

BAILLIE GIFFORD UK GROWTH FUND PLC



Interim Financial Report
31 October 2018





Objective

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

Benchmark

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

Principal Risks and Uncertainties

The principal risks facing the Company are strategic risk, investment management risk, financial and currency risk, depositary and custody risk, gearing and leverage risk, accounting, legal and regulatory risk; and service provider risk. An explanation of these risks and how they are managed is set out on pages 11 and 12 of the Company's Annual Report and Financial Statements for the year to 30 April 2018 which is available on the Company's website: www.bgukgrowthfund.com. The principal risks and uncertainties have not changed since the date of that report.

Responsibility Statement

We confirm that to the best of our knowledge:

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

By order of the Board
Carolyn Dobson
Chairman
11 December 2018

Summary of Unaudited Results

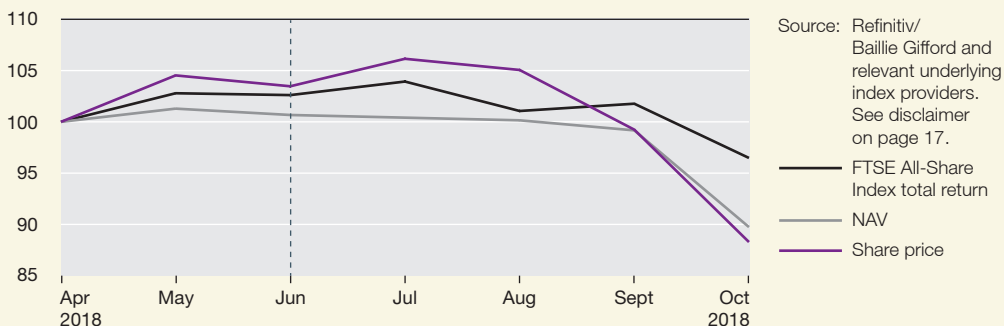
	31 October 2018	30 April 2018 (audited)	% change
Shareholders' funds	£276.1m	£312.3m	
Net asset value per ordinary share	183.5p	207.5p	(11.6)
Share price	163.0p	187.5p	(13.1)
FTSE All-Share Index*			(5.4)
Discount	(11.2%)	(9.6%)	
Active share†‡	87%	–	

	Six months to 31 October 2018	Six months to 31 October 2017	% change
Revenue earnings per share	3.14p	3.39p	(7.4)
Dividends paid and payable in respect of the period	1.50p	3.00p	(50.0)

	Six months to 31 October 2018	30 June 2018‡	Year to 30 April 2018
Total return performance*†			
Net asset value	(10.3%)	(10.8%)	9.1%
Share price	(11.7%)	(14.7%)	15.0%
FTSE All-Share Index (in sterling terms)	(3.5%)	(6.0%)	8.2%

Six Months Total Return Performance

(figures plotted on a monthly basis and rebased to 100 at 30 April 2018)



The line at 30 June 2018 represents the appointment of Baillie Gifford & Co Limited as Managers and Secretaries.

* Source: Refinitiv/Baillie Gifford and relevant underlying data providers. See disclaimer on page 17.

† See Glossary of Terms on page 16.

‡ Active share is not available for 30 April 2018.

‡ Baillie Gifford & Co Limited was appointed as Managers and Secretaries on 29 June 2018.

Past performance is not a guide to future performance.

Chairman's Statement

Performance

Over the six months to 31 October 2018, the Company's net asset value ('NAV') total return* (capital and income) was -10.30% and the FTSE All Share index total return* was -3.52%. The Company's share price total return* over the same period was -11.72%; the overhang of stock resulting from the selling by shareholders who held their holding via the Schroders ISA savings scheme being a contributing factor to the negative share price total return.

The table below provides some additional detail by showing NAV performance over the two months to the end of June when the portfolio was managed by Schroders and the period since until the end of October when the portfolio has been managed by Baillie Gifford.

	30 April to 31 October %	30 April to 30 June %	30 June to 31 October %
Total return*			
NAV	-10.30	0.64	-10.80
Share price	-11.72	3.47	-14.68
FTSE All-Share	-3.52	2.61	-5.97

Since our new Managers took over market conditions have been very difficult for their focused portfolio of good quality UK stocks. However, the longer term prospects for these companies look very exciting and there is more detail on this in the Managers' Report. Short term market conditions can be very frustrating and the Board will continue to take the longer term view in the firm belief that this will best serve shareholders.

Portfolio Re-organisation

As detailed in my statement in the Company's 2018 Annual Report and Accounts, responsibility for managing the Company's assets moved to Baillie Gifford from Schroders at the end of June 2018. The Company's investment policy and objective is unchanged but the method of delivering it has and

the portfolio has been radically re-positioned in line with the new Managers' explicit growth investment philosophy. Consequently, the majority of the Company's prior portfolio of 49 holdings have been sold and 42 new ones purchased with 98% of the portfolio now positioned as desired. The cost of this portfolio restructuring was slightly less than 1% of NAV, approximately half of which was stamp duty. Whilst a cost, the Board and Managers believe it will be recouped over the long term by superior returns from the portfolio. As mentioned in the year end Chairman's Statement, Baillie Gifford agreed to waive its management fee to the extent of £732,000 for the current financial year.

Schroders ISA Savings Scheme

The Board highlighted that at the time of the Manager change 23% of the Company's shares were held within the Schroders ISA Scheme and that it would not be possible for individuals to continue to hold the Company's shares in the Schroders ISA. From the 7 December a book building exercise was undertaken by the Company's brokers to place the remaining shares held within the Schroders ISA, approximately 9.8 million shares. I am pleased to say that there was good demand for these shares and all of the stock was purchased without the need for the Company to buyback.

Dividend

The new Manager chooses stocks in the portfolio for their prospects for capital growth. As highlighted in my most recent Chairman's Statement, there will be a stepped reduction in dividend payments. Underlying earnings for the current financial year and the financial year ending April 2020 are estimated to decline progressively and the estimates are substantively lower than 6.58p per share of earnings for the last financial year. In prior years the Company has paid two interim dividends. It is proposed that for the year ending 30 April 2019 the Company will pay a single interim and a final dividend, the latter of which would be voted on by shareholders at the

* See Glossary of Terms on page 16.

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Annual General Meeting. There will be a lower first interim dividend of 1.50p for the year ending 30 April 2019 when compared to the 3.00p paid in January 2018. This will be paid on 31 January 2019 to shareholders on the register on 4 January 2019.

Board Succession

As highlighted in my annual statement, Bob Cowdell retired as a Director in September. I am pleased to report that Scott Cochrane and Ruary Neill have since been appointed to the Board. Their respective additions strengthen the breadth and depth of the Board, and their appointments fall to be ratified at the Company's Annual General Meeting in August 2019. The Board continues to review its composition and to consider its succession and refreshment policies.

Outlook

There are many distractions to be had in trying to understand the implications of the very confused UK and global market background at present, but our Managers remain focused on trying to identify and back the exceptional UK companies which can grow over many years. Whilst the benefits of this approach might not always be reflected in short term shareholder returns, the Board and Managers firmly believe it provides a repeatable basis for adding value for the patient investor over the long-term.

Carolyn Dobson
Chairman
11 December 2018

Interim Management Report

Investment Philosophy

The following are the three core principles underpinning our investment philosophy:

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

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

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

Portfolio Positioning and Recent Activity

Portfolio construction flows from the investment beliefs stated above. We believe that the current portfolio represents a concentrated selection of some of the best publicly listed UK growth companies. These companies span many different industries but are united in their pursuit of large growth opportunities, their entrenched competitive positions, and are led by ambitious, well-aligned management teams which can capitalise on those opportunities. By way of illustration, top holdings currently include highly successful savings platform Hargreaves Lansdown and wealth manager St James's Place, world-leading metrology business Renishaw, global insurer Prudential, and the quirky British lifestyle brand Ted Baker. These companies display the competitive and cultural strengths which should enable them to continue growing consistently for many years and deliver excellent returns to shareholders.

Since the portfolio's re-organisation, only one new purchase has been made and one holding sold. A position was initiated in First Derivatives, an enterprise software and IT consulting business headquartered in Newry, Northern Ireland. First Derivatives has built a long-standing and successful IT consulting practice where it implements and supports a range of systems for front, middle and back-end office operations at all the major global financial institutions. In addition, it owns a potentially very exciting software business called KX Systems. The KX technology excels in capturing and analysing high volumes of data in real time. It has traditionally been employed mainly in big investment banks. However, the exponential growth in data increasingly presents challenges and opportunities for businesses in other industries such as retail, pharma, telecoms and manufacturing to name but a few. It appears that the founder-led, entrepreneurial and committed management team at First Derivatives is well placed to expand KX's role in

For a definition of terms see Glossary of Terms on page 16.

Total return information is sourced from Refinitiv/Baillie Gifford and relevant underlying index providers. See disclaimer on page 17.

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these markets. This purchase was funded from the sale of HSBC. While we have been impressed by the determination of the board at HSBC to simplify the business and deal with legacy regulatory issues, after detailed work, we became less convinced about the scale of the long term upside from its Asian banking franchise.

Gearing

At the time of transfer from Schroders the portfolio was ungeared. Whilst we viewed market volatility in October as an opportunity to add to some of the existing positions, we thought it prudent to wait for the Schroder ISA overhang of stock to be resolved before deploying any gearing. As believers in long-term equity returns, we expect to utilise gearing strategically, with 10% being the anticipated long-term strategic position.

Performance

Over the four months to 31 October 2018, the Company's net asset value ('NAV') total return (capital and income) was -10.80% and the FTSE All Share index total return was -5.97%. The Company's share price total return over the same period was -14.68%. This period has been characterised by a significant market correction and a rotation into value stocks particularly in the month of October. Given the portfolio's pronounced bias towards growth companies, this has presented an unfavourable backdrop for growth investors and 'stock selection' has been the key driver of disappointing short-term returns. We view short-term volatility in performance (good or bad) as inevitable and in keeping with the style and nature of the portfolio. We therefore respectfully ask shareholders to take a measured approach and judge performance over longer time periods, in line with our own investment time horizon of at least five years. Crucially, we have experienced short term underperformance in the past and patiently sticking to our investment approach has always been the correct course of action. We remain

satisfied with the operational performance being delivered by the individual holdings in the portfolio and are hugely optimistic about the scale of the long-term opportunities ahead for those companies.

Whilst the market is likely to remain obsessed with forecasting the outcome of the big political and macro-economic events of the day, we will remain obsessed with trying to identify and back the exceptional UK companies which can grow over many years.

The principal risks and uncertainties facing the Company are set out on the inside front cover of this report. Related party transaction disclosures are set out in note 9.

Baillie Gifford & Co
Managers & Secretaries
11 December 2018

Investment Portfolio at 31 October 2018

Name	Business	Value £'000	% of total assets
Basic Materials			
Rio Tinto	Metals and mining company	6,983	2.5
Victrex	Speciality high-performance chemicals manufacturer	6,151	2.2
		13,134	4.7
Consumer Goods			
Ted Baker	Fashion retailer	8,314	3.0
Diageo	International drinks company	7,705	2.8
Burberry	Luxury goods retailer	7,234	2.6
		23,253	8.4
Consumer Services			
Auto Trader Group	Advertising portal for second hand cars in the UK	8,301	3.0
Carnival	World's largest cruise ship operator	7,564	2.7
RELX	Professional publications and information provider	7,395	2.7
Rightmove	UK's leading online property portal	7,348	2.7
Just Eat	Operator of online and mobile market place for takeaway food	6,732	2.5
Boohoo.com	Online fashion retailer	6,399	2.3
Inchcape	Car wholesaler and retailer	4,476	1.6
Euromoney Institutional Investor	Specialist publisher	4,025	1.5
Mitchells & Butlers	Pub and restaurant operator	3,084	1.1
Ten Entertainment Group*	Ten-pin bowling operating company	1,998	0.7
		57,322	20.8
Financials			
Hargreaves Lansdown	UK retail investment platform	11,629	4.2
Prudential	International life insurer	11,140	4.0
St. James's Place	UK wealth manager	10,867	3.9
Legal & General	Insurance and investment management company	8,157	3.0
Hiscox	Property and casualty insurance	6,567	2.4
Just Group*	Provider of retirement income products and services	6,315	2.3
Jardine Lloyd Thompson	Insurance broker	6,028	2.2
Helical Bar	Property developer	5,644	2.1
Jupiter Fund Management	Investment management business	4,417	1.6
IG Group	Spread betting website	2,600	0.9
IntegraFin	Provides platform services to financial clients	2,525	0.9
Sherborne Investors*	Invests in publicly quoted companies which are considered to be undervalued as a result of operational deficiencies	2,181	0.8
Record*	Specialist currency management firm	633	0.2
		78,703	28.5

Name	Business	Value £'000	% of total assets
Health Care			
Abcam	Online platform selling antibodies to life science researchers	7,207	2.6
Genus	World leading animal genetics company	5,952	2.2
		13,159	4.8
Industrials			
Renishaw	World leading metrology company	10,050	3.6
Bunzl	Distributor of consumable products	8,379	3.0
Halma	Specialist engineer	8,360	3.0
HomeServe	Domestic insurance	7,679	2.8
Ultra Electronics	Aerospace and defence company	6,988	2.5
Howden Joinery	Manufacturer and distributor of kitchens to trade customers	6,747	2.5
Bodycote	Heat treatment and materials testing	5,490	2.0
Rolls-Royce	Power systems manufacturer	5,483	2.0
PageGroup	Recruitment consultancy	5,475	2.0
Ashtead	Construction equipment rental company	5,238	1.9
Volusion Group	Supplier of ventilation products	4,069	1.5
James Fisher & Sons	Specialist service provider to the global marine and energy industries	2,844	1.0
		76,802	27.8
Technology			
FDM Group	Provider of professional services focusing on information technology	5,385	2.0
First Derivatives	IT consultant and software developer	2,725	1.0
		8,110	3.0
Total Equities		270,483	98.0
Net Liquid Assets		5,658	2.0
Total Assets		276,141	100.0

Stocks highlighted in bold are the 20 largest holdings.

* Schroders' inherited holding.

Income Statement (unaudited)

	For the six months ended 31 October 2018			For the six months ended 31 October 2017			For the year ended 30 April 2018 (audited)		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net (losses)/gains on investments	–	(36,074)	(36,074)	–	5,579	5,579	–	16,354	16,354
Income from investments and interest receivable	5,291	–	5,291	5,710	–	5,710	10,980	91	11,071
Investment management fee	(94)	(220)	(314)	(231)	(539)	(770)	(460)	(1,072)	(1,532)
Other administrative expenses	(461)	–	(461)	(233)	–	(233)	(399)	–	(399)
Net return before finance costs and taxation	4,736	(36,294)	(31,558)	5,246	5,040	10,286	10,121	15,373	25,494
Finance costs of borrowings	(11)	(26)	(37)	–	–	–	(8)	(18)	(26)
Net return on ordinary activities before taxation	4,725	(36,320)	(31,595)	5,246	5,040	10,286	10,113	15,355	25,468
Tax on ordinary activities	–	–	–	(2)	–	(2)	(14)	–	(14)
Net return on ordinary activities after taxation	4,725	(36,320)	(31,595)	5,244	5,040	10,284	10,099	15,355	25,454
Net return per ordinary share (note 4)	3.14p	(24.13p)	(20.99p)	3.39p	3.26p	6.65p	6.58p	10.00p	16.58p
Note: Dividends paid and payable per share (note 5)	1.50p			3.00p			6.00p		

The accompanying notes on pages 12 to 14 are an integral part of the Financial Statements.

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

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

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

Balance Sheet (unaudited)

	At 31 October 2018 £'000	At 30 April 2018 (audited) £'000
Fixed assets		
Investments held at fair value through profit or loss	270,483	318,885
Current assets		
Debtors	306	2,219
Cash and deposits	5,400	3,642
	5,706	5,861
Creditors		
Amounts falling due within one year	(48)	(12,494)
Net current assets/(liabilities)	5,658	(6,633)
Net assets	276,141	312,252
Capital and reserves		
Share capital	40,229	40,229
Share premium account	9,875	9,875
Capital redemption reserve	19,759	19,759
Warrant exercise reserve	417	417
Share purchase reserve	60,433	60,433
Capital reserve	135,138	171,458
Revenue reserve	10,290	10,081
Shareholders' funds	276,141	312,252
Net asset value per ordinary share	183.5p	207.5p
Ordinary shares in issue (note 7)	150,520,484	150,520,484

The accompanying notes on pages 12 to 14 are an integral part of the Financial Statements.

Statement of Changes in Equity (unaudited)

For the six months ended 31 October 2018

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Warrant exercise reserve £'000	Share purchase reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 May 2018	40,229	9,875	19,759	417	60,433	171,458	10,081	312,252
Net return on ordinary activities after taxation	–	–	–	–	–	(36,320)	4,725	(31,595)
Dividends paid (note 5)	–	–	–	–	–	–	(4,516)	(4,516)
Shareholders' funds at 31 October 2018	40,229	9,875	19,759	417	60,433	135,138	10,290	276,141

For the six months ended 31 October 2017

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Warrant exercise reserve £'000	Share purchase reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 May 2017	40,229	9,875	19,759	417	69,236	156,103	8,753	304,372
Shares repurchased into treasury	–	–	–	–	(3,025)	–	–	(3,025)
Net return on ordinary activities after taxation	–	–	–	–	–	5,040	5,244	10,284
Dividends paid (note 5)	–	–	–	–	–	–	(4,198)	(4,198)
Shareholders' funds at 31 October 2017	40,229	9,875	19,759	417	66,211	161,143	9,799	307,433

The accompanying notes on pages 12 to 14 are an integral part of the Financial Statements.

Notes to the Condensed Financial Statements (unaudited)

- 1 The condensed Financial Statements for the six months to 31 October 2018 comprise the statements set out on the previous pages together with the related notes below. They have been prepared in accordance with FRS 104 'Interim Financial Reporting' and the AIC's Statement of Recommended Practice issued in November 2014 and updated in February 2018 with consequential amendments and have not been audited or reviewed by the Auditor pursuant to the Auditing Practices Board Guidance 'Review of Interim Financial Information'. The Financial Statements for the six months to 31 October 2018 have been prepared on the basis of the same accounting policies as set out in the Company's Annual Report and Financial Statements at 30 April 2018.

Going Concern

Having considered the nature of the Company's principal risks and uncertainties, as set out on the inside front cover, together with its current position, investment objective and policy, its assets and liabilities and projected income and expenditure, together with the Company's dividend policy, it is the Directors' opinion that the Company has adequate resources to continue in operational existence for the foreseeable future. The 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. There are currently no drawings under the Scotiabank £35m loan facility. Accordingly, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing these Financial Statements and confirm that they are not aware of any material uncertainties which may affect the Company's ability to continue to do so over a period of at least twelve months from the date of approval of these Financial Statements.

- 2 The financial information contained within this Interim Financial Report does not constitute statutory accounts as defined in sections 434 to 436 of the Companies Act 2006. The financial information for the year ended 30 April 2018 has been extracted from the statutory accounts which have been filed with the Registrar of Companies. The Auditor's Report on those accounts was not qualified, and did not contain statements under sections 498(2) or (3) of the Companies Act 2006.
- 3 Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, was appointed by the Company as its Alternative Investment Fund Manager (AIFM) and Company Secretary on 29 June 2018. As explained in the Annual Report, the agreement with the previous manager, Schroder Unit Trusts Limited's contract was terminated on 29 June 2018. The investment management function has been delegated to Baillie Gifford & Co. The management agreement can be terminated on six months' notice. The annual fee is 0.5% of net asset value, calculated on a quarterly basis. Baillie Gifford agreed to waive its management fee to the extent of £732,000 (approximately equal to six months' management fee payable to Baillie Gifford for the year).

Notes to the Condensed Financial Statements (unaudited)

	Six months to 31 October 2018 £'000	Six months to 31 October 2017 £'000
4 Net return per ordinary share		
Revenue return on ordinary activities after taxation	4,725	5,244
Capital return on ordinary activities after taxation	(36,320)	5,040
Total net return	(31,595)	10,284
Weighted average number of ordinary shares in issue	150,520,484	154,525,984

Net return per ordinary share is based on the above totals of revenue and capital and the weighted average number of ordinary shares in issue during each period.

There are no dilutive or potentially dilutive shares in issue.

	Six months to 31 October 2018 £'000	Six months to 31 October 2017 £'000
5 Dividends		
Amounts recognised as distributions in the period:		
Second interim of 3.00p (2017 – 2.70p), paid 31 July 2018	4,516	4,198
	4,516	4,198
Amounts paid and payable in respect of the period:		
First interim of 1.50p (2018 – 3.00p), payable 31 January 2019	2,258	4,573
	2,258	4,573

The first interim dividend was declared after the period end date and therefore has not been included as a liability in the Balance Sheet. It is payable on 31 January 2019 to shareholders on the register at the close of business on 4 January 2019. The ex-dividend date is 3 January 2019.

Notes to the Condensed Financial Statements (unaudited)

6 Fair Value Hierarchy

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

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

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

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

The fair value of listed investments is bid value. The financial assets designated as valued at fair value through profit or loss are all categorised as Level 1 in the above hierarchy. All of the Company's investments fall into Level 1 for the periods reported.

7 At 31 October 2018, the Company had the authority to buy back 22,563,020 ordinary shares and to issue/sell from treasury 15,052,048 ordinary shares without application of pre-emption rights in accordance with the authorities granted at the AGM in August 2018. No shares were bought back into treasury (30 April 2018 – 5,068,700).

8 During the period, transaction costs on equity purchases amounted to £1,430,000 and on equity sales £83,000.

9 Related Party Transactions

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

Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, was appointed by the Company as its Alternative Investment Fund Manager (AIFM) and Company Secretary on 29 June 2018.

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

Further Shareholder Information

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

Automatic Exchange of Information

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

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

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

For further information, please see HMRC's Quick Guide: Automatic Exchange of Information – information for account holders

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

Risk Warnings

Past performance is not a guide to future performance.

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

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

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

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

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

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

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

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

Shareholders in Baillie Gifford UK Growth have the right to vote every five years on whether to continue the Company or wind it up. If shareholders decide to wind the Company up, the assets will be sold and you will receive a cash sum in relation to your shareholding. The next vote will be held at the Annual General Meeting in 2019.

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

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

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

Further details of the risks associated with investing in the Company, including how charges are applied, can be found at www.bgukgrowthfund.com, or by calling Baillie Gifford on 0800 032 0641.

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

Glossary of Terms

Total Assets

The total value of all assets less all liabilities (other than liabilities in the form of borrowings).

Net Asset Value

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

Discount/Premium

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, this situation is called a premium.

Total Return

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

Ongoing Charges

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

Gearing

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 less cash and cash equivalents expressed as a percentage of shareholders' funds.

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

The Company currently has no borrowings drawn down.

Leverage

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.

Active Share

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

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