

BAILLIE GIFFORD UK GROWTH FUND PLC



Interim Financial Report
31 October 2019





Objective

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

Benchmark

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

Principal Risks and Uncertainties

The principal risks facing the Company are financial risk, investment strategy risk, discount risk, regulatory risk, custody and depositary risk, operational risk, leverage risk and political risk. An explanation of these risks and how they are managed is set out on pages 6 and 7 of the Company's Annual Report and Financial Statements for the year to 30 April 2019 which is available on the Company's website: www.bgukgrowthfund.com. The principal risks and uncertainties have not changed since the date of that report.

Responsibility Statement

We confirm that to the best of our knowledge:

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

By order of the Board
Carolyn Dobson
Chairman
27 November 2019

Summary of Unaudited Results*

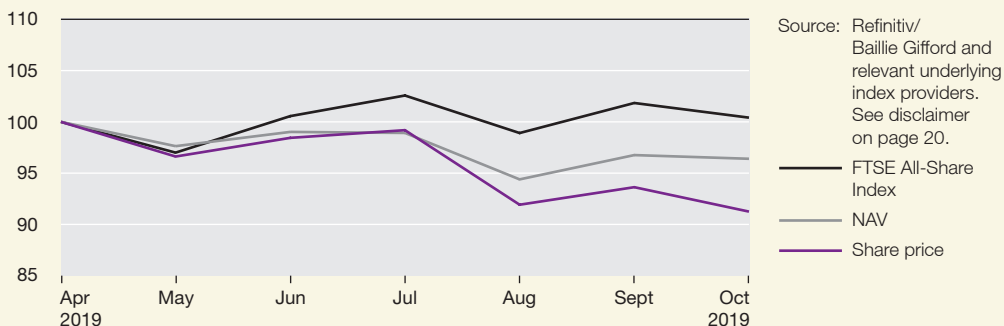
	31 October 2019	30 April 2019 (audited)	% change
Shareholders' funds	£290.5m	£305.7m	
Net asset value per ordinary share	193.0p	203.1p	(5.0)
Share price	172.5p	192.0p	(10.2)
FTSE All-Share Index†			(1.8)
Discount#	(10.6%)	(5.5%)	
Active share#	86%	86%	

	Six months to 31 October 2019	Six months to 31 October 2018	% change
Revenue earnings per share	2.51p	3.14p	(20.1)
Dividends paid and payable in respect of the period	–	1.50p	(100.0)

	Six months to 31 October 2019	Year to 30 April 2019
Total returns (%)#		
Net asset value	(3.6)	0.2
Share price	(8.7)	5.0
FTSE All-Share Index†	0.4	2.6

Six Months Total Return Performance

(figures plotted on a monthly basis and rebased to 100 at 30 April 2019)



* For a definition of terms see Glossary of Terms and Alternative Performance Measures on pages 18 and 19.

† Source: Refinitiv/Baillie Gifford and relevant underlying data providers. See disclaimer on page 20.

Alternative Performance Measure, see Glossary of Terms and Alternative Performance Measures on pages 18 and 19.

Past performance is not a guide to future performance.

Chairman's Statement

Performance

Over the six month period to 31 October 2019, the Company's net asset value ("NAV") per share total return (capital and income) decreased by 3.6% compared to an increase in the FTSE All-Share Index total return of 0.4%. The share price total return for the same period fell by 8.7%.

While this is a somewhat disappointing short-term return, the Board is confident in the long-term strategy being implemented on its behalf by the managers. The Board recognises that market conditions over this period have been particularly challenging for the focused portfolio of good quality UK growth stocks held. The Board maintains an active dialogue with the managers about the composition of the portfolio and is confident that the longer-term prospects for these portfolio companies look very exciting.

Continuation Vote

The Board is grateful for the expression of trust, in the Company's strategy and the abilities of the managers, shown by shareholders in voting overwhelmingly in favour of continuing the life of the Company, for a further five-year period, at the Company's Annual General Meeting that took place 1 August 2019. Over 99.99% of votes cast were in favour of continuation.

Earnings and Dividends

The net revenue return per share for the six months to 31 October 2019 was 2.51p versus 3.14p for the equivalent period in 2018. No interim dividend is being declared. As highlighted in my most recent annual Chairman's Statement, future dividends are to be paid by way of a single final payment and will be the minimum permissible to maintain investment trust status, reflecting our priority which is capital growth.

Gearing

During the year, the Company replaced its Scotiabank £35 million revolving one-year credit facility with a £20 million revolving credit facility with National Australia Bank. This new facility contains the option to increase the amount borrowed to £35 million. No borrowings were drawn in the period and this continues to be the position.

For a definition of term see Glossary of Terms and Alternative Performance Measures on pages 18 and 19.

Total return information is sourced from Refinitiv/Baillie Gifford and relevant underlying index providers. See disclaimer on page 20.

Past performance is not a guide to future performance.

The Board sets internal guidelines for the portfolio managers' use of gearing which are altered from time to time but are subject to net effective gearing not representing more than 20% of shareholders' funds.

Discount Management

No shares were bought back in the six months to 31 October 2019.

The Company's share buy-back policy seeks to operate in the best interests of shareholders by taking into account the relative level of the Company's share price discount to NAV when compared with peer group trusts, the absolute level of discount, volatility in the level of discount and the impact from share buy-back activity on the long-term liquidity of the Company's issued shares.

Board Composition

As part of the Board's succession planning, Andrew Hutton retired as a Director at the conclusion of the Company's Annual General Meeting, held 1 August 2019, and shareholders approved the appointment of Scott Cochrane and Ruary Neill to the Board.

Outlook

At the time of writing the macro backdrop continues to be opaque. The UK has not left the European Union and the result of December's General Election is far from obvious. The risks of a disorderly Brexit remain high and continue to weigh over those companies with material exposure to the domestic UK economy; the portfolio does not have notable exposure to those companies most sensitive to the UK economy and contains exceptional UK companies which can grow over many years. Whilst the benefits of this approach might not always be reflected in short-term shareholder returns, the Board and managers firmly believe it provides a repeatable basis for adding value for long-term investors.

Carolan Dobson
Chairman
27 November 2019

The Managers' Core Investment Principles

Investment Philosophy

The following are the three core principles underpinning our investment philosophy. We have a consistent, differentiated long-term investment approach to managing UK equities that should stand investors in the Company in good stead:

Growth

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

Patience

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

Active Investment Management

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

Portfolio construction flows from the investment beliefs stated above.

Past performance is not a guide to future performance.

Interim Management Report

It has been a tumultuous six months in world politics and economics, and UK investors continue to be chiefly preoccupied with what the denouement of the drawn-out Brexit negotiation process will look like. Depending on the noises coming from Westminster on any given day, the FTSE All-Share swings from one direction to another – either favouring or eschewing domestically (or internationally) exposed equities; investor behaviour is seemingly more influenced by short-term moves in the value of sterling than fully considering the specifics of the underlying constituent companies. Against this volatile backdrop, we made very few changes to the portfolio. We recognise that, in turbulent times, it might feel challenging to ‘just’ do nothing. However, we are deeply sceptical of our ability to trade our way around unpredictable short-term events. Instead, we remain steadfast in our belief that our mental energies are most usefully spent in building, as well as maintaining, our conviction in the long-term opportunities and competitive strengths of the individual businesses we are invested in on your behalf.

It might be tempting to argue that our inactivity has not served shareholders well since our performance during this period lagged the benchmark. Nobody likes underperforming, but we fundamentally believe that to generate attractive long-term returns in excess of the benchmark, one has to accept short-term volatility against it. We do not pretend that we have the ability to outperform every period in a smooth manner and we would question the wisdom of even trying to do so.

Although at times our growth style will not be in favour, we believe that it will generate investment success over the long-term. Not owning some well-known UK blue chips impacted relative performance in the period but we would rather own the companies we do as we remain convinced they have superior, multi-decade, growth opportunities. That is why we do not react to short-term market volatility by trading out of shares that have done poorly when the long-term company fundamentals remain intact. We do not think this is credible or

indeed rational. Reacting in such a way and locking in losses is the real risk that we, and fellow shareholders, should be worried about. That is why we ask to be judged over a five-year period as we think that this time frame allows a much greater chance of the market appreciating the strengths of the businesses we own. A fund manager that is too concerned or pressurised about short-term performance and volatility is likely to act in strange ways that may not be in the long-term interests of shareholders. Patience remains our watchword and our low level of portfolio turnover is a sign of our confidence in the portfolio. Nonetheless, we did sell Jupiter Fund Management, our only complete sale in the period, due to concerns over its future growth prospects.

Rather than fear short-term volatility, we often seek to turn it to our advantage. A good recent example was our decision to add to our holding in Abcam, the online provider of antibodies and other research tools to life scientists across the globe, a company we have invested in for 15 years for other portfolios. In our meeting in September, the CEO Alan Hirzel outlined various new projects that would potentially double the size of the business over the next five years. Abcam is a very profitable company, generating a lot of cash and so it has money to invest. It has also demonstrated a disciplined approach to allocating capital in the past, so this was exactly what we wanted to hear. The market’s reaction was somewhat different to ours. It saw a cut to short-term profits, so marked the shares down. This provided us with the opportunity to increase our exposure to this fantastic British growth company.

Similarly, our view is that, distracted by news flow around Brexit, trade wars and the proposed de-merger of its UK business, the market continues to underestimate Prudential’s strengths. In particular, its open-ended growth opportunity in Asia where penetration rates of investment and life insurance products remain low and are likely to grow significantly faster than the underlying economies. Here, too, we decided to take advantage of the weakness in the shares and added to the position.

Volatility also played a part in our new holding in Farfetch, our only new purchase in the period. Although currently loss making, this is the largest and fastest growing online platform for luxury goods globally. It connects consumers in 190 countries with 3000 luxury brands and sellers (high end boutiques). Unlike other online fashion companies, it is not a digital wholesaler. This means it does not buy any inventory but connects in real time (and to varying degrees) to the stock systems of its sellers. This enables it to offer an unrivalled assortment of current luxury fashion which is an important attraction for its global customer base.

Shortly after we started buying the shares, the company released interim results which were taken badly by the market. The main disappointment was reduced growth guidance due to an unwillingness to match the irrational promotional activities of competitors. We think this slight sacrifice in the pace of rapid market share gains is sensible in exchange for the fostering of good relationships with luxury brands which are increasingly turning their backs on traditional third-party distribution. The company also made an acquisition which spooked the market as it likely sees it as introducing a new layer of complexity to the business. We see it as a bold, but potentially very rewarding, move over the longer-term.

There are various risks to the Farfetch investment case and we have only taken a small holding to reflect these. However, we like the large, global, growth opportunity ahead of the company and remain impressed with the scale of its ambition as well as the calibre of its management team. Rather than kicking ourselves at the seemingly unfortunate short-term timing of our initial purchase, we took advantage of the share price weakness to continue buying more.

Having flagged the merits, it would be wrong to argue that volatility is always the friend of the long-term investor and that share price weakness invariably presents an opportunity. The risk we are preoccupied with above all else is that of the permanent loss of capital. Whilst we will patiently tolerate the short-term bumps along the road,

provided we assess that the long-term investment case still stacks up, we readily admit that such assessments will sometimes be wrong. We will make mistakes. In that context, we would acknowledge that our investment in Ted Baker has proven disappointing. Shareholders might remember that we reduced our holding meaningfully in the beginning of the year after the company's founder left following a series of unproven allegations. We were wary as to the longer-term impact his departure might have on the development of the business. Unfortunately, trading has deteriorated significantly since then. We have come to the view that the combination of stiff industry headwinds and internal disruption now make it unlikely that the business will adapt as successfully as we had hoped over the next five years.

Even more than usual, it feels like we live in interesting and uncertain times – times of technological, societal, political and economic disruption. Rather than despair, however, we think this presents an exciting backdrop for bottom-up growth investors such as ourselves. The pace of change in many industries is quickening and this will likely increase the divergence between those companies which adapt and thrive and those which fall by the wayside. In this volatile and news-driven environment, more than ever, our chances of picking the winners will be greatly aided by cultivating the resilience to remain patient and resolutely focused on understanding long-term, structural changes. If we are successful, superior investment returns will follow.

Baillie Gifford & Co
Managers & Secretaries
27 November 2019

List of Investments at 31 October 2019

Name	Business	Value £'000	% of total assets
Basic Materials			
Rio Tinto	Metals and mining company	7,369	2.5
Victrex	Speciality high-performance chemicals manufacturer	5,097	1.8
		12,466	4.3
Consumer Goods			
Diageo	International drinks company	9,002	3.1
Burberry	Luxury goods retailer	8,167	2.8
Ted Baker	Fashion retailer	1,231	0.4
		18,400	6.3
Consumer Services			
Auto Trader Group	Advertising portal for second hand cars in the UK	11,385	3.9
Rightmove	UK's leading online property portal	9,726	3.4
RELX	Professional publications and information provider	8,867	3.1
Just Eat	Operator of online and mobile market place for takeaway food	8,143	2.8
Boohoo.com	Online fashion retailer	7,929	2.7
Inchcape	Car wholesaler and retailer	6,319	2.2
Carnival	World's largest cruise ship operator	5,486	1.9
Mitchells & Butlers	Pub and restaurant operator	5,057	1.7
Euromoney Institutional Investor	Specialist publisher	4,475	1.5
Farfetch	Online fashion retailer	1,344	0.5
		68,731	23.7
Financials			
St. James's Place	UK wealth manager	11,156	3.8
Hargreaves Lansdown	UK retail investment platform	11,031	3.8
Prudential	International life insurer	10,268	3.5
Legal & General	Insurance and investment management company	8,553	3.0
Helical	Property developer	7,105	2.5
Hiscox	Property and casualty insurance	6,003	2.1
Just Group	Provider of retirement income products and services	4,757	1.6
IntegraFin	Provides platform services to financial clients	4,697	1.6
IG Group	Spread betting website	2,733	0.9
Draper Esprit	Technology focused venture capital firm	2,630	0.9
AJ Bell	Investment platform	2,626	0.9
M&G Prudential	Investment management company	1,627	0.6
		73,186	25.2

Name	Business	Value £'000	% of total assets
Health Care			
Abcam	Online platform selling antibodies to life science researchers	9,890	3.4
Genus	World leading animal genetics company	9,238	3.2
		19,128	6.6
Industrials			
Renishaw	World leading metrology company	9,855	3.4
HomeServe	Domestic insurance	9,359	3.2
Halma	Specialist engineer	8,743	3.0
Howden Joinery	Manufacturer and distributor of kitchens to trade customers	8,305	2.9
Ultra Electronics	Aerospace and defence company	7,489	2.6
Bunzl	Distributor of consumable products	7,284	2.5
Volusion Group	Supplier of ventilation products	6,396	2.2
Ashtead	Construction equipment rental company	6,355	2.2
Bodycote	Heat treatment and materials testing	4,944	1.7
PageGroup	Recruitment consultancy	4,860	1.7
Rolls-Royce	Power systems manufacturer	4,632	1.6
James Fisher & Sons	Specialist service provider to the global marine and energy industries	3,264	1.1
		81,486	28.1
Technology			
First Derivatives	IT consultant and software developer	5,769	2.0
FDM Group	Provider of professional services focusing on information technology	5,660	1.9
		11,429	3.9
Total Equities		284,826	98.1
Net Liquid Assets		5,644	1.9
Total Assets		290,470	100.0

Stocks highlighted in bold are the 20 largest holdings.

Income Statement (unaudited)

	For the six months ended 31 October 2019			For the six months ended 31 October 2018			For the year ended 30 April 2019 (audited)		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Losses on investments	–	(14,054)	(14,054)	–	(36,074)	(36,074)	–	(6,850)	(6,850)
Currency losses	–	(9)	(9)	–	–	–	–	–	–
Income from investments and interest receivable	4,243	–	4,243	5,291	–	5,291	8,658	–	8,658
Investment management fee (note 3)	(221)	(515)	(736)	(94)	(220)	(314)	(239)	(556)	(795)
Other administrative expenses	(239)	–	(239)	(461)	–	(461)	(689)	–	(689)
Net return before finance costs and taxation	3,783	(14,578)	(10,795)	4,736	(36,294)	(31,558)	7,730	(7,406)	324
Finance costs of borrowings	(9)	(21)	(30)	(11)	(26)	(37)	(20)	(47)	(67)
Net return on ordinary activities before taxation	3,774	(14,599)	(10,825)	4,725	(36,320)	(31,595)	7,710	(7,453)	257
Tax on ordinary activities	–	–	–	–	–	–	–	–	–
Net return on ordinary activities after taxation	3,774	(14,599)	(10,825)	4,725	(36,320)	(31,595)	7,710	(7,453)	257
Net return per ordinary share (note 4)	2.51p	(9.70p)	(7.19p)	3.14p	(24.13p)	(20.99p)	5.12p	(4.95p)	0.17p
Note: Dividends paid and payable per share (note 5)	–			1.50p			4.45p		

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

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

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

The accompanying notes on pages 13 to 15 are an integral part of the Financial Statements.

Balance Sheet (unaudited)

	At 31 October 2019 £'000	At 30 April 2019 (audited) £'000
Fixed assets		
Investments held at fair value through profit or loss (note 6)	284,826	300,207
Current assets		
Debtors	225	1,487
Cash and deposits	5,842	4,488
	6,067	5,975
Creditors		
Amounts falling due within one year	(423)	(447)
Net current assets	5,644	5,528
	290,470	305,735
Capital and reserves		
Share capital	40,229	40,229
Share premium account	9,875	9,875
Capital redemption reserve	19,759	19,759
Warrant exercise reserve	417	417
Share purchase reserve	60,433	60,433
Capital reserve	149,406	164,005
Revenue reserve	10,351	11,017
Shareholders' funds	290,470	305,735
Net asset value per ordinary share*	193.0p	203.1p
Ordinary shares in issue (note 7)	150,520,484	150,520,484

* See Glossary of Terms and Alternative Performance Measures on pages 18 and 19.

The accompanying notes on pages 13 and 15 are an integral part of the Financial Statements.

Statement of Changes in Equity (unaudited)

For the six months ended 31 October 2019

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Warrant exercise reserve £'000	Share purchase reserve £'000	Capital reserve* £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 May 2019	40,229	9,875	19,759	417	60,433	164,005	11,017	305,735
Net return on ordinary activities after taxation	–	–	–	–	–	(14,599)	3,774	(10,825)
Dividends paid (note 5)	–	–	–	–	–	–	(4,440)	(4,440)
Shareholders' funds at 31 October 2019	40,229	9,875	19,759	417	60,433	149,406	10,351	290,470

For the six months ended 31 October 2018

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

* The Capital Reserve balance at 31 October 2019 includes investment holding losses of £18,589,000 (31 October 2018 – losses of £34,477,000).

The accompanying notes on pages 13 to 15 are an integral part of the Financial Statements.

Cash Flow Statement (unaudited)

	Six months to 31 October 2019 £'000	Six months to 31 October 2018 £'000
Cash flows from operating activities		
Net return on ordinary activities before taxation	(10,825)	(31,595)
Net losses on investments	14,054	36,074
Currency losses	9	–
Finance costs of borrowings	30	37
Changes in debtors and creditors	1,237	1,101
Cash from operations	4,505	5,617
Interest paid	(29)	(41)
Net cash inflow from operating activities	4,476	5,576
Cash flows from investing activities		
Acquisitions of investments	(5,204)	(295,251)
Disposals of investments	6,531	307,949
Net cash inflow from investing activities	1,327	12,698
Cash flows from financing activities		
Bank loan repaid	–	(12,000)
Equity dividends paid	(4,440)	(4,516)
Net cash outflow from financing activities	(4,440)	(16,516)
Increase in cash and cash equivalents	1,363	1,758
Exchange movements	(9)	–
Cash and cash equivalents at start of year	4,488	3,642
Cash and cash equivalents at end of year*	5,842	5,400

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

The accompanying notes on pages 13 to 15 are an integral part of the Financial Statements.

Notes to the Condensed Financial Statements (unaudited)

- 1 The condensed Financial Statements for the six months to 31 October 2019 comprise the statements set out on the previous pages together with the related notes below. They have been prepared in accordance with FRS 104 'Interim Financial Reporting' and the AIC's Statement of Recommended Practice issued in November 2014 and updated in October 2019 with consequential amendments and have not been audited or reviewed by the Auditor pursuant to the Auditing Practices Board Guidance 'Review of Interim Financial Information'. The Financial Statements for the six months to 31 October 2019 have been prepared on the basis of the same accounting policies as set out in the Company's Annual Report and Financial Statements at 30 April 2019.

Going Concern

Having considered the nature of the Company's principal risks and uncertainties, as set out on the inside front cover, together with its current position, investment objective and policy, its assets and liabilities and projected income and expenditure, together with the Company's dividend policy, it is the Directors' opinion that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company's assets, the majority of which are investments in quoted securities which are readily realisable, exceed its liabilities significantly. All borrowings require the prior approval of the Board. Gearing levels and compliance with borrowing covenants are reviewed by the Board on a regular basis. There are currently no drawings under the National Australia Bank one year £20m revolver facility put in place in July 2019. In accordance with the Company's Articles of Association, shareholders have a right to vote on the continuation of the Company every five years, the next vote being in 2024. Accordingly, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing these Financial Statements and confirm that they are not aware of any material uncertainties which may affect the Company's ability to continue to do so over a period of at least twelve months from the date of approval of these Financial Statements.

- 2 The financial information contained within this Interim Financial Report does not constitute statutory accounts as defined in sections 434 to 436 of the Companies Act 2006. The financial information for the year ended 30 April 2019 has been extracted from the statutory accounts which have been filed with the Registrar of Companies. The Auditor's Report on those accounts was not qualified, did not include a reference to any matters to which the Auditor drew attention by way of emphasis without qualifying their report, and did not contain a statement under sections 498(2) or (3) of the Companies Act 2006.
- 3 Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, has been appointed by the Company as its Alternative Investment Fund Manager (AIFM) and Company Secretary. The investment management function has been delegated to Baillie Gifford & Co. The management agreement can be terminated on six months' notice. The annual fee is 0.5% of net asset value, calculated on a quarterly basis. Baillie Gifford & Co Limited was appointed AIFM and Company Secretary on 29 June 2018 and for the year to 30 April 2019 agreed to waive its management fee to the extent of £732,000 (approximately equal to six months management fee payable to Baillie Gifford).

Notes to the Condensed Financial Statements (unaudited)

	Six months to 31 October 2019 £'000	Six months to 31 October 2018 £'000
4 Net return per ordinary share		
Revenue return on ordinary activities after taxation	3,774	4,725
Capital return on ordinary activities after taxation	(14,599)	(36,320)
Total net return	(10,825)	(31,595)
Weighted average number of ordinary shares in issue	150,520,484	150,520,484

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

There are no dilutive or potentially dilutive shares in issue.

	Six months to 31 October 2019 £'000	Six months to 31 October 2018 £'000
5 Dividends		
Amounts recognised as distributions in the period:		
Previous year's final dividend of 2.95p (2018 – 3.00p), paid 6 August 2019	4,440	4,516
	4,440	4,516
Amounts paid and payable in respect of the period:		
Interim dividend (2019 – 1.50p)	–	2,258
	–	2,258

No interim dividend has been declared in respect of the current period.

Notes to the Condensed Financial Statements (unaudited)

6 Fair Value Hierarchy

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

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

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

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

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

7 At 31 October 2019, the Company had the authority to buy back 22,563,020 ordinary shares and to issue/sell from treasury 15,052,048 ordinary shares without application of pre-emption rights in accordance with the authorities granted at the AGM in August 2019. During the six months to 31 October 2019, no shares were bought back into treasury (30 April 2019 – nil) and no shares were issued/sold from treasury (30 April 2019 – nil).

8 During the period, transaction costs on equity purchases amounted to £3,000 (31 October 2018 – £1,430,000) and on equity sales £3,000 (31 October 2018 – £83,000).

9 Related Party Transactions

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

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

Further Shareholder Information

How to Invest

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

Client Relations Team Contact Details

You can contact the Baillie Gifford Client Relations Team by telephone (your call may be recorded for training or monitoring purposes), email, fax or post. See contact details in the 'Further Information' box on the back cover.

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 703 0025.

Cross-holdings (Listing Rule 15.2.5)

The maximum investment in listed investment companies or investment trusts is 15% of gross assets.

Automatic Exchange of Information

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

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

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

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

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

Risk Warnings

Past performance is not a guide to future performance.

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

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

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

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

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

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

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

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

Shareholders in Baillie Gifford UK Growth have the right to vote every five years on whether to continue the Company or wind it up. If shareholders decide to wind the Company up, the assets will be sold and you will receive a cash sum in relation to your shareholding. The next vote will be held at the Annual General Meeting in 2024.

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

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

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

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

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

Glossary of Terms and Alternative Performance Measures (APM)

Total Assets

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

Net Asset Value

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

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.

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.

		31 October 2019 NAV	31 October 2019 Share price	30 April 2019 NAV	30 April 2019 Share price
Closing NAV per share/share price	(a)	193.0p	172.5p	203.1p	192.0p
Dividend adjustment factor*	(b)	1.0145	1.0162	1.0236	1.0255
Adjusted closing NAV per share/share price	(c = a x b)	195.8p	175.3p	207.9p	196.9p
Opening NAV per share/share price	(d)	203.1p	192.0p	207.5p	187.5p
Total return	(c ÷ d) - 1	(3.6%)	(8.7%)	0.2%	5.0%

* The dividend adjustment factor is calculated on the assumption that the dividends of 2.95p (2019 – 4.50p) 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.

Ongoing Charges (APM)

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

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.

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

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

The Company currently has no borrowings drawn down.

Leverage (APM)

For the purposes of the Alternative Investment Fund Managers (AIFM) Directive, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company's exposure and its net asset value and can be calculated on a gross and a commitment method. Under the gross method, exposure represents the sum of the Company's positions after the deduction of sterling cash balances, without taking into account any hedging and netting arrangements. Under the commitment method, exposure is calculated without the deduction of sterling cash balances and after certain hedging and netting positions are offset against each other.

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.

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