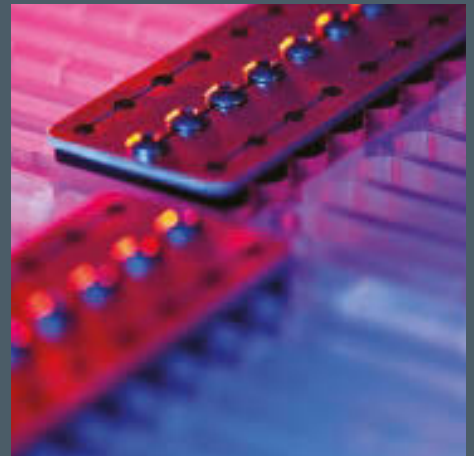
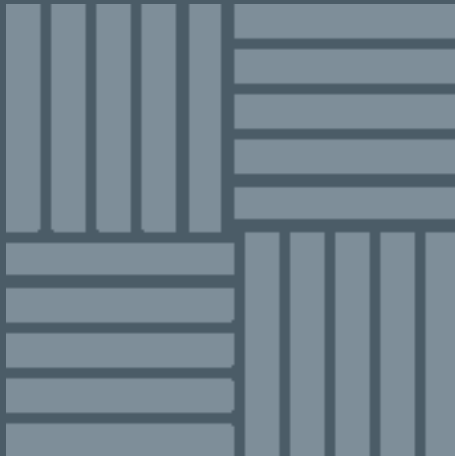
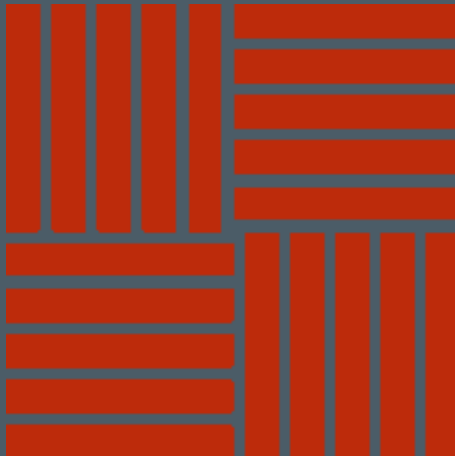
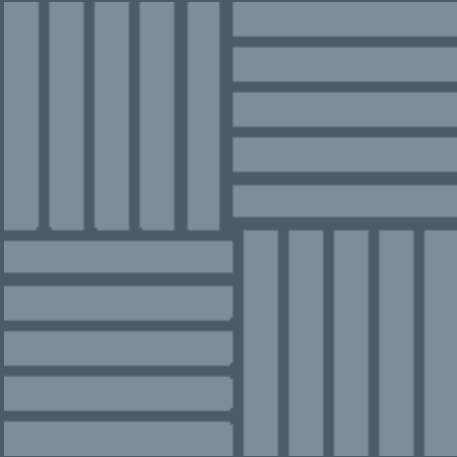


SCOTTISH MORTGAGE INVESTMENT TRUST PLC

Your low cost choice
for global investment





Scottish Mortgage Investment Trust PLC is an actively managed, low cost investment trust, investing in a high conviction global portfolio of companies with the aim of maximising its total return over the long term. It looks for strong businesses with above-average returns and aims to achieve a greater return than the FTSE All-World Index (in sterling terms) over a five year rolling period.

Benchmark

The portfolio benchmark against which performance is measured is the FTSE All-World Index (in sterling terms).

Principal Risks and Uncertainties

The principal risks facing the Company are financial risk, unlisted investments risk, regulatory risk, custody and depositary risk, operational risk, premium/discount volatility, leverage risk and political risk. An explanation of these risks and how they are managed is set out on pages 8 and 9 of the Company's Annual Report and Financial Statements for the year to 31 March 2016 which is available on the Company's website:

www.scottishmortgageit.com. The principal risks and uncertainties have not changed since the date of that report.

Responsibility Statement

We confirm that to the best of our knowledge:

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

By order of the Board
John Scott
Chairman
3 November 2016

Summary of Unaudited Results

	30 September 2016	31 March 2016 (audited)	% change
Total assets (before deduction of debentures, long and short term borrowings)	£4,775.2m	£3,955.4m	
Shareholders' funds	£4,278.9m	£3,457.4m	
Net asset value per ordinary share (after deducting borrowings at fair value)*	321.7p	259.2p	24.1
FTSE All-World Index (in sterling terms)			16.2
Share price	326.7p	262.5p	24.5
Premium (after deducting borrowings at fair value)	1.6%	1.3%	
Active share†	95%	94%	

	Six months to 30 Sept 2016	Six months to 30 Sept 2015	% change
Revenue earnings per share	0.80p	1.23p	(35.0)
Interim dividend per share#	1.39p	1.38p	0.7

	Six months to 30 Sept 2016	Six months to 30 Sept 2015
Total returns (%)‡		
Net asset value per ordinary share (after deducting borrowings at fair value)	24.9	(10.3)
Share price	25.2	(9.2)
FTSE All-World Index (in sterling terms)	18.0	(10.6)

	Six months to 30 Sept 2016		Year to 31 March 2016	
Period's high and low	High	Low	High	Low
Share price	328.5p	246.9p	281.8p	220.6p
Net asset value per ordinary share (after deducting borrowings at fair value)^	321.8p	246.9p	275.9p	216.4p
Premium/(discount) (after deducting borrowings at fair value)^	4.0%	(2.9%)	6.7%	(4.2%)
Average sector (discount)/premium (AIC Global Sector)	(6.3%)	(9.0%)	(4.5%)	(8.0%)

* Borrowings are deducted at fair value (the estimate of market worth).

† 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.

See note 5, page 13.

‡ Source: Morningstar/Baillie Gifford.

^ Cum-income.

Past performance is not a guide to future performance.

Interim Management Report

Results and Approach

Scottish Mortgage offers a clear, consistent and simple proposition: a portfolio of long term investments in what the Managers believe to be the best growth businesses, operating in any industry and anywhere around the world. The Company's investment objective is to maximise total returns to shareholders, which it aims to achieve primarily through capital appreciation as these businesses grow. The portfolio is not constructed by reference to any benchmark index. The flexibility inherent in this approach allows the Managers to invest only where they see the best opportunities at any given time and for the portfolio to evolve over the long term.

Over the past 6 months, both the net asset value (NAV) and price per share rose by 25% on a total return basis; for context, the FTSE All World Index rose by 18% over the same period. All three of these figures were favourably influenced by the falls in the pound against other currencies over the period, raising the sterling value of overseas assets. The Managers reiterate previous comments that six months is too short a period over which to judge the investment approach taken and that the long term performance figures are more representative of the success or otherwise of the strategy. Over the last 5 years, the total return for the NAV was 165%, and 183% for the share price. The total return from the Index was 105% over the same period.

Over the six months to 30 September, the Company continued to implement its long standing liquidity policy, both buying back shares and issuing shares from treasury, as appropriate. These transactions were modest in size and the net result was a very small decrease of 805,000 shares in the level of the Company's issued share capital over the period.

Scottish Mortgage remains the largest conventional investment trust listed on the London Stock Exchange. The Board continues to view its comparative scale and low cost structure as clear competitive advantages.

Earnings and Dividend

Earnings per share were 0.80p over the six months to 30 September 2016 compared with 1.23p for the same period last year, which represents a fall of 35%. This is a continuation of the trend of lower earnings, which has been highlighted repeatedly in the Company's reports in recent years. The fall is due to the large number of companies in the portfolio reinvesting for their future growth, rather than paying out cash to shareholders. As growth investors, disciplined long term focused capital allocation is precisely what the Managers seek in a company.

The Board and the Managers believe that it is important to approach investment from a total return perspective over a period of at least five years. Whilst anticipating that capital appreciation will be the foremost reason for shareholders' investment in Scottish Mortgage, the Board is nevertheless conscious that many shareholders also value the dividends paid, which have grown consistently, if slowly, over a long period. The intention remains to continue with the stated dividend policy, as set out in the Chairman's Statement in the 2016 Annual Report. To this end, a modestly increased interim dividend of 1.39p per share will be paid, representing a rise of 0.7% over the previous year's figure of 1.38p.

The Portfolio

As simple as Scottish Mortgage's investment proposition is, the Managers and Board believe it is also increasingly rare. All investing starts from asking whether the price to be paid today offers the potential for an appropriate level of return over the applicable investment time horizon. In general, the investment industry seems to measure, analyse and judge companies over ever shorter periods, more in the order of twelve weeks or fewer, than over periods measured in years. In the short term, equity market returns can be dominated by external factors such as politics and macro economics, as well as pure swings in sentiment. However, if a company has a strong durable competitive advantage which enables it to sustain a growth rate above the broader market average, earning an attractive return on its own invested capital, its shareholders should see this reflected in their own returns on investment over the long term. Short term focused analysis will tend to underestimate dramatically the value of the few businesses able to do this, which in turn provides a real opportunity for those willing to focus on the long term prospects for individual businesses. More than that, in order to grow to their full potential, companies need shareholders who are prepared to support long term capital investment, despite the fact that it may come at the expense of short term earnings.

At the end of September 2016, the portfolio included investments in 67 different individual companies. The portfolio remains relatively concentrated, with the 30 largest holdings accounting for 83% of the assets. Within this, the individual position sizes are reflective of both the relative levels of the conviction of the Managers in their investment cases and the shares' individual price performances.

Despite wider macro economic and political concerns around the world, which are preoccupying many investors, over the past six months a number of the largest holdings in the portfolio have released strong operational results, showing a re-acceleration of their growth rates. These include Alphabet (Google), Facebook, Amazon, Alibaba, Baidu and Tencent. The long standing common elements contributing to their success include: strong corporate cultures, driven by their founder/managers; a focus on providing what their customers either want or need; and a willingness to invest for the long term to enable them to adapt to, and increasingly to anticipate, their customers' evolving demands.

These network businesses now seem to have reached a critical tipping point, whereby their sheer dominance and scale become a reinforcing competitive advantage. This stems from the developments within machine learning and artificial intelligence (AI). The increased level of global connectivity, through the combination of the relatively new infrastructure of the mobile internet, social media and smart devices, has produced an explosion in the proliferation of data. The volume of this is now so great that no human could hope to curate the content. It will require machine learning and AI to process it. The leaders in these fields need access to the best data sets, produced by the largest networks. It is no accident that Baidu, Alphabet, and Facebook are leaders in this area. Machine learning in particular is an iterative and accelerating process, meaning that it becomes increasingly hard to catch up with those at the forefront. Those

Past performance is not a guide to future performance.

who succeed will be able to offer better services based on the technology to their customers. The Managers have accordingly sold out of those second tier network businesses which they believe will be the losers in this next round, such as Twitter and LinkedIn. In contrast, the Managers have recently invested in a company, NVIDIA, which designs graphics processing units (GPUs). The company is the dominant provider of GPUs and currently its main market is the computer gaming industry. However, the processing structure of a GPU is better suited to the computational tasks required to support virtual or augmented reality, AI and autonomous vehicles, than the alternative central processing units used in traditional computing. This dramatically expands the company's potential addressable markets.

The importance of data, or more accurately the real time processing of vast volumes of data to support new business models and technologies, has moved beyond the area traditionally thought of as 'information technology'. This shift is happening much faster than many realise and will eventually impact almost every industry.

Within the portfolio there are a number of other companies, outwith the technology sector, taking advantage of these developments. Electric cars are really driven by their software. Improvements in data gathering and real time processing have enabled technology to reach the stage where the adoption of autonomous vehicles is largely a matter of time and acceptance, rather than of technological capability. Tesla is at the forefront of this. The requisite hardware for such capability now comes as standard on all new Tesla vehicles, and it will simply require an 'over the air' software update in the future to activate it. Our understanding in the field of genomics has seen a step change resulting from the data produced through gene sequencing. As well as the testing company Illumina, there are now a number of companies in the portfolio which are developing potentially curative treatments for a range of diseases as a direct result of this. These are, however, still at an early stage. Further, we are now entering the stage of the commercialisation of our understanding in this area as it applies to the wider field of biology. The Managers have recently invested in Ginkgo Bioworks, a company looking to industrialise biological processes to manufacture a range of products, such as rose oil, for use in the food and cosmetic industries.

Outlook

There is a strong structural asymmetry in equity market returns, given the potential for a successful company to grow to many times its size. This means it is of critical importance to be a patient optimist. The greatest investment mistakes come not from those investments which fail, but from the opportunities missed. Whilst others are focused on questions around political issues in the United States of America, what global GDP figures will be or whether the Federal Reserve will raise interest rates, those able to take a long term and global approach can focus on investing in those companies which are placed to benefit from the significant structural shifts which are occurring on the back of technological progress. A number of these companies have already reached significant scale, but have the potential and capital to grow substantially from here. This is truly exciting.

Here in the United Kingdom, a considerable amount of time and energy is being devoted to the question of whether the UK will manage to negotiate a constructive ongoing relationship with its nearest neighbours, following the referendum this summer. At the margin, in the short term a weaker pound has increased the value of overseas returns for UK investors, including for Scottish Mortgage. As global growth investors, the long term impact from the referendum outcome is muted. The challenges faced by the UK are not likely to have a significant impact on the long term structural growth opportunities to which the portfolio is exposed and, in any event, the vast majority of the companies within Scottish Mortgage's portfolio derive the bulk of their revenues overseas. Less than 5% of the portfolio is currently invested in UK listed companies.

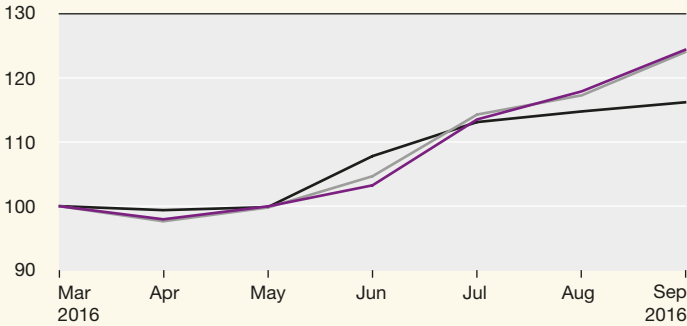
Put simply, amidst all the gloom and worry this is a great time to be a long term global growth stock picker.

The principal risks and uncertainties facing the Company are set out on the inside front cover of this report.

Performance

Six Months Performance

(plotted on a monthly basis and rebased to 100 at 31 March 2016)



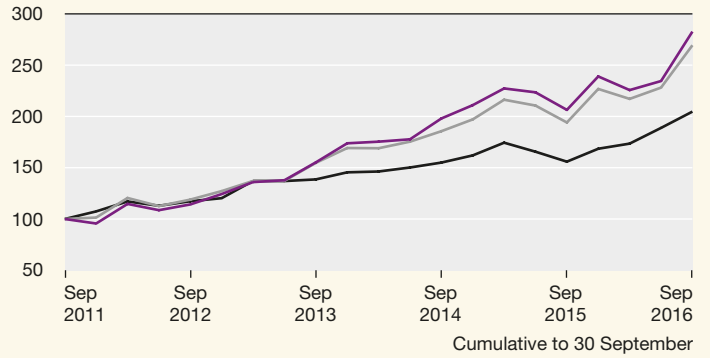
Source: Thomson Reuters Datastream/Baillie Gifford.

- Share price
- NAV (after deducting borrowings at fair value)
- FTSE All-World Index (in sterling terms)

Dividends are not reinvested.

Five Year Total Return Performance

(figures rebased to 100 at 30 September 2011)



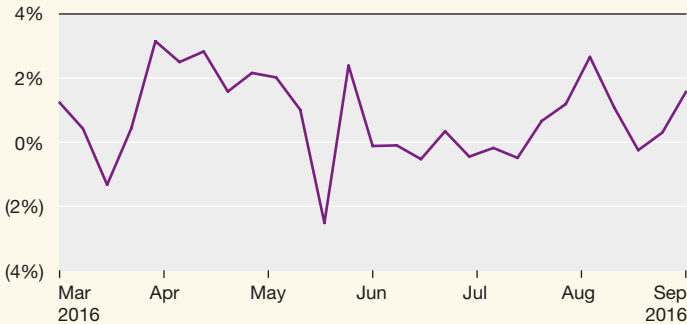
Source: Thomson Reuters Datastream.

- Share price total return
- NAV (fair) total return
- Benchmark* total return

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

Premium/(Discount) to Net Asset Value

(plotted on a weekly basis)



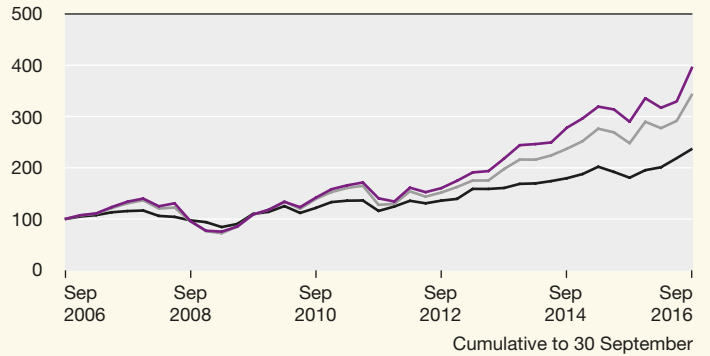
Source: Baillie Gifford.

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

The premium is the difference between Scottish Mortgage's quoted share price and its underlying net asset value calculated after deducting borrowings at fair value.

Ten Year Total Return Performance

(figures rebased to 100 at 30 September 2006)



Source: Thomson Reuters Datastream.

- Share price total return
- NAV (fair) total return
- Benchmark* total return

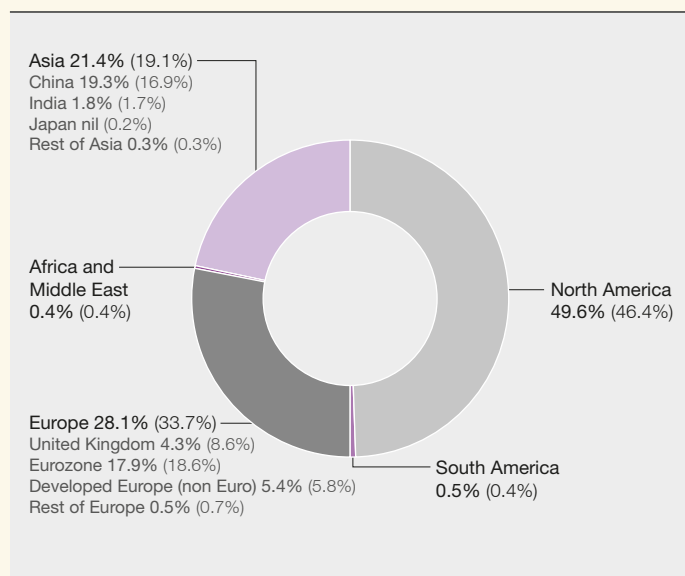
* On 1 April 2007 the Company changed its benchmark from 50% FTSE All-Share Index and 50% FTSE World ex UK Index (in sterling terms) to 100% FTSE All-World Index (in sterling terms). For the purposes of the graph above the returns on both benchmarks for their respective periods have been linked to form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

Past performance is not a guide to future performance.

Distribution of Total Assets*

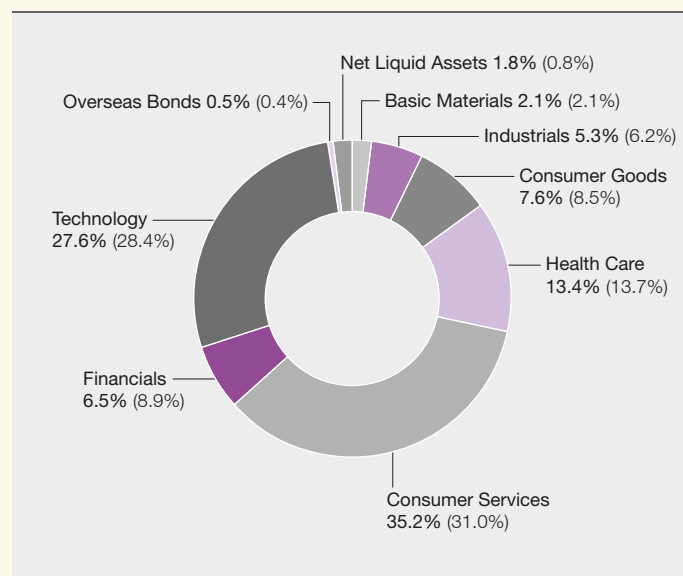
Geographical Analysis at 30 September 2016

(31 March 2016)



Sectoral Analysis at 30 September 2016

(31 March 2016)



	Listed equities %	Unlisted equities %	Bonds %	Net liquid assets %	Total %
30 September 2016	85.9	11.8	0.5	1.8	100.0
31 March 2016	87.0	11.8	0.4	0.8	100.0

* Total assets before deduction of debentures, long and short term borrowings.

List of Investments

At 30 September 2016

Name	Business	Fair value 31 March 2016 £'000	Fair value £'000	% of total assets	Contribution to absolute performance † %	Significant net changes in the holding over the period
Amazon.com	Online retailer	330,117	515,069	10.8	5.9	
Illumina	Biotechnology equipment	291,722	361,778	7.6	1.8	
Inditex	International clothing retailer	231,567	288,701	6.0	1.6	
Tencent Holdings	Internet services	190,964	284,689	6.0	2.8	
Alibaba Group	Online retail	164,129	243,088	5.1	2.2	
Baidu	Online search engine	228,621	241,298	5.1	0.2	
Tesla Motors	Electric cars	185,552	234,295	4.9	(0.2)	
Facebook	Social networking site	179,697	223,505	4.7	1.4	
Alphabet	Online search engine	155,518	179,509	3.8	0.7	
Ctrip.com	Travel agent	35,752	101,203	2.1	0.2	Significant addition
Ferrari	Automobiles	27,788	99,856	2.1	0.6	Significant addition
BASF	Chemicals	78,624	98,687	2.1	0.7	
Atlas Copco	Engineering	87,657	96,147	2.0	0.8	
Zalando	International clothing retailer	68,231	95,998	2.0	0.7	
Kering	Luxury goods producer and retailer	86,183	78,635	1.6	0.5	
Intuitive Surgical	Surgical robots	67,644	68,581	1.4	0.5	
Housing Development Finance Corporation	Mortgage bank	42,009	68,400	1.4	0.6	
Kinnevik	Investment company	68,867	68,314	1.4	0.2	
Workday	Enterprise information technology	26,714	64,017	1.4	0.3	
Netflix	Subscription service for TV shows and movies	36,264	63,295	1.3	0.1	
Prudential	International insurance	76,256	62,537	1.3	0.1	
Rolls-Royce Group	Aerospace equipment	56,982	60,201	1.3	0.1	
ASML Holding	Lithography	42,067	57,568	1.2	0.3	
Novozymes	Enzyme manufacturer	54,045	50,320	1.1	0.2	
Apple	Computer technology	58,850	48,714	1.0	0.1	
Palantir Technologies Inc Series J Pref.Ⓞ	Data integration software and service provider	41,479	45,895	1.0	0.2	
You & Mr JonesⓄ	Digital advertising agency	34,787	42,687	0.9	0.2	Increase in fair valuation
Bluebird Bio Inc	Provider of biotechnological products and services	22,032	38,881	0.8	0.5	
Thumbtack Series G Pref.Ⓞ	Online directory service for local businesses	34,787	38,491	0.8	0.1	
Rocket Internet	Internet startup factory	44,793	38,383	0.8	(0.3)	
Renishaw	Electronic equipment	26,571	38,184	0.8	0.4	
Hellofresh C3 Pref.Ⓞ	Grocery retailer	19,821	23,985	0.5	0.1	Increase in fair valuation
Hellofresh C4 Pref.Ⓞ	Grocery retailer	–	10,349	0.2	0.1	Participated in additional funding round
		19,821	34,334	0.7	0.2	
Home24 Series D Pref.Ⓞ	Online furniture retailer	26,164	20,096	0.4	(0.2)	Decrease in fair valuation
Home24 Series E Pref.Ⓞ	Online furniture retailer	–	8,651	0.2	–	Participated in additional funding round
		26,164	28,747	0.6	(0.2)	
Salesforce	Cloud computing and hosting	26,352	28,181	0.6	0.1	
Zocdoc D2 Pref.Ⓞ	Online platform for searching for doctors and booking appointments	20,875	26,388	0.6	0.2	Increase in fair valuation

† Contribution to absolute performance has been calculated on a total return basis over the period 1 April 2016 to 30 September 2016.

Ⓞ Denotes unlisted security.

Past performance is not a guide to future performance.

Name	Business	Fair value 31 March 2016 £'000	Fair value £'000	% of total assets	Contribution to absolute performance † %	Significant net changes in the holding over the period
Magnit OJSC	Retailer	21,815	25,271	0.5	0.1	
Svenska Handelsbanken	Banking	–	25,214	0.5	0.1	New purchase
Tableau Software	Analytics software	–	24,818	0.5	(0.1)	New purchase
Brazil CPI Linked 2045	Brazilian government inflation linked bond	17,241	23,393	0.5	0.2	
Airbnb Series E Pref.®	Online market place for travel accommodation	17,394	21,707	0.5	0.2	Increase in fair valuation
Dropbox Class B Common®	Online storage	28,889	21,689	0.5	(0.3)	Decrease in fair valuation
Curevac®	Biotechnology	19,820	21,627	0.5	0.1	
Juno Therapeutics	Clinical stage biotechnology company	23,739	20,693	0.4	(0.1)	
Flipkart Series G Pref.®	Indian e-commerce	26,836	19,881	0.4	(0.1)	Decrease in fair valuation
JAND Inc Series A Ord. (Warby Parker)®	Online and physical glasses retailer	4,848	5,955	0.1	–	
JAND Inc Series D Pref. (Warby Parker)®	Online and physical glasses retailer	12,552	13,298	0.3	–	
		17,400	19,253	0.4	–	
NVIDIA	Interactive 3D graphics provider	–	19,253	0.4	0.1	New purchase
Spotify Ord.®	Online music streaming service	17,394	19,246	0.4	0.1	
Intarcia Therapeutics Series EE Pref.®	Biotechnology	–	19,246	0.4	–	New purchase
Internet Plus Holdings Series B Pref.®	Local services aggregator	17,394	19,246	0.4	0.1	
Denali Therapeutics Series B1 Pref.®	Biotechnology	–	19,246	0.4	0.1	New purchase
Souq Class A Pref.®	Owner and operator of online retail e-commerce website	17,394	19,246	0.4	0.1	
Essence Healthcare Series 3 Pref.®	Cloud-based health provider	16,609	18,378	0.4	0.1	
Innovation Works Development Fund®	Investment company	18,282	17,073	0.4	–	Decrease in fair valuation
Alnylam Pharmaceuticals	Biotechnology	14,272	17,057	0.4	0.1	
Astra International	Automotive conglomerate	12,933	16,601	0.3	0.1	
Funding Circle Series E Pref.®	Facilitates loans to small and medium enterprises	11,053	15,790	0.3	0.1	Increase in fair valuation
Transferwise Series D Pref.®	Online money transfer	13,915	15,396	0.3	–	
Jeronimo Martins	Retailer	13,132	15,372	0.3	0.1	
Under Armour	Develops, markets and distributes branded performance products	–	13,888	0.3	–	New purchase
SurveyMonkey Common®	Online surveys	12,318	13,805	0.3	0.1	
JD.com	Online direct sales company	10,714	11,675	0.2	–	
Anaplan Inc Series E Pref.®	Enterprise planning software	10,436	11,548	0.2	–	
Udacity Series D Pref.®	Online education	10,436	11,547	0.2	–	
WI Harper Fund VII®	Venture capital	12,050	11,034	0.2	–	Cash distribution received
Gingko Bioworks Series C Pref.®	Bio-engineering company	–	9,993	0.2	–	New purchase

† Contribution to absolute performance has been calculated on a total return basis over the period 1 April 2016 to 30 September 2016.

® Denotes unlisted security.

Past performance is not a guide to future performance.

Name	Business	Fair value 31 March 2016 £'000	Fair value £'000	% of total assets	Contribution to absolute performance † %	Significant net changes in the holding over the period
Skyscanner Ord.®	Online flight search	9,800	9,800	0.2	–	
Flatiron Health Series C Pref.®	Software and data aggregation for oncology	6,957	7,698	0.2	–	
Castlight Health Inc Level E Maya Fund	Healthcare information company Artificial intelligence based algorithmic trading	4,158	5,734	0.1	0.1	
Solarcity	Solar energy production	4,973	5,320	0.1	–	
WI Harper Fund VIII®	Venture capital fund	5,349	4,712	0.1	–	
Sinovation Fund III®	Venture capital fund	2,408	2,960	0.1	–	Additional investment
ARCH Ventures Fund IX®	Venture capital fund	–	1,777	<0.1	–	New purchase
		–	346	<0.1	–	New purchase
Total Investments			4,691,109	98.2		
Net liquid assets			84,109	1.8		
Total Assets			4,775,218	100.0		

† Contribution to absolute performance has been calculated on a total return basis over the period 1 April 2016 to 30 September 2016.

® Denotes unlisted security.

Source: Baillie Gifford/StatPro.

The following investments were sold out during the period: Advantest, ARM Holdings, Baillie Gifford Global Discovery Fund, Banco Santander, Burberry Group, Fiat Chrysler Automobiles, Genomic Health, KGHM, Lending Club, LinkedIn, Myriad Genetics, Reckitt Benckiser, Splunk, Stratasys, Twitter and Whole Foods Market.

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Income Statement (unaudited)

For the six months ended 30 September

	Notes	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000	2015 Revenue £'000	2015 Capital £'000	2015 Total £'000
Gains on sales of investments		–	110,182	110,182	–	112,266	112,266
Changes in investment holding gains and losses		–	770,789	770,789	–	(479,614)	(479,614)
Currency (losses)/gains		–	(34,271)	(34,271)	–	5,467	5,467
Income from investments and interest receivable		17,577	–	17,577	22,127	–	22,127
Investment management fee	3	(1,674)	(5,021)	(6,695)	(1,374)	(4,122)	(5,496)
Other administrative expenses		(1,724)	–	(1,724)	(1,584)	–	(1,584)
Net return before finance costs and taxation		14,179	841,679	855,858	19,169	(366,003)	(346,834)
Finance costs of borrowings		(2,380)	(7,140)	(9,520)	(2,254)	(6,761)	(9,015)
Net return on ordinary activities before taxation		11,799	834,539	846,338	16,915	(372,764)	(355,849)
Tax on ordinary activities		(1,239)	–	(1,239)	(1,216)	–	(1,216)
Net return on ordinary activities after taxation		10,560	834,539	845,099	15,699	(372,764)	(357,065)
Net return per ordinary share	4	0.80p	63.55p	64.35p	1.23p	(29.22p)	(27.99p)
Dividends paid and proposed per ordinary share	5	1.39p			1.38p		

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.

Balance Sheet (unaudited)

	Notes	At 30 September 2016 £'000	At 31 March 2016 (audited) £'000
Fixed assets			
Investments held at fair value through profit or loss	6	4,691,109	3,922,124
Current assets			
Debtors		2,279	4,051
Cash and short term deposits		89,088	43,973
		91,367	48,024
Creditors			
Amounts falling due within one year:			
Bank loans	7	(346,420)	(288,736)
Other creditors		(7,258)	(14,750)
		(353,678)	(303,486)
Net current liabilities			
		(262,311)	(255,462)
Total assets less current liabilities			
		4,428,798	3,666,662
Creditors			
Amounts falling due after more than one year:			
Bank loans	7	–	(59,139)
Debenture stocks		(149,895)	(150,079)
		(149,895)	(209,218)
		4,278,903	3,457,444
Capital and reserves			
Called up share capital		71,086	71,086
Capital redemption reserve		19,094	19,094
Capital reserve		4,145,196	3,313,502
Revenue reserve		43,527	53,762
Shareholders' funds			
		4,278,903	3,457,444
Net asset value per ordinary share			
(after deducting borrowings at fair value)	8	321.7p	259.2p
Net asset value per ordinary share			
(after deducting borrowings at par)		326.5p	263.8p
Ordinary shares in issue			
	9	1,311,719,485	1,312,524,485

Statement of Changes in Equity (unaudited)

For the six months ended 30 September 2016

	Notes	Share capital £'000	Capital redemption reserve £'000	Capital reserve* £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 April 2016		71,086	19,094	3,313,502	53,762	3,457,444
Net return on ordinary activities after taxation		–	–	834,539	10,560	845,099
Shares bought back into treasury		–	–	(19,558)	–	(19,558)
Shares sold from treasury	9	–	–	16,713	–	16,713
Dividends paid during the period	5	–	–	–	(20,795)	(20,795)
Shareholders' funds at 30 September 2016		71,086	19,094	4,145,196	43,527	4,278,903

For the six months ended 30 September 2015

	Notes	Share capital £'000	Capital redemption reserve £'000	Capital reserve* £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 April 2015		71,086	19,094	3,173,033	70,005	3,333,218
Net return on ordinary activities after taxation		–	–	(372,764)	15,699	(357,065)
Shares sold from treasury	9	–	–	128,342	–	128,342
Dividends paid during the period	5	–	–	–	(19,758)	(19,758)
Shareholders' funds at 30 September 2015		71,086	19,094	2,928,611	65,946	3,084,737

* The Capital Reserve balance at 30 September 2016 includes investment holding gains on fixed asset investments of £2,304,626,000 (30 September 2015 – gains of £1,296,892,000).

Cash Flow Statement (unaudited)

For the six months ended 30 September

	Notes	2016 £'000	2015 £'000
Cash flows from operating activities			
Net return on ordinary activities before taxation		846,338	(355,849)
Net (gains)/losses on investments		(880,971)	367,348
Currency losses/(gains)		34,271	(5,467)
Finance costs of borrowings		9,520	9,015
Overseas withholding tax		(1,214)	(1,172)
Changes in debtors and creditors		2,127	620
Cash from operations		10,071	14,495
Interest paid		(9,636)	(9,094)
Net cash inflow from operating activities		435	5,401
Net cash inflow/(outflow) from investing activities			
Equity dividends paid	5	(20,795)	(19,758)
Shares bought back		(19,574)	–
Shares sold from treasury		16,713	128,342
Net cash outflow from bank loans	7	(37,903)	–
Net cash (outflow)/inflow from financing activities		(61,559)	108,584
Increase/(decrease) in cash and cash equivalents		45,115	(17,778)
Cash and cash equivalents at start of period		43,973	76,543
Cash and cash equivalents at end of period*		89,088	58,765

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

Notes to the Financial Statements

- 1 The condensed Financial Statements for the six months to 30 September 2016 comprise the statements set out on pages 9 to 12 together with the related notes on pages 13 to 15. They have been prepared in accordance with FRS 104 'Interim Financial Reporting' and the AIC's Statement of Recommended Practice issued in November 2014 and have not been audited or reviewed by the Auditor pursuant to the Auditing Practices Board Guidance on 'Review of Interim Financial Information'. The Financial Statements for the six months to 30 September 2016 have been prepared on the basis of the same accounting policies as set out in the Company's Annual Report and Financial Statements at 31 March 2016.

Going Concern

Having considered the nature of the Company's assets, its liabilities, projected income and expenditure together with the Company's investment objective and policy, dividend policy and principal risks and uncertainties, as set out on the inside front cover, it is the Directors' opinion that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company's assets, the majority of which are in quoted securities which are readily realisable, exceed its liabilities significantly. The Board approves borrowing limits and reviews regularly the amount of any borrowings and compliance with banking covenants. Accordingly, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the Interim Financial Statements.

- 2 The financial information contained within this Interim Financial Report does not constitute statutory accounts as defined in sections 434 to 436 of the Companies Act 2006. The financial information for the year ended 31 March 2016 has been extracted from the statutory accounts which have been filed with the Registrar of Companies. The Auditor's Report on those accounts was not qualified, did not include a reference to any matters to which the Auditor drew attention by way of emphasis without qualifying their report, and did not contain statements under sections 498(2) or (3) of the Companies Act 2006.
- 3 Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, has been appointed by the Company as its Alternative Investment Fund Manager (AIFM) and Company Secretary. The investment management function has been delegated to Baillie Gifford & Co. The management agreement can be terminated on six months' notice. The annual management fee is 0.30% of total assets less current liabilities (excluding short term borrowings for investment purposes), calculated quarterly.

4 Net return per ordinary share

	Six months to 30 September 2016 £'000	Six months to 30 September 2015 £'000
Revenue return on ordinary activities after taxation	10,560	15,699
Capital return on ordinary activities after taxation	834,539	(372,764)
Total net return	845,099	(357,065)
Weighted average number of ordinary shares in issue	1,313,269,731	1,275,927,764

The net return per ordinary share figures are based on the above totals of revenue and capital and the weighted average number of ordinary shares in issue during each period.

There are no dilutive or potentially dilutive shares in issue.

5 Dividends

	Six months to 30 September 2016 £'000	Six months to 30 September 2015 £'000
Amounts recognised as distributions in the period:		
Previous year's final dividend of 1.58p (2015 – 1.55p), paid 4 July 2016	20,795	19,758
	20,795	19,758
Dividends paid and proposed in the period:		
Interim dividend for the year ending 31 March 2017 of 1.39p (2016 – 1.38p)	18,233	17,858
	18,233	17,858

The interim dividend was declared after the period end date and has therefore not been included as a liability in the Balance Sheet. It is payable on 2 December 2016 to shareholders on the register at the close of business on 18 November 2016. The ex-dividend date is 17 November 2016. The Company's Registrars offer a Dividend Reinvestment Plan and the final date for elections for this dividend is 21 November 2016.

6 Fair Value

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

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

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

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

The Company's investments are financial assets designated at fair value through profit or loss. An analysis of the Company's financial asset investments based on the fair value hierarchy described above is shown below.

Investments held at fair value through profit or loss

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
As at 30 September 2016				
Listed equities/funds	4,098,323	5,320	–	4,103,643
Listed debt securities	–	23,393	–	23,393
Unlisted equities	–	–	564,073	564,073
Total financial asset investments	4,098,323	28,713	564,073	4,691,109
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
As at 31 March 2016				
Listed equities/funds	3,415,656	23,580	–	3,439,236
Listed debt securities	–	17,241	–	17,241
Unlisted equities	–	–	465,647	465,647
Total financial asset investments	3,415,656	40,821	465,647	3,922,124

There have been no transfers between levels of the fair value hierarchy during the period. The fair value of listed investments is bid price or, in the case of FTSE 100 constituents or holdings on certain recognised overseas exchanges, last traded price. Listed Investments are categorised as Level 1 if they are valued using unadjusted quoted prices for identical instruments in an active market and as Level 2 if they do not meet all these criteria but are, nonetheless, valued using market data.

Unlisted Investments

The Company's holdings in unlisted investments are categorised as Level 3. Unlisted investments are valued at fair value by the Directors following a detailed review and appropriate challenge of the valuations proposed by the Managers. The Managers' unlisted investment policy applies methodologies consistent with the International Private Equity and Venture Capital Valuation guidelines ('IPEV'). These methodologies can be categorised as follows:

- Market Approach (a. Price of Recent Investment; b. Multiples; c. Industry Valuation Benchmarks; and d. Available Market Prices);
- Income Approach (Discounted Cash Flows); and
- Replacement Cost Approach (Net Assets).

The nature of the unlisted portfolio currently (generally young, rapidly growing companies using technology to create new, or disrupt existing, business models) will influence the valuation methodology applied. The price of a recent investment or available market prices for secondary transactions are likely to be the most appropriate approaches. Methodologies using multiples or discounted cash flows are likely to be inappropriately subjective where earnings are very low. An absence of relevant industry peers will often preclude the application of the Industry Valuation Benchmarks method. The Replacement Cost Approach is likely to result in a misleadingly conservative valuation of the typical companies within the current unlisted portfolio, where financial net assets are less important than intangible technological assets.

The policy, however, recognises that the robustness of a transaction based valuation will erode as the length of time from the relevant transaction increases. Additionally, the background to the transaction must be considered. In these cases, alternative techniques consistent with IPEV guidelines may have to be employed.

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

- At the year end and half year end of Scottish Mortgage; and
- Where there is an indication of a change in fair value as defined in the IPEV guidelines (commonly referred to as 'trigger' events).

- 7 The bank loans falling due within one year are a US\$200 million revolving loan with National Australia Bank Limited ('NAB'), a US\$165 million revolving loan with The Royal Bank of Scotland ('RBS') and a US\$85 million fixed rate loan with RBS (31 March 2016 – US\$200 million fixed rate loan with NAB, a US\$165 million revolving loan with RBS and a US\$50 million fixed rate loan with State Street Bank and Trust Company ('State Street')).

There are no bank loans falling due in more than one year (31 March 2016 – US\$85 million fixed rate loan with RBS).

During the period the US\$165 million revolving loan with RBS was refinanced with RBS, the US\$200 million fixed rate loan with NAB was repaid and replaced with a US\$200 million revolving loan with NAB and the US\$50 million fixed rate State Street loan was repaid on expiry.

- 8 The fair value of the borrowings at 30 September 2016 was £555,823,000 (31 March 2016 – £553,646,000).

9 Share capital: Ordinary shares of 5p each

	At 30 September 2016	At 31 March 2016 (audited)
	No. of shares	No. of shares
Allotted, called up and fully paid	1,311,719,485	1,312,524,485
Treasury shares	110,011,395	109,206,395
	1,421,730,880	1,421,730,880

In the six months to 30 September 2016, the Company sold 6,200,000 ordinary shares from treasury at a premium to net asset value raising net proceeds of £16,713,000 (year to 31 March 2016 – 68,100,000 shares sold from treasury). At 30 September 2016 the Company had authority to issue or sell from treasury a further 130,152,448 ordinary shares.

In the six months to 30 September 2016 the Company bought back 7,005,000 ordinary shares into treasury at a total cost of £19,558,000. In the year to 31 March 2016 a total of 1,250,000 ordinary shares were bought back into treasury at a total cost of £3,199,000. At 30 September 2016 the Company had authority to buy back a further 193,072,120 ordinary shares.

- 10 Transaction costs on acquisitions within the portfolio amounted to £156,000 (30 September 2015 – £230,000) and transaction costs on sales amounted to £221,000 (30 September 2015 – £232,000). These costs are included in the book cost of acquisitions and in the net proceeds of disposals.

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

Further Shareholder Information

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

Baillie Gifford's Investment Trust Share Plan

You can invest a minimum of £250 or from £30 per month. The plan is designed to be a cost-effective way of saving on a lump sum or regular basis.

Baillie Gifford's Investment Trust ISA

You can invest in a tax efficient way by investing a minimum of £2,000 or from £100 per month or by transferring an ISA with a value of at least £2,000 from your existing manager.

Baillie Gifford's Children's Savings Plan

A cost-effective plan tailored especially to meet the requirements to save for children. You can invest a minimum of £100 or from £25 per month.

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;
- set up a direct debit to make regular investments, 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.

The information about the ISA, Share Plan and Children's Savings Plan has been approved by Baillie Gifford Savings Management Limited ('BGSM').

BGSM is the ISA Manager, the Manager of the Baillie Gifford Investment Trust Share Plan and Children's Savings Plan. BGSM is wholly owned by Baillie Gifford & Co. Both are authorised and regulated by the Financial Conduct Authority and both are based at Calton Square, 1 Greenside Row, Edinburgh EH1 3AN. Baillie Gifford only provides information about its products and does not provide investment advice.

Dividend Reinvestment Plan

Computershare operate 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.

Risk Warnings

- Past performance is not a guide to future performance.
- Scottish Mortgage is a listed UK company. The value of its shares and any income from them can fall as well as rise and investors may not get back the amount invested.
- Scottish Mortgage's risk could be increased by its investment in unlisted investments. These assets may be more difficult to buy or sell, so changes in their prices may be greater.
- Scottish Mortgage invests in overseas securities. Changes in the rates of exchange may also cause the value of your investment (and any income it may pay) to go down or up.
- Scottish Mortgage invests in emerging markets where difficulties in dealing, settlement and custody could arise, resulting in a negative impact on the value of your investment.
- Scottish Mortgage has borrowed money to make further investments (sometimes known as 'gearing' or 'leverage'). The risk is that when this money is repaid by the Company, the value of the investments may not be enough to cover the borrowing and interest costs and the Company will make a loss. If the Company's investments fall in value, any invested 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 own shares.
- Market values for securities which have become difficult to trade may not be readily available and there can be no assurance that any value assigned to such securities will accurately reflect the price the Company might receive upon their sale.
- Scottish Mortgage can make use of derivatives which may impact on its performance. Currently the Company does not make use of derivatives.
- 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 the Company 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.

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

Details of other risks that apply to investment in the savings vehicles shown on this page are contained in the product brochures.

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

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

The Common Reporting Standard

On 1 January 2016 a new piece of tax legislation, The OECD Common Reporting Standard for Automatic Exchange of Financial Account Information ('The Common Reporting Standard'), came into effect.

The legislation requires Scottish Mortgage to provide information annually to the local tax authority on the tax residencies of a number of non-UK based certificated shareholders and corporate entities.

All new shareholders, excluding those whose shares are held in CREST, who come on to the share register with effect from 1 January 2016 will be sent a certification form for the purposes of collecting this information.

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

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JPHS Scott FCII FCSI DL

LJ Dowley FCA
Professor JA Kay CBE FBA FRSE
Professor PH Maxwell DPhil
FRCP FMedSci
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