.36%**	**0.37%**

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.

Gearing represents borrowings at book value less cash and cash equivalents (including any outstanding trade settlements) expressed as a percentage of shareholders' funds.

		31 March 2020	31 March 2019
Borrowings (at book value)		£906,775k	£703,461k
Less: cash and cash equivalents		(£38,526k)	(£35,587k)
Less: sales for subsequent settlement		(£47,142k)	(£27,388k)
Add: purchases for subsequent settlement		–	£15,683k
Adjusted borrowings	(a)	£821,107k	£656,169k
Shareholders' funds	(b)	£8,244,634k	£7,429,930k
Gearing: (a) as a percentage of (b)		**10%**	**9%**

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

		31 March 2020	31 March 2019
Borrowings (at book value)	(a)	£906,775k	£703,461k
Shareholders' funds	(b)	£8,244,634k	£7,429,930k
Potential gearing: (a) as a percentage of (b)		**11%**	**9%**

Leverage (APM)

For the purposes of the Alternative Investment Fund Managers (AIFM) Directive, 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.

Turnover

Annual turnover is calculated by dividing the lower of purchases and sales by the average of opening and closing assets.

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.

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.

		2020 NAV (book)	2020 NAV (fair)	2020 Share price	2019 NAV (book)	2019 NAV (fair)	2019 Share price
Closing NAV per share/share price	(a)	567.3p	565.7p	573.5p	504.0p	500.8p	512.0p
Dividend adjustment factor*	(b)	1.0065	1.0065	1.0061	1.0067	1.0066	1.0063
Adjusted closing NAV per share/share price	(c = a x b)	571.0p	569.4p	577.0p	507.4p	504.1p	515.2p
Opening NAV per share/share price	(d)	504.0p	500.8p	512.0p	443.5p	439.9p	442.2p
Total return	(c ÷ d)-1	**13.3%**	**13.7%**	**12.7%**	**14.4%**	**14.6%**	**16.5%**

* The dividend adjustment factor is calculated on the assumption that the dividends of 3.13p (2019 – 3.07p) 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.

Directors

Chair:

FC McBain ACA

LJ Dowley FCA

Professor A Bhidé

Professor JA Kay CBE FBA FRSE

Professor PH Maxwell DPhil FRCP FMedSci

Professor P Subacchi

Alternative Investment Fund Managers, Secretaries and Registered Office

Baillie Gifford & Co Limited

Calton Square

1 Greenside Row

Edinburgh EH1 3AN

Tel: 0131 275 2000

www.bailliegifford.com

Registrar

Computershare Investor Services PLC

The Pavilions

Bridgwater Road

Bristol BS99 6ZZ

Tel: 0370 707 1300

Company Brokers

Numis Securities Limited

The London Stock Exchange Building

10 Paternoster Square

London EC4M 7LT

Jefferies Hoare Govett

Vintners Place

68 Upper Thames Street

London EC4V 3BJ

Independent Auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Atria One

144 Morrison Street

Edinburgh EH3 8EX

Depositary

The Bank of New York Mellon (International) Limited

1 Canada Square

London E14 5AL

www.scottishmortgageit.com

Company Registration No. SC007058

ISIN GB00BLDYK618

Sedol BLDYK61

Ticker SMT

Legal Entity Identifier: 213800G37DCS3Q9IJM38