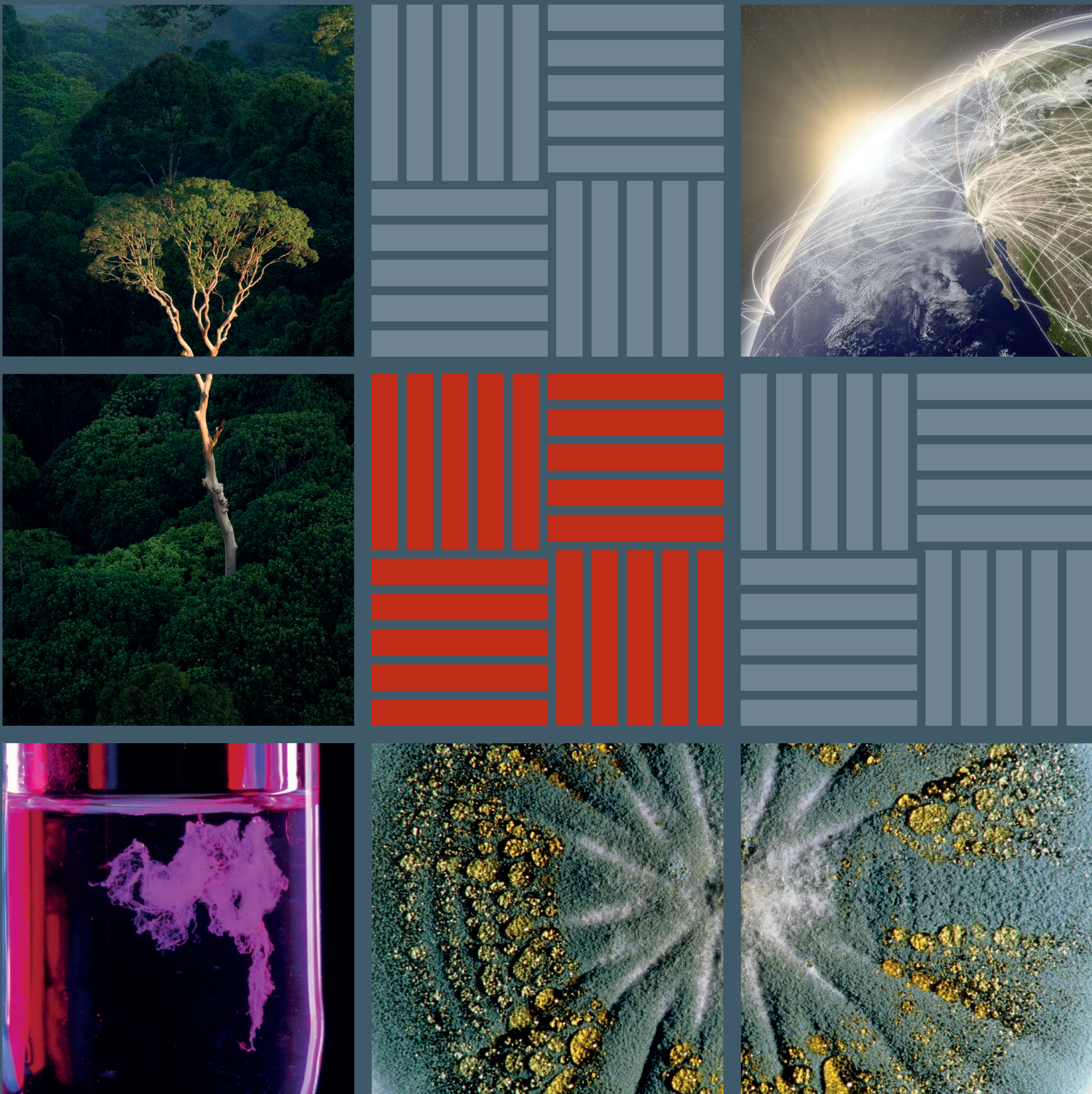
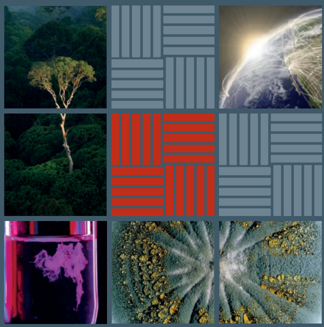
SCOTTISH MORTGAGE INVESTMENT TRUST PLC

Your low cost choice
for global investment



Annual Report and Financial Statements
31 March 2015

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 and actively managed portfolio. It invests globally, looking for strong businesses with above-average returns.

Contents

Investor Disclosure Document

The EU Alternative 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.

Notes

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

Investment trusts are UK public listed companies and as such comply with the requirements of the UK Listing Authority. They are not authorised or regulated by the Financial Conduct Authority.

Scottish Mortgage Investment Trust PLC currently conducts its affairs, and intends to continue to conduct its affairs, so that the Company's Ordinary Shares can qualify to be considered as a mainstream investment product and can be recommended by Independent Financial Advisers to ordinary retail investors in accordance with the rules of the Financial Conduct Authority (FCA) in relation to non-mainstream investment products.

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the action you should take you should consult your stockbroker, bank manager, solicitor, accountant or other independent financial advisor authorised under the Financial Services and Markets Act 2000 immediately if you are in the United Kingdom or, if not, another appropriately authorised financial adviser.

If you have sold or otherwise transferred all of your ordinary shares in Scottish Mortgage Investment Trust PLC, please forward this document and the accompanying form of proxy as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was or is being effected for delivery to the purchaser or transferee.

John Scott, Chairman

Message from the Chairman

I am pleased to say that performance has again been strong in terms of the net asset value and share price returns over the twelve months to the end of March. Even more satisfactory are the strong long term performance figures, consistent with the investment philosophy of your Company.

There have been some significant developments during the period. As highlighted in the Half Yearly Report, the past year has seen Scottish Mortgage pass the milestone of becoming the UK's largest conventional investment trust both by market capitalisation and total assets. Scottish Mortgage's shares reached an all time high in March 2015 and have since risen further after the financial year end. The strength of the demand for our stock has repeatedly moved the price to a premium to the underlying Net Asset Value (NAV) over the last six months and the Company has been issuing shares to provide market liquidity, in line with our stated desire to see the shares trade broadly around NAV. Finally, in January, we were delighted to announce Tom Slater's promotion to Joint Manager of the Trust in recognition of the contribution he has already made to the portfolio.

Yet some things remain the same. There has been no change to the investment philosophy which underpins the Company; the Managers resolutely remain stock pickers, simply looking to invest in the best growth companies across the globe for the next five to ten years and beyond. Looking to the future, they are even more excited than they were twelve months ago by the prospects for the companies within the portfolio and the pool of potential investments, as the pace of change in the world accelerates.

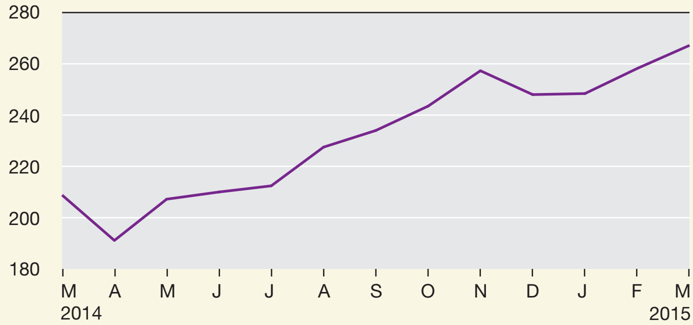
Financial Highlights – Year to 31 March 2015

Share Price* 29.6%	NAV* 27.7%	Benchmark*† 19.2%

* Source: Morningstar, total return.

Share Price (pence)

Share price#

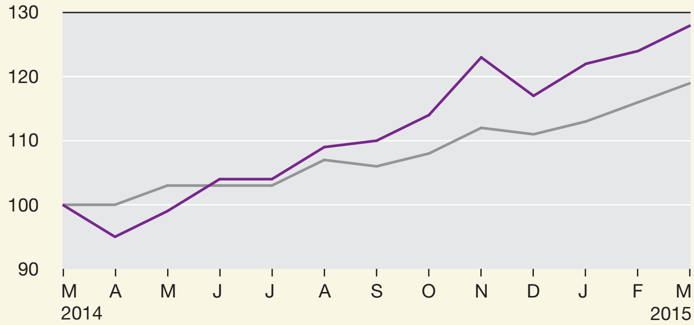


NAV and Benchmark

(figures rebased to 100 at 31 March 2014)

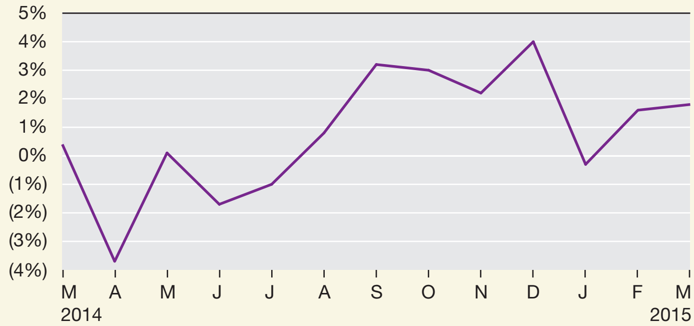
NAV total return (after deducting borrowings at fair value)

Benchmark† total return



Premium/(Discount)

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



† Benchmark: FTSE All-World Index (in sterling terms).
Source: Thomson Reuters Datastream/Baillie Gifford.
Adjusted for the five for one share split on 30 June 2014.

Past performance is not a guide to future performance.

Strategic Report

This Strategic Report, which includes pages 2 to 21 and incorporates the Chairman's Statement, has been prepared in accordance with the Companies Act 2006.

Chairman's Statement

I am pleased to report on another strong year for our shareholders. Scottish Mortgage's net asset value (NAV) total return (capital and income) for the year to the end of March 2015 was 27.7% and the share price total return was 29.6%; these returns were ahead of that of the broader global equities benchmark, the FTSE All-World Index, which produced a total return over the period of 19.2%.

Whilst this is more than satisfactory, I urge shareholders not to pay undue attention to short term numbers, no matter how good they may be. The Company is required to report these on an annual basis, but the investment approach adopted has a much longer-term philosophy and – as ever – I would encourage shareholders to think of their investment in Scottish Mortgage in this context. The five and ten year results, which are aligned with the investment thesis employed by the Managers, are the appropriate basis on which to judge performance and are the figures by which to assess the Managers' performance. I am happy to say these also remain excellent.

The table below shows the ten and five year total returns in percentage terms to 31 March 2015, alongside the Association of Investment Companies (AIC) Global Sector average for comparison.

Total Return (%)	Ten years	Five years
NAV	280.6	105.0
Share price	387.7	139.0
FTSE All-World Index	155.1	61.2
Global Sector Av – NAV	157.5	62.0
Global Sector Av – share price	173.7	71.4

Source: AIC/Morningstar (ten year NAV performance at par and five year NAV performance at fair).

The Board takes this opportunity to congratulate the Managers on their continued excellent performance. These figures support our belief that active management can provide very attractive returns for shareholders, both in absolute terms and relative to the returns from the broad global equity markets, when undertaken in a committed and patient long term manner. In January 2015, the Company announced Tom Slater's promotion to Joint Manager of the portfolio, in recognition of the contribution he has already made to Scottish Mortgage as Deputy Manager.

It was another landmark year for the Company: we bought back 6.6m shares near the start of the period and – with our shares trading at a premium – we subsequently issued 25.6m shares from treasury to meet market demand, resulting in net proceeds of around £49m. This is the first time that Scottish Mortgage has been in a position to issue shares in this way.

Looking ahead, the usual cautionary notes apply: past performance is no guarantee of future performance. I would emphasise that Scottish Mortgage is best suited to those who adopt a patient long term investment approach, as there may well be periods of under-performance in both absolute and relative terms.

This year, the Managers' report provides an exposition on the evolution of the broader ideas underpinning the selection of the individual stocks for the portfolio over the last decade and into the next, together with a paper on the Managers' approach to investment risk analysis; I encourage all present and prospective shareholders to read this. The Board continues to endorse wholeheartedly the Managers' committed long-term approach to investing by thorough research of individual companies which may have the potential to grow substantially.

Earnings and Dividends

Scottish Mortgage is clear in its focus as a growth investment trust. Our objective is to maximise total returns to shareholders, and the aim is to achieve this primarily through capital appreciation over the long term. The Board considers it important that the Managers are not constrained by having to acquire short term income for dividend payments, but be allowed to concentrate on finding the best growth companies in order to maximise the potential total returns to shareholders; indeed, this is where we feel their talent lies. A change was made at the AGM last year to the dividend policy to reflect this objective, removing the requirement for growth in dividend payments in real terms. The Board does recognise, however, that dividends are valued by many shareholders and the intention to grow the dividend remains.

This year's earnings per share were 2.24p, 7.8% lower than in 2013/14 (2.43p, adjusted for the 5:1 share split in June 2014). This is not unexpected. The companies in which Scottish Mortgage invests tend to retain their earnings and invest them for the future growth of their own businesses rather than paying them out as dividends. Whilst this is entirely consistent with the approach that the Managers seek in their investments and ought to be positive for the long term capital return prospects of these companies (and therefore of our own), the corollary is that we expect Scottish Mortgage's earnings to continue to fall in the foreseeable future.

In order to pay an increased dividend over last year, it will therefore be necessary to utilise some of the Company's revenue reserve. Bearing all this in mind, a final dividend of 1.55p is proposed, giving a total of 2.93p for the year, an increase of 1.0%. If approved, this will entail using 0.7p per share of the revenue reserves. In so doing, this will leave around 4p per share available to support future distributions. Shareholders will recognise that, while there is no immediate threat to the level of the dividend which your Company is paying, as revenue reserves deplete dividends may be constrained by prevailing earnings, subject to any future decisions on augmenting the resources from which dividends are paid with contributions from capital.

Past performance is not a guide to future performance.

Gearing

Scottish Mortgage remains committed to the use of strategic gearing, in the belief that being geared into prospective long run equity market returns will benefit shareholders in the long term, especially with debt at historically cheap levels. No attempt is made to deploy short term tactical gearing shifts to capture the gyrations of markets, as we do not believe this to be one of our competitive advantages. The Board continues to monitor the level of strategic gearing.

Buybacks and Share Issuance

The proposition offered by Scottish Mortgage has been clearly articulated by the Board and Managers and has generated extensive press coverage which, along with marketing initiatives, has led to demand for shares from existing and new investors. It is particularly gratifying to see that there have been substantial inflows from direct investors through the Baillie Gifford Savings Schemes as well as through other share dealing platforms.

As mentioned earlier, the Company issued shares from treasury for the first time in its history, and was a net issuer of shares over the 12 month period. As per the intention expressed in last year's Annual Report, as the share price moved to a premium to the underlying net asset value the Company met market demand by issuing shares in this manner. Such market actions, whether in terms of share buybacks or share issuance, are undertaken with a long term purpose in mind of aiding an efficient market in the Company's shares in normal market conditions, rather than on a short term opportunistic basis. I would reiterate what has been said in previous years, that no discount limit or premium target is set, but the Board is aware that shareholders will expect the Company to continue to act to provide liquidity and buy back shares when supply exceeds demand.

Whilst the provision of liquidity in our shares remains the most important factor behind such share issuance, the Board also believes there to be a clear benefit to both new and existing shareholders from increasing the scale of the Company, such that the burden of costs is shared across a wider base.

Following the end of this financial year, the Company has seen continued investor demand and the shares have again traded at a premium to the underlying NAV, leading to further share issuance. Permission is therefore again being sought to sell treasury shares at a premium to NAV and also to issue new shares. As per the permission sought and granted in the previous year, the premium is specified as that reached when net asset value is calculated on the basis of the Company's debt at fair value. The Board believes these powers to be essential to aiding a liquid market in the Company's shares and determining the relationship between the price paid by shareholders and the underlying assets in which they are investing.

Low Cost

The Board strongly believes low operating costs to be an important competitive advantage of the Company, given the corrosive impact of high costs on compounded returns to shareholders. I am therefore very pleased to report that for the year to 31 March 2015, Scottish Mortgage's 'Ongoing Charges Ratio' (as defined by the AIC) again fell and now stands at 0.48% (2014: 0.50%), which remains one of the lowest figures reported in the investment trust sector. This reflects, in the main, the competitive management fee charged by our Managers – currently 0.3% on gross assets.

AIFMD

As of July 2014, the Company is required to comply with the EU-wide Alternative Investment Fund Managers Directive (AIFMD). As a result, Baillie Gifford & Co Limited was appointed as the AIFM. BNY Mellon Trust & Depositary has now been engaged to act as depositary, the additional costs of which are included in the ongoing charges ratio. I am pleased to note that this transition was implemented smoothly in the course of business as usual.

Board and AGM

The Annual General Meeting will be held in Edinburgh at The Balmoral Hotel at 4.30pm on 23 June 2015. The Joint Managers of the portfolio, James Anderson and Tom Slater, will make a presentation to shareholders on the investments and take questions. I do hope you will be able to attend.

Senior Independent Director

I would like to take this opportunity to thank Mr. Michael Gray for his many years of service on the Board of Scottish Mortgage. He has decided that after more than ten years as a non executive director it is not his intention to stand for re-election at the forthcoming AGM. We will miss his considerable contribution to the Board but we wish him all the very best in his future endeavours. He will be succeeded in his role as senior independent director by Professor John Kay.

Investment Strategy

The Statement of the Managers' core investment beliefs is again set out in an unchanged form in the Annual Report and Financial Statements.

The consistency of the investment philosophy underpinning Scottish Mortgage over the last decade has been one of its greatest strengths. The Managers are stock pickers, searching for those extraordinary businesses which have the potential to grow their earnings much faster than the broader market over a sustained period. Rather than speculating on short term market gyrations, they focus on analysing individual businesses, their opportunities and the calibre of the minds and the motivations of those controlling them. This philosophy is based on the premise that a company's worth is driven by what it can earn from its assets, and in the long run that its share price will move to reflect the growth in the underlying earnings.

Both the Managers and the Board believe that the true investment risk for our shareholders is in the permanent loss of capital in our investments over the long term, not in short term share price movements relative to an index. In fact short term market swings may even present Scottish Mortgage, as a long term investor, with opportunities.

Outlook

This is perhaps an appropriate moment to take stock and reflect on what has been achieved by your Company in the past decade. The first point to make is that Scottish Mortgage decided to pursue a fundamentally different investment strategy as compared with those employed by many of its competitors in the global growth sector; a higher conviction, much more concentrated portfolio emerged with, to use one of the indicators employed in the industry, one of the highest 'Active Shares' in the business – this being a measure of how far the portfolio deviates from its benchmark.

Secondly, the performance has been remarkable and, looking back, I notice that the theme of my recent statements has been along the lines of "we have had another good year, but don't rely on this continuing…". Not very long ago there was considerable debate as to whether our shares would ever exceed the supposedly magic barrier of £10, which they indeed passed some 18 months ago. We have since done a 5:1 split, which adjusts the currency of this argument, so it is worth pointing out that our shares on their new basis were at £2.67 as at 31 March 2015, this would have been £13.36 per share in 'old money'. By way of comparison our share price (in pre share split terms) was £3.33 on 31 March 2005.

I am acutely aware that there are serious issues for the world to address, whether these be Russian foreign policy, Chinese social shifts, tensions in the South China Sea or terrorism in all its guises across the world, which from time to time may have a dramatic impact on investment markets. Yet at such points it is important to stand at one step removed and ask: what might the longer term impact be on the individual companies in which Scottish Mortgage invests?

Meanwhile, I hope that the investment proposition from Scottish Mortgage remains clear. We aim to manage our investors' money, with a long term view, in an active and effective manner and to do so at a cost level which is below that of almost all our competitors. It is to be expected that we will encounter more volatility than some in our short term performance, both absolute and relative, as indeed we have experienced in the recent past. But in a world which is changing faster every year, our strategy gives rise to enormous opportunities for growth and I therefore remain excited by the prospects for Scottish Mortgage well into the future.

John Scott
Chairman
11 May 2015

Past performance is not a guide to future performance.

One Year Summary

The following information illustrates how Scottish Mortgage has performed over the year to 31 March 2015.

	31 March 2015	31 March 2014 *	% change
Total assets (before deduction of debentures, long and short term borrowings)	£3,820.4m	£2,986.6m	
Loans and debentures	£487.2m	£388.9m	
Shareholders' funds	£3,333.2m	£2,597.7m	
Net asset value per ordinary share (after deducting borrowings at fair value)†	262.4p	208.0p	26.2
Share price	267.2p	208.8p	28.0
FTSE All-World Index (in sterling terms)	279.7	240.7	16.2
Dividends paid and proposed per ordinary share	2.93p	2.90p	1.0
Revenue earnings per ordinary share	2.24p	2.43p	(7.8)
Ongoing charges ratio	0.48%	0.50%	
Premium (after deducting borrowings at fair value)	1.8%	0.4%	
Active share¶	95%	94%	

Year to 31 March	2015	2014
Total returns (%)#		
Net asset value per ordinary share (after deducting borrowings at fair value)	27.7%	23.1%
Share price	29.6%	28.9%
FTSE All-World Index (in sterling terms)	19.2%	6.8%

Year to 31 March	2015	2015	2014 *	2014 *
Year's high and low	**High**	**Low**	**High**	**Low**
Share price	271.0p	189.2p	220.0p	156.2p
Net asset value per ordinary share (after deducting borrowings at fair value)‡	267.2p	192.7p	219.7p	161.6p
Premium/(discount) (after deducting borrowings at fair value)‡	4.2%	(6.4%)	4.2%	(6.7%)
Average sector discount (AIC Global Sector)	(5.1%)	(7.9%)	(6.2%)	(9.1%)

	31 March 2015	31 March 2014 *
Net return per ordinary share		
Revenue return	2.24p	2.43p
Capital return	56.50p	35.39p
Total return	**58.74p**	**37.82p**

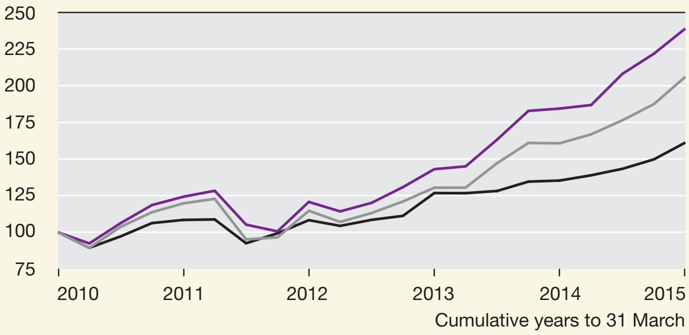
* All per share figures have been restated for the five for one share split on 30 June 2014.
† Borrowings are deducted at fair value (the estimate of market worth).
# Source: Morningstar/Baillie Gifford.
‡ Cum-income.
¶ See Glossary on page 63.

Five Year Summary

The following charts indicate how Scottish Mortgage has performed relative to its benchmark* and the dividend against the retail price index over the five year period to 31 March 2015.

Five Year Total Return Performance

(figures rebased to 100 at 31 March 2010)



Source: Thomson Reuters Datastream.

Share price total return

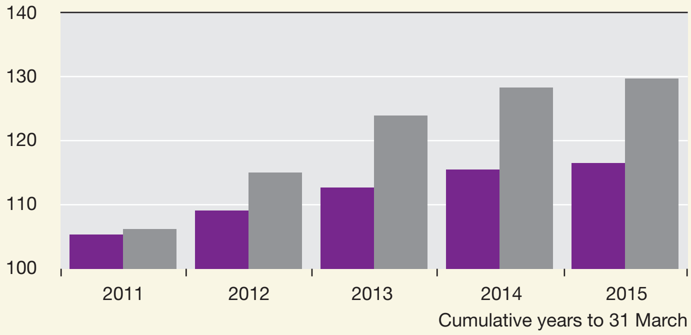
NAV (fair) total return

Benchmark* total return

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

Dividend and RPI Growth

(figures rebased to 100 at 31 March 2010)



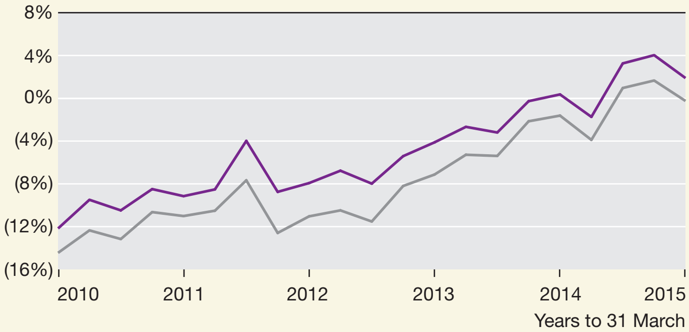
Source: Thomson Reuters Datastream/Baillie Gifford.

RPI

Scottish Mortgage dividend

Premium/(Discount) to Net Asset Value

(plotted on a monthly basis)



Source: Thomson Reuters Datastream/Baillie Gifford.

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

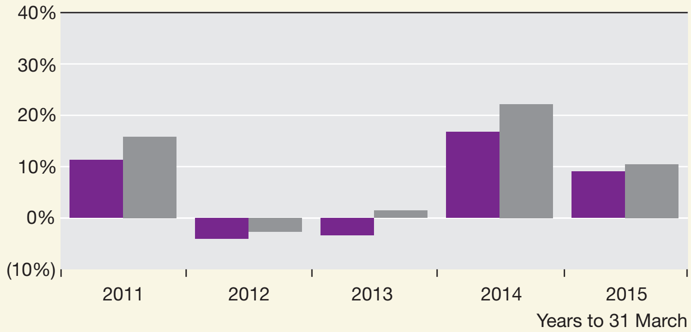
Scottish Mortgage (discount)/premium (after deducting borrowings at par)

The (discount)/premium is the difference between Scottish Mortgage's quoted share price and its underlying net asset value calculated on one of two bases:

Borrowings are either deducted at par (redemption value) or at fair value (the current market worth). As borrowings have a current market value above par, the effect of valuing the borrowings at fair value reduces both the NAV and resultant discount.

Annual Net Asset Value and Share Price Total Returns

(relative to the benchmark total return)



Source: Thomson Reuters Datastream.

NAV (fair) return

Share price return

Past performance is not a guide to future performance.

Business Review

Business Model

Business and Status

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.

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 whilst also generating 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 primary investment focus is on quoted equities predominantly 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. 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 Manager's Core Investment Beliefs with respect to the Company are set out on page 14.

Details of investment strategy and activity this year can be found in the Chairman's Statement on pages 2 to 4 and the Managers' Review on pages 9 to 14. A detailed analysis of the Company's investment portfolio is set out on pages 16 to 20.

Discount/Premium

The Company has powers to buy back its own shares at a discount to net asset value and to hold such shares in treasury as well as to sell treasury shares at a premium to net asset value.

The Board recognises that it is in the long term interests of shareholders to manage discount volatility and believes that the prime driver of discounts over the longer term is performance. The Board does not have a formal discount target at which shares will be bought back as it believes that the announcement of specific targets is likely to hinder rather than help the successful execution of a buyback policy.

During the year the Company bought back a total of 6,625,000 shares, into treasury (after adjusting for the share split). Between 1 April 2015 and the date of this report no further shares have been bought back.

During the year the Company sold 25,600,000 shares from treasury at a premium to the net asset value. Between 1 April 2015 and 8 May 2015 a further 15,250,000 shares were sold from treasury at a premium to net asset value.

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 Benchmark;
- the premium/discount (after deducting borrowings at fair value);

— ongoing charges ratio;

— revenue return; and

— dividend per share.

The one, five and ten year records of the KPIs are shown on pages 5, 6 and 21.

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 47 to 48 and 53 to 55. In addition, loan facilities are in place which are also shown on page 47.

During the year the 1 year US$150 million loan with State Street was repaid and replaced with a 1 year US$165 million loan and a 2 year US$50 million loan from State Street. The 3 year US$163 million loan with National Australia Bank ('NAB') was repaid and replaced with a 2 year US$200 million loan with NAB. The 2 year €61 million loan with The Royal Bank of Scotland ('RBS') was repaid and replaced with a 3 year US$85 million loan with RBS.

Subsequent to the year end, the US$165 million 1 year loan with State Street was repaid on 10 April 2015 and replaced with a US$165 million 1 year loan with RBS.

Principal Risks

As explained on page 28 there is an ongoing process for identifying, evaluating and managing the risks faced by the Company. The principal risks associated with the Company are as follows:

Financial Risk – the Company's assets consist mainly of listed securities and its principal 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 21 to the financial statements on pages 50 to 55.

Regulatory Risk – failure to comply with applicable legal and regulatory requirements such as the tax rules for investment 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. 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.

Operational Risk – failure of Baillie Gifford's accounting 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. Baillie Gifford have a comprehensive business continuity plan which facilitates continued operation of the business in the event of a service disruption or major disaster. The Board reviews the Managers' Report on Internal Controls and the reports by other key third party providers are reviewed by the Managers on behalf of the Board.

Premium/Discount Volatility – the premium/discount at which the Company's shares trade can change. The Board monitors the level of premium/discount and the Company has authority to sell shares held in treasury and buy back its own shares.

Leverage Risk – the Company may borrow money for investment purposes. If the investments fall in value, any borrowings will magnify the extent of this loss. If borrowing facilities are not renewed, the Company may have to sell investments to repay borrowings.

All borrowings require the prior approval of the Board and leverage levels are discussed by the Board and Managers at every meeting. The majority of the Company's investments are in quoted securities that are readily realisable. Further information on leverage can be found in note 22 on page 55 and the Glossary of Terms on page 63.

Employees, Human Rights and Community Issues

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

Gender Representation

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 pages 27 to 28.

Environmental, Social and Governance Policy

Details of the Company's policy on socially responsible investment can be found under Corporate Governance and Stewardship on page 29.

Future Developments of the Company

The outlook for the Company is set out in the Chairman's Statement on pages 2 to 4 and the Managers' Report on pages 9 to 13.

Managers' Review

There has been little change in the essentials of the portfolio. Twenty seven of the last year's top 30 holdings are still owned. The top 5 holdings are in the same companies. Our aim continues to be to identify and then faithfully support outstanding and differentiated companies with open-ended growth opportunities for as long as their virtues remain intact and their advantages underestimated. The time horizons of these processes are long and beyond the patience of most investors.

Over the last ten years, Scottish Mortgage has steadily moved towards being a true global growth portfolio rather than a collection of individual regional mandates managed with reference to local indices. As this process has developed we have been driven by our core investment beliefs (once again set out on page 14) but we have also been guided by three observations that have remained intact over this decade. We thought that a market scarred by the memory of the apparent bubble of the late 1990's was structurally unable to grasp the power of technological change. We believed that China was transforming the global economy (and increasingly that it was profoundly different from other emerging markets). We feared that the flaws of the Western financial system threatened much that was encouraging in the global economy and markets. We were disconcerted by quite how right this anxiety turned out to be in 2008–09. So these themes have served us well.

Yet we are concerned that we need to renew our thinking. It seems to us that all three themes have been sufficiently important that they have in turn altered the investment world. In doing so their own meaning has changed irrevocably. We would like to explore this topic by topic.

Accelerating Change and the Redundancy of Technology as a Sector

Our original contentions surrounding the attractions of technology investing are close to exhaustion. Most of those who vowed never again to invest in technology have retired or forgotten their promises. Others simply sulk in their tents. In a world in which the youthful and controversial Uber can be valued at over $40bn as a private company it is hard to contend that animal spirits are still entirely repressed.

Amazon founder Jeff Bezos.

Facebook's Mark Zuckerberg.

Yet still it appears to us that seemingly shocking exponential change is actually more predictable than most market commentators accept. From Moore's Law in semiconductors to Carlson's Curve projecting genomic improvements the pattern of price and performance gains are well-established but much ignored by static financial modelling. Moreover, by the time we tend to have large holdings in companies creating and exploiting these improvements, the underlying trends have normally been securely established. We are not gamblers on speculative conjunctures but respectful observers of the powers of foundational technologies and the application of time and capital.

We believe it to be of paramount importance for investors to recognise that the scale of the changes driven by Moore's Law, sophisticated software, mobile communications and the internet are just too all encompassing to be defined and confined as a discrete sector. This is the way of successful technologies. Electricity went through the same process once upon a time. What we now have is almost every business exploiting foundational electronics technologies to develop – and often revolutionise their industries. It seems misguided to classify the companies leading such surges of productivity and improvement as a separate technology sector. Thinking in such terms all too often unduly narrows the perception of the opportunities on offer to the beneficiaries and the dangers to the incumbents. The potential revolutions we see looming in healthcare as genomic science and gene therapies drive towards personalising medicine, improving clinical outcomes and even cutting costs are securely based on deep scientific and technological progress. So too is the strength of Tesla's challenge to the automobile and utility sectors. For retailers it makes no sense to ignore Amazon and Alibaba just because their challenges are driven by Moore's Law. Any temptation for newspaper and advertising executives to dismiss Google, Tencent and Facebook because they are internet technology companies has proven deeply dangerous. Yet investors indulge in such mental tangles through their preoccupation with index definitions.

3D printing for travel to Mars.

China, Emerging Markets and Corporate Success

Five years ago we argued that China was profoundly different from other emerging markets in its ability to sustain fundamental economic improvements. From education to life expectancy improvements to a huge middle class, it displays an unparalleled scale and significance. The Trust once offered a fairly broad exposure to emerging markets but subsequently moved to a concentration on China's most promising domestic companies. Five years later, it is very striking that it has been China's mobile communications, advertising and e-commerce companies that have built imposing businesses and enjoyed exceptional share price performance whilst much else has fallen shy of initial promises. Tencent, for example, now enjoys a market value higher than HSBC or IBM and a multiple of that of its erstwhile emerging market peers such as Petrobras and Gazprom. The success of Tencent, Alibaba and Baidu has only been equalled by the global giants of the West Coast of the USA. This is a remarkable achievement. Our concern at this point is that these forces of modernity and voices of vibrant communication are increasingly discordant with the conservative and repressive tenor of the government.

Whilst the fall from economic and investment grace of Russia and Brazil has been dramatic and terrible to behold, the Indian stock market has suffered no such setback. The election of the questionable Mr. Modi has been greeted with prolonged acclaim. In order to check whether my scepticism is justified our colleague Peter Singlehurst has recently spent several months in Delhi, Mumbai and Bangalore. In general Peter's trip has not dispelled my concerns. But we have been persuaded that a younger generation of business leaders carries evidence of a more dynamic and enlightened model of capitalism. We bought a holding in Flipkart, the Indian unquoted e-commerce leader, which we think exemplifies the improvement but which will also ultimately require a broader creation and distribution of wealth to succeed.

Reinventing the Financial System

There is still precious little evidence that the financial system has meaningfully reformed itself. Indeed the saga of corrupted incentives and unjustified greed continues apace. Banks that once had some claim to relative moral authority and practical leadership such as HSBC and JPMorgan have shown themselves to be as out of control as their presumed inferiors. What may have changed is that traditional banks and investment banks may be becoming less central to the economic system. This is partly the result of regulatory pressures that may have been too limited but have demanded sufficient new equity to make previous methods unprofitable even in normal times. But it is also that the banks are rapidly being undercut by new methods. Finance itself is being attacked by innovation of a rather more profound and promising nature than it has itself supplied. An example of this is Lending Club which is the world's largest online marketplace for consumer credit. We participated in the IPO in late 2014. We believe that it can provide a better system with lower credit spreads than traditional models. With Alibaba and Tencent making significant progress in their own financial services efforts we think this is a global trend.

Emergent Themes of the Future

We can only conclude that we need to abandon our previous themes. We would suggest that three new sets of issues will be crucial in the next five years.

— *Will major and accelerating improvements in core technologies lead to progress in healthcare, energy and transportation analogous to those in information technology in recent years? Or will secular stagnation and limited productivity gains dominate?* These questions are already inherent in our thoughts above. Our current answers are markedly more optimistic than those espoused by most practitioners and commentators.

— *Which companies will prove to have the greatest profitability resilience and longevity?* There has long been a presumption in markets that some industries are the epitome of steady earnings and cash flow growth whilst also offering the prospect of enduring as businesses for decades if not centuries. The allure of such stocks has been particularly great since 2008–09 as investors have sought low volatility so determinedly. There has been an equal and opposite horror of companies that historically and industrially have been perceived to be volatile, cyclical or subject to competitive boom and bust.

Our hypothesis is that the years ahead may prove to be very different. It seems to us that several industries, such as healthcare, oil majors and utilities, which have been havens of stability may face dramatic change. Global brands may follow national grocers into a margin storm. At the same time all too many traditional quoted companies have failed to reinvest in their businesses in order to produce earnings to the satisfaction of the financial industry. As aggressive unquoted enterprises and founder run competitors with less pressure to generate immediate earnings become ever more prominent, the complacent incumbents will be

under serious pressure. Equally we believe that the long-term ambitions and visions, network strengths, low capital requirements, technological strength and sheer intelligence of the aggressors may mean that their longevity is more akin to that of General Electric than that of Socks.com. Future vulnerabilities will have little in common with the dictates of risk models.

— *Corporations, states and citizens. Who wins?* Since the late 1970's capital has enjoyed ideological and practical dominance over labour. Almost everywhere and almost regardless of political labels the state has encouraged and endorsed this situation. It is unclear whether this pattern will remain intact in the coming decade. Many strains are already apparent. From concern over marked inequality in the developed world to rising wages in China the compact seems under threat. At the same time relations between most states and many corporations has been frayed by battles over tax versus globalisation, and security versus freedom of expression. It is unclear to us where the arguments and economics will settle or whether the populaces of the world prefer the offerings of consumer and electronic capitalism to the paternalism and resources of the state. This is not just an issue for the West. Iran's future will be a fascinating if unusual example of such evolving controversies whilst a revolution in China might prove the most important possibility of all.

Concluding Comments

In the course of the year I was delighted that the Board promoted Tom Slater to Joint Manager. Tom has contributed hugely to our investment record in recent years. His involvement provides an excellent justification for confidence that we can investigate and navigate the emergent themes in the years to come.

Plainly we have much to think about in the decade to follow (and beyond). But the challenges and uncertainties should not be allowed to obscure the excitement and opportunities that the current investment world offers us. We are lucky enough to meet remarkable companies, both quoted and unquoted, often with extraordinary leaders and frequently offering almost unimaginable opportunities and rewards. It is an extraordinary era for growth investors.

James Anderson

Scottish Mortgage's Approach to Investment Risk

This paper outlines the approach used by the Managers and Board to identify and mitigate the risks that we take for Scottish Mortgage in pursuit of long-term returns. Unfortunately, those looking for a straightforward answer or a single number to summarise this multifaceted topic will be disappointed.

The primary risk is the potential for permanent loss of capital. There are many other definitions but our objective is to generate long-term capital growth for our shareholders. To achieve this objective we must assume risk and accept the possibility that this may lead to a reduction rather than growth in the Trust's capital base.

This may sound obvious. The investment management industry and academic community have found many ways of describing and measuring risk that have little to do with this fundamental aim. One part of the explanation for this is that risk is incredibly difficult to perceive or quantify. The fortunes of individual companies are tied up in the complex system of the global economy over which is layered the self-referential voting machine of the stock market. Consequently, many choose to view volatility as an easily quantifiable heuristic for risk. We do not think that this is a good substitution.

Stock price volatility reflects many factors which have little to do with the profitability and outlook for a company in five or ten years' time. This is where we believe real investment risk resides, not in the daily fluctuations of the market. The focus on volatility is damaging. It increases the pressure to listen to the overwhelming clamour of stock markets and act on the associated newsflow. Avoiding this temptation is difficult. More difficult though is to answer the real question: what are the risks we are taking and how can we understand and manage them?

Effective Number of Stocks

Central to our view of how to manage risk is the requirement to have a diverse portfolio. In pursuit of attractive returns we want to assume a number of different risks and not several versions of the same one. This means owning a collection of assets that have different fundamental drivers. We are frequently wrong about the opportunities we are presented with. Acknowledging this, we want to try to understand the effect of misjudgments and ensure that they don't unintentionally undermine a broad range of holdings simultaneously.

The first step in doing this is to ensure there are a sufficient number of positions in the portfolio. This is more complex than simply counting the number of holdings. We need to consider the *effective* number of holdings. To understand this, consider a portfolio with two holdings. One accounts for 99.9% of the assets and the other for 0.1%. Whilst this portfolio has two holdings it is essentially a one-stock portfolio (it has an effective number of holdings which is very close to one) whereas a portfolio with 50% in each holding is a genuine two-stock portfolio (it has an effective number of holdings of two). So, the effective number of holdings in the portfolio can be thought of as the number of holdings the portfolio would have if each of the positions were equally sized[1]. The Board looks at the effective number of holdings on a regular basis as a guide to the degree of concentration in position sizing.

It is necessary to consider the effective number of holdings because the portfolio is a long way from being equally weighted. There is good reason for this. The structure of returns over the past ten years exhibits a clear pattern. We have made mistakes and losses in individual holdings. We have also had some very successful investments. Thankfully the maximum we have been able to lose is the capital that we have invested. The returns from the winners have been several times our investment and it is this asymmetry which has been crucial.

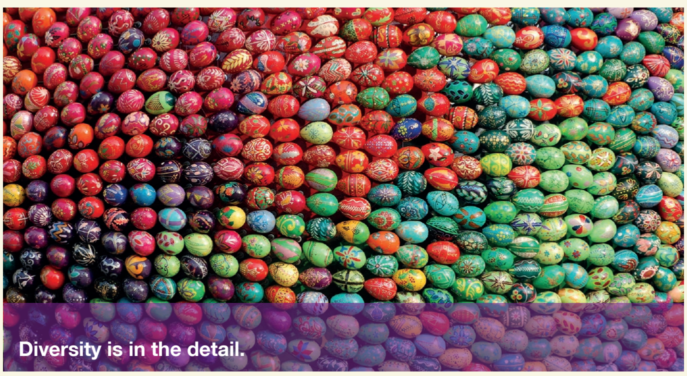
This outcome is not unique to Scottish Mortgage. The structure of returns is also present in the broader market. Looking at the rolling five-year returns for each stock in the S&P 500 in the thirty years between 1984 and 2013 gives around eighteen thousand investment opportunities. This data set doesn't follow a normal distribution. The best 1% of stocks returned 13-fold over five years, the top 5% returned just over 5-fold and the top 20% returned just over 2.5-fold. Investing in about one quarter of the opportunities resulted in a loss.

Percentile	Five year return	Per annum
99%	13.0x	67%
95%	5.4x	40%
90%	3.8x	30%
80%	2.6x	21%
50%	1.5x	8%
30%	1.1x	2%
20%	0.9x	-3%
10%	0.6x	-10%

To benefit from this return structure, we have to maximise the chances of identifying stocks with the potential to return a multiple of the initial investment. We then have to maximise the chances of owning the shares for long enough for the Trust to benefit from this return. This shines a different light on the task of managing risk. Most investments are mediocre, some will destroy capital and losses are almost inevitable. *Consequently one of the significant risks is failing to identify big winners*. Equally, we must guard against fear of concentration and volatility prompting us to reduce or sell those winners prematurely. Not owning, or aggressively reducing, our holding in Amazon would have significantly lowered the returns we would have generated for shareholders over the past ten years. This is the tension we work with on a day-to-day basis as we seek to maintain diversity but also continue to back the great management teams that run the Trust's successful holdings.

Concentrations in the Portfolio

Having established a practical way of quantifying the number of positions we then consider how these positions relate to one another. We do not attempt to do this by crunching the data on the relative movements of stock prices. Observing that a pair of share prices has been correlated in the past does not, in our view,



Diversity is in the detail.

[1]For those of a mathematical orientation: Effective number of stocks = $\frac{1}{\sum_{i=1}^{n}(w_i)^2}$

Where w_i represents the portfolio weights in each of the n stocks in a portfolio.

tell us a great deal about the risks of owning them. Instead, we assess the business models of the companies in the portfolio, the environment in which they operate and the drivers of growth. We do not separate the process of evaluating risks from the process of making investments. Whilst we appreciate the views and advice from our colleagues in Baillie Gifford's risk team, we strongly believe that, as managers, we must challenge ourselves to think critically about risk. We also benefit greatly from having a board with a broad range of experience that can offer different perspectives on the issues and help us to refine our approach.

We consider carefully where companies are benefiting from the same underlying trends in order to identify concentrations within the portfolio. For example, we believe the largest concentration in the portfolio at present is in companies that are benefiting from advertising moving from traditional forms of media to the Internet. The scale and pace of this change reflects a massive shift in consumer behaviour which is throwing up some of the most exciting investment opportunities. Given the returns we think can be achieved, this is a risk we want to take acknowledging that if consumer behaviour changes or advertising budgets stop making this transition, it will have a deleterious effect on several of our holdings. We will continue to think carefully about the size of this exposure relative to our expectations for returns. Other concentrations we have identified include those companies benefiting from increasing use of computers and mobile devices for commerce, those whose business is driven by consumption in what we believe are structurally growing economies, those western brands with appeal in developing markets and companies whose prospects are tied closely to global industrial growth.

We regularly discuss the applicability of these groupings and they also feed our research agenda. Companies that bring new growth-drivers and associated risks are welcome as they increase our diversity. Equally, having identified the powerful underlying dynamics that are driving the portfolio, finding stocks which benefit from more than one of these drivers and therefore sit at the intersection of our risk groupings is also appealing.

The Index is Risky

We believe that our limited overlap with the index is an important component of reducing risk. In his report, James Anderson highlights the issues we think will be crucial over the next five years. He raises the question of whether progress in important core technologies will lead to changes in healthcare, energy and transportation. Similarly he touches on the growing threat of new entrants in the financial services industry. Taken together these industries represent a large proportion of indices and will be an important determinant of market returns.

Companies with new business models underpinned by technology and run by founder-owners are investing aggressively at a time when many listed entities are diverting their cashflows to dividends and share buybacks. There is a good chance that the newcomers will reshape much of what is currently considered to be safe. We think this is a significant risk for investors and not one that we wish to take.

We believe it is very important for an actively-managed portfolio to offer a very different exposure to that provided by investing in the market index. Whilst it is appropriate to measure the performance of the fund over longer periods of time by comparing it to a proxy for the overall market, we find it unhelpful to consult an index when building the portfolio. We don't decide upon our exposure to countries, sectors or companies by considering how they are categorised or ranked by index-makers.

One way to measure the degree of difference from the index is to look at active share. The active share of a portfolio is the proportion of the portfolio that differs from the benchmark index. As a simple example, if the index contained only a single stock then the active share of any portfolio would be the proportion of the portfolio that was not in that one stock. Generally, the less overlap a portfolio has with its benchmark, the higher its active share will be. Scottish Mortgage's active share is over 90%. In practice this means that the returns we deliver are likely to be very different from the index and academic studies would suggest that high active share has a positive association with investment performance.

Summary

The risk we seek to minimise is the loss of our shareholders' capital. The structure of market returns is such that losses in individual stocks are inevitable so we must also ensure we find and hold on to stocks that can return us a multiple of our investment. We do this whilst trying to maintain diversity through having a sufficient number of effective holdings and employing a qualitative process to review continually the concentrations of underlying business drivers. A high level of active share means that the risks inherent in the portfolio are likely to be very different from those present in a broad market portfolio. In pursuing this approach we hope to deliver attractive returns over the long term for our shareholders.

Tom Slater

The Managers' Core Investment 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.

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— 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 becomes 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 100 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%) and ongoing charges ratio (0.48% as at 31 March 2015) 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 0.48% 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 5% 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.

Thirty Largest Holdings and Twelve Month Performance at 31 March 2015

Name	Business	Fair value 31 March 2015 £'000	% of total assets	Absolute performance † %	Contribution to absolute performance # %	Fair value 31 March 2014 £'000
Amazon.com	Online retailer	305,142	8.0	24.2	1.9	228,053
Illumina	Biotechnology equipment	299,082	7.8	40.3	3.9	202,134
Tencent Holdings	Internet services	257,783	6.7	53.6	3.5	173,092
Baidu	Online search engine	254,498	6.7	53.5	5.2	181,226
Inditex	International clothing retailer	195,943	5.1	22.4	1.0	154,504
Alibaba Group	Online retail	151,530	4.0	117.9	3.5	69,728
Fiat	Automobiles	149,890	3.9	56.5	1.7	68,871
Facebook	Social networking site	125,367	3.3	53.3	1.8	72,842
Google	Online search engine	110,504	2.9	12.0	0.4	114,128
Atlas Copco	Engineering	102,647	2.7	29.7	0.9	90,343
BASF	Chemicals	100,452	2.6	3.5	0.1	62,202
Prudential	International insurance	98,001	2.6	34.9	1.0	74,351
Kering	Luxury goods producer and retailer	91,043	2.4	9.7	0.3	84,744
Banco Santander	Banking	88,405	2.3	(3.5)	(0.1)	81,129
Kinnevik	Investment company	78,408	2.1	4.9	(0.3)	6,748
Tesla Motors	Electric cars	67,764	1.8	1.7	0.3	54,771
Rocket Internet	Internet startup factory	60,655	1.6	0.9 *	0.2 *	–
Apple	Computer technology	56,263	1.5	84.8	1.7	77,629
Intuitive Surgical	Surgical robots	55,041	1.4	29.5	0.5	50,642
LinkedIn Corp	Business-related social networking site	53,626	1.4	51.7	0.7	35,297
Novozymes	Enzyme manufacturer	53,251	1.4	17.6	0.4	45,570
Housing Development Finance Corporation	Mortgage bank	51,219	1.3	61.7	0.6	25,003
Whole Foods Market	Food retailer	50,315	1.3	16.4	0.1	47,745
Zalando	International clothing retailer	50,308	1.3	0.3 *	– *	–
Rolls-Royce Group	Aerospace equipment	48,957	1.3	(9.1)	(0.2)	42,960
ARM Holdings	Semiconductor and software design company	43,707	1.1	11.4	0.1	37,028
Magnit OJSC	Retailer	40,879	1.1	6.6	–	15,535
ASML Holding	Lithography	40,744	1.1	24.8	0.3	12,878
Brazil CPI Linked 2045	Brazilian government inflation linked bond	38,110	1.0	(5.0)	–	42,653
Renishaw	Electronic equipment	35,359	0.9	28.1	0.2	28,221
		3,154,893	**82.6**			

† Absolute performance (in sterling terms) has been calculated on a total return basis over the period 1 April 2014 to 31 March 2015.

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 equity has been purchased during the period.

Source: Baillie Gifford/StatPro.

Past performance is not a guide to future performance.

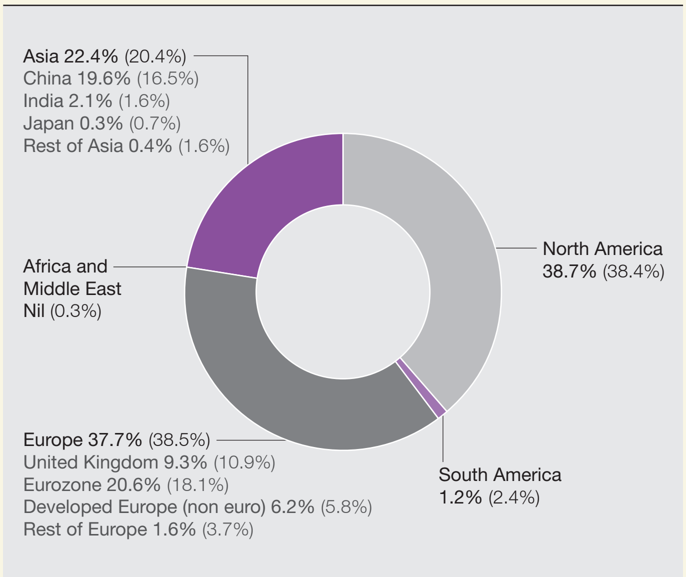
Investment Changes

	Valuation at 31 March 2014 £'000	Net acquisitions/ (disposals) £'000	Appreciation/ (depreciation) £'000	Valuation at 31 March 2015 £'000
Equities*:				
North America	1,148,372	10,293	301,010	1,459,675
South America	26,322	(5,558)	(13,696)	7,068
Europe				
United Kingdom	342,672	(79,527)	41,754	304,899
Eurozone	538,834	154,198	94,162	787,194
Developed Europe (non euro)	156,742	53,975	23,589	234,306
Rest of Europe	108,390	(32,314)	(14,744)	61,332
Africa and the Middle East	9,316	(8,425)	(891)	–
Asia				
China	490,710	(34,329)	291,489	747,870
India	47,601	12,725	21,207	81,533
Japan	21,294	(15,070)	4,136	10,360
Rest of Asia	47,727	(37,172)	4,386	14,941
Total equities	**2,937,980**	**18,796**	**752,402**	**3,709,178**
Brazilian bonds	42,653	–	(4,543)	38,110
Total bonds	**42,653**	**–**	**(4,543)**	**38,110**
Total investments	**2,980,633**	**18,796**	**747,859**	**3,747,288**
Net liquid assets	5,947	64,708	2,496	73,151
Total assets	**2,986,580**	**83,504**	**750,355**	**3,820,439**

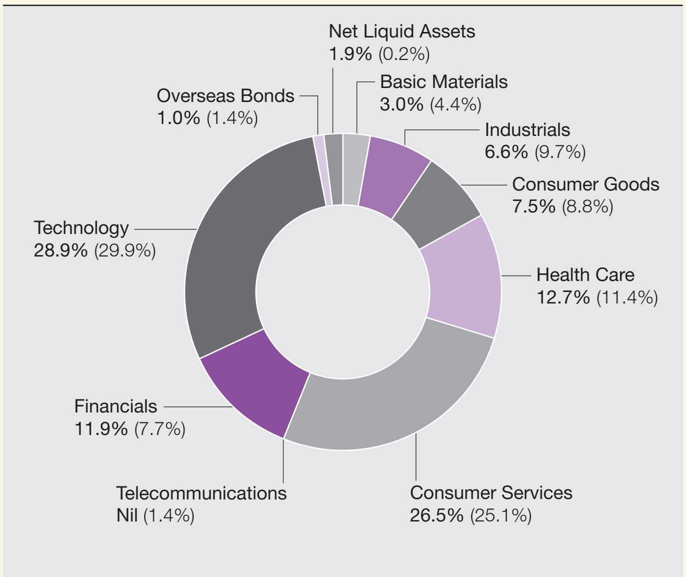
The figures above for total assets are made up of total net assets before deduction of debentures, long and short term borrowings.
* Equities include OEICs.

Distribution of Portfolio

Geographical 2015 (2014)



Sectoral 2015 (2014)



Classification of Investments

Classification Equities*:	North America %	South America %	Europe %	Africa and Middle East %	Asia %	2015 Total %	2014 Total %
Basic Materials	**–**	**0.2**	**2.8**	**–**	**–**	**3.0**	**4.4**
Chemicals	–	–	2.6	–	–	2.6	2.9
Mining	–	0.2	0.2	–	–	0.4	1.5
Industrials	**1.7**	**–**	**4.9**	**–**	**–**	**6.6**	**9.7**
Aerospace and defence	–	–	1.3	–	–	1.3	2.2
Electronic and electrical equipment	0.3	–	–	–	–	0.3	0.5
Industrial engineering	–	–	3.6	–	–	3.6	4.9
Support services	1.4	–	–	–	–	1.4	2.1
Consumer Goods	**1.8**	**–**	**5.3**	**–**	**0.4**	**7.5**	**8.8**
Automobiles and parts	1.8	–	3.9	–	0.4	6.1	6.5
Personal goods	–	–	0.5	–	–	0.5	1.5
Household goods and home construction	–	–	0.9	–	–	0.9	0.8
Health Care	**11.3**	**–**	**1.4**	**–**	**–**	**12.7**	**11.4**
Pharmaceuticals and biotechnology	9.4	–	1.4	–	–	10.8	1.7
Health care equipment and services	1.9	–	–	–	–	1.9	9.7
Consumer Services	**9.4**	**–**	**10.5**	**–**	**6.6**	**26.5**	**25.1**
Food and drug retailers	1.3	–	1.7	–	–	3.0	3.0
General retailers	8.1	–	8.8	–	6.0	22.9	21.5
Travel and leisure	–	–	–	–	0.6	0.6	0.6
Telecommunications	**–**	**–**	**–**	**–**	**–**	**–**	**1.4**
Mobile telecommunications	–	–	–	–	–	–	1.4
Financials	**1.0**	**–**	**9.2**	**–**	**1.7**	**11.9**	**7.7**
Banks	–	–	2.3	–	–	2.3	3.0
Financial services	1.0	–	6.4	–	1.7	9.1	4.2
Open ended investment companies	–	–	0.5	–	–	0.5	0.5
Technology	**13.0**	**–**	**2.2**	**–**	**13.7**	**28.9**	**29.9**
Software and computer services	11.4	–	1.1	–	13.4	25.9	26.4
Technology hardware and equipment	1.6	–	1.1	–	0.3	3.0	3.5
Total Equities*	**38.2**	**0.2**	**36.3**	**–**	**22.4**	**97.1**	
Total Equities* – 2014	38.4	0.9	38.4	0.3	20.4	–	**98.4**
Bonds	**–**	**1.0**	**–**	**–**	**–**	**1.0**	**1.4**
Net Liquid Assets	**0.5**	**–**	**1.4**	**–**	**–**	**1.9**	**0.2**
Total Assets (before deduction of debentures, long and short term borrowings)	**38.7**	**1.2**	**37.7**	**–**	**22.4**	**100.0**	
Total Assets – 2014	38.4	2.4	38.5	0.3	20.4		**100.0**
Debentures, Long and Short Term Borrowings	**(8.8)**	**–**	**(3.9)**	**–**	**–**	**(12.7)**	**(13.0)**
Shareholders' Funds	**29.9**	**1.2**	**33.8**	**–**	**22.4**	**87.3**	
Shareholders' Funds – 2014	32.1	2.4	31.8	0.3	20.4		**87.0**
Number of equity investments*	**28**	**1**	**25**	**–**	**11**	**65**	**72**

* Including OEICs.

List of Investments as at 31 March 2015

Classification	Name	Business	Fair value £'000	% of total assets
North America				
Electronic and electrical equipment	Solarcity	Solar energy production	**10,807**	**0.3**
Support services	LinkedIn Corp	Business-related social networking site	**53,626**	**1.4**
Automobiles and parts	Tesla Motors	Electric cars	**67,764**	**1.8**
Healthcare equipment and services	Intuitive Surgical	Surgical robots	55,041	
	Essence Healthcare*	Cloud-based health provider	16,081	
			71,122	**1.9**
Pharmaceuticals and biotechnology	Illumina	Biotechnology equipment	299,082	
	Genomic Health	Genetic testing	11,747	
	Alnylam Pharmaceuticals	Biotechnology	22,999	
	Myriad Genetics	Genetic testing	18,655	
	Bluebird Bio Inc	Provider of biotechnological products and services	6,983	
			359,466	**9.4**
Food and drug retailers	Whole Foods Market	Food retailer	**50,315**	**1.3**
General retailers	Amazon.com	Online retailer	305,142	
	Zulily Inc	Specialty retailer	5,006	
			310,148	**8.1**
Financial services	WI Harper Fund VII*	Venture capital	9,833	
	WI Harper Fund VIII*	Venture capital	1,271	
	Lending Club Corp	Internet financial services provider	28,156	
			39,260	**1.0**
Software and computer services	Google	Online search engine	110,504	
	Salesforce	Cloud computing and hosting	23,110	
	Facebook	Social networking site	125,367	
	Workday	Enterprise information technology	28,428	
	Dropbox*	Online storage	27,411	
	Twitter	Global platform for real-time conversation	31,566	
	Castlight Health Inc	Healthcare information company	9,382	
	Splunk	Data diagnostics	28,918	
	Palantir Technologies Inc*	Data analysis	33,682	
	SurveyMonkey*	Online survey provider	16,841	
			435,209	**11.4**
Technology hardware and equipment	Apple	Computer technology	56,263	
	Stratasys	3D printer manufacturer	5,695	
			61,958	**1.6**
Total North American Equities			**1,459,675**	**38.2**
South America				
Mining	Vale (CVRD)	Iron ore and nickel mining – Brazil	**7,068**	**0.2**
Total South American Equities			**7,068**	**0.2**

* Denotes unlisted security.

Classification	Name	Business	Fair value £'000	% of total assets
Europe				
Chemicals	BASF	Chemicals – Germany	**100,452**	**2.6**
Mining	KGHM	Copper mining – Poland	**7,909**	**0.2**
Aerospace and defence	Rolls-Royce Group	Aerospace equipment – UK	**48,957**	**1.3**
Industrial engineering	Atlas Copco	Engineering – Sweden	102,647	
	Renishaw	Electronic equipment – UK	35,359	
			138,006	**3.6**
Automobiles and parts	Fiat	Automobiles – Italy	**149,890**	**3.9**
Household goods and home construction	Reckitt Benckiser	Consumer goods – UK	**34,742**	**0.9**
Personal goods	Burberry Group	Clothing and accessories – UK	**18,474**	**0.5**
Pharmaceuticals and biotechnology	Novozymes	Enzyme manufacturer – Denmark	53,251	
	Indivior	Specialised pharmaceuticals – UK	1,136	
			54,387	**1.4**
Food and drug retailers	Jeronimo Martins	Retailer – Portugal	9,754	
	BIM Birlesik Magazalar	Discount food retail – Turkey	12,544	
	Magnit OJSC	Retailer – Russia	40,879	
			63,177	**1.7**
General retailers	Inditex	International clothing retailer – Spain	195,943	
	Kering	Luxury goods producer and retailer – France	91,043	
	Zalando	International clothing retailer – Germany	50,308	
			337,294	**8.8**
Banks	Banco Santander	Banking – Spain	88,405	
	NBNK	Banking – UK	837	
			89,242	**2.3**
Financial services	Level E Maya Fund*	Artificial intelligence based algorithmic trading – UK	5,248	
	Prudential	International insurance – UK	98,001	
	Kinnevik	Investment company – Sweden	78,408	
	Rocket Internet	Internet startup factory – Germany	60,655	
			242,312	**6.4**
Open ended investment companies	Baillie Gifford Global Discovery Fund	Global growth fund	**18,438**	**0.5**
Software and computer services	ARM Holdings	Semiconductor and software design company – UK	**43,707**	**1.1**
Technology hardware and equipment	ASML Holding	Lithography – Netherlands	**40,744**	**1.1**
Total European Equities			**1,387,731**	**36.3**

* Denotes unlisted security.

Classification	Name	Business	Fair value £'000	% of total assets
Asia				
Automobiles and parts	Astra International	Automotive conglomerate – Indonesia	**14,940**	**0.4**
General retailers	New Oriental Education & Technology	Education and training – China	34,731	
	Alibaba Group	Online retail – China	151,530	
	JD.com	Online direct sales company – China	11,497	
	Flipkart*	Indian e-commerce	30,313	
			228,071	**6.0**
Travel and leisure	Ctrip.com	Travel agent – China	**22,939**	**0.6**
Financial services	Housing Development Finance Corporation	Mortgage bank – India	51,219	
	Innovation Works Development Fund*	Investment company – China	14,892	
			66,111	**1.7**
Software and computer services	Tencent Holdings	Internet services – China	257,783	
	Baidu	Online search engine – China	254,498	
			512,281	**13.4**
Technology hardware and equipment	Advantest	Semiconductors – Japan	**10,362**	**0.3**
Total Asian Equities			**854,704**	**22.4**
Total Equity Investments			**3,709,178**	**97.1**
Fixed Interest				
Brazilian real denominated	Brazil CPI Linked 2045	Brazilian government inflation linked bond	**38,110**	**1.0**
Total Fixed Interest			**38,110**	**1.0**
Total Investments			**3,747,288**	**98.1**
Net Liquid Assets			**73,151**	**1.9**
Total Assets at Fair Value (before deduction of debentures, long and short term borrowings)			**3,820,439**	**100.0**

* Denotes unlisted security.

The Strategic Report which includes pages 2 to 21 was approved by the Board of Directors and signed on its behalf on 11 May 2015.

John Scott
Chairman

Ten Year Record

Capital

At 31 March	Total assets £'000	Debenture stocks, long and short term borrowings £'000	Shareholders' funds £'000	Shareholders' funds 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) %
2005	1,455,704	213,083	1,242,621	84.1	79.8	84.5	66.6	(16.5)	(21.2)
2006	1,985,162	231,809	1,753,353	121.7	116.8	122.2	104.3	(10.7)	(14.6)
2007	2,045,515	275,650	1,769,865	125.8	121.4	126.2	108.4	(10.7)	(14.1)
2008	2,276,071	439,627	1,836,444	134.1	130.3	134.5	120.0	(7.9)	(10.8)
2009	1,398,270	317,933	1,080,337	79.4	76.8	79.9	70.6	(8.0)	(11.6)
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)**

* Net asset value per ordinary share has been calculated after deducting long term borrowings at either par value or fair value (see note 21, page 55).

† Premium/(discount) is the difference between Scottish Mortgage's quoted share price and its underlying net asset value with borrowings at either par value or fair value.

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 ‡ %
2005	35,456	21,809	1.47	1.47	0.52
2006	41,456	25,738	1.76	1.70	0.52
2007	45,522	27,817	1.96	1.90	0.49
2008	49,575	27,043	1.96	2.06	0.51
2009	57,470	34,571	2.53 ^	2.46 ^	0.54
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**

Gearing Ratios

Year to 31 March	Gearing ¶ %	Potential gearing § %
2005	16	17
2006	12	13
2007	14	16
2008	23	24
2009	26	29
2010	16	17
2011	17	17
2012	17	18
2013	16	17
2014	15	15
2015	**12**	**15**

\# 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 44).

‡ Calculated as total operating costs divided by average net asset value (with debt at fair value) in accordance with AIC guidelines.

¶ Total assets (including all debt used for investment purposes) less all cash and cash equivalents divided by shareholders' funds.

§ Total assets (including all debt used for investment purposes) divided by shareholders' funds.

^ Includes a non-recurring 0.3p per share (adjusted for share split) from the reimbursement of previous years' VAT and associated interest thereon.

Cumulative Performance (taking 2005 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
2005	100	100	100	100	100	100	100	100	100
2006	146	150	126	130	157	160	120	116	102
2007	152	159	131	138	163	170	133	129	107
2008	163	174	126	136	180	191	133	140	111
2009	96	104	98	109	106	116	172	167	111
2010	174	194	141	161	183	204	152	154	116
2011	205	232	149	175	223	253	181	163	122
2012	193	222	145	174	213	246	177	177	126
2013	215	253	165	204	247	292	212	190	131
2014	261	311	171	218	314	376	165	197	134
2015	**329**	**399**	**199**	**260**	**401**	**488**	**152**	**199**	**135**
Compound annual returns									
5 year	13.6%	15.6%	7.1%	10.1%	17.0%	19.0%	0.0%	5.3%	3.1%
10 year	12.6%	14.8%	7.1%	10.0%	14.9%	17.2%	4.3%	7.1%	3.0%

†† Source: Thomson Reuters Datastream.

^^ On 1 April 2007 the Company changed its benchmark from 50% FTSE All-Share Index and 50% FTSE World ex UK Index (in sterling terms) to 100% FTSE All-World Index (in sterling terms). For the purposes of the above the returns on both benchmarks for their respective periods have been linked to form a single benchmark.

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

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

Directors

John Scott, the Chairman, is a former international investment banker. John was appointed a Director in 2001 and became Chairman on 31 December 2009. He is also Chairman of the Nomination Committee. He is a former executive director of Lazard Brothers & Co., Limited. During his twenty years with Lazard, he was involved with the merchant bank's corporate advisory activities and its Asian businesses. He is currently Chairman of Impax Environmental Markets plc and Alpha Insurance Analysts Limited, as well as being a director of various companies including Bluefield Solar Income Fund Limited, JPMorgan Claverhouse Investment Trust plc and Schroder Japan Growth Fund plc.

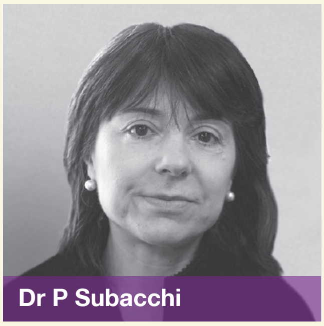
John Kay has a distinguished record as an economist, academic, author and commentator on business, government and economic issues. John was appointed a Director in 2008, he is a Visiting Professor at the London School of Economics and Investment Officer, St John's College, University of Oxford. He is a director of Value and Income Trust PLC and The Investor Forum Cic.

Michael Gray, the Senior Independent Director, joined the Board in 2004 after a successful career in printing and technology industries where he gained valuable global business experience. As chairman and chief executive he led the growth of McQueen International over a 17 year period as it evolved from being a printing company into a global enterprise providing a range of support services to technology companies. On McQueen's acquisition, he became senior vice president of Sykes Enterprise Inc., a global NASDAQ quoted outsourcing services company. He retired from Sykes in 1999 and has many business, community and sporting interests including being an advisor to the Scottish Enterprise Rural Leadership Programme and chairing a community group 'Energise Galashiels'.

Fiona McBain is chief executive of Scottish Friendly Assurance, a Glasgow based and mutually owned financial services group with over 1,000,000 policyholders. Fiona was appointed a Director in 2009. Before joining Scottish Friendly in 1998, Fiona, a chartered accountant, was employed by Prudential plc and Arthur Young (now Ernst & Young) 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 director of the Association of Financial Mutuals and a trustee of Save the Children UK.

WG McQueen

Gordon McQueen, the Chairman of the Audit Committee, brings to the Board first class financial and banking expertise, as a former finance director of Bank of Scotland. Gordon was appointed a Director in 2001. Until 2003 he was an executive director of HBOS plc, Bank of Scotland and Halifax plc, where his main role was chief executive, Treasury. He is a director of JPMorgan Mid Cap Investment Trust plc and The Edinburgh Investment Trust plc.



Dr P Subacchi

Paola Subacchi is the Director of International Economics Research at Chatham House in London and an expert on the functioning and governance of international financial and monetary systems as well as being an advisor to governments and non-profit organisations. Paola was appointed to the Board on 1 April 2014. Paola's recent publications include "Breaking the Vicious Circle: Restoring Economic Growth and Flexibility in Italy", "The Connecting Dots of China's Renminbi Strategy: London and Hong Kong", and "Shifting Capital: The Rise of Financial Centres in Greater China". Paola, an Italian national, studied at Università Bocconi in Milan and at the University of Oxford. She is a governor of St Marylebone School in London.

All Directors are members of the Nomination and Audit Committees.

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 seven investment trusts. Baillie Gifford also manage unit trusts and open ended investment companies, together with investment portfolios on behalf of pension funds, charities and other institutional clients, both in the UK and overseas. Funds under the management or advice of Baillie Gifford total around £125 billion. Based in Edinburgh, it is one of the leading privately owned investment management firms in the UK, with 40 partners and a staff of around 860.

The managers of Scottish Mortgage's portfolio are James Anderson and Tom Slater. James Anderson is a partner of Baillie Gifford & Co and Head of the Long Term Global Growth team. Tom Slater is also a partner and a member of the Long Term Global Growth 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 2015.

Corporate Governance

The Corporate Governance Report is set out on pages 27 to 29 and forms part of this Report.

Manager and Company Secretaries

In order to comply with the Alternative Investment Fund Managers Directive ('AIFMD'), the Company has appointed Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, as its Alternative Investment Fund Manager ('AIFM') with effect from 1 July 2014. Baillie Gifford & Co Limited was also appointed Company Secretary with effect from the same date. The Investment Management Agreement with Baillie Gifford & Co has been terminated and the Company has entered into a new agreement with Baillie Gifford & Co Limited. The management fee and notice period are unchanged under these new arrangements. Baillie Gifford & Co Limited has delegated investment management services to Baillie Gifford & Co; therefore the Company's portfolio continues to be managed by Baillie Gifford & Co.

The Investment Management Agreement between the AIFM and the Company sets out the matters over which the Managers have authority in accordance with the policies and directions of, and subject to restrictions imposed by, the Board. The Investment Management Agreement is terminable on not less than six months' notice. The annual management fee is 0.30% of total assets less current liabilities (excluding short term borrowings for investment purposes). 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 and the marketing efforts undertaken 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 AIFMD, the Company appointed BNY Mellon Trust & Depositary (UK) Limited as its Depositary with effect from 1 July 2014.

The Depositary Agreement replaced the custody agreement with the Bank of New York Mellon SA/NV. 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 has delegated the custody function to The Bank of New York Mellon SA/NV ('the Custodian').

Directors

Information about the Directors, including their relevant experience, can be found on pages 22 to 23. All Directors will retire at the Annual General Meeting and, with the exception of Mr MM Gray, all Directors will offer themselves for re-election.

Following 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.

Director Indemnification and Insurance

The Company has entered into deeds of indemnity in favour of each of its Directors. The deeds were in force during the year to 31 March 2015 and 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/her. In addition, the indemnity does not apply to any liability to the extent that it is recovered from another person.

The Company maintains Directors' and Officers' Liability Insurance.

Conflicts of Interest

Each Director submits a list of potential conflicts of interest to the 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 1.55p per ordinary share which, together with the interim of 1.38p already paid, makes a total of 2.93p for the year compared with 2.90p for the previous year (taking account of the five for one stock split on 30 June 2014).

If approved, the recommended final dividend on the ordinary shares will be paid on 6 July 2015 to shareholders on the register at the close of business on 12 June 2015. The ex-dividend date is 11 June 2015.

The Company's Registrars offer a Dividend Reinvestment Plan (see page 59) and the final date for elections for this dividend is 15 June 2015.

Share Capital

Capital Structure

On 30 June 2014 the Company's ordinary shares of 25p each were sub-divided into five ordinary shares of 5p each. The Company's capital structure as at 31 March 2015 consists of

1,421,730,880 ordinary shares of 5p each, of which 1,245,674,485 are allotted and fully paid and 176,056,395 are 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 page 57.

Major Interests in the Company's Shares

Name	No. of ordinary 5p shares held at 31 March 2015	% of issue *
BlackRock Inc (Indirect)	124,866,379	10.0
D.C. Thomson & Company Limited (Direct)	51,530,000	4.1
Investec Wealth & Investment Limited (Indirect)	49,670,950	4.0

There have been no changes to the major interests in the Company's shares intimated up to 8 May 2015 except the holding of Investec Wealth & Investment Limited which increased to 50,275,295 ordinary shares.

* Ordinary shares in issue excluding treasury shares.

Annual General Meeting

Resolution 11 – Authority to allot shares

Section 551 of the Companies Act 2006 provides that the Directors may not allot new shares without Shareholder approval. Resolution 11 seeks to renew the Directors' authority to allot shares, up to a maximum nominal amount of £21,015,408.05 (representing approximately 33.33% of the Company's total issued Ordinary Share capital (excluding treasury shares) as at 8 May 2015).

The Directors have no present intention of exercising this authority. The authority will expire on 30 September 2016, or, if earlier, at the end of the annual general meeting of the Company to be held in 2016, unless previously cancelled or varied by the Company in general meeting.

As at 8 May 2015, the Company held 160,806,395 of Ordinary Shares in treasury, representing approximately 12.8% of the Company's issued share capital (excluding treasury shares).

Resolution 12 – Disapplication of pre-emption rights

Resolution 12, 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 £9,456,933.60 (representing approximately 15% of the Company's total issued Ordinary Share capital (excluding treasury shares) as at 8 May 2015).

The Directors consider that the authority proposed to be granted by Resolution 12 is advantageous when the Company's shares trade at a premium to net asset value and the natural liquidity 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 the information set out under Resolution 13 below.

While the level of the authority being sought is greater than the 5% 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. The level of authority sought is also consistent with that granted by Shareholders at last year's annual general meeting.

Resolution 13 – 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 any 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 13 seeks to renew and extend the authority granted to the Company at the 2014 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 14 – Market purchase of own shares by the Company

The Directors are seeking Shareholders' approval at the Annual General Meeting to renew the authority to purchase up to 14.99% of the Ordinary Shares in issue (excluding treasury shares) as at 8 May 2015 (or, if less, up to 14.99% of the Ordinary Shares in issue (excluding treasury shares) on the date on which the Resolution is passed). This authority will expire on 30 September 2016, or, if earlier, at the end of the annual general meeting of the Company to be held in 2016. 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 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 13.

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.

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 Auditor 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 Auditor is aware of that information.

Independent Auditor

The Auditor, KPMG LLP, is 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 Sheets Events

The Directors confirm that there have been no post Balance Sheet events up to 11 May 2015.

Recommendation

The Board unanimously recommends you to vote in favour of the resolutions to be proposed at the Annual General Meeting as, in its opinion, they are in the best interests of the shareholders as a whole.

Greenhouse Gas Emissions

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.

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.

By order of the Board
John Scott
11 May 2015

Corporate Governance Report

The Board is committed to achieving and demonstrating high standards of Corporate Governance. This statement outlines how the principles of the 2012 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 except that the Chairman of the Board is a member of the Audit Committee. The Board believes it is appropriate for Mr JPHS Scott to be a member of the Committee as he is considered to be independent and there are no conflicts of interest.

The Board is of the opinion that the Company has complied with the recommendations of the AIC Code.

The Board

The Board has overall responsibility for the Company's affairs. The Board appoints the Managers and Secretary 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 policy, treasury matters, dividend and corporate governance policy. A separate meeting devoted to strategy is held each year. 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.

The Board currently comprises six Directors, all of whom are non-executive.

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

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 22 and 23.

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.

Mr JPHS Scott, Mr MM Gray and Mr WG McQueen, have served on the Board for more than nine years. 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 concurs with the view expressed in the AIC Code that long-serving Directors should not be prevented from being considered as independent.

Following formal performance evaluation, the Board has concluded that, notwithstanding their length of service, Mr JPHS Scott, Mr MM Gray and Mr WG McQueen continue to demonstrate independence of character and judgement and their skills and experience are a benefit to the Board.

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 Board and Committee Meetings held during the year. The Annual General Meeting was attended by all Directors serving at that date.

Directors' Attendance at Meetings

	Board	Audit Committee	Nomination Committee
Number of meetings	**6**	**2**	**1**
John Scott	6	2	1
Michael Gray	6	2	1
Professor John Kay	6	2	1
Fiona McBain	6	2	1
Gordon McQueen	6	2	1
Dr Paola Subacchi	5	1	1

Nomination Committee

The Nomination Committee consists of the independent non-executive Directors and the Chairman of the Board is Chairman 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, 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. Appointments to the Board are made on merit with due regard for the benefits of diversity including gender. The priority in appointing new directors is to identify the candidate with the best range of skills and experience to complement existing Directors. The Board therefore does not consider it appropriate to set diversity targets.

Mr MM Gray is not offering himself for re-election at the Annual General Meeting. SpencerStuart has been engaged to help identify potential candidates to replace Mr Gray. SpencerStuart has no other connection with the Company or Directors.

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

Performance Evaluation

The Nomination Committee met to assess the performance of the Chairman, each Director, the Board as a whole and its Committees. Prior to the meeting each Director completed an evaluation form which they discussed individually with the Chairman. The appraisal of the Chairman was led by Mr MM Gray. 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 Chairman, the Board and its Committees continues to be effective and each Director and the Chairman remains committed to the Company.

A review of the Chairman'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. There was no increase in the overall level of the Chairman's other commitments during the year.

Lintstock, a company which assists companies with the design and execution of board evaluations, facilitated the performance evaluation in 2013. It is intended that the evaluation will again be externally facilitated in 2016.

Induction and Training

New Directors are provided with an induction programme which is tailored to the particular circumstances of the appointee. 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. The Company's policy on remuneration is set out in the Directors' Remuneration Report on pages 32 and 33.

Audit Committee

The report of the Audit Committee is set out on pages 30 and 31.

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 guidance 'Internal Control: Revised Guidance for Directors on the Combined Code'.

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, with effect from 1 July 2014, 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. This report is independently reviewed by Baillie Gifford & Co's Auditor and a copy is submitted to the Audit Committee.

A report identifying the material risks faced by the Company and the key controls employed to manage these risks is reviewed by the Audit Committee.

These procedures ensure that consideration is given regularly to the nature and extent of risks facing the Company and that they are being actively monitored. Where changes in risk have been identified during the year they also provide a mechanism to assess whether further action is required to manage these risks.

The Directors confirm that they have reviewed the effectiveness of the Company's risk management and internal controls systems 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.

With effect from 1 July 2014, the Company entered into arrangements to comply with the Alternative Fund Managers Directive. The Company appointed BNY Mellon Trust & Depositary (UK) Limited as its 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 Depositary has delegated the custody function to The Bank of New York Mellon SA/NV London Branch. The Custodian prepares a report on its key controls and safeguards which is independently reviewed by KPMG LLP.

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 note 22 on page 55), 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.

Going Concern

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

The Company's principal risks are market related and include market risk, liquidity risk and credit risk. An explanation of these risks and how they are managed is contained in note 21 to the financial statements. 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. Accordingly, the financial statements have been prepared on the going concern basis as it is the Directors' opinion that the Company will continue in operational existence for the foreseeable future.

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 Chairman is 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.

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.

Corporate Governance and Stewardship

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.

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 as long as the investment objectives are not compromised. 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.

By order of the Board
John Scott
Chairman
11 May 2015

Audit Committee Report

The Audit Committee consists of all independent Directors. The members of the Committee consider that they have the requisite financial skills and experience to fulfil the responsibilities of the Committee. Mr WG McQueen, Chairman of the Committee, is a Chartered Accountant. The Committee's authority and duties are clearly defined within its written terms of reference which are available on request from the Company Secretary 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.

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

Main Activities of the Committee

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

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

— The preliminary results announcement and the annual and half-yearly reports;

— The Company's accounting policies and practices;

— The regulatory changes impacting the Company;

— The fairness, balance and understandability of the Annual Report and Financial Statements and whether it provided the information necessary for shareholders to assess the Company's performance, business model and strategy;

— The effectiveness of the Company's internal control environment;

— Reappointment, remuneration and engagement letter of the external Auditor;

— Whether the audit services contract should be put out to tender;

— The policy on the engagement of the external Auditor to supply non-audit services;

— The independence, objectivity and effectiveness of the external Auditor;

— 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 and valuation of investments as they represent 98% of total assets.

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 recording and pricing of investments.

The value of all the listed investments at 31 March 2015 were agreed to external price sources and the holdings agreed to confirmations from the Company's custodian.

The Managers and Auditor confirmed to the Committee that they were not aware of any material misstatements in the context of the financial statements as a whole.

Internal Controls and Risk Management

The Committee reviewed the effectiveness of the Company's risk management and internal controls systems as described on pages 28 and 29. No significant weaknesses were identified in the year under review.

External Auditor

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

— A report from the Auditor describing their 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 2015 were £2,900 and related to the certification of financial information for the debenture trustee and the provision of Indian tax services. The Committee does not believe that this has impaired the Auditor's independence.

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

— The Auditor's fulfilment of the agreed audit plan;

— Responses to the ICAS Annual Audit Assessment questionnaire;

— Feedback from the Secretaries on the performance of the audit team;

— The Audit Quality Inspection Report from the FRC; and

— Detailed discussion with audit personnel to challenge audit processes and deliverables.

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

— The Auditor's engagement letter;

— The Auditor's proposed audit strategy;

— The audit fee; and

— A report from the Auditor on the conclusion of the audit.

Although KPMG LLP, or its predecessor firms, have been Auditor for over twenty five years, the audit partners responsible for the audit are rotated at least every five years in accordance with professional and regulatory standards in order to protect independence and objectivity and to provide fresh challenge to the business. Ms C Burnet, the current partner, was appointed over three years ago and will continue as partner until the conclusion of the 2016 audit.

KPMG have confirmed that they believe they are independent within the meaning of regulatory and professional requirements and that the objectivity of the audit partner and staff is not impaired. KPMG also act as Auditor to the Manager and Ms C Burnet took on the lead relationship partner role with Baillie Gifford during 2013. A separate audit director is responsible for the Baillie Gifford audit and KPMG have outlined the procedures that would be put in place in the unlikely event that a conflict of interest should arise. The Committee is satisfied with the Auditor's independence.

Having carried out the review described above, the Committee is satisfied that the Auditor remains independent and effective and as such, has not considered it necessary to conduct a tender process for the appointment of its Auditor at this stage.

The Committee intends to undertake a tender process during the year to 31 March 2016 to coincide with the five year rotation cycle of the current partner Ms C Burnet.

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

Accountability and Audit

The respective responsibilities of the Directors and the Auditor in connection with the financial statements are set out on pages 34 to 36.

By order of the Board

Gordon McQueen
Audit Committee Chairman
11 May 2015

Directors' Remuneration Report

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

Statement by the Chairman

The Directors' Remuneration Policy is subject to shareholder approval every three years or sooner if an alteration to the policy is proposed. The Remuneration Policy which is set out below was approved at the Annual General Meeting in June 2014 and no changes are proposed.

The Board reviewed the level of fees during the year and it was agreed that there would be no change to the fees. The fees were last increased on 1 April 2014.

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. Baillie Gifford & Co Limited, who have 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.

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 £300,000 in aggregate. Any change to this limit requires shareholder approval. 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.

The basic and additional fees paid to Directors in respect of the year ended 31 March 2015 and the fees payable in respect of the year ending 31 March 2016 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 2016 £	Fees for year ending 31 Mar 2015 £
Chairman's fee	45,000	45,000
Directors' fee	30,000	30,000
Additional fee for Chairman of the Audit Committee	5,000	5,000
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	300,000	300,000

Annual Report on Remuneration

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

The law requires the Company's Auditor to audit certain of the disclosures provided in this report. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is included in their report on pages 35 and 36.

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	2015 Fees £	2015 Taxable benefits* £	2015 Total £	2014 Fees £	2014 Taxable benefits* £	2014 Total £
John Scott (Chairman)	45,000	684	**45,684**	43,000	316	**43,316**
Michael Gray	30,000	605	**30,605**	29,000	456	**29,456**
Professor John Kay	30,000	2,678	**32,678**	29,000	2,710	**31,710**
Fiona McBain	30,000	804	**30,804**	29,000	574	**29,574**
Gordon McQueen (Audit Committee Chairman)	35,000	4,857	**39,857**	33,000	4,450	**37,450**
Dr Paola Subacchi (appointed 1 April 2014)	30,000	2,637	**32,637**	–	–	**–**
	200,000	**12,265**	**212,265**	**163,000**	**8,506**	**171,506**

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

Directors' Interests

Name	Nature of interest	Ordinary 5p shares held at 31 March 2015	Ordinary shares held at 31 March 2014*
John Scott	Beneficial	233,238	233,235
Michael Gray	Beneficial	750,000	750,000
	Non-beneficial	62,500	62,500
Professor John Kay	Beneficial	25,000	25,000
Fiona McBain	Beneficial	5,956	5,880
Gordon McQueen	Beneficial	7,500	7,500
Dr Paola Subacchi	Beneficial	8,664	–

* Adjusted for the five for one share split on 30 June 2014.

The Directors at the year end, and their interests in the Company, were as shown above. There have been no other changes intimated in the Directors' interests up to 8 May 2015.

Statement of Voting at Annual General Meeting

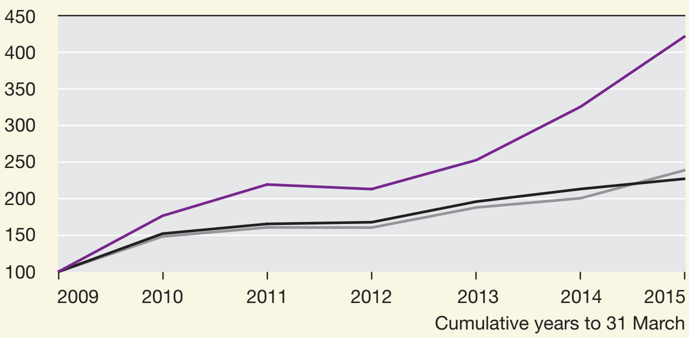
At the last Annual General Meeting, of the proxy votes received in respect of the Directors' Remuneration Policy, 99.2% were in favour, 0.5% were against and votes withheld were 0.3% and in respect of the Directors' Remuneration Report, 99.3% were in favour, 0.5% were against and votes withheld were 0.2%.

Relative Importance of Spend on Pay

As the Company has no employees, the Directors do not consider it appropriate to present a table comparing remuneration paid to employees with distributions to shareholders.

Performance Graph

Scottish Mortgage's Share Price, FTSE All-Share Index and Benchmark*
(figures have been rebased to 100 at 31 March 2009)



Source: Thomson Reuters Datastream.

Scottish Mortgage share price

Benchmark†

FTSE All-Share Index

* All figures are total return (assuming all dividends are reinvested).

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

Past performance is not a guide to future performance.

Company Performance

The graph above 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 32 and 33 was approved by the Board of Directors and signed on its behalf on 11 May 2015.

John Scott
Chairman

Statement of Directors' Responsibilities in Respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company 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 accounting estimates that are reasonable and prudent;

— state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

— prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 Company's pages on the Managers' website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names and functions are listed within the Directors and Managers section, confirms that, to the best of their knowledge:

— the financial statements, which have been prepared in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), give a true and fair view of the assets, liabilities, financial position and net return of the Company;

— the Annual Report and Financial Statements taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy; and

— the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

By order of the Board
John Scott
11 May 2015

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 auditor does not involve consideration of these matters and accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

— Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report

to the members of Scottish Mortgage Investment Trust PLC ('the Company')

Opinions and conclusions arising from our audit

Our opinion on the financial statements is unmodified

We have audited the financial statements of Scottish Mortgage Investment Trust PLC for the year ended 31 March 2015 set out on pages 37 to 55. In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2015 and of its net return on ordinary activities after taxation for the year then ended;
- have been properly prepared in accordance with UK Accounting Standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risk of material misstatement that had the greatest effect on our audit was as follows:

Carrying amount of listed equity and debt investments (£3,597m)

Refer to page 30 (Audit Committee section of the Governance Report), page 41 (accounting policy) and pages 42 to 55 (financial disclosures).

The risk: The company's portfolio of listed equity and debt investments makes up 94% of the company's total assets (by value) and is considered to be the key driver of operations and performance results. We do not consider these investments to be at high risk of significant misstatement, or to be subject to a significant level of judgement because they comprise liquid, listed investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

Our response: Our procedures over the completeness, valuation and existence of the company's listed equity and debt investment portfolio included, but were not limited to:

- documenting and assessing the processes in place to record investment transactions and to value the portfolio;
- agreeing the valuation of 100 per cent of investments in the portfolio to externally quoted prices; and
- agreeing 100 per cent of investment holdings in the portfolio to independently received third party confirmations.

Our application of materiality and an overview of the scope of our audit

The materiality for the financial statements as a whole was set at £57.4m, determined with reference to a benchmark of total assets (of which it represents 1.5%).

In addition, we applied materiality of £1.4m to income, investment management fee and finance costs for borrowings for which we believe misstatements of lesser amounts than materiality for the financial statements as a whole could be reasonably expected to influence the company's members' assessment of the financial performance of the company.

We report to the Audit Committee any corrected and uncorrected identified misstatements exceeding £72,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the company was undertaken to the materiality level specified above and was all performed at the head office of Baillie Gifford & Co, in Edinburgh.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy; or
- the Audit Committee section of the Statement of Corporate Governance does not appropriately address matters communicated by us to the audit committee.

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

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

Under the Listing Rules we are required to review:

— the directors' statement, set out on page 29, in relation to going concern; and

— the part of the Corporate Governance Statement on pages 27 to 29 relating to the company's compliance with the ten provisions of the 2012 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 34, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Catherine Burnet (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG
11 May 2015

Income Statement

For the year ended 31 March

	Notes	2015 Revenue £'000	2015 Capital * £'000	2015 Total £'000	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000
Gains on investments	9	–	747,859	**747,859**	–	435,494	**435,494**
Currency (losses)/gains	14	–	(32,287)	**(32,287)**	–	18,766	**18,766**
Income	2	38,964	–	**38,964**	50,385	–	**50,385**
Investment management fee	3	(2,562)	(7,685)	**(10,247)**	(4,565)	(4,565)	**(9,130)**
Other administrative expenses	4	(3,315)	–	**(3,315)**	(2,835)	–	**(2,835)**
Net return before finance costs and taxation		33,087	707,887	**740,974**	42,985	449,695	**492,680**
Finance costs of borrowings	5	(4,452)	(13,357)	**(17,809)**	(9,174)	(9,174)	**(18,348)**
Net return on ordinary activities before taxation		28,635	694,530	**723,165**	33,811	440,521	**474,332**
Tax on ordinary activities	6	(1,095)	–	**(1,095)**	(3,602)	–	**(3,602)**
Net return on ordinary activities after taxation		**27,540**	**694,530**	**722,070**	**30,209**	**440,521**	**470,730**
Net return per ordinary share†	7	**2.24p**	**56.50p**	**58.74p**	**2.43p**	**35.39p**	**37.82p**

* From 1 April 2014, the investment management fee and finance costs are charged 25% to revenue and 75% to capital (previously 50% to revenue and 50% to capital).

† Prior year figures restated for the five for one share split on 30 June 2014.

The total column of this statement is the profit and loss account of the Company.

All revenue and capital items in this statement derive from continuing operations.

A Statement of Total Recognised Gains and Losses is not required as all gains and losses of the Company have been reflected in the above statement.

The accompanying notes on pages 41 to 55 are an integral part of the financial statements.

Balance Sheet

As at 31 March

	Notes	2015 £'000	2015 £'000	2014 £'000	2014 £'000
Fixed assets					
Investments held at fair value through profit or loss	9		3,747,288		2,980,633
Current assets					
Debtors	10	3,693		5,093	
Cash and short term deposits	21	76,543		21,705	
		80,236		26,798	
Creditors					
Amounts falling due within one year	11	(118,234)		(259,021)	
Net current liabilities			(37,998)		(232,223)
Total assets less current liabilities			3,709,290		2,748,410
Creditors					
Amounts falling due after more than one year	12		(376,072)		(150,697)
			3,333,218		**2,597,713**
Capital and reserves					
Called up share capital	13		71,086		71,086
Capital redemption reserve	14		19,094		19,094
Capital reserve	14		3,173,033		2,429,523
Revenue reserve	14		70,005		78,010
Shareholders' funds	15		**3,333,218**		**2,597,713**
Net asset value per ordinary share† (after deducting borrowings at fair value)	21		**262.4p**		**208.0p**
Net asset value per ordinary share† (after deducting borrowings at par)	16		**268.0p**		**212.2p**

The Financial Statements of Scottish Mortgage Investment Trust PLC (Company registration No. SC007058) were approved and authorised for issue by the Board and signed on 11 May 2015.

John Scott
Chairman

† Prior year figures restated for the five for one share split on 30 June 2014.

The accompanying notes on pages 41 to 55 are an integral part of the financial statements.

Reconciliation of Movements in Shareholders' Funds

For the year ended 31 March 2015

	Notes	Share capital £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 April 2014		71,086	19,094	2,429,523	78,010	**2,597,713**
Net return on ordinary activities after taxation	14	–	–	694,530	27,540	**722,070**
Shares bought back	13	–	–	(13,730)	–	**(13,730)**
Shares issued	13	–	–	62,710	–	**62,710**
Dividends paid during the year	8	–	–	–	(35,545)	**(35,545)**
Shareholders' funds at 31 March 2015		**71,086**	**19,094**	**3,173,033**	**70,005**	**3,333,218**

For the year ended 31 March 2014

	Notes	Share capital £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 April 2013		71,086	19,094	2,045,003	83,185	**2,218,368**
Net return on ordinary activities after taxation		–	–	440,521	30,209	**470,730**
Shares bought back	13	–	–	(56,001)	–	**(56,001)**
Dividends paid during the year	8	–	–	–	(35,384)	**(35,384)**
Shareholders' funds at 31 March 2014		**71,086**	**19,094**	**2,429,523**	**78,010**	**2,597,713**

The accompanying notes on pages 41 to 55 are an integral part of the financial statements.

Cash Flow Statement

For the year ended 31 March

	Notes	2015 £'000	2015 £'000	2014 £'000	2014 £'000
Net cash inflow from operating activities	17		28,049		39,354
Servicing of finance					
Interest paid		(18,104)		(18,535)	
Net cash outflow from servicing of finance			(18,104)		(18,535)
Taxation					
Income tax refunded		–		3	
Overseas tax refunded		1,377		–	
Overseas tax incurred		(2,469)		(3,635)	
Total tax paid			(1,092)		(3,632)
Financial investment					
Acquisitions of investments		(668,702)		(399,505)	
Disposals of investments		650,501		436,215	
Realised currency gain/(loss)		2,496		(319)	
Net cash (outflow)/inflow from financial investment			(15,705)		36,391
Equity dividends paid	8		(35,545)		(35,384)
Net cash (outflow)/inflow before financing			(42,397)		18,194
Financing					
Shares bought back	13	(29,337)		(43,486)	
Share issued	13	62,710		–	
Bank loans repaid		(234,746)		(64,311)	
Bank loans drawn down		298,608		97,441	
Net cash inflow/(outflow) from financing			97,235		(10,356)
Increase in cash	18		**54,838**		**7,838**

	Notes	2015 £'000	2015 £'000	2014 £'000	2014 £'000
Reconciliation of net cash flow to movement in net debt	18				
Increase in cash in the period			54,838		7,838
Increase in bank loans			(63,862)		(33,130)
Exchange movement on bank loans			(34,782)		19,085
Other non-cash changes			290		256
Movement in net debt in the year			(43,516)		(5,951)
Net debt at 1 April			(367,162)		(361,211)
Net debt at 31 March			**(410,678)**		**(367,162)**

The accompanying notes on pages 41 to 55 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 2015 have been prepared on the basis of the accounting policies set out below, which are unchanged from last year and have been applied consistently.

(a) Basis of Accounting

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 will be retained.

The Directors consider the Company's functional currency to be sterling as 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.

The financial statements have been prepared in accordance with The Companies Act 2006, applicable UK Accounting Standards and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies' (issued in January 2009).

In order to reflect better the activities of the trust 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.

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.

(b) Investments

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. The fair value of listed security investments is bid value, or in the case of FTSE 100 constituents, or holdings on certain recognised overseas exchanges, at last traded prices.

Listed investments include Open Ended Investment Companies ('OEICs') authorised in the UK; these are valued at closing price and are classified for valuation purposes according to the principal geographical area of the underlying holdings.

The fair value of unlisted investments uses valuation techniques, determined by the Directors, based upon latest dealing prices, stockbroker valuations, net asset values and other information, as appropriate.

Gains and losses arising from changes in the fair value of investments are considered to be realised to the extent that they are readily convertible to cash, without accepting adverse terms, at the balance sheet date. Fair value gains on unlisted investments are not considered to be readily convertible to cash and are therefore treated as unrealised. The treatment of listed investments is dependent upon the individual circumstances of each holding.

(c) Cash and Short Term Deposits

Cash 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.

(d) 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) Franked income is stated net of tax credits.

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

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

(vi) 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.

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

(e) Expenses

All expenses are accounted for on an accruals basis. Expenses are charged through the revenue column of the income statement except as follows: where they relate directly to the acquisition or disposal of an investment (transaction costs), in which case 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, in which case they are charged 25:75 to the revenue account and capital reserve.

(f) 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 are allocated 25:75 to the revenue column of the income statement and capital reserve at a constant rate on the carrying amount. 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.

(g) Taxation

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 all timing differences, calculated at the current tax rate relevant to the benefit or liability. Deferred tax assets are recognised only to the extent that it will be more likely than not that there will be taxable profits from which underlying timing differences can be deducted.

(h) 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.

(i) 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. 75% of management fees and finance costs are allocated to the capital reserve in accordance with the Company's objective of combining capital and income growth.

2 Income

	2015 £'000	2014 £'000
Income from investments		
Franked investment income*	5,493	7,180
UK unfranked investment income*	68	2
Overseas dividends	30,507	40,346
Overseas interest	2,592	2,818
	38,660	**50,346**
Other income		
Deposit interest	85	39
Interest on withholding tax reclaimed	219	–
	304	**39**
Total income	**38,964**	**50,385**
Total income comprises:		
Dividends from financial assets designated at fair value through profit or loss	36,068	47,528
Interest from financial assets designated at fair value through profit or loss	2,592	2,818
Interest from financial assets not at fair value through profit or loss	304	39
	38,964	**50,385**

* Includes OEIC income.

3 Investment Management Fee

	2015 Revenue £'000	2015 Capital † £'000	2015 Total £'000	2014 Revenue £'000	2014 Capital † £'000	2014 Total £'000
Investment management fee	2,562	7,685	**10,247**	4,565	4,565	**9,130**

Details of the Investment Management Agreement are disclosed on page 24. Baillie Gifford & Co Limited's annual management fee is 0.30% of total assets less current liabilities (excluding short term borrowings for investment purposes). Prior to 1 April 2014 the fee was 0.32% per annum. The management fee is levied on all assets, including holdings in collective investment schemes (OEICs) managed by Baillie Gifford & Co; however the OEICs' share class held by the Company does not itself attract a management fee.

† From 1 April 2014, the investment management fee is charged 25% to revenue and 75% to capital (previously 50% to revenue and 50% to capital).

4 Other Administrative Expenses – all charged to the revenue column of the income statement

	2015 £'000	2014 £'000
General administrative expenses	3,087	2,645
Directors' fees (see Directors' Remuneration Report page 32)	200	163
Auditor's remuneration for audit services	25	24
Auditor's remuneration for non-audit services – certification of results for the debenture trustees	1	1
– provision of Indian tax services	2	2
	3,315	**2,835**

5 Finance Costs of Borrowings

	2015 Revenue £'000	2015 Capital † £'000	2015 Total £'000	2014 Revenue £'000	2014 Capital † £'000	2014 Total £'000
Financial liabilities not at fair value through profit or loss						
Bank loans and overdrafts repayable within five years	1,028	3,084	**4,112**	2,309	2,309	**4,618**
Debentures repayable wholly or partly in more than five years	3,424	10,273	**13,697**	6,865	6,865	**13,730**
	4,452	**13,357**	**17,809**	**9,174**	**9,174**	**18,348**

† From 1 April 2014, the finance costs are charged 25% to revenue and 75% to capital (previously 50% to revenue and 50% to capital).

6 Tax on Ordinary Activities

	2015 Revenue £'000	2015 Capital £'000	2015 Total £'000	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000
Overseas taxation	2,472	–	**2,472**	3,602	–	**3,602**
Overseas tax refunded	(1,377)	–	**(1,377)**	–	–	**–**
	1,095	**–**	**1,095**	**3,602**	**–**	**3,602**

	2015 £'000	2014 £'000
The tax charge for the year is lower than the standard rate of corporation tax in the UK of 21% (2014 – 23%)		
The differences are explained below:		
Net return on ordinary activities before taxation	723,165	474,332
Net return on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK of 21% (2014 – 23%)	151,865	109,096
Capital returns not taxable	(150,270)	(104,480)
Income not taxable (franked investment income)	(1,154)	(1,651)
Income not taxable (overseas dividends)	(6,156)	(8,551)
Adjustment to income received from OEICs for tax purposes	3	–
Current year management expenses and non-trade loan relationship deficit not utilised	5,712	5,586
Overseas withholding tax	2,472	3,602
Overseas withholding tax refunded	(1,377)	–
Current tax charge for the year	**1,095**	**3,602**

At 31 March 2015 the Company had surplus management expenses and losses on non-trading loan relationships of £157 million (2014 – £129 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

	2015 Revenue	2015 Capital	2015 Total	2014 † Revenue	2014 † Capital	2014 † Total
Net return per ordinary share	**2.24p**	**56.50p**	**58.74p**	**2.43p**	**35.39p**	**37.82p**

Revenue return per ordinary share is based on the net revenue on ordinary activities after taxation of £27,540,000 (2014 – £30,209,000), and on 1,229,231,951 (2014 – 1,244,697,295†) 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 gain for the financial year of £694,530,000 (2014 – net capital gain of £440,521,000), and on 1,229,231,951 (2014 – 1,244,697,295†) 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.

†Prior year figures restated for the five for one share split on 30 June 2014.

8 Ordinary Dividends

	2015	2014 †	2015 £'000	2014 £'000
Amounts recognised as distributions in the year:				
Previous year's final (paid 7 July 2014)	1.52p	1.46p	18,646	18,261
Interim (paid 5 December 2014)	1.38p	1.38p	16,899	17,123
	2.90p	**2.84p**	**35,545**	**35,384**

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 £27,540,000 (2014 – £30,209,000).

	2015	2014 †	2015 £'000	2014 £'000
Dividends paid and payable in respect of the year:				
Interim dividend per ordinary share (paid 5 December 2014)	1.38p	1.38p	16,899	17,123
Proposed final dividend per ordinary share (payable 6 July 2015)	1.55p	1.52p	19,308	18,646
Adjustment to provision for previous year's final dividend re shares bought back	–	–	–	(73)
	2.93p	**2.90p**	**36,207**	**35,696**

†Prior year figures restated for the five for one share split on 30 June 2014.

9 Fixed Assets – Investments

As at 31 March 2015	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed equities/funds	3,553,606	5,248	–	**3,558,854**
Listed debt securities	–	38,110	–	**38,110**
Unlisted equities	–	–	150,324	**150,324**
Total financial asset investments	**3,553,606**	**43,358**	**150,324**	**3,747,288**

As at 31 March 2014	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed equities/funds	2,825,799	4,924	–	**2,830,723**
Listed debt securities	–	42,653	–	**42,653**
Unlisted equities	–	–	107,257	**107,257**
Total financial asset investments	**2,825,799**	**47,577**	**107,257**	**2,980,633**

Investments in securities are financial assets designated at fair value through profit or loss on initial recognition. In accordance with Financial Reporting Standard 29 'Financial Instruments: Disclosures', 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 – investments with quoted prices in an active market;

Level 2 – investments whose fair value is based directly on observable current market prices or is indirectly being derived from market prices; and

Level 3 – investments whose fair value is determined using a valuation technique based on assumptions that are not supported by observable current market prices or are not based on observable market data.

	Equities* £'000	Bonds £'000	Total £'000
Cost of investments at 1 April 2014	1,745,448	22,070	**1,767,518**
Investment holding gains at 1 April 2014	1,192,532	20,583	**1,213,115**
Value of investments at 1 April 2014	2,937,980	42,653	**2,980,633**
Movements in year:			
Purchases at cost	669,297	–	**669,297**
Sales – proceeds	(650,501)	–	**(650,501)**
– gains on sales	184,467	–	**184,467**
Changes in investment holding gains and losses	567,935	(4,543)	**563,392**
Value of investments at 31 March 2015	**3,709,178**	**38,110**	**3,747,288**
Cost of investments at 31 March 2015	1,948,711	22,070	**1,970,781**
Investment holding gains at 31 March 2015	1,760,467	16,040	**1,776,507**
Value of investments at 31 March 2015	**3,709,178**	**38,110**	**3,747,288**

* Includes funds.

The purchases and sales proceeds figures above include transaction costs of £393,000 (2014 – £339,000) and £473,000 (2014 – £325,000) respectively.

Of the gains on sales during the year of £184,467,000 (2014 – gains of £116,763,000) a net gain of £159,605,000 (2014 – gain of £131,305,000) was included in the investment holding gains/(losses) at the previous year end.

9 Fixed Assets – Investments (continued)

The following tables show reconciliations from the opening balances to the closing balances for fair value measurements in Level 3 of the fair value hierarchy.

	Value at 1 April 2014 £'000	Purchases £'000	Sales proceeds £'000	Change in listing £'000	Gains/ (losses) on sales £'000	Changes in holding gains/ (losses) £'000	Value at 31 March 2015 £'000
Equities	107,257	94,584	(165)	(31,054)	–	(20,298)	**150,324**

	Value at 1 April 2013 £'000	Purchases £'000	Sales proceeds £'000	Change in listing £'000	Gains/ (losses) on sales £'000	Changes in holding gains/ (losses) £'000	Value at 31 March 2014 £'000
Equities	47,342	18,436	(1,476)	–	–	42,955	**107,257**

The gains and losses included in the above tables have all been recognised in the income statement on page 37. The Company believes that other reasonably possible alternative valuations for its Level 3 holdings would not differ significantly from those included in the financial statements.

	2015 £'000	2014 £'000
Net gains on investments designated at fair value through profit or loss on initial recognition		
Gains on sales	184,467	116,763
Changes in investment holding gains	563,392	318,731
	747,859	**435,494**

During the year the Company had a holding in an Open Ended Investment Company ('OEIC') managed by Baillie Gifford & Co, the Company's investment manager. The share class held in the OEIC does not attract a management fee. At 31 March the Company held:

	2015 C income shares held	2015 Value £'000	2015 % of fund held	2014 C income shares held	2014 Value £'000	2014 % of fund held
Baillie Gifford Global Discovery Fund	**2,554,821**	**18,438**	**10.3**	**2,554,821**	**16,057**	**10.8**

10 Debtors

	2015 £'000	2014 £'000
Amounts falling due within one year:		
Income accrued	2,950	4,068
Other debtors and prepayments	743	1,025
	3,693	**5,093**

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

	2015 £'000	2014 £'000
State Street Bank and Trust Company loan	111,149	89,971
National Australia Bank Limited multi-currency loan	–	97,769
The Royal Bank of Scotland plc loan	–	50,430
Purchases for subsequent settlement	595	–
Share buybacks payable	–	15,607
Other creditors and accruals	6,490	5,244
	118,234	**259,021**

Included in other creditors is £2,865,000 (2014 – £1,639,000) in respect of the investment management fee.

Borrowing facilities at 31 March 2015

A 1 year US$165 million loan facility has been arranged with State Street Bank and Trust Company.
A 2 year US$50 million loan facility has been arranged with State Street Bank and Trust Company.
A 2 year US$200 million loan facility has been arranged with National Australia Bank Limited.
A 3 year US$85 million loan facility has been arranged with The Royal Bank of Scotland plc.

At 31 March 2015 drawings were as follows:

State Street Bank and Trust Company	US$165 million at an interest rate of 0.8112% per annum
	US$50 million at an interest rate of 1.70% per annum (see note 12)
National Australia Bank Limited	US$200 million at an interest rate of 1.43% per annum (see note 12)
The Royal Bank of Scotland plc	US$85 million at an interest rate of 1.945% per annum (see note 12)

At 31 March 2014 drawings were as follows:

State Street Bank and Trust Company	US$150 million at an interest rate of 1.0491% per annum
National Australia Bank Limited	US$163 million at an interest rate of 2.63% per annum
The Royal Bank of Scotland plc	€61 million at an interest rate of 1.64% per annum

The main covenants relating to the above loans are:
(i) Total borrowings shall not exceed 35% of the Company's net asset value.
(ii) The Company's minimum net asset value shall be £760 million.
(iii) The Company shall not change the investment manager without prior written consent of the lenders.

During the year the US$150 million loan with State Street was repaid and replaced with US$165 million and US$50 million loans from State Street. The US$163 million loan with National Australia Bank ('NAB') was repaid and replaced with a US$200 million loan with NAB. The €61 million loan with The Royal Bank of Scotland ('RBS') was repaid and replaced with US$85 million loan with RBS.

Subsequent to the year end, on 10 April 2015, the US$165 million 1 year loan with State Street was repaid and replaced with a US$165 million 1 year loan with RBS.

12 Creditors – Amounts falling due after more than one year

	Nominal rate	Effective rate	2015 £'000	2014 £'000
Debenture stocks:				
£20 million 8–14% stepped interest debenture stock 2020	14.0%	12.3%	21,315	21,476
£75 million 6.875% debenture stock 2023	6.875%	6.9%	74,710	74,673
£50 million 6–12% stepped interest debenture stock 2026	12.0%	10.8%	53,707	53,873
£675,000 4½% irredeemable debenture stock			675	675
Bank loans:				
National Australia Bank Limited loan (see note 11)			134,726	–
State Street Bank and Trust Company (see note 11)			33,681	–
The Royal Bank of Scotland plc loan (see note 11)			57,258	–
			376,072	**150,697**

12 Creditors – Amounts falling due after more than one year (continued)

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 £4,732,000 (2014 – £5,022,000) over nominal value. The debenture stocks are secured by a floating charge over the assets of the Company.

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

	2015 Number	2015 £'000	2014 † Number	2014 £'000
Allotted, called up and fully paid ordinary shares of 5p each	1,245,674,485	62,284	1,226,699,485	61,335
Treasury shares of 5p each	176,056,395	8,802	195,031,395	9,751
Total	**1,421,730,880**	**71,086**	**1,421,730,880**	**71,086**

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 2015 a total of 6,625,000 (2014 – 29,025,000†) ordinary shares with a nominal value of £331,000 (2014 – £1,451,000) were bought back at a total cost of £13,730,000 (2014 – £56,001,000) and held in treasury. At 31 March 2015 the Company had authority to buy back a further 182,889,165 ordinary shares.

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

In the year to 31 March 2015, the Company sold 25,600,000 ordinary shares from treasury at a premium to net asset value raising net proceeds of £62,710,000 (31 March 2014 – no ordinary shares sold from treasury). At 31 March 2015 the Company had authority to issue or sell from treasury a further 158,404,920 ordinary shares.

†Prior year figures restated for the five for one share split on 30 June 2014.

14 Capital and Reserves

	Share capital £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
At 1 April 2014	71,086	19,094	2,429,523	78,010	**2,597,713**
Gains on sales	–	–	184,467	–	**184,467**
Changes in investment holding gains and losses	–	–	563,392	–	**563,392**
Exchange differences	–	–	2,496	–	**2,496**
Exchange differences on loans	–	–	(34,783)	–	**(34,783)**
Shares bought back	–	–	(13,730)	–	**(13,730)**
Shares issued from treasury	–	–	62,710	–	**62,710**
Investment management fee charged to capital	–	–	(7,685)	–	**(7,685)**
Finance costs of borrowings charged to capital	–	–	(13,357)	–	**(13,357)**
Dividends paid in year	–	–	–	(35,545)	**(35,545)**
Revenue return on ordinary activities after taxation	–	–	–	27,540	**27,540**
At 31 March 2015	**71,086**	**19,094**	**3,173,033**	**70,005**	**3,333,218**

The capital reserve includes investment holding gains of £1,776,507,000 (2014 – gains of £1,213,115,000) as disclosed in note 9. The revenue reserve is distributable by way of dividend.

15 Shareholders' Funds

	2015 £'000	2014 £'000
Total shareholders' funds are attributable as follows:		
Equity shares	**3,333,218**	**2,597,713**

Total shareholders' funds have been calculated in accordance with the provisions of FRS26. However, the net asset value per share figures in note 16 have been calculated on the basis of shareholders' rights to reserves as specified in the Articles of Association of the Company. A reconciliation of the two figures is as follows:

	2015	2014 †
Shareholders' funds attributable to ordinary shares (as above)	£3,333,218,000	£2,597,713,000
Number of ordinary shares in issue at the year end*	1,245,674,485	1,226,699,485
Shareholders' funds per ordinary share	267.6p	211.8p
Additions/(deductions) – expenses of debenture issue	(0.1p)	(0.1p)
– allocation of interest on borrowings	0.5p	0.5p
Net asset value per ordinary share	**268.0p**	**212.2p**

* Excluding shares held in treasury.

† Prior year per share figures restated for the five for one share split on 30 June 2014.

16 Net Asset Value per Ordinary Share

The net asset value per ordinary share and the net assets attributable to the ordinary shareholders at the year end calculated in accordance with the Articles of Association were as follows:

	2015	2014 †	2015 £'000	2014 £'000
Ordinary shares	**268.0p**	**212.2p**	**3,337,950**	**2,602,735**

	2015 £'000	2014 £'000
The movements during the year of the assets attributable to the ordinary shares were as follows:		
Total net assets at the start of the year	2,602,735	2,223,646
Total recognised gains and losses for the year	722,070	470,730
Dividends paid in the year	(35,545)	(35,384)
Adjustment to debentures	(290)	(256)
Shares bought back	(13,730)	(56,001)
Shares issued from treasury	62,710	–
Total net assets at 31 March	**3,337,950**	**2,602,735**

Net asset value per ordinary share is based on net assets (adjusted to reflect the deduction of the debentures at par/nominal value (see note 21)) and on 1,245,674,485 (2014 – 1,226,699,485†) ordinary shares, being the number of ordinary shares (excluding treasury shares) in issue at the year end. Shareholders' funds as reported on the face of the balance sheet have been calculated in accordance with the provisions of FRS26. A reconciliation of the two sets of figures under these two conventions is given in note 15.

† Prior year figures restated for the five for one share split on 30 June 2014.

17 Reconciliation of Net Return before Finance Costs and Taxation to Net Cash Inflow from Operating Activities

	2015 £'000	2014 £'000
Net return on ordinary activities before finance costs and taxation	740,974	492,680
Gains on investments	(747,859)	(435,494)
Currency losses/(gains)	32,287	(18,766)
Decrease in accrued income	1,115	742
Decrease/(increase) in debtors	282	(403)
Increase in creditors	1,250	595
Net cash inflow from operating activities	**28,049**	**39,354**

18 Analysis of Change in Net Debt

	At 1 April 2014 £'000	Cash flows £'000	Other non-cash changes £'000	Exchange movement £'000	At 31 March 2015 £'000
Cash at bank and in hand	21,705	54,838	–	–	76,543
Loans due within one year	(238,170)	(8,941)	148,199	(12,237)	(111,149)
Loans due in two to five years	–	(54,921)	(148,199)	(22,545)	(225,665)
Debenture stocks	(150,697)	–	290	–	(150,407)
	(367,162)	**(9,024)**	**290**	**(34,782)**	**(410,678)**

19 Related Party Transactions

The Directors' fees for the year are detailed in the Directors' Remuneration Report on page 32.

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.

20 Contingencies, Guarantees and Financial Commitments

At the year end the Company had a capital commitment amounting to US$12,136,000 (2014 – US$7,520,000) in respect of three subscription agreements, Innovation Works Development Fund, L.P. with a total commitment of US$15 million which expires on 21 May 2020, WI Harper Fund VII Management with a total commitment of US$10 million which expires on 3 March 2019 and WI Harper Fund VIII Management with a total commitment of US$10 million which expires on 31 July 2024. At 31 March 2015 US$12.65 million, US$8.21 million and US$2.00 million (2014 – US$10.55 million, nil and US$6.93 million) have been drawn down on each of these agreements respectively.

21 Financial Instruments

As an Investment Trust, the Company invests in equities and makes other investments so as to achieve its investment objective of maximising total return, whilst also generating dividend growth, from a focused and actively managed global portfolio. 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 16 to 20.

21 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 2015	Investments £'000	Cash and deposits £'000	Loans and debentures £'000	Other debtors and creditors * £'000	Net exposure £'000
US dollar	2,028,021	18,442	(336,814)	(1,073)	**1,708,576**
Euro	787,193	–	–	636	**787,829**
Hong Kong dollar	257,783	–	–	–	**257,783**
Swedish krona	181,055	–	–	–	**181,055**
Brazilian real	38,110	–	–	1,111	**39,221**
Danish krone	53,251	–	–	61	**53,312**
Polish zloty	7,909	–	–	–	**7,909**
Japanese yen	10,362	38	–	61	**10,461**
Turkish lira	12,544	–	–	–	**12,544**
Indonesian rupiah	14,940	–	–	–	**14,940**
Indian rupee	51,219	–	–	78	**51,297**
Total exposure to currency risk	**3,442,387**	**18,480**	**(336,814)**	**874**	**3,124,927**
Sterling	304,901	58,063	(150,407)	(4,266)	**208,291**
	3,747,288	**76,543**	**(487,221)**	**(3,392)**	**3,333,218**

* Includes net non-monetary assets of £12,000.

As at 31 March 2014	Investments £'000	Cash and deposits £'000	Loans and debentures £'000	Other debtors and creditors * £'000	Net exposure £'000
US dollar	1,535,300	1,646	(187,740)	(412)	**1,348,794**
Euro	538,834	–	(50,430)	856	**489,260**
Hong Kong dollar	173,092	–	–	–	**173,092**
Swedish krona	97,091	17,177	–	–	**114,268**
Brazilian real	52,765	–	–	1,344	**54,109**
Indian rupee	47,601	–	–	–	**47,601**
Danish krone	45,570	–	–	–	**45,570**
Polish zloty	38,000	–	–	–	**38,000**
Czech koruna	28,998	–	–	–	**28,998**
Japanese yen	21,294	35	–	32	**21,361**
Turkish lira	14,145	–	–	–	**14,145**
Swiss franc	14,081	–	–	–	**14,081**
Indonesian rupiah	13,285	–	–	–	**13,285**
Other overseas currencies	17,855	–	–	–	**17,855**
Total exposure to currency risk	**2,637,911**	**18,858**	**(238,170)**	**1,820**	**2,420,419**
Sterling	342,722	2,847	(150,697)	(17,578)	**177,294**
	2,980,633	**21,705**	**(388,867)**	**(15,758)**	**2,597,713**

* Includes net non-monetary assets of £35,000.

21 Financial Instruments (continued)

Currency Risk Sensitivity

At 31 March 2015, 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 for 2014.

	2015 £'000	2014 £'000
US dollar	85,429	67,440
Euro	39,391	24,463
Hong Kong dollar	12,889	8,655
Swedish krona	9,053	5,713
Brazilian real	1,961	2,705
Indian rupee	2,565	2,380
Danish krone	2,666	2,279
Polish zloty	395	1,900
Czech koruna	–	1,450
Japanese yen	523	1,068
Turkish lira	627	707
Swiss franc	–	704
Indonesian rupiah	747	664
Other overseas currencies	–	893
	156,246	**121,021**

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.

21 Financial Instruments (continued)

Interest Rate Risk (continued)

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

Financial Assets

	2015 Fair value £'000	2015 Weighted average interest rate	2015 Weighted average period until maturity *	2014 Fair value £'000	2014 Weighted average interest rate	2014 Weighted average period until maturity *
Floating rate:						
Brazilian bonds (index linked)	38,110	10.9%	30 years	42,653	11.2%	31 years
Cash and short term deposits:						
Other overseas currencies	18,480	–	n/a	18,858	–	n/a
Sterling	58,063	0.3%	n/a	2,847	0.5%	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 rates.

Financial Liabilities

The interest rate risk profile of the Company's bank loans and debentures (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:

		2015 £'000	2014 £'000
Floating rate	– US$ denominated	111,149	89,971
Fixed rate	– Sterling denominated	150,407	150,697
	– Euro denominated	–	50,430
	– US$ denominated	225,665	97,769
		487,221	**388,867**

Maturity Profile

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

	2015 Within 1 year £'000	2015 Between 1 and 5 years £'000	2015 More than 5 years £'000	2014 Within 1 year £'000	2014 Between 1 and 5 years £'000	2014 More than 5 years £'000
Repayment of loans and debentures	111,149	225,665	145,675 *	238,170	–	145,675 *
Accumulated interest on loans and debentures to maturity date	17,795	58,414	70,782	15,200	55,947	70,782
	128,944	**284,079**	**216,457**	**253,370**	**55,947**	**216,457**

* Includes £675,000 irredeemable debenture stock.

Interest Rate Risk Sensitivity

An increase of 100 basis points in bond yields as at 31 March 2015 would have decreased total net assets and total return on ordinary activities by £5,481,000 (2014 – £5,298,000) and would have increased the net asset value per share (with borrowings at fair value) by 0.94p (2014 – increased by 0.68p (restated for share split)). A decrease of 100 basis points would have had an equal but opposite effect.

21 Financial Instruments (continued)

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 Investment 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.

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 18 to 20. In addition, a geographical analysis of the portfolio, an analysis of the investment portfolio by broad industrial or commercial sector and a list of the 30 largest investments by their aggregate market value are contained in the Strategic Report.

106.8% (2014 – 108.8%) of the Company's net assets are invested in quoted equities. A 3% increase in quoted companies equity valuations at 31 March 2015 would have increased total assets and total return on ordinary activities by £106,608,000 (2014 – £84,774,000). A decrease of 3% would have had an equal but opposite effect.

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 the majority of the Company's 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 take out borrowings, which give it access to additional funding when required.

Credit Risk

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

This risk is managed as follows:

- Where the Investment 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 Investment Managers on the credit ratings of those bonds and other securities in which the Company has invested;
- the Depositary is liable for the loss of financial instruments held in custody. The Depositary will ensure that any delegate segregates the assets of the Company. The Depositary has delegated the custody function to Bank of New York Mellon SA/NV London Branch. Bankruptcy or insolvency of the custodian may cause the Company's rights with respect to securities held by the custodian to be delayed. The Investment Manager monitors the Company's risk by reviewing the custodian's internal control reports and reporting its findings to the Board;
- Investment transactions are carried out with a large number of brokers whose creditworthiness is reviewed by the Investment 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 sustained interest, are subject to rigorous assessment by the Investment 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.

Credit Risk Exposure

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

	2015 £'000	2014 £'000
Fixed interest investments	38,110	42,653
Cash and short term deposits	76,543	21,705
Debtors and prepayments	3,693	5,093
	118,346	**69,451**

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

21 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 accounts at the amortised amount of net proceeds after issue, plus accrued finance costs in accordance with FRS26. 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:

	2015 Par/nominal £'000	2015 Book £'000	2015 Fair £'000	2014 Par/nominal £'000	2014 Book £'000	2014 Fair £'000
8–14% stepped interest debenture stock 2020	20,000	21,315	30,702	20,000	21,476	30,140
6.875% debenture stock 2023	75,000	74,710	92,948	75,000	74,673	87,968
6–12% stepped interest debenture stock 2026	50,000	53,707	89,725	50,000	53,873	78,145
4½% irredeemable debenture stock	675	675	651	675	675	540
Total debentures	**145,675**	**150,407**	**214,026**	**145,675**	**150,697**	**196,793**
Fixed rate loans		225,665	227,178		148,199	148,414
Floating rate loans		111,149	111,149		89,971	89,971
Total borrowings		**487,221**	**552,353**		**388,867**	**435,178**

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 268.0p to 262.4p. Taking the market price of the ordinary shares at 31 March 2015 of 267.2p, this would have given a premium to net asset value of 1.8% as against a discount of 0.3% on a debt at par basis. At 31 March 2014 the effect would have been to reduce the net asset value from 212.2p to 208.0p (taking account of the five for one stock split in June 2014). Taking the market price of the ordinary shares at 31 March 2014 of 208.8p, this would have given a premium to net asset value of 0.4% as against a discount of 1.6% on a debt at par 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, whilst also generating dividend growth, from a focused and actively managed global portfolio. 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 28 and 29. The Company has the authority to issue and buy back its shares (see pages 25 and 26) 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 which are detailed in notes 11 and 12.

22 Alternative Investment Fund Managers (AIFM) Directive

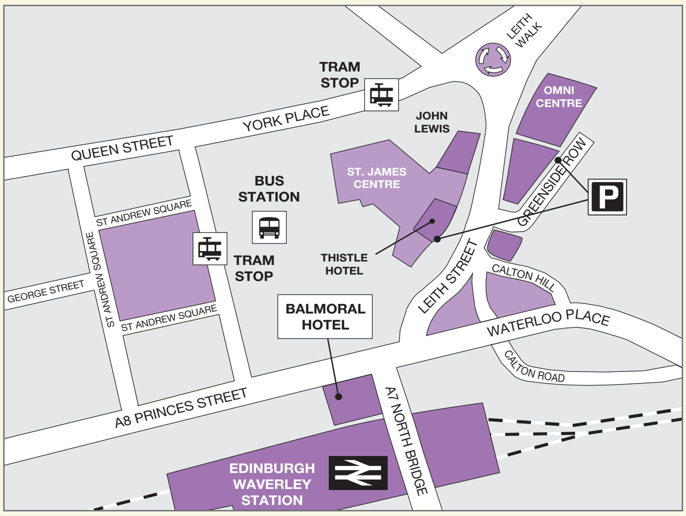
In accordance with the AIFM Directive, information in relation to the Company's leverage and the remuneration of the Company's AIFM, Baillie Gifford & Co Limited, is required to be made available to investors. In accordance with the Directive, the AIFM remuneration policy is available from Baillie Gifford & Co Limited on request (see contact details on the back cover) and the numerical remuneration disclosures in respect of the AIFM's first relevant reporting period (year ended 31 March 2016) will be made available in due course.

The Company's maximum and actual leverage levels (see Glossary of Terms on page 63) at 31 March 2015 are shown below:

Leverage

	Gross method	Commitment method
Maximum limit	2.50:1	2.00:1
Actual	1.13:1	1.15:1

Notice of Annual General Meeting



The Annual General Meeting of the Company will be held at The Balmoral Hotel, 1 Princes Street, Edinburgh, EH2 2EQ on Tuesday, 23 June 2015 at 4.30pm.

If you have any queries as to how to vote or how to attend the meeting, please call us on 0800 027 0133.

Baillie Gifford may record your call.

By Rail:
Edinburgh Waverley (adjacent to The Balmoral Hotel)

By Bus:
Lothian Buses local services include:
1, 3, 4, 15, 19, 22, 25, 29, 30, 31, 33, 34, 37, 41

Notice is hereby given that an Annual General Meeting of Scottish Mortgage Investment Trust PLC (the 'Company') will be held at The Balmoral Hotel, 1 Princes Street, Edinburgh, EH2 2EQ on Tuesday, 23 June 2015 at 4.30pm for the purposes of considering and, if thought fit, passing the following Resolutions, of which Resolutions 1 to 11 and 13 will be proposed as ordinary Resolutions and Resolutions 12 and 14 will be proposed as special resolutions:

1. To receive and adopt the Company's Annual Report and Financial Statements for the financial year ended 31 March 2015, together with the Reports of the Directors and the Independent Auditor's report thereon.
2. To approve the Directors' Annual Report on Remuneration for the financial year ended 31 March 2015.
3. To declare a final dividend of 1.55 pence per Ordinary Share.
4. To re-elect Mr JPHS Scott as a Director of the Company.
5. To re-elect Professor JA Kay as a Director of the Company.
6. To re-elect Ms FC McBain as a Director of the Company.
7. To re-elect Mr WG McQueen as a Director of the Company.
8. To re-elect Dr P Subacchi as a Director of the Company.
9. To re-appoint KPMG LLP as Independent Auditor 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.
10. To authorise the Directors to determine the remuneration of the Independent Auditor of the Company.
11. 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 £21,015,408.05; 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 30 September 2016, or, if earlier, at the conclusion of the Annual General Meeting of the Company to be held in 2016, 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.

12. That: subject to the passing of Resolution 11 (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 wholly 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 £9,456,933.60;

    (b) shall be in substitution for all pre-existing powers under section 570 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.

13. That the Directors be authorised for the purposes of LR15.4.11 of the Listing Rules of the UK Listing Authority to allot ordinary shares and to sell treasury shares (as defined in section 724 of the Companies Act 2006) 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.
14. 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 189,012,580, or, if less, the number representing approximately 14.99% 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 on 30 September 2016, or, if earlier, at the conclusion of the Annual General Meeting of the Company to be held in 2016, 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.

By order of the Board

Baillie Gifford & Co Limited
Company Secretary
22 May 2015

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, PO Box 82, 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 providers 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 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 providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
6. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
7. The return of a completed proxy form or other instrument of proxy will not prevent you attending the AGM and voting in person if you wish.
8. Shareholders participating in the Baillie Gifford Investment Trust Share Plan, Children's Savings Plan or the Baillie Gifford Investment Trust ISA who wish to vote and/or attend the meeting must complete and return the enclosed reply-paid Form of Direction.
9. 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.
10. 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.
11. 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.
12. The members of the Company may require the Company to publish, on its website, (without payment) a statement (which is also passed to the auditor) setting out any matter relating to the audit of the Company's accounts, including the auditor's 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% 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.
13. 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.
14. Members have the right to ask questions at the meeting in accordance with Section 319A of the Companies Act 2006.
15. As at 8 May 2015 (being the last practicable date prior to the publication of this notice) the Company's issued share capital consisted of 1,260,924,485 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 8 May 2015 were 1,260,924,485 votes.
16. Any person holding 3% or more of the total voting rights of the Company who appoints a person other than the Chairman of the meeting as his proxy will need to ensure that both he and his 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.

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, by asking a professional adviser to do so, or through the Baillie Gifford savings vehicles (see page 60). You can also find specific details about investing in Scottish Mortgage at 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	GB0007838849
Sedol	0783884
Ticker	SMT

The Ordinary shares of the Company are listed on the London Stock Exchange and their 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 0870 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 0870 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 0870 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 accounts have been approved by the Directors of Scottish Mortgage Investment Trust PLC.

Analysis of Shareholders at 31 March

	2015 Number of shares held	2015 %	2014 Number of shares held	2014 %
Institutions	321,602,038	25.8	341,671,430	27.9
Intermediaries	693,300,828	55.7	658,784,395	53.7
Individuals	83,730,607	6.7	87,099,125	7.1
Baillie Gifford Share Plans/ISA	144,987,868	11.6	134,499,665	10.9
Marketmakers	2,053,144	0.2	4,644,870	0.4
	1,245,674,485	**100.0**	**1,226,699,485**	**100.0**

Cost-effective Ways to Buy and Hold Shares in Scottish Mortgage

Press advertisement for Scottish Mortgage

The Share Plan and ISA brochure available at www.scottishmortgageit.com

Baillie Gifford Savings Management Limited offers a number of plans that enable you to buy and hold shares of Scottish Mortgage cost-efficiently. Purchases and sales are normally subject to a dealing price spread and Government stamp duty of 0.5% is payable on purchases.

The Baillie Gifford Investment Trust Share Plan

- No initial charge
- No annual wrapper charge
- Normally cheaper than dealing through a stockbroker
- Invest a lump sum from £250 or monthly from just £30
- No maximum investment limits
- Stop and start saving at any time with no charge
- Twice weekly dealing (usually Tuesday and Friday)
- A withdrawal charge of just £22

The Baillie Gifford Investment Trust ISA

- Tax-efficient investment
- No set-up charge
- Flat rate annual management charge currently of £32.50 + VAT
- Lump sum investment from £2,000 currently up to a maximum of £15,240 each year
- Save monthly from £100
- A withdrawal charge of just £22

ISA Transfers

- Transfer existing ISAs from other plan managers into the Baillie Gifford ISA
- Consolidate your plans into a managed global investment
- Minimum transfer value £2,000

The Baillie Gifford Children's Savings Plan

- An excellent way for parents, grandparents or other adults to invest for a child
- No initial charge
- No annual wrapper charge
- The option of a designated account or a bare trust in favour of the child
- Flexible investment options: lump sum from £100 or monthly saving from just £25
- A withdrawal charge of just £22

Online Management Service

You can also open and manage your Share Plan/Children's Savings Plan* and/or ISA online, through our secure Online Management Service (OMS) which can be accessed through the Baillie Gifford website at www.bailliegifford.com/oms. As well as being able to view the details of your plan online, the service also allows you to:

- Obtain current valuations;
- Make lump sum investments, except where there is more than one holder;
- Sell part or all of your holdings, except where there is more than one holder;
- Switch between investment trusts, except where there is more than one holder; and
- Update certain personal details e.g. address and telephone number.

* Please note that a bare trust cannot be opened via OMS. A bare trust application form must be completed.

Certain restrictions apply for accounts where there is more than one holder.

Further information

If you would like more information on any of the plans described above, please contact the Baillie Gifford Client Relations Team (see contact details on page 62).

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 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'). 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 75% of the investment management fee and 75% of 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 Scottish Mortgage may not pay a dividend and the capital value would be further reduced.
- You should note that tax rates and reliefs may change at any time and their value depends on your circumstances.
- The favourable tax treatment of ISAs may change.
- Details of other risks that apply to investment in the savings vehicles shown on page 60 are contained in the product brochures.

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

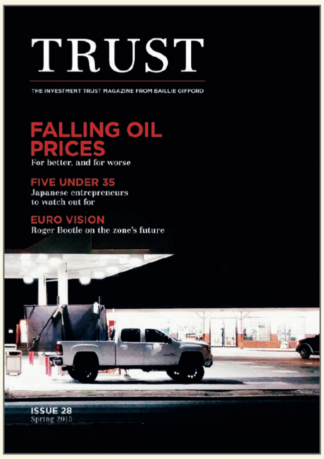
Further details of the risks associated with investing in the Company, including how charges are applied, can be found at www.scottishmortgageit.com, or by calling Baillie Gifford on 0800 917 2112.

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.

Baillie Gifford Savings Management Limited (BGSM) is the manager of The Baillie Gifford Investment Trust Share Plan, The Baillie Gifford Children's Savings Plan and The Baillie Gifford Investment Trust ISA. BGSM is wholly owned by Baillie Gifford & Co. BGSM and Baillie Gifford & Co are both authorised and regulated by the Financial Conduct Authority. Baillie Gifford only provides information about its products and does not provide investment advice.

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

Communicating with Shareholders



Trust Magazine

A Scottish Mortgage web page at www.scottishmortgageit.com

Promoting Scottish Mortgage

Baillie Gifford carries out extensive marketing activity to promote Scottish Mortgage to institutional, intermediary and direct investors. The Board warmly supports the promotion of the plans described on page 60 in order to bring the merits of Scottish Mortgage to as wide an audience as possible.

Trust Magazine

Trust is the Baillie Gifford investment trust magazine which is published three times 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. For a copy of *Trust*, please contact the Baillie Gifford Client Relations Team (see contact details opposite).

An online version of *Trust* can be found at www.bgtrustonline.com.

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.

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, either about Scottish Mortgage or the plans described on page 60.

Literature in Alternative Formats

It is possible to provide copies of literature in alternative formats, such as large print or on audio tape. Please contact the Baillie Gifford Client Relations Team for more information.

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 Savings Management Limited
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

Please note that Baillie Gifford is not permitted to give financial advice. If you would like advice or if you have any questions about the suitability of any of these plans for you, please ask an authorised intermediary.

Glossary of Terms

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

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

Net Asset Value at Fair
Borrowings are valued at an estimate of their market worth.

Net Asset Value at Book
Borrowings are valued at adjusted net issue proceeds.

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 xd.

Ongoing Charges Ratio
The total expenses (excluding borrowing costs) incurred by the Company as a percentage of the average net asset value (with debt at fair value).

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 par 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.

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

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 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.

Directors

Chairman:
JPHS Scott FCII FCSI DL

Dr MM Gray OBE DL
Professor JA Kay CBE FBA FRSE
FC McBain ACA
WG McQueen CA FCIBS
Dr P Subacchi

Managers, Secretaries and Registered Office

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Company Registration
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