SCOTTISH
MORTGAGE
INVESTMENT TRUST

Annual report and financial statements

31 March 2023

MANAGED BY BAILLIE GIFFORD

Scottish Mortgage aims to identify, own and support the world's most exceptional growth companies. We aim to provide long-term funding and support for the companies and entrepreneurs building the future of our economy.

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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 scottishmortgage.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.

Financial headlines

Year to 31 March 2023

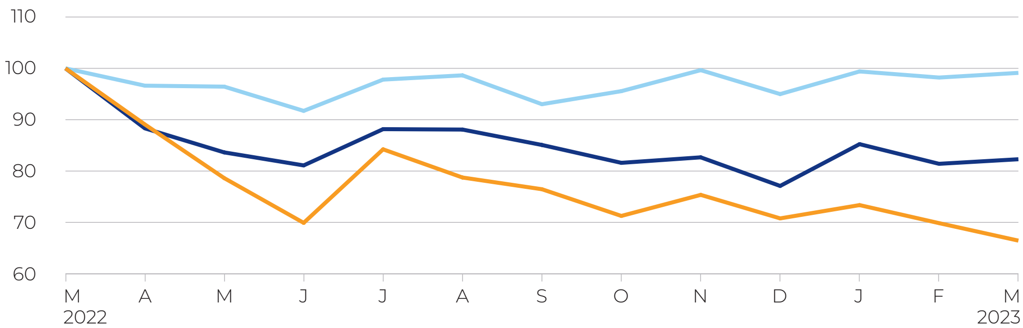
Share Price* (33.5%)	NAV* (19.7%) (borrowings at book value)	NAV* (17.8%) (borrowings at fair value#)	Benchmark*† (0.9%)

* 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 106 to 108. Comparatives for 2022 can be found on page 20.

Share price, NAV and benchmark

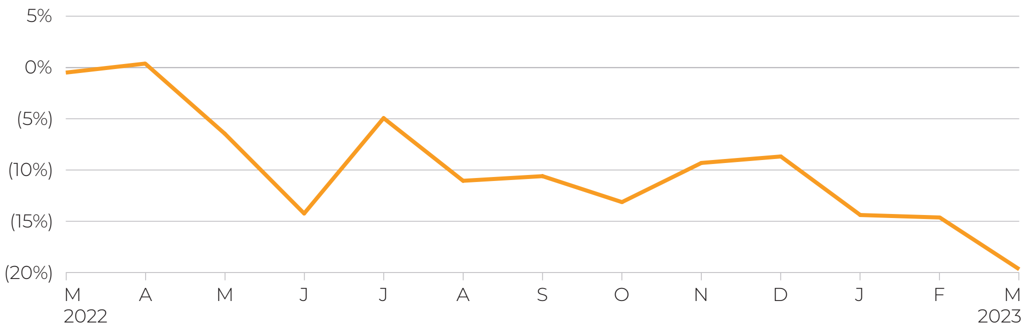
(figures rebased to 100 at 31 March 2022)

- Share price total return#
- 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



Longer term performance

	1 year	3 years	5 years	10 years
Share price	(33.5%)	19.7%	57.1%	347.0%
NAV	(17.8%)	50.8%	96.3%	431.5%
Benchmark†	(0.9%)	56.0%	62.0%	180.8%

All figures are stated on a total return basis# for period to 31 March 2023.

Source: Refinitiv/Baillie Gifford. See disclaimer on page 104.
† Benchmark: FTSE All-World Index (in sterling terms).
# Alternative Performance Measure – see Glossary of Terms and Alternative Performance Measures on pages 106 to 108.

Past performance is not a guide to future performance.
See disclaimer on page 104.

An introduction to Scottish Mortgage

Our purpose

Scottish Mortgage aims to identify, own and support the world's most exceptional growth companies.

We aim to provide long-term funding and support for the companies and entrepreneurs building the future of our economy.

Our unconstrained approach enables us to have the broadest opportunity set spanning both public and private companies across the globe.

We see it as our duty to maximise total returns and limit fees so that shareholders keep more of the returns.

Our philosophy

What we do

Finding outliers

- The core of what we do is try to identify those big drivers of change and exploit those opportunities.
- Identifying robust companies with visionary leadership – can we find a company that can scale, run by people we trust?
- Only a small number of companies matter, what we aim to do is find the few that generate those extreme returns.

How we do it

Long-term patient capital

- We believe that the long-time horizon with which we approach investing is the source of much of our distinctiveness and edge versus the market.
- We are resolutely long term through the good times and the bad.
- **Progress is rarely a straight line**; we are comfortable with the notion that extreme returns and smooth performance are mutually exclusive.

> Our mission is to identify forward-thinking companies, often still led by their visionary founders. Companies that are set to change the world. Why? Because we believe these outliers create the most exceptional growth

Who helps us

External insights – academics, scientists and founders

- We want to build relationships with people far more clever and interesting than ourselves.
- We can learn so much more about the future by engaging with those whose timeframes and perspectives are aligned with ours.
- By engaging with the 'philosophers of change' i.e. academics and scientists, we get diversity of thought which is largely lacking in financial markets.

When we do it

Public and private companies

- We seek to break down the artificial divide that exists between public and private companies by partnering with great growth companies on all stages of their journey.
- As an investment company, our evergreen structure means we are not time limited and thus have the flexibility to hold companies for as long as we see there is an opportunity for them to make outsized returns.
- Private companies offer a lens into the future – this gives us differentiated insights into how we manage shareholders' capital. Our reputation as a long-term, patient and committed investor gives us access to an inner sanctum of knowledge as to which companies are emerging that have the potential to shape our future.

Why we do it

Being partners not investors will have a genuine impact

- While on paper we may be called investors, our mindset is not that. We see ourselves as partners for the long term to our companies.
- We believe that the most promising ideas will always begin small, with an individual or group of individuals, a massive opportunity, and an audacious idea. We look to align ourselves with companies whose trajectory looks promising and where our support, influence, and shareholders' capital, can accelerate their progress.
- Innovation has the potential to change the world and have genuine impact. We, as providers of capital, can accelerate that change.

Invest in progress

As a shareholder you will be a part of…

Providing capital to the most INNOVATIVE growth companies in the world.

Supporting those visionary entrepreneurs who are IMAGINING what the future might look like.

Engaging with INTRIGUING minds in academic, scientific and entrepreneurial communities.

Participating in true, long-term IMPACT through engaging with companies who are transforming industries which will benefit societies and our environment.

Our structure

Scottish Mortgage is an investment trust but how does this structure benefit our shareholders?

Company status

Just like other public companies, Scottish Mortgage can and does borrow money to make additional investments. This financial gearing can amplify investment returns.

Our shareholders have rights, and we seek their approval, via votes, if we want to make significant changes.

A board of directors looks after the interests of our shareholders. They meet several times a year and are responsible for various things, such as overseeing performance.

Scottish Mortgage has paid a modest but growing dividend for several decades. Our structure means we can utilise reserves and smooth income payments over time.

Permanent capital

The closed-ended structure provides a pool of permanent capital. Unlike open-ended funds, the portfolio remains intact and is not impacted by shareholder demand.

We have the freedom to invest for the long term and hold assets that can be harder to buy and sell – such as private companies.

Our extended time horizons are matched by our companies. This alignment underpins the prospect of enduring relationships.

Accessibility

Listed on the London Stock Exchange, Scottish Mortgage provides intra-day liquid access, and our shares are openly tradeable for investors from around the world.

There are no performance fees or minimum investment restrictions.

Shareholders could benefit from simplified tax reporting when compared with other structures that hold private companies.

Democratising access to private companies

We offer shareholders liquid access to private companies – a distinct offering in today's market.

We own companies uninterrupted on their journey from private to public – shareholders benefit from long-term compounded returns.

Access to private companies is dependent upon relationships and reputation – our shareholders benefit from the access we enjoy but without paying fees normally associated with private equity funds.

Underpinning everything is a genuine commitment to low costs. We believe our duty to shareholders is to limit fees. Put simply, lower charges directly translate into shareholders keeping more of the returns generated from their investment.

Our scale and commitment to low costs enables us to offer genuine value for money.

Although there are benefits to the investment trust structure, there are also risks involved. To make sure you are comfortable with these risks, please see page 102 for more information.

Strategic report

This strategic report, which includes pages 4 to 46 and incorporates the statement from the Chair, has been prepared in accordance with the Companies Act 2006.

Statement from the Chair

Introduction

Scottish Mortgage was founded after the market crash of 1909 to provide capital to businesses that had huge potential but limited access to funding. Over the course of our 114-year history, we've seen many market highs and lows. Each time we have faced challenge, we have emerged in strong shape with a renewed determination to deliver value to our shareholders.

Today is no different. This has been a year of continued economic, political, and social disruption in many parts of the world. Whilst there were good signs of recovery from COVID-19, the war in Ukraine led to significant uncertainty and contributed to soaring inflation and rising interest rates, creating challenging conditions for many companies. The current headwinds are not a new economic phenomenon, and we are confident in our ability to navigate through to calmer waters.

However, we recognise that – notwithstanding the macro-economic headwinds – performance in recent years has been disappointing. The Board shares this disappointment but remains confident that Scottish Mortgage is a strong long-term investment. We firmly believe in the fundamentals of our investment portfolio, which has delivered so much value over many decades.

The challenges we have faced have not been unique to Scottish Mortgage. Market turbulence has impacted all companies, and it would be wrong to allow short-term market volatility to influence our long-term investment decisions. That is why the Managers have continued to do what they do best – engaging with portfolio companies through the cycle, as well as selecting and patiently investing in new growth businesses with extraordinary potential from around the world.

Portfolio update

Your capital has benefitted hundreds of businesses over many decades, providing much needed equity to high-potential, high-growth companies. The Managers have identified some truly ground-breaking businesses that are building the future of the global economy. These companies have the potential to be category winners, and their visions for the future need long-term capital to become a reality.

Our investments span a wide range of companies in technology and healthcare, decarbonisation, and digitalisation, as well as entrepreneurs pioneering brand new frontiers.

A significant proportion of the Company is invested in publicly listed equities, including Moderna, whose vaccines played a critical role in addressing the pandemic, and which remains our largest holding. Other significant listed holdings include ASML, an innovation leader in the semiconductor industry; Tesla which continues to transform battery energy storage solutions for the automotive and clean energy industries; and MercadoLibre, Latin America's most popular ecommerce site.

Increasingly often, high-growth companies are found in private markets. Investing in private companies has formed part of the Company's investment strategy since 2012. Scottish Mortgage does not invest in start-ups, and as such, we are not venture capitalists. We invest in large, late-stage companies, with an average size of US$10 billion and a global footprint. There are some very exciting companies in the private company investment portfolio, including Zipline, a drone company which began by delivering blood supplies in Rwanda and is scaling up its operations in the United States. UPSIDE Foods which is revolutionising food as one of the leading cultivated meat companies in the United States; and Denali Therapeutics, a biotechnology company focused on finding a cure for neurodegenerative diseases such as Alzheimer's and Parkinson's.

Five companies make up nearly half of the Company's overall exposure to private firms, and they have generally performed better than their publicly listed peers, raising money at higher valuations than last year, despite the market turmoil. We employ a rigorous valuation process, which is described in the Managers' report on page 12; in summary it involves a dedicated team at Baillie Gifford, independent of the fund managers, plus valuation reports prepared by an independent third party, S&P Global.

At the 2020 AGM shareholders approved a limit on private investments of 30% of the total assets of the Company, measured at the time of purchase, and we continue to believe that this provides the Company with the appropriate flexibility to invest in some of the world's most exceptional growth companies that have chosen to remain private. The exposure at 31 March 2023 was 28.6% and the Board and the Manager will continue to monitor this closely.

Performance

Total return* (%)	12 months to 31 March 2023
NAV	(17.8%)
Share price	(33.5%)
FTSE All-World Index	(0.9%)
Global Sector Average – NAV	(8.2%)
Global Sector Average – share price	(13.6%)

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 106 to 108.

The Company posted a negative return in the year to 31 March 2023. Whilst this is a disappointing result, our view is that this represents too short a time frame on which to judge returns given the long-term nature of the investment strategy.

Past performance is not a guide to future performance.
See disclaimer on page 104.

Over the last 10 years, Scottish Mortgage's net asset value (NAV) per share has increased by 432% compared to a 181% increase in the FTSE All-World index. This track record of delivering strong returns and our reputation for identifying high-growth companies that will transform society means that we continue to be regarded as one of the UK's leading investment trusts. We are a long-term investment, and investors who share our belief in the underlying strengths of the portfolio expect to benefit from future out-performance.

Total return* (%)	Five years to 31 March 2023	Ten years to 31 March 2023
NAV	96.3%	431.5%
Share price	57.1%	347.0%
FTSE All-World Index	62.0%	180.8%
Global Sector Average – NAV	70.2%	277.7%
Global Sector Average – share price	49.4%	244.0%

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 106 to 108.

Value for money

We strive to keep the cost of investing low for shareholders to retain as much of the return on their investment as possible. Ongoing charges for the year were 0.34%, representing a small rise on the previous financial year (0.32%). This is due to reduction in the proportion of total assets above £4 billion, which attracts the lowest management fee rate of 0.25%. The ongoing charge figure remains less than most actively managed funds in public funds, and significantly less than private equity funds. Notwithstanding recent performance, the Board and Managers continue to believe that Scottish Mortgage offers shareholders excellent value for money.

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 gearing is discussed by the Board and Managers at each Board meeting.

With a backdrop of falling equity markets, the absolute level of borrowing was actively gradually reduced over the period to remain within an appropriate range with net asset value. The Board and Managers repaid US$396 million (£322.2 million) of revolving variable-rate bank facilities. The weighted average cost of debt, based on drawn down borrowings is 2.98% as at 31 March 2023 (2.58% as at 31 March 2022). Additionally, the £75 million 6.875% debenture was redeemed on maturity on 31 January 2023 and not refinanced.

At the end of the year gearing was 14%, a small increase from 13% at 31 March 2022.

Earnings and dividend

The Managers seek to maximise total return by providing growth capital to a global portfolio of 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.

However, over the year income received by the Company more than doubled in value to £49.0 million. This can be accounted for by increased income from the portfolio companies – most notably Ant Group, Kering and ASML, which raised dividends following good operational performance. Additionally, the rising interest rate environment increased the level of deposit income received.

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 requirement for investment trusts to retain no more than 15% of income has necessitated a significantly larger increase, in percentage terms, in the dividend than would otherwise have been proposed. Accordingly, the Directors are recommending that this year the total dividend be increased by 14.2% to 4.10 pence per share (2022 – 3.59 pence per share). Future increases to the dividend are however, expected to be consistent with the more modest uplifts in recent years unless higher levels are required to maintain investment trust status.

Liquidity

With a backdrop of heightened market anxiety, particularly around growth and private company investing – the share price moved from a discount to net asset value of 0.5% to 19.6%. The Board is acutely aware that such moves can be discomfiting for shareholders. Over the year, we sought to address the excess supply of shares by buying back 36.5 million shares at a total cost of £283.3 million, which represented 2.5% of the share capital in issue at the start of the year.

The Board remains committed to facilitating trading around net asset value over the long term and under normal market conditions, but it is important to note that the Liquidity Policy does not imply any guarantees. The Board and the Managers take a pragmatic approach in making capital allocation calls between buying back shares and other uses of capital such as making new investments and reducing debt. All of this with an aim of enhancing shareholder returns over the long term.

Environmental, Social and Governance (ESG)

The Board recognises the importance of considering ESG factors when making investments and has asked the Managers to take these issues into account.

The Managers' approach to sustainable investing is underpinned by five core beliefs that are detailed in 'Our Approach to Governance'. We recommend this as a valuable reading to all shareholders, and it can be found on the website scottishmortgage.com.

Some examples of the Managers' engagement with portfolio holdings on governance matters are provided in the Stewardship and Governance Engagement report on page 18.

It is the Board's responsibility to monitor activity and progress in areas such as voting and engagement, and the Company's voting record can also be found on the website.

Shareholder engagement

The Annual General Meeting will be held at 4.30pm on Tuesday 27 June 2023 at The Royal College of Physicians of Edinburgh, 11 Queen Street, Edinburgh EH2 1JQ.

As always, I would invite shareholders to attend, raise any questions they may have and exercise their votes. Shareholders are also able to submit proxy voting forms before the applicable deadline and to direct any comments or questions for the Board in advance of the meeting through the Company's Managers, Baillie Gifford. Alternatively, they may also get in touch via either of the Corporate Brokers, Jefferies International and Numis Securities. Contact details for all three firms are included in the Annual Report and are available on their respective websites.

I would also encourage shareholders to maintain an active dialogue with the Company throughout the year. The Company's Managers hold multiple shareholder meetings and events around the country throughout the year, as well as via webinars and 'Insight' pieces published on the Company's website.

Board update

As announced in March, I will be retiring from the Board at this year's AGM. I first signalled my intention to step down in 2020 but remained as Chair at the request of my fellow Board members to provide continuity given the extraordinary circumstances of the pandemic and a period of transition with the Board and Managers.

This has allowed us to plan for succession, and following a process led by the Nomination Committee, the Board was unanimous in supporting Justin Dowley, our current Senior Independent Director, as the Company's new Chair. Subject to his re-election by shareholders, Justin will take over as Chair following the AGM on 27 June.

Professor Paola Subacchi will also step down at the AGM after nine years on the Board. I extend my sincere thanks to Paola for her dedication to Scottish Mortgage during her tenure. On behalf of the Board, I would like to wish her every success in her future non-executive roles and distinguished executive career.

Professor Amar Bhidé left the Board in March following a fundamental difference in view on the ongoing suitability of the Company's investment policy as it relates to the Company's ability to invest in companies not listed on a public market (see 'Investment policy' on page 40), and on whether the Board should maintain its stance on managing the discount/premium (see 'Liquidity policy' on page 40). The Directors discussed these matters on a number of occasions during Professor Bhidé's tenure and the Board does not currently intend to change its stance or to recommend to shareholders any proposed changes to the Company's investment policy, although it continues to keep the ongoing suitability of the investment policy under regular review. The Board welcomes two new Non-Executive Directors, Sharon Flood and Vikram Kumaraswamy. Sharon's and Vikram's appointments are subject to shareholder ratification at the forthcoming AGM.

Sharon is a Non-Executive Director of Getlink SE, where she is Chair of Safety and Security, and Pets at Home PLC, where she is Chair of the Remuneration Committee and formerly Chair of the Audit Committee. Sharon previously served as Chair of Seraphine Group PLC and S T Dupont SA, and as non-executive director and Chair of the Audit Committees at Crest Nicolson PLC, and Network Rail. A Fellow of the Chartered Institute of Management Accountants, Sharon has also held leadership roles at Sun European Partners and the John Lewis Partnership. She is currently a Trustee of the University of Cambridge and formerly a Trustee of both the Science Museum Group and Shelter. On appointment, Sharon will join the Audit Committee and Nomination Committee.

Vikram Kumaraswamy is the Head of Strategy and Corporate Development at Unilever. He leads portfolio development and capital allocation for the group, with responsibility for strategy, M&A sourcing and execution, competitor intelligence and corporate venturing. A chartered accountant, Vikram was responsible for significant changes to Unilever's portfolio, positioning the company for superior long-term growth and involved in other strategic transformation initiatives. Vikram was previously CFO of PT Unilever Indonesia Tbk, based in Jakarta. On appointment, Vikram will join the Audit Committee and Nomination Committee.

I am delighted to welcome Sharon and Vikram and subject to their election at the AGM, I am sure that the Board will greatly benefit from their contributions.

Outlook

We remain confident that Scottish Mortgage merits a place in all portfolios and that shareholders benefit from the patient, long-term approach taken by your Managers. The Company has a clearly defined investment philosophy and process, owning and supporting the world's most exceptional growth companies. The Company will continue to pursue its unconstrained approach to investing in the broadest opportunity set, spanning both public and private companies across the globe. We are resolute in our duty to maximise total returns and limit fees so that shareholders enjoy the maximum benefit of their investment. Whilst there is no doubt that the year ahead will present challenges, we have plenty of reasons for optimism as we continue to invest in companies that are building a better future.

It has been my very great privilege to serve on the Board. As I step down as your Chair, I would like to thank my fellow Directors for their commitment and dedication to Scottish Mortgage. I would also like to thank Tom Slater, Lawrence Burns, and each of the teams at Baillie Gifford. We refer to 'The Managers', but in truth, there are many people behind the scenes working tirelessly to deliver for our shareholders.

The Board will continue to act in the interest of shareholders to ensure an appropriate balance of opportunity and risk. We are grateful to you for the trust you place in us and for your ongoing and consistent support of the Company. I am confident that Scottish Mortgage will continue to create long-term sustainable value for shareholders in 2023 and beyond.

Fiona McBain
Chair
16 May 2023

Managers' review – Tom Slater

Geopolitical tensions have escalated this year, most notably with Russia's invasion of Ukraine, which marked the return of major war to Europe and had significant global repercussions. The invasion exposed the fault lines between nations and created economic challenges such as price shocks, supply disruptions and food shortages. Inflation emerged as a global concern, affecting both developed and developing nations alike. Meanwhile, the great power competition between the United States and China intensified, with both countries adopting increasingly adversarial stances and actions, further straining their relationship. On a more positive note, many countries abandoned lockdowns, travel restrictions, and other pandemic-related measures due to the success of vaccines and therapeutic treatments.

Having initially been slow to respond to rising inflation, central banks raised interest rates aggressively. The US Federal Reserve was holding the federal funds rate at around zero as recently as the first quarter of 2022 and buying billions of dollars of bonds every month to stimulate the economy. This started to change in March 2022 with the first of a series of rate increases that summed close to five percentage points over the company's financial year, one of the steepest increases on record. This has led to strain in the banking sector and the collapse of several US regional banks. The impact of tighter financial conditions on consumers, inflation and the broader economy will be felt over the coming year, given the delays in the system.

Northvolt – producing lithium-ion batteries in a sustainable way for use in electric vehicles. © Northvolt.

In this environment, investors have flocked to assets that are already proven and profitable. Predictability can have a deep allure as uncertainty grows and people are fearful. Investing in such assets may be appropriate for others, but we are sceptical that our shareholders will benefit in the long run if we too resort to following the crowd. Buying predictability may provide temporary comfort, but it is by embracing discomfort that we can entertain the possibility of outsized returns from exceptional companies. The universe of businesses with bounded opportunities and well-analysed competitive positions is unlikely to yield extraordinary outcomes.

The sharp increase in interest rates and associated collapse in the supply of capital has led to a fearful mood in financial markets. This negative disposition ignores the exciting progress in several key technologies and companies. The deterioration in markets has a greater impact in the near term, both through the immediate prospects for corporate profitability and the decline in our stock price relative to the value of our assets. However, over the longer term, the more profound consequences will come from developments in areas such as mRNA-based medicines or artificial intelligence.

Progress

Growth and innovation are not dependent on the direction of macro-economic developments. Instead, we pay close attention to exponential trends such as Moore's Law in semiconductors, Carlson's curve in genomic sequencing or Wright's Law in manufacturing. These predictable trajectories of progress are a valuable way to understand what is happening in the world. A feature of these laws is that progress each year can underwhelm but cumulative progress over a decade or more is remarkable. The past year was an exception because there were breakthroughs across various industries and technologies.

One striking example came from healthcare and our largest holding, Moderna. The company has demonstrated that mRNA technology can be used to create effective personalised cancer vaccines. Phase 2 trials in advanced melanoma showed a 44% increase in survival for those taking the therapy in addition to the current standard of care. Pharmaceutical giant Merck paid US$250 million to co-develop the technology with Moderna, and we expect Phase 3 trials in various cancer types to launch this year. Moderna now has 30 vaccines in clinical trials for infectious diseases and with the addition of therapies for cancer, liver disease and lung disease, the number of potential applications for Moderna's technology is multiplying.

While the focus of energy markets was on the immediate impact of the crisis in Ukraine, the long-term trajectory away from carbon remains. The Inflation Reduction Act in the United States has created a framework for significant investment in electrification, aiming to prevent Chinese companies from dominating the supply chain. Europe must respond with an equivalent strategy to avoid all the industrial capacity being built elsewhere.

Our holding Northvolt, the European battery manufacturer, made its first commercial deliveries in 2022 as its production facilities in Northern Sweden ramped up. It is tapping into enormous latent demand for electrification and has

SpaceX Starship rocket. © SpaceX.

announced US$55 billion of contracts to supply major automotive manufacturers. It is expanding its manufacturing footprint outside Sweden as it scales up rapidly to meet the industry's needs.

Solar generating capacity doubled in the three years to 2022 although it remains less than 5% of the global energy mix. In December, there was the first confirmed example of net power production from a nuclear fusion reaction. This result has proven elusive for several decades and is an important milestone on the path to harnessing the technology. The price deflation that will eventually flow from renewable generation makes identifying direct investments challenging, but it is crucial to consider how abundant clean energy will impact society's ability to innovate.

The Henry Adams curve describes the 7% annual growth in energy available to civilisation since the invention of the steam engine 300 years ago. However, since the 1970s oil price shocks, we have fallen off the curve and energy consumption in Western economies has stagnated. As a result, we have seen significant innovation in areas where we can do more with less. Semiconductors have turned some science fiction predictions into reality, but advances in other areas have lagged. We have few space stations, no lunar landings or bases, no interplanetary travel or colonies and no supersonic aircraft or flying cars. Amidst the many challenges, a missing ingredient for all these endeavours has been abundant, low-cost, clean energy.

Our largest private holding, Space Exploration Technologies (SpaceX) made 60 launches in 2022, more than one per week and twice the number it achieved the previous year. The commercial space market has finally become a reality thanks to SpaceX's reusable rockets, which have reduced launch costs by 95% from those of the space shuttle. This is even more striking when you consider that Moore's law and associated software have made each kilogram of payload much more productive. The first iterations of extra-terrestrial services have been focused on sectors such as agriculture and mining. Consumer applications are now appearing, including T-Mobile and SpaceX's collaboration to eliminate the mobile-reception dead zones that still cover 20% of the US landmass. Over time, R&D, manufacturing, tourism, and other space-based applications will become more common.

We have been commenting on progress in Artificial Intelligence (AI) for some time, and we saw some meaningful breakthroughs this year. At the risk of hyperbole, this could be the start of another computing paradigm akin to the personal computer or smartphone. Most noteworthy was the success of OpenAI in making AI technology available to non-technical users with the release of ChatGPT. The service signed up a hundred million users in just two months as engineers and entrepreneurs recognised the potential offered by this approach to computation. AI can already augment human software programmers and enhance productivity, and AI services will likely write most computer code in the future. The implications of AI-generated student essays are less encouraging and only a minor example of the governance challenges these systems will create.

AI will likely transform many parts of the economy, but it would be foolhardy to make specific predictions. We can, however, say with some certainty that AI systems will require a lot of silicon. OpenAI has suggested that the computing power needed to run the latest models doubles every 14 weeks. Our holding NVIDIA is a key supplier and enjoys formidable advantages, as the chip technology it has built over decades for computer games has proven ideally suited for AI computation. The semiconductor industry depends on ASML's exceptional engineering skills to produce cutting-edge chips, and AI is just one driver of the strong demand we anticipate over the next decade.

One of the largest AI companies in the world, Tesla, rolled out initial access to its full self-driving software in the US this year. It has now driven 150 million autonomous miles, providing it with a vast data advantage over the rest of the automotive industry. The system's capability is already impressive, but the pace of improvement will be most important over time. In the short run, new vehicle sales will face headwinds from higher interest rates, but electric vehicles continue to gain share and Tesla, as the market leader, has the scale and profitability to invest and grow in challenging conditions. In the long run, its software and AI capabilities will be deployed to a much larger fleet of vehicles, and others will struggle to compete.

Portfolio

Turnover in the portfolio remains low, reflecting our belief in the companies we own. The lone sale from last year's top thirty was Alibaba. We reduced other Chinese holdings and sold two smaller positions, KE Holdings and Full Truck Alliance. These sales were driven by concerns about the growth of big online platform companies in China after several regulatory interventions, as well as reflecting disquiet about deteriorating Sino-US relations. China remains an important market for stockpickers. It is one of the world's largest economies and home to some of the most innovative management teams we know (our best-performing stock last year was the Chinese ecommerce company PDD). However, we will continue to manage the overall exposure of the Company in light of the geopolitical environment.

We have substantially reduced our holding in Illumina, the sequencing machine company. We still believe gene-sequencing is a fundamental building-block for advances in healthcare, but the company's execution has been disappointing, which has been reflected in a weak stock price. We have retained positions in other companies where valuation declines have hurt us in the short run. Ginkgo, the synthetic biology company, has struggled to explain its story to public market investors since listing in 2021 but has delivered operationally and is well placed to consolidate its nascent market. Blockchain.com, the crypto banking business, has been hit by the weak digital asset market and the bankruptcy of a large customer but ought to have a much stronger competitive position in the next up-cycle given the larger problems experienced by its peers. We are confident that Affirm, the US point-of-sale lender, will be able to navigate the interest rate cycle while maintaining credit quality and growing its loan book.

We purchased a new holding in the gaming company Roblox. Its audience use it as an entertainment platform initially and the conversion of those players into creators and paid users will underpin substantial growth over the next decade. We also took a position in Cloud networking-provider Cloudflare which will be an essential enabler of the next generation of software systems. We added to Latin American ecommerce and finance company, MercadoLibre, which is still in the early stages of market penetration and is adept at creating the products its users need. As with many of our established holdings, it benefits from a more benign competitive environment as capital is withdrawn. It is now a top-five holding.

Roblox – the online game platform. © Shutterstock/Miguel Lagoa.

Conclusion

Despite recent stock market declines, significant operational progress continues, reflecting the accelerating pace of change throughout the economy. While this progress has not translated into our investment results lately, we need to remain disciplined and patient. We know this has been painful for shareholders, but history shows that periods of poor performance are inevitable. Our approach will never be consistently in favour, and we should not deviate from it to avoid short-term headwinds. If patient ownership of growth companies was easy, there would be far more competition.

We cannot know when stock markets will reflect the progress we see, but in the long run, share prices follow company fundamentals. In the meantime, we will focus on the bigger picture and avoid impulsive decisions based on market movements. Previous downturns have drawn attention to companies solving important problems and we remain vigilant for new opportunities.

> Technology-driven transformation and progress only grows stronger. It wasn't a phenomenon driven by cheap money

There is no going back to a world of static and unchanging industries. The retreat to perceived safety can only be temporary, as safety is ephemeral amidst such upheaval. It is by investing in the agents of change and partnering to develop big new opportunities, that exceptional returns for shareholders will be generated.

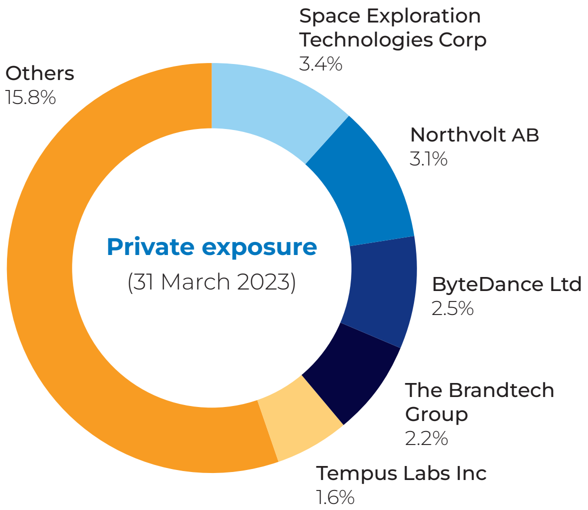
Tom Slater

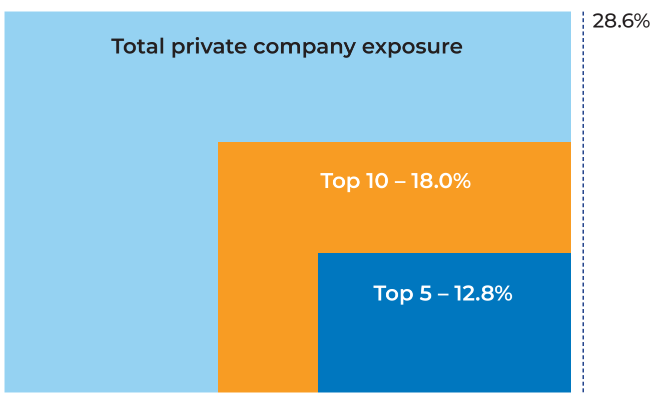
Managers' review – Lawrence Burns

Reflecting on a decade of private company investing

Scottish Mortgage has now been investing in private companies for over a decade. We began this journey in 2012 when Yahoo! was looking to off-load its stake in the Chinese ecommerce behemoth Alibaba. It was a fortuitous start to private company investing. The Company's £30 million holding became worth more than £150 million just two years later when Alibaba launched what at the time was the world's largest-ever stock market flotation.

The Company's private company exposure has expanded over the decade since, giving our shareholders access to a range of differentiated businesses, many of which have no public market equivalent. From SpaceX radically lowering the cost to access space; to Northvolt providing crucial homegrown battery production for the European market; to Tempus Labs developing personalised cancer diagnoses powered by artificial intelligence. Our private company exposure is concentrated in a small number of these very large private businesses. The five largest private holdings alone account for nearly half of our private company exposure with the ten largest accounting for nearly two-thirds:





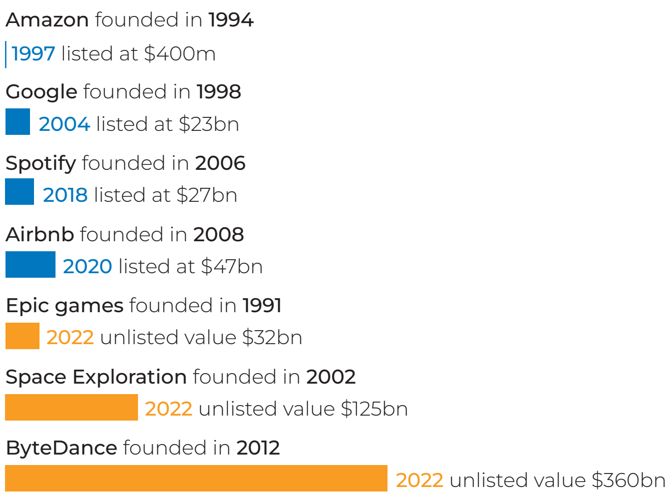
All figures stated as percentage of total assets, as at 31 March 2023.

There are four main reasons we invest in private companies:

- **Companies are staying private longer**

We have never aspired to become early-stage venture capitalists. We merely adapted to the type of companies we invested in choosing to stay private longer. The Facebook IPO was an important datapoint. When it listed in 2012 and finally became available for the Company to invest in, it was already valued at over US$100 billion. Alibaba listed at nearly $200bn two years later. The implication of this trend was that ever greater value creation was occurring before companies went public. Exceptional businesses and the returns they generated were staying out of the reach of public market investors and thus Scottish Mortgage shareholders. In the technology sector, the average age of a new public company in 1999 was 4 years. By 2020 that extended to more than 12 years according to research from the University of Florida.

Companies are staying private longer and building more value while unlisted

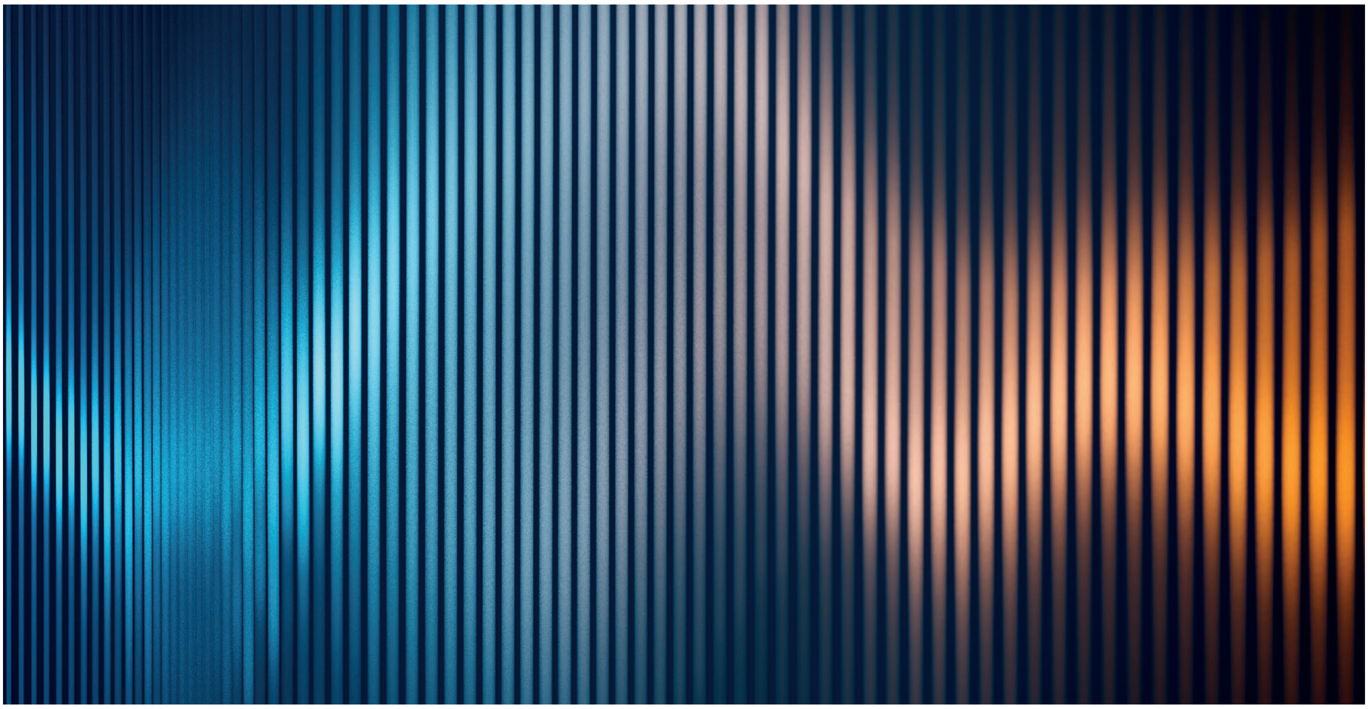


Source: Pitchbook. Valuations for private companies as at 30 June 2022.

The companies that make up the bulk of our private company exposure are consequently neither small nor early-stage. We have several private holdings that already have many thousands of employees and billions in annual revenue. The majority of our assets invested in private companies are in businesses which would be large enough in scale to join the FTSE 100 Index, if they were based in the UK and listed.

Total equity value (USD)	Company count	Portfolio %
Micro (<$300m)	7	0.9
Small ($300m–$2bn)	14	5.0
Medium ($2bn–$10bn)	14	10.1
Large (>$10bn)	7	12.6
Grand total	**42**	**28.6**

As at 31 March 2023. There are ten limited partnership investments not included in the table above.



- **Access is an advantage**

The second reason we invest in private companies is that we believe we should have an edge in doing so.

Public companies can choose whom they speak to and we are privileged in terms of the access we get. However, private companies do not just choose who they talk to but also take great care in picking who is allowed to own their shares. For the most exceptional private companies supply of capital often dwarfs the amount they wish to raise. It is usually a good signal when a meeting with a new private company resembles a two-way interview process.

Our reputation as long-term owners of businesses and our closed-ended structure make us stable shareowners which is attractive to private companies. The good access we consequently receive is evidenced by over 90% of our investments in private companies coming from proprietary sources in recent years. That means coming from a company approaching us directly or an introduction from another founder or investor as opposed to a bank-sponsored funding round.

- **Insights without boundaries**

Investing in private companies has also provided us with an entirely new world of insights to leverage over the last decade. Understanding how the world is changing solely through public companies now feels akin to trying to construct a puzzle with half the pieces missing.

Ant Group helped us to better understand the potential of MercadoLibre's payment arm earlier than would otherwise have been the case. While a tour of private AI chip companies in the Bay area back in 2018 helped us to better understand the threat of those trying to disrupt NVIDIA. Meituan helped us understand the potential of food delivery across the globe. Private company investing has continually provided us with a lens into the future. Today it is allowing us to better understand emerging areas such as synthetic biology, artificial intelligence and climate solutions.

It has also allowed us to get to know companies well before they go public. We have now had 35 of our private holdings transition to listed companies. Getting to know Spotify, Meituan, HelloFresh and many more before they went public gave us a far more informed perspective than meeting them for the first time on a highly choreographed IPO roadshow with a team of investment bankers in tow. Over 40% of Scottish Mortgage's assets are invested in companies that were first purchased as private companies. Private company investing has become an important funnel for the public part of our portfolio.

- **Low-cost access**

The ability to invest in world-leading private companies has traditionally been neither accessible nor cheap.

Scottish Mortgage is able to offer access to both the world's leading private and public companies for an annual fee of 0.34%. In doing so we believe Scottish Mortgage plays a role in democratising access to private companies at low cost.

A decade of learning and building

When we began investing a decade ago there was much we did not know. The infrastructure we would need to do this at scale did not exist and took time to build. Nevertheless, we sensed an opportunity and proceeded cautiously but deliberately allowing us to learn and build the internal capabilities required.

Today we work alongside a team of seven dedicated private company investors as well as 30 investors who work on both public and private companies. In addition, we have an in-house Private Companies Legal Team to manage aspects such as non-disclosure agreements, term sheets and legal due diligence.

Private company valuations

We also have a Private Company Valuations Team whose work has attracted far greater attention than ever before over the last year given the volatile conditions.

As Scottish Mortgage has a daily reported NAV (net asset value), it requires a robust valuations process to ensure our valuations are kept as up-to-date as possible. The aim of the valuations process is to hold private companies at 'fair value'. In other words, the price we believe we would get were we to try to sell our shares.

This process is carried out by Baillie Gifford's Private Company Valuations Team which takes advice from an independent third party, S&P Global. Valuations are then approved by Baillie Gifford's Valuations Group which comprises five voting members all independent of those making investment decisions. Scottish Mortgage's investment managers, Tom Slater and I are informed via email after any valuation changes have been applied.

The fair value assessment itself is carried out on a rolling three-month cycle. This means that a third of the private component of the portfolio is valued each month. However, this frequency is only the bare minimum. In practice, the pricing of private companies is monitored continually with 'trigger events' such as a funding round or change in fundamentals prompting revaluations, outside the three-monthly cycle.

The two most common triggers over the last year have been changes in the value of publicly listed comparator companies or comparator indices. A 5% movement in either was sufficient to trigger a re-assessment. In total 532 revaluations were made with 84% of the private instruments held re-valued five times or more:

Revaluations performed	532
Instruments held	87
Valued up to four times	16%
Valued five times or more	84%

The result of these re-valuations in aggregate was that the private company valuations were written down by 28% which compares to the fall in the NASDAQ of 14%. The write-downs would have been materially greater if it were not for the upward revaluations of seven companies during the period.

The private company valuations also receive external checks in three key ways. First, the Audit Committee of Scottish Mortgage meets twice a year specifically to review the valuations. Second, the valuations are subject to the annual scrutiny of our auditors PwC. Finally, because Scottish Mortgage's largest private holdings are also held by other Baillie Gifford funds, this subjects them to checks by different auditors. Moreover, these checks occur at different points throughout the year due to these trusts having different financial year-ends.

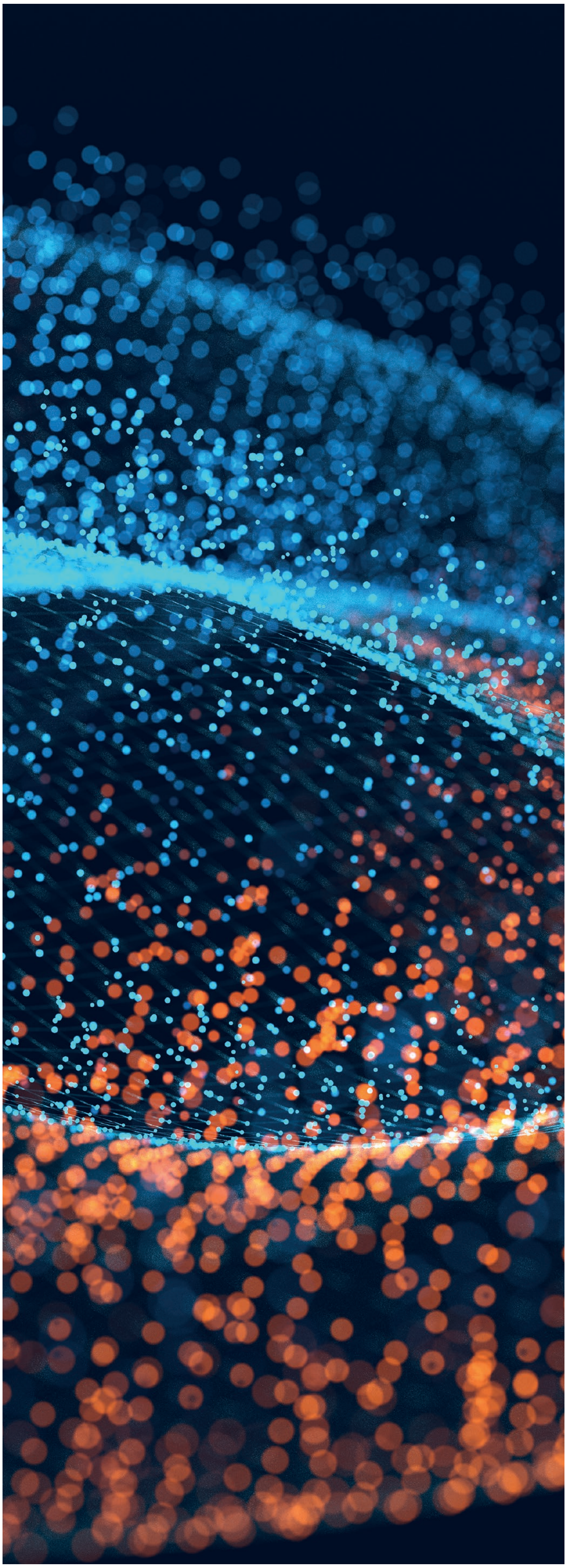
Private company allocation

When we started private company investing there was no limit in place. As the proportion invested in this area grew, the Directors felt it appropriate to provide shareholders with more clarity. At the annual general meeting in 2016, shareholders approved an update to the investment policy to include a limit for private companies of 25% of the total assets, measured at the time of purchase. In 2020, this limit was raised to 30%, where it remains.

That limit only applies at the time of purchase. This means that when the level is exceeded no further private company purchases can be made. However, it also protects Scottish Mortgage from being forced sellers of private companies purely due to relative or absolute movements in the value ascribed to either private or public assets.

Over the course of the financial year we were able to deploy £281 million into private companies during the financial year. This included follow-on investments as well as two new private investments in UPSIDE Foods and Climeworks. The proportion invested in private companies stood at 28.6% as of 31 March 2023.

This figure is primarily influenced by the value of our public market investments and the valuation changes in our private companies. However, it is also impacted by buybacks and gearing. An important influence over the last year has been the closing of the IPO market. We had fourteen companies go public in 2021 but as the IPO market closed in 2022 companies postponed their plans with no private holdings going public. We will continue to closely monitor the proportion of the Company invested in private companies throughout the year recognising that the proportion can be volatile. Should the Company experience material, prolonged and disadvantageous impact stemming from this or any other facet of our investment policy we would naturally seek to sound out the views of our shareholders to understand their perspective.



Looking forward

Tom Slater has helpfully provided examples of private companies that have made encouraging progress over the course of the last year. However, we are also cognisant that there has been a material change in the funding environment. We have transitioned from a period of capital abundance to one of capital scarcity.

We have seen several of our companies successfully raise further capital in this environment while a number of our private holdings are already generating positive cashflow. Moreover, we are seeing companies bring down their cash burn materially. Nevertheless, it is likely that a few of our smaller private company holdings may find themselves casualties of this new environment. Should this happen we expect the impact to represent only a small percentage of the portfolio's assets. As ever, our performance will be primarily driven by those companies that succeed rather than those that fail.

Over the past decade our private exposure has grown to become an integral part of Scottish Mortgage. It has expanded our opportunity set from which to identify outliers. It has provided insights that would have otherwise been out of reach and we believe it offers our shareholders exposure to exceptional hard to access growth companies at a low fee level.

As we look to the future perhaps it is only right to let one of our private holdings have the final word. The founders of payment processing giant Stripe write in their shareholder letter that the propensity to start new businesses has increased significantly and persistently. The US Census data supports this showing that the rate of business formation has increased by 44% since 2019. As they reflect:

"*Entrepreneurship is the lifeblood of a dynamic economy. For all the gloomy economic headlines, it's important to contextualise with the fact that more new ventures are being started today than during the market boom of 2021*"

The role of Scottish Mortgage will continue to be to support that growth in entrepreneurship in good times and bad, whether public or private and through doing so generate long-term returns for our shareholders. We are intensely grateful for the continued trust our shareholders place in us and for their patience particularly over the last year.

Lawrence Burns

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 115 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 48) and ongoing charges ratio (0.34% as at 31 March 2023) 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. Eight of our top ten listed holdings have been held for more than five years and five 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.
- These core beliefs capture our approach to investment. Inevitably our investment philosophy will evolve over time and with it, these stated core beliefs.

Tom Slater and Lawrence Burns

Stewardship and governance engagement

Long-term stewardship sits at the heart of our investment approach. Our time horizon and active approach to share ownership mean our conversations with companies shift from transactional to relational as we build enduring trust over time. The following examples demonstrate this process in action. They were chosen because they are ongoing engagements with companies from a breadth of industries illustrating some of the different types of challenges being faced.

NVIDIA

Opportunity

NVIDIA's overriding aim is to improve the energy efficiency of graphics processing units (GPUs) and data centres. In addition to this core purpose, a key challenge is whether it can access enough 'green' components over the next decade to satisfy the demands of its increasingly aware customer base, and whether this could become a point of competitive edge and/or premium pricing.

Attitudes and operations

Chief financial officer Colette Kress has discussed sustainability with us. This speaks to the importance of environmental considerations to NVIDIA and backs up its strong track record in reporting and climate engagement. The firm currently sources 25 per cent of its electricity needs from renewables and aims to increase this to 65 per cent by 2025. The reduction target for direct emissions is judged to be 1.5C-aligned. Next, NVIDIA is keen to increase coverage of value chain emissions, with expansion across upstream manufacturing and downstream product use/disposal as a priority. It needs to engage with its own suppliers and customers for better data. Once the company has more confidence in the figures, it intends to set a wider value chain net zero target.

Influence

As NVIDIA gathers more scope 3 data, it will be interesting to see how it develops these targets and to monitor the additional supplier engagement that it promotes. NVIDIA is a member of the Responsible Business Alliance, which verifies that the firm engages with all of its major suppliers on energy, waste and water use. While all provide NVIDIA with data, the quality and extent are not good enough and this is a key area for it to influence and work on.

Next steps

NVIDIA plans further work in relation to waste management and end-of-life recycling/re-use. We will monitor this closely because in our view it could be an increasingly important influencer of design choices. That presents the company with a very large opportunity.

ASML

Opportunity

By advancing the lithography machines that print tiny patterns on silicon wafers to create computer chips, ASML sits at the heart of semiconductor manufacturing technology, and underpins the continuation of Moore's Law. While its machines are increasingly power hungry, they enable products that allow greater energy and resource efficiency.

Attitudes and operations

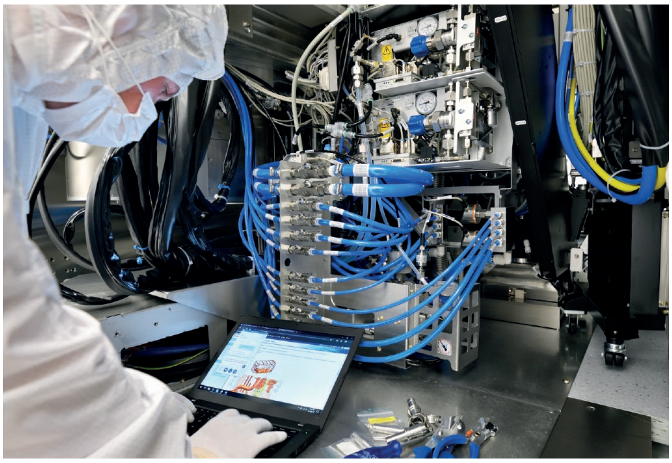
ASML reports its scope 1 and 2 emissions. Its ambitious target for net zero direct emissions by 2025 will require the greening of natural gas for direct combustion and the production of hydrogen. Our engagement with the company has focused on this goal and its strategy of purchasing renewable energy certificates (RECs) to cancel out its remaining electricity-related emissions. A question it faces is whether to continue as a remote purchaser of RECs, which carries the risk of a price squeeze. The alternative is to become a direct investor/purchaser. It has already invested in hydro in Norway and is adding local solar. ASML began reporting scope 3 emissions in 2019 and refined the report in 2020 to include estimates both up and downstream. It acknowledges that this is still a work in progress and has made a public plea to those in its value chain to accelerate their own reporting. This applies not only to electricity for

© NVIDIA.

manufacturing and cooling, but also to water, to hydrogen and to the fluorine-containing gases SF6 and NF3, which are both aggressive warmers from a greenhouse gas perspective. ASML has a transparent target for 2025 with scope 3 emissions rising to 11.9Mt, but revenue-based intensity to drop by 20 per cent to 0.5kt/million euros. This goal is based entirely on improving the efficiency of its lithography machines, but it makes no assumption about any change in the electricity grid mix of the customers using the machines.

Influence

We have had some helpful discussions with ASML about key actors within the supply chain. It notes the importance of statements and ambitions of its customers' key customers, such as Apple, which, in ASML's opinion, adds a climate clarity and focus to the whole ecosystem. In our view, ASML's reporting, targets and narrative stand out well. It is one of the few companies in our portfolio (indeed the market) to have a pre-2030 net zero target for direct emissions, and yet it knows it must do more.



© ASML/Bart van Overbeeke.

Next steps

We will continue to reflect on how properly costed resources, such as energy, water and fluorinated greenhouse gases (F-GHGs), might disrupt the semiconductor supply chain. The global system seems highly efficient today, but that might not be the case in a world of costed natural resources, a scramble for green power, and greater concerns regarding access and national security. We will also continue to explore the physical risks of climate change, both in terms of disrupting access to fresh water – critical for the big chip fabricators – and the 30 to 40 year outlook for sea level rises and flooding.

Adyen

Opportunity

Adyen's revenues and operational footprint are still relatively small. But as a payment platform with a global merchant base, it has an interesting opportunity in regard to its role in purchasing decisions that collectively have a substantial carbon footprint.

© Adyen.

Attitudes and operations

In 2019, Adyen back calculated all its direct emissions to date. It chose a company called South Pole to facilitate a number of international offset projects to match its historical and ongoing emissions. Based on our research, the cost of its offsets tends to be in the $15–20/tCO2e range. While this is less than half the current cost of carbon within the EU and way below the long-term required cost of carbon, it is a helpful start. Done well, voluntary carbon offsets can route funds to low-cost mitigation projects with wider social benefits. Adyen doesn't yet have targets for direct emissions reduction but accepts that offsets alone aren't the answer.

Influence

A new initiative involves a carbon calculator that enables the customers of its merchants to offset the approximate footprint of their purchases at the point of purchase interface. Proceeds are then routed to South Pole offset projects. It's currently unclear how much of Adyen's scope 3 emissions might ultimately be routed through from consumers using the new purchase offset app. So far only one supermarket has joined the programme, but others are talking about doing so.

Next steps

The point of purchase offset initiative is one to watch. It speaks to the potential influence that ecommerce platforms could have on purchasing behaviours.

Conclusion

Our approach to stewardship is a marathon, not a sprint, and an endeavour which extends well beyond sending a letter to a company and expecting an instant response. It is also about focusing on the issues that are most material and relevant rather than those which happen to be in the media spotlight at any point in time. We look for thoughtful measures of system-wide progress rather than quantitative snapshots of individual companies. Within the Scottish Mortgage portfolio, we are less likely than others to oppose management through proxy votes because we invest in companies where we share values and time horizons in the first place. We see little merit in investing in companies where we know we will have to constantly battle short-term management decisions to achieve good outcomes for shareholders in 10 years' time.

One year summary

The following information illustrates how Scottish Mortgage has performed over the year to 31 March 2023.

	31 March 2023	31 March 2022	% change
Shareholders' funds†	£11,498.0m	£14,756.0m	
Gearing*	14%	13%	
Net asset value per ordinary share (after deducting borrowings at fair value)*	843.9p	1,030.8p	(18.1%)
Net asset value per ordinary share (after deducting borrowings at book)†	816.8p	1,021.8p	(20.1%)
Share price	678.6p	1,026.0p	(33.9%)
FTSE All-World Index (in sterling terms for year to 31 March)			(3.2%)
Dividends paid and proposed per ordinary share	4.10p	3.59p	14.2%
Revenue earnings per ordinary share	2.90p	1.16p	150.0%
Ongoing charges ratio*	0.34%	0.32%	
Discount (after deducting borrowings at fair value)*	(19.6%)	(0.5%)	
Active share*	94%	93%	

Year to 31 March	2023	2022
Total returns (%)*		
Net asset value per ordinary share (after deducting borrowings at fair value)*	(17.8)	(13.1)
Net asset value per ordinary share (after deducting borrowings at book)†	(19.7)	(14.3)
Share price	(33.5)	(9.5)
FTSE All-World Index (in sterling terms)	(0.9)	12.8

Year to 31 March	2023	2023	2022	2022
Year's high and low	**High**	**Low**	**High**	**Low**
Share price	1,045.0p	643.0p	1,543.5p	834.6p
Net asset value per ordinary share (after deducting borrowings at fair value)*	1,074.5p	778.7p	1,482.8p	881.9p
Premium/(discount) (after deducting borrowings at fair value)*	0.4%	(21.6%)	7.2%	(7.8%)
Average sector premium/(discount) (AIC Global Sector)	(3.3%)	(12.2%)	(0.2%)	(4.1%)

	Year to 31 March 2023	Year to 31 March 2022
Net return per ordinary share		
Revenue return	2.90p	1.16p
Capital return	(207.49p)	(179.48p)
	(204.59p)	**(178.32p)**

† See Glossary of Terms and Alternative Performance Measures on pages 106 to 108.
* Alternative Performance Measure – see Glossary of Terms and Alternative Performance Measures on pages 106 to 108.
Source: AIC/Refinitiv/Baillie Gifford and relevant underlying index providers. See disclaimer on page 104.

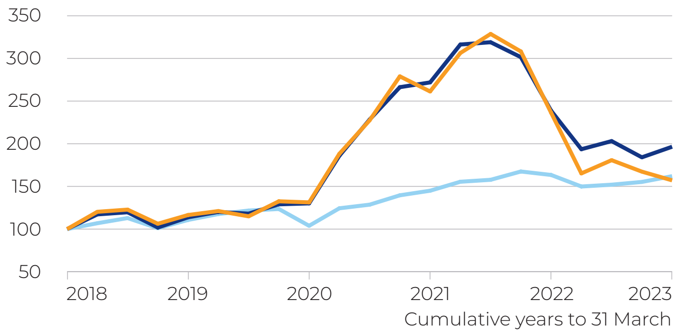
Past performance is not a guide to future performance.

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 2023.

Five year total return performance†

(figures rebased to 100 at 31 March 2018)

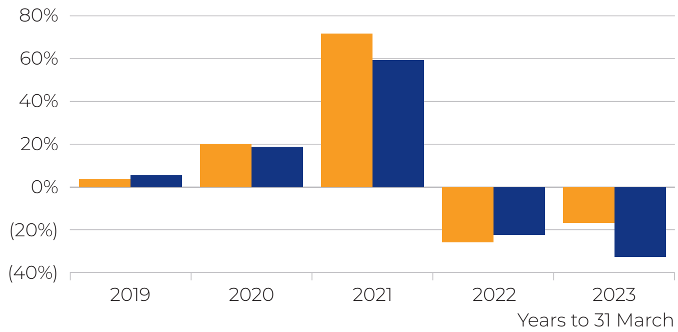


Source: Refinitiv#.

- 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)

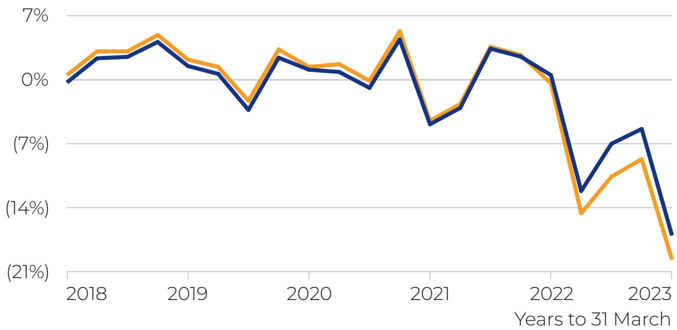


Source: Refinitiv#.

- NAV (fair) return
- Share price return

Premium/(discount) to Net Asset Value†

(plotted on a quarterly basis)

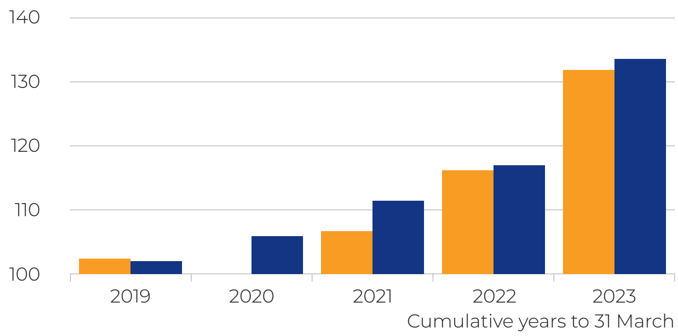


Source: Refinitiv/Baillie Gifford#.

- 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 2018)

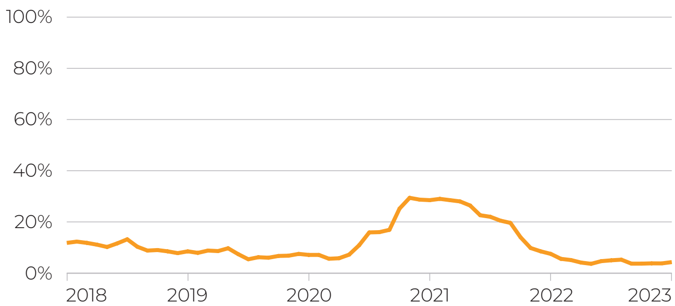


Source: Refinitiv/Baillie Gifford#.

- RPI
- Scottish Mortgage dividend

Five year turnover†

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

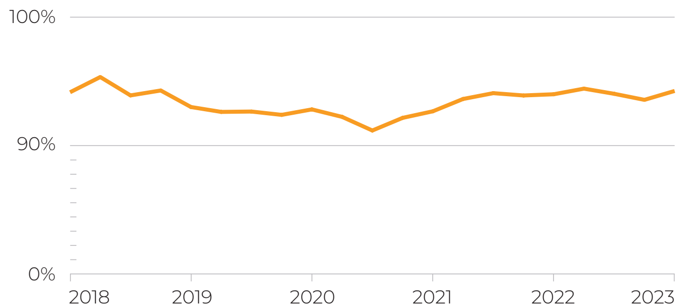


Source: Baillie Gifford.

- 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 106 to 108.

See disclaimer on page 104.

Past performance is not a guide to future performance.

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) %
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)
2022	16,888,759	2,131,588	14,755,999	1,021.8	1,030.8	1,021.9	1,026.0	(0.5)	0.4
2023	**13,324,519**	**1,823,294**	**11,498,000**	**816.8**	**843.9**	**816.9**	**678.6**	**(19.6)**	**(16.9)**

Source: Refinitiv/Baillie Gifford. See disclaimer on page 104.

* 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 95 and Glossary of Terms and Alternative Performance Measures on pages 106 to 108).

† 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 106 to 108.

See Glossary of Terms and Alternative Performance Measures on pages 106 to 108.

Revenue

Year to 31 March	Gross revenue £'000	Available for ordinary shareholders £'000	Revenue earnings per ordinary share # p	Dividend paid and proposed per ordinary share (net) p	Ongoing charges ratio ‡ %
2013	58,950	39,510	3.12	2.80	0.51
2014	50,385	30,209	2.43	2.90	0.50
2015	38,964	27,540	2.24	2.93	0.48
2016	32,910	21,428	1.66	2.96	0.45
2017	27,796	14,136	1.07	3.00	0.44
2018	30,663	16,701	1.20	3.07	0.37
2019	28,187	23,669	1.64	3.13	0.37
2020	28,914	22,865	1.55	3.25	0.36
2021	16,347	9,069	0.62	3.42	0.34
2022	23,262	16,581	1.16	3.59	0.32
2023	**49,035**	**41,371**	**2.90**	**4.10**	**0.34**

Gearing ratios

Year to 31 March	Gearing ¶ %	Potential gearing § %
2013	16	17
2014	15	15
2015	12	15
2016	13	14
2017	9	10
2018	7	8
2019	9	9
2020	10	11
2021	6	7
2022	13	14
2023	**14**	**16**

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 78).

‡ 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 106 to 108.

¶ 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 106 to 108.

§ Total assets (including all debt used for investment purposes) divided by shareholders' funds. See Glossary of Terms and Alternative Performance Measures on pages 106 to 108.

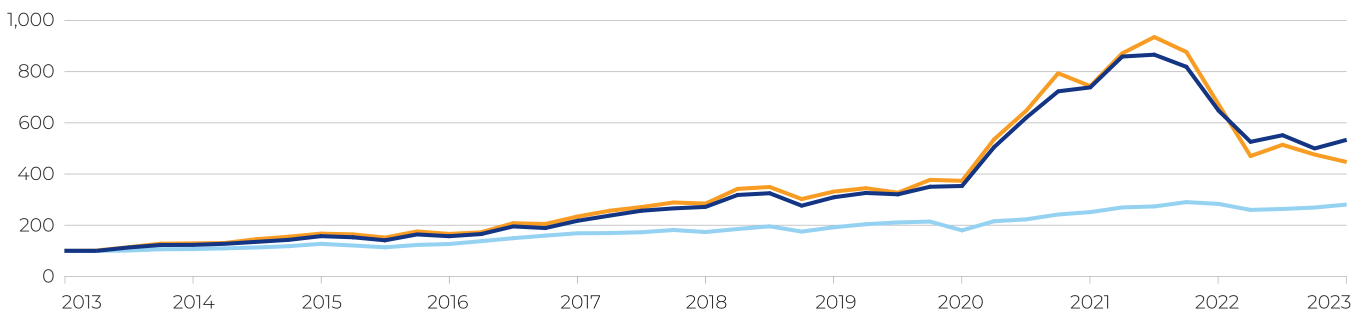
Cumulative performance (taking 2013 as 100)

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
2013	100	100	100	100	100	100	100	100	100
2014	121	123	104	107	127	129	78	104	102
2015	153	157	121	127	162	167	72	105	103
2016	151	157	117	127	160	166	53	106	105
2017	207	217	152	169	223	234	34	107	108
2018	257	272	153	173	269	285	38	110	112
2019	290	309	165	192	311	331	53	112	115
2020	330	353	151	180	349	374	50	116	118
2021	686	739	206	251	691	743	20	122	119
2022	601	649	228	283	624	673	37	128	130
2023	**492**	**534**	**221**	**281**	**413**	**447**	**93**	**146**	**148**
Compound annual returns (%)									
5 year	13.9	14.5	7.7	10.1	8.9	9.5	19.2	6.0	5.7
10 year	17.3	18.2	8.3	10.9	15.2	16.2	(0.8)	3.9	4.0

Source: Refinitiv/Baillie Gifford and relevant underlying index providers. See disclaimer on page 104.
^ Benchmark: FTSE All-World Index (in sterling terms).
See disclaimer on page 104. 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.

Ten year total return performance†



Source: Baillie Gifford.

- Share price total return
- NAV (after deducting borrowings at fair value) total return
- Benchmark* total return

† See Glossary of Terms and Alternative Performance Measures on pages 106 to 108.
* Benchmark: FTSE All-World Index (in sterling terms).
See disclaimer on page 104.

Portfolio executive summary

Performance*

	1 year	3 years	5 years	10 years
Share price	(33.5%)	19.7%	57.1%	347.0%
NAV	(17.8%)	50.8%	96.3%	431.5%
Benchmark†	(0.9%)	56.0%	62.0%	180.8%

All figures are stated on a total return basis* for period to 31 March 2023.
* Alternative Performance Measure – see Glossary of Terms and Alternative Performance Measures on pages 106 to 108.
† Benchmark: FTSE All-World Index (in sterling terms).
Source: AIC/Refinitiv/Baillie Gifford and relevant underlying index providers. See disclaimer on page 104.

Key contributors and detractors to performance – year to 31 March 2023

Contributors	Absolute performance %*
Pinduoduo Inc	101.5
MercadoLibre	17.3
ASML	8.0
Space Exploration Technologies Corpⓤ	38.6
Ferrari	31.2

Detractors	Absolute performance %*
Tesla Inc	(38.5)
Illumina	(28.0)
Ginkgo BioWorks IncⓅ	(64.9)
Stripe Incⓤ	(47.5)
Amazon.com	(32.5)

* Absolute performance (in sterling terms) has been calculated on a total return basis over the period 1 April 2022 to 31 March 2023. For the definition of total return see Glossary of Terms and Alternative Performance Measures on pages 106 to 108.
ⓤ Denotes unlisted (private company) security.
Ⓟ Denotes listed security previously held in the portfolio as an unlisted (private company) security.

Investment changes

	Valuation at 31 March 2022 £'000	Net acquisitions/ (disposals) £'000	Appreciation/ (depreciation) £'000	Valuation at 31 March 2023 £'000
North America				
United States	9,665,314	(250,929)	(2,546,163)	6,868,222
Canada	204,937	–	(47,889)	157,048
South America				
Brazil	333,436	146,480	120,773	600,689
Europe				
United Kingdom	351,557	47,573	(68,367)	330,763
Eurozone	2,610,758	(46,398)	(68,907)	2,495,453
Developed Europe	740,759	125,371	(63,161)	802,969
Africa and the Middle East	276	340	244	860
Asia				
China	2,660,716	(752,059)	(124,760)	1,783,897
India	101,716	–	7,975	109,691
Total investments	16,669,469	(729,622)	(2,790,255)	13,149,592
Net liquid assets	219,290	(64,744)	20,381	174,927
Total assets	**16,888,759**	**(794,366)**	**(2,769,874)**	**13,324,519**

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

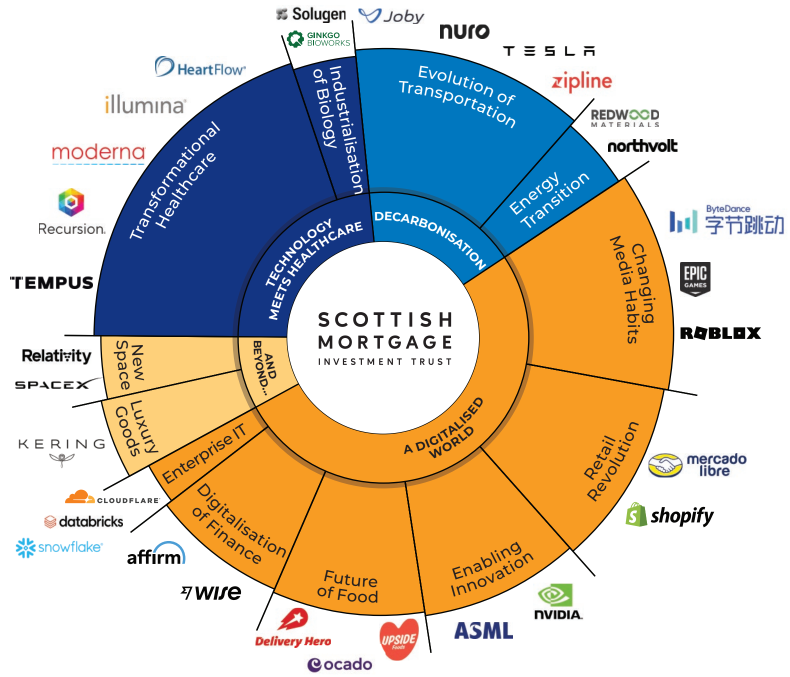
Portfolio transactions – year to 31 March 2023

New buys	Additions	Private company follow-on rounds
ARCH Ventures Fund XIIⓊ	MercadoLibre	Blockchain.com Inc Promissory NoteⓊ
Climeworks AG Non-Voting SharesⓊ	Adyen	Capsule Corp Series E Pref.Ⓤ
Climeworks AG Series F Pref.Ⓤ	Snowflake IncⓅ	Convoy Inc Common StockⓊ
Cloudflare	Denali TherapeuticsⓅ	Convoy Inc Convertible Loan NoteⓊ
Roblox	Ginkgo BioWorks IncⓅ	Northvolt AB Promissory NoteⓊ
UPSIDE Foods Inc Series C-1 Pref.Ⓤ	Recursion Pharmaceuticals IncⓅ	Stripe Inc Series I Pref.Ⓤ
	Ocado	Tempus Labs Inc Series G-3 Pref.Ⓤ
	Vir Biotechnology IncⓅ	
	ChargePoint Holdings Inc	
	ARCH Ventures Fund XⓊ	
	ARCH Ventures Fund X OverageⓊ	
	ARCH Ventures Fund XIⓊ	
	Antler East Africa Fund I LPⓊ	

Complete sales	Reductions
Airbnb Inc	NVIDIA
Alibaba	MeituanⓅ
Clover Health Investments Corp	Tencent Holdings
Full Truck Alliance Co Ltd ADR	Illumina
JD.com†	Netflix
KE Holdings Inc ADR	WI Harper Fund VIII#Ⓤ
Rubius Therapeutics Inc	ARCH Ventures Fund IX#Ⓤ
Zymergen Inc	Lilium NV
	Innovation Works Development Fund#Ⓤ
	WI Harper Fund VII#Ⓤ

Ⓤ Denotes unlisted (private company) security.
Ⓟ Denotes listed security previously held in the portfolio as an unlisted (private company) security.
† Spin-off from Tencent.
# Distributions from limited partnership investment funds.

Portfolio themes



Technology meets healthcare

As healthcare and technology merge, innovative treatments are being developed faster and cheaper than ever.

Decarbonisation

We are moving away from a world of carbon-based energy generation and transport towards electrification and renewables.

A digitalised world

The digital transformation that has revolutionised the retail, media and advertising industries is now broadening into fields such as food, finance and enterprise.

And beyond...

From space exploration to timeless luxury brands, we invest in many more companies pioneering progress elsewhere.

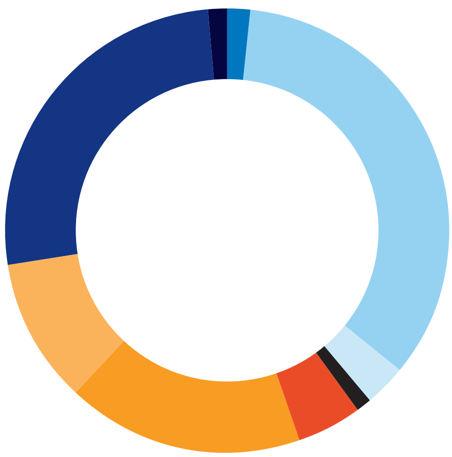
Source: Baillie Gifford & Co, and portfolio companies for use of their logo. Please note, this graphic highlights the most exciting themes in the portfolio. It does not show all companies and themes.

Distribution of total assets†

Geographical 2023 (2022)

- Asia 13.9% (16.4%)
  China 13.2% (15.8%)
  India 0.7% (0.6%)
- South America 4.5% (2.0%)
  Brazil 4.5% (2.0%)
- North America 54.8% (59.7%)
  United States 53.6% (58.5%)
  Canada 1.2% (1.2%)
- Europe 26.8% (21.9%)
  United Kingdom 2.5% (2.0%)
  Eurozone 18.8% (15.5%)
  Developed Europe (non euro) 5.5% (4.4%)

Sectoral 2023 (2022)



- Technology 26.2% (24.9%)
- Real Estate Nil (0.1%)
- Industrials 10.4% (9.1%)
- Healthcare 17.2% (19.4%)
- Basic Materials 1.8% (2.7%)
- Consumer Discretionary 34.3% (33.5%)
- Consumer Staples 2.9% (3.0%)
- Energy 1.1% (0.7%)
- Financials 4.8% (5.3%)
- Net Liquid Assets 1.3% (1.3%)

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

Thirty largest holdings and twelve month performance at 31 March 2023

Name		Business	Fair value 31 March 2023 £'000	% of total assets	Absolute performance * %	Fair value 31 March 2022 £'000
Moderna		Clinical stage biotechnology company	1,143,046	8.6	(5.1)	1,204,059
ASML		Lithography	1,061,247	8.0	8.0	1,080,697
Tesla Inc		Electric cars, autonomous driving and solar energy	686,200	5.1	(38.5)	1,115,783
MercadoLibre		Latin American e-commerce platform	600,687	4.5	17.3	333,435
Space Exploration Technologies†	Ⓤ	Designs, manufactures and launches rockets and spacecraft	465,394	3.4	38.6	335,692
Kering		Luxury goods producer and retailer	444,368	3.3	11.1	409,853
Northvolt AB†	Ⓤ	Battery developer and manufacturer, specialised in lithium-ion technology for electric vehicles	440,521	3.1	(0.6)	379,307
NVIDIA		Visual computing	403,690	3.0	8.0	582,378
Meituan	Ⓟ	Local services aggregator	371,846	2.8	(2.1)	389,841
Tencent Holdings		Internet services	365,010	2.7	15.1	708,821
Amazon.com		Online retailer and cloud computing	337,992	2.5	(32.5)	500,852
ByteDance Ltd†	Ⓤ	Social media	335,547	2.5	6.7	314,560
The Brandtech Group LLC†	Ⓤ	Digital advertising	310,487	2.2	(3.5)	321,764
Illumina†		Biotechnology equipment	307,871	2.2	(28.0)	1,078,156
Ferrari		Luxury automobiles	297,770	2.1	31.2	228,349
Pinduoduo Inc		Chinese e-commerce	286,399	2.0	101.5	142,114
Adyen		Global payment company	214,799	1.6	(16.1)	223,895
Tempus Labs Inc†	Ⓤ	Offers molecular diagnostics tests for cancer and aggregates clinical oncology records	210,047	1.6	(11.2)	198,661
Zipline International Inc†	Ⓤ	Logistics company that designs, manufactures and operates drones to deliver medical supplies	206,682	1.5	34.8	153,359
Wise Plc	Ⓟ	Online platform to send and receive money	201,716	1.5	9.9	183,614
Stripe Inc†	Ⓤ	Online payment platform	201,319	1.5	(47.5)	250,176
NIO Inc	Ⓟ	Designs and manufactures electric and autonomous vehicles	190,715	1.4	(46.8)	359,220
Zalando		International online clothing retailer	190,608	1.4	(12.9)	220,640
Delivery Hero		Online food delivery service	188,785	1.4	(18.2)	231,834
Spotify Technology SA	Ⓟ	Online music streaming service	178,829	1.3	(5.8)	189,643
Netflix		Subscription service for TV shows and movies	174,932	1.3	(1.3)	264,214
Snowflake Inc	Ⓟ	Developer of a SaaS-based cloud data warehousing platform	157,660	1.2	(28.6)	163,321
Epic Games Inc	Ⓤ	Gaming platform	130,896	1.0	(9.1)	144,064
Denali Therapeutics	Ⓟ	Biotechnology	121,728	0.8	(23.5)	150,121
Roblox		Human co-experience platform enabling shared experiences among users	121,695	0.8	(9.7)	–
			10,348,486	**76.3**		

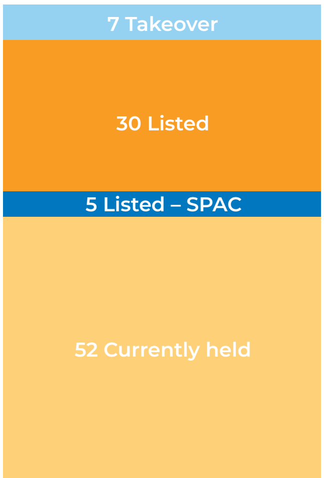
* Absolute performance (in sterling terms) has been calculated on a total return basis over the period 1 April 2022 to 31 March 2023. For the definition of total return see Glossary of Terms and Alternative Performance Measures on pages 106 to 108.
Ⓤ Denotes unlisted (private company) investment.
Ⓟ Denotes 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 104.

Past performance is not a guide to future performance.

Private companies summary

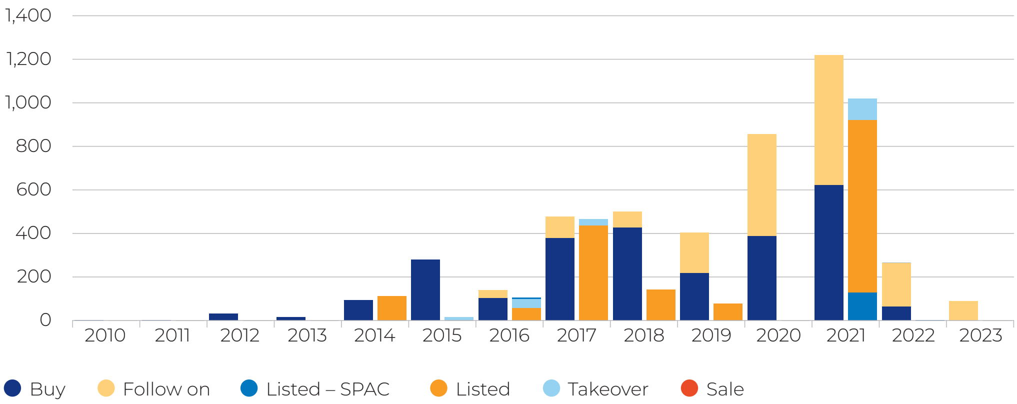
Historical snapshot

Since our first investment in Private Companies in 2012, Scottish Mortgage has deployed £4.4bn of capital in this area.



Transaction value

Showing all transactions prior to report date (£m).



Portfolio activity – year to 31 March 2023

£281.3m of new capital deployed in private companies during the year.

New buys
Climeworks AG
UPSIDE Foods Inc
ARCH Ventures Fund XII

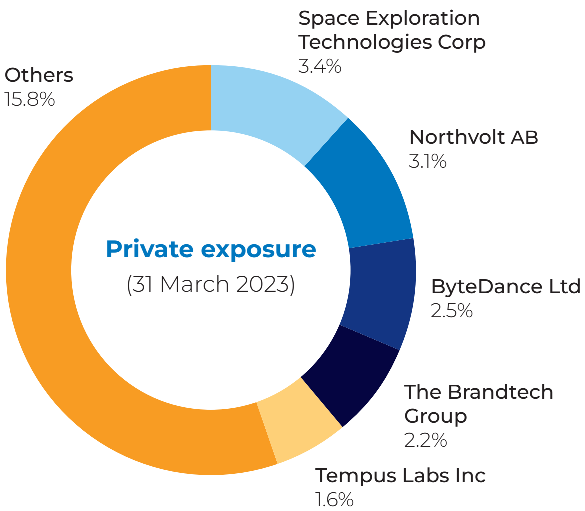
Follow on funding rounds			
Stripe Inc	Northvolt AB	ARCH Ventures Fund X Overage	Convoy Inc
Blockchain.com	Tempus Labs Inc	ARCH Ventures Fund XI	
Capsule Corp	ARCH Ventures Fund X	Antler East Africa Fund I LP	

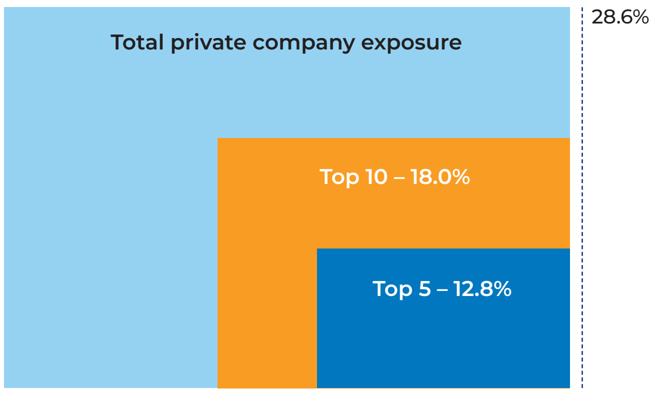
No private companies listed or were taken-over during the year.

Concentration

At 31 March 2023 we held 52 private companies which equated to 28.6% of total assets.

- Five companies account for 44.8% of the private company exposure.
- Ten companies account for 62.9% of our private company exposure.

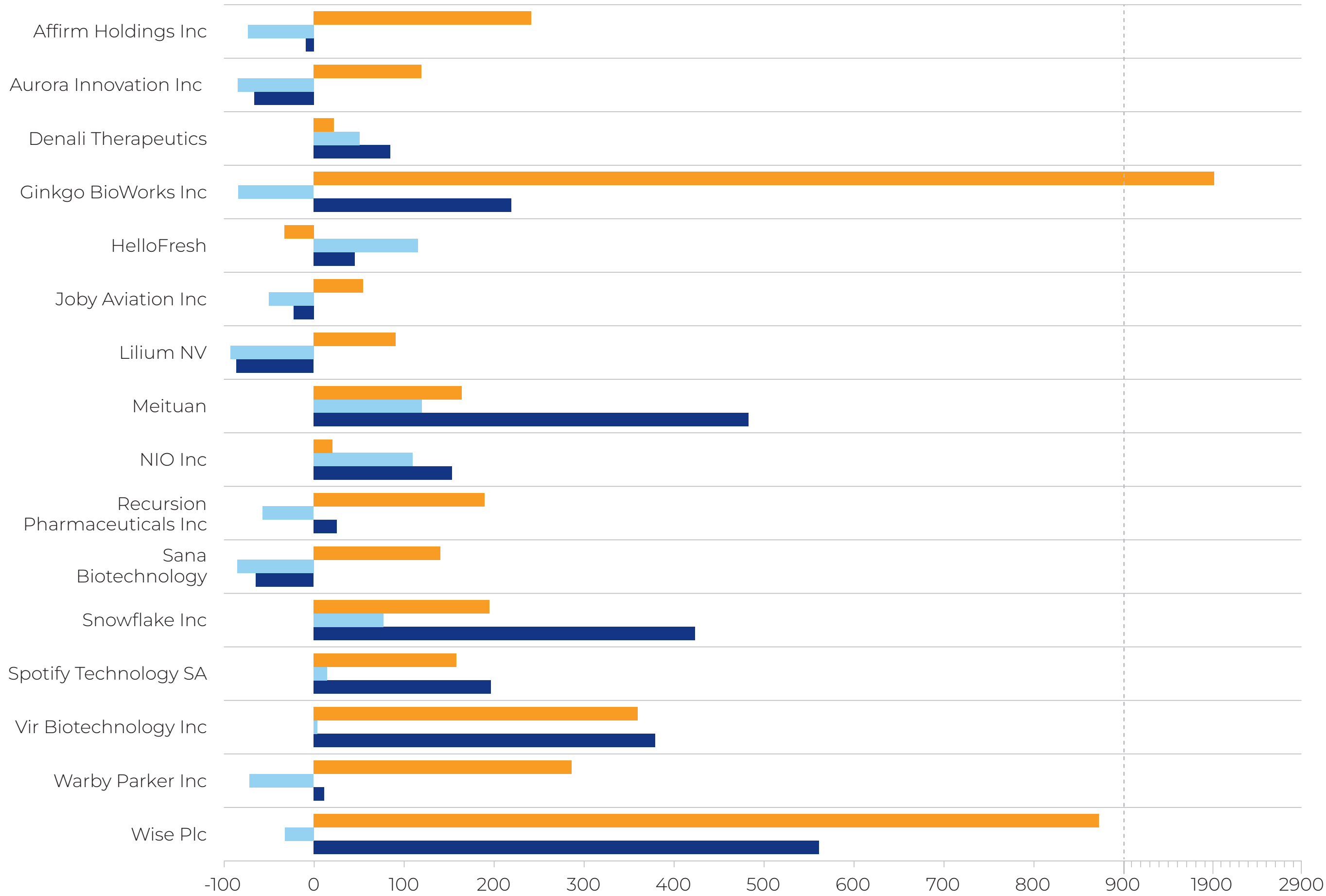




All figures stated as percentage of total assets, as at 31 March 2023.

Performance of listed holdings at 31 March 2023 held previously as private company investments from date of initial investment of each holding to 31 March 2023

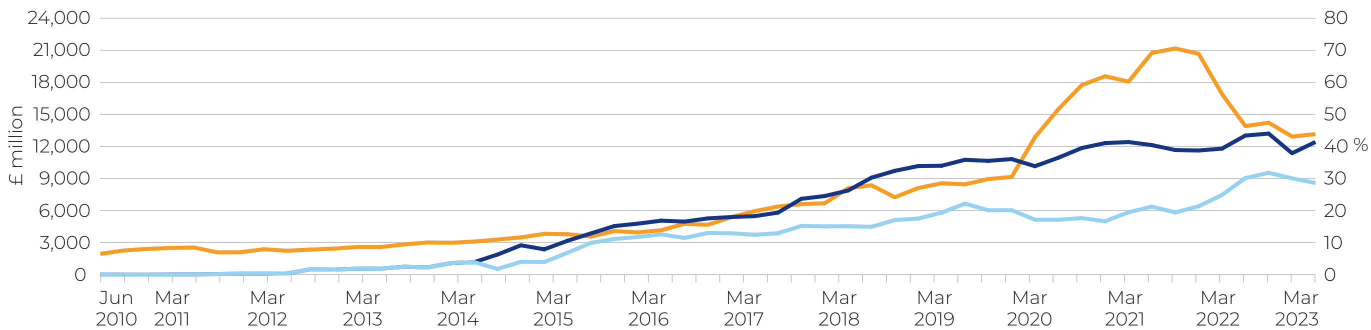
(absolute performance in sterling terms %)



Absolute performance from initial investment to initial public offering
Absolute performance from initial public offering to 31 March 2023
Total absolute performance from initial investment to 31 March 2023
Note: Absolute performance returns cannot be added together as they are geometric.
Source: StatPro/Baillie Gifford.

Private company securities and listed securities previously held as private company securities as a percentage of total assets#

(plotted quarterly from June 2010)



Source: Baillie Gifford.
Total assets in sterling (left hand axis)
Private company securities as a % of total assets (right hand axis)
Private company securities and listed securities previously held in the portfolio as private comany securities as a % of total assets (right hand axis)
See Glossary of Terms and Alternative Performance Measures on pages 106 to 108.

Size

Our private company exposure tends to be weighted to the upper end of the maturity curve, focussed on late stage private companies who are scaling up and becoming profitable.

Cap	Total equity value (USD)	Portfolio %	Number of holdings
Micro	<$300m	0.9	7
Small	$300m–$2bn	5.0	14
Medium	$2bn–$10bn	10.1	14
Large	>$10bn	12.6	7
		28.6	**42**

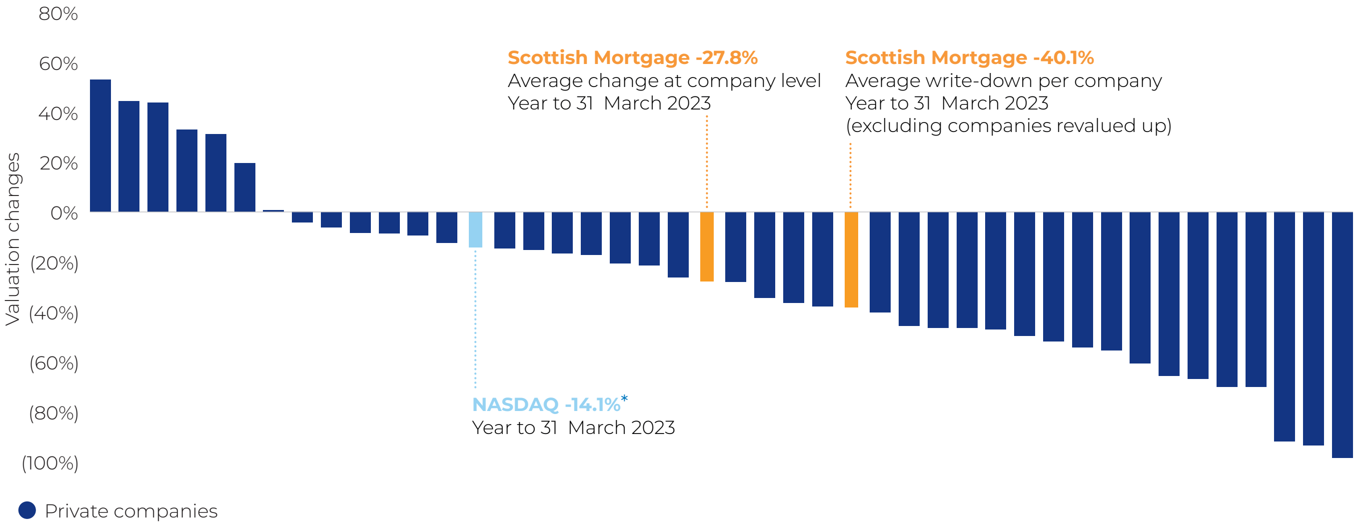
As at 31 March 2023. There are ten limited partnership investment funds not included in the table above.

Overview

	2023 £'000	2022 £'000
Opening balance 1 April	4,195,819	3,697,258
Purchases at cost	281,292	1,058,381
Sales – proceeds received	(8,182)	(115,969)
Gains/(losses)†	5,365	36,561
Change in listing	–	(300,549)
Change in fair value	(672,683)	(179,863)
Closing balance 31 March	**3,801,611**	**4,195,819**

† Gains/(losses) for the year represent gains/(losses) for the year to 31 March 2023 on distributions from limited partnership investment funds.

Valuation movements – year to 31 March 2023



Source: Baillie Gifford. Scottish Mortgage private company valuation changes, year to 31 March 2023.
* Source: Morningstar. Total return for NASDAQ composite.
12 months to 31 March 2023 in US dollars.

Instruments valued	87
Revaluations performed	532

Valued up to 4 times	16%
Valued 5 times or more	84%

Long term investment **Portfolio holding periods as at 31 March 2023**

More than 5 years

Name		% of total assets
ASML	⑩	8.0
Tesla Inc		5.1
Kering	⑩	3.3
NVIDIA		3.0
Meituan	Ⓟ	2.8
Tencent Holdings	⑩	2.7
Amazon.com	⑩	2.5
The Brandtech Group	Ⓤ	2.2
Illumina	⑩	2.2
Ferrari		2.1
Wise Plc	Ⓟ	1.5
NIO Inc	Ⓟ	1.4
Zalando		1.4
Delivery Hero		1.4
Spotify Technology SA	Ⓟ	1.3
Netflix		1.3
Denali Therapeutics	Ⓟ	0.8
Housing Development Finance Corporation	⑩	0.7
Ginkgo BioWorks Inc	Ⓟ	0.7
HelloFresh	Ⓟ	0.6
Atlas Copco	⑩	0.6
Vir Biotechnology Inc	Ⓟ	0.5
Carbon Inc	Ⓤ	0.5
Indigo Agriculture Inc	Ⓤ	0.5
Kinnevik		0.5
Thumbtack Inc	Ⓤ	0.4
Warby Parker Inc	Ⓟ	0.3
Lumeris Group Holdings	Ⓤ	0.2
Zocdoc Inc	Ⓤ	0.2
Uptake Technologies Inc	Ⓤ	0.2
Sinovation Fund III	Ⓤ	0.1
WI Harper Fund VIII	Ⓤ	0.1
ARCH Ventures Fund IX	Ⓤ	0.1
Heartflow Inc	Ⓤ	0.1
Innovation Works Development Fund	Ⓤ ⑩	0.1
Udacity Inc	Ⓤ	0.1
WI Harper Fund VII	Ⓤ ⑩	0.1
Global AI Opportunities Fund		<0.1
Bolt Threads Inc	Ⓤ	<0.1
Intarcia Therapeutics	Ⓤ	–
Total		**49.6**

2–5 years

Name		% of total assets
Moderna		8.6
MercadoLibre		4.5
Space Exploration Technologies Corp	Ⓤ	3.4
Northvolt AB	Ⓤ	3.1
ByteDance Ltd	Ⓤ	2.5
Pinduoduo Inc		2.0
Adyen		1.6
Tempus Labs Inc	Ⓤ	1.6
Zipline International Inc	Ⓤ	1.5
Stripe Inc	Ⓤ	1.5
Snowflake Inc	Ⓟ	1.2
Epic Games Inc	Ⓤ	1.0
Shopify		0.7
Ant International Ltd	Ⓤ	0.6
Recursion Pharmaceuticals Inc	Ⓟ	0.6
The Production Board	Ⓤ	0.6
Ocado		0.5
Horizon Robotics	Ⓤ	0.5
Zoom		0.5
Jiangxiaobai Holdings Ltd	Ⓤ	0.5
Nuro Inc	Ⓤ	0.5
Relativity Space Inc	Ⓤ	0.5
Tanium Inc	Ⓤ	0.5
ChargePoint Holdings Inc		0.5
JRSK Inc	Ⓤ	0.5
DoorDash		0.4
GoPuff Inc (GoBrands)	Ⓤ	0.4
Convoy Inc	Ⓤ	0.3
Affirm Holdings Inc	Ⓟ	0.3
Wayfair		0.3
Workrise Technologies Inc	Ⓤ	0.3
Joby Aviation Inc	Ⓟ	0.2
Aurora Innovation	Ⓟ	0.2
KSQ Therapeutics	Ⓤ	0.2
Honor Technology Inc	Ⓤ	0.1
Sana Biotechnology Inc	Ⓟ	0.1
ARCH Ventures Fund X	Ⓤ	0.1
Carvana		0.1
ARCH Ventures Fund X Overage	Ⓤ	0.1
Lilium NV	Ⓟ	0.1
ARCH Ventures Fund XI	Ⓤ	0.1
Total		**42.8**

Less than 2 years

Name		% of total assets
Roblox		0.8
Cloudflare		0.6
Solugen Inc	Ⓤ	0.6
10x Genomics		0.6
Redwood Materials Inc	Ⓤ	0.5
Databricks Inc	Ⓤ	0.5
Blockstream Corporation Inc	Ⓤ	0.5
Rappi Inc	Ⓤ	0.5
Teya Services Ltd	Ⓤ	0.5
Climeworks AG	Ⓤ	0.3
Blockchain.com	Ⓤ	0.2
Capsule Corp	Ⓤ	0.2
Clear Secure Inc		0.2
UPSIDE Foods Inc	Ⓤ	0.2
PsiQuantum	Ⓤ	0.1
ARCH Ventures Fund XII	Ⓤ	<0.1
Antler East Africa Fund I LP	Ⓤ	<0.1
Beam Therapeutics		<0.1
Total		**6.3**

Ⓤ 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 1.3% of total assets. See Glossary of Terms and Alternative Performance Measures on pages 106 to 108.

List of investments as at 31 March 2023

Name	Business	Fair value 31 March 2023 £'000	% of total assets	Notes†	Fair value 31 March 2022 £'000
Moderna	Clinical stage biotechnology company	1,143,046	8.6		1,204,059
ASML	Lithography	1,061,247	8.0		1,080,697
Tesla Inc	Electric cars, autonomous driving and solar energy	686,200	5.1		1,115,783
MercadoLibre	Latin American e-commerce platform	600,687	4.5	Significant purchase	333,435
Space Exploration Technologies Corp Series J Pref.ⓤ	Designs, manufactures and launches rockets and spacecraft	200,887	1.5		144,901
Space Exploration Technologies Corp Series N Pref.ⓤ	Designs, manufactures and launches rockets and spacecraft	161,454	1.2		116,458
Space Exploration Technologies Corp Class A Commonⓤ	Designs, manufactures and launches rockets and spacecraft	78,760	0.5		56,810
Space Exploration Technologies Corp Class C Commonⓤ	Designs, manufactures and launches rockets and spacecraft	24,293	0.2		17,523
		465,394	3.4		335,692
Kering	Luxury goods producer and retailer	444,368	3.3		409,853
Northvolt AB Series E1 Pref.ⓤ	Battery developer and manufacturer, specialised in lithium-ion technology for electric vehicles	218,334	1.6		232,425
Northvolt AB Series E2 Pref.ⓤ	Battery developer and manufacturer, specialised in lithium-ion technology for electric vehicles	125,741	0.8		119,977
Northvolt AB Promissory Noteⓤ	Battery developer and manufacturer, specialised in lithium-ion technology for electric vehicles	71,171	0.5	New purchase	–
Northvolt AB Series A Ord.ⓤ	Battery developer and manufacturer, specialised in lithium-ion technology for electric vehicles	24,480	0.2		26,060
Northvolt AB Series D1 Pref.ⓤ	Battery developer and manufacturer, specialised in lithium-ion technology for electric vehicles	795	<0.1		845
		440,521	3.1		379,307
NVIDIA	Visual computing	403,690	3.0	Significant reduction	582,378
Meituanⓟ	Local services aggregator	371,846	2.8		389,841
Tencent Holdings	Internet services	365,010	2.7	Significant reduction	708,821

† Significant additions and reductions to investments have been noted where the transaction value is at least a 20% movement from the value of the holding at 31 March 2022. The change in value over the year also reflects the share price performance and the movement in exchange rates.
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Name	Business	Fair value 31 March 2023 £'000	% of total assets	Notes†	Fair value 31 March 2022 £'000
Amazon.com	Online retailer and cloud computing	337,992	2.5		500,852
ByteDance Ltd Series E Pref.ⓤ	Social media	176,638	1.3		165,590
ByteDance Ltd Series E-1 Pref.ⓤ	Social media	158,909	1.2		148,970
		335,547	2.5		314,560
The Brandtech Group LLC Class A-3ⓤ	Digital advertising	231,640	1.7		240,053
The Brandtech Group LLC Class A-1ⓤ	Digital advertising	78,847	0.5		81,711
		310,487	2.2		321,764
Illumina	Biotechnology equipment	295,661	2.1	Significant reduction	1,078,156
Illumina CVR	Biotechnology equipment	12,210	0.1		–
		307,871	2.2		1,078,156
Ferrari	Luxury automobiles	297,770	2.1		228,349
Pinduoduo Inc	Chinese e-commerce	286,399	2.0		142,114
Adyen	Global payment company	214,799	1.6		223,895
Tempus Labs Inc Series E Pref.ⓤ	Offers molecular diagnostics tests for cancer and aggregates clinical oncology records	98,548	0.6		114,805
Tempus Labs Inc Series F Pref.ⓤ	Offers molecular diagnostics tests for cancer and aggregates clinical oncology records	35,972	0.3		41,906
Tempus Labs Inc Series G-3 Pref.ⓤ	Offers molecular diagnostics tests for cancer and aggregates clinical oncology records	34,993	0.3	New purchase	–
Tempus Labs Inc Series G-2 Pref.ⓤ	Offers molecular diagnostics tests for cancer and aggregates clinical oncology records	34,238	0.3		35,187
Tempus Labs Inc Series G Pref.ⓤ	Offers molecular diagnostics tests for cancer and aggregates clinical oncology records	6,296	0.1		6,763
		210,047	1.6		198,661
Zipline International Inc Series D Pref.ⓤ	Logistics company that designs, manufactures and operates drones to deliver medical supplies	79,234	0.5		58,508
Zipline International Inc Series C Pref.ⓤ	Logistics company that designs, manufactures and operates drones to deliver medical supplies	67,663	0.5		49,964
Zipline International Inc Series E Pref.ⓤ	Logistics company that designs, manufactures and operates drones to deliver medical supplies	59,785	0.5		44,887
		206,682	1.5		153,359

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Name	Business	Fair value 31 March 2023 £'000	% of total assets	Notes†	Fair value 31 March 2022 £'000
Wise Plc℗	Online platform to send and receive money	201,716	1.5		183,614
Stripe Inc Series G Pref.ⓤ	Online payment platform	83,526	0.6		166,921
Stripe Inc Seres I Pref.ⓤ	Online payment platform	69,991	0.5	New purchase	–
Stripe Inc Class B Commonⓤ	Online payment platform	29,407	0.2		58,768
Stripe Inc Series H Pref.ⓤ	Online payment platform	18,395	0.2		24,487
		201,319	1.5		250,176
NIO Inc℗	Designs and manufactures electric and autonomous vehicles	190,715	1.4		359,220
Zalando	International online clothing retailer	190,608	1.4		220,640
Delivery Hero	Online food delivery service	188,785	1.4		231,834
Spotify Technology SA℗	Online music streaming service	178,829	1.3		189,643
Netflix	Subscription service for TV shows and movies	174,932	1.3	Significant reduction	264,214
Snowflake Inc℗	Developer of a SaaS-based cloud data warehousing platform	157,660	1.2	Significant purchase^	163,321
Epic Games Incⓤ	Gaming platform	130,896	1.0		144,064
Denali Therapeutics℗	Biotechnology	121,728	0.8		150,121
Roblox	Human co-experience platform enabling shared experiences among users	121,695	0.8	New purchase	–
Housing Development Finance Corporation	Indian mortgage provider	109,692	0.7		101,717
Ginkgo BioWorks Inc℗	Bio-engineering company	102,130	0.7		277,228
Shopify	Cloud-based commerce platform provider	101,079	0.7		133,802
Ant International Ltd Class C Ord.ⓤ	Online financial services platform	95,489	0.6		136,502
HelloFresh	Grocery retailer	90,084	0.6		161,987
Atlas Copco	Engineering	88,754	0.6		86,205
Recursion Pharmaceuticals Inc℗	Uses image recognition/machine learning and automation to improve drug discovery	86,469	0.6	Significant purchase	75,850
Cloudflare	Application software developer	85,854	0.6	New purchase	–
Solugen Inc. Series C-1 Pref.ⓤ	Solugen exists to scale synthetic biology and bring green chemicals to the world	82,259	0.6		67,922
10x Genomics	A life science and diagnostics company	80,665	0.6		103,343
The Production Board Series A-2 Pref.ⓤ	Holding company for food technology companies	44,644	0.3		77,166
The Production Board Series A-3 Pref.ⓤ	Holding company for food technology companies	32,364	0.3		28,266
		77,008	0.6		105,432

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Name	Business	Fair value 31 March 2023 £'000	% of total assets	Notes†	Fair value 31 March 2022 £'000
Ocado	Online grocery retailer and technology provider	75,074	0.5	Significant purchase^	102,395
Redwood Materials Inc. Series C Pref.Ⓤ	Environmental battery recycling	73,108	0.5		74,535
Vir Biotechnology IncⓅ	Biotechnology company developing anti-infective therapies	71,490	0.5		73,365
Horizon Robotics Series C Pref.Ⓤ	Designer and developer of AI chips and algorithms principally for advanced driving assistance systems and autonomous vehicles	61,881	0.5		44,187
Zoom	Remote conferencing service provider	61,388	0.5		91,537
Databricks Inc Series H Pref.Ⓤ	Data software solutions	60,932	0.5		58,997
Carbon Inc Series D Pref.Ⓤ	Manufactures and develops 3D printers	37,143	0.3		49,205
Carbon Inc Series E Pref.Ⓤ	Manufactures and develops 3D printers	23,618	0.2		30,782
		60,761	0.5		79,987
Jiangxiaobai Holdings Ltd Series C Pref.Ⓤ	Producer of alcoholic beverages	57,095	0.5		55,950
Indigo Agriculture Inc Series D Pref.Ⓤ	Analyses plant microbiomes to increase crop yields	20,159	0.2		25,049
Indigo Agriculture Inc Series E Pref.Ⓤ	Analyses plant microbiomes to increase crop yields	14,186	0.1		14,670
Indigo Agriculture Inc Series F Pref.Ⓤ	Analyses plant microbiomes to increase crop yields	13,453	0.1		14,776
Indigo Agriculture Inc Series G Pref.Ⓤ	Analyses plant microbiomes to increase crop yields	8,289	0.1		9,447
Indigo Agriculture Inc CommonⓊ	Analyses plant microbiomes to increase crop yields	361	<0.1		2,221
		56,448	0.5		66,163
Nuro Inc Series C Pref.Ⓤ	Delivery business, using self-driving purpose-built electric vehicles	33,795	0.3		55,561
Nuro Inc Series D Pref.Ⓤ	Delivery business, using self-driving purpose-built electric vehicles	22,394	0.2		28,433
		56,189	0.5		83,994
Blockstream Corporation Inc Series B-1 Pref.Ⓤ	Financial software developer	55,969	0.5		71,135
Kinnevik	Investment company	51,251	0.5		85,605
Relativity Space Inc Series D Pref.Ⓤ	Aerospace company, designs and builds rockets using 3D printers	31,802	0.3		44,217
Relativity Space Inc Series E Pref.Ⓤ	Aerospace company, designs and builds rockets using 3D printers	18,701	0.2		21,583
		50,503	0.5		65,800

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Name	Business	Fair value 31 March 2023 £'000	% of total assets	Notes†	Fair value 31 March 2022 £'000
Rappi Inc. Series F Pref.ⓤ	Provider of an on-demand delivery platform designed to connect consumers with local stores	49,262	0.5		58,899
Teya Services Ltd Non-Voting Ordinary Sharesⓤ	Payment and management solutions	49,245	0.5		60,434
Teya Services Ltd Voting Ordinary Sharesⓤ	Payment and management solutions	1	<0.1		1
		49,246	0.5		60,435
Tanium Inc Class B Commonⓤ	Provides security and systems management solutions	48,793	0.5		104,374
ChargePoint Holdings Inc	Electric vehicle charging solutions	48,674	0.5	Significant purchase^	69,111
JRSK Inc (Away) Series D Pref.ⓤ	Manufactures luggage	19,810	0.2		17,355
JRSK Inc (Away) Series Seed Pref.ⓤ	Manufactures luggage	12,333	0.1		9,651
JRSK Inc (Away) Convertible Promissory Noteⓤ	Manufactures luggage	7,840	0.1		8,034
JRSK Inc (Away) Convertible Promissory Note 2021ⓤ	Manufactures luggage	7,840	0.1		8,034
		47,823	0.5		43,074
DoorDash	Provides restaurant food delivery services	47,391	0.4		81,972
GoPuff Inc (GoBrands) Series G Pref.ⓤ	On demand retail delivery service	45,034	0.4		55,476
Thumbtack Inc Series G Pref.ⓤ	Online directory service for local businesses	26,848	0.2		33,513
Thumbtack Inc Series I Pref.ⓤ	Online directory service for local businesses	10,155	0.1		11,741
Thumbtack Inc Series H Pref.ⓤ	Online directory service for local businesses	5,370	0.1		6,703
Thumbtack Inc Class A Commonⓤ	Online directory service for local businesses	991	<0.1		3,023
Thumbtack Inc Series A Pref.ⓤ	Online directory service for local businesses	584	<0.1		1,783
Thumbtack Inc Series C Pref.ⓤ	Online directory service for local businesses	171	<0.1		521
Thumbtack Inc Series B Pref.ⓤ	Online directory service for local businesses	40	<0.1		121
		44,159	0.4		57,405
Climeworks AG Series F Pref.ⓤ	Renewable energy equipment	43,315	0.3	New purchase	–
Climeworks AG Non-Voting Sharesⓤ	Renewable energy equipment	301	<0.1	New purchase	–
		43,616	0.3		–

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^ The significant addition was outweighed by a decrease in the share price of the holding.

Name	Business	Fair value 31 March 2023 £'000	% of total assets	Notes†	Fair value 31 March 2022 £'000
Convoy Inc Series D Pref.ⓤ	Marketplace for truckers and shippers	20,787	0.2		27,763
Convoy Inc Series E Pref.ⓤ	Marketplace for truckers and shippers	12,824	0.1		15,190
Convoy Inc Common Stockⓤ	Marketplace for truckers and shippers	4,675	<0.1	New purchase	–
Convoy Inc Convertible Loan Noteⓤ	Marketplace for truckers and shippers	2,022	<0.1	New purchase	–
		40,308	0.3		42,953
Affirm Holdings Inc Class Aⓟ	Online platform which provides lending and consumer credit services	20,496	0.2		79,040
Affirm Holdings Inc Class B – converted at IPOⓟ	Online platform which provides lending and consumer credit services	16,899	0.1		65,167
		37,395	0.3		144,207
Wayfair	Online household goods retailer	36,866	0.3		111,760
Workrise Technologies Inc Series E Pref.ⓤ	Online platform connecting contractors with work	35,722	0.3		51,918
Warby Parker Incⓟ	Online and physical glasses retailer	32,312	0.3		96,854
Blockchain.com Series C-1 Pref.ⓤ	Software platform for digital assets	14,644	0.1		182,169
Blockchain.com Series D Pref.ⓤ	Software platform for digital assets	13,616	0.1		75,950
Blockchain.com Inc Promissary Noteⓤ	Software platform for digital assets	3,870	<0.1	New purchase	–
		32,130	0.2		258,119
Lumeris Group Holdings Series 3 Pref.ⓤ	Healthcare business services	30,815	0.2		38,304
Capsule Corp Series E Pref.ⓤ	Digital platform providing home delivery of prescription medication	15,367	0.1	New purchase	–
Capsule Corp Series 1-D Pref.ⓤ	Digital platform providing home delivery of prescription medication	12,264	0.1	Significant purchase^	47,719
		27,631	0.2		47,719
Joby Aviation Incⓟ	Electric aircraft	26,535	0.2		38,040
Zocdoc Inc Series D-2 Pref.ⓤ	Online platform for searching for doctors and booking appointments	26,442	0.2		22,321
Aurora Innovation Inc Class A Commonⓟ	Developer of driverless vehicle technology	16,295	0.1		61,986
Aurora Innovation Inc Class B Commonⓟ	Developer of driverless vehicle technology	6,555	0.1		24,936
		22,850	0.2		86,922

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Name	Business	Fair value 31 March 2023 £'000	% of total assets	Notes†	Fair value 31 March 2022 £'000
KSQ Therapeutics Inc Series C Pref.Ⓤ	Biotechnology company	15,612	0.1		19,996
KSQ Therapeutics Inc Series D Pref.Ⓤ	Biotechnology company	5,957	0.1		7,303
		21,569	0.2		27,299
Uptake Technologies Inc Promissory NoteⓊ	Designs and develops enterprise software	20,949	0.2		22,785
Uptake Technologies Inc Series D Pref.Ⓤ	Designs and develops enterprise software	293	<0.1		41,545
		21,242	0.2		64,330
Clear Secure Inc	Biometric security firm	21,157	0.2		20,393
UPSIDE Foods Inc Series C-1 Pref.Ⓤ	Cultivated meat producer	18,424	0.2	New purchase	–
PsiQuantum Series D Pref.Ⓤ	Operates as a biotechnology company	17,786	0.1		18,988
Sana Biotechnology IncⓅ	Biotechnology company creating and delivering engineered cells as medicine	14,729	0.1		35,003
Sinovation Fund IIIⓊ	Venture capital fund	12,128	0.1		10,145
WI Harper Fund VIIIⓊ	Venture capital fund	11,048	0.1		9,757
Honor Technology Inc Series D Pref.Ⓤ	Provider of home-care services	5,502	0.1		37,375
Honor Technology Inc Series E Pref.Ⓤ	Provider of home-care services	3,142	<0.1		24,766
		8,644	0.1		62,141
ARCH Ventures Fund IXⓊ	Venture capital fund to invest in biotech start-ups	10,270	0.1	Significant reduction	16,579
Heartflow Inc Series E Pref.Ⓤ	Develops software for cardiovascular disease diagnosis and treatment	8,850	0.1		41,525
Carvana	Online platform for buying used cars	7,982	0.1		83,168
ARCH Ventures Fund X OverageⓊ	Venture capital fund to invest in biotech start-ups	7,981	0.1		6,840
Lilium NVⓅ	On demand air transportation	7,790	0.1		53,503
Innovation Works Development FundⓊ	Venture capital fund	7,787	0.1		16,201
ARCH Ventures Fund XⓊ	Venture capital fund to invest in biotech start-ups	7,754	0.1		6,331
Udacity Inc Series D Pref.Ⓤ	Online education	6,749	0.1		8,269
WI Harper Fund VIIⓊ	Venture capital fund	6,523	0.1		7,589
ARCH Ventures Fund XIⓊ	Venture capital fund to invest in biotech start-ups	6,466	0.1	Significant purchase	3,362
Global AI Opportunities Fund	Artificial intelligence based algorithmic trading	4,728	<0.1		5,114

† Significant additions and reductions to investments have been noted where the transaction value is at least a 20% movement from the value of the holding at 31 March 2022. The change in value over the year also reflects the share price performance and the movement in exchange rates.
Ⓤ Denotes unlisted (private company) security.
Ⓟ Denotes listed security previously held in the portfolio as an unlisted (private company) security.
§ The significant reduction was outweighed by an increase in the share price of the holding.
^ The significant addition was outweighed by a decrease in the share price of the holding.

Name	Business	Fair value 31 March 2023 £'000	% of total assets	Notes†	Fair value 31 March 2022 £'000
Bolt Threads Inc Series D Pref.ⓤ	Natural fibres and fabrics manufacturer	2,100	<0.1		25,308
Bolt Threads Inc Series E Pref.ⓤ	Natural fibres and fabrics manufacturer	1,644	<0.1		21,696
		3,744	<0.1		47,004
ARCH Ventures Fund XIIⓤ	Venture capital fund to invest in biotech start-ups	2,063	<0.1	New Purchase	–
Antler East Africa Fund I LPⓤ	VC Fund helping entrepreneurs establish their businesses in East Africa	862	<0.1	Significant Purchase	276
Beam Therapeutics	Biotechnology company	254	<0.1		447
Intarcia Therapeutics Inc Common‡ ⓤ	Implantable drug delivery system	–	–		–
Intarcia Therapeutics Inc Convertible Bond‡ ⓤ	Implantable drug delivery system	–	–		–
Intarcia Therapeutics Inc Series EE Pref.‡ ⓤ	Implantable drug delivery system	–	–		–
		–	–		–
Total Investments		**13,149,592**	**98.7**		
Net Liquid Assets#		174,927	1.3		
Total Assets#		**13,324,519**	**100.0**		

	Listed equities %	Unlisted (private company) securities¶ %	Unlisted (private company) bonds %	Net liquid assets# %	Total %
31 March 2023	**70.1**	**27.7**	**0.9**	**1.3**	**100.0**
31 March 2022	73.9	24.6	0.2	1.3	100.0

Figures represent percentage of total assets.

† Significant additions and reductions to investments have been noted where the transaction value is at least a 20% movement from the value of the holding at 31 March 2022. The change in value over the year also reflects the share price performance and the movement in exchange rates.

ⓤ Denotes unlisted (private company) security.

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

See Glossary of Terms and Alternative Performance Measures on pages 106 to 108.

‡ The Intarcia Therapeutics holdings are valued at nil at 31 March 2023.

¶ Includes holdings in preference shares, ordinary shares and contingent value rights.

§ The significant reduction was outweighed by an increase in the share price of the holding.

^ The significant addition was outweighed by a decrease in the share price of the holding.

The following investments were completely sold during the year: Airbnb Inc, Alibaba Group, Clover Health Investments, Full Truck Alliance Ltd, JD.com, KE Holdings, Rubius Therapeutics Inc, Zymergen Inc.

Source: Baillie Gifford/StatPro.

Absolute performance to 31 March 2023

	Total return* (%) for five years	Total return* (%) for ten years	Total return* (%) since first private company investment (2 June 2010)
Overall investment portfolio	87.5	395.1	579.4
Private and previously private companies	48.1	543.1	574.4
FTSE All-World Index (in sterling terms)	62.0	180.8	284.3

* For the definition of total return please see Glossary of Terms and Alternative Performance Measures on pages 106 to 108.

Source: StatPro/Baillie Gifford and underlying index providers.

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 pages 15 to 17.

Details of investment strategy and activity this year can be found in the Statement from the Chair on pages 4 to 6 and in the Managers' Review on pages 7 to 14. A detailed analysis of the Company's investment portfolio is set out on pages 24 to 39.

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 36,513,122 shares into treasury. Between 1 April 2023 and 12 May 2023, no shares were bought back. During the year the Company issued no ordinary shares from treasury and no ordinary shares were issued between 1 April 2023 and 12 May 2023.

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 2024. 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 106 to 108.

The one, five and ten year records of the KPIs are shown on pages 20 to 23. 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 two debentures in issue, both of which are listed and quoted on the London Stock Exchange and details of which are given on pages 84, 88 and 95. The Company has also issued private placement loan notes as detailed on page 84. In addition, loan facilities are in place which are shown on pages 83 and 84.

During the year, the US$391 million revolving 3 year loan with NAB was reduced to a facility of US$350 million and US$185 million was repaid. The ICBC US$120 million revolving 3 year loan was repaid in full. The RBSI US$50 million revolving 5 year loan facility was repaid in full and subsequently reduced to a facility of US$25 million and the US$75 million 6.875% debenture was redeemed on 31 January 2023.

Principal and emerging risks

As explained on page 55 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 heightened macroeconomic and geopolitical concerns to be factors which exacerbate existing risks, rather than being new emerging risks. Their impact is considered within the relevant risks. There have been no significant changes to the principal risks during the year other than cyber security risk having moved from emerging to principal risks.

Changes in risk level over the year are indicated as follows:
Increasing risk ⇧ Decreasing risk ⇩ No change ⊖

⇧ **Financial risk** – the Company's assets consist mainly of listed securities and its principal risks are therefore market-related and include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. An explanation of those risks and how they are managed is contained in note 19 to the Financial Statements on pages 87 to 95. The Board has, in particular, considered the impact of heightened market volatility since the Covid-19 pandemic and over recent months due to macroeconomic factors such as higher inflation and interest rates, and geopolitical concerns, including the Russia-Ukraine war and heightened tensions between China and both the US and Taiwan. The Board also considers the commercial impact of changes in regulatory posture in local market jurisdictions. 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.

⇧ **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 40).

⇧ **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.

⊖ **Climate and governance risk** – as investors place increased emphasis on Environmental, Social and Governance (ESG) issues, perceived problems on ESG matters in an investee company could lead to that company's shares being less attractive to investors, adversely affecting its share price,
in addition to potential valuation issues arising from any direct impact of the failure to address the ESG weakness on the operations or management of the investee company (for example in the event of an industrial accident or spillage). Repeated failure by the Managers to identify ESG weaknesses in investee companies could lead to the Company's own shares being less attractive to investors, adversely affecting its own share price. This is mitigated by the Investment Managers' strong ESG stewardship and engagement policies which are available to view on the Managers' website, bailliegifford.com, and have been reviewed and endorsed by the Company, and have been fully integrated into the investment process as well as the extensive up-front and ongoing due diligence which the Investment Managers undertake on each investee company. This due diligence includes assessment of the risks inherent in climate change (see page 46). An explanation of how these policies are applied in the context of Scottish Mortgage's long term investment approach is available at scottishmortgage.com.

18 companies, within the Scottish Mortgage portfolio, are currently involved in tackling the climate crisis. An external provider was engaged to map the carbon footprint of the portfolio. This analysis estimates that the carbon intensity of Scottish Mortgage is 95.1% less than the index albeit that is based on only 67.2% of the value of the Company's equity portfolio which reports on carbon emissions and other carbon related characteristics (see page 46).

⇧ **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 40.

⊖ **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 internal controls assurance 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. The Audit Committee 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.

⊕ **Cyber security risk** – a cyber attack on Baillie Gifford's network or that of a third party service provider could impact the confidentiality, integrity or availability of data and systems. To mitigate this risk, the Audit Committee reviews Reports on Internal Controls published by Baillie Gifford and other third party service providers. Baillie Gifford's Business Risk Department report to the Audit Committee on the effectiveness of information security controls in place at Baillie Gifford and its business continuity framework. Cyber security due diligence is performed by Baillie Gifford on third party service providers which includes a review of crisis management and business continuity frameworks.

⊖ **Leverage risk** – the Company may borrow money for investment purposes, sometimes known as 'gearing' or 'leverage'. 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. Details of the Company's borrowings can be found in Notes 11 and 12 on pages 83 to 84. The majority of the Company's investments are in quoted securities that are readily realisable. Further information on leverage can be found on page 101 and the Glossary of Terms and Alternative Performance Measures on pages 106 to 108.

⊕ **Political risk** – Political developments are closely monitored and considered by the Board. The Board continues to assess the potential consequences for the Company's future activities including those that may arise from geopolitical tensions and constitutional change. The Board believes that the Company's global portfolio partially helps to mitigate such political risks.

⊖ **Emerging risks** – as explained on page 55, the Board has regular discussions on principal risks and uncertainties, including any risks which are not an immediate threat but could arise in the longer term. The Board considers that the key emerging risks arise from the interconnectedness of the global economy (including factors such as supply chain constraints and economic sanctions) and the related exposure of the investment portfolio to societal and financial implications of an escalation of geopolitical tensions, cyber risk and coronavirus variants or similar public health threat. These are mitigated by the Managers' close links to the investee companies and their ability to ask questions on contingency plans. The Managers believe the impact of such events may be to impact the pace of growth rather than to invalidate the investment rationale over the long term.

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, 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 and emerging risks and uncertainties facing the Company, including climate change (as detailed on page 55) 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, 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. 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 has been conducted in line with ESMA liquidity stress testing guidelines. This included an analysis of a number of scenarios to reflect stressed liquidity conditions as well as a review of the one month liquidity available to repay Company borrowings.

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 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. Various Scottish Mortgage shareholder events provide additional opportunities for shareholders and potential investors to engage with the Managers (see page 103). Several webinars and events were held over the past year. The Chair and Senior Independent Director met with major shareholders over the year. The Board continues to be available to meet with shareholders as appropriate. 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.

Matters raised with the Board and Managers by shareholders over the year included:

- a particular area of focus was the private company holdings and how they are valued. The Company has a robust valuation process in place that ensures that private companies are valued in both a fair and timely manner. Throughout the year the Managers provided additional valuation metrics and layers of insight on the private company holdings to shareholders.
- the discount to NAV per share. The Liquidity Policy offers no guarantees but seeks to address imbalances in the supply and demand for shares in normal market conditions. On occasion, the discount was at high levels, when compared to the previous decade. The management of the Liquidity Policy is discussed at board meetings throughout the year, and third-party opinion is sought from the company brokers. The Company took a proactive stance in managing the discount throughout the year buying back 36.5 million shares, on 56 occasions. Updates on the implementation of the Liquidity Policy were provided to shareholders throughout the year across multi-media communications.
- the influence of the deterioration in Sino-US relations. The Board challenged the Managers on the portion of the portfolio invested in China, which led to the disposal and reduction of certain Chinese holdings. The Managers confirmed they had reviewed remaining holdings in the portfolio to ensure the long-term investment case of each holding remains intact.
- performance of the Company. The Managers and Board have acknowledged the painful experience endured by shareholders throughout the last financial year. They have provided context by looking back over historical performance, where progress has never been a straight line for Scottish Mortgage or the companies it invests in. Over its history, the Company has suffered several material falls, several of which were more significant than the current setback. The investment process remains unchanged in light of recent volatility because both the Board and Managers know that over periods of five years and longer, market sentiment becomes far less critical to returns.

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 monitors the Managers' response to the current and anticipated impact of climate change on its investment strategy. 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 53.

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:

- under the operation of the Company's Liquidity Policy, the buying back into treasury of 36.5m ordinary shares at a discount to net asset value;
- the adjustment to the gearing level in response to market conditions and interest rates. During the year US$396m (£322m) of debt was repaid under the variable-rate revolving bank facilities, reducing gearing towards the targeted long-term level and reducing the average cost of the Company's debt;
- as part of the Board's succession planning, which had been ongoing for several months, the recruitment process and subsequent appointment of Ms Sharon Flood and Mr Vikram Kumaraswamy with effect from 17 May 2023 (see page 52). These appointments are consistent with the AIC Corporate Governance Code principle that 'a successful company is led by an effective board, whose role is to promote the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society'; and
- as part of its annual strategy meeting in September 2022, the Board has continued to keep the Company's investment policy under review, including the approach to and policy limit on investments in private companies, and continues firmly to believe that the policy remains capable of delivering attractive long-term returns to shareholders.

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 below. 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 53).

Gender representation

The Board comprises five Directors, three male and two female. Following the appointment of Ms Flood and Mr Kumaraswamy on 17 May 2023 and the retirement of Ms McBain and Professor Subacchi at the conclusion of the AGM on 27 June 2023, the Board will comprise five Directors, one female and four males. As part of the Board's ongoing succession planning, a recruitment process for an additional director is underway (see page 54). The Company has no employees. The Board's policy on diversity and inclusion is set out on page 53.

Environmental, social and governance policy

The consideration of environmental, social and governance factors (ESG) is gaining prominence in the finance industry. We welcome this but we are highly sceptical of the labels, metrics and box ticking which have become central to the broader ESG agenda for all too many. ESG has never been the starting point in our investment process. It is simply a by-product of our pursuit of long-term returns. However, we believe the need to create a more sustainable world represents a huge upside opportunity for companies on the front foot of change, and a material downside risk for those who are not. The impact a business has on society and its treatment of staff and customers will of course influence its chances of success. Given our investment time horizon of at least five years, we need to consider the possibility that environmental, social and governance factors will become internalised by market forces and regulation and could therefore influence the returns we generate for shareholders. More information and resources regarding the Managers' approach to environmental, social and governance factors can be found on the Company's website: scottishmortgage.com. The Managers' policy has been reviewed and endorsed by the Board.

Climate change

Scottish Mortgage does not seek specific climate outcomes as part of its investment objective. However, the Managers believe the need to create a more sustainable world represents a huge upside opportunity for companies on the front foot of the transition, and a material downside risk for those who are not. Given our investment time horizon of at least five years, we need to consider the possibility that environmental externalities will become internalised by market forces and regulation and could therefore influence the returns we generate for shareholders. At Scottish Mortgage we don't believe that carbon foot-printing in isolation is especially helpful. We view carbon footprints as a function of industry exposures rather than a company's ambition around decarbonisation. Some of the companies that are most important to the decarbonisation of the economy will have the highest footprints, for example Tesla Inc or Northvolt AB. For this reason, we do not believe that the environmental scores assigned by rating providers tell the whole story, and we are prepared to challenge them.

ESG reporting and signatories

A summary of the Company's voting activities is published on the website under Portfolio Voting Disclosure on a quarterly basis.

The Managers will publish the Company's first TCFD Report in June 2023. This report will be a means by which the portfolio's carbon footprint and exposure to climate risk are measured and reported. We believe companies disclosing their emissions and communicating emissions plans will be a helpful place from which to begin more useful discussions with management teams, industry experts and regulators. Ultimately, a carbon footprint is a first step, not an answer. It can direct our efforts but it also highlights the importance of company-level research. Only this can give an understanding of the performance, resilience and opportunity of the portfolio from a carbon perspective.

The Managers' statement of compliance with the UK Stewardship Code can be found on the Managers' website at bailliegifford.com.

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

Modern Slavery Act 2015

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.

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.

Future developments of the Company

The outlook for the Company is set out in the Statement from the Chair on pages 4 to 6 and in the Managers' Reviews on pages 7 to 14.

The Strategic Report which includes pages 4 to 46 was approved by the Board of Directors and signed on its behalf on 16 May 2023.

Fiona McBain
Chair

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 C McBain

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 Currys plc (and Chair of the Audit Committee), Direct Line Insurance Group plc (and Chair of the Investment Committee) and Senior Independent Director of Monzo Bank Limited (and Chair of the Audit Committee).

Professor Patrick H Maxwell

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 has made important research discoveries concerning how cells sense oxygen. 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, Cambridge University Hospitals NHS Foundation Trust, Cambridge Enterprise and the International Biotechnology Trust.

Justin Dowley

Justin Dowley is a former international investment banker and was appointed a Director in 2015 and is Senior Independent Director. 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.

Professor Paola 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). She is also a non-executive director of BlackRock Greater Europe Investment Trust plc.

Mark Fitzpatrick

Mark Fitzpatrick was Group Chief Executive Officer of Prudential plc until February 2023. Prior to this he was the Group Financial Officer and Chief Operating Officer of Prudential plc from 2017 to 2022. Mark led the Prudential's Group Executive Committee, was a member of its Board, and had overall responsibility for the executive management and leadership of the business. He was appointed to the Board on 5 October 2021 and became Chair of the Audit Committee on 1 April 2022. Prior to joining Prudential in 2017, Mark was a Managing Partner at Deloitte and a member of the Executive Committee. He was Vice Chairman of Deloitte between 2011 and 2015. Mark previously led Deloitte's insurance & investment management audit practice and its insurance industry practice. He worked at Deloitte for 26 years, advising global insurance and investment management clients.

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 £226 billion. Based in Edinburgh, it is one of the leading privately owned investment management firms in the UK, with 57 partners and a staff of around 1,900.

The Manager of Scottish Mortgage's portfolio is Tom Slater. Lawrence Burns is Deputy Manager. 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 audited Financial Statements of the Company for the year to 31 March 2023.

Corporate governance

The Corporate Governance Report is set out on pages 47 to 61 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 2023 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 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 page 47.

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 Ms McBain remains independent notwithstanding having served on the Board for more than nine years (see page 53).

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 2023 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 2.50p per ordinary share which, together with the interim dividend of 1.60p per ordinary share already paid, makes a total of 4.10p for the year compared with 3.59p per ordinary share for the previous year.

If approved, the recommended final dividend on the ordinary shares will be paid on 4 July 2023 to shareholders on the register at the close of business on 2 June 2023. The ex-dividend date is 1 June 2023.

The Company's Registrars offer a Dividend Reinvestment Plan (see page 100) and the final date for elections for this dividend is 13 June 2023.

Share capital

Capital structure

The Company's capital structure as at 31 March 2023 consists of 1,407,618,528 ordinary shares of 5p each, all of which are allotted and fully paid. At 31 March 2023, 77,162,352 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 97 and 100.

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 2023. There have been no changes to the major interests in the Company's shares disclosed to the Company following the year end up to 12 May 2023.

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 £7,220,252.80.

During the year to 31 March 2023, 36,513,122 shares were bought back. No further shares were bought back between 1 April and 12 May 2023.

During the year to 31 March 2023 the Company sold no shares from treasury. At 31 March 2023, 77,162,352 shares were held in treasury. The Company issued no further shares between 1 April and 12 May 2023.

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 12 – authority to allot shares

Section 551 of the Companies Act 2006 provides that the Directors may not allot new shares without shareholder approval. Resolution 12 seeks to renew the Directors' authority to allot shares up to a maximum nominal amount of £7,038,092.60, representing approximately 10 per cent. of the Company's total issued ordinary share capital as at 12 May 2023, 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 12 May 2023, the Company held 77,162,352 ordinary shares in treasury. The authority will expire on 27 September 2024 or, if earlier, at the end of the Annual General Meeting of the Company to be held in 2024, unless previously cancelled or varied by the Company in general meeting.

Resolution 13 – disapplication of pre-emption rights

Resolution 13, 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 £7,038,092.60, representing approximately 10 per cent. of the Company's total issued ordinary share capital as at 12 May 2023, being the latest practicable date prior to publication of this document.

The Directors consider that the authority proposed to be granted by Resolution 13 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 14 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 14 – 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 in previous years, 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 14 seeks to renew the authority granted to the Company at the 2022 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 15 – 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 12 May 2023, 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 2024. 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 14.

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.

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 322,252 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.

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 2023.

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 4 to 46.

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

Fiona McBain
Chair
16 May 2023

Corporate governance report

The Board is committed to achieving and demonstrating high standards of corporate governance. The Association of Investment Companies ('AIC') Code of Corporate Governance ('AIC Code') provides a framework of best practice for investment companies and can be found at theaic.co.uk. The Financial Reporting Council ('FRC') has confirmed that AIC members who report against the AIC Code, as is the case with the Company, will be meeting their obligations in relation to the 2018 UK Corporate Governance Code ('UK Code') which can be found at frc.org.uk.

Compliance

A recently conducted review by EY of the Board's governance arrangements, including the Audit Committee and the Nomination Committee, noted the Company's compliance with the AIC Code.

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.

Following the appointments of Ms Flood and Mr Kumaraswamy on 17 May 2023, and the retirement of the Chair, Ms McBain, and Professor Subacchi at the conclusion of the Annual General Meeting on 27 June 2023, the Board will comprise 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 Dowley is the Senior Independent Director. As previously announced, following the conclusion of the Annual General Meeting, Mr Dowley will become Chair and Professor Maxwell will become 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 page 47.

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

Appointments

New Directors are appointed by the Board, following recommendation to the Board by the Nomination Committee. 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 in May 2023, the Board concluded that, notwithstanding that Ms McBain had served on the Board for more than nine years, she continued to demonstrate clear independence of character and judgement and her range of skills and experience were beneficial for the Board. Further to the Board's ongoing succession planning, which has been underway for a number of months, it was announced on 21 March 2023 that Ms McBain would retire from the Board at the conclusion of the Annual General Meeting on 27 June 2023.

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. As noted above, Fiona McBain will retire from the Board at the conclusion of the Annual General Meeting on 27 June 2023.

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**	**2**
Fiona McBain	6	2	2
Professor Amar Bhidé*	6	–	2
Justin Dowley	6	2	2
Mark FitzPatrick	6	2	2
Professor Patrick Maxwell	6	2	2
Professor Paola Subacchi	5	1	2

* Professor Amar Bhidé was not a member of the Audit Committee.
† The main Nomination Committee meeting for the year was held on 11 May 2023.

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. The Committee's Terms of Reference are available on request from the Company and within the 'Literature' section of the Company's pages of the Managers' website: scottishmortgage.com.

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 44) 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, including gender, social and ethnic backgrounds and having regard to, cognitive and personal strengths. 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. Within the context of a small, entirely non-executive Board, a single appointment or retirement can have a significant impact on percentage representation, and a limited number of senior roles are available. The Board will endeavour to comply with the FCA Listing Rules diversity targets but notes that an orderly succession plan can, when implemented thoughtfully and having regard to the best interests of the Company and its shareholders, take a significant period of time to develop and may result in periods when the diversity targets are not met. Furthermore, the particular circumstances of directors may prevent them from being able to undertake the responsibilities of a senior role. In such circumstances, the Board considers that it is in the best interests of the Company to prioritise an orderly succession over the satisfaction of diversity targets.

Board composition

The Board reviewed its succession planning during the year and engaged an external search consultancy, Nurole, to recruit additional Non-Executive Directors to maintain the broad range of experience that is particularly valuable when supporting and challenging the Managers. Nurole was appointed after a full and thorough selection process undertaken by the Board, at the commencement of which process. Mr Dowley had disclosed to the Board that his family co-owned a property with one of the directors at Nurole. The Board considered the disclosure and the proposed terms of appointment and was satisfied there was no conflict of interest and proceeded to appoint Nurole. Nurole 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 existing and prospective Directors and with particular regard to the Parker Review recommendations. Following the conclusion of this process, it was announced on 3 May 2023 that Ms Sharon Flood and Mr Vikram Kumaraswamy will be appointed to the Board with effect from 17 May 2023. The Board believes that Ms Flood's and Mr Kumaraswamy's knowledge and experience will be of great benefit to the Company and is satisfied that, after reviewing their other commitments, they will be able to devote sufficient time to the Company. A recruitment process for an additional non-executive director is underway.

The following disclosures are provided in respect of the FCA Listing Rules targets that: i) 40% of a board should be women; ii) at least one senior role should be held by a woman; and iii) at least one board member should be from a non-white ethnic background, as defined by the Office of National Statistics (ONS) criteria:

As an externally managed investment company with no chief executive officer (CEO) or chief financial officer (CFO), the roles which qualify as senior under FCA guidance are Chair and Senior Independent Director (SID). The Board also considers the role of Audit Committee Chair to represent a senior role within this context. The Board has considered that the Company's year end date to be the most appropriate date for disclosure purposes. Changes since 31 March 2023 are noted below. As at 31 March 2023, the Board comprised five Non-Executive Directors, three men and two women, and included one economist, three chartered accountants (two former CEOs of a financial services group and a former international investment banker) and a professor of clinical medicine.

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.

Board as at 31 March 2023

Gender	Number of Board Members	% of the Board	Number of senior positions on the Board
Men	3	60.0	2
Women	2	40.0	1
	5	100.0	3

Ethnic background	Number of Board Members	% of the Board	Number of senior positions on the Board
White British or Other White (including minority white groups)	5	100.0	3

As at 31 March 2023, the Board did not comply with the FCA Listing Rule target with respect to ethnic background although the Board was compliant until Professor A Bhidé left the Board on 20 March 2023. Following the appointment of Mr Vikram Kumaraswamy on 17 May 2023, the Board will again become compliant with respect to this target. Following the retirement of Ms McBain and Professor Subacchi at the conclusion of the Annual General Meeting, the Board will not be compliant with respect to the 40% target for women. The Board's ongoing succession planning will take this target into consideration.

Performance evaluation

The Nomination Committee met in May 2023 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 Mr 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 continued to be effective and each Director and the Chair remained committed to the Company. A review of the Chair's and other Directors' commitments was carried out and the Nomination Committee was satisfied that they are capable of devoting sufficient time to the Company.

Lintstock, an independent company which assists companies with the design and execution of board evaluations, facilitated the performance evaluation in 2022. It is intended that the evaluation will again be externally facilitated in 2025.

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 59 and 60.

Audit Committee

The report of the Audit Committee is set out on pages 57 and 58.

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 101), 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 undertaken by Baillie Gifford's Business Risk Department 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, the Directors have undertaken a rigorous review of the Company's ability to continue as a going concern.

The Company's principal and emerging 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 42 and 43 and in note 19 to the Financial Statements.

The Board has, in particular, considered the impact of heightened market volatility over recent months due to macroeconomic and geopolitical concerns, including rising interest rates, inflation, the Russia-Ukraine war and heightened tensions between China and both the US and Taiwan. It has 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 US$391 million revolving 3 year loan with NAB was reduced to a facility of US$350 million and US$185 million was repaid. The ICBC US$120 million revolving 3 year loan was repaid in full. The RBSI US$50 million revolving 5 year loan facility was repaid in full and subsequently reduced to a facility of US$25 million and the US$75 million 6.875% debenture was redeemed on 31 January 2023.

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.

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 set out in the Viability Statement on page 43, 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 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 **scottishmortgage.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 **scottishmortgage.com**.

Authorities to issue and buy back shares

The Directors' remaining authorities at 31 March 2023 to issue and buy back the ordinary shares are disclosed in note 13 on page 85.

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 53 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. More information and resources regarding the Managers' approach to governance factors can be found on page 46 of this report and on the Company's website: scottishmortgage.com.

The Managers' statement of compliance with the UK Stewardship Code can be found on the Managers' website at bailliegifford.com.

Climate change

The Company's direct operational footprint is minimal. It has not retained more than six non-executive Directors who formally meet six times a year. The material environmental impact of the Company is made via its portfolio holdings. More information regarding the Manager's approach to climate change is available on page 46 of this report, and on the Company's website at scottishmortgage.com.

Approved by the Board of Directors and signed on its behalf by
Fiona McBain
Chair
16 May 2023

Audit Committee report

The Audit Committee consists of Mr Dowley, Professor Maxwell, Ms McBain, Professor Subacchi and Mr FitzPatrick. 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. Mark FitzPatrick, 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 scottishmortgage.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 54).

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;
- 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 74) 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 2023 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 55. No significant weaknesses were identified in the year under review.

Audit tender

The Committee acknowledges its responsibility to monitor and, at suitable junctures, to test the external audit market in order to ensure that the provision of external audit services to the Company remains of a high quality as well as cost proportionate, by reference to developing industry practice and expectations. The Committee is aware that the scope, complexity and associated cost of external audit engagements continues to increase across the market, driven by a number of factors including growing regulatory expectations, new auditing standards, the significant volume of work required to deliver a high-quality audit and a challenging audit labour market. Given the last audit tender process took place in early 2019 (since when the audit environment has changed significantly), the Committee thought it appropriate to put the audit engagement to tender for the financial year to 31 March 2024 onwards and so, in February 2023, invitations to tender were sent out to a short-list of audit firms, including PricewaterhouseCoopers LLP (the Company's current auditor) and one firm from outside the so-called 'Big 4'. The invitations to tender included selection criteria including industry experience, credentials and relevant experience of the proposed audit team, audit approach, quality assurance, independence and governance and fees. The invitations included the tender timetable and information required for the firm's proposal documents and presentations. Three of the firms submitted written tender documents which the Committee reviewed. Following presentations in March, the Committee proposed two firms to the Board for consideration with a recommendation that PricewaterhouseCoopers LLP be retained as auditor. The Board subsequently agreed to re-appoint PricewaterhouseCoopers LLP as external auditor, effective for the financial year ending 31 March 2024. A resolution regarding PricewaterhouseCooper's re-appointment is being put to shareholders at the Annual General Meeting being held on 27 June 2023 (see Notice of Meeting on page 96).

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 2023 were £4,000 and relates 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.

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 four 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, and undertaken a tender process,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 61 and 67.

On behalf of the Board
Mark FitzPatrick
Audit Committee Chair
16 May 2023

Directors' remuneration report

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

Statement by the Chair

The Remuneration Policy which is set out below was approved at the Annual General Meeting in June 2020. No changes are proposed to the policy and an ordinary resolution for the approval of the Remuneration Policy will be put to the members at the forthcoming Annual General Meeting on 27 June 2023.

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 2023 and the expected fees payable in respect of the year ending 31 March 2024 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 2024 £	Fees for year ending 31 Mar 2023 £
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 62 to 68.

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	2023 Fees £	2023 Taxable benefits* £	2023 Total £	2022 Fees £	2022 Taxable benefits* £	2022 Total £
Fiona McBain (Chair)	70,000	1,124	**71,124**	70,000	54	**70,054**
Professor Amar Bhidé†	43,673	6,633	**50,306**	45,000	–	**45,000**
Justin Dowley	45,000	2,820	**47,820**	56,000	–	**56,000**
Mark FitzPatrick (Audit Committee Chair)	56,000	253	**56,253**	22,038	–	**22,038**
Professor Patrick Maxwell	45,000	1,798	**46,798**	45,000	–	**45,000**
Professor Paola Subacchi	45,000	3,313	**48,313**	45,000	–	**45,000**
	304,673	**15,941**	**320,614**	**283,038**	**54**	**283,092**

* 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.

† Left the Board on 20 March 2023.

Annual percentage change in remuneration

This represents the annual percentage change in the entire remuneration paid to the Directors.

Name	% from 2022 to 2023	% from 2021 to 2022	% from 2020 to 2021
Fiona McBain	1.5	(0.6)	13.8
Professor Amar Bhidé†	11.8	13.7	–
Justin Dowley	(14.6)	(0.4)	3.4
Mark FitzPatrick*	155.3	–	–
Professor Patrick Maxwell	4.0	(1.1)	5.4
Professor Paola Subacchi	7.4	(3.0)	8.6

* Appointed on 5 October 2021.
† Left the Board on 20 March 2023.

Directors' interests (audited)

Name	Nature of interest	Ordinary 5p shares held at 31 March 2023	Ordinary 5p shares held at 31 March 2022
Fiona McBain	Beneficial	7,163	7,163
Justin Dowley	Beneficial	207,784	206,803
Mark FitzPatrick	Beneficial	10,000	–
Professor Patrick Maxwell	Beneficial	75,594	75,594
Professor Paola Subacchi	Beneficial	21,711	21,711

The Directors at the year end, and their interests in the Company, were as shown above. There have been no other changes in the Directors' interests up to 12 May 2023.

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%.

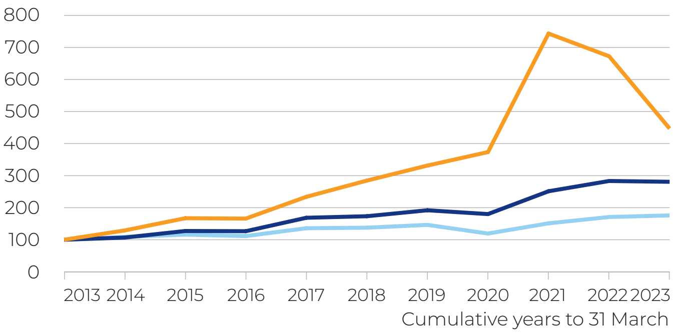
Relative importance of spend on pay

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

	2023 £'000	2022 £'000	Change %
Directors' remuneration	321	283	13.4
Dividends	52,585	49,771	5.7
Share buy-backs	283,276	157,597	79.7

Company performance

Scottish Mortgage's Share Price, FTSE All-Share Index and Benchmark*
(figures have been rebased to 100 at 31 March 2013)



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 106 to 108.
† Benchmark: FTSE All-World Index (in sterling terms).
# See disclaimer on page 104.

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 59 and 60 was approved by the Board of Directors and signed on its behalf on 16 May 2023.

Fiona McBain
Chair

Statement of directors' responsibilities in respect of the annual report and financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements 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).

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

The Directors consider that the Annual Report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

We confirm to the best of our knowledge:

- the Company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 102, give a true and fair view of the net return of the Company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each Director in office at the date the Directors' report is approved:

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

On behalf of the Board
Fiona McBain
Chair
16 May 2023

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 2023 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, including 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 2023; 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, including controls around the valuation of unlisted investments and we adopted a fully substantive testing approach.
Key Audit Matters	• Income from investments. • Valuation and existence of listed investments. • Valuation and existence of unlisted investments.
Materiality	• Overall materiality: £114,900,000 (2022 – £147,500,000) based on approximately 1% of Total Shareholders' Funds. • Performance materiality: £86,175,000 (2022 – £110,600,000).

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 75 (Note 1(e)) and page 76 (Note 2). Income from investments comprises of losses on investments (capital) amounting to £2,790.3 million and dividend income of £49.0 million. Whilst dividend income is not significant for this Company, it is the only revenue stream in the income statement and therefore we focus on the completeness and existence of this figure as well as considering the classification between revenue and capital. Gains and losses from investments is a material figure in the Income statement and comprises realised and unrealised gains and losses on both listed and unlisted investments. Gains and losses on investments are calculated based on the movement in fair value in the year; whilst the fair value of listed investments is derived from external sources, there is significant judgment involved in the valuation of unlisted investments (see separate Key Audit Matter below). ISAs (UK) presume there is a risk of fraud in income recognition because of the pressure management may feel to achieve a certain objective. Whilst the Company has 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. As such, we focussed the risk of fraud in income recognition on the valuation of gains and losses on investments, in particular driven by judgments made in relation to the valuation of unlisted investments. We also considered the risk of manipulation of income (both capital and income) through making manual journal entries.	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 the processes and controls surrounding income recognition and journals. We tested the recognition of dividend income by comparing the dividends recorded in the financial statements to external sources. We also considered the classification of all dividend income as revenue, including any special dividends received in the year. 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 and 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 and losses. We considered the risk of inappropriate bias in the judgments and estimates made in the valuation of unlisted investments that would impact on the unrealised gains and losses recognised in the income statement – see further details in the Key Audit Matter below. Our testing also included the consideration of specific risks in relation to posting journals to income in order to inflate the gains and losses on investments or dividend income. Based on our testing, there were no significant matters that required communication to the Audit Committee.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation and existence of listed investments Refer to pages 74 (Note 1(c)) and page 79 (Note 9). The investment portfolio at 31 March 2023 comprised listed equity investments of £9,348.0 million. We focused on the valuation and existence of listed investments because listed investments represent the principal largest element of the net asset value of the Company.	We tested the valuation of all the listed investments as at 31 March 2023 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 2023. Based on our testing, there were no significant matters that required communication to the Audit Committee.
Valuation and existence of unlisted investments Refer to pages 73–74 (Note 1(b) and 1(c)) and pages 79–82 (Note 9). The investment portfolio at 31 March 2023 included unlisted investments of £3,801.6 million. We focused on the valuation and existence of the unlisted investments as these investments represented a material balance in the financial statements and the valuation requires significant estimates and judgements to be applied by the Directors such that changes to key assumptions within the estimates and/or judgements made can result in a material change to the valuation of unlisted investments. We considered both the risk of over or understatement of the valuations, recognising that there may exist incentives to over or under-value investments depending on specific circumstances such as performance for the year and the cap on the proportion of unlisted investments to total investments set out in the Company Prospectus. The risk of under or over-statement in the valuation process could arise from error or fraud.	We understood and assessed the design and implementation of the process and controls surrounding the valuation of unlisted investments, including the involvement of a third party valuation expert and the processes, governance and oversight of the valuations by the AIFM and the Company's Audit Committee. We assessed 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 unlisted investments. We read the internal AIFM valuation committee meeting minutes where the valuations of the unlisted investments were discussed and agreed and attended relevant Audit Committee meetings where the valuation of these investments were discussed. We utilised our own valuation experts in the execution of our testing of unlisted investment valuations. 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 sources, or where relevant, assessing whether significant estimates and judgements used are supportable; • Comparing valuations of investments in funds to the most recent audited financial statements, where available; and • Comparing valuations to recent transactions, where relevant, including consideration of whether the recent transaction was at arm's length. We also considered the potential impact of climate change on the valuation of the unlisted investments through gaining an understanding of how the AIFM and Directors had considered the impact of climate change throughout the valuation process. We tested the existence of the unlisted investment portfolio by agreeing a sample of the holdings to independently obtained confirmations as at 31 March 2023. Throughout our work, we considered the risk of error and the risk of fraud through management override or inappropriate bias. Based on our testing, there were no significant matters that required communication to the Audit Committee.

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.

The impact of climate risk on our audit

In planning our audit, we made enquiries of the Directors and Investment Manager to understand the extent of the potential impact of climate change on the Company's financial statements. The Directors and Investment Manager concluded that there was no material impact on the financial statements. Our evaluation of this conclusion included challenging key judgements and estimates in areas where we considered that there was greatest potential for climate change impact. This was principally in relation to the valuation of certain hard to value investments as explained in our Key Audit Matter 'Valuation and existence of unlisted investments'. We also considered the consistency of the climate change disclosures included in the Strategic Report and Corporate Governance Report with the financial statements and our knowledge from our audit.

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 Company materiality	£114,900,000 (2022 – £147,500,000).
How we determined it	Approximately 1% of Total Shareholders' Funds.
Rationale for benchmark applied	We believe that Total Shareholders' Funds is the primary measure used by the shareholders in assessing the performance of the entity, and is a generally accepted auditing benchmark for investment trust company audits. This benchmark 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 75% (2022 – 75%) of overall materiality, amounting to £86,175,000 (2022 – £110,600,000) 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 £5,745,000 (2022 – £7,300,000) 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' risk assessment and considering whether it addressed relevant threats, including Russia's invasion of Ukraine, the rise of inflation and wider macroeconomic uncertainty;
- 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;
- assessing the impact of the discount at which the Company's share price has been trading compared to the net asset value per share; and
- assessing the implication of reductions in NAV as a result of market performance on the ongoing ability of the Company to operate, taking into consideration stress testing performed by the Directors.

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 2023 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 Company 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 controls 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, and we considered the extent to which non-compliance might have a material effect on the financial statements. 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 the use of inappropriate bias in key judgments and estimates used in the valuation of unlisted investments, and through posting journals.. Audit procedures performed by the engagement team included:

- discussions with the AIFM 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 made by the Directors in their significant accounting estimates, in particular in relation to the valuation of unlisted investments (see related Key Audit Matter above);
- identifying and testing journal entries posted throughout the year and those posted at the year end during the preparation of the financial statements. This included, but was not limited to, testing journals with unusual account combinations, inappropriate users and journals posted on unusual days; 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: www.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 four years, covering the years ended 31 March 2020 to 31 March 2023.

Catrin Thomas (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
16 May 2023

Income statement

For the year ended 31 March

	Notes	2023 Revenue £'000	2023 Capital £'000	**2023 Total £'000**	2022 Revenue £'000	2022 Capital £'000	**2022 Total £'000**
Losses on investments	9	–	(2,790,255)	**(2,790,255)**	–	(2,421,025)	**(2,421,025)**
Currency losses on investments		–	(68,748)	**(68,748)**	–	(41,559)	**(41,559)**
Income	2	49,035	–	**49,035**	23,262	–	**23,262**
Investment management fee	3	–	(35,953)	**(35,953)**	–	(51,647)	**(51,647)**
Other administrative expenses	4	(5,861)	–	**(5,861)**	(6,818)	–	**(6,818)**
Net return before finance costs and taxation		43,174	(2,894,956)	**(2,851,782)**	16,444	(2,514,231)	**(2,497,787)**
Finance costs of borrowings	5	–	(66,612)	**(66,612)**	–	(44,651)	**(44,651)**
Net return before taxation		43,174	(2,961,568)	**(2,918,394)**	16,444	(2,558,882)	**(2,542,438)**
Tax	6	(1,803)	(1,941)	**(3,744)**	137	(2,048)	**(1,911)**
Net return after taxation		**41,371**	**(2,963,509)**	**(2,922,138)**	**16,581**	**(2,560,930)**	**(2,544,349)**
Net return per ordinary share	7	**2.90p**	**(207.49p)**	**(204.59p)**	**1.16p**	**(179.48p)**	**(178.32p)**

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 73 to 95 are an integral part of the Financial Statements.

Balance sheet

As at 31 March

	Notes	2023 £'000	2023 £'000	2022 £'000	2022 £'000
Fixed assets					
Investments held at fair value through profit or loss	9		13,149,592		16,669,469
Current assets					
Debtors	10	12,037		13,142	
Cash and cash equivalents	19	184,945		229,962	
		196,982		243,104	
Creditors					
Amounts falling due within one year:	11				
Bank loans		(376,076)		(502,032)	
Other creditors and accruals		(22,055)		(23,814)	
		(398,131)		(525,846)	
Net current liabilities			(201,149)		(282,742)
Total assets less current liabilities			12,948,443		16,386,727
Creditors					
Amounts falling due after more than one year:	12				
Bank loans		(388,149)		(516,384)	
Loan notes		(1,006,857)		(985,613)	
Debenture stock		(52,212)		(127,559)	
Provision for deferred tax liability		(3,225)		(1,172)	
			(1,450,443)		(1,630,728)
			11,498,000		**14,755,999**
Capital and reserves					
Called up share capital	13		74,239		74,239
Share premium account	14		928,400		928,400
Capital redemption reserve	14		19,094		19,094
Capital reserve	14		10,434,896		13,717,685
Revenue reserve	14		41,371		16,581
Total shareholders' funds	15		**11,498,000**		**14,755,999**
Net asset value per ordinary share					
(after deducting borrowings at book)*	15		**816.8p**		**1,021.8p**

The Financial Statements of Scottish Mortgage Investment Trust PLC (Company registration No. SC007058), on pages 69 to 95, were approved and authorised for issue by the Board, and were signed on its behalf on 16 May 2023.

Fiona McBain
Chair

The accompanying notes on pages 73 to 95 are an integral part of the Financial Statements.
* See Glossary of Terms and Alternative Performance Measures on pages 106 to 108.

Statement of changes in equity

For the year ended 31 March 2023

	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 2022		74,239	928,400	19,094	13,717,685	16,581	**14,755,999**
Net return after taxation	14	–	–	–	(2,963,509)	41,371	**(2,922,138)**
Ordinary shares bought back into treasury	13	–	–	–	(283,276)	–	**(283,276)**
Ordinary shares sold from treasury	13	–	–	–	–	–	**–**
Dividends paid during the year	8	–	–	–	(36,004)	(16,581)	**(52,585)**
Shareholders' funds at 31 March 2023		**74,239**	**928,400**	**19,094**	**10,434,896**	**41,371**	**11,498,000**

For the year ended 31 March 2022

	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 2021		74,239	781,771	19,094	16,105,297	9,069	**16,989,470**
Net return after taxation	14	–	–	–	(2,560,930)	16,581	**(2,544,349)**
Ordinary shares bought back into treasury	13	–	–	–	(157,597)	–	**(157,597)**
Ordinary shares sold from treasury	13	–	146,629	–	371,617	–	**518,246**
Dividends paid during the year	8	–	–	–	(40,702)	(9,069)	**(49,771)**
Shareholders' funds at 31 March 2022		**74,239**	**928,400**	**19,094**	**13,717,685**	**16,581**	**14,755,999**

The accompanying notes on pages 73 to 95 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	2023 £'000	2023 £'000	2022 £'000	2022 £'000
Cash flows from operating activities					
Net return before taxation		(2,918,394)		(2,542,438)	
Losses on investments		2,790,255		2,421,025	
Currency losses		68,748		41,559	
Finance costs of borrowings		66,612		44,651	
Overseas withholding tax incurred		(1,927)		(5,104)	
Changes in debtors and creditors		(2,449)		(4,054)	
Cash from operations			2,845		(44,361)
Interest paid			(66,322)		(41,545)
Net cash outflow from operating activities			(63,477)		(85,906)
Cash flows from investing activities					
Acquisitions of investments		(868,191)		(2,687,415)	
Disposals of investments		1,599,218		1,652,769	
Net cash inflow/(outflow) from investing activities			731,027		(1,034,646)
Cash flows from financing activities					
Equity dividends paid	8	(52,585)		(49,771)	
Ordinary shares bought back into treasury and stamp duty thereon		(283,213)		(183,015)	
Ordinary shares sold from treasury		–		518,246	
Debenture repaid		(75,000)		–	
Bank loans repaid		(1,913,150)		(265,727)	
Bank loans drawn down and loan notes issued		1,591,000		1,109,394	
Net cash (outflow)/inflow from financing activities			(732,948)		1,129,127
(Decrease)/increase in cash and cash equivalents			(65,398)		8,575
Exchange movements			20,381		9,259
Cash and cash equivalents at start of period	16,19		229,962		212,128
Cash and cash equivalents at end of period*	16,19		**184,945**		**229,962**

The accompanying notes on pages 73 to 95 are an integral part of the Financial Statements.

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

Notes to the financial statements

1 Principal accounting policies

The Financial Statements for the year to 31 March 2023 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 over recent months due to macroeconomic and geopolitical concerns, including the Russia-Ukraine war and heightened tensions between China and both the US and Taiwan. It has reviewed the results of specific leverage and liquidity stress testing and 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 US$391 million revolving 3 year loan with NAB was reduced to a facility of US$350 million, and US$185 million was repaid. The ICBC US$120 million revolving 3 year loan was repaid in full. The RBSI US$50 million revolving 5 year loan facility was repaid in full and subsequently reduced to a facility of US$25 million and the US$75 million 6.875% debenture was redeemed on 31 January 2023.

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.

It is the Directors' opinion, having assessed the principal and emerging risks and other matters set out in the Viability Statement on page 43, 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 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 July 2022 with consequential amendments.

In preparing these Financial Statements the Directors have considered the impact of climate change risk as a principal risk as set out on page 42, and have concluded that it does not have a material impact on the Company's investments. In line with FRS 102 investments are valued at fair value, which for the Company are unlisted investments predominantly utilising market-based valuation techniques and quoted bid prices for investments in active markets at the balance sheet date and therefore reflect market participants view of climate change risk.

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 managers, 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 key judgements in the following areas:

(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 the proportion of 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 91 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. Valuations are typically 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 81). 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

	2023 £'000	2022 £'000
Income from investments		
UK dividend income	–	–
Overseas dividends*	38,578	22,244
Overseas interest	4,576	995
	43,154	**23,239**
Other income		
Deposit interest	5,881	23
Total income	**49,035**	**23,262**
Total income comprises:		
Dividends from financial assets designated at fair value through profit or loss	38,578	22,244
Interest from financial assets designated at fair value through profit or loss	4,576	995
Interest from financial assets not at fair value through profit or loss	5,881	23
	49,035	**23,262**

*Overseas dividend income represents income from equity holdings. There was no income from preference share (non-equity) holdings during the year (2022 – nil).

3 Investment management fee

	2023 Revenue £'000	2023 Capital £'000	**2023 Total £'000**	2022 Revenue £'000	2022 Capital £'000	**2022 Total £'000**
Investment management fee	–	**35,953**	**35,953**	–	**51,647**	**51,647**

Details of the Investment Management Agreement are disclosed on page 48. 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 2023 and 31 March 2022 were charged 100% to capital.

4 Other administrative expenses

	2023 £'000	2022 £'000
General administrative expenses	4,200	5,370
Directors' fees (see Directors' remuneration report on page 59)	305	283
Marketing*	1,232	1,092
Auditors' remuneration for audit services	120	69
Auditors' remuneration for non-audit services – certification of financial information for the debenture trustee	4	4
Other administrative expenses charged to revenue	**5,861**	**6,818**

*The Company is part of a marketing programme which includes all the investment trusts managed by the Manager. The marketing strategy has an ongoing objective to stimulate demand for the Company's shares. The cost of this marketing strategy is borne in partnership by the Company and the Manager. The Manager matches the Company's marketing contribution and provides the resource to manage and run the programme. The Company's total marketing expenditure will exceed its contribution on an annual basis and, over a three year period, the Company's total marketing expenditure is expected to reflect the combined contributions of the Company and the Manager.

5 Finance costs of borrowings

	2023 Revenue £'000	2023 Capital £'000	**2023 Total £'000**	2022 Revenue £'000	2022 Capital £'000	**2022 Total £'000**
Financial liabilities not at fair value through profit or loss						
Bank loans and overdrafts repayable within five years or less	–	29,027	**29,027**	–	16,005	**16,005**
Debentures repayable wholly or partly in five years or less	–	9,950	**9,950**	–	5,193	**5,193**
Debentures repayable wholly or partly in more than five years	–	30	**30**	–	5,689	**5,689**
Loan notes repayable in more than five years	–	27,605	**27,605**	–	17,764	**17,764**
	–	**66,612**	**66,612**	**–**	**44,651**	**44,651**

The finance costs for the years to 31 March 2023 and 31 March 2022 have been charged 100% to capital.

6 Tax

	2023 Revenue £'000	2023 Capital £'000	**2023 Total £'000**	2022 Revenue £'000	2022 Capital £'000	**2022 Total £'000**
Overseas taxation	1,803	–	**1,803**	2,005	–	**2,005**
Overseas tax refunded	–	–	**–**	(2,142)	–	**(2,142)**
Tax charge on Kinnevik capital distribution	–	–	**–**	–	3,335	**3,335**
Provision for deferred tax liability in respect of Indian capital gains tax	–	1,941	**1,941**	–	(1,287)	**(1,287)**
	1,803	**1,941**	**3,744**	**(137)**	**2,048**	**1,911**

	2023 £'000	2022 £'000
The tax charge for the year is lower (2022 – lower) than the standard rate of corporation tax in the UK of 19% (2022 – 19%)		
The differences are explained below:		
Net return before taxation	(2,918,394)	(2,542,438)
Net return before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2022 – 19%)	(554,495)	(483,063)
Capital returns not taxable	543,211	467,891
Income not taxable (UK dividends)	–	–
Income not taxable (overseas dividends)	(7,330)	(4,226)
Current year management expenses and non-trade loan relationship deficit not utilised	18,614	19,398
Overseas withholding tax	1,803	2,005
Overseas withholding tax refunded	–	(2,142)
Revenue tax charge for the year	**1,803**	**(137)**
Tax charge on Kinnevik capital distribution	–	3,335
Provision for deferred tax liability in respect of Indian capital gains tax	1,941	(1,287)
Capital tax charge for the year	**1,941**	**2,048**
Total tax on ordinary activities	**3,744**	**1,911**

At 31 March 2023 the Company had surplus management expenses and losses on non-trading loan relationships of £502.6 million (2022 – £441.9 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

	2023 Revenue	2023 Capital	**2023 Total**	2022 Revenue	2022 Capital	**2022 Total**
Net return per ordinary share	**2.90p**	**(207.49p)**	**(204.59p)**	**1.16p**	**(179.48p)**	**(178.32p)**

Revenue return per ordinary share is based on the net revenue after taxation of £41,371,000 (2022 – £16,581,000), and on 1,428,245,353 (2022 – 1,426,897,806) 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 (£2,963,509,000) (2022 – net capital return of (£2,560,930,000), and on 1,428,245,353 (2022 – 1,426,897,806) 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

	2023	2022	2023 £'000	2022 £'000
Amounts recognised as distributions in the year:				
Previous year's final (paid 1 July 2022)	2.07p	1.97p	29,864	27,984
Interim (paid 16 December 2022)	1.60p	1.52p	22,721	21,787
	3.67p	**3.49p**	**52,585**	**49,771**

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 £41,371,000 (2022 – £16,581,000).

	2023	2022	2023 £'000	2022 £'000
Dividends paid and payable in respect of the year:				
Interim dividend per ordinary share (paid 16 December 2022)	1.60p	1.52p	22,721	21,787
Proposed final dividend per ordinary share (payable 4 July 2023)	2.50p	2.07p	35,190	29,894
	4.10p	**3.59p**	**57,911**	**51,681**

9 Investments held at fair value through profit or loss

As at 31 March 2023	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equities/funds	9,347,981	–	–	**9,347,981**
Private company ordinary shares	–	–	838,482	**838,482**
Private company preference shares†	–	–	2,723,897	**2,723,897**
Private company convertible notes	–	–	113,692	**113,692**
Limited Partnership Investments	–	–	113,330	**113,330**
Contingent value rights	–	–	12,210	**12,210**
Total financial asset investments	**9,347,981**	**–**	**3,801,611**	**13,149,592**

As at 31 March 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equities/funds	12,473,650	–	–	**12,473,650**
Private company ordinary shares	–	–	609,779	**609,779**
Private company preference shares†	–	–	3,470,105	**3,470,105**
Private company convertible notes	–	–	38,853	**38,853**
Limited Partnership Investments	–	–	77,082	**77,082**
Total financial asset investments	**12,473,650**	**–**	**4,195,819**	**16,669,469**

During the period, no investments were transferred from Level 3 to Level 1 on becoming listed. The fair value of listed investments is bid value or, in the case of holdings on certain recognised overseas exchanges, last traded price. Listed Investments are categorised as Level 1 if they are valued using unadjusted quoted prices for identical instruments in an active market and as Level 2 if they do not meet all these criteria but are, nonetheless, valued using market data.

† 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 73. A sensitivity analysis by valuation technique of the unlisted securities is on page 91.

During the year, no investments (2022 – £300,549,000) were transferred from Level 3 to Level 1 on becoming listed.

	Listed securities * £'000	Private company securities † £'000	Private company bonds £'000	**Total £'000**
Cost of investments held at 1 April 2022	7,081,391	2,976,468	50,921	**10,108,780**
Fair value adjustment at 1 April 2022	5,392,259	1,180,498	(12,068)	**6,560,689**
Value of investments held at 1 April 2022	12,473,650	4,156,966	38,853	**16,669,469**
Movements in year:				
Purchases at cost	586,899	193,552	87,740	**868,191**
Sales – proceeds received	(1,589,631)	(8,182)	–	**(1,597,813)**
– gains/(losses)	452,446	5,365	–	**457,811**
Changes in fair value	(2,575,383)	(659,782)	(12,901)	**(3,248,066)**
Change in listing	–	–	–	**–**
Fair value of investments held at 31 March 2023	**9,347,981**	**3,687,919**	**113,692**	**13,149,592**
Cost of investments held at 31 March 2023	6,531,105	3,167,203	138,661	**9,836,969**
Fair value adjustment at 31 March 2023	2,816,876	520,716	(24,969)	**3,312,623**
Fair value of investments held at 31 March 2023	**9,347,981**	**3,687,919**	**113,692**	**13,149,592**

* Includes funds.

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

The purchases and sales proceeds figures above include transaction costs of £413,000 (2022 – £576,000) and £1,651,000 (2022 – £209,000) respectively.

	2023 £'000	2022 £'000
Net losses on investments designated at fair value through profit or loss on initial recognition		
Gains on sales	457,811	1,277,717
Changes in investment holding gains	(3,248,066)	(3,698,742)
	(2,790,255)	**(2,421,025)**

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 32 to 39.

As at 31 March 2023

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†	87.9%	31/03/2022	£5,840	(£36)
WI Harper Fund VII	Venture capital fund	Not applicable*	Not applicable	96.0%	31/12/2022	US$8,065	(US$2,260)

As at 31 March 2022

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	31/03/2021	£5,715	£871
WI Harper Fund VII	Venture capital fund	Not applicable*	Not applicable	82.9	31/12/2021	US$14,521	US$4,195

* 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.

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 July 2022) in relation to unlisted investments included in the thirty largest holdings disclosed on page 27. 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.

9 Investments held at fair value through profit or loss (continued)

As at 31 March 2023

Name	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)
Space Exploration Technologies	n/a	0.4	151,149	465,394	Nil	Information not publicly available		
Northvolt AB	n/a	4.8	315,653	440,521	Nil	Information not publicly available		
ByteDance Ltd	n/a	0.2	169,683	335,547	Nil	Information not publicly available		
The Brandtech Group	n/a	25.1	72,164	310,487	Nil	Information not publicly available		
Tempus Labs Inc	n/a	4.7	143,383	210,047	Nil	Information not publicly available		
Zipline International Inc	n/a	6.8	87,462	206,682	Nil	Information not publicly available		
Stripe Inc	n/a	0.6	209,617	201,319	Nil	Information not publicly available		
Epic Games Inc	n/a	1.0	139,594	130,896	Nil	Information not publicly available		

As at 31 March 2022

Name	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)
Northvolt AB	n/a	3.8	234,104	79,307	Nil	Information not publicly available		
Space Exploration Technologies	n/a	0.4	151,149	335,692	Nil	Information not publicly available		
The Brandtech Group	n/a	14.3	72,164	321,764	Nil	Information not publicly available		
ByteDance Ltd	n/a	0.2	169,683	314,560	Nil	Information not publicly available		
Blockchain.com	n/a	2.5	149,192	258,119	Nil	Information not publicly available		
Stripe Inc	n/a	0.3	138,329	250,176	Nil	Information not publicly available		
Tempus Labs Inc	n/a	3.7	104,976	198,661	Nil	Information not publicly available		
Zipline International Inc	n/a	7.5	87,462	153,359	Nil	Information not publicly available		

10 Debtors

	2023 £'000	2022 £'000
Amounts falling due within one year:		
Accrued income	5,824	3,375
Sales for subsequent settlement	5,044	6,450
Recoverable withholding tax	–	2,142
Other debtors and prepayments	1,169	1,175
	12,037	**13,142**

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

	2023 £'000	2022 £'000
The Royal Bank of Scotland International Limited 3 year fixed rate loan 2024	161,753	–
The Royal Bank of Scotland International Limited 5 year loan	–	37,975
National Australia Bank Limited 3 year loan	133,447	296,966
Scotiabank 3 year loan	80,876	75,950
Industrial and Commercial Bank of China 3 year loan	–	91,141
Other creditors and accruals	22,055	23,814
	398,131	**525,846**

Included in other creditors is £8,828,000 (2022 – £11,055,000) in respect of the investment management fee.

Borrowing facilities at 31 March 2023

A US$200 million fixed rate loan has been arranged with The Royal Bank of Scotland International Limited (repayable on 8 January 2024)

A 3 year US$350 million revolving loan facility has been arranged with National Australia Bank.

A 3 year US$100 million revolving loan facility has been arranged with Scotiabank.

A 5 year US$25 million revolving loan facility has been arranged with The Royal Bank of Scotland International Limited.

A 3 year US$120 million revolving loan facility has been arranged with Industrial and Commercial Bank of China Limited.

The revolving loan facilities are classified as due within one year due to the revolving nature of the facilities and the short draw down periods. The facilities are available until their termination dates which are in more than one year. The maturity table on page 90 reflects the termination dates of the revolving facilities.

At 31 March 2023 drawings were as follows:

National Australia Bank Limited	US$165 million (revolving facility expiring 20 September 2024) at an interest rate (at 31 March 2023) of 6.027% per annum
Scotiabank	US$100 million (revolving facility expiring 17 December 2024) at an interest rate (at 31 March 2023) of 6.215% per annum
The Royal Bank of Scotland International Limited	US$200 million (fixed rate loan repayable 8 January 2024 at an interest rate of 1.491% per annum)

At 31 March 2022 drawings were as follows:

The Royal Bank of Scotland International Limited	US$50 million (revolving facility expiring 27 August 2026) at an interest rate (at 31 March 2022) of 2.108% per annum
National Australia Bank Limited	US$391 million (revolving facility expiring 20 September 2024) at an interest rate (at 31 March 2022) of 2.184% per annum
Scotiabank	US$100 million (revolving facility expiring 17 December 2024) at an interest rate (at 31 March 2022) of 1.401% per annum
Industrial and Commercial Bank of China	US$120 million loan (revolving facility expiring 12 October 2024) at an interest rate (at 31 March 2022) of 1.588% per annum

During the period, the US$391 million revolving 3 year loan with NAB was reduced to a facility of US$350 million and US$185 million was repaid. The ICBC US$120 million revolving 3 year loan was repaid in full. The RBSI US$50 million revolving 5 year loan facility was repaid in full and subsequently reduced to a facility of US$25 million.

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 %	2023 £'000	2022 £'000
Debenture stocks:				
£75 million 6.875% debenture stock 2023			–	74,969
£50 million 6–12% stepped interest debenture stock 2026	12.0	10.8	51,537	51,915
£675,000 4½% irredeemable debenture stock			675	675
Unsecured loan notes:				
£30 million 2.91% 2038	2.91	2.91	29,969	29,967
£150 million 2.30% 2040	2.30	2.30	149,831	149,821
£50 million 2.94% 2041	2.94	2.94	49,945	49,942
£45 million 3.05% 2042	3.05	3.05	44,913	44,908
£30 million 3.30% 2044	3.30	3.30	29,941	29,938
£20 million 3.65% 2044	3.65	3.65	19,972	19,970
€18 million 1.65% 2045	1.65	1.65	15,797	15,192
£30 million 3.12% 2047	3.12	3.12	29,939	29,936
£90 million 2.96% 2048	2.96	2.96	89,896	89,892
€27 million 1.77% 2050	1.77	1.77	23,695	22,788
£100 million 2.03% 2036	2.03	2.03	99,927	99,922
£100 million 2.30% 2046	2.30	2.30	99,923	99,920
US$175 million 2.99% 2052	2.99	2.99	141,361	132,745
US$110 million 3.04% 2057	3.04	3.04	88,855	83,440
US$115 million 3.09% 2062	3.09	3.09	92,893	87,232
Long term bank loans:				
US$180 million RBSI 2.60% fixed rate loan 2026	2.60%	2.60%	145,579	136,712
US$200 million RBSI 1.49% fixed rate loan 2024	1.49%	1.49%	–	151,901
US$300 million Scotiabank 2.23% fixed rate loan 2026	2.23%	2.23%	242,570	227,771
Provision for deferred tax liability (see note below)			3,225	1,172
			1,450,443	**1,630,728**

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 £1,537,000 (2022 – £1,884,000) over nominal value. The debenture stocks are secured by a floating charge over the assets of the Company.

Unsecured loan notes
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 £1,152,000 (2022 – £829,000).

Long term bank loans
The long term bank loans are stated at the cumulative amount of net proceeds after issue. The cumulative effect is to reduce the carrying amount of borrowing by £60,000 (2022 – £78,000). The main covenants are detailed in note 11.

Provision for deferred tax liability
The deferred tax liability provision at 31 March 2023 of £3,225,000 (31 March 2022 – £1,172,000) 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

	2023 Number	2023 £'000	2022 Number	2022 £'000
Allotted, called up and fully paid ordinary shares of 5p each	1,407,618,528	70,381	1,444,131,650	72,207
Treasury shares of 5p each	77,162,352	3,858	40,649,230	2,032
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 2023, 36,513,122 shares with a nominal value of £1,825,000 were bought back at a total cost of £283,276,000 and held in treasury (2022 – 12,437,319 shares with a nominal value of £621,000 were bought back at a total cost of £157,597,000 and held in treasury). At 31 March 2023 the Company had authority to buy back 184,322,175 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 2023, the Company sold no treasury ordinary shares (31 March 2022 – 34,950,000 ordinary shares at a premium to net asset value, with a nominal value of £1,747,500 raising net proceeds of £518,246,000). At 31 March 2023 the Company had authority to issue or sell from treasury a further 144,405,056 ordinary shares (77,162,352 shares were held in treasury at 31 March 2023).

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 2022	74,239	928,400	19,094	13,717,685	16,581	**14,755,999**
Gains on sales	–	–	–	457,811	–	**457,811**
Changes in investment holding gains and losses	–	–	–	(3,248,066)	–	**(3,248,066)**
Exchange differences	–	–	–	20,381	–	**20,381**
Exchange differences on loans	–	–	–	(89,129)	–	**(89,129)**
Shares bought back into treasury	–	–	–	(283,276)	–	**(283,276)**
Shares sold from treasury	–	–	–	–	–	**–**
Investment management fee charged to capital	–	–	–	(35,953)	–	**(35,953)**
Finance costs of borrowings charged to capital	–	–	–	(66,612)	–	**(66,612)**
Tax charged to capital	–	–	–	(1,941)	–	**(1,941)**
Dividends paid in year	–	–	–	(36,004)	(16,581)	**(52,585)**
Revenue return after taxation	–	–	–	–	41,371	**41,371**
At 31 March 2023	**74,239**	**928,400**	**19,094**	**10,434,896**	**41,371**	**11,498,000**

The capital reserve includes investment holding gains of £3,312,623,000 (2022 – gains of £6,560,689,000) as disclosed in note 9. The Revenue Reserve and the Capital Reserve (to the extent it constitutes realised profits) are distributable.

15 Shareholders' funds

	2023 £'000	2022 £'000
Total shareholders' funds are attributable as follows:		
Equity shares	**11,498,000**	**14,755,999**

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

	2023	2022
Shareholders' funds attributable to ordinary shares (as above)	£11,498,000,000	£14,755,999,000
Number of ordinary shares in issue at the year end*	1,407,618,528	1,444,131,650
Shareholders' funds per ordinary share	**816.8p**	**1,021.8p**

* Excluding shares held in treasury.

16 Analysis of change in net debt

	At 1 April 2022 £'000	Cash flows £'000	Other non-cash changes £'000	Exchange movement £'000	At 31 March 2023 £'000
Cash at bank and in hand	229,962	(65,398)	–	20,381	184,945
Loans due within one year	(502,032)	322,150	(161,753)	(34,441)	(376,076)
Loans due in two to five years	(516,384)	–	161,732	(33,497)	(388,149)
Debenture stock due in over one year	(127,559)	75,000	347	–	(52,212)
Loan notes due in over five years	(985,613)	–	(53)	(21,191)	(1,006,857)
	(1,901,626)	**331,752**	**273**	**(68,748)**	**(1,638,349)**

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 59 and 60.

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 pages 48 and 76 respectively.

18 Contingencies, guarantees and financial commitments

At the year end the Company had capital commitments amounting to US$15,210,000 (2022 – US$11,193,000) in respect of subscription agreements.

Subscription agreement capital commitments

As at 31 March 2023	Expiry	Total commitment	Drawn down as at 31 March 2023	Remaining commitment at 31 March 2023
Sinovation Fund III, L.P.	31 December 2025	US$10.00 million	US$9.35 million	US$0.65 million
WI Harper Fund VIII, L.P.	31 July 2024	US$10.00 million	US$9.79 million	US$0.21 million
ARCH Venture Fund X, L.P.	3 December 2028	US$5.00 million	US$4.58 million	US$0.42 million
ARCH Venture Fund X Overage, L.P.	4 December 2028	US$5.00 million	US$4.78 million	US$0.22 million
ARCH Venture Fund XI, L.P.	27 January 2031	US$10.00 million	US$5.90 million	US$4.1 million
Antler East Africa Fund I L.P.	15 October 2033	US$3.00 million	US$0.84 million	US$2.16 million
ARCH Venture Fund XII, L.P.	4 April 2032	US$10.00 million	US$2.44 million	US$7.45 million

As at 31 March 2022	Expiry	Total commitment	Drawn down as at 31 March 2022	Remaining commitment at 31 March 2022
Sinovation Fund III, L.P.	31 December 2025	US$10.00 million	US$9.35 million	US$0.65 million
WI Harper Fund VIII, L.P.	31 July 2024	US$10.00 million	US$9.47 million	US$0.53 million
ARCH Venture Fund X, L.P.	3 December 2028	US$5.00 million	US$4.15 million	US$0.85 million
ARCH Venture Fund X Overage, L.P.	4 December 2028	US$5.00 million	US$4.35 million	US$0.65 million
ARCH Venture Fund XI, L.P.	27 January 2031	US$10.00 million	US$4.05 million	US$5.95 million
Antler East Africa Fund I L.P.	15 October 2033	US$3.00 million	US$0.44 million	US$2.56 million

The Company has committed to purchase US$33 million of Oddity Class A ordinary shares (2022 – commitments to purchase CHF54 million of Climeworks AG primary and secondary shares). Additionally, the Company may benefit from an earn-out if the share price of Ginkgo BioWorks reaches certain criteria.

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 79 to 82.

19 Financial instruments (continued)

Currency risk

Certain of the Company's assets, liabilities and income are denominated in currencies other than sterling (the Company's functional currency and that in which it reports its results). Consequently, movements in exchange rates may affect the sterling value of those items.

The Investment Managers monitor the Company's exposure to foreign currencies and report to the Board on a regular basis. The Investment Managers assess the risk to the Company of the foreign currency exposure by considering the effect on the Company's net asset value and income of a movement in the rates of exchange to which the Company's assets, liabilities, income and expenses are exposed. However, the country in which a company is listed is not necessarily where it earns its profits. The movement in exchange rates on earnings may have a more significant impact upon a company's valuation than a simple translation of the currency in which the company is quoted.

Foreign currency borrowings can limit the Company's exposure to anticipated future changes in exchange rates which might otherwise adversely affect the value of the portfolio of investments.

Exposure to currency risk through asset allocation, which is calculated by reference to the currency in which the asset or liability is quoted, is shown below.

As at 31 March 2023	Investments £'000	Cash and cash equivalents £'000	Loans, loan notes and debentures £'000	Other debtors and creditors £'000	**Net exposure £'000**
US dollar	9,342,453	179,333	(1,087,334)	2,616	**8,437,068**
Euro	2,495,452	–	(39,492)	793	**2,456,753**
Swedish krona	140,005	–	–	–	**140,005**
Hong Kong dollar	736,855	–	–	–	**736,855**
Indian rupee	109,692	111	–	(3,225)	**106,578**
Swiss franc	43,617	–	–	–	**43,617**
Total exposure to currency risk	**12,868,074**	**179,444**	**(1,126,826)**	**184**	**11,920,876**
Sterling	281,518	5,501	(696,468)	(13,427)	**(422,876)**
	13,149,592	**184,945**	**(1,823,294)**	**(13,243)**	**11,498,000**

As at 31 March 2022	Investments £'000	Cash and cash equivalents £'000	Loans, loan notes and debentures £'000	Other debtors and creditors £'000	**Net exposure £'000**
US dollar	12,015,005	224,292	(1,321,831)	(659)	**10,916,807**
Euro	2,557,254	–	(37,981)	787	**2,520,060**
Swedish krona	1,532,562	–	–	2,121	**1,534,683**
Hong Kong dollar	171,810	–	–	2,165	**173,975**
Indian rupee	101,717	–	–	(1,172)	**100,545**
Total exposure to currency risk	**16,378,348**	**224,292**	**(1,359,812)**	**3,242**	**15,246,070**
Sterling	291,121	5,670	(771,776)	(15,086)	**(490,071)**
	16,669,469	**229,962**	**(2,131,588)**	**(11,844)**	**14,755,999**

19 Financial instruments (continued)

Currency risk sensitivity

At 31 March 2023, if sterling had strengthened by 10% 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 10% 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 in 2022 was performed on the same basis but based on movements of 5%.

	2023 £'000	2022 £'000
US dollar	843,706	545,840
Euro	245,675	126,003
Swedish krona	14,000	76,734
Hong Kong dollar	73,685	8,699
Indian rupee	10,657	5,027
Other overseas currencies	4,361	–
	1,192,084	**762,303**

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 (see sensitivity analysis under 'Other price risk' on page 90).

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

	2023 Fair value £'000	2023 Weighted average interest rate	2023 Weighted average period until maturity*	2022 Fair value £'000	2022 Weighted average interest rate	2022 Weighted average period until maturity*
Cash and short term deposits:						
Other overseas currencies	179,444	4.25%	n/a	224,292	–	n/a
Sterling	5,501	3.50%	n/a	5,670	–	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:

	2023 £'000	2022 £'000
Floating rate – US$ denominated	214,323	502,032
Fixed rate – Sterling denominated	696,468	771,775
– US$ denominated	873,011	819,801
– Euro denominated	39,492	37,980
	1,823,294	**2,131,588**

The interest rates of the financial liabilities are disclosed in notes 11 and 12 on pages 83 and 84.

Maturity profile

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

	2023 Within 1 year £'000	2023 Between 1 and 5 years £'000	2023 More than 5 years £'000	2022 Within 1 year £'000	2022 Between 1 and 5 years £'000	2022 More than 5 years £'000
Repayment of loans, debentures and loan notes	161,753	652,531	1,008,721 *	75,000	1,068,494	988,179 *
Accumulated interest on loans, debentures and loan notes to maturity date	58,038	152,769	543,855	61,378	174,751	549,422
	219,791	**805,300**	**1,552,576**	**136,378**	**1,243,245**	**1,537,601**

* Includes £675,000 irredeemable debenture stock.

The revolving loan facilities are classified as due within one year due to the revolving nature of the facilities and the short draw down periods. The facilities are available until their termination dates which are in more than one year. The maturity table above reflects the termination dates of the revolving facilities.

Interest rate risk sensitivity

The effect of an increase or decrease of 100 basis points in bond yields as at 31 March 2023 on the fixed interest investments would have had no significant impact on the net assets or net return after taxation (2022 – nil). Interest rate movements may also impact upon the market value of the Company's investments outwith fixed income securities (see sensitivity analysis under 'Other price risk' below).

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.

A full list of the Company's investments is given on pages 32 to 39. 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.

81.3% (2022 – 84.5%) of the Company's net assets are invested in quoted investments. A 10% increase in quoted companies equity valuations at 31 March 2023 would have increased net assets and net return after taxation by £934,798,000 (2022 – £374,209,000). A decrease of 10% 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. The analysis in 2022 was performed on the same basis but based on movements of 3%.

19 Financial instruments (continued)

Other price risk sensitivity

33.1% (2022 – 28.4%) 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 73). 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 2023		Significant unobservable inputs*				
Valuation approach	Fair value as at 31 March 2023 £'000	Key unobservable inputs	Other unobservable inputs†	Range	Sensitivity %	Sensitivity to changes in significant unobservable inputs
Market approach using comparable traded multiples	1,029,234	EV / LTM revenue multiple#	a,b,c,d	1.4x–23.1x	10%	If EV/LTM multiples changed by +/-10%, the fair value would change by £79,059,482 and -£79,261,466.
		EV / NTM revenue multiple‡	a,b,c,d	3.5x–4.7x	10%	If EV/NTM multiples changed by +/-10%, the fair value would change by £6,243,966 and -£6,233,154.
		Valuation Premium and Discounts	g	(18.7%)–6.4%	10%	If the transaction implied premium/ discount is changed by +/-10%, the fair value would change by £9,212,889 and -£9,233,101.
Benchmark performance	1,393,438	Selection of comparable companies and relevant indices¶	a,b,c,f	(32.3%)–23.1%	10%	If input comparable company performance changed by +/- 10%, the fair value would change by £110,326,267 and -£96,251,706.
Sum of the parts^	310,487	EV/LTM revenue multiple#	a,b,c,d	1.3x–4.5x	10%	If EV/LTM multiples and input comparable company performance changed by +/-10%, the fair value would change by +/-£13,587,192.
Net Asset Value**	72,880	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 +/-£7,288,028.
Price of expected transaction	293	Execution risk discount	h	n/a	10%	If the execution risk changed by +/- the fair value would change +/-£29,321.
Recent transaction price	983,069	n/a	a,b	n/a	n/a	

† See explanation for other unobservable inputs on page 93 (sections 'a' to 'f' as relevant).

Enterprise value divided by the last twelve months revenue.

‡ Enterprise value divided by the next twelve months forecast revenue.

¶ See explanation for the selection of comparable companies on page 93 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.

19 Financial instruments (continued)

Other price risk sensitivity (continued)

As at 31 March 2022 Valuation approach	Fair value as at 31 March 2022 £'000	Significant unobservable inputs* Key unobservable inputs	Other unobservable inputs†	Range	Sensitivity %	Sensitivity to changes in significant unobservable inputs
Market approach using comparable trading multiples	1,443,938	EV/LTM revenue multiple#	a,b,c,d	0.9x–11.9x	10%	If EV/LTM multiples changed by +/-10%, the fair value would change by £112,448,412 and -£113,390,168
		EV/NTM revenue multiple‡	a,b,c,d	3x–6.1x	10%	If EV/NTM multiples changed by +/-10%, the fair value would change by £1,246,796 and -£1,246,047
		Discount for lack of marketability	e	(14.8%)–47.1%	10%	If the transaction implied premium/ discount is changed by +/-10%, the fair value would change by £6,214,476 and -£3,900,199
Benchmark performance	1,548,236	Selection of comparable companies and relevant indices¶	a,b,c,f	(39.1%)–12.1%	10%	If input comparable company performance changed by +/-10%, the fair value would change by £118,096,239 and -£116,487,902
Recent transaction price	699,367	n/a	a,b	n/a	n/a	n/a
Sum of the parts^	427,196	EV/LTM revenue multiple# Selection of comparable companies¶	a,c,d	4.9x (8.9%)–(24.1%)	10%	If EV/LTM multiples and input comparable company performance changed by +/-10%, the fair value would change by £25,842,681 and -£25,842,663
Net Asset Value**	77,082	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 by +/-£7,708,230

† See explanation for other unobservable inputs on page 93 (sections 'a' to 'f' as relevant).

Enterprise value divided by the last twelve months revenue.

‡ Enterprise value divided by the next twelve months forecast revenue.

¶ See explanation for the selection of comparable companies on page 93, 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 73.

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.

(g) Valuation premium and discount

The application of valuation premiums and discounts are applied through the calibration of a valuation to the most recent transaction, determining how each investment is pricing against its selection of comparable companies. Where a calibrated approach is not appropriate a liquidity discount is applied, typically at 10%, reflecting that most of the investments held are substantial companies with some secondary market activity.

(h) Execution risk

An execution risk discount is applied to all investments where an arm's-length transaction is due to take place, however, hasn't closed prior to the reporting period end. The discount typically applied is 10%, acknowledging that the finer details of the round may well still be negotiated which could impact the expected issue price. In valuing in line with an expected transaction the arm's-length nature of the deal has been assessed and legal documentation received.

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 70.1% 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 90.

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 Depositary 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:

	2023 £'000	2022 £'000
Fixed interest investments	–	–
Cash and short term deposits	184,945	229,962
Debtors	11,832	12,970
	196,777	**242,932**

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

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:

19 Financial instruments (continued)

	2023 Par/nominal £'000	2023 Book £'000	2023 Fair £'000	2022 Par/nominal £'000	2022 Book £'000	2022 Fair £'000
6.875% debenture stock 2023	–	–	–	75,000	74,969	77,021
6 –12% stepped interest debenture stock 2026	50,000	51,537	59,830	50,000	51,915	68,537
4½% irredeemable debenture stock	675	675	548	675	675	880
Total debentures	**50,675**	**52,212**	**60,378**	**125,675**	**127,559**	**146,438**
£30 million 2.91% 2038	30,000	29,969	21,847	30,000	29,967	28,032
£150 million 2.30% 2040	150,000	149,831	96,370	150,000	149,821	128,180
£50 million 2.94% 2041	50,000	49,945	33,735	50,000	49,942	45,154
£45 million 3.05% 2042	45,000	44,913	30,414	45,000	44,908	41,209
£30 million 3.30% 2044	30,000	29,941	20,569	30,000	29,938	28,513
£20 million 3.65% 2044	20,000	19,972	14,547	20,000	19,970	20,064
€18 million 1.65% 2045	15,816	15,797	9,645	15,211	15,192	12,987
£30 million 3.12% 2047	30,000	29,939	19,262	30,000	29,936	27,635
£90 million 2.96% 2048	90,000	89,896	55,262	90,000	89,892	80,451
€27 million 1.77% 2050	23,724	23,695	14,014	22,817	22,788	19,178
£100m 10/08/2036 2.03%	100,000	99,927	67,706	100,000	99,922	84,478
£100m 10/08/2046 2.30%	100,000	99,923	54,353	100,000	99,920	78,216
US$175m 19/01/2052 2.99%	141,534	141,361	97,919	132,913	132,745	119,579
US$110m 19/01/2057 3.04%	88,964	88,855	59,834	83,545	83,440	74,497
US$115m 19/01/2062 3.09%	93,008	92,893	61,248	87,343	87,232	77,332
Total unsecured loan notes	**1,008,046**	**1,006,857**	**656,725**	**986,829**	**985,613**	**865,505**
Fixed rate bank loans	549,962	549,902	511,383	516,462	516,384	487,710
Floating rate loans		214,323	214,323		502,032	502,032
Total borrowings		**1,823,294**	**1,442,809**		**2,131,588**	**2,001,685**

All short term floating rate borrowings are stated at fair value, which is considered to be equal to their par value.

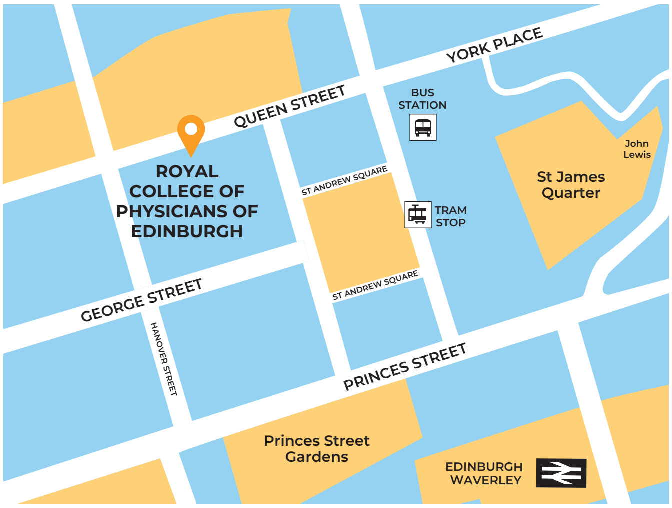
Deducting long term borrowings at fair value would have the effect of increasing the net asset value per share from 816.8p to 843.9p. Taking the market price of the ordinary shares at 31 March 2023 of 678.6p, this would have given a discount to net asset value of 19.6% as against a discount of 16.9% on a debt at book basis. At 31 March 2022 the effect would have been to increase the net asset value from 1,021.8p to 1,030.8p. Taking the market price of the ordinary shares at 31 March 2022 of 1,026p, this would have given a discount to net asset value of 0.5% as against a premium of 0.4% 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 816.8p to 816.9p. Taking the market price of the ordinary shares at 31 March 2023 of 678.6p, this would have given a discount to net asset value of 16.9% as against a premium of 16.9% on a debt at book basis. At 31 March 2022 the effect would have been to increase the net asset value per share from 1,021.8p to 1,021.9p. Taking the market price of the ordinary shares at 31 March 2022 of 1,026p, this would have given a premium to net asset value of 0.4% as against a premium of 0.4% 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 40. 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 42 and 43 and on page 56. The Company has the authority to issue and buy back its shares (see page 41) 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



The Annual General Meeting of the Company will be held at Royal College of Physicians of Edinburgh, 9 Queen Street, Edinburgh, EH2 1JQ, Tuesday, 27 June 2023, at 4.30pm.

If you have any queries as to how to vote or how to attend the meeting, please call us on 0800 917 2112.

Baillie Gifford may record your call.

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 23 June 2023. We would encourage shareholders to monitor the Company's website at scottishmortgage.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 Royal College of Physicians of Edinburgh, 9 Queen Street, Edinburgh, EH2 1JQ, Tuesday, 27 June 2023, at 4.30pm for the purposes of considering and, if thought fit, passing the following Resolutions, of which Resolutions 1 to 12, and 14 will be proposed as Ordinary Resolutions and Resolutions 13 and 15 will be proposed as Special Resolutions. Resolution 14 comprises 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 2023, together with the Reports of the Directors and the Independent Auditors' report thereon.
2. To approve the Directors' Remuneration Policy.
3. To approve the Directors' Annual Report on Remuneration for the financial year ended 31 March 2023.
4. To declare a final dividend of 2.50p per Ordinary Share.
5. To re-elect Mr LJ Dowley as a Director of the Company.
6. To re-elect Mr M FitzPatrick as a Director of the Company.
7. To re-elect Professor PH Maxwell as a Director of the Company.
8. To elect Ms S Flood as a Director of the Company.
9. To elect Mr V Kumaraswamy as a Director of the Company.
10. 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.
11. To authorise the Directors to determine the remuneration of the Independent Auditors of the Company.
12. 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 £7,038,092.60; 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 27 September 2024 or, if earlier, at the conclusion of the Annual General Meeting of the Company to be held in 2024 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.

13. That, subject to the passing of Resolution 12 above, 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 £7,038,092.60;

(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.

14. 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.

15. 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 211,002,017 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 2024, save that the Company may, prior to the expiry of such authority, enter into a contract or contracts to purchase ordinary shares under such authority which will or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of ordinary shares pursuant to any such contract or contracts.

By order of the Board
Baillie Gifford & Co Limited
Company Secretaries
25 May 2023

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 scottishmortgage.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 12 May 2023 (being the last practicable date prior to the publication of this notice) the Company's issued share capital consisted of 1,407,618,528 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 12 May 2023 were 1,407,618,528 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 5 to 7 – Directors standing for re-election

Mr LJ Dowley, Mr M FitzPatrick and Professor PH Maxwell 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 53.

Resolutions 8 and 9 – appointment of new Directors – Sharon Flood and Vikram Kumaraswamy

The Board reviewed its succession planning during the year and engaged an external search consultancy, Nurole, to recruit additional Non-Executive Directors to maintain the broad range of experience that is particularly valuable when supporting and challenging the Managers. Nurole was appointed after a full and thorough selection process undertaken by the Board, at the commencement of which process. Mr Dowley had disclosed to the Board that his family co-owned a property with one of the directors at Nurole. The Board considered the disclosure and the proposed terms of appointment and was satisfied there was no conflict of interest and proceeded to appoint Nurole. Nurole 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 existing and prospective Directors and with particular regard to the Parker Review recommendations. Following the conclusion of this process, it was announced on 3 May 2023 that Ms Sharon Flood and Mr Vikram Kumaraswamy will be appointed to the Board with effect from 17 May 2023. The Board believes that Ms Flood's and Mr Kumaraswamy's knowledge and experience will be of great benefit to the Company and is satisfied that, after reviewing their other commitments, they will be able to devote sufficient time to the Company.

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

Justin Dowley is a former international investment banker and was appointed a Director in 2015 and is Senior Independent Director. 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 deputy chairman of The Takeover Panel, the Chairman of Melrose Industries plc and a non-executive director of a number of private companies.

Mark FitzPatrick was Group Chief Executive Officer of Prudential plc until February 2023. Prior to this he was the Group Financial Officer and Chief Operating Officer of Prudential plc from 2017 to 2022. Mark led the Prudential's Group Executive Committee, was a member of its Board, and had overall responsibility for the executive management and leadership of the business. He was appointed to the Board on 5 October 2021 and became Chair of the Audit Committee on 1 April 2022. Prior to joining Prudential in 2017, Mark was a Managing Partner at Deloitte and a member of the Executive Committee. He was Vice Chairman of Deloitte between 2011 and 2015. Mark previously led Deloitte's insurance & investment management audit practice and its insurance industry practice. He worked at Deloitte for 26 years, advising global insurance and investment management clients.

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 has made important research discoveries concerning how cells sense oxygen. 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, Cambridge University Hospitals NHS Foundation Trust, Cambridge Enterprise and the International Biotechnology Trust.

Sharon Flood is a non-executive director of Getlink SE, where she is Chair of Safety and Security, and Pets at Home PLC, where she is Chair of the Remuneration Committee and formerly Chair of the Audit Committee. Sharon previously served as Chair of Seraphine Group PLC and S T Dupont SA, and as non-executive director and Chair of the Audit Committees at Crest Nicolson PLC, and Network Rail. A Fellow of the Chartered Institute of Management Accountants, Sharon has also held leadership roles at Sun European Partners and the John Lewis Partnership. She is currently a Trustee of the University of Cambridge and formerly a Trustee of both the Science Museum Group and Shelter.

Vikram Kumaraswamy is the Head of Strategy and Corporate Development at Unilever. He leads portfolio development and capital allocation for the group, with responsibility for strategy, M&A sourcing and execution, competitor intelligence and corporate venturing. A chartered accountant, Vikram was responsible for significant changes to Unilever's portfolio, positioning the company for superior long-term growth and involved in other strategic transformation initiatives. Vikram was previously CFO of PT Unilever Indonesia Tbk, based in Jakarta.

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 scottishmortgage.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 scottishmortgage.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

	2023 Number of shares held	2023 %	2022 Number of shares held	2022 %
Institutions	230,164,732	16.3	257,074,913	17.8
Intermediaries*	1,073,423,558	76.3	1,111,536,621	77.0
Individuals	63,086,630	4.5	59,612,412	4.1
Marketmakers	40,943,608	2.9	15,907,704	1.1
	1,407,618,528	**100.0**	**1,444,131,650**	**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 106 to 108) at 31 March 2023 are shown below:

	Gross method	Commitment method
Maximum limit	250:1	200:1
Actual	116:1	116:1

Investing in Scottish Mortgage

Information on how to invest in Scottish Mortgage can be found at scottishmortgage.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.
- Share prices may either be below (at a discount) or above (at a premium) the net asset value ('NAV'). The Company may issue new shares when the price is at a premium which will reduce the share price. Shares bought at a premium may have a greater risk of loss than those bought at a discount.
- 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.

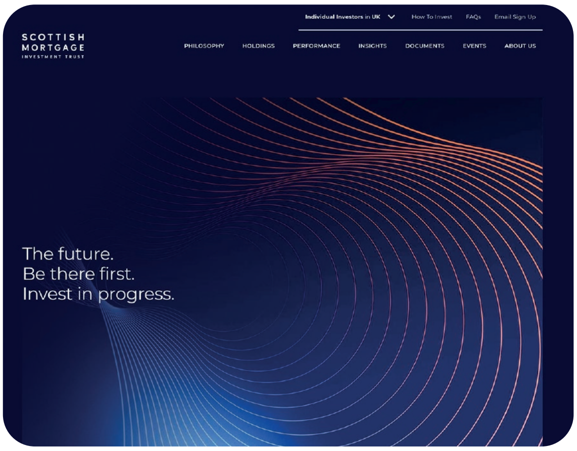
Scottish Mortgage Investment Trust is listed on the London Stock Exchange and is not authorised or regulated by the Financial Conduct Authority.

Further details of the risks associated with investing in the Company, including how charges are applied, can be found at scottishmortgage.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 [scottishmortgage.com]

[Trust Magazine]

Promoting Scottish Mortgage

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

This year Scottish Mortgage took a step forward in communicating with its shareholders. The Company was rebranded, and a new digital offering was introduced. The improvements were designed to provide greater levels of information and insights and allow for more self-service. The digital platform is scalable and better equipped to fulfil the needs of a growing number of shareholders based outside the UK.

Scottish Mortgage website

www.scottishmortgage.com

A one-stop-shop for all Scottish Mortgage-related content. The aim is to provide shareholders with the information they require at the point of need.

The website includes key information about the strategy, portfolio, performance, along with insights and upcoming events. In addition, webinar recordings are placed on the website so that shareholders can hear the views of the managers at a convenient time. As with all new websites, it will evolve over time and shareholders should expect to see new insightful and creative content on an ongoing basis.

The website includes an email sign up so that visitors to the site can opt-in to keeping up to date on news from the trust.

Social media

Dedicated LinkedIn, Twitter and YouTube channels have been launched. The Company is thinking differently about its communications strategy. It will use bespoke content across different platforms to meet the needs of its shareholders as well as engaging with and learning more about persons interested in Scottish Mortgage.

Invest in progress – podcast

A new podcast where Managers Tom Slater and Lawrence Burns speak to the founders and leaders of portfolio companies that are shaping the future of the modern economy. In the first series, launched in January 2023, subscribers can hear from those developing new treatments for cancer and Alzheimer's, drone delivery, growing meat from animal cells, and transforming ecommerce and the payments ecosystem.

The podcast is available on all major platforms including Spotify and Apple Podcasts.

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.

During the year the Managers presented to audiences in both London and Edinburgh. The Board and Managers are pleased to inform you that further Forum events are being planned and updates will be provided via the events section of the website.

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: scottishmortgage.com
Email: scottishmortgage@bailliegifford.com

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

London Stock Exchange Group plc and its group undertakings (collectively, the 'LSE Group'). ©LSE Group 2023. FTSE Russell is a trading name of certain LSE Group companies. 'FTSE®', 'Russell®', 'FTSE Russell®', is/are a trade mark(s) of the relevant LSE Group companies and is/are used by any other LSE Group company under license. All rights in the FTSE Russell indexes or data vest in the relevant LSE Group company which owns the index or the data. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. No further distribution of data from the LSE Group is permitted without the relevant LSE Group company's express written consent. The LSE Group does not promote, sponsor or endorse the content of this communication.

Sustainable Finance Disclosure Regulation ('SFDR')

The EU Sustainable Finance Disclosure Regulation ('SFDR') does not have a direct impact in the UK due to Brexit, however, it applies to third-country products marketed in the EU. As Scottish Mortgage is marketed in the EU by the AIFM, BG & Co Limited, via the National Private Placement Regime ('NPPR') the following disclosures have been provided to comply with the high-level requirements of SFDR.

The AIFM has adopted Baillie Gifford & Co's Governance and Sustainable Principles and Guidelines as its policy on integration of sustainability risks in investment decisions.

Baillie Gifford & Co's approach to investment is based on identifying and holding high quality growth businesses that enjoy sustainable competitive advantages in their marketplace. To do this it looks beyond current financial performance, undertaking proprietary research to build up an in-depth knowledge of an individual company and a view on its long-term prospects. This includes the consideration of sustainability factors (environmental, social and/or governance matters) which it believes will positively or negatively influence the financial returns of an investment.

More detail on the Managers' approach to sustainability can be found in the Governance and Sustainability Principles and Guidelines document, available publicly on the Baillie Gifford website bailliegifford.com.

Taxonomy regulation

The Taxonomy Regulation establishes an EU-wide framework or criteria for environmentally sustainable economic activities in respect of six environmental objectives. It builds on the disclosure requirements under the SFDR by introducing additional disclosure obligations in respect of alternative investment funds that invest in an economic activity that contributes to an environmental objective.

The Company does not commit to make sustainable investments as defined under SFDR. As such, the underlying investments do not take into account the EU criteria for environmentally sustainable economic activities.

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

This is the Company's definition of Adjusted Total Assets, being the total value of all assets held less all liabilities (other than liabilities in the form of 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 95.

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 95 and a reconciliation to Net Asset Value with borrowings at book value is provided below.

	31 March 2023	31 March 2022
Net Asset Value per ordinary share (borrowings at book value)	816.8p	1,021.8p
Shareholders' funds (borrowings at book value)	£11,498,000k	£14,755,999k
Add: book value of borrowings	£1,823,294k	£2,131,588k
Less: fair value of borrowings	(£1,442,809k)	(£2,001,685k)
Net Asset Value (borrowings at fair value)	£11,878,485k	£14,885,902k
Shares in issue at year end (excluding treasury shares)	1,407,618,528	1,444,131,650
Net Asset Value per ordinary share (borrowings at fair value)	843.9p	1,030.8p

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 95 and a reconciliation to Net Asset Value with borrowings at book value is provided below.

	31 March 2023	31 March 2022
Net Asset Value per ordinary share (borrowings at book value)	816.8p	1,021.8p
Shareholders' funds (borrowings at book value)	£11,498,000k	£14,755,999k
Add: allocation of interest on borrowings	£1,716k	£2,207k
Less: expenses of debenture/loan note issue	(£1,429k)	(£1,228k)
Net Asset Value (borrowings at par value)	£11,498,332k	£14,756,978k
Shares in issue at year end (excluding treasury shares)	1,407,618,528	1,444,131,650
Net Asset Value per ordinary share (borrowings at par value)	816.9p	1,021.9p

Net Liquid Assets

Net liquid assets comprise current assets less current liabilities, excluding borrowings and provisions for deferred liabilities.

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.

		2023 NAV (book)	2023 NAV (fair)	2022 NAV (book)	2022 NAV (fair)
Closing NAV per share	(a)	816.8p	843.9p	1,021.8p	1,030.8p
Closing share price	(b)	678.6p	678.6p	1,026p	1,026p
(Discount)/premium ((b) - (a)) ÷ (a)		**(16.9%)**	**(19.6%)**	**0.4%**	**(0.5%)**

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 69 is provided below.

		2023	2022
Investment management fee		£35,953k	£51,647k
Other administrative expenses		£5,861k	£6,818k
Total expenses	(a)	£41,814k	£58,465k
Average net asset value (with borrowings deducted at fair value)	(b)	£12,458,941k	£18,094,508k
Ongoing charges ((a) ÷ (b) expressed as a percentage)		**0.34%**	**0.32%**

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.

Invested 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 2023	31 March 2022
Borrowings (at book value)		£1,823,294k	£2,131,588k
Less: cash and cash equivalents		(£184,945)	(£229,962k)
Less: sales for subsequent settlement		(£5,044k)	(£6,450k)
Add: purchases for subsequent settlement		–	–
Adjusted borrowings	(a)	£1,633,305k	£1,895,176k
Shareholders' funds	(b)	£11,498,000k	£14,755,999k
Gearing: (a) as a percentage of (b)		**14%**	**13%**

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

		31 March 2023	31 March 2022
Borrowings (at book value)	(a)	£1,823,294k	£2,131,588k
Shareholders' funds	(b)	£11,498,000k	£14,755,999k
Potential gearing: (a) as a percentage of (b)		**16%**	**14%**

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.

		2023 NAV (book)	2023 NAV (fair)	2023 Share price	2022 NAV (book)	2022 NAV (fair)	2022 Share price
Closing NAV per share/share price	(a)	816.8p	843.9p	678.6p	1,021.8p	1,030.8p	1,026.0p
Dividend adjustment factor*	(b)	1.0045	1.0045	1.0047	1.0026	1.0026	1.0029
Adjusted closing NAV per share/share price	(c = a x b)	820.5	847.7	681.8	1,024.2p	1,033.5p	1,029.0p
Opening NAV per share/share price	(d)	1,021.8p	1,030.8p	1,026.0p	1,195.1p	1,190.0p	1,137.0p
Total return	(c ÷ d)-1	**(19.7%)**	**(17.8%)**	**(33.5%)**	**(14.3%)**	**(13.1%)**	**(9.5%)**

* The dividend adjustment factor is calculated on the assumption that the dividends of 3.67p (2022 – 3.49p) 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.

Compound Annual Return (APM)

The compound annual return converts the return over a period of longer than one year to a constant annual rate of return applied to the compound value at the start of each year.

Private (Unlisted) Company

An unlisted or private company means a company whose shares are not available to the general public for trading and are not listed on a stock exchange.

Directors
Chair: FC McBain ACA

LJ Dowley FCA
MT FitzPatrick CA
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
45 Gresham Street
London EC2V 7BF

Jefferies Hoare Govett
Vintners Place
68 Upper Thames Street
London EC4V 3BJ

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

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scottishmortgage@bailliegifford.com
Company Registration No. SC007058
ISIN GB00BLDYK618
Sedol BLDYK61
Ticker SMT
Legal Entity Identifier: 213800G37DCS3Q9IJM38

Further Information
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Your call may be recorded
trustenquiries@bailliegifford.com

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