SCOTTISH MORTGAGE INVESTMENT TRUST PLC

Your low cost choice
for global investment

Annual Report and Financial Statements
31 March 2021

BAILLIE GIFFORD

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

Contents

Investor Disclosure Document

The UK Alternative Investment Fund Managers Regulations requires certain information to be made available to investors prior to their investment in the Company. The Company's Investor Disclosure Document is available for viewing at 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 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 holding in Scottish Mortgage Investment Trust PLC, please forward this document, together with accompanying documents, but not your personalised Form of Proxy, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was or is being effected for delivery to the purchaser or transferee.

Message from the Board

It has been a challenging year for us all. Let us hope the rollout of effective vaccines and easing of restrictions are steps towards some form of normality. Notwithstanding this backdrop, we are pleased to report that is has been an excellent year for the Company, during which the share price almost doubled. This builds on the strong long term share price total returns over five and ten years, which stand at 348% and 756% respectively.

The pandemic and its lasting consequences have been on all our minds throughout the year. Yet, for Scottish Mortgage, fundamentally nothing has changed in what we do. The Managers are committed to being patient long term owners of the world's most exciting growth companies, whether they be publicly listed or private. In doing so, they look to build long term relationships with company management teams and help them fulfil their potential. This sustainable approach enables companies to thrive, as well as providing shareholders with long term returns, at low cost. We hope this simple, but effective, proposition remains attractive to existing and new shareholders in the years to come.

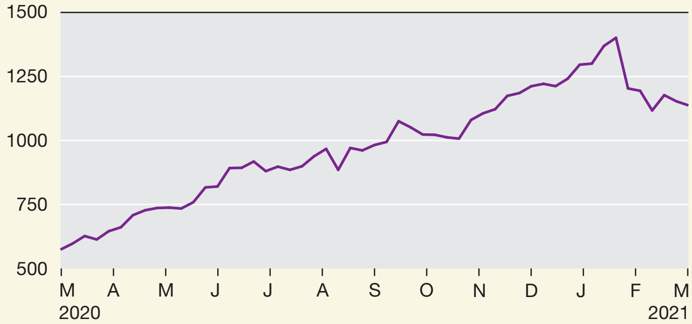
Financial Highlights – Year to 31 March 2021

Share Price* +99.0%	**NAV* +111.5%** (borrowings at book value)	**NAV* +111.2%** (borrowings at fair value#)	**Benchmark*† +39.6%**

* Source: Refinitiv/Baillie Gifford. All figures are stated on a total return basis. Total return is an Alternative Performance Measure – see Glossary of Terms and Alternative Performance Measures on pages 90 to 92. Comparatives for 2020 can be found on page 5.

Share Price (pence)

Share price

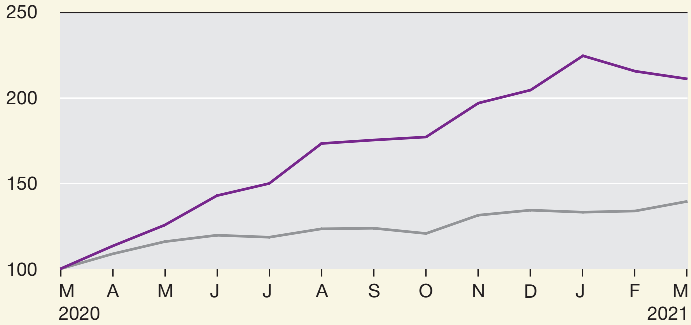


NAV and Benchmark

(figures rebased to 100 at 31 March 2020)

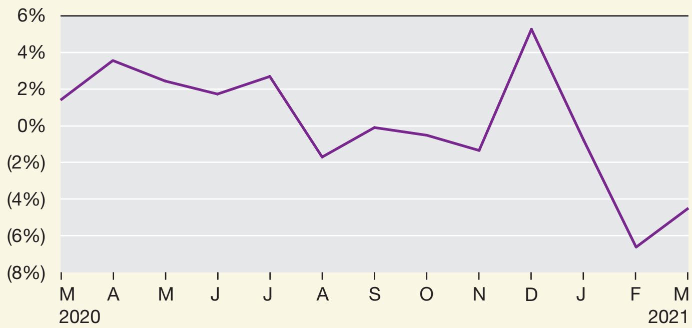
NAV total return (after deducting borrowings at fair value#)

Benchmark† total return



Premium/(Discount)#

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



Source: Refinitiv/Baillie Gifford.

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

Alternative Performance Measure – see Glossary of Terms and Alternative Performance Measures on pages 90 to 92.

Past performance is not a guide to future performance.

See disclaimer on page 89.

Strategic Report

This Strategic Report, which includes pages 2 to 32 and incorporates the Statement from the Board, has been prepared in accordance with the Companies Act 2006.

Statement from the Board

Corporate Strategy

The year to 31 March 2021 was clearly overshadowed by the Covid-19 pandemic. Quite apart from the devastating human cost, it has also created enormous social, economic and business disruption. However, this has also been a period that has supercharged the prospects of several portfolio companies, faster than many might have expected. We could point to Illumina and Moderna who, between them, took only four days to sequence the virus and make a candidate vaccine; online platforms such as Amazon that provided goods to our doors; or Zoom, the video conferencing service that turned into a verb overnight.

As an externally managed investment trust, the Company has been fortunate in not having to contend with so many of the difficulties faced by many operating businesses. But there have been some temporary challenges such as online Board meetings and restrictions on holding physical General Meetings.

In response to the obvious challenges of a virtual environment, Baillie Gifford made full use of the digital tools at its disposal to provide a full service that progressed uninterrupted. As one would expect, joint Managers James Anderson and Tom Slater remained resolutely focused on patient investment on behalf of shareholders and their time horizons reach far beyond the pandemic and its immediate after effects. Despite largely being confined to their own homes, they continued to engage with portfolio companies, as well as exploring new investment opportunities. It is worth noting that the portfolio turnover increased over the year in both monetary and number terms as Scottish Mortgage became owners of several new companies which the Managers believe can drive returns over the coming years.

Performance

For the financial year to 31 March 2021, shareholders saw the strongest ever return produced by the Company, surpassing the returns delivered during the Company's expansion post the Great Depression and, more recently, in the aftermath of the Global Financial Crisis. As a result, the Company reached new market capitalisation highs during the year, closing at just over £18 billion.

Total Return* (%)	12 months to 31 March 2021
NAV	111.2
Share price	99.0
FTSE All-World Index	39.6
Global Sector Average – NAV	76.8
Global Sector Average – share price	72.2

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

* Alternative Performance Measure – see Glossary of Terms and Alternative Performance Measures on pages 90 to 92.

When the Managers judge performance, they focus on long term returns and the impact of compounding over time. Following a period of outperformance, they remain patient and only trim holdings when they believe the upside has reduced. As we have learnt, over long time periods, a small number of companies generate most of the total return.

Total Return* (%)	Five years to 31 March 2021	Ten years to 31 March 2021
NAV	374.9	708.0
Share price	347.9	756.1
FTSE All-World Index	98.5	193.7
Global Sector Average – NAV	233.4	437.6
Global Sector Average – share price	232.3	482.7

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

* Alternative Performance Measure – see Glossary of Terms and Alternative Performance Measures on pages 90 to 92.

Value for Money

It is pleasing that the continued growth in Scottish Mortgage's assets has meant that costs as a proportion of net asset value have again reduced as the Company shares the benefits of scale with its owners. Ongoing charges for the year were 0.34%.

Value for money is moving up the agenda across the asset management industry. Net outperformance lies at the heart of this issue, which is comprised of two factors: relative investment performance to passives and peers, and cost.

On cost, it is difficult to find fair comparison as very few other investment companies provide access to both public and private companies in one portfolio. However, the Company's ongoing charges are less than most actively managed funds invested in public equities and significantly less than private equity funds. This leads to the conclusion that Scottish Mortgage is not only low cost, but, once relative performance has been incorporated, outstanding value for money for shareholders. This will continue to be a central tenet for both the Board and Managers.

Financial Position

The Board remains committed to the strategic use of borrowing, which is one of the principal advantages of the investment trust structure. The extent and range of equity gearing was discussed by the Board and Managers at each Board meeting throughout the period. The absolute level of borrowing increased to remain within an appropriate range against a rapidly growing net asset value. All new borrowing was secured at very competitive rates (details provided on pages 69 and 70) and at the end of the year the overall value of the borrowing represented approximately 7% of the Company's net asset value.

Past performance is not a guide to future performance.
See disclaimer on page 89.

Earnings and Dividend

The Managers seek to maximise total return by providing growth capital to a global portfolio of transformational public and private companies. One common characteristic across these companies is that many choose to retain and reinvest most of their earnings to support future growth. This results in a relatively low level of dividend income for your Company that represents a small and diminishing part of the overall return generated. The revenue earnings per share for Scottish Mortgage over the period were 0.62 pence – this represents a reduction on last year (1.55 pence in 2020), following a decline in income received from portfolio companies.

As a Board we acknowledge the importance of providing a predictable and growing level of dividend income, to help shareholders plan for their own overall portfolio income needs. The Directors are, therefore, recommending that this year the total dividend be increased by 5.2% to 3.42 pence.

The Company's revenue earnings for the year are insufficient to cover the dividend and the majority will be paid from realised capital reserves. Collectively, we believe this to be appropriate, given the relatively immaterial size of the element paid from capital compared with the scale of the distributable capital gains achieved over the long term.

Liquidity

Over the period, the Company continued to operate its liquidity policy to meet, in normal market conditions, imbalances in supply and demand of its own shares over the short term. In total, the Company issued 24.7 million shares and bought back 56.4 million, resulting in a net buyback totalling around £420 million.

Portfolio Manager Update

In March of this year we informed shareholders that James Anderson will retire as a partner from Baillie Gifford and stand down as joint manager of Scottish Mortgage on 30 April 2022. Over the last two decades James has led the transformation of the Company, from a largely UK-focused trust to one that is now global, long term and index indifferent. He also pioneered Scottish Mortgage's investments in private companies, one of its most important strategic initiatives to date. There is a lot more to say about the huge contribution that James has made, but it would be premature to do so now, as he remains focused on jointly managing the portfolio over the coming year.

During this year, the investment team increases to three, with the addition of Lawrence Burns as Deputy Manager. Lawrence's name may be new to many shareholders but he is philosophically aligned with the current Managers. He has a particular focus on transformative growth companies and has also co-managed some of Baillie Gifford's largest strategies alongside James and others.

Lawrence's arrival marks the next step in a long term succession plan that has been agreed between the Board and Managers and will ensure that we have a strong team in place to manage the portfolio for the next decade or more. The Board would like to take this opportunity to welcome Lawrence to his Scottish Mortgage role.

Environmental, Social and Governance (ESG)

We recognise the importance of considering ESG factors when making investments and in acting as a responsible steward of capital. We consider that Board oversight of such matters is an important part of our responsibility to shareholders.

Governance also needs to be considered in the context of the philosophy that underpins the management of the portfolio. The Managers take a very selective approach, with a focus on companies that can grow to many multiples of their current size. More often than not, the companies with the most exciting prospects are those that seek to tap into technological and cultural progress to find newer and better ways of producing the goods and services that society will need over the course of the next decade. In this context, the Managers' approach to governance and sustainability is based on five core beliefs that are detailed in the recently published document, 'Our Approach to Governance'. We recommend this as valuable reading to all shareholders and it can be accessed on the Company's website scottishmortgageit.com.

Shareholder Engagement

The Annual General Meeting will be held on 24 June 2021 at Baillie Gifford's offices at Calton Square, 1 Greenside Row, Edinburgh. In view of the continuing Covid-19 related restrictions, attendance will be kept to the minimum permitted by the Company's Articles of Association and shareholders will not be able to attend. We would, though, remind shareholders that they are able to submit proxy voting forms before the applicable deadline and also to direct any questions or comments for the Board in advance of the meeting through the Company's Managers, either by emailing scottishmortgage@bailliegifford.com or calling 0800 917 2112 (Baillie Gifford may record your call).

As always, the details of the outcomes of the AGM business will subsequently be available on the website, as will a filmed Managers' update.

More generally, we would encourage shareholders to engage with the Company throughout the year, not solely via the AGM. The Managers provide information and 'Insight' pieces on the portfolio on the Company's website scottishmortgageit.com.

Now more than ever these digital resources allow shareholders to stay well informed, by hearing directly from those managing their money. Over the year, webinar presentations have been extremely well attended and more are planned in future. Details of these will be put on the website.

It is hoped that the Managers will be able to proceed with a shareholder forum in Edinburgh in September 2021, as well as other live events later in the year. If such events can take place, Board members will look to attend a number of these to provide opportunities for face to face engagement with shareholders.

Directors' Share Qualification

Following a review, the Board is proposing that the Articles of Association be amended at the forthcoming AGM to remove the so-called 'Directors' share qualification' provisions. The formal requirement for each Director to hold a particular number of shares is somewhat historical and would now involve a substantial financial commitment from any proposed Director, which is not considered by the Directors to be conducive going forwards to attracting a diverse range of candidates to the Board. Further information on this proposal is set out on page 37.

Outlook

It might perhaps seem insensitive to look forward when the world remains in the grip of the pandemic. Nonetheless, it is incumbent on us to be optimistic and look beyond the current crisis. If the last year has taught us anything, it is that the world is uncertain but that we can endure and businesses can flourish in the most challenging of circumstances.

Investment opportunities are likely to remain plentiful as companies increasingly use digital tools to revolutionise industries and build a sustainable future. Scottish Mortgage is well placed to give you access to these transformational growth companies. The Managers are known as patient investors with time horizons well aligned to company founders, which is particularly attractive to private company owners who carefully select who they wish to see on their ownership registers.

We remain confident that Scottish Mortgage merits a place in all portfolios. Shareholders benefit from high quality managers, with a clearly defined investment philosophy and process, together with independent board oversight. All of this is provided at a cost that the Board believes represents genuine value for money.

Justin Dowley
Senior Independent Director
(in the temporary absence of the Chair)
12 May 2021

One Year Summary

The following information illustrates how Scottish Mortgage has performed over the year to 31 March 2021

	31 March 2021	31 March 2020	% change
Total assets (before deduction of debentures, long and short term borrowings)†	£18,229.3m	£9,151.4m	
Borrowings	£1,237.3m	£906.8m	
Shareholders' funds	£16,989.5m	£8,244.6m	
Net asset value per ordinary share (after deducting borrowings at fair value)*	1,190.0p	565.7p	110.4
Net asset value per ordinary share (after deducting borrowings at book)†	1,195.1p	567.3p	110.7
Share price	1,137.0p	573.5p	98.3
FTSE All-World Index (in sterling terms for year to 31 March)			36.8
Dividends paid and proposed per ordinary share	3.42p	3.25p	5.2
Revenue earnings per ordinary share	0.62p	1.55p	(60.0)
Ongoing charges ratio*	0.34%	0.36%	
(Discount)/premium (after deducting borrowings at fair value)*	(4.5%)	1.4%	
Active share*	93%	93%	

Year to 31 March	2021	2020
Total returns (%)*		
Net asset value per ordinary share (after deducting borrowings at fair value)*	111.2	13.7
Net asset value per ordinary share (after deducting borrowings at book)†	111.5	13.3
Share price	99.0	12.7
FTSE All-World Index (in sterling terms)	39.6	(6.2)

Year to 31 March	2021	2021	2020	2020
Year's high and low	**High**	**Low**	**High**	**Low**
Share price	1,415.0p	538.5p	659.0p	468.4p
Net asset value per ordinary share (after deducting borrowings at fair value)*	1,374.8p	543.0p	659.4p	479.2p
Premium/(discount) (after deducting borrowings at fair value)*	8.4%	(11.9%)	4.2%	(15.6%)
Average sector premium/(discount) (AIC Global Sector)	2.0%	(5.6%)	1.8%	(5.0%)

	Year to 31 March 2021	Year to 31 March 2020
Net return per ordinary share		
Revenue return	0.62p	1.55p
Capital return	632.22p	64.55p
	632.84p	**66.10p**

† See Glossary of Terms and Alternative Performance Measures on pages 90 to 92.
* Alternative Performance Measure – see Glossary of Terms and Alternative Performance Measures on pages 90 to 92.
Source: AIC/Refinitiv/Baillie Gifford and relevant underlying index providers. See disclaimer on page 89.

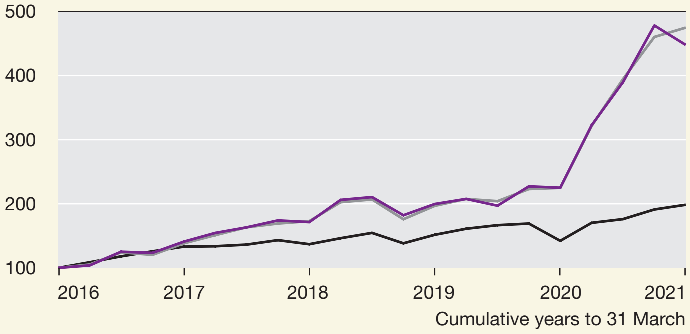
Past performance is not a guide to future performance.

Five Year Summary

The following charts indicate how Scottish Mortgage has performed relative to its benchmark* and the dividend against the retail price index (RPI) over the five year period to 31 March 2021

Five Year Total Return Performance†

(figures rebased to 100 at 31 March 2016)



Source: Refinitiv#.

Share price total return

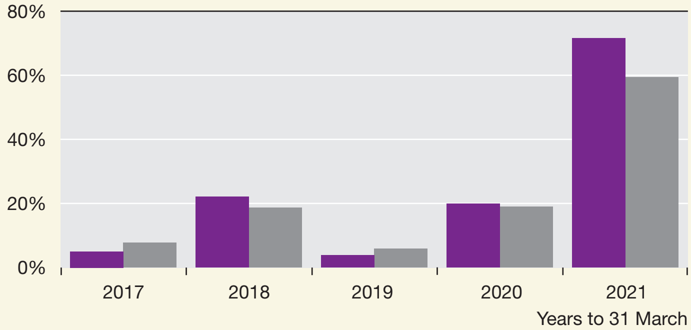
NAV (after deducting borrowings at fair value) total return

Benchmark* total return

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

Annual Net Asset Value and Share Price Total Returns†

(relative to the benchmark total returns)



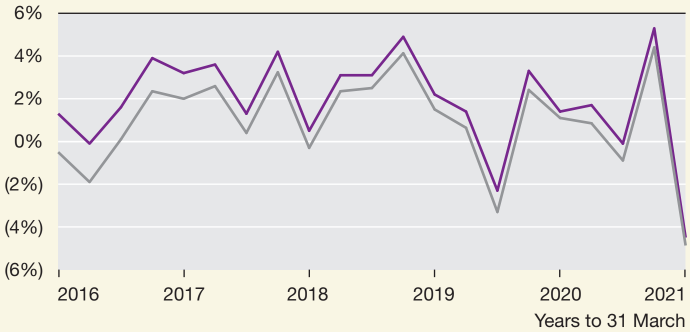
Source: Refinitiv#.

NAV (fair) return

Share price return

Premium/(Discount) to Net Asset Value†

(plotted on a quarterly basis)



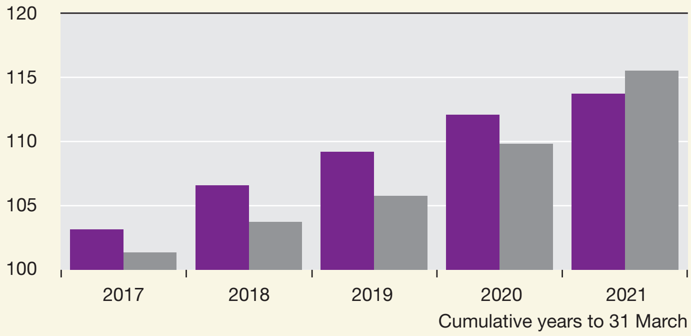
Source: Refinitiv/Baillie Gifford#.

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

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

Dividend and RPI Growth

(figures rebased to 100 at 31 March 2016)



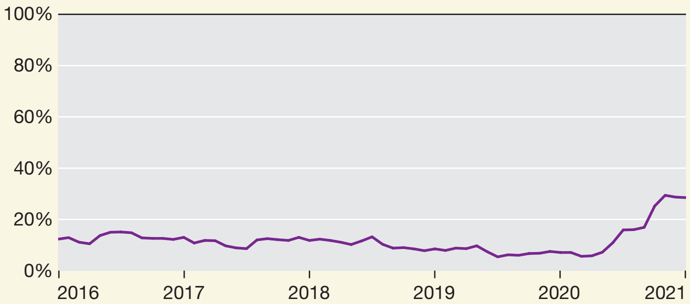
Source: Refinitiv/Baillie Gifford#.

RPI

Scottish Mortgage dividend

Five Year Turnover†

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

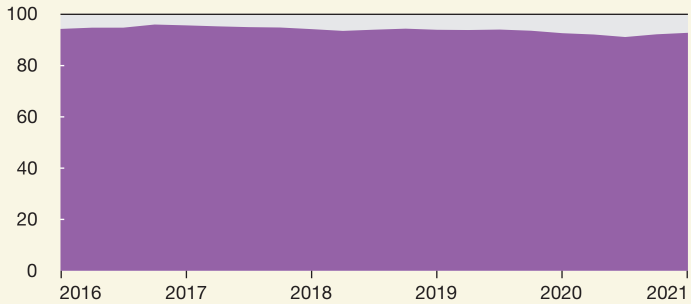


Source: Baillie Gifford.

Turnover

Five Year Active Share† Relative to the Benchmark*

(plotted on a quarterly basis)



Source: Baillie Gifford and relevant underlying index providers†.

Active share

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

† See Glossary of Terms and Alternative Performance Measures on pages 90 to 92.

See disclaimer on page 89.

Past performance is not a guide to future performance.

Business Review

Business Model

Business and Status

Scottish Mortgage Investment Trust PLC ('the Company') is a public company limited by shares and is incorporated in Scotland. The Company is an investment company within the meaning of section 833 of the Companies Act 2006 and carries on business as an investment trust. Investment trusts are UK public listed companies and their shares are traded on the London Stock Exchange. They invest in a portfolio of assets in order to spread risk. The Company has a fixed amount of share capital although, subject to shareholder approval sought annually, it may purchase its own shares or issue shares. The price of the Company's shares is determined, like other listed shares, by supply and demand.

The Company has been approved as an investment trust by HM Revenue & Customs subject to the Company continuing to meet the eligibility conditions. The Directors are of the opinion that the Company has continued to conduct its affairs during the year so as to enable it to comply with the ongoing requirements of section 1158 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) (Tax) Regulations 2011.

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

Investment Objective

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

Investment Policy

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

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

The major part of the portfolio will be held in quoted equities with good liquidity. Investment may also be made in fixed interest securities, convertible securities, funds, unquoted entities and other assets based on the individual investment case. The maximum amount which may be invested in companies not listed on a public market shall not exceed 30 per cent. of the total assets of the Company, measured at the time of purchase.

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

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

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

The Managers' Core Investment Beliefs with respect to the Company are set out on page 19.

Details of investment strategy and activity this year can be found in the Statement from the Board on pages 2 to 4 and in the Managers' Review on pages 13 to 18. A detailed analysis of the Company's investment portfolio is set out on pages 22 to 31.

Liquidity Policy

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

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

In furtherance of this policy, during the year the Company bought back a total of 56,365,839 shares into treasury. Between 1 April and 10 May 2021 no further shares were bought back. During the year the Company issued from treasury 24,725,000 ordinary shares at a premium to the net asset value. Between 1 April and 10 May 2021, no further ordinary shares were issued.

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

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

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

The Directors are further seeking shareholders' approval at the Annual General Meeting to renew the authority to purchase up to 14.99 per cent. of the Ordinary Shares in issue from the date of grant of the authority to the date of the Annual General Meeting in 2022. Such purchases will only be made at a discount to the prevailing net asset value. Any such shares which are bought back may be held in treasury and may subsequently then either be sold for cash or cancelled.

Dividend Policy

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

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

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

Gearing Policy

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

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

Performance

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

Key Performance Indicators

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

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

An explanation of these measures can be found in the Glossary of Terms and Alternative Performance Measures on pages 90 to 92.

The one, five and ten year records of the KPIs are shown on pages 5, 6 and 32. The primary KPIs are also presented on page 1.

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

Borrowings

There are three debentures in issue, all of which are listed and quoted on the London Stock Exchange and details of which are given on pages 70, 75 and 80. The Company has also issued private placement loan notes as detailed on page 70. In addition, loan facilities are in place which are shown on pages 69 and 70.

During the period, further to an arrangement made in 2017, a £20 million 3.65% unsecured loan note maturing in 2044 was issued to finance the redemption of the £20 million 8–14% stepped interest debenture that matured on 30 September 2020.

Additionally, on 21 April 2020, the US$200 million 2 year revolving credit facility with NAB was refinanced with a US$200 million 3 year revolving credit facility with NAB.

Two further loan facilities were arranged and fully drawn in the year:

- a US$200 million loan with The Royal Bank of Scotland International Limited ('RBSI') at a fixed rate of 1.491% expiring on 8 January 2024; and
- a US$300 million loan with The Bank of Nova Scotia at a rate of 2.234% expiring on 29 March 2026.

Principal and Emerging Risks

As explained on page 41 there is a process for identifying, evaluating and managing the risks faced by the Company on a regular basis. The Directors have carried out a robust assessment of the principal and emerging risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. A description of these risks and how they are being managed or mitigated is set out below.

The Board considers the Covid-19 pandemic and Brexit to be factors which exacerbate existing risks, rather than being new emerging risks. Their impact is considered within the relevant risks.

Financial Risk – the Company's assets consist mainly of listed securities and its principal and emerging financial risks are therefore market-related and include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. An explanation of those risks and how they are managed is contained in note 19 to the Financial Statements on pages 73 to 80. The Board has, in particular, considered the impact of heightened market volatility during the Covid-19 pandemic. To mitigate these risks, the Board considers at each meeting various metrics including portfolio concentration, regional and industrial sector weightings, top and bottom stock contributors to performance and contribution to performance by industrial sector. The Managers provide the rationale for stock selection decisions and both the investment strategy and portfolio risks are formally considered in detail at least annually. The Board has considered the potential impact on sterling following the UK's departure from the European Union and subsequent trade agreement. The value of the Company's investment portfolio would be affected by any impact, positively or negatively, on sterling but would be partially offset by the effect of exchange movements on the Company's US$ denominated borrowings.

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

To mitigate this risk, the Board considers the private company investments in the context of the overall investment strategy and provides guidance to the Managers on the maximum exposure to private company investments. The investment policy limits the amount which may be invested in private companies to 30 per cent. of the total assets of the Company, measured at time of purchase. See page 7.

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

Discount Risk – the discount/premium at which the Company's shares trade relative to its net asset value can change. The risk of a widening discount is that it may undermine investor confidence in the Company. To manage this risk, the Board monitors the level of discount/premium at which the shares trade and the Company has authority to buy back its existing shares when deemed by the Board to be in the best interests of the Company and its shareholders. The Liquidity Policy is set out on page 7.

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

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

Operational Risk – failure of Baillie Gifford's systems or those of other third party service providers could lead to an inability to provide accurate reporting and monitoring or a misappropriation of assets. To mitigate this risk, Baillie Gifford has a comprehensive business continuity plan which facilitates continued operation of the business in the event of a service disruption (including any disruption resulting from the Covid-19 pandemic) or major disaster. Since the introduction of Covid-19 restrictions, almost all Baillie Gifford staff have been working from home and operations have continued very largely as normal. The Board reviews Baillie Gifford's Report on Internal Controls and the reports by other key third party providers are reviewed by Baillie Gifford on behalf of the Board. In the year under review, the other key third party service providers have not experienced significant operational difficulties affecting their respective services to the Company.

Leverage Risk – the Company may borrow money for investment purposes. If the investments fall in value, any borrowings will magnify the impact of this loss. If borrowing facilities are not renewed, the Company may have to sell investments to repay borrowings. To mitigate this risk, all borrowings require the prior approval of the Board and leverage levels are discussed by the Board and Managers at every meeting. Covenant levels are monitored regularly. The majority of the Company's investments are in quoted securities that are readily realisable. Further information on leverage can be found on page 86 and the Glossary of Terms and Alternative Performance Measures on pages 90 to 92.

Political Risk – Political developments are closely monitored and considered by the Board. Following the departure of the UK from the European Union and the subsequent trade agreement between the UK and the European Union, the Board continues to assess the potential consequences for the Company's future activities including those that may arise from further constitutional change. The Board believes that the Company's global portfolio, with no significant exposure to the United Kingdom, positions the Company to be suitably insulated from Brexit-related risk.

Viability Statement

In accordance with provision 31 of the UK Corporate Governance Code that the Directors assess the prospects of the Company over a defined period, the Directors have elected to do so over a period of 10 years. The Directors continue to believe this period to be appropriate as the investment objective of the Company is aimed at investors with a 5 to 10 year investment horizon and, subject to the assumptions detailed below, the Directors do not expect there to be any significant change to the current principal risks facing the Company nor to the adequacy of the controls in place to effectively mitigate those risks. Furthermore, the Directors do not reasonably envisage any change in strategy or any events, including the impact of the Covid-19 pandemic, which would prevent the Company from operating over a 10 year period.

Assumption 1

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

Assumption 2

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

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

The Directors have also considered the Company's leverage and liquidity in the context of the fixed term debentures, the private placement loan notes, the long term fixed rate bank loans arranged during the year, the short term bank loans, the revenue projections, the readily realisable nature of the listed portfolio which could be sold to provide funding if necessary and its stable closed ended structure. Specific leverage and liquidity stress testing was conducted during the year, including consideration of the risk of further market deterioration resulting from the Covid-19 outbreak. The leverage stress testing identified the impact on leverage in scenarios where gross assets fall by 25% and 50%, reflecting a range of market conditions that may adversely impact the portfolio. The liquidity stress testing identified the reduction in the value of assets that can be liquidated within one month that would result in the value of those assets falling below the value of the borrowings. The stress testing did not indicate any matters of concern. The Board has specifically considered the UK's departure from the European Union on 31 December 2020 and subsequent trade agreement and believes that the Company's global portfolio, with no significant exposure to the United Kingdom, positions the Company to be suitably insulated from Brexit-related risk.

The Directors have concluded that these sustainable long term characteristics provide a high degree of flexibility to the Company and afford an ability to react so as to mitigate both controllable and most external uncontrollable risks and events, including the impact of the Covid-19 pandemic, in order to ensure the long term prosperity of the business.

Based upon the Company's processes for monitoring operating costs, share price premium/discount, the Managers' compliance with the investment objective, the portfolio risk profile, leverage, counterparty exposure, liquidity risk, financial controls and the Managers' operational resilience, the Board believes that the prospects of the Company are sound and the Directors are able to confirm that they have a reasonable expectation that it will continue in operation and meet its liabilities as they fall due over a period of at least 10 years.

Promoting the Success of the Company (Section 172 Statement)

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

(a) the likely consequences of any decision in the long term;

(b) the interests of the company's employees;

(c) the need to foster the company's business relationships with suppliers, customers and others;

(d) the impact of the company's operations on the community and the environment;

(e) the desirability of the company maintaining a reputation for high standards of business conduct; and

(f) the need to act fairly as between members of the company.

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

Great importance is placed by the Board on communication with shareholders and the Annual General Meeting conventionally provides the key forum for the Board and Managers to present to shareholders on the performance of Scottish Mortgage and on the future plans/prospects for the Company. It also allows shareholders the opportunity to meet with the Board and Managers and to raise questions and concerns. This year, regrettably it is looking likely that the presentations will again be 'virtual' as opposed to in person, but nevertheless strong emphasis is placed on ensuring that shareholders still have opportunity to ask questions of the Board and Managers (see page 88). Various Scottish Mortgage shareholder events provide additional opportunities for shareholders and potential investors to engage with the Managers (see page 89). Several webinars were held over the past year. Furthermore, the Chair of the Board and the Chair of the Audit Committee are, in normal circumstances, available to meet with shareholders as appropriate and the Managers meet regularly with shareholders and their respective representatives, reporting back on views to the Board. Shareholders may also communicate with the Board at any time by writing to them at the Company's registered office or to the Company's brokers. These communication opportunities help inform the Board when considering how best to promote the success of the Company for the benefit of all shareholders over the long term.

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

Whilst the Company's operations are limited (with all substantive operations being conducted by the Company's third party service providers), the Board is keenly aware of the need to consider the impact of the Company's investment strategy and policy on wider society and the environment. The Board considers that its oversight of environmental, social and governance (ESG) matters is an important part of its responsibility to all stakeholders and that proper consideration of ESG factors sits naturally with Scottish Mortgage's long term approach to investment. The Board is supportive of the Managers' use of technology to reduce business travel. The Board's approach to matters of diversity and inclusion is set out on page 40.

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

— the arrangement of two fixed rate bank loans over 3 and 5 years (amounting to additional borrowing of US$500m (£362.4m)) at attractive rates of interest for the purpose of maintaining the relative gearing level of the Company which the Board believes will enhance returns to shareholders over the long term (the US$80m revolving loan facility was refinanced with a US$180m 5 year fixed rate loan following the year end); and
— liaising closely with the Managers to ensure continued, effective and long term portfolio manager succession planning, particularly in the context of the announced retirement of James Anderson on 30 April 2022.

Employees, Human Rights and Community Issues

The Board recognises the requirement to provide information about employees, human rights and community issues. As the Company has no employees, all its Directors are non-executive and all its functions are outsourced, there are no disclosures to be made in respect of employees, human rights and community issues. Further information on the Company's approach to environmental, social and governance (ESG) matters is provided on page 11. The Board encourages all service providers to the Company to consider matters of diversity and inclusion and report on progress to the Board annually (see page 40).

Gender Representation

The Board comprises five Directors, three male and two female. The Company has no employees. The Board's policy on diversity and inclusion is set out on page 40.

Environmental, Social and Governance Policy

The Company believes that it is in the shareholders' interests to consider environmental, social and governance (ESG) factors, including climate change, when selecting and retaining investments and has asked the Managers to take these issues into account. The Managers do not exclude companies from their investment universe purely on the grounds of ESG factors but adopt a positive engagement approach whereby matters are discussed with management with the aim of improving the relevant policies and management systems and enabling the Managers to consider how ESG factors could impact long term investment returns. More information on the approach taken by Scottish Mortgage to Governance and Sustainability is available on the Company's website scottishmortgageit.com. The Managers' statement of compliance with the UK Stewardship Code can be found on the Managers' website at bailliegifford.com. The Managers' policy has been reviewed and endorsed by the Board.

The Managers are signatories to the United Nations Principles for Responsible Investment and the Carbon Disclosure Project and are also members of the International Corporate Governance Network and the Asian Corporate Governance Association.

Further information can be found under Corporate Governance and Stewardship on page 42.

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

Future Developments of the Company

The outlook for the Company is set out in the Statement from the Board on pages 2 to 4 and in the Managers' Report on pages 13 to 18.

The Strategic Report which includes pages 2 to 32 was approved by the Board of Directors and signed on its behalf on 12 May 2021.

Justin Dowley
Senior Independent Director
(in the temporary absence of the Chair)

Managers' Review

We are focused on the long term. We do not believe that our returns in any given year convey much information about the strength or otherwise of our investment approach. Far longer periods are required to make such an assessment. We would caution against elation after the past twelve months just as we would counsel against misery following unprofitable years. To create long term value, we seek companies pursuing big opportunities and investing in projects with uncertain payoffs. Their shareholders will need to hold their nerve, take the long view and offer thoughtful ongoing support. We aim to be one of those shareholders. It is the accomplishments of the entrepreneurs running our holdings that drive underlying wealth creation.

The past twelve months have offered some lessons for the long-term investor. The strength of stock markets in a period of such economic and social hardship highlights the tenuous link between economic predictions and share prices. Even if one believes that the time and effort spent predicting the outputs of a complex system such as the global economy are worthwhile, one ought in any case to be cautious about linking that to the prices for individual securities or for stock markets as a whole. Conversely, there are many quite predictable trends in communications, computation, machine learning, energy generation and storage, gene sequencing and synthetic biology that, as they compound over time, can have a huge impact. The vaccine developments that are allowing us to emerge from this crisis are just one example.

© Nuro.

A small number of big winners have a dramatic impact on investment returns. It is not an anomaly that Tesla has contributed so much to the portfolio this year. It is a predictable consequence of the structure of stock market returns. You no longer need to inhabit the arcane world of investment to understand such results. Another example is all too familiar: the spread of Covid-19. The likelihood that you will suffer from the usual human ailments doesn't change much from year to year. That is not true for a virus: the more people who have it, the more will get it. It scales in a non-linear way. It can quickly achieve a prevalence that is unfathomable to those outside the world of infectious disease. Most stock prices don't change much from year to year either but the outliers grow with the same underlying maths as viral spread. Success often begets success and economic advantage accrues highly unequally. Most financial theorists ignore this inconvenient fact, but our approach is designed to capture the outsized impact of such companies.

Changes that were already underway in our society have been accelerated by the impact of Covid-19. This makes it an especially challenging time for those that embrace the concept of mean reversion. We hope we can look forward to normality returning in the year ahead, but 'normality' does not mean that things will return to the way they were before the pandemic struck. Whilst the basic tenets of human nature are unchanging, the ways in which we work, consume and socialise are not. Lockdown restrictions over the past year have triggered a reappraisal of historical habits and rituals and many will be superseded. This creates opportunities for entrepreneurs; it changes supply chains and drives demand for new products and services.

Scientists had been clear about the potential for a global pandemic for some time, but their warnings had not prompted the necessary preparation. The apathetic response to similar scientific warnings about climate change ought now to be questioned. While we hope that lessons will be learned by our institutions and governments, we can also take inspiration from the leadership that the corporate sector has shown in delivering us from Covid. As with vaccines, so with decarbonisation; the value that Tesla has created by addressing the need to decarbonise has forced a hostile investment community to reconsider its position. Tesla has become one of the world's largest companies as its highly-rated products have continued to improve, along with its ability to manufacture them at scale. Other companies are now following, and history tells us that the more generous funding environment that has ensued is a prerequisite for further progress. Over the course of the year we sold around 80% of our Tesla shares as we strived to maintain appropriate diversification and to focus on the long term return potential. It remains a large holding. The head start it has on competitors leads us to believe that it could enjoy a long period of comparative advantage. If it can realise the potential of its AI capabilities and make its fleet largely autonomous, then this advantage will be greater still.

We are focused on finding other companies that will build the post-carbon economy. This year we took a new holding in Northvolt, a company led by a former Tesla engineer, which is aiming to become Europe's largest supplier of batteries for electric vehicles. It is investing heavily in the face of strong demand. We also took a holding in ChargePoint, which is one of the world's largest electric vehicle charging networks. The way in which we will charge our electric vehicles will not resemble the model we used for gasoline cars. Instead, parking spaces at home, in the workplace and in parking lots will provide energy. Software will play a critical role in managing this infrastructure.

The broader field of transport and logistics is throwing up a number of exciting investments. We have grown accustomed to having more products delivered to us at home. With scale, companies are building out the capabilities to serve us faster and more efficiently with a rapidly growing selection of products and services. Meituan in China and Delivery Hero in South East Asia now have the order frequency and distribution infrastructure to move beyond prepared food and into grocery and convenience offerings. Doordash, is doing something similar in the US. Meanwhile, we have purchased holdings in Ocado and GoPuff. Ocado's grocery offering is performing strongly and profitably in the UK and there is increasing interest from grocers around the world in implementing its technology. GoPuff is seeking to replicate the traditional convenience store with a delivery offering which has proved popular on US university campuses and is expanding into a more general setting.

Within our investment horizon, it is likely that these companies will start transitioning from human to robot delivery. Zipline has refined the performance of its autonomous fixed-wing aircraft while delivering medical supplies in sub-Saharan Africa. It is now launching in the US and delivering a broader range of products. Meanwhile we have taken a new holding in Nuro which is developing ground-based autonomous delivery vehicles for last mile delivery which should help to further reduce the cost of home delivery.

From transporting goods to transporting people: in the course of the year both of our flying taxi holdings, Lilium and Joby, took advantage of the buoyant funding environment to embark on a course to the public markets. Substantial capital is required for certification to carry passengers, so large rounds of funding are important. We are sceptical that the accompanying public listing is the right structure to provide long-term support for these companies at this stage of their development.

Many of us have marvelled at SpaceX's achievements as it has increased its pace of reusable rocket launches and sent the first astronauts to orbit in a commercially-built craft. SpaceX has ushered in a new era of dramatically lower launch costs which is spurring innovation and experimentation. Satellite communication will be one of the first applications but many more are likely to follow. We have continued to build up our holding in SpaceX. We have also initiated a new position in a smaller rocket company, Relativity Space, which is aiming to reduce launch costs for smaller payloads using 3D-printed rockets.

Back on earth, we think the application of modern technology to healthcare offers some of the most exciting investment opportunities for the next ten years. We took a new holding in Moderna, which develops and produces RNA-based therapies. It became a household name through the success of its RNA vaccine for Covid-19, but the technology's potential is far wider. Moderna bears resemblance to a software company. It writes RNA code to programme human cells and enjoys an attendant scalability in its business model. Its success with coronavirus helps to de-risk other drugs in its vaccine pipeline. The company is seeking to address a much broader swathe of diseases and its transition from a clinical to a commercial-stage company improves the odds of success.

© SpaceX.

Recursion and Tempus are applying the cutting edge of existing IT more directly. Recursion is building a new model for drug discovery driven by machine learning and experimental biology at an unprecedented scale. It has automated the role of the scientist at the laboratory bench and is able to do millions of experiments per week. It is testing a huge library of compounds on many different disease states in human cells and using machine learning to process the output. This is already translating into new therapies. Tempus is sequencing the tumours of cancer patients and matching that genetic information to medical health records, creating a vast repository of accurate healthcare data. It is applying machine learning to this data on behalf of physicians to determine the therapies that are most likely to be successful for patients, based on individual circumstances. This approach has the potential to transform how cancer is treated.

The Trust's exposure to China grew over the course of the year. Our largest holding, Tencent, has navigated a difficult regulatory backdrop and is executing well in its core business. In addition, its management team ought now to be considered some of the world's greatest investors. Over the past decade they've used their cashflows to build a portfolio of both public and private investments worth close to U$200bn. The pace of innovation at scale in China now exceeds anything we can find in the rest of the world. Pinduoduo was founded in 2015 and has already overtaken Alibaba's audience size in online commerce with more than 750m users. Meanwhile, the world's most valuable private startup, ByteDance, dominates China's online advertising landscape less than a decade after its founding. We added to most of our Chinese positions through the course of the year as well as taking new holdings when we have seen new breakthrough companies emerging. Less encouragingly, the planned IPO of our private holding in Ant International was pulled as a result of regulatory intervention. Ant and its parent, Alibaba, have a long history of occasionally tumultuous but eventually good relations with regulators and we expect that they will defuse these tensions over the months ahead.

We sold out of our holdings in Facebook and Alphabet (the parent company of Google) as well as making reductions to Amazon. These companies generate prodigious cashflows and have grown at a remarkable rate. For us, the questions now are around how they deploy their resources in the future and retain their growth credentials at vast scale. We think Amazon still enjoys the broadest set of opportunities, but we are wary that Jeff Bezos stepping back from the CEO role may reduce the company's appetite for bold experiments.

The competition for capital in the portfolio has been, and remains, intense. A process of renewal and change is creating new growth opportunities across a wide range of industries and countries. We have been able to reinvest the proceeds from the big online network businesses into companies that are tackling some of humanity's biggest challenges in healthcare and decarbonisation. When large and evolving opportunity sets are matched with entrepreneurial companies and a determinedly long-term outlook, the conditions are ripe for exceptional growth businesses to emerge.

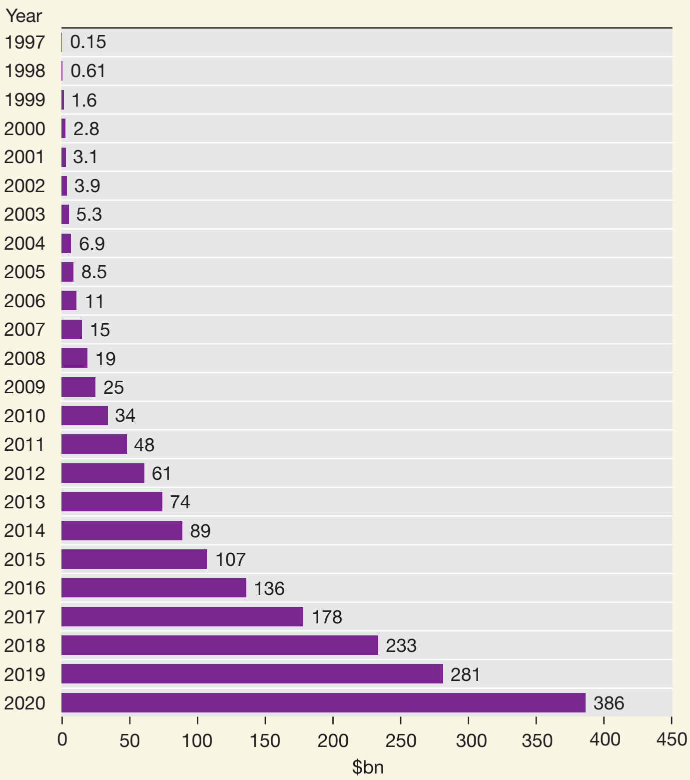
Tom Slater

Managers' Review

After many years of anodyne reviews perhaps some bluntness is permissible in this final and twenty second version. There's much that I have misunderstood and misjudged over the two decades but my ever-growing conviction is that my greatest failing has been to be insufficiently radical. To be blunt: the world of conventional investment management is irretrievably broken. It demands far in excess of the canonical 'six impossible things before breakfast' that *Alice in Wonderland* propounds.

Some Contentions

But let me start by trying to set out what I do believe. Hopefully it doesn't need saying that my successors should be suspicious of continuing to believe in these contentions for the next decades. As the world changes so should we. Indeed this is an appropriate point of departure. The investment world changed profoundly in the mid 1980's. It resembles that most famously described by Ben Graham, the apostle of value investing, paid homage to by Warren Buffett and perpetually embraced by the media, as little as Alice's rabbit hole described the reality of the late 19th century. To illustrate the change from the world in which a growth stock was defined by Graham as one able to double earnings in a single decade let's look at some more recent figures:



I'm sure that many of you will recognise these numbers as the annual revenues of Amazon. They rather understate progress as the accounting for third party fulfilment is conservative. But we still have a compound growth rate of 41% per annum for over two decades. For those, like Graham, who prefer the bottom line then 2020 produced $31bn in free cash flow. This pattern of sustained growth at extreme pace and with increasing returns to scale has become more and more evident since the emergence of digital technologies as first exemplified by Microsoft (still growing after 35 years as a public company).

It is in these extremes that investing resides. Despite what the CFA foists on the young and innocent you cannot choose a level of risk and return along a classic bell-curve to suit your portfolio because that is neither accepting the deep uncertainty of the world nor acknowledging that the skew of returns is so extreme that it is the search for companies with the characteristics that might enable extreme and compounding success that is central to investing. But distraction through seeking minor opportunities in banal companies over short periods is the perennial temptation. It must be resisted. This requires conviction. The share price drawdowns will be regular and severe. 40% is common. The stock charts that look like remorseless bottom left to top right graphs are never as smooth and easy as they subsequently appear.*

So how do we identify these stocks with extraordinary potential? How do we acquire the conviction to allow the compounding to work its magic? As Jeff Bezos steps down as CEO let's look back at what we spotted, how we endured and what we failed to do for shareholders. The common factors that are most likely to recur in the narratives of great investments are that the company should have open-ended growth opportunities that they should work hard never to define or time, that it has initial leadership that thinks like a founder (and almost always is one) and that has a distinctive philosophy of business – almost always from independently thought through first principles. Now, I think that all these traits were identifiable in Amazon from the start. To read the initial shareholder letter of 1997 was to know that this was the ambitious, patient creation of a very special mind. To be frank our failure to recognise this was because of our own limitations not an absence of clues. We were simply too aware of market movements and too preoccupied with the terrible combination of short-term performance and fear of downside to be able to be committed owners. By 2005–6 we were less bad investors and could recognise some of the potential and endure more of the slings and arrows. Of those there were plenty: the share price fell 46% from peak to trough in 2006. I became used to peers at client conferences declaring Amazon their favourite short. They particularly disliked the costs of two projects – Prime and Amazon Elastic Compute. The latter became AWS. Gradually we learnt and understood. But we should apologise for our willingness to trim Amazon back repeatedly when our holding size approached 10% of assets. That was misguided. Only in recent months has our enthusiasm waned. Amazon is now seen as good value, safe and acceptable. It no longer has a founder CEO. We fear that in his inimitable terms it is no longer Day 1 in Seattle though the road ahead is still long and profitable.

Time Frames, Likelihoods and Radical Uncertainty

The litany of reasons to be obsessed with long-term decision making is too long to describe here. But there's an offshoot of it that seems unusually important yet neglected. It is inherent to the notion of efficient markets that all available information is

* *Extreme Stock Market Performers, Part I: Expect Some Drawdowns; 21 July 2020; Professor Hendrik Bessembinder of Arizona State University.*
This paper studies the most successful decade-length returns for publicly-listed U.S. common stocks during each of the seven decades since 1950. It shows that even for the most highly-returning companies, share prices experienced significant draw-downs on their path to the top decade returns. For the top 100 companies by their decade returns, the draw-downs lasted an average of 10 months during that decade, with an average loss of 32.5%. For the top 200 companies, the average loss increased to 50%.

incorporated in share prices. Only new information matters. This is used to justify the near pornographic allure of news such as earnings announcements and macroeconomic headlines. In turn this is reinforced by the power of near-term financial incentives.

So far this is a standard critique. We share it but there is a twist to come. If you believe that all information is built into the share price and simultaneously that it is near term investment outcomes that matter this leaves a vacuum of thought. There is no apparent rationale for deciphering the future. If this sounds abstract it's not so. Let's take a look at Tesla to illustrate the puzzle. When we first invested in the company seven years ago we thought, or rather observed, that the regularity and pace of improvement in battery performance and of learning in building electric vehicles was already clear in practice and well-elucidated in academic study. Since then both the pace of improvement and the level of confidence surrounding the data has risen consistently. This made it as close to inevitable as investing allows that at some point electric vehicles were going to be better and cheaper than the internal combustion engine – quite aside from environmental issues. That's simply what happens when a 15% plus improvement rate meets a 2–3% snail.

Since Tesla was the only substantial Western player our investment decision was hardly demanding. We just had to listen to experts and wait. But most investors do not listen to experts. Instead they listen to brokers and the media, besotted as it is by fear mongering and the many short sellers. The headlines tell them that next quarter will be hard for Tesla and that Elon Musk is outspoken. To us this was a blatant market inefficiency offering an extraordinarily high likelihood of high returns to the patient. All too many investment decisions are marginal judgments. That electric vehicles would win had become intensely likely. We needed no insight, no clever model to spot it – only patience and trust in experts and the company. The uncertainty was elsewhere. It was elsewhere geographically – given the levels of competition in China it was profoundly uncertain that our investment in NIO would flourish or even survive. It was elsewhere in return calculations for Tesla itself. This particularly applies now and to Tesla's autonomous driving ambitions. This could transform the economics of the company. But try though we do it seems implausible that we can estimate either the likelihood of success in a radically new endeavour nor the precise outcomes in cash-flows should success emerge. To us it is bizarre that brokers, hedge fund mavens and commentators can claim to be able to decipher the future and assign a precise numerical target to the value of Tesla. Perhaps they are all geniuses. We are not. We should respect and endure uncertainty, try to identify where extreme upside might occur and observe patiently.

It's Not Growth versus Value

Tesla is but an example, if a crucial one, of the central issue for investing in our times. It isn't growth versus value, it isn't the level of markets, it isn't the economic growth rate in 2021 or the progress of the pandemic but it is understanding change, how it happens, how much happens and its implications. The refusal to embrace this is probably a reflection of the doomed desire for security but it is also emblematic of a broader crisis in economic thought that is preoccupied with the mathematics of equilibrium. But If we switch our attention to studying deep change then there is less temptation to believe that investing has eternal verities that we can default to as a rule book. It's not 'this time it's different' that is the cry of danger but the refusal to admit that the world, and its reflection that is investing, is ever the same. The only rhyme is that in the long run the value of stocks is the long-run free cash flows they generate but we have but the barest and most nebulous clues as to what these cash flows will turn out to be. But woe betide those who think that a near term price to earnings ratio defines value in an era of deep change.

Entrepreneur, inventor, philanthropist and co-founder of the bio-technology company Moderna, Noubar Afeyan.

The Future

There will almost certainly be more wrenching, inspiring and dramatic change in the next decade than we have ever seen. I'm very envious of the opportunities and experiences that my successors will enjoy. Even in the last year, amidst the tragedies of the pandemic, there have been hints of what is to come. I don't mean the surge in digital platforms that helped to navigate the constraints of the pandemic but still more dramatic and important rising forces. From the extraordinary revolution that will transform our societies for the better in renewable energy becoming mainstream to the emerging wonders of synthetic biology to the possibility that healthcare innovation becomes a regular series of beneficial revolutions rather than a complex and frustrating drain of resources the potential is wonderful and the threat to old empires looms. It would have been hard for us to have educated ourselves in these areas of unashamed excitement without our involvement in venture capital. We are forever grateful that we have found our way to interact with the extraordinary minds and energies in the unquoted world. Frankly, five years ago I would have been amazed at the access and opportunities that we have come to take as normal. We are very fortunate. It's a privilege. Our former Board member, John Kay, taught us many things but one of the most valuable was the role of obliquity. By engaging with visionary minds and their companies we are simply seeking insight into the world of tomorrow. Often we are overwhelmed and puzzled more than comprehending. That's the plan. The investment outcomes are but the eventual outcomes of the mentality and process.

We need to remain eccentric. In fact we need to become more so and more prepared to be radical. We've always claimed to learn from the remarkable leaders we are lucky enough to meet in managing Scottish Mortgage. If I may I'd like to end by quoting two of them. The first is Noubar Afeyan, founder of Flagship health investors but also Chair of Moderna. A year ago I would at this point have needed to detail the purpose of Moderna but that is now delightfully redundant. But the comment I want to quote applies far beyond Moderna and vaccines:

"Let me say maybe something stark...which is that we have to be willing to embrace unreasonable propositions and unreasonable people in order to make extraordinary findings because the notion that utterly reasonable people doing utterly reasonable things will produce massive breakthroughs doesn't compute to me".

There is no industry more suspicious of the unconventional than fund management. We need to reinvent from first principles. We need to help create great companies that embrace the extraordinary. Plainly no one has been better at demonstrating and articulating this than Jeff Bezos. His recent, and sadly last, CEO letter concluded with a plea:

"We all know that distinctiveness – originality – is valuable...What I'm really asking you to do is to embrace and be realistic about how much energy it takes to maintain that distinctiveness. The world wants you to be typical – in a thousand ways, it pulls at you. Don't let it happen".

I don't think Tom and Lawrence need this advice, or would neglect the views of Mr Bezos. But please help Scottish Mortgage become more unreasonable and more distinctive as the pressures of the investment world continue to pull at us.

James Anderson

Managers' Core Beliefs

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

— We are long term in our investment decisions. It is only over periods of at least five years that the competitive advantages and managerial excellence of companies become apparent. It is these characteristics that we want to identify and support. We own companies rather than rent shares. We do not regard ourselves as experts in forecasting the oscillations of economies or the mood swings of markets. Indeed we think that it is hard to excel in such areas as this is where so many market participants focus and where so little of the value of companies lies. Equally Baillie Gifford is more likely to possess competitive advantages for the good of shareholders when it adopts a long-term perspective. We are a 113 year old Scottish partnership. We think about our own business over decades not quarters. Such stability may not be exciting but it does encourage patience in this most impatient of industries. We only judge our investment performance over five year plus time horizons. In truth it takes at least a decade to provide adequate evidence of investment skill.

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

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

— We are global in stock selection, asset allocation and attribution. We are active not passive – or far worse – index plus in stock selection. Holding sizes reflect the potential upside and its probability (or otherwise) rather than the combination of the market capitalisation and geographical location of the company and its headquarters. We do not have sufficient confidence in our top-down asset allocation skills to wish to override stock selection. We do not have enough confidence in our market timing abilities to wish to add or remove gearing at frequent intervals. We do, however, have strong conviction that our portfolio should be comparatively concentrated, and that it is of little use to shareholders to tinker around the edges of indices. We think this produces better investment results and it certainly makes us more committed shareholders in companies. We suspect that selecting stocks on the basis of the past (their current market capitalisation) is a policy designed to protect the security of tenure of asset managers rather than to build the wealth of shareholders. Companies that are large and established tend to be internally complacent and inflexible. They are often vulnerable to assault by more ambitious and vibrant newcomers.

— We are Growth stock investors. Such has been the preference for Value and the search to arbitrage away minor rating differentials that investors find it very hard to acknowledge the extraordinary growth rates and returns that can be found today. The growth that we are particularly interested in is of an explosive nature and often requires minimal fixed assets or indeed capital. We think of it as 'Growth at Unreasonable Prices' rather than the traditional discipline of 'Growth at a

Reasonable Price'. We need to be willing to pay high multiples of immediate earnings because the scale of future potential and returns can be so dramatic. On the stocks that flourish the valuation will have turned out to be derisorily low. On the others we will lose money.

— We believe that it is our first duty to shareholders to limit fees. Both the investment management fee (0.30% on the first £4 billion of assets, and 0.25% thereafter – please see page 35) and ongoing charges ratio (0.34% as at 31 March 2021) 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 0.34% 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 3% or 15% of your returns each year. Nor do we believe in a performance fee. Usually it undermines investment performance. It increases pressure and narrows perspective.

Evolution

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

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

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

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

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

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

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

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

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

Tom Slater and James Anderson
Joint Portfolio Managers

Thirty Largest Holdings and Twelve Month Performance at 31 March 2021

Name	Business	Fair value 31 March 2021 £'000	% of total assets	Absolute performance* %	Contribution to absolute performance† %	Fair value 31 March 2020 £'000
Tencent Holdings	Internet services	1,110,755	6.1	44.1	3.5	596,292
Illumina	Biotechnology equipment	1,059,297	5.8	26.4	2.7	565,677
ASML	Lithography	923,130	5.1	107.0	4.1	347,067
Amazon.com	Online retailer and cloud computing	910,847	5.0	42.4	7.6	849,809
Tesla Inc	Electric cars, autonomous driving and solar energy	828,668	4.5	479.2	36.7	790,650
Alibaba GroupⓅ	Online retailing and financial services	792,539	4.3	4.4	1.6	595,818
Meituan DianpingⓅ	Local services aggregator	717,711	3.9	185.1	5.2	225,547
Moderna#	Clinical stage biotechnology company	646,271	3.5	(22.0)	(0.3)	–
NIO IncⓅ	Designs and manufactures electric and autonomous vehicles	634,335	3.5	1,160.1	6.1	50,171
Delivery Hero	Online food delivery service	544,212	3.0	56.7	2.3	278,012
Kering	Luxury goods producer and retailer	422,631	2.3	20.9	0.7	286,032
Netflix	Subscription service for TV shows and movies	351,135	1.9	24.9	1.3	281,127
NVIDIA	Visual computing	334,991	1.9	82.3	2.2	184,024
ByteDance LtdⓊ‡	Social media	328,992	1.8	188.7	1.1	60,486
Spotify Technology SAⓅ	Online music streaming service	321,399	1.8	98.3	2.7	161,695
Ferrari	Luxury automobiles	304,315	1.7	22.2	0.7	250,807
MercadoLibre	Latin American e-commerce platform	303,802	1.7	171.7	1.5	56,182
Zalando	International online clothing retailer	290,851	1.6	129.6	2.0	87,796
Ginkgo Bioworks IncⓊ‡	Bio-engineering company	259,544	1.4	53.1	0.5	163,032
Pinduoduo Inc	Chinese e-commerce	258,258	1.4	234.7	1.9	60,602
Denali TherapeuticsⓅ	Biotechnology	253,963	1.4	194.2	1.4	52,834
HelloFreshⓅ	Grocery retailer	253,246	1.4	100.1	1.5	125,253
Ant International LimitedⓊ	Online financial services platform	240,306	1.4	14.9	0.8	209,168
Zoom	Remote conferencing service provider	239,408	1.4	99.5	1.2	82,451
Wayfair	Online household goods retailer	239,353	1.3	429.3	3.3	45,049
Adyen#	Global payment company	237,488	1.3	13.3	0.1	–
Northvolt ABⓊ#‡	Battery developer and manufacturer, specialised in lithium-ion technology for electric vehicles	225,502	1.2	110.7	0.7	–
Tempus Labs IncⓊ‡	Offers molecular diagnostics tests for cancer and aggregates clinical oncology records	219,485	1.2	34.2	0.4	136,442
Affirm HoldingsⓅ‡	Online platform which provides lending and consumer credit services	209,518	1.1	379.9	0.8	22,979
Shopify	Cloud-based commerce platform provider	209,270	1.1	138.5	2.1	87,895
		13,671,222	**75.0**			

* Absolute performance (in sterling terms) has been calculated on a total return basis over the period 1 April 2020 to 31 March 2021. For the definition of total return see Glossary of Terms and Alternative Performance Measures on pages 90 to 92.

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

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

Ⓤ Denotes unlisted (private company) investment.

Ⓟ Denotes listed security previously held in the portfolio as an unlisted (private company) security.

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

Source: Baillie Gifford/StatPro and underlying data providers. See disclaimer on page 89.

Past performance is not a guide to future performance.

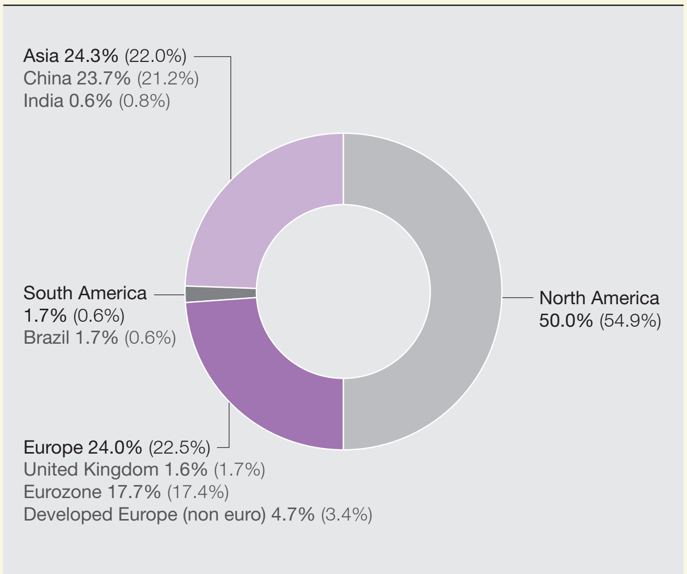
Investment Changes

	Valuation at 31 March 2020 £'000	Net acquisitions/ (disposals) £'000	Appreciation/ (depreciation) £'000	Valuation at 31 March 2021 £'000
North America	4,979,915	(1,892,456)	5,840,174	8,927,633
South America				
Brazil	56,182	144,855	102,765	303,802
Europe				
United Kingdom	118,824	140,240	59,600	318,664
Eurozone	1,605,458	477,706	1,129,611	3,212,775
Developed Europe (non euro)	313,178	104,391	433,820	851,389
Asia				
China	1,932,182	722,878	1,668,231	4,323,291
India	73,911	–	31,223	105,134
Total investments	**9,079,650**	**(302,386)**	**9,265,424**	**18,042,688**
Net liquid assets	71,759	134,284	(19,470)	186,573
Total assets	**9,151,409**	**(168,102)**	**9,245,954**	**18,229,261**

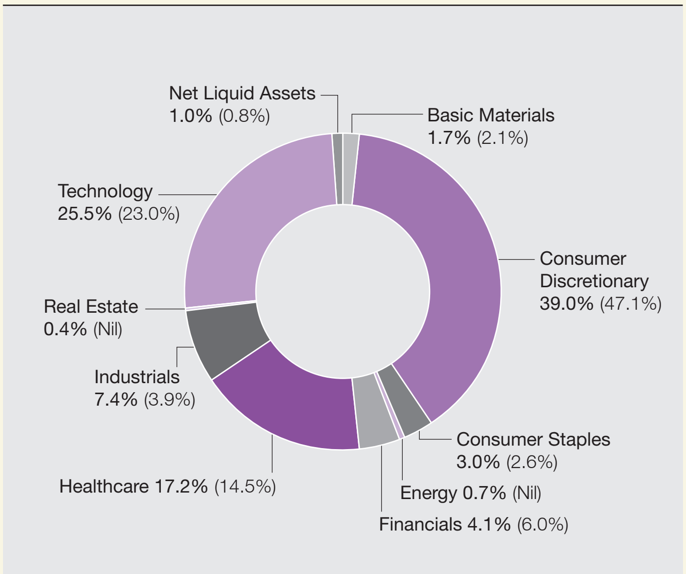
The figures above for total assets are made up of total net assets before deduction of all borrowings.

Distribution of Total Assets†

Geographical 2021 (2020)



Sectoral 2021 (2020)



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

Long Term Investment

Portfolio Holding Periods as at 31 March 2021

More Than 5 Years

Name		% of total assets
Tencent Holdings	⑩	6.1
Illumina	⑩	5.8
ASML		5.1
Amazon.com	⑩	5.0
Tesla Inc		4.5
Alibaba Group	Ⓟ	4.3
Meituan Dianping	Ⓟ	3.9
Kering	⑩	2.3
Netflix		1.9
Spotify Technology SA	Ⓟ	1.8
Ferrari		1.7
Zalando		1.6
HelloFresh	Ⓟ	1.4
TransferWise	Ⓤ	1.0
You & Mr Jones	Ⓤ	1.0
Atlas Copco	⑩	0.9
Workday		0.8
Kinnevik		0.8
CureVac	Ⓟ	0.6
Housing Development Finance Corporation	⑩	0.6
Airbnb	Ⓟ	0.4
JAND Inc (Warby Parker)	Ⓤ	0.3
Thumbtack	Ⓤ	0.3
Essence Healthcare	Ⓤ	0.3
Alnylam Pharmaceuticals		0.2
Innovation Works Development Fund	⑩Ⓤ	0.1
Zocdoc	Ⓤ	0.1
WI Harper Fund VIII	Ⓤ	0.1
Udacity	Ⓤ	<0.1
Sinovation Fund III	Ⓤ	<0.1
WI Harper Fund VII	⑩Ⓤ	<0.1
Global AI Opportunities Fund		<0.1
Total		**52.9**

2–5 Years

Name		% of total assets
NIO	Ⓟ	3.5
Delivery Hero		3.0
NVIDIA		1.9
Ginkgo BioWorks	Ⓤ	1.4
Pinduoduo		1.4
Denali Therapeutics	Ⓟ	1.4
Ant International	Ⓤ	1.4
Tempus Labs Inc	Ⓤ	1.2
Affirm	Ⓟ	1.1
Shopify		1.1
Space Exploration Technologies	Ⓤ	1.1
Zipline	Ⓤ	0.9
Vir Biotechnology	Ⓟ	0.8
Sana Biotechnology	Ⓟ	0.7
Grail	Ⓤ	0.6
Tanium	Ⓤ	0.6
Carbon	Ⓤ	0.4
Lyft	Ⓟ	0.4
Indigo Agriculture	Ⓤ	0.4
Rubius Therapeutics	Ⓟ	0.4
AUTO1	Ⓟ	0.4
Recursion Pharmaceuticals	Ⓤ	0.3
Full Truck Alliance	Ⓤ	0.3
Bolt Threads	Ⓤ	0.2
HeartFlow	Ⓤ	0.2
Uptake Technologies	Ⓤ	0.2
The Production Board	Ⓤ	0.2
Eventbrite	Ⓟ	0.1
ARCH Ventures Fund IX	Ⓤ	0.1
UNITY Biotechnology	Ⓟ	0.1
KSQ Therapeutics	Ⓤ	0.1
ARCH Ventures Fund X Overage	Ⓤ	<0.1
ARCH Ventures Fund X	Ⓤ	<0.1
Intarcia Therapeutics	Ⓤ	–
Total		**25.9**

Less Than 2 Years

Name		% of total assets
Moderna		3.5
ByteDance	Ⓤ	1.8
MercadoLibre		1.7
Zoom		1.4
Wayfair		1.3
Adyen		1.3
Northvolt	Ⓤ	1.2
Carvana		1.0
Stripe	Ⓤ	0.9
Epic Games	Ⓤ	0.9
Ocado		0.7
DoorDash		0.5
KE Holdings		0.4
ChargePoint Holdings		0.4
Snowflake	Ⓟ	0.4
GoPuff	Ⓤ	0.3
Lilium	Ⓤ	0.3
Workrise	Ⓤ	0.3
Jiangxiaobai	Ⓤ	0.3
Aurora	Ⓤ	0.2
Honor Technology	Ⓤ	0.2
Horizon Robotics	Ⓤ	0.2
Nuro	Ⓤ	0.2
Relativity Space	Ⓤ	0.2
Away Inc (JRSK)	Ⓤ	0.2
Clover Health	Ⓟ	0.1
Convoy	Ⓤ	0.1
Zymergen	Ⓤ	0.1
Joby Aero	Ⓤ	0.1
ARCH Ventures Fund XI	Ⓤ	<0.1
Total		**20.2**

Ⓤ Denotes unlisted (private company) security.
Ⓟ Denotes listed security previously held in the portfolio as an unlisted (private company) security.
⑩ Denotes security held for more than 10 years.
Net liquid assets represent 1.0% of total assets. See Glossary of Terms and Alternative Performance Measures on pages 90 to 92.

List of Investments as at 31 March 2021

Name	Business	Fair value 31 March 2021 £'000	% of total assets	Contribution to absolute performance* %	Notes†	Fair value 31 March 2020 £'000
Tencent Holdings	Internet services	1,110,755	6.1	3.5	Significant addition	596,292
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Tesla Inc	Electric cars, autonomous driving and solar energy	828,668	4.5	36.7	Significant reduction	790,650
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Kering	Luxury goods producer and retailer	422,631	2.3	0.7	Significant addition	286,032
Netflix	Subscription service for TV shows and movies	351,135	1.9	1.3		281,127
NVIDIA	Visual computing	334,991	1.9	2.2		184,024
ByteDance Ltd Series E Pref.ⓤ	Social media	173,187	0.9	0.9		60,486
ByteDance Ltd Series E-1 Pref.ⓤ	Social media	155,805	0.9	0.2	New purchase	–
		328,992	1.8	1.1		60,486
Spotify Technology SAⓟ	Online music streaming service	321,399	1.8	2.7		161,695
Ferrari	Luxury automobiles	304,315	1.7	0.7		250,807
MercadoLibre	Latin American e-commerce platform	303,802	1.7	1.5	Significant addition	56,182
Zalando	International online clothing retailer	290,851	1.6	2.0	Significant addition	87,796
Ginkgo Bioworks Inc Series D Pref.ⓤ	Bio-engineering company	116,636	0.6	0.2		76,164
Ginkgo Bioworks Inc Series C Pref.ⓤ	Bio-engineering company	113,420	0.6	0.2		74,064
Ginkgo Bioworks Inc Series E Pref.ⓤ	Bio-engineering company	29,488	0.2	0.1	Significant addition	12,804
		259,544	1.4	0.5		163,032
Pinduoduo Inc	Chinese e-commerce	258,258	1.4	1.9	Significant addition	60,602
Denali Therapeuticsⓟ	Biotechnology	253,963	1.4	1.4	Significant addition	52,834
HelloFreshⓟ	Grocery retailer	253,246	1.4	1.5		125,253
Ant International Limited Class C Ord.ⓤ	Online financial services platform	240,306	1.4	0.8		209,168
Zoom	Remote conferencing service provider	239,408	1.4	1.2	Significant addition	82,451
Wayfair	Online household goods retailer	239,353	1.3	3.3		45,049
Adyen	Global payment company	237,488	1.3	0.1	New purchase	–

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Name	Business	Fair value 31 March 2021 £'000	% of total assets	Contribution to absolute performance* %	Notes†	Fair value 31 March 2020 £'000
Northvolt AB Preference E1ⓤ	Battery developer and manufacturer, specialised in lithium-ion technology for electric vehicles	218,459	1.2	0.7	New purchase	–
Northvolt AB MIP 1 Warrantsⓤ	Battery developer and manufacturer, specialised in lithium-ion technology for electric vehicles	4,094	<0.1	–	New purchase	–
Northvolt AB MIP 3 Warrantsⓤ	Battery developer and manufacturer, specialised in lithium-ion technology for electric vehicles	1,214	<0.1	–	New purchase	–
Northvolt AB MIP 2 Warrantsⓤ	Battery developer and manufacturer, specialised in lithium-ion technology for electric vehicles	729	<0.1	–	New purchase	–
Northvolt AB MIP 4 Warrantsⓤ	Battery developer and manufacturer, specialised in lithium-ion technology for electric vehicles	364	<0.1	–	New purchase	–
Northvolt AB LTI 1 Warrantsⓤ	Battery developer and manufacturer, specialised in lithium-ion technology for electric vehicles	362	<0.1	–	New purchase	–
Northvolt AB Preference Dⓤ	Battery developer and manufacturer, specialised in lithium-ion technology for electric vehicles	280	<0.1	–	New purchase	–
		225,502	1.2	0.7		–
Tempus Labs Inc Series E Pref.ⓤ	Offers molecular diagnostics tests for cancer and aggregates clinical oncology records	128,690	0.7	0.3		95,821
Tempus Labs Inc Series F Pref.ⓤ	Offers molecular diagnostics tests for cancer and aggregates clinical oncology records	46,974	0.3	0.1		34,976
Tempus Labs Inc Series G-2 Pref.ⓤ	Offers molecular diagnostics tests for cancer and aggregates clinical oncology records	36,240	0.2	–	New purchase	–
Tempus Labs Inc Series G Pref.ⓤ	Offers molecular diagnostics tests for cancer and aggregates clinical oncology records	7,581	<0.1	–		5,645
		219,485	1.2	0.4		136,442
Affirm Holdings Inc Class Aⓟ	Online platform which provides lending and consumer credit services	114,837	0.6	0.4	Significant addition	11,490
Affirm Holdings Inc Class Bⓟ	Online platform which provides lending and consumer credit services	94,681	0.5	0.4	Significant addition	11,489
		209,518	1.1	0.8		22,979
Shopify	Cloud-based commerce platform provider	209,270	1.1	2.1		87,895

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Space Exploration Technologies Corp Series J Pref.ⓤ	Designs, manufactures and launches rockets and spacecraft	98,196	0.5	0.3		57,234
Space Exploration Technologies Corp Series N Pref.ⓤ	Designs, manufactures and launches rockets and spacecraft	78,921	0.4	0.1	New purchase	–
Space Exploration Technologies Corp Class A Commonⓤ	Designs, manufactures and launches rockets and spacecraft	17,404	0.1	–	New purchase	–
Space Exploration Technologies Corp Class C Commonⓤ	Designs, manufactures and launches rockets and spacecraft	11,875	0.1	–	New purchase	–
		206,396	1.1	0.4		57,234
TransferWise Ltd Series D Pref.ⓤ	Online money transfer services	89,015	0.5	0.3		47,633
TransferWise Ltd Series Ord.ⓤ	Online money transfer services	42,334	0.2	0.1		20,247
TransferWise Ltd Series A Pref.ⓤ	Online money transfer services	21,731	0.1	0.1		11,078
TransferWise Ltd Series B Pref.ⓤ	Online money transfer services	18,886	0.1	0.1		10,076
TransferWise Ltd Series E Pref.ⓤ	Online money transfer services	10,766	0.1	–		5,761
TransferWise Ltd Series Seed Pref.ⓤ	Online money transfer services	5,637	<0.1	–		2,696
TransferWise Ltd Series C Pref.ⓤ	Online money transfer services	831	<0.1	–		424
		189,200	1.0	0.6		97,915
You & Mr Jones Class A Unitsⓤ	Digital advertising	135,899	0.8	0.4		100,004
You & Mr Jones Class C Unitsⓤ	Digital advertising	42,971	0.2	0.1		30,296
		178,870	1.0	0.5		130,300
Carvana	Online platform for buying used cars	174,501	1.0	0.4	New purchase	–
Stripe Inc Series G Pref.ⓤ	Online payment platform	149,651	0.8	0.8	Significant addition	29,597
Stripe Inc Series H Pref.ⓤ	Online payment platform	21,954	0.1	–	New purchase	–
		171,605	0.9	0.8		29,597
Zipline International Inc Series D Pref.ⓤ	Logistics company that designs, manufactures and operates drones to deliver medical supplies	61,116	0.3	0.3		28,204
Zipline International Inc Series C Pref.ⓤ	Logistics company that designs, manufactures and operates drones to deliver medical supplies	52,190	0.3	0.3		20,258
Zipline International Inc Series E Pref.ⓤ	Logistics company that designs, manufactures and operates drones to deliver medical supplies	46,114	0.3	–	New purchase	–
		159,420	0.9	0.6		48,462
Epic Games Incⓤ	Gaming platform	155,065	0.9	0.1	New purchase	–

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Atlas Copco	Engineering	154,175	0.9	0.6		94,603
Workday	Enterprise information technology	151,557	0.8	0.9		88,318
Kinnevik	Investment company	150,313	0.8	1.2		56,880
Vir Biotechnology IncⓅ	Biotechnology company developing anti-infective therapies	136,754	0.8	0.2		95,187
Sana Biotechnology IncⓅ	Biotechnology company creating and delivering engineered cells as medicine	134,828	0.7	0.5	Significant addition	8,011
Ocado	Online grocery retailer and technology provider	124,357	0.7	(0.1)	New purchase	–
CureVacⓅ	Biotechnology	117,407	0.6	1.0	Significant addition	12,680
Grail Inc Series B Pref.Ⓤ	Clinical stage biotechnology company	107,268	0.6	0.3		77,077
Tanium Inc Class B CommonⓊ	Provides security and systems management solutions	106,961	0.6	0.3	Significant addition	46,629
Housing Development Finance Corporation	Indian mortgage provider	105,134	0.6	0.3		73,911
DoorDash	Provides restaurant food delivery services	87,606	0.5	(0.1)	New purchase	–
KE Holdings	Chinese real estate platform	77,434	0.4	0.4	New purchase	–
ChargePoint Holdings	Electric vehicle charging solutions	77,408	0.4	0.3	New purchase	–
Snowflake Inc Class B CommonⓅ	Developer of a SaaS-based cloud data warehousing platform	45,664	0.2	0.4		8,584
Snowflake Inc Class A CommonⓅ	Developer of a SaaS-based cloud data warehousing platform	29,201	0.2	0.1	New purchase	–
		74,865	0.4	0.5		8,584
Carbon Inc Series D Pref.Ⓤ	Manufactures and develops 3D printers	45,876	0.2	0.2		28,031
Carbon Inc Series E Pref.Ⓤ	Manufactures and develops 3D printers	28,700	0.2	0.1		19,394
		74,576	0.4	0.3		47,425
Airbnb Inc Class B CommonⓅ	Online market place for travel accommodation	73,048	0.4	0.3		20,625
Lyft IncⓅ	Ridesharing services	70,705	0.4	0.3		33,372
Indigo Agriculture Inc Series D Pref.Ⓤ	Analyses plant microbiomes to increase crop yields	32,807	0.2	(0.1)		37,834
Indigo Agriculture Inc Series E Pref.Ⓤ	Analyses plant microbiomes to increase crop yields	17,187	0.1	–		19,531
Indigo Agriculture Inc Series F Pref.Ⓤ	Analyses plant microbiomes to increase crop yields	16,731	0.1	–	Sub promissory note conversion and significant addition	10,126
Indigo Agriculture Inc CommonⓊ	Analyses plant microbiomes to increase crop yields	3,685	<0.1	–	Significant addition	2,120
		70,410	0.4	(0.1)		69,611
Rubius Therapeutics IncⓅ	Biotechnology	65,822	0.4	0.4		12,156
AUTO1 GroupⓅ	Online retailer of used cars	65,269	0.4	0.3		22,277

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JAND Inc (Warby Parker) Series D Pref.ⓤ	Online and physical glasses retailer	31,339	0.2	0.1		23,631
JAND Inc (Warby Parker) Series A Commonⓤ	Online and physical glasses retailer	20,209	0.1	–		15,239
JAND Inc (Warby Parker) Series E Pref.ⓤ	Online and physical glasses retailer	7,617	<0.1	–		5,744
		59,165	0.3	0.1		44,614
Recursion Pharmaceuticals Inc Series C Pref.ⓤ	Uses image recognition/machine learning and automation to improve drug discovery	37,389	0.2	–		37,136
Recursion Pharmaceuticals Inc Series D Pref.ⓤ	Uses image recognition/machine learning and automation to improve drug discovery	18,120	0.1	–	New purchase	–
		55,509	0.3	–		37,136
GoPuff Inc (GoBrands) Series G Pref.ⓤ	On demand retail delivery service	54,360	0.3	–	New purchase	–
Lilium GmbH Series B-2ⓤ	On demand air transportation	54,226	0.3	0.1	New purchase	–
Full Truck Alliance Ltd Series A-15 Pref.ⓤ	Freight-truck matching platform	33,734	0.2	–		28,976
Full Truck Alliance Ltd Series A-16 Pref.ⓤ	Freight-truck matching platform	18,120	0.1	–	New purchase	–
		51,854	0.3	–		28,976
Thumbtack Inc Series G Pref.ⓤ	Online directory service for local businesses	40,115	0.2	–		30,942
Thumbtack Inc Series H Pref.ⓤ	Online directory service for local businesses	8,023	0.1	–		6,188
		48,138	0.3	–		37,130
Workrise Technologies Inc Series E Pref.ⓤ	Online platform connecting contractors with work	47,112	0.3	–	New purchase	–
Essence Healthcare Series 3 Pref.ⓤ	Cloud-based health provider	45,950	0.3	0.1		45,391
Jiangxiaobai Holdings Ltd Series C Pref.ⓤ	Producer of alcoholic beverages	45,632	0.3	–	New purchase	–
Bolt Threads Inc Series D Pref.ⓤ	Natural fibres and fabrics manufacturer	32,360	0.2	0.1		24,181
Bolt Threads Inc Convertible Promissory Noteⓤ	Natural fibres and fabrics manufacturer	7,418	<0.1	–		7,236
		39,778	0.2	0.1		31,417
Aurora Innovation Inc Series B Pref.ⓤ	Developer of driverless vehicle technology	38,552	0.2	0.1		20,161
Heartflow Inc Series E Pref.ⓤ	Develops software for cardiovascular disease diagnosis and treatment	37,644	0.2	–		38,009
Honor Technology Inc Series D Preferred Stockⓤ	Provider of home-care services	36,240	0.2	–	New purchase	–

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Horizon Robotics Series C Pref.ⓤ	Designer and developer of AI chips and algorithms principally for advanced driving assistance systems and autonomous vehicles	36,240	0.2	–	New purchase	–
Nuro Inc Series C Preferredⓤ	Delivery business, using self-driving purpose-built electric vehicles	36,240	0.2	–	New purchase	–
Uptake Technologies Inc Series D Pref.ⓤ	Designs and develops enterprise software	35,598	0.2	–		26,375
The Production Board Series A-2 Pref.ⓤ	Holding company for food technology companies	35,080	0.2	–		36,130
Relativity Space Inc Series D Preferredⓤ	Aerospace company, designs and builds rockets using 3D printers	34,930	0.2	–	New purchase	–
Alnylam Pharmaceuticals	Biotechnology	33,461	0.2	0.2		28,682
JRSK Inc (Away) Series D Pref.ⓤ	Manufactures luggage	15,197	0.1	(0.1)		21,388
JRSK Inc (Away) Convertible Promissory Noteⓤ	Manufactures luggage	8,531	0.1	–	New purchase	–
JRSK Inc (Away) Series Seed Pref.ⓤ	Manufactures luggage	7,113	<0.1	(0.1)		14,804
		30,841	0.2	(0.2)		36,192
Clover Health Investments Corpⓟ	Healthcare insurance provider	28,214	0.1	0.2		25,499
Eventbrite Incⓟ	Online ticketing service	26,187	0.1	0.1		9,599
Convoy Inc Series D Pref.ⓤ	Marketplace for truckers and shippers	25,871	0.1	–		22,408
Zymergen Incⓤ	Developer of molecular technology	25,368	0.1	–	New purchase	–
Innovation Works Development Fundⓤ	Venture capital fund	20,622	0.1	–		19,329
ARCH Ventures Fund IXⓤ	Venture capital fund to invest in biotech start-ups	18,556	0.1	0.1		14,028
Joby Aero Inc Series C Pref.ⓤ	Electric aircraft	18,438	0.1	–		10,704
Zocdoc Inc Series D-2 Pref.ⓤ	Online platform for searching for doctors and booking appointments	16,421	0.1	–		16,862
Unity Biotechnologyⓟ	Clinical stage biotechnology company	13,883	0.1	–		14,878
KSQ Therapeutics Inc Series C Pref.ⓤ	Biotechnology company	13,630	0.1	(0.1)		17,887
WI Harper Fund VIIIⓤ	Venture capital fund	9,174	0.1	–		7,540
Udacity Inc Series D Prefⓤ	Online education	8,928	<0.1	–		9,774
Sinovation Fund IIIⓤ	Venture capital fund	8,613	<0.1	–		7,694
WI Harper Fund VIIⓤ	Venture capital fund	6,404	<0.1	–		5,515

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Global AI Opportunities Fund	Artificial intelligence based algorithmic trading	5,107	<0.1	–		4,358
ARCH Ventures Fund X Overageⓤ	Venture capital fund to invest in biotech start-ups	4,144	<0.1	–	Additional investment	845
ARCH Ventures Fund Xⓤ	Venture capital fund to invest in biotech start-ups	3,750	<0.1	–	Additional investment	813
ARCH Ventures Fund XIⓤ	Venture capital fund to invest in biotech start-ups	652	<0.1	–	New investment	–
Intarcia Therapeutics Inc Series EE Pref.ⓤ‡	Implantable drug delivery system	–	–	–		2,671
Intarcia Therapeutics Inc Commonⓤ‡	Implantable drug delivery system	–	–	(0.1)		62
Intarcia Therapeutics Inc Convertible Bondⓤ‡	Implantable drug delivery system	–	–	–		3,370
		–	–	(0.1)		6,103
Total Investments		**18,042,688**	**99.0**			
Net Liquid Assets#		186,573	1.0			
Total Assets#		**18,229,261**	**100.0**			

	Listed equities %	Unlisted (private company) securities ¶ %	Unlisted (private company) bonds %	Net liquid assets # %	Total %
31 March 2021	**78.7**	**20.2**	**0.1**	**1.0**	**100.0**
31 March 2020	79.1	19.9	0.2	0.8	100.0

Figures represent percentage of total assets.

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See Glossary of Terms and Alternative Performance Measures on pages 90 and 92.

‡ The Intarcia Therapeutics holdings are valued at nil at 31 March 2021.

¶ Includes holdings in preference shares and ordinary shares.

The following investments were completely sold during the period: Alphabet, Anaplan, Bluebird Bio Inc, Facebook, Inditex, Intuitive Surgical, Orchard Therapeutics, Palantir Technologies, Rocket Internet, Slack Technologies and Trip.com.

Source: Baillie Gifford/StatPro.

Absolute Performance to 31 March 2021

	Total return* (%) for five years	Total return* (%) for ten years	Total return* (%) since inception† (2 June 2010)
Overall investment portfolio	373.1	717.0	921.8
Private and previously private companies	224.6	1,258.5	927.6
FTSE All-World Index (in sterling terms)	98.5	193.7	243.9

* For a definition of total return please see Glossary of Terms and Alternative Performance Measures on pages 90 to 92.

† Date of investment in first private company security. Source: StatPro/Baillie Gifford and underlying index providers.

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Ten Year Record

Capital

At 31 March	Total assets £'000	Borrowings £'000	Shareholders' funds £'000	Shareholders' funds/net asset value (book) per share p	Net asset value per share * (fair) p	Net asset value per share * (par) p	Share price p	Premium/ (discount) † (fair) %	Premium/ (discount) † (par) %
2011	2,502,278	369,984	2,132,294	166.2	163.3	166.7	148.4	(9.1)	(11.0)
2012	2,378,319	365,996	2,012,323	158.7	153.7	159.1	141.6	(7.9)	(11.0)
2013	2,593,446	375,078	2,218,368	176.7	171.5	177.1	164.5	(4.1)	(7.1)
2014	2,986,580	388,867	2,597,713	211.8	208.0	212.2	208.8	0.4	(1.6)
2015	3,820,439	487,221	3,333,218	267.6	262.4	268.0	267.2	1.8	(0.3)
2016	3,955,398	497,954	3,457,444	263.4	259.2	263.8	262.5	1.3	(0.5)
2017	5,383,157	509,566	4,873,591	358.7	354.6	359.0	366.1	3.2	2.0
2018	6,673,471	485,715	6,187,756	443.5	439.9	443.7	442.2	0.5	(0.3)
2019	8,133,391	703,461	7,429,930	504.0	500.8	504.2	512.0	2.2	1.5
2020	9,151,409	906,775	8,244,634	567.3	565.7	567.5	573.5	1.4	1.1
2021	**18,229,261**	**1,237,332**	**16,989,470**	**1,195.1**	**1,190.0**	**1,195.2**	**1,137.0**	**(4.5)**	**(4.9)**

Source: Refinitiv/Baillie Gifford. See disclaimer on page 89.

* Net asset value per ordinary share has been calculated after deducting long term borrowings at either par, book or fair value (see note 19, page 80 and Glossary of Terms and Alternative Performance Measures on pages 90 to 92).

† Premium/(discount) is the difference between the Company's quoted share price and its underlying net asset value with borrowings at either par value or fair value. See Glossary of Terms and Alternative Performance Measures on pages 90 to 92.

Revenue

Gearing Ratios

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 ‡ %	Gearing ¶ %	Potential gearing § %
2011	53,703	34,374	2.66	2.40	0.51	17	17
2012	52,689	33,473	2.61	2.60	0.51	17	18
2013	58,950	39,510	3.12	2.80	0.51	16	17
2014	50,385	30,209	2.43	2.90	0.50	15	15
2015	38,964	27,540	2.24	2.93	0.48	12	15
2016	32,910	21,428	1.66	2.96	0.45	13	14
2017	27,796	14,136	1.07	3.00	0.44	9	10
2018	30,663	16,701	1.20	3.07	0.37	7	8
2019	28,187	23,669	1.64	3.13	0.37	9	9
2020	28,914	22,865	1.55	3.25	0.36	10	11
2021	**16,347**	**9,069**	**0.62**	**3.42**	**0.34**	**6**	**7**

Source: Baillie Gifford.

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

‡ Calculated as total operating costs divided by average net asset value (with debt at fair value) in accordance with AIC guidelines. See Glossary of Terms and Alternative Performance Measures on pages 90 to 92.

¶ Total assets (including all debt used for investment purposes) less all cash and cash equivalents divided by shareholders' funds. See Glossary of Terms and Alternative Performance Measures on pages 90 to 92.

§ Total assets (including all debt used for investment purposes) divided by shareholders' funds. See Glossary of Terms and Alternative Performance Measures on pages 90 to 92.

Cumulative Performance (taking 2011 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
2011	100	100	100	100	100	100	100	100	100
2012	94	120	97	100	95	97	98	108	104
2013	105	115	110	117	111	115	117	117	107
2014	127	130	115	125	141	148	91	121	110
2015	161	161	134	149	180	192	84	122	111
2016	159	205	130	148	177	191	62	123	112
2017	217	205	168	197	247	269	40	125	116
2018	269	284	169	203	298	328	45	128	120
2019	307	354	182	224	345	382	62	130	123
2020	346	403	167	210	386	430	58	135	126
2021	**729**	**808**	**228**	**294**	**766**	**856**	**23**	**143**	**128**
Compound annual returns									
5 year	35.6%	31.5%	11.9%	14.7%	34.1%	35.0%	(17.9%)	2.9%	2.6%
10 year	22.0%	23.2%	8.6%	11.4%	22.6%	24.0%	(13.6%)	3.6%	2.5%

Source: Refinitiv/Baillie Gifford and relevant underlying providers. See disclaimer on page 89.

^ Benchmark: FTSE All-World Index (in sterling terms). See disclaimer on page 89. All per share figures have been restated for the five for one share split on 30 June 2014.

Past performance is not a guide to future performance.

Directors and Management

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

Directors

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

Amar Bhidé is a distinguished writer and academic. Amar was appointed to the Board on 14 May 2020. Amar has an MBA with High Distinction (Baker Scholar) from the Harvard Business School. He served as a consultant with McKinsey & Co before taking up professorships in business (from Assistant to Full) at Harvard, Chicago, and Columbia universities. He is currently the Schmidheiny Professor at the Fletcher School of Law and Diplomacy, Tufts University. He has written numerous books, articles and case studies on entrepreneurship, finance, globalisation and medical innovation.

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

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

Professor P Subacchi

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

The Directors listed above were in office during the year to 31 March 2021 and remained in office as at 12 May 2021. The Chair is also chair of the Nomination Committee. All Directors are members of the Nomination and Audit Committees with the exception of Professor Amar Bhidé who is not a member of the Audit Committee.

Managers and Secretaries

The Company has appointed Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, as its Alternative Investment Fund Manager and Company Secretary. Baillie Gifford & Co Limited has delegated portfolio management services to Baillie Gifford & Co. Baillie Gifford & Co is an investment management firm formed in 1927 out of the legal firm Baillie & Gifford, WS, which has 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 thirteen closed-ended investment companies. Baillie Gifford also manages open ended investment companies, together with investment portfolios on behalf of pension funds, charities and other institutional clients, both in the UK and overseas. Funds under the management or advice of Baillie Gifford total around £314 billion. Based in Edinburgh, it is one of the leading privately owned investment management firms in the UK, with 47 partners and a staff of around 1,400.

The Managers of Scottish Mortgage's portfolio are James Anderson and Tom Slater together with Lawrence Burns, who was appointed Deputy Manager on 19 March 2021. James Anderson is a partner of Baillie Gifford & Co and will retire from the partnership and stand down as joint Manager on 30 April 2022. Tom Slater is a partner and Head of the North American equities team. Lawrence Burns is also a partner and leads international strategies that are focused on investing outside the US.

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 2021.

Corporate Governance

The Corporate Governance Report is set out on pages 39 to 42 and forms part of this Report.

Manager and Company Secretaries

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

The Investment Management Agreement sets out the matters over which the Managers have authority in accordance with the policies and directions of, and subject to restrictions imposed by, the Board. The Investment Management Agreement is terminable on not less than six months' notice. The annual management fee for the year to 31 March 2021 was 0.30% on the first £4 billion of total assets less current liabilities (excluding short term borrowings for investment purposes) and 0.25% on the remaining assets.

Careful consideration has been given by the Board as to the basis on which the management fee is charged. The Board considers that maintaining a low ongoing charges ratio is in the best interests of all shareholders as lower costs mean higher returns, particularly when compounded over long periods. The Board is also of the view that calculating the fee with reference to performance would be unlikely to exert a positive influence over the long term performance.

The Board as a whole fulfils the functions of the Management Engagement Committee. The Board considers the Company's investment management and secretarial arrangements on a continuing basis and a formal review is conducted at least annually. The Board considers, amongst others, the following topics in its review: the quality of the personnel assigned to handle the Company's affairs, the investment process and the results achieved to date, the administrative services provided by the Secretaries, the marketing efforts undertaken by the Managers and the promotion of diversity by the Managers. Following the most recent review and the good performance (particularly over the long term), it is the opinion of the Directors that the continuing appointment of Baillie Gifford & Co Limited as AIFM and the delegation of investment management services to Baillie Gifford & Co, on the terms agreed, is in the interests of shareholders as a whole.

Depositary

In accordance with the UK Alternative Investment Fund Managers Regulations, the AIFM must appoint a Depositary to the Company. The Bank of New York Mellon (International) Limited has been appointed as the Company's Depositary.

The Depositary's responsibilities include cash monitoring, safe keeping of the Company's financial instruments, verifying ownership and maintaining a record of other assets and monitoring the Company's compliance with investment limits and leverage requirements. The custody function is also undertaken by The Bank of New York Mellon (International) Limited ('the Custodian').

Directors

Information about the Directors, including their relevant experience, can be found on pages 33 and 34.

All Directors will retire at the Annual General Meeting and offer themselves for re-election.

Following a formal performance evaluation, the Board considers that the performance of the Directors continues to be effective and each remains committed to the Company. Their contribution to the Board is greatly valued and the Board recommends their re-election to shareholders.

The Board also considers that FC McBain remains independent notwithstanding having served on the Board for more than nine years (see page 39).

Directors' Indemnification and Insurance

The Company has entered into qualifying third party deeds of indemnity in favour of each of its Directors. The deeds cover any liabilities that may arise to a third party, other than the Company, for negligence, default or breach of trust or duty. The Directors are not indemnified in respect of liabilities to the Company, any regulatory or criminal fines, any costs incurred in connection with criminal proceedings in which the Directors are convicted or civil proceedings brought by the Company in which judgement is given against him or her. In addition, the indemnity does not apply to any liability to the extent that it is recovered from another person. The indemnities were in force during the year to 31 March 2021 and up to the date of approval of this Report.

The Company maintains Directors' and Officers' Liability Insurance.

Conflicts of Interest

Each Director submits a list of potential conflicts of interest to the Nomination Committee on an annual basis. The Committee considers these carefully, taking into account the circumstances surrounding them and makes a recommendation to the Board on whether or not the potential conflicts should be authorised. Board authorisation is for a period of one year. Having considered the lists of potential conflicts there were no situations which gave rise to a direct or indirect interest of a Director which conflicted with the interests of the Company.

Dividends

The Board recommends a final dividend of 1.97p per ordinary share which, together with the interim dividend of 1.45p per ordinary share already paid, makes a total of 3.42p for the year compared with 3.25p per ordinary share for the previous year.

If approved, the recommended final dividend on the ordinary shares will be paid on 1 July 2021 to shareholders on the register at the close of business on 4 June 2021. The ex-dividend date is 3 June 2021.

The Company's Registrars offer a Dividend Reinvestment Plan (see page 85) and the final date for elections for this dividend is 10 June 2021.

Share Capital

Capital Structure

The Company's capital structure as at 31 March 2021 consists of 1,421,618,969 ordinary shares of 5p each, all of which are allotted and fully paid. At 31 March 2021, 63,161,911 shares were held in treasury. There are no restrictions concerning the holding or transfer of the Company's ordinary shares and there are no special rights attached to any of the shares.

Dividends

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

Capital Entitlement

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

Voting

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

Information on the deadlines for proxy appointments can be found on pages 82 and 83.

Major Interests in the Company's Shares

The Company has not received any notification of major interests in the voting rights of the Company as at 31 March 2021. There have been no changes to the major interests in the Company's shares disclosed to the Company following the year end up to 10 May 2021.

Share Issuances and Share Buy-backs

At the last Annual General Meeting the Directors were granted power to allot equity securities or sell ordinary shares held in treasury for cash up to a maximum nominal amount of £7,274,299.

During the year to 31 March 2021 the Company sold 24,725,000 shares from treasury (nominal value £1,236,250), representing in aggregate 1.7% of the called up share capital (excluding treasury shares), at 31 March 2020). The shares were issued on a non pre-emptive basis at a premium to net asset value (on the basis of debt valued at fair value) over 26 separate occasions at an average price of 805.8p per share raising net proceeds of £193,559,000. At 31 March 2021, 63,161,911 shares were held in treasury. Between 1 April and 10 May 2021 the Company issued no further shares.

During the year to 31 March 2021, 56,365,839 shares were bought back and no further shares were bought back between 1 April and 10 May 2021.

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

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 £7,108,094.80, representing approximately 10 per cent. of the Company's total issued ordinary share capital as at 10 May 2021, being the latest practicable date prior to publication of this document.

The Directors presently intend to exercise this power when the number of shares held by the Company in treasury is not sufficient to support share issuance by the Company in accordance with its stated liquidity policy. As at 10 May 2021, the Company held 63,161,911 ordinary shares in treasury. The authority will expire on 24 September 2022 or, if earlier, at the end of the Annual General Meeting of the Company to be held in 2022, unless previously cancelled or varied by the Company in general meeting.

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 £7,108,094.80, representing approximately 10 per cent. of the Company's total issued ordinary share capital as at 10 May 2021, being the latest practicable date prior to publication of this document.

The Directors consider that the authority proposed to be granted by Resolution 12 continues to be advantageous when the Company's shares trade at a premium to net asset value and the level of natural liquidity in the market is unable to meet demand. The Directors do not intend to use this authority to sell or issue ordinary shares on a non pre-emptive basis at a discount to net asset value on the basis of debt valued at fair value. The attention of shareholders is drawn to information set out under Resolution 13 below.

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

Resolution 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 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 the authority granted to the Company at the 2020 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 (by way of a Special Resolution) at the Annual General Meeting to renew the authority to purchase up to 14.99 per cent. of the ordinary shares in issue (excluding treasury shares) as at 10 May 2021, being the latest practicable date prior to publication of this document (or, if less, up to 14.99 per cent. of the ordinary shares in issue (excluding treasury shares) on the date on which the Resolution is passed). This authority will expire at the end of the Annual General Meeting of the Company to be held in 2022. Such purchases will only be made at a discount to the prevailing net asset value. The Company may hold bought back shares in treasury and then:

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

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

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

Resolution 15 – Amendment to Articles of Association to remove the directors' share qualification

Resolution 15, which is being proposed as a Special Resolution, seeks to amend the Company's Articles of Association by deleting Article 97. Article 97 provides that a director shall be required to hold shares in the Company having, in aggregate, a nominal value of £250 by way of qualification for the office of director.

By way of background, the requirement for each Director to acquire and hold shares in the Company having, in aggregate, a nominal value of £250 is a historical one and, when introduced, would have reflected an expectation that each Director would hold at the very least a small stake in the Company to demonstrate some alignment with other shareholders. Over the years, the Company's share price has increased significantly and now far exceeds the nominal value per share. The number of shares needing be acquired was also compounded by the subdivision of share capital in June 2014, which reduced the nominal value per share from 25 pence to 5 pence and so increased the number of shares to be purchased fivefold. As a result, any new director appointed to the Board needs to make a substantial personal financial commitment when joining. By way of example, at the financial year end the Company's share price was £11.37 so any new director appointed at that time would have needed to purchase 5,000 shares at an aggregate cost of nearly £57,000 in order to satisfy the Article 97 provisions. The Directors do not consider that such requirement is conducive going forwards to attracting a diverse range of candidates to the Board and, accordingly, propose that the Articles of Association be amended to remove the directors' shareholding qualification provisions in their entirety. Having sought advice from the Company Secretaries regarding common practice, the Board notes that, whilst there are some investment companies who retain share qualification requirements for their directors, there are many more investment companies which do not.

Recommendation

The Board considers that all the Resolutions to be proposed at the Annual General Meeting are in the best interests of the Company and its shareholders as a whole. Accordingly, the Board unanimously recommends that you vote in favour of all of the Resolutions, as the Directors intend to do where possible in respect of their own beneficial shareholdings which amount in aggregate to 311,860 shares, representing 0.02% of the current issued share capital of the Company.

Financial Instruments

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

Articles of Association

The Company's Articles of Association may only be amended by Special Resolution at a general meeting of shareholders (see note above).

Disclosure of Information to Auditors

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

Independent Auditors

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

Post Balance Sheet Events

The Directors confirm that there have been no post Balance Sheet events up to 12 May 2021.

Stakeholder Engagement

Although the Company has no employees, trade suppliers or customers, the Directors give regular consideration to the need to foster the Company's business relationships with its stakeholders, in particular with shareholders, its externally appointed Managers, other professional service providers and lenders. The effect of this consideration upon the key decisions taken by the Company during the financial year is set out in further detail in the Strategic Report on pages 10 to 11.

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

All of the Company's activities are outsourced to third parties. The Company therefore has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. For the same reasons as set out above, the Company considers itself to be a low energy user under the SECR regulations and therefore is not required to disclose energy and carbon information.

Criminal Finances Act 2017

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

Bribery Act

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

Approved by the Board of Directors and signed on its behalf by
Justin Dowley
Senior Independent Director
(in the temporary absence of the Chair)
12 May 2021

Corporate Governance Report

The Board is committed to achieving and demonstrating high standards of Corporate Governance. This statement outlines how the principles of the 2018 UK Corporate Governance Code (the 'Code'), which can be found at frc.org.uk and the 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 theaic.co.uk.

Compliance

The Board confirms that the Company has complied throughout the year under review with the relevant provisions of the Code and the recommendation of the AIC Code. The Code includes provisions relating to the role of the chief executive, executive directors' remuneration and the need for an internal audit function. Given that the Company is an externally managed investment trust, the Board considers these provisions are not relevant to the Company (the need for an internal audit function specific to the Company has been addressed on page 43).

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

The Board

The Board has overall responsibility for the Company's affairs. The Board appoints the Managers and Secretaries and approves the terms of the investment management agreement. It has a number of matters reserved for its approval including strategy, investment policy, currency hedging, borrowings, gearing, share buy back and issuance policy, treasury matters, dividend and corporate governance policy. A separate meeting devoted to strategy is held each year. The Board seeks to contribute to the delivery of the Company's strategy by engaging with the Managers in a collaborative and collegiate manner with open and respectful discussion and debate being encouraged, whilst also ensuring that appropriate and regular challenge is brought and evaluation is conducted. The Board also reviews the financial statements, investment transactions, revenue budgets and performance. Full and timely information is provided to the Board to enable the Board to function effectively and to allow Directors to discharge their responsibilities.

The Board comprises five Directors, all of whom are non-executive. The Chair is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda. The executive responsibility for investment management has been delegated to the Company's Alternative Investment Fund Manager ('AIFM'), Baillie Gifford & Co Limited, and, in the context of a Board comprising only non-executive Directors, there is no chief executive officer. Mr LJ Dowley 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 33 and 34.

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

Appointments

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

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

Independence of Directors

All the Directors are considered by the Board to be independent of the Managers and free of any business or other relationship that could interfere with the exercise of their independent judgement.

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

Following formal performance evaluation, the Board has concluded that, notwithstanding that Fiona McBain has served on the Board for more than nine years, she has continued to demonstrate clear independence of character and judgement and her range of skills and experience has been beneficial for the Board.

Policy on Tenure of the Chair

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

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

Meetings

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

Directors' Attendance at Meetings

	Board	Audit Committee	Nomination Committee
Number of meetings	**6**	**2**	**1**
Fiona McBain	6	2	1
Professor Amar Bhidé* (joined 14 May 2020)	5	–	1
Justin Dowley	6	2	1
Professor John Kay (retired 25 June 2020)	2	–	–
Professor Patrick Maxwell	6	2	1
Professor Paola Subacchi	6	2	1

* Professor Amar Bhidé is not a member of the Audit Committee.

Nomination Committee

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

Diversity and Inclusion

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

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

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

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

Board Diversity Policy

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

Board Composition

As reported last year, Professor Amar Bhidé was appointed to the Board on 14 May 2020. The Board reviewed its composition during the year, with regard to the depth and breadth of experience. The Board reviewed its succession planning during the year and engaged an external search consultancy, Spencer Stuart, to recruit an additional non-executive Director to maintain the broad range of experience that is particularly valuable when supporting and challenging the Managers. This process had not concluded at the date of this report. Spencer Stuart, which has no other connection with the Company or any of the Directors, was specifically tasked with considering the promotion of diversity on the Board as an integral part of the recruitment process, having regard to the skills, experience and knowledge of each of the current and prospective Directors.

The Board comprises five non-executive Directors, three men and two women, and includes one economist, two chartered accountants, a professor of clinical medicine and an academic.

The Board recruitment process seeks to draw upon as diverse a pool of candidates as possible, including men and women from across all ethnic backgrounds working in the fields of science and industry as well as finance.

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

Performance Evaluation

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

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

A review of the Chair's and other Directors' commitments was carried out and the Nomination Committee is satisfied that they are capable of devoting sufficient time to the Company. The Chair is not the chair of any other company.

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

Induction and Training

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

Remuneration

As all the Directors are non-executive, there is no requirement for a separate Remuneration Committee. Directors' fees are considered by the Board as a whole within the limits approved by shareholders with the Chair's fees considered by the Board in the absence of the Chair. The Company's policy on remuneration is set out in the Directors' Remuneration Report on pages 45 and 46.

Audit Committee

The report of the Audit Committee is set out on pages 43 and 44.

Internal Controls and Risk Management

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

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

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

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

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

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

The Directors confirm that they have reviewed the effectiveness of the Company's risk management and internal controls systems, which accord with the FRC 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting' issued in September 2014, and they have procedures in place to review their effectiveness on a regular basis. No significant weaknesses were identified in the year under review and up to the date of this Report.

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

To comply with the UK Alternative Investment Fund Managers Regulations, The Bank of New York Mellon (International) Limited acted as the Company's Depositary and Baillie Gifford & Co Limited as its AIFM.

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

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

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

The risk limits, which are set by the AIFM and approved by the Board, take into account the objectives, strategy and risk profile of the portfolio. These limits, including leverage (see page 86), are monitored and the sensitivity of the portfolio to key risks is undertaken periodically as appropriate to ascertain the impact of changes in key variables in the portfolio. Exceptions from limits monitoring and stress testing are escalated to the AIFM and reported to the Board along with remedial measures being taken. No exceptions occurred during the year.

Going Concern

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

The Company's principal risks are market related and include market risk, liquidity risk and credit risk. An explanation of these risks and how they are managed is contained on pages 9 and 10 and in note 19 to the Financial Statements.

The Board has, in particular, considered the impact of heightened market volatility during the Covid-19 pandemic and reviewed the results of specific leverage and liquidity stress testing, but does not believe the Company's going concern status is affected. The Company's assets, the majority of which are investments in quoted securities which are readily realisable, exceed its liabilities significantly. All borrowings require the prior approval of the Board. Gearing levels and compliance with borrowing covenants are reviewed by the Board on a regular basis.

During the year, the Company refinanced the maturing £20 million debenture, refinanced some existing loan facilities and arranged additional loan facilities, as follows:

Further to an arrangement made in 2017, a £20 million 3.65% unsecured loan note maturing in 2044 was issued to finance the redemption of the £20 million 8–14% stepped interest debenture that matured on 30 September 2020.

On 21 April 2020, the US$200 million 2 year revolving credit facility with National Australia Bank Limited ('NAB') was refinanced with a US$200 million 3 year revolving credit facility with NAB.

Two further loan facilities were arranged and fully drawn in the year:

— a US$200 million loan with The Royal Bank of Scotland International ('RBSI') at a fixed rate of 1.491% expiring on 8 January 2024; and

— a US$300 million loan with The Bank of Nova Scotia at a rate of 2.234% expiring on 29 March 2026.

Following the year end, the US$80 million revolving credit facility with RBSI was refinanced with a US$180 million loan at a fixed rate of 2.601% expiring on 8 April 2026.

The Company has continued to comply with the investment trust status requirements of section 1158 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) Regulations 2011.

The Company's primary third party suppliers, including its Managers and Secretaries, Custodian and Depositary, Registrar, Auditors and Brokers, have not experienced significant operational difficulties affecting their respective services to the Company as a result of the Covid-19 pandemic.

Accordingly, the Financial Statements have been prepared on the going concern basis as it is the Directors' opinion, having assessed the principal and emerging risks and other matters, including the impact of the Covid-19 pandemic, set out in the Viability Statement on page 10, which assesses the prospects of the Company over a period of 10 years, that the Company will continue in operational existence for a period of at least 12 months from the date of approval of these Financial Statements.

Relations with Shareholders

The Board places great importance on communication with shareholders. The Company's Managers meet regularly with shareholders and their representatives and report shareholders' views to the Board. The Chair and the Audit Committee Chair are each available, in normal circumstances, to meet with shareholders as appropriate. Shareholders wishing to communicate with any members of the Board may do so by writing to them at the Company's registered office, or through the Company's brokers, Numis Securities and Jefferies (see contact details on the back cover).

The Company's Annual General Meeting conventionally provides a forum for communication with all shareholders. The level of proxies lodged for each resolution is announced at the meeting and published at 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 scottishmortgageit.com.

Authorities to Issue and Buy Back Shares

The Directors' remaining authorities at 31 March 2021 to issue and buy back the ordinary shares are disclosed in note 13 on page 71.

Corporate Governance and Stewardship

In its oversight of the Managers and the Company's other service providers, the Board received assurances that they have due regard to the benefits of diversity and promote these within their respective organisations. The Board's approach to matters of diversity is set out on page 40 of this report.

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

The Company believes that it is in the shareholders' interests to consider environmental, social and governance (ESG) factors, including climate change, when selecting and retaining investments and has asked the Managers to take these issues into account. The Managers do not exclude companies from their investment universe purely on the grounds of ESG factors but adopt a positive engagement approach whereby matters are discussed with management with the aim of improving the relevant policies and management systems and enabling the Managers to consider how ESG factors could impact long term investment returns. More information on the approach taken by Scottish Mortgage to Governance and Sustainability is available on the Company's website scottishmortgageit.com. The Managers' statement of compliance with the UK Stewardship Code can be found on the Managers' website at bailliegifford.com. The Managers' policy has been reviewed and endorsed by the Board.

The Managers are signatories to the United Nations Principles for Responsible Investment and the Carbon Disclosure Project and are also members of the International Corporate Governance Network.

Approved by the Board of Directors and signed on its behalf by
Justin Dowley
Senior Independent Director
(in the temporary absence of the Chair)
12 May 2021

Audit Committee Report

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

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

The Committee's effectiveness is reviewed on an annual basis as part of the Board's performance evaluation process (see page 40).

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

Main Activities of the Committee

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

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

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

Internal Audit

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

Financial Reporting

The Committee considers that the most significant area of risk likely to impact the Financial Statements is the existence, ownership and valuation of investments as they represent 98.7% of total assets.

- ***Unlisted (Private Company) Investments***

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

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

- ***Listed Investments***

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

  The Managers agreed the prices of all the listed investments at 31 March 2021 to external price sources and the holdings were agreed to confirmations from the Company's Custodian or Transfer Agent.

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

Internal Controls and Risk Management

The Committee reviewed the effectiveness of the Company's risk management and internal controls systems as described on page 41. No significant weaknesses were identified in the year under review.

Audit Tender

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

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

External Auditors

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

- a report from the Auditors describing the arrangements to identify, report and manage any conflicts of interest and received confirmation of their independence; and
- the extent of non-audit services provided by the external Auditors. Non-audit fees for the year to 31 March 2021 were £3,500 and related to specific procedures performed in respect of financial information provided to the debenture trustee. The Committee does not believe that this has impaired the Auditors' independence.

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

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

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

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

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

The audit partner responsible for the audit will be rotated at least every five years in accordance with professional and regulatory standards in order to protect independence and objectivity and to provide fresh challenge to the business. Ms Catrin Thomas, the current audit partner, has held this role for two years and will continue as audit partner until the conclusion of the 2024 audit.

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

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

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

Accountability and Audit

The respective responsibilities of the Directors and the Auditors in connection with the Financial Statements are set out on pages 47 to 55.

By order of the Board
Justin Dowley
Audit Committee Chair
12 May 2021

Directors' Remuneration Report

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

Statement by the Chair

The Directors' Remuneration Policy is subject to shareholder approval every three years or sooner if an alteration to the policy is proposed. The Remuneration Policy which is set out below was approved at the Annual General Meeting in June 2020 and no changes are proposed to the policy at the forthcoming Annual General Meeting on 24 June 2021.

The Board reviewed the level of fees during the year and it was agreed that there would be no change to Directors' fees. The fees were last increased on 1 April 2020.

Directors' Remuneration Policy

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

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

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

Limits on Directors' Remuneration

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

The fees paid to Directors in respect of the year ended 31 March 2021 and the expected fees payable in respect of the year ending 31 March 2022 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 2022 £	Fees for year ending 31 Mar 2021 £
Chair's fee	70,000	70,000
Chair of Audit Committee's fee	56,000	56,000
Directors' fee	45,000	45,000
Total aggregate annual fees that can be paid to the Directors in any year under the Directors' Remuneration Policy, as set out in the Company's Articles of Association	400,000	400,000

Annual Report on Remuneration

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

The law requires the Company's Auditors to audit certain of the disclosures provided in this report. Where disclosures have been audited, they are indicated as such. The Auditors' opinion is included in PricewaterhouseCoopers LLP's report on pages 48 to 55.

Directors' Remuneration for the Year (audited)

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

Name	2021 Fees £	2021 Taxable benefits* £	2021 Total £	% change in year	2020 Fees £	2020 Taxable benefits* £	2020 Total £
Fiona McBain (Chair)	70,000	442	**70,442**	13.8	60,000	1,918	**61,918**
Professor Amar Bhidé†	39,577	–	**39,577**	–	–	–	**–**
Justin Dowley (Audit Committee Chair)	56,000	231	**56,231**	3.4	50,000	4,365	**54,365**
Professor John Kay#	10,788	1,681	**12,469**	(69.7)	40,000	1,193	**41,193**
Professor Patrick Maxwell	45,000	489	**45,489**	5.4	40,000	3,164	**43,164**
Professor Paola Subacchi	45,000	1,392	**46,392**	8.6	40,000	2,737	**42,737**
	266,365	**4,235**	**270,600**	**11.2**	**230,000**	**13,377**	**243,377**

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

† Appointed on 14 May 2020.

Retired on 25 June 2020.

Directors' Interests (audited)

Name	Nature of interest	Ordinary 5p shares held at 31 March 2021	Ordinary 5p shares held at 31 March 2020
Fiona McBain	Beneficial	7,163	7,163
Professor Amar Bhidé	Beneficial	5,000	–
Justin Dowley	Beneficial	206,279	205,618
Professor Patrick Maxwell	Beneficial	71,757	36,759
Professor Paola Subacchi	Beneficial	21,661	19,898

The Directors at the year end, and their interests in the Company, were as shown above. There have been no changes in the Directors' interests up to 10 May 2021.

Statement of Voting at Annual General Meeting

At the last Annual General Meeting at which the Directors' Remuneration Policy was considered (June 2020), 99.4% of votes received were in favour, 0.3% were against and votes withheld were 0.3%.

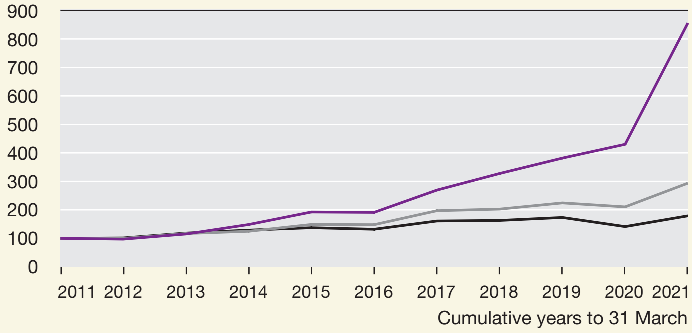
Relative Importance of Spend on Pay

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

	2021 £'000	2020 £'000	Change %
Directors' remuneration	271	243	11.5
Dividends	48,463	46,092	5.1
Share buy-backs	613,920	166,738	268.2

Company Performance

Scottish Mortgage's Share Price, FTSE All-Share Index and Benchmark*
(figures have been rebased to 100 at 31 March 2011)



Source: Refinitiv#

Scottish Mortgage share price

Benchmark†

FTSE All-Share Index

* All figures are total return (assuming all dividends are reinvested). See Glossary of Terms and Alternative Performance Measures on pages 90 to 92.

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

\# See disclaimer on page 89.

Past performance is not a guide to future performance.

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

Approval

The Directors' Remuneration Report on pages 45 and 46 was approved by the Board of Directors and signed on its behalf on 12 May 2021.

Justin Dowley
Senior Independent Director
(in the temporary absence of the Chair)

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

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law they are required to prepare the Financial Statements in accordance with UK accounting standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of its profit or loss for that period. In preparing these Financial Statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its Financial Statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

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

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

We confirm that to the best of our knowledge:

- the Financial Statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks and uncertainties that they face.

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

On behalf of the Board
Justin Dowley
Senior Independent Director
(in the temporary absence of the Chair)
12 May 2021

Notes

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

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

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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the Company's affairs as at 31 March 2021 and of its net return and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the 'Annual Report'), which comprise: the Balance Sheet as at 31 March 2021; the Income Statement, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

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

Other than those disclosed in note 4 to the financial statements, we have provided no non-audit services to the Company in the period under audit.

Our audit approach

Overview

Audit scope	— The Company is a standalone Investment Trust Company and engages Baillie Gifford & Co Limited (the 'AIFM') to manage its assets. — We conducted our audit of the financial statements using information from the AIFM to whom the Directors have delegated the provision of all administrative functions. — We tailored the scope of our audit taking into account the types of investments within the Company, the involvement of the AIFM and other third party service providers, the accounting processes and controls, and the industry in which the Company operates. — We obtained an understanding of the control environment in place at the AIFM, tested certain controls around the valuation of unquoted investments and, other than in this area, we adopted a mainly substantive testing approach.
Key audit matters	— Income from investments. — Valuation and existence of listed investments. — Valuation and existence of unlisted investments. — Consideration of Impacts of COVID-19.
Materiality	— Overall materiality: £169,500,000 (2020 – £82,000,000) based on approximately 1% of Net Assets. — Performance materiality: £126,100,000.

The scope of our audit

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

Key audit matters

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

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Income from investments Refer to page 43 (Audit Committee Report), page 60 (Principal Accounting Policies) and page 62 (Notes to the Financial Statements). We selected Income from investments as a key audit matter due to its significance to the financial statements. In this instance, we consider that 'income' refers to all the Company's income streams, both revenue and capital (including gains and losses on investments). Whilst the Company does have a stated aim to deliver small increases in dividends each year, the more significant returns relate to capital growth on investments over a longer term period. We considered the greatest risk relating to this area to relate to the overstatement of capital gains, mainly in relation to unlisted investments, due to the exercise of significant judgment in arriving at the unlisted investment valuations. The gains/losses on listed investments in the year is also a material figure and the key driver of the increase in NAV in the year. Whilst much less significant in value, dividend income represents an important element of the Revenue column of the Income Statement and we considered the accuracy of its presentation in the Income Statement as set out in the requirements of The Association of Investment Companies' Statement of Recommended Practice (the 'AIC SORP'). We also considered the risk of manipulation of income (both capital and income) through making manual journal adjustments.	We assessed the accounting policy for income recognition for compliance with accounting standards and the AIC SORP and performed testing to confirm that income had been accounted for in accordance with this stated accounting policy. We found that the accounting policies implemented were in accordance with accounting standards and the AIC SORP, and that income has been accounted for in accordance with the stated accounting policy. We understood and assessed the design and implementation of key controls surrounding income recognition. The gains/losses on investments held at fair value comprise realised and unrealised gains/losses. For unrealised gains and losses, we sample tested the valuation of the portfolio at the year-end (see below), together with testing the reconciliation of opening and closing investments. For realised gains/losses, we tested a sample of disposal proceeds by agreeing the proceeds to bank statements and we re-performed the calculation of a sample of realised gains/losses. To test for completeness, we tested that the appropriate dividends had been received in the year by reference to independent data of dividends declared for all listed investments during the year. Our testing did not identify any unrecorded dividends. In addition, we tested a sample of dividend receipts by agreeing the dividend rates from all investments to independent third party sources. We tested the allocation and presentation of dividend income between the revenue and capital return columns of the Income Statement in line with the requirements set out in the AIC SORP. We did not find any dividends that were not treated in accordance with the AIC SORP. We tested a sample of journals posted to income during the year where these included high risk characteristics determined based on our experience. We did not identify any matters requiring reporting to the Audit Committee in this area.
Valuation and existence of listed investments Refer to pages 43 (Audit Committee Report), page 60 (Principal Accounting Policies) and page 65 (Notes to the Financial Statements). The investment portfolio at 31 March 2021 comprised listed equity investments of £14,345.4 million. We focused on the valuation and existence of listed investments because listed investments represent the largest element of the net asset value of the Company.	We tested the valuation of all the listed investments as at 31 March 2021 by agreeing the prices used in the valuation to independent third party sources. We tested the existence of all listed investments by agreeing the holdings of all investments to an independent confirmation from the Depository, The Bank of New York Mellon (International) Limited as at 31 March 2021. No material misstatements were identified from this testing.

Key audit matter	How our audit addressed the key audit matter
Valuation and existence of unlisted investments Refer to page 43 (Audit Committee Report), page 60 (Principal Accounting Policies) and page 65 (Notes to the Financial Statements). The investment portfolio at 31 March 2021 included unlisted investments. We focused on the valuation and existence of the unlisted investments as these investments represented a material balance in the financial statements (£3,697.3 million) and the valuation requires significant estimates and judgements to be applied by the Directors such that changes to key inputs to the estimates and/or the judgements made can result in a material change to the valuation of unlisted investments.	We understood and evaluated the valuation methodology applied by reference to the International Private Equity and Venture Capital Valuation guidelines (IPEV), and tested the techniques used by the Directors in determining the fair value of unquoted investments. We understood, assessed and tested key controls relating to the process in place to assist the directors in arriving at the unquoted valuations, including the assessment of the objectivity and qualifications of the third party valuation provider and the review and challenge of this by the AIFM's valuation committee and the Company's Audit Committee. We also read the internal AIFM valuation committee meeting minutes where the valuations of the unquoted investments were discussed and agreed and attended relevant Audit Committee meetings where the valuation of these investments were discussed. Our substantive testing, performed on a sample basis, included: — Assessing the appropriateness of the valuation methodology used and testing the inputs either through validation to appropriate third party sources, or where relevant, assessing the reasonableness of significant estimates and judgements used; — Comparing valuations of investments in funds to the most recent audited financial statements, where available; — Comparing valuations to recent transactions, where relevant; and — Comparing valuations to recent investments made in investee companies where there was a significant new investor. We found that the Directors' valuations of unquoted investments were materially consistent with the IPEV guidelines and that the assumptions used to derive the valuations within the financial statements were reasonable based on the investee's circumstances or consistent with appropriate third party sources. We tested the existence of the unquoted investment portfolio by agreeing a sample of the holdings to independently obtained third party confirmations as at 31 March 2021. No material misstatements were identified from this testing.

Key audit matter	How our audit addressed the key audit matter
Consideration of impacts of COVID-19 Refer to the Statement from the Board (page 2), Principal and Emerging Risks (page 9), the Viability Statement (page 10) and the Going Concern Statement (page 42), which disclose the impact of the COVID-19 pandemic. The COVID-19 outbreak was declared a pandemic by the World Health Organisation and since the first quarter of 2020, as well as having a significant adverse humanitarian impact, it has caused significant economic uncertainty globally and disruption to supply chains and travel, slowed global growth and caused volatility in global markets and in exchange rates. This could have an impact on the valuation of investments in the Company, available liquidity and operational impacts given the Company's reliance on third parties. The Directors have prepared the financial statements of the Company on a going concern basis, and believe this assumption remains appropriate. This conclusion is based on the assessment that, notwithstanding the significant market uncertainties, they are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future and that the Company and its key third party service providers have in place appropriate business continuity plans and will be able to maintain service levels throughout the COVID-19 pandemic.	We evaluated the Directors' assessment of the impact of the COVID-19 pandemic on the Company by: — Evaluating the Company's updated risk assessment and considering whether it addresses the relevant threats presented by COVID-19. — Evaluating management's assessment of operational and financial impacts, considering their consistency with other available information and our understanding of the business and assessing the potential impact on the financial statements. We obtained and evaluated the Directors' going concern assessment which reflects conditions up to the point of approval of the Annual Report by obtaining evidence to support the key assumptions and forecasts driving the Directors' assessment. This included reviewing the Directors' assessment of the Company's financial position and forecasts, their assessment of liquidity as well as their review of the operational resilience of the Company and oversight of key third party service providers. We assessed the disclosures presented in the Annual Report in relation to COVID-19 by reading the other information, including the Principal Risks and Viability Statement set out in the Strategic Report, and assessing its consistency with the financial statements and the evidence we obtained in our audit. Our conclusions relating to other information are set out in the 'Reporting on other information' section of our report. Our conclusions relating to going concern are set out in the 'Conclusions related to going concern' section below.

How we tailored the audit scope

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

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

Materiality

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

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

Overall materiality	£169,500,000 (2020 – £82,000,000).
How we determined it	Approximately 1% of Net Assets.
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice for investment trust audits, in the absence of indicators that an alternative benchmark would be appropriate and because we believe this provides an appropriate and consistent year-on-year basis for our audit.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was approximately 75% of overall materiality, amounting to £126,100,000 for the Company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £8,400,000 (2020 – £4,100,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

— evaluating the Directors' updated risk assessment and considering whether it addressed relevant threats, including those presented by COVID-19;

— evaluating the Directors' assessment of potential operational impacts, considering their consistency with other available information and our understanding of the business and assessed the potential impact on the financial statements;

— reviewing the Directors' assessment of the Company's financial position in the context of its ability to meet future expected operating expenses and debt repayments, their assessment of liquidity as well as their review of the operational resilience of the Company and oversight of key third-party service providers; and

— assessing the implication of significant reductions in NAV as a result of market performance on the ongoing ability of the Company to operate.

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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

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

Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 March 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Directors' Remuneration

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

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the Corporate Governance Report is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

— The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;

— The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;

— The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;

— The directors' explanation as to their assessment of the Company's prospects, the period this assessment covers and why the period is appropriate; and

— The directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Company and its environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the Annual Report and Financial Statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of section 1158 of the Corporation Tax Act 2010 (see page 42 of the Annual Report), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue (investment income and capital gains) or to increase net asset value, and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- discussions with the manager and the audit committee, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- reviewing relevant meeting minutes, including those of the Audit Committee;
- assessment of the Company's compliance with the requirements of section 1158 of the Corporation Tax Act 2010, including recalculation of numerical aspects of the eligibility conditions;
- challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the valuation of unquoted investments (see related key audit matter above);
- identifying and testing journal entries posted throughout the year and in particular manual year end journal entries posted during the preparation of the financial statements. This included but was not limited to testing journals with unusual account combinations, misappropriate users or reviewers and journals posted at unusual times; and
- designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

— we have not obtained all the information and explanations we require for our audit; or

— adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or

— certain disclosures of directors' remuneration specified by law are not made; or

— the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 27 June 2019 to audit the financial statements for the year ended 31 March 2020 and subsequent financial periods. The period of total uninterrupted engagement is two years, covering the years ended 31 March 2020 to 31 March 2021.

Catrin Thomas (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
12 May 2021

Income Statement

For the year ended 31 March

	Notes	2021 Revenue £'000	2021 Capital £'000	2021 Total £'000	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000
Gains on investments	9	–	9,265,424	**9,265,424**	–	1,018,400	**1,018,400**
Currency gains/(losses)		–	14,093	**14,093**	–	(12,949)	**(12,949)**
Income	2	16,347	–	**16,347**	28,914	–	**28,914**
Investment management fee	3	–	(42,197)	**(42,197)**	–	(23,922)	**(23,922)**
Other administrative expenses	4	(6,302)	–	**(6,302)**	(4,835)	–	**(4,835)**
Net return before finance costs and taxation		10,045	9,237,320	**9,247,365**	24,079	981,529	**1,005,608**
Finance costs of borrowings	5	–	(30,270)	**(30,270)**	–	(31,338)	**(31,338)**
Net return before taxation		10,045	9,207,050	**9,217,095**	24,079	950,191	**974,270**
Tax	6	(976)	(2,459)	**(3,435)**	(1,214)	–	**(1,214)**
Net return after taxation		**9,069**	**9,204,591**	**9,213,660**	**22,865**	**950,191**	**973,056**
Net return per ordinary share	7	**0.62p**	**632.22p**	**632.84p**	**1.55p**	**64.55p**	**66.10p**

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

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

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

The accompanying notes on pages 60 to 80 are an integral part of the Financial Statements.

Balance Sheet

As at 31 March

	Notes	2021 £'000	2021 £'000	2020 £'000	2020 £'000
Fixed assets					
Investments held at fair value through profit or loss	9		18,042,688		9,079,650
Current assets					
Debtors	10	20,883		48,420	
Cash and cash equivalents	19	212,128		38,526	
		233,011		86,946	
Creditors					
Amounts falling due within one year	11	(310,988)		(329,715)	
Net current liabilities			(77,977)		(242,769)
Total assets less current liabilities			17,964,711		8,836,881
Creditors					
Amounts falling due after more than one year:	12				
Bank loans		(362,289)		–	
Loan notes		(482,629)		(464,112)	
Debenture Stock		(127,864)		(128,135)	
Provision for deferred tax liability		(2,459)		–	
			(975,241)		(592,247)
			16,989,470		**8,244,634**
Capital and reserves					
Called up share capital	13		74,239		74,239
Share premium account	14		781,771		764,521
Capital redemption reserve	14		19,094		19,094
Capital reserve	14		16,105,297		7,363,915
Revenue reserve	14		9,069		22,865
Total shareholders' funds	15		**16,989,470**		**8,244,634**
Net asset value per ordinary share (after deducting borrowings at book)*	15		**1,195.1p**		**567.3p**

The Financial Statements of Scottish Mortgage Investment Trust PLC (Company registration No. SC007058) were approved and authorised for issue by the Board and were signed on its behalf on 12 May 2021.

Justin Dowley
Senior Independent Director
(in the temporary absence of the Chair)

The accompanying notes on pages 60 to 80 are an integral part of the Financial Statements.

* See Glossary of Terms and Alternative Performance Measures on pages 90 to 92.

Statement of Changes in Equity

For the year ended 31 March 2021

	Notes	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve* £'000	Revenue reserve* £'000	Total shareholders' funds £'000
Shareholders' funds at 1 April 2020		74,239	764,521	19,094	7,363,915	22,865	**8,244,634**
Net return after taxation	14	–	–	–	9,204,591	9,069	**9,213,660**
Ordinary shares bought back into treasury	13	–	–	–	(613,920)	–	**(613,920)**
Ordinary shares sold from treasury	13	–	17,250	–	176,309	–	**193,559**
Dividends paid during the year	8	–	–	–	(25,598)	(22,865)	**(48,463)**
Shareholders' funds at 31 March 2021		**74,239**	**781,771**	**19,094**	**16,105,297**	**9,069**	**16,989,470**

For the year ended 31 March 2020

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

The accompanying notes on pages 60 to 80 are an integral part of the Financial Statements.

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

Cash Flow Statement

For the year ended 31 March

	Notes	2021 £'000	2021 £'000	2020 £'000	2020 £'000
Cash flows from operating activities					
Net return before taxation		9,217,095		974,270	
Gains on investments		(9,265,424)		(1,018,400)	
Currency (gains)/losses		(14,093)		12,949	
Finance costs of borrowings		30,270		31,338	
Overseas withholding tax refunded		–		144	
Overseas withholding tax incurred		(976)		(1,358)	
Changes in debtors and creditors		5,485		596	
Cash used in operations			(27,643)		(461)
Interest paid			(30,316)		(31,252)
Net cash outflow from operating activities			(57,959)		(31,713)
Cash flows from investing activities					
Acquisitions of investments		(4,168,249)		(634,686)	
Disposals of investments		4,498,167		636,818	
Net cash inflow from investing activities			329,918		2,132
Equity dividends paid	8	(48,463)		(46,092)	
Ordinary shares bought back into treasury and stamp duty thereon		(588,502)		(166,738)	
Ordinary shares sold from treasury		193,559		–	
Ordinary shares issued		–		54,478	
Debenture repaid		(20,000)		–	
Bank loans drawn down and loan notes issued		384,519		188,218	
Net cash (outflow)/inflow from financing activities			(78,887)		29,866
Increase in cash and cash equivalents			193,072		285
Exchange movements			(19,470)		2,654
Cash and cash equivalents at start of period	16,19		38,526		35,587
Cash and cash equivalents at end of period*	16,19		**212,128**		**38,526**

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

The accompanying notes on pages 60 to 80 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 2021 have been prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and on the basis of the accounting policies set out below which are unchanged from the prior year and have been applied consistently.

(a) Basis of Accounting

All of the Company's operations are of a continuing nature and the Financial Statements are prepared on a going concern basis under the historical cost convention, modified to include the revaluation of fixed asset investments, and on the assumption that approval as an investment trust under section 1158 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) (Tax) Regulations 2011 will be retained. The Board has, in particular, considered the impact of heightened market volatility during the Covid-19 pandemic but does not believe the Company's going concern status is affected. The Company's assets, the majority of which are investments in quoted securities which are readily realisable, exceed its liabilities significantly. All borrowings require the prior approval of the Board. Gearing levels and compliance with borrowing covenants are reviewed by the Board on a regular basis. During the year, the Company refinanced the maturing £20 million debenture, refinanced some existing loan facilities and arranged additional loan facilities, as follows: Further to an arrangement made in 2017, a £20 million 3.65% unsecured loan maturing in 2044 was issued to finance the redemption of the £20 million 8–14% stepped interest debenture that matured on 30 September 2020.

On 21 April 2020, the US$200 million 2 year revolving credit facility with National Australia Bank ('NAB') was refinanced with a US$200 million 3 year revolving credit facility with NAB.

Two further loan facilities were arranged and fully drawn in the year:

— a US$200 million loan with The Royal Bank of Scotland International ('RBSI') at a fixed rate of 1.491% expiring on 8 January 2024; and

— a US$300 million loan with The Bank of Nova Scotia at a rate of 2.234% expiring on 29 March 2026.

It is the Directors' opinion, having assessed the principal risks and other matters set out in the Viability Statement on page 10, that the Company will continue in operational existence for a period of at least twelve months from the date of approval of these Financial Statements.

The Financial Statements have been prepared in accordance with the Companies Act 2006, applicable UK Accounting Standards and with the AIC's Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued in November 2014 and updated in October 2019 with consequential amendments.

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

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

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

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

(b) Significant Accounting Estimates and Judgements

The preparation of the Financial Statements requires the use of estimates and judgements. These estimates and judgements affect the reported amounts of assets and liabilities at the reporting date. While estimates are based on best judgement using information and financial data available, the actual outcome may differ from these estimates. The key sources of estimation and uncertainty relate to the fair valuation of the unlisted investments.

Judgements

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

(i) the determination of the functional currency of the Company as sterling (see rationale in 1(a) above); and

(ii) the fair valuation of the unlisted investments.

The key judgements in the fair valuation process are:

(i) the Managers' determination of the appropriate application of the International Private Equity and Venture Capital Guidelines 2018 ('IPEV') to each unlisted investment; and

(ii) the Directors' consideration of whether each fair value is appropriate following detailed review and challenge. The judgement applied in the selection of the methodology used (see 1(c) below) for determining the fair value of each unlisted investment can have a significant impact upon the valuation.

Estimates

The key estimate in the Financial Statements is the determination of the fair value of the unlisted investments by the Managers for consideration by the Directors. This estimate is key as it significantly impacts the valuation of the private company investments at the Balance Sheet date. The significance of this estimate has increased over the year with the increase in private company investments (see note 9). The fair valuation process involves estimation using subjective inputs that are unobservable (for which market data is unavailable). The main estimates involved in the selection of the valuation process inputs are:

(i) the selection of appropriate comparable companies in order to derive revenue multiples and meaningful relationships between enterprise value, revenue and earnings growth. Comparable companies are chosen on the basis of their business characteristics and growth patterns;

(ii) the selection of a revenue metric (either historical or forecast);

(iii) the application of an appropriate discount factor to reflect the reduced liquidity of private companies versus their listed peers;

(iv) the estimation of the probability assigned to an exit being through an initial public offering ('IPO') or a company sale;

(v) the selection of an appropriate industry benchmark index to assist with the valuation validation or the application of valuation adjustments, particularly in the absence of established earnings or closely comparable peers; and

(vi) the calculation of valuation adjustments derived from milestone analysis (i.e. incorporating operational success against the plan/forecasts of the business into the valuation).

Fair value estimates are cross-checked to alternative estimation methods where possible to improve the robustness of the estimate. As the valuation outcomes may differ from the fair value estimates a price sensitivity analysis is provided in Other Price Risk Sensitivity in note 19 on page 76 to illustrate the effect on the

Financial Statements of an over or under estimation of fair values. The risk of an over or under estimation of fair values is greater when methodologies are applied using more subjective inputs.

The determination of fair value by the Managers involves key assumptions dependent upon the valuation technique used. As explained in 1(c) below, the primary technique applied under the IPEV Guidelines is the Multiples approach. The valuation process recognises also, as stated in the IPEV Guidelines, that the price of a recent investment may be an appropriate starting point for estimating fair value. The Multiples approach involves subjective inputs and therefore presents a greater risk of over or under estimation and particularly in the absence of a recent transaction.

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

(c) Investments

Purchases and sales

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

Listed Investments

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

Private Company Investments

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

— Multiples;

— Industry Valuation Benchmarks; and

— Available Market Prices.

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

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

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

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

Significant Holdings

The Company has a significant holding in the shares of the Global AI Opportunities Fund and in the limited partnership of the WI Harper Fund VII (see note 9 on page 67). The Company has taken advantage of the exemption from preparing consolidated Financial Statements available in FRS 102 for investments held as part of an investment portfolio with a view to subsequent resale.

Gains and Losses

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

(d) Cash and Cash Equivalents

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

(e) Income

(i) Income from equity investments is brought into account on the date on which the investments are quoted ex-dividend or, where no ex-dividend date is quoted, when the Company's right to receive payment is established.

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

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

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

(v) If scrip is taken in lieu of dividends in cash, the net amount of the cash dividend declared is credited to the revenue account. Any excess in the value of the shares received over the amount of the cash dividend foregone is recognised as capital.

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

(f) Expenses

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

(g) Long Term Borrowings and Finance Costs

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

(h) Taxation

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

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

(i) Foreign Currencies

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

(j) Capital Reserve

Gains and losses on disposal of investments, changes in fair value of investments held, exchange differences of a capital nature and the amount by which other assets and liabilities valued at fair value differ from their book cost are dealt with in this reserve. Purchases of the Company's own shares are also funded from this reserve. 100% of management fees and finance costs have been allocated to the capital reserve. The capital reserve, to the extent it constitutes realised profits, is distributable.

When making a distribution to shareholders, the Directors determine profits available for distribution by reference to 'Guidance on realised and distributable profits under the Companies Act 2006' issued by the Institute of Chartered Accountants in England and Wales and the Institute of Chartered Accountants of Scotland in April 2017. The availability of distributable reserves in the Company is dependent on those dividends meeting the definition of qualifying consideration within the guidance and on available cash resources of the company and other accessible sources of funds. The distributable reserves are therefore subject to any future restrictions or limitations at the time such distribution is made.

(k) Share Premium Account

The balance classified as share premium represents:

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

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

2 Income

	2021 £'000	2020 £'000
Income from investments		
UK dividend income	–	666
Overseas dividends*	15,948	26,008
Overseas interest	399	1,033
	16,347	**27,707**
Other income		
Deposit interest	–	1,207
	–	**1,207**
Total income	**16,347**	**28,914**
Total income comprises:		
Dividends from financial assets designated at fair value through profit or loss	15,948	26,674
Interest from financial assets designated at fair value through profit or loss	399	1,033
Interest from financial assets not at fair value through profit or loss	–	1,207
	16,347	**28,914**

* Overseas dividend income represents income from equity holdings. There was nil income from preference share (non-equity) holdings during the year (2020 – £nil).

3 Investment Management Fee

	2021 Revenue £'000	2021 Capital £'000	2021 Total £'000	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000
Investment management fee	–	42,197	**42,197**	–	23,922	**23,922**

Details of the Investment Management Agreement are disclosed on page 35. The annual management fee is 0.30% on the first £4 billion of total assets less current liabilities (excluding short term borrowings for investment purposes) and 0.25% thereafter and is calculated quarterly.

The investment management fees for the years to 31 March 2021 and 31 March 2020 were charged 100% to capital.

4 Other Administrative Expenses

	2021 £'000	2020 £'000
General administrative expenses	5,959	4,556
Directors' fees (see Directors' Remuneration Report page 45)	266	230
Auditors' remuneration for audit services	73	45
Auditors' remuneration for non-audit services – certification of financial information for the debenture trustee	4	4
Other administrative expenses charged to revenue	**6,302**	**4,835**

5 Finance Costs of Borrowings

	2021 Revenue £'000	2021 Capital £'000	2021 Total £'000	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000
Financial liabilities not at fair value through profit or loss						
Bank loans and overdrafts repayable within five years or less	–	5,257	**5,257**	–	8,681	**8,681**
Debentures repayable wholly or partly in five years or less	–	6,432	**6,432**	–	2,513	**2,513**
Debentures repayable wholly or partly in more than five years	–	5,722	**5,722**	–	10,946	**10,946**
Loan notes repayable in more than five years	–	12,859	**12,859**	–	9,198	**9,198**
	–	**30,270**	**30,270**	**–**	**31,338**	**31,338**

The finance costs for the years to 31 March 2021 and 31 March 2020 have been charged 100% to capital.

6 Tax

	2021 Revenue £'000	2021 Capital £'000	2021 Total £'000	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000
Overseas taxation	976	–	**976**	1,358	–	**1,358**
Overseas tax refunded	–	–	**–**	(144)	–	**(144)**
Provision for deferred tax liability in respect of Indian capital gains tax	–	2,459	**2,459**	–	–	**–**
	976	**2,459**	**3,435**	**1,214**	**–**	**1,214**

	2021 £'000	2020 £'000
The tax charge for the year is lower (2020 – lower) than the standard rate of corporation tax in the UK of 19% (2020 – 19%)		
The differences are explained below:		
Net return before taxation	9,217,095	974,270
Net return before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2020 – 19%)	1,751,248	185,111
Capital returns not taxable	(1,763,108)	(191,036)
Income not taxable (UK dividends)	–	(127)
Income not taxable (overseas dividends)	(3,030)	(4,941)
Current year management expenses and non-trade loan relationship deficit not utilised	14,890	10,993
Overseas withholding tax	976	1,358
Overseas withholding tax refunded	–	(144)
Revenue tax charge for the year	**976**	**1,214**
Provision for deferred tax liability in respect of Indian capital gains tax	2,459	–
Capital tax charge for the year	**2,459**	**–**
Total tax on ordinary activities	**3,435**	**1,214**

At 31 March 2021 the Company had surplus management expenses and losses on non-trading loan relationships of £413.3 million (2020 – £361.6 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

	2021 Revenue	2021 Capital	2021 Total	2020 Revenue	2020 Capital	2020 Total
Net return per ordinary share	**0.62p**	**632.22p**	**632.84p**	**1.55p**	**64.55p**	**66.10p**

Revenue return per ordinary share is based on the net revenue after taxation of £9,069,000 (2020 – £22,865,000), and on 1,455,916,335 (2020 – 1,472,047,860) ordinary shares, being the weighted average number of ordinary shares (excluding treasury shares) during the year.

Capital return per ordinary share is based on the net capital return for the financial year of £9,204,591,000 (2020 – net capital return of £950,191,000), and on 1,455,916,335 (2020 – 1,472,047,860) ordinary shares, being the weighted average number of ordinary shares (excluding treasury shares) during the year.

There are no dilutive or potentially dilutive shares in issue.

8 Ordinary Dividends

	2021	2020	2021 £'000	2020 £'000
Amounts recognised as distributions in the year:				
Previous year's final (paid 1 July 2020)	1.86p	1.74p	27,306	25,797
Interim (paid 4 December 2020)	1.45p	1.39p	21,157	20,295
	3.31p	**3.13p**	**48,463**	**46,092**

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 £9,069,000 (2020 – £22,865,000).

	2021	2020	2021 £'000	2020 £'000
Dividends paid and payable in respect of the year:				
Interim dividend per ordinary share (paid 4 December 2020)	1.45p	1.39p	21,157	20,295
Proposed final dividend per ordinary share (payable 1 July 2021)	1.97p	1.86p	28,006	27,031
	3.42p	**3.25p**	**49,163**	**47,326**

9 Investments held at Fair Value through Profit or Loss

As at 31 March 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equities/funds	14,345,430	–	–	**14,345,430**
Private company ordinary shares	–	–	597,839	**597,839**
Private company preference shares†	–	–	3,004,792	**3,004,792**
Private company convertible notes	–	–	15,949	**15,949**
Warrants	–	–	6,764	**6,764**
Limited Partnership Investments	–	–	71,914	**71,914**
Total financial asset investments	**14,345,430**	**–**	**3,697,258**	**18,042,688**

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

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

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

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

Fair Value Hierarchy

The fair value hierarchy used to analyse the fair values of financial assets is described below. The levels are determined by the lowest (that is the least reliable or least independently observable) level of input that is significant to the fair value measurement for the individual investment in its entirety as follows:

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

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

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

The valuation techniques used by the Company are explained in the accounting policies on page 61. A sensitivity analysis by valuation technique of the unlisted securities is on page 76.

During the year investments with a book cost of £201,728,000 (2020 – £32,330,000) were transferred from Level 3 to Level 1 on becoming listed. Investments with a book cost of £nil (2020 – £nil) were transferred from Level 2 to Level 1 following conversion to a different share class.

	Listed securities * £'000	Private company securities † £'000	Private company bonds £'000	Total £'000
Cost of investments at 1 April 2020	2,917,682	1,426,912	26,776	**4,371,370**
Investment holding gains/(losses) at 1 April 2020	4,320,366	393,958	(6,044)	**4,708,280**
Value of investments at 1 April 2020	7,238,048	1,820,870	20,732	**9,079,650**
Movements in year:				
Purchases at cost	3,054,262	1,097,134	16,853	**4,168,249**
Sales proceeds received	(4,453,147)	(1,651)	(15,837)	**(4,470,635)**
Gains on investments	8,304,539	966,684	(5,799)	**9,265,424**
Changes in categorisation	201,728	(201,728)	–	**–**
Value of investments at 31 March 2021	**14,345,430**	**3,681,309**	**15,949**	**18,042,688**
Ordinary share investments*	14,345,430	597,839	–	**14,943,269**
Preference share investments	–	3,004,792	_	**3,004,792**
Convertible note investment	–	–	15,949	**15,949**
Warrants	–	6,764	–	**6,764**
Limited Partnership Investments	–	71,914	–	**71,914**
Value of investments at 31 March 2021	**14,345,430**	**3,681,309**	**15,949**	**18,042,688**
Cost of investments at 31 March 2021	5,434,292	2,321,173	27,792	**7,783,257**
Investment holding gains/(losses) at 31 March 2021	8,911,138	1,360,136	(11,843)	**10,259,431**
Value of investments at 31 March 2021	**14,345,430**	**3,681,309**	**15,949**	**18,042,688**

* Includes funds.

† Includes holdings in preference shares, ordinary shares and warrants.

The purchases and sales proceeds figures above include transaction costs of £2,661,000 (2020 – £181,000) and £430,000 (2020 – £259,000) respectively.

	2021 £'000	2020 £'000
Net gains on investments designated at fair value through profit or loss on initial recognition		
Gains on sales	3,714,273	274,507
Changes in investment holding gains	5,551,151	743,893
	9,265,424	**1,018,400**

Of the gains on sales during the year of £3,714,273,000 (2020 – gains of £274,507,000), a net gain of £798,959,000 (2020 – gain of £290,525,000) was included in the investment holding gains/(losses) at the previous year end.

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

Significant Holdings Disclosure Requirements – Companies Act 2006

Details of significant holdings are detailed below in accordance with the disclosure requirements of the Companies Act 2006 where the requirements are met in relation to investments which amount to 20% or more of the nominal value of any class of shares in an undertaking. As required, this disclosure includes the profit or loss and the capital reserves as reported within the most recently audited financial statements of the investee undertakings, where possible. The different share classes of the undertakings below are detailed in the List of Investments on pages 25 to 31.

As at 31 March 2021 Name	Business	Country of incorporation	Share class with significant holding	Proportion of shares held %	Latest Financial Statements	Capital and reserves ('000)	Profit/(loss) ('000)
Global AI Opportunities Fund	Artificial intelligence based algorithmic trading	Not applicable*	Class A†	90.3	31/03/2020	£4,448	(£499)
WI Harper Fund VII	Venture capital fund	Not applicable*	Not applicable	84.9	31/12/2020	US$9,549	US$1,836
TransferWise Ltd	Online money transfer services	United Kingdom	Series D Pref.	77.0	31/03/2020	£174,500	£21,300
The Production Board	Holding company for food technology companies	United States of America	Series A-2 Pref.	60.3	Information not publicly available		
Uptake Technologies Inc	Designs and develops enterprise software	United States of America	Series D Pref.	73.7	Information not publicly available		
Zocdoc Inc	Online platform for searching for doctors and booking appointments	United States of America	Series D-2 Pref.	61.5	Information not publicly available		

As at 31 March 2020 Name	Business	Country of incorporation	Share class with significant holding	Proportion of shares held %	Latest Financial Statements	Capital and reserves ('000)	Profit/(loss) ('000)
Global AI Opportunities Fund	Artificial intelligence based algorithmic trading	Not applicable*	Class A†	90.0	31/03/2019	£5,543	(£365)
WI Harper Fund VII	Venture capital fund	Not applicable*	Not applicable	87.7	31/12/2019	US$8,715	US$3,268
TransferWise Ltd	Online money transfer services	United Kingdom	Series D Pref.	77.0	31/03/2019	£126,400	£10,300
The Production Board	Holding company for food technology companies	United States of America	Series A-2 Pref.	60.3	Information not publicly available		
Uptake Technologies Inc	Designs and develops enterprise software	United States of America	Series D Pref.	73.7	Information not publicly available		
Zocdoc Inc	Online platform for searching for doctors and booking appointments	United States of America	Series D-2 Pref.	61.5	Information not publicly available		

* The registered address of the Global AI Opportunities Fund is: Level E Capital SICAV p.l.c., 171, Old Bakery Street, Valletta, VLT 1455, Malta. The address of the WI Harper Fund VII is: 50 California Street, Suite 2580, San Francisco, California 94111, U.S.A.

† Global AI Opportunities Fund information represents the holding in Class A. No other share classes are held by the Company.

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

Significant Holdings Disclosure Requirements – AIC SORP

Details are disclosed below in accordance with the requirements of paragraph 82 of the AIC Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (updated in April 2021) in relation to unlisted investments included in the thirty largest holdings disclosed on page 22. As required, this disclosure includes turnover, pre-tax profits and net assets attributable to investors as reported within the most recently audited financial statements of the investee companies, where possible.

As at 31 March 2021 Name	Business	Latest Financial Statements	Proportion of capital owned %	Book cost £'000	Market Value £'000	Income recognised from holding in the period £'000	Turnover ('000)	Pre-tax profit/(loss) ('000)	Net assets attributable to shareholders ('000)
ByteDance Ltd	Social media	n/a	0.2	169,683	328,992	Nil	Information not publicly available		
Ginkgo Bioworks Inc	Bio-engineering company	n/a	4.7	49,604	259,544	Nil	Information not publicly available		
Ant International Limited	Online financial services platform	31/12/2019*	0.2	186,185	240,306	Nil	¥120,618,372	¥21,052,403	¥189,568,358
Northvolt AB	Battery developer and manufacturer, specialised in lithium-ion technology for electric vehicles	n/a	3.7	106,943	225,502	Nil	Information not publicly available		
Tempus Labs Inc	Offers molecular diagnostics tests for cancer and aggregates clinical oncology records	n/a	3.7	104,976	219,485	Nil	Information not publicly available		

As at 31 March 2020 Name	Business	Latest Financial Statements	Proportion of capital owned %	Book cost £'000	Market Value £'000	Income recognised from holding in the period £'000	Turnover ('000)	Pre-tax profit/(loss) ('000)	Net assets attributable to shareholders ('000)
ByteDance Ltd	Social media	n/a	0.1	57,701	60,486	Nil	Information not publicly available		
Ginkgo Bioworks Inc	Bio-engineering company	n/a	4.9	43,263	163,032	65	Information not publicly available		
Ant International Limited	Online financial services platform	n/a	0.3	186,185	209,168	Nil	Information not publicly available		
Northvolt AB	Battery developer and manufacturer, specialised in lithium-ion technology for electric vehicles	n/a	–	–	–	Nil	Information not publicly available		
Tempus Labs Inc	Offers molecular diagnostics tests for cancer and aggregates clinical oncology records	n/a	3.4	67,163	136,442	Nil	Information not publicly available		
You & Mr Jones	Digital advertising	n/a	18.9	72,164	130,300	Nil	Information not publicly available		
TransferWise Ltd	Online money transfer services	31/03/2019	3.5	36,712	97,915	Nil	£179,100	£10,100	£126,400
Grail Inc	Clinical stage biotechnology company	n/a	2.6	60,270	77,077	Nil	Information not publicly available		

* These financial statements were included in the undertaking's published prospectus for its public offering (that was ultimately not progressed for regulatory reasons).

10 Debtors

	2021 £'000	2020 £'000
Amounts falling due within one year:		
Accrued income	610	1,031
Sales for subsequent settlement	19,610	47,142
Other debtors and prepayments	663	247
	20,883	**48,420**

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

	2021 £'000	2020 £'000
The Royal Bank of Scotland International Limited 2 year loan	61,607	68,551
The Royal Bank of Scotland International Limited 3 year loan	57,984	64,519
National Australia Bank Limited 3 year loan	144,959	–
National Australia Bank Limited 2 year loan	–	161,297
£20 million 8–14% stepped interest debenture stock 2020*	–	20,161
Buybacks outstanding and related stamp duty	25,418	–
Other creditors and accruals	21,020	15,187
	310,988	**329,715**

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

Included in other creditors is £11,893,000 (2020 – £6,220,000) in respect of the investment management fee.

Borrowing facilities at 31 March 2021

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

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

A 3 year US$200 million revolving loan facility has been arranged with National Australia Bank Limited.

At 31 March 2021 drawings were as follows:

The Royal Bank of Scotland International Limited	US$80 million (revolving facility expiring 9 April 2021) at an interest rate (at 31 March 2021) of 1.050% per annum
	US$85 million (revolving facility expiring 27 August 2021) at an interest rate (at 31 March 2021) of 0.990% per annum
National Australia Bank Limited	US$200 million (revolving facility expiring 21 April 2023) at an interest rate (at 31 March 2021) of 1.75% per annum

At 31 March 2020 drawings were as follows:

The Royal Bank of Scotland International Limited	US$80 million at an interest rate of 2.664% per annum
	US$85 million at an interest rate of 2.438% per annum
National Australia Bank Limited	US$200 million at an interest rate of 2.375% per annum

On 21 April 2020, the US$200 million revolving credit facility with National Australia Bank Limited ('NAB') was refinanced with a US$200 million 3 year revolving credit facility with NAB.

During the period, further to an arrangement made in 2017, a £20 million 3.65% unsecured loan note maturing in 2044 was issued to finance the redemption of the £20 million 8–14% stepped interest debenture that matured on 30 September 2020.

Following the year end on 9 April 2021, the US$80 million 2 year revolving loan with The Royal Bank of Scotland International Limited ('RBSI') that was due to expire was refinanced with a US$180 million 5 year fixed rate credit facility with RBSI.

11 Creditors – Amounts falling due within one year (continued)

The main covenants which are tested monthly are:

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

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

(iii) The Company's minimum net asset value shall be £2,500 million.

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

12 Creditors – Amounts falling due after more than one year

	Nominal rate	Effective rate	2021 £'000	2020 £'000
Debenture stocks:				
£75 million 6.875% debenture stock 2023	6.875%	6.9%	74,932	74,895
£50 million 6–12% stepped interest debenture stock 2026	12.0%	10.8%	52,257	52,565
£675,000 4½% irredeemable debenture stock			675	675
Unsecured loan notes:				
£30 million 2.91% 2038	2.91%	2.91%	29,964	29,962
£150 million 2.30% 2040	2.30%	2.30%	149,811	149,801
£50 million 2.94% 2041	2.94%	2.94%	49,939	49,937
£45 million 3.05% 2042	3.05%	3.05%	44,904	44,899
£30 million 3.30% 2044	3.30%	3.30%	29,935	29,932
£20 million 3.65% 2044	3.65%	3.65%	19,969	–
€18 million 1.65% 2045	1.65%	1.65%	15,314	15,907
£30 million 3.12% 2047	3.12%	3.12%	29,934	29,931
£90 million 2.96% 2048	2.96%	2.96%	89,888	89,883
€27 million 1.77% 2050	1.77%	1.77%	22,971	23,860
Long term bank loans:				
US$200million RBSI fixed rate loan 2024			144,959	–
US$300million Scotiabank fixed rate loan 2026			217,330	–
Provision for deferred tax liability (see note below)			2,459	–
			975,241	**592,247**

Debenture Stocks

The debenture stocks are stated at the cumulative amount of net proceeds after issue, plus accrued finance costs attributable to the stepped interest debentures. The cumulative effect is to increase the carrying amount of borrowings by £2,189,000 (2020 – £2,621,000) over nominal value. The debenture stocks are secured by a floating charge over the assets of the Company.

Unsecured Loan Notes

During the period, further to an arrangement made in 2017, a £20 million 3.65% unsecured loan maturing in 2044 was issued to finance the redemption of the £20 million 8–14% stepped interest debenture that matured on 30 September 2020.

The unsecured loan notes are stated at the cumulative amount of net proceeds after issue. The cumulative effect is to reduce the carrying amount of borrowing by £705,000 (2020 – £705,000).

Long Term Bank Loans

During the year, the Company arranged the following loan facilities:

— a US$200 million loan with The Royal Bank of Scotland International Limited at a rate of 1.491% maturing on 8 January 2024; and

— a US$300 million loan with The Bank of Nova Scotia at a rate of 2.234% maturing on 29 March 2026.

The main covenants are detailed in Note11.

Provision for Deferred Tax Liability

The deferred tax liability provision at 31 March 2021 of £2,459,000 (31 March 2020 – nil) relates to a potential liability for Indian capital gains tax that may arise on the Company's Indian investment should it be sold in the future, based on the net unrealised taxable capital gain at the period end and on enacted Indian tax rates. The amount of any future tax amounts payable may differ from this provision, depending on the value and timing of any future sales of such investments and future Indian tax rates.

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

	2021 Number	2021 £'000	2020 Number	2020 £'000
Allotted, called up and fully paid ordinary shares of 5p each	1,421,618,969	71,081	1,453,259,808	72,663
Treasury shares of 5p each	63,161,911	3,158	31,521,072	1,576
Total	**1,484,780,880**	**74,239**	**1,484,780,880**	**74,239**

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 2021, 56,365,839 shares with a nominal value of £2,818,000 were bought back at a total cost of £613,920,000 and held in treasury (2020 – 31,521,072 shares with a nominal value of £1,576,000 were bought back at a total cost of £166,738,000 and held in treasury). At 31 March 2021 the Company had authority to buy back 162,518,000 ordinary shares.

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

In the year to 31 March 2021, the Company sold from treasury 24,725,000 ordinary shares at a premium to net asset value, with a nominal value of £1,236,250 raising net proceeds of £193,559,000 (31 March 2020 – 10,525,000 ordinary shares at a premium to net asset value, with a nominal value of £526,000 raising net proceeds of £54,478,000). At 31 March 2021 the Company had authority to issue or sell from treasury a further 138,485,980 ordinary shares (63,161,911 shares were held in treasury at 31 March 2021).

14 Capital and Reserves

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total shareholders' funds £'000
At 1 April 2020	74,239	764,521	19,094	7,363,915	22,865	**8,244,634**
Gains on sales	–	–	–	3,714,273	–	**3,714,273**
Changes in investment holding gains and losses	–	–	–	5,551,151	–	**5,551,151**
Exchange differences	–	–	–	(19,470)	–	**(19,470)**
Exchange differences on loans	–	–	–	33,563	–	**33,563**
Shares bought back into treasury	–	–	–	(613,920)	–	**(613,920)**
Shares sold from treasury	–	17,250	–	176,309	–	**193,559**
Investment management fee charged to capital	–	–	–	(42,197)	–	**(42,197)**
Finance costs of borrowings charged to capital	–	–	–	(30,270)	–	**(30,270)**
Tax charged to capital	–	–	–	(2,459)	–	**(2,459)**
Dividends paid in year	–	–	–	(25,598)	(22,865)	**(48,463)**
Revenue return after taxation	–	–	–	–	9,069	**9,069**
At 31 March 2021	**74,239**	**781,771**	**19,094**	**16,105,297**	**9,069**	**16,989,470**

The capital reserve includes investment holding gains of £10,259,431,000 (2020 – gains of £4,708,280,000) as disclosed in note 9. The Revenue Reserve and the Capital Reserve (to the extent it constitutes realised profits) are distributable.

15 Shareholders' Funds

	2021 £'000	2020 £'000
Total shareholders' funds are attributable as follows:		
Equity shares	**16,989,470**	**8,244,634**

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

	2021	2020
Shareholders' funds attributable to ordinary shares (as above)	£16,989,470,000	£8,244,634,000
Number of ordinary shares in issue at the year end*	1,421,618,969	1,453,259,808
Shareholders' funds per ordinary share	**1,195.1p**	**567.3p**

* Excluding shares held in treasury.

16 Analysis of Change in Net Debt

	At 1 April 2020 £'000	Cash flows £'000	Other non-cash changes £'000	Exchange movement £'000	At 31 March 2021 £'000
Cash at bank and in hand	38,526	193,072	–	(19,470)	212,128
Loans due within one year	(294,367)	–	–	29,817	(264,550)
Loans due in two to five years	–	(364,551)	–	2,262	(362,289)
Debenture stock due within one year	(20,161)	20,000	161	–	–
Debenture stock due in over one year	(128,135)	–	271	–	(127,864)
Loan notes due in over five years	(464,112)	(19,968)	(33)	1,484	(482,629)
	(868,249)	**(171,447)**	**399**	**14,093**	**(1,025,204)**

17 Related Parties and Transaction with the Managers

The Directors' fees for the year and Directors' interests are detailed in the Directors' Remuneration Report on pages 45 and 46.

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

The management fee payable for the year end and details of the management fee arrangements are included on page 63 and 35 respectively.

18 Contingencies, Guarantees and Financial Commitments

At the year end the Company had capital commitments amounting to US$13,674,000 (2020 – US$11,410,000) in respect of subscription agreements.

Subscription Agreement Capital Commitments

As at 31 March 2021	Expiry	Total commitment	Drawn down as at 31 March 2021	Remaining commitment at 31 March 2021
Sinovation Fund III, L.P.	31 December 2025	US$10.00 million	US$9.35 million	US$0.65 million
WI Harper Fund VII, L.P.	Expired 3 March 2019	US$10.00 million	US$10.00 million	Nil
WI Harper Fund VIII, L.P.	31 July 2024	US$10.00 million	US$9.47 million	US$0.53 million
ARCH Venture Fund IX, L.P.	6 July 2026	US$10.00 million	US$9.65 million	US$0.35 million
ARCH Venture Fund X, L.P.	3 December 2028	US$5.00 million	US$3.38 million	US$1.62 million
ARCH Venture Fund X Overage, L.P.	4 December 2028	US$5.00 million	US$3.58 million	US$1.42 million
Arch Venture Fund XI, L.P.	27 January 2031	US$10.00 million	US$0.90 million	US$9.10 million

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

Additionally, the Company has committed to purchase US$49 million of Joby Aero Inc class A ordinary shares, US$100 million of Lilium class A ordinary shares and US$346.1 million of Stripe, Inc. series H preference shares (2020 – commitments to purchase US$41.67 million of Sana Biotechnology Inc series B preference shares).

19 Financial Instruments

As an investment trust, the Company invests in listed and private company securities and makes other investments so as to achieve its investment objective to maximise total return from a portfolio of long term investments chosen on a global basis enabling it to provide capital and dividend growth. In pursuing its investment objective, the Company is exposed to various types of risk that are associated with the financial instruments and markets in which it invests.

These risks are categorised here as market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. The Board monitors closely the Company's exposures to these risks but does so in order to reduce the likelihood of a permanent loss of capital rather than to minimise the short term volatility. Risk provides the potential for both losses and gains and in assessing risk, the Board encourages the Managers to exploit the opportunities that risk affords.

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

Market Risk

The fair value of future cash flows of a financial instrument or other investment held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements – currency risk, interest rate risk and other price risk. The Board reviews and agrees policies for managing these risks and the Company's Investment Managers both assess the exposure to market risk when making individual investment decisions and monitor the overall level of market risk across the investment portfolio on an ongoing basis. Details of the Company's investment portfolio are shown in note 9 and on pages 25 to 31.

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 2021	Investments £'000	Cash and cash equivalents £'000	Loans, loan notes and debentures £'000	Other debtors and creditors £'000	Net exposure £'000
US dollar	12,633,995	206,620	(626,839)	(362)	**12,213,414**
Euro	3,041,141	–	(38,285)	327	**3,003,183**
Hong Kong dollar	1,828,466	–	–	–	**1,828,466**
Swedish krona	304,489	–	–	–	**304,489**
Indian rupee	105,134	–	–	(2,459)	**102,675**
Total exposure to currency risk	**17,913,225**	**206,620**	**(665,124)**	**(2,494)**	**17,452,227**
Sterling	129,463	5,508	(572,208)	(25,520)	**(462,757)**
	18,042,688	**212,128**	**(1,237,332)**	**(28,014)**	**16,989,470**

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

19 Financial Instruments (continued)

Currency Risk Sensitivity

At 31 March 2021, if sterling had strengthened by 5% in relation to all currencies, with all other variables held constant, total net assets and total return on ordinary activities would have decreased by the amounts shown below. A 5% weakening of sterling against all currencies, with all other variables held constant, would have had an equal but opposite effect on the Financial Statement amounts. The analysis is performed on the same basis as it was for 2020.

	2021 £'000	2020 £'000
US dollar	610,671	308,066
Euro	150,159	78,285
Hong Kong dollar	91,423	41,092
Swedish krona	15,224	7,574
Indian rupee	5,134	3,695
	872,611	**438,712**

Interest Rate Risk

Interest rate movements may affect directly:

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

— the level of income receivable on cash deposits;

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

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

Interest rate movements may also impact upon the market value of the Company's investments outwith fixed income securities. The effect of interest rate movements upon the earnings of a company may have a significant impact upon the valuation of that company's equity.

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

The Board reviews on a regular basis the amount of investments in cash and fixed income securities and the income receivable on cash deposits, floating rate notes and other similar investments.

The Company finances part of its activities through borrowings at approved levels. The amount of such borrowings and the approved levels are monitored and reviewed regularly by the Board. Movements in interest rates, to the extent that they affect the market value of the Company's fixed rate borrowings, may also affect the amount by which the Company's share price is at a discount or a premium to the net asset value at fair value.

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

Financial Assets

	2021 Fair value £'000	2021 Weighted average interest rate	2021 Weighted average period until maturity *	2020 Fair value £'000	2020 Weighted average interest rate	2020 Weighted average period until maturity *
Cash and short term deposits:						
Other overseas currencies	206,620	–	n/a	33,017	–	n/a
Sterling	5,508	–	n/a	5,509	–	n/a

* Based on expected maturity date.

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

19 Financial Instruments (continued)

Financial Liabilities

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

Interest Rate Risk Profile

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

		2021 £'000	2020 £'000
Floating rate	– US$ denominated	264,550	294,367
Fixed rate	– Sterling denominated	572,208	572,641
	– US$ denominated	362,289	–
	– Euro denominated	38,285	39,767
		1,237,332	**906,775**

The interest rates of the financial liabilities are disclosed in note 11 and 12 on pages 69 and 70.

Maturity Profile

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

	2021 Within 1 year £'000	2021 Between 1 and 5 years £'000	2021 More than 5 years £'000	2020 Within 1 year £'000	2020 Between 1 and 5 years £'000	2020 More than 5 years £'000
Repayment of loans, debentures and loan notes	119,591	582,357	534,009	181,297	208,070	515,494*
Accumulated interest on loans, debentures and loan notes to maturity date	34,344	109,305	234,282	27,973	86,226	239,823
	153,935	**691,662**	**768,291**	**209,270**	**294,296**	**755,317**

* Includes £675,000 irredeemable debenture stock.

Interest Rate Risk Sensitivity

An increase of 100 basis points in bond yields as at 31 March 2021 would have had no significant impact on the net assets or net return after taxation (2020 – £nil) and would have increased the net asset value per share (with borrowings at fair value) by 6.90p (2020 – increased by 5.19p). A decrease of 100 basis points would have had an equal but opposite effect.

Other Price Risk

Changes in market prices other than those arising from interest rate risk or currency risk may also affect the value of the Company's net assets.

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

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 25 to 31. In addition, a geographical analysis of the portfolio, an analysis of the investment portfolio by broad industrial sector and a list of the 30 largest investments by their aggregate market value are contained in the Strategic Report.

84.4% (2020 – 87.8%) of the Company's net assets are invested in quoted investments. A 3% increase in quoted companies equity valuations at 31 March 2021 would have increased net assets and net return after taxation by £430,363,000 (2020 – £217,141,000). A decrease of 3% would have had an equal but opposite effect. In light of the heightened market volatility resulting from the Covid-19 pandemic, specific stress testing was performed and no matters of concern were identified.

19 Financial Instruments (continued)

Other Price Risk Sensitivity

21.8% (2020 – 22.3%) of the Company's net assets are invested in private company investments. The fair valuation of the private company investments is influenced by the estimates, assumptions and judgements made in the fair valuation process (see 1(b) on page 60). A sensitivity analysis is provided below which recognises that the valuation methodologies employed involve subjectivity in their significant unobservable inputs and illustrates the sensitivity of the valuations to these inputs. The inputs have been flexed by +/-10% with the exception of the Recent Transaction Price valuation approach as it does not involve significant subjectivity. The table also provides the range of values for the key unobservable inputs.

As at 31 March 2021	Significant unobservable inputs*					
Valuation approach	Fair value as at 31 March 2021 £'000	Key unobservable inputs	Other unobservable inputs†	Range	Sensitivity %	Sensitivity to changes in significant unobservable inputs
Recent transaction price	1,250,066	n/a	a,b	n/a	n/a	n/a
Market approach using comparable trading multiples	1,127,841	EV/LTM revenue multiple#	a,b,c,d,e	3.5x–14.0x	10%	If EV/LTM multiples changed by +/-10%, the fair value would change by £89,889,000 and -£90,611,000
		EV/NTM revenue multiple‡	a,b,c,d,e	7.6x	10%	If EV/NTM multiples changed by +/-10%, the fair value would change by +/-£1,259,000
Comparable company performance	628,052	Selection of comparable companies¶	a,b,c	(3.7%)–72.2%	10%	If input comparable company performance changed by +/-10%, the fair value would change by £62,349,000 and -£59,415,000
Recent price of expected transaction	405,434	Execution risk discount§	a,b	10%	10%	If the execution risk changed by +/-10%, the fair value would change by £40,563,000 and -£40,563,000
Sum of the parts^	213,950	EV/LTM revenue multiple# selection of comparable companies¶	a,c,d	4.7x 6%–75.6%		If EV/LTM multiples and input comparable company performance changed by +/-10%, the fair value would change by £19,136,000 and -£17,154,000
Adjusted Net Asset Value**	44,813	Performance of LP portfolio and selected benchmark performance	a,f	n/a	10%	If the performance of the underlying LP investment and selected benchmark performance changed by +/-10%, the fair value would change +/-£4,481,000
Net Asset Value**	27,102	Performance of LP portfolio	a	n/a	10%	If the performance of the underlying LP investment and selected benchmark performance changed by +/-10%, the fair value would change +/-£2,710,000

† See explanation for other unobservable inputs on page 78 (sections 'a' to 'f' as relevant).

Enterprise value divided by the last twelve months' revenue.

‡ Enterprise value divided by the next twelve month's forecast revenue.

¶ See explanation for the selection of comparable companies on page 78, section 'c'.

§ A discount is applied to reflect the risk of an expected transaction failing to proceed as anticipated or for the risk of dilution reducing the expected price.

^ A 'sum of the parts' valuation approach is used for holding company investments with several underlying businesses. Each individual business is valued using the most appropriate basis depending on the specific circumstances and the overall valuation is the summation of these separate valuations.

**LP ('Limited Partnership') investments are held at net asset values provided by the relevant LP fund administrators. These are adjusted by benchmark movements as appropriate.

19 Financial Instruments (continued)

Other Price Risk Sensitivity (continued)

As at 31 March 2020 Valuation approach	Fair value as at 31 March 2020 £'000	Significant unobservable inputs* Key unobservable inputs	Other unobservable inputs†	Range	Sensitivity %	Sensitivity to changes in significant unobservable inputs
Recent transaction price	869,113	n/a	a,b	n/a	n/a	n/a
Market approach using comparable trading multiples	544,865	EV/LTM revenue multiple#	a,b,c,d,e	0.6x–11.3x	10%	If EV/LTM multiples changed by +/-10%, the fair value would change by £42,369,000 and -£41,550,234
Comparable company performance	335,731	Selection of comparable companies¶	a,b,c	(37.1%)–34.6%	10%	If input comparable company performance changed by +/-10%, the fair value would change by £20,303,137 and -£20,999,000
Sum of the parts^	36,130	Selection of comparable companies¶	a,c,d	1.5%–26.0%		If EV/LTM multiples and input comparable company performance changed by +/-10%, the fair value would change by £0
Adjusted Net Asset Value**	55,763	Performance of LP portfolio and selected benchmark performance	a,f	n/a	10%	If the performance of the underlying LP investment and selected benchmark performance changed by +/-10%, the fair value would change +/-£5,576,000

† See explanation for other unobservable inputs on page 78 (sections 'a' to 'f' as relevant).

Enterprise value divided by the last twelve months' revenue.

‡ Enterprise value divided by the next twelve month's forecast revenue.

¶ See explanation for the selection of comparable companies on page 78, section 'c'.

^ A 'sum of the parts' valuation approach is used for holding company investments with several underlying businesses. Each individual business is valued using the most appropriate basis depending on the specific circumstances and the overall valuation is the summation of these separate valuations.

**LP ('Limited Partnership') investments are held at net asset values provided by the relevant LP fund administrators. These are adjusted by benchmark movements as appropriate.

***Significant Unobservable Inputs**

The variable inputs applicable to each broad category of valuation basis will vary dependent on the particular circumstances of each private company valuation. An explanation of each of the key variable inputs is provided below. The assumptions made in the production of the inputs are described in note 1(b) on page 60.

19 Financial Instruments (continued)

(a) Application of valuation basis

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

(b) Probability estimation of liquidation events

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

(c) Selection of comparable companies

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

(d) Estimated sustainable earnings

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

(e) Application of illiquidity discount

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

(f) Selection of appropriate benchmarks

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

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 78.7% of the Company's total assets are investments in quoted securities that are believed to be readily realisable. The Board provides guidance to the Investment Managers as to the maximum exposure to any one holding and to the maximum aggregate exposure to substantial holdings.

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

The maturity profile of the Company's financial liabilities is on page 75.

19 Financial Instruments (continued)

Credit Risk

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

This risk is managed as follows:

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

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

Credit Risk Exposure

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

	2021 £'000	2020 £'000
Fixed interest investments	–	20,732
Cash and short term deposits	212,128	38,526
Debtors and prepayments	20,883	48,420
	233,011	**107,678**

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

19 Financial Instruments (continued)

Fair Value of Financial Assets and Financial Liabilities

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

	2021 Par/nominal £'000	2021 Book £'000	2021 Fair £'000	2020 Par/nominal £'000	2020 Book £'000	2020 Fair £'000
8–14% stepped interest debenture stock 2020	–	–	–	20,000	20,161	21,244
6.875% debenture stock 2023	75,000	74,932	82,147	75,000	74,895	82,920
6–12% stepped interest debenture stock 2026	50,000	52,257	74,100	50,000	52,565	78,786
4½% irredeemable debenture stock	675	675	837	675	675	920
Total debentures	**125,675**	**127,864**	**157,084**	**145,675**	**148,296**	**183,870**
£30 million 2.91% 2038	30,000	29,964	33,092	30,000	29,962	30,445
£150 million 2.30% 2040	150,000	149,811	151,780	150,000	149,801	137,792
£50 million 2.94% 2041	50,000	49,939	54,999	50,000	49,937	50,482
£45 million 3.05% 2042	45,000	44,904	50,466	45,000	44,899	46,120
£30 million 3.30% 2044	30,000	29,935	35,138	30,000	29,932	31,914
£20 million 3.65% 2044	20,000	19,969	24,666	–	–	–
€18 million 1.65% 2045	15,333	15,314	15,766	15,928	15,907	13,554
£30 million 3.12% 2047	30,000	29,934	34,533	30,000	29,931	31,079
£90 million 2.96% 2048	90,000	89,888	101,039	90,000	89,883	90,766
€27 million 1.77% 2050	23,000	22,971	23,802	23,892	23,860	20,084
Total unsecured loan notes	**483,333**	**482,629**	**525,281**	**464,820**	**464,112**	**452,236**
Long term fixed rate bank loans	362,398	362,289	362,528	–	–	–
Floating rate loans		264,550	264,550		294,367	294,367
Total borrowings		**1,237,332**	**1,309,443**		**906,775**	**930,473**

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 1,195.1p to 1,190.0p. Taking the market price of the ordinary shares at 31 March 2021 of 1,137p, this would have given a discount to net asset value of 4.5% as against a discount of 4.9% on a debt at book basis. At 31 March 2020 the effect would have been to reduce the net asset value from 567.3p to 565.7p. Taking the market price of the ordinary shares at 31 March 2020 of 573.5p, this would have given a premium to net asset value of 1.4% as against a premium of 1.1% on a debt at book basis.

Deducting long term borrowings at par value would have the effect of increasing the net asset value per share from 1,195.1p to 1,195.2p. Taking the market price of the ordinary shares at 31 March 2021 of 1,137p, this would have given a discount to net asset value of 4.9% as against a discount of 4.9% on a debt at book basis. At 31 March 2020 the effect would have been to increase the net asset value from 567.3p to 567.5p. Taking the market price of the ordinary shares at 31 March 2020 of 573.5p, this would have given a premium to net asset value of 1.1%, equal to a premium of 1.1 % on a debt at book basis.

Capital Management

The capital of the Company is its share capital and reserves as set out in notes 13 and 14 together with its borrowings (see notes 11 and 12). The objective of the Company is to maximise total return from a portfolio of long term investments chosen on a global basis, enabling the Company to provide capital and dividend growth. The Company's investment policy is set out on page 7. In pursuit of the Company's objective, the Board has a responsibility for ensuring the Company's ability to continue as a going concern and details of the related risks and how they are managed are set out on pages 9 and 10 and on page 41. The Company has the authority to issue and buy back its shares (see page 7) and changes to the share capital during the year are set out in notes 13 and 14. The Company does not have any externally imposed capital requirements other than the covenants on its loans, loan notes and debentures which are detailed in notes 11 and 12.

Annual General Meeting

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

The Board of Scottish Mortgage Investment Trust PLC (Scottish Mortgage) recognises the public health risk associated with the Covid-19 pandemic arising from public gatherings and notes the Government's measures restricting such gatherings, travel and attendances at workplaces. At the same time, the Board is conscious of the legal requirement for Scottish Mortgage to hold its AGM before the end of September. Given the ongoing uncertainty around when public health concerns will have abated, the Board has for the time being decided to aim to follow the Company's customary corporate timetable and, accordingly, the Company's AGM is being convened to take place as scheduled at 4.30pm on Thursday 24 June 2021 at the offices of Baillie Gifford & Co, Calton Square, 1 Greenside Row, Edinburgh EH1 3AN without access for shareholders. Please see page 3 for how to submit queries. The Board will, however, continue to monitor developments and any changes will be advised to shareholders by post and details will be updated on the Company's website. In the meantime, the Board encourages all shareholders to submit proxy voting forms as soon as possible and, in any event, by no later than 4.30pm on 22 June 2021. We would encourage shareholders to monitor the Company's website at scottishmortgageit.com. Should shareholders have questions for the Board or the Managers or any queries as to how to vote, they are welcome as always to submit them by email to trustenquiries@bailliegifford.com or call 0800 917 2112. Baillie Gifford may record your call.

Notice is hereby given that an Annual General Meeting of Scottish Mortgage Investment Trust PLC (the 'Company') will be held at the offices of Baillie Gifford & Co, Calton Square, 1 Greenside Row, Edinburgh EH1 3AN, on Thursday, 24 June 2021 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, 14 and 15 will be proposed as Special Resolutions. Resolutions 13 and 15 comprise the special business to be proposed and all the remaining Resolutions comprise the ordinary business:

1. To receive and adopt the Company's Annual Report and Financial Statements for the financial year ended 31 March 2021, together with the Reports of the Directors and the Independent Auditors' report thereon.
2. To approve the Directors' Annual Report on Remuneration for the financial year ended 31 March 2021.
3. To declare a final dividend of 1.97p per Ordinary Share.
4. To re-elect Ms FC McBain as a Director of the Company.
5. To re-elect Professor A Bhidé as a Director of the Company.
6. To re-elect Mr LJ Dowley as a Director of the Company.
7. To re-elect Professor PH Maxwell as a Director of the Company.
8. To re-elect Professor P Subacchi as a Director of the Company.
9. To re-appoint PricewaterhouseCoopers LLP as Independent Auditors of the Company to hold office until the conclusion of the next Annual General Meeting at which the Financial Statements are laid before the Company.
10. To authorise the Directors to determine the remuneration of the Independent Auditors 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 £7,108,094.80; 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 24 September 2022 or, if earlier, at the conclusion of the Annual General Meeting of the Company to be held in 2022 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 set out in the Notice of Annual General Meeting dated 21 May 2021 (the 'Allotment Authority'), the Directors be given power pursuant to sections 570 and 573 of the Companies Act 2006 (the 'Act') to allot equity securities (within the meaning of section 560(1) of the Act) for cash pursuant to the Allotment Authority, and to sell treasury shares for cash, as if section 561(1) of the Act did not apply to such allotment or sale, provided that such power:

    (a) shall be limited to the allotment of equity securities or the sale of treasury shares up to an aggregate nominal amount of £7,108,094.80;

    (b) shall be in substitution for all pre-existing powers under sections 570 and 573 of the Act; and

    (c) shall expire at the same time as the Allotment Authority, save that the Company may, before expiry of the power conferred on the Directors by this Resolution, make an offer or agreement which would or might require equity securities to be allotted after such expiry.

13. That the Directors be authorised for the purposes of LR15.4.11 of the Listing Rules of the UK Listing Authority of the Financial Conduct Authority to allot ordinary shares and to sell treasury shares for cash at a price below the net asset value per share of those shares without first offering those shares pro rata to existing shareholders.

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 213,100,683 or, if less, the number representing approximately 14.99 per cent. of the issued share capital of the Company on the date on which this Resolution is passed;
    (b) the minimum price (excluding expenses) which may be paid for each ordinary share shall be the nominal value of that share;
    (c) the maximum price (excluding expenses) which may be paid for any ordinary share purchased pursuant to this authority shall not be more than the higher of:
        (i) 5 per cent. above the average closing price on the London Stock Exchange of an ordinary share over the five business days immediately preceding the date of purchase; and
        (ii) the higher price of the last independent trade of an ordinary share and the highest current independent bid for such a share on the London Stock Exchange; and
    (d) unless previously varied, revoked or renewed by the Company in general meeting, the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2022, 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.
15. To amend the Company's Articles of Association by deleting Article 97 (being the so-called 'Directors' share qualification' provisions requiring directors to hold shares in the Company having a nominal value of £250) in its entirety.

By order of the Board
Baillie Gifford & Co Limited
Company Secretaries
21 May 2021

General Notes

1. As a member you are entitled to appoint a proxy or proxies to exercise all or any of your rights to attend, speak and vote at the AGM. A proxy need not be a member of the Company but must attend the AGM to represent you. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You can only appoint a proxy using the procedure set out in these notes and the notes to the proxy form. You may not use any electronic address provided either in this notice or any related documents (including the Financial Statements and proxy form) to communicate with the Company for any purpose other than those expressly stated.
2. To be valid any proxy form or other instrument appointing a proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, must be received by post or (during normal business hours only) by hand at the Registrars of the Company at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY or **eproxyappointment.com** no later than 2 days (excluding non-working days) before the time of the meeting or any adjourned meeting.
3. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual and/or by logging on to the website **euroclear.com/CREST**. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
4. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's registrar (ID 3RA50) no later than 2 days (excluding non-working days) before the time of the meeting or any adjournment. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

5. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his/her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST service by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
6. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
7. The return of a completed proxy form or other instrument of proxy will not prevent you attending the AGM and voting in person if you wish, subject to Government guidelines in light of the Covid-19 pandemic.
8. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 and section 311 of the Companies Act 2006 the Company specifies that to be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company no later than 48 hours (excluding non-working days) prior to the commencement of the AGM or any adjourned meeting. Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
9. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
10. The statement of the rights of shareholders in relation to the appointment of proxies in Notes 1 and 2 above does not apply to Nominated Persons. The rights described in those Notes can only be exercised by shareholders of the Company.
11. The members of the Company may require the Company to publish on its website, (without payment) a statement (which is also passed to the Auditors) setting out any matter relating to the audit of the Company's Financial Statements, including the Auditors' report and the conduct of the audit. The Company will be required to do so once it has received such requests from either members representing at least 5 per cent. of the total voting rights of the Company or at least 100 members who have a relevant right to vote and hold shares in the Company on which there has been paid up an average sum per member of at least £100. Such requests must be made in writing and must state your full name and address and be sent to the Company at Calton Square, 1 Greenside Row, Edinburgh, EH1 3AN.
12. Information regarding the Annual General Meeting, including information required by section 311A of the Companies Act 2006, is available from the Company's page of the Managers' website at scottishmortgageit.com.
13. Members have the right to have questions raised at the meeting in accordance with section 319A of the Companies Act 2006.
14. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
15. As at 10 May 2021 (being the last practicable date prior to the publication of this notice) the Company's issued share capital consisted of 1,421,618,969 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 10 May 2021 were 1,421,618,969 votes.
16. Any person holding 3 per cent. or more of the total voting rights of the Company who appoints a person other than the Chair of the meeting as his/her proxy will need to ensure that both he/she and his/her proxy complies with their respective disclosure obligations under the UK Disclosure and Transparency Rules.
17. No Director has a contract of service with the Company.

Explanatory Notes

Resolutions 4 to 8 – Directors standing for re-election

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

The AIC Code of Corporate Governance does not impose any limit on the tenure of Directors (including the Chair) on the Board. The Company therefore remains fully compliant with the relevant provisions of the AIC Code in this respect. The Policy on the Tenure of the Chair is disclosed on page 39.

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

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

Amar Bhidé is a distinguished writer and academic. Amar was appointed to the Board on 14 May 2020. Amar has an MBA with High Distinction (Baker Scholar) from the Harvard Business School. He served as a consultant with McKinsey & Co before taking up professorships in business (from Assistant to Full) at Harvard, Chicago, and Columbia universities. He is currently the Schmidheiny Professor at the Fletcher School of Law and Diplomacy, Tufts University. He has written numerous books, articles and case studies on entrepreneurship, finance, globalisation and medical innovation.

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

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

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

Resolution 15 – Amendment to Articles of Association to remove the directors' share qualification

Resolution 15, which is being proposed as a Special Resolution, seeks to amend the Company's Articles of Association by deleting Article 97. Article 97 provides that a director shall be required to hold shares in the Company having, in aggregate, a nominal value of £250 by way of qualification for the office of director.

By way of background, the requirement for each Director to acquire and hold shares in the Company having, in aggregate, a nominal value of £250 is a historical one and, when introduced, would have reflected an expectation that each Director would hold at the very least a small stake in the Company to demonstrate some alignment with other shareholders. Over the years, the Company's share price has increased significantly and now far exceeds the nominal value per share. The number of shares needing be acquired was also compounded by the subdivision of share capital in June 2014, which reduced the nominal value per share from 25 pence to 5 pence and so increased the number of shares to be purchased fivefold. As a result, any new director appointed to the Board needs to make a substantial personal financial commitment when joining. By way of example, at the financial year end the Company's share price was £11.37 so any new director appointed at that time would have needed to purchase 5,000 shares at an aggregate cost of nearly £57,000 in order to satisfy the Article 97 provisions. The Directors do not consider that such requirement is conducive going forwards to attracting a diverse range of candidates to the Board and, accordingly, propose that the Articles of Association be amended to remove the directors' shareholding qualification provisions in their entirety. Having sought advice from the Company Secretaries regarding common practice, the Board notes that, whilst there are some investment companies who retain share qualification requirements for their directors, there are many more investment companies which do not.

Further Shareholder Information

How to Invest

The Company's shares are traded on the London Stock Exchange. They can be bought by placing an order with a stockbroker or by asking a professional adviser to do so. If you are interested in investing directly in Scottish Mortgage you can do so online. There are a number of companies offering real time online dealing services – find out more by visiting 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 scottishmortgageit.com, Trustnet at trustnet.co.uk and on other financial websites. Company factsheets are also available on the Baillie Gifford website and are updated monthly. These are available from Baillie Gifford on request.

Scottish Mortgage Share Identifiers

ISIN	GB00BLDYK618
Sedol	BLDYK61
Ticker	SMT

Legal Entity Identifier 213800G37DCS3Q9IJM38

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

AIC

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

Key Dates

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

Capital Gains Tax

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

Share Register Enquiries

Computershare Investor Services PLC maintains the share register on behalf of the Company. In the event of queries regarding shares registered in your own name, please contact the Registrars on 0370 707 1300.

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

- hear the latest share price;
- confirm your current share holding balance;
- confirm your payment history; and
- order Change of Address, Dividend Bank Mandate and Stock Transfer forms.

By quoting the reference number on your share certificate you can check your holding on the Registrar's website at 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 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 investorcentre.co.uk and follow the instructions or telephone 0370 707 1694.

Electronic Communications and Proxy Voting

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

- **Electronic Communications** If you would like to take advantage of this service, please visit our Registrar's website at 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 eproxyappointment.com. If you have registered for electronic communications you will be issued a PIN number to use when returning proxies to the secure Registrar website. You do not need to register for electronic communications to use electronic proxy voting, paper proxy forms will contain a PIN number to allow you to return proxies electronically.

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

Scottish Mortgage is an investment trust. Investment trusts offer investors the following:

— participation in a diversified portfolio of shares;

— constant supervision by experienced, professional managers; and

— the Company is free from capital gains tax on capital profits realised within its portfolio although investors are still liable for capital gains tax on profits when selling their investment.

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

Analysis of Shareholders at 31 March

	2021 Number of shares held	2021 %	2020 Number of shares held	2020 %
Institutions	235,136,694	16.5	260,340,786	17.9
Intermediaries*	1,109,028,164	78.0	1,131,349,961	77.9
Individuals	59,069,640	4.2	48,667,835	3.3
Marketmakers	18,384,471	1.3	12,901,226	0.9
	1,421,618,969	**100.0**	**1,453,259,808**	**100.0**

* Intermediaries include wealth managers and execution-only platforms.

Automatic Exchange of Information

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

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

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

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

UK Alternative Investment Fund Managers (AIFM) Regulations

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

AIFM Remuneration

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

Leverage

The Company's maximum and actual leverage levels (see Glossary of Terms and Alternative Performance Measures on pages 90 to 92) at 31 March 2021 are shown below:

	Gross method	Commitment method
Maximum limit	2.50:1	2.00:1
Actual	1.07:1	1.07:1

Investing in Scottish Mortgage

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

Risks

— Past performance is not a guide to future performance.

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

— Scottish Mortgage has a significant exposure to private companies. The risk could be increased as these assets may be more difficult to buy or sell, so changes in their prices may be greater.

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

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

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

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

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

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

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

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

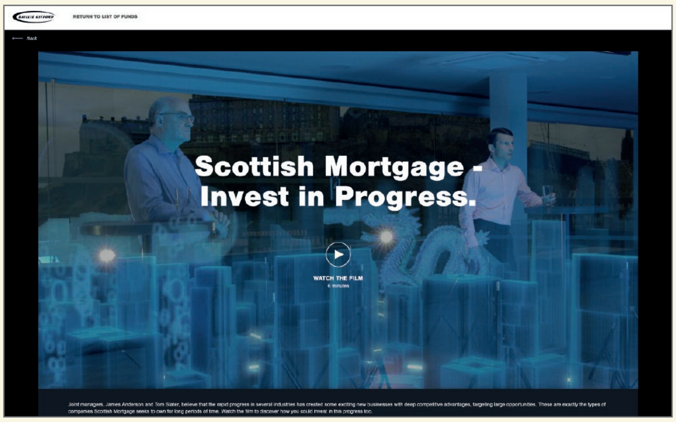
Scottish Mortgage Investment Trust is listed on the London Stock Exchange and is not authorised or regulated by the Financial Conduct Authority.

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

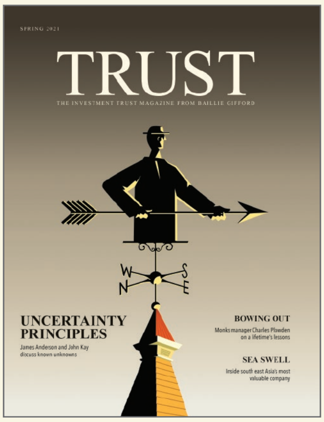
The information and opinions expressed within this Annual Report and Financial Statements are subject to change without notice. This information has been issued and approved by Baillie Gifford & Co Limited, the Managers and Secretaries, and does not in any way constitute investment advice.

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

Communicating with Shareholders



A Scottish Mortgage web page at scottishmortgageit.com



Trust Magazine

Promoting Scottish Mortgage

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

Scottish Mortgage on the Web

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

Trust Magazine

Trust is the Baillie Gifford investment trust magazine which is published twice a year. It provides an insight to our investment approach by including interviews with our fund managers, as well as containing investment trust news, investment features and articles about the trusts managed by Baillie Gifford, including Scottish Mortgage. *Trust* plays an important role in helping to explain our products so that readers can really understand them.

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

Suggestions and Questions

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

Client Relations Team Contact Details

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

Email: trustenquiries@bailliegifford.com
Website: bailliegifford.com

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

Scottish Mortgage specific queries

Please use the following contact details:
Website: scottishmortgageit.com
Email: scottishmortgage@bailliegifford.com

The Scottish Mortgage Investor Forums

The Scottish Mortgage Investor Forums were created a few years ago to offer existing and prospective Scottish Mortgage shareholders the opportunity to hear from and ask questions directly of the Managers.

Unfortunately, due to government restrictions around the pandemic, there has been a hiatus and no future dates have as yet been confirmed. With restrictions beginning to ease, the Board and Managers hope to be able to announce venues and dates for events later in the year. All details will be made available on the Company's website scottishmortgageit.com.

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

Third Party Data Provider Disclaimer

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

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

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

FTSE Index Data

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Glossary of Terms and Alternative Performance Measures (APM)

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

Total Assets

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

Net Asset Value

Also described as shareholders' funds. Net Asset Value (NAV) is the value of total assets less liabilities (including borrowings). Net Asset Value can be calculated on the basis of borrowings stated at book value, fair value and par value. An explanation of each basis is provided below. The NAV per share is calculated by dividing this amount by the number of ordinary shares in issue (excluding treasury shares).

Net Asset Value (Borrowings at Book)/Shareholders' Funds

Borrowings are valued at adjusted net issue proceeds. The value of the borrowings at book is set out on page 80.

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

Borrowings are valued at an estimate of their market worth. The value of the borrowings at fair is set out on page 80 and a reconciliation to Net Asset Value with borrowings at book value is provided below.

	31 March 2021	31 March 2020
Net Asset Value per ordinary share (borrowings at book value)	1,195.1p	567.3p
Shareholders' funds (borrowings at book value)	£16,989,470k	£8,244,634k
Add: book value of borrowings	£1,237,332k	£906,775k
Less: fair value of borrowings	(£1,309,443k)	(£930,473k)
Net Asset Value (borrowings at fair value)	£16,917,359k	£8,220,936k
Shares in issue at year end (excluding treasury shares)	1,421,618,969	1,453,259,808
Net Asset Value per ordinary share (borrowings at fair value)	1,190.0p	565.7p

Net Asset Value (Borrowings at Par) (APM)

Borrowings are valued at their nominal par value. The value of the borrowings at par is set out on page 80 and a reconciliation to Net Asset Value with borrowings at book value is provided below.

	31 March 2021	31 March 2020
Net Asset Value per ordinary share (borrowings at book value)	1,195.1p	567.3p
Shareholders' funds (borrowings at book value)	£16,989,470k	£8,244,634k
Add: allocation of interest on borrowings	£2,618k	£3,160k
Less: expenses of debenture issue	(£1,135k)	(£1,245k)
Net Asset Value (borrowings at par value)	£16,990,953k	£8,246,549k
Shares in issue at year end (excluding treasury shares)	1,421,618,969	1,453,259,808
Net Asset Value per ordinary share (borrowings at par value)	1,195.2p	567.5p

Net Liquid Assets

Net liquid assets comprise current assets less current liabilities, excluding borrowings.

Discount/Premium (APM)

As stockmarkets and share prices vary, an investment trust's share price is rarely the same as its NAV. When the share price is lower than the NAV per share it is said to be trading at a discount. The size of the discount is calculated by subtracting the share price from the NAV per share and is usually expressed as a percentage of the NAV per share. If the share price is higher than the NAV per share, it is said to be trading at a premium.

	2021 NAV (book)	2021 NAV (fair)	2020 NAV (book)	2020 NAV (fair)
Closing NAV per share	1,195.1p	1,190.0p	567.3p	565.7p
Closing share price	1,137.0p	1,137.0p	573.5p	573.5p
(Discount)/premium	**(4.9%)**	**(4.5%)**	**1.1%**	**1.4%**

Ongoing Charges Ratio (APM)

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

A reconciliation from the expenses detailed in the Income Statement on page 56 is provided below.

		2021	2020
Investment management fee		£42,197k	£23,922k
Other administrative expenses		£6,302k	£4,835k
Total expenses	(a)	£48,499k	£28,757k
Average net asset value (with borrowings deducted at fair value)	(b)	£14,224,915k	£7,942,625k
Ongoing Charges ((a) ÷ (b) expressed as a percentage)		**0.34%**	**0.36%**

Gearing (APM)

At its simplest, gearing is borrowing. Just like any other public company, an investment trust can borrow money to invest in additional investments for its portfolio. The effect of the borrowing on the shareholders' assets is called 'gearing'. If the Company's assets grow, the shareholders' assets grow proportionately more because the debt remains the same. But if the value of the Company's assets falls, the situation is reversed. Gearing can therefore enhance performance in rising markets but can adversely impact performance in falling markets.

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

		31 March 2021	31 March 2020
Borrowings (at book value)		£1,237,332k	£906,775k
Less: cash and cash equivalents		(£212,128k)	(£38,526k)
Less: sales for subsequent settlement		(£19,610k)	(£47,142k)
Add: purchases for subsequent settlement		–	–
Adjusted borrowings	(a)	£1,005,594k	£821,107k
Shareholders' funds	(b)	£16,989,470k	£8,244,634k
Gearing: (a) as a percentage of (b)		**6%**	**10%**

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

		31 March 2021	31 March 2020
Borrowings (at book value)	(a)	£1,237,332k	£906,775k
Shareholders' funds	(b)	£16,989,470k	£8,244,634k
Potential gearing: (a) as a percentage of (b)		**7%**	**11%**

Leverage (APM)

For the purposes of the UK Alternative Investment Fund Managers (AIFM) Regulations, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company's exposure and its net asset value and can be calculated on a gross and a commitment method. Under the gross method, exposure represents the sum of the Company's positions after the deduction of sterling cash balances, without taking into account any hedging and netting arrangements. Under the commitment method, exposure is calculated without the deduction of sterling cash balances and after certain hedging and netting positions are offset against each other.

Turnover

Annual turnover is calculated on a rolling 12 month basis. The lower of purchases and sales for the 12 months is divided by the average assets, with average assets being calculated on assets as at each month's end.

Active Share (APM)

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

Total Return (APM)

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

		2021 NAV (book)	2021 NAV (fair)	2021 Share price	2020 NAV (book)	2020 NAV (fair)	2020 Share price
Closing NAV per share/share price	(a)	1,195.1p	1,190.0p	1,137.0p	567.3p	565.7p	573.5p
Dividend adjustment factor*	(b)	1.0039	1.0040	1.0038	1.0065	1.0065	1.0061
Adjusted closing NAV per share/share price	(c = a x b)	1,199.8p	1,194.8p	1,141.3p	571.0p	569.4p	577.0p
Opening NAV per share/share price	(d)	567.3p	565.7p	573.5p	504.0p	500.8p	512.0p
Total return	(c ÷ d)-1	**111.5%**	**111.2%**	**99%**	**13.3%**	**13.7%**	**12.7%**

* The dividend adjustment factor is calculated on the assumption that the dividends of 3.31p (2020 – 3.13p) paid by the Company during the year were reinvested into shares of the Company at the cum income NAV per share/share price, as appropriate, at the ex-dividend date.

Directors

Chair:

FC McBain ACA

Professor A Bhidé

LJ Dowley FCA

Professor PH Maxwell DPhil FRCP FMedSci

Professor P Subacchi

Alternative Investment Fund Managers, Secretaries and Registered Office

Baillie Gifford & Co Limited

Calton Square

1 Greenside Row

Edinburgh EH1 3AN

Tel: 0131 275 2000

bailliegifford.com

Registrar

Computershare Investor Services PLC

The Pavilions

Bridgwater Road

Bristol BS99 6ZZ

Tel: 0370 707 1300

Company Brokers

Numis Securities Limited

The London Stock Exchange Building

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Independent Auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Atria One

144 Morrison Street

Edinburgh EH3 8EX

Depositary

The Bank of New York Mellon (International) Limited

1 Canada Square

London E14 5AL

scottishmortgageit.com

Company Registration No.	SC007058
ISIN	GB00BLDYK618
Sedol	BLDYK61
Ticker	SMT

Legal Entity Identifier: 213800G37DCS3Q9IJM38