Annual Report and Financial Statements

30 September 2024

Keystone Positive Change Investment Trust plc

Managed by

Baillie Gifford™

Investor disclosure document

The UK Alternative Fund Managers Regulations require 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 **keystonepositivechange.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 Financial Conduct Authority ('FCA'). They are not authorised or regulated by the FCA.

Keystone Positive Change 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 FCA in relation to non-mainstream investment products.

This document is important and requires your immediate attention.

If you reside in the United Kingdom and 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 adviser authorised under the Financial Services and Markets Act 2000 immediately. If you reside outside the United Kingdom, you should consult an appropriately authorised financial adviser.

If you have sold or otherwise transferred all of your ordinary shares in Keystone Positive Change 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.

Baillie Gifford™

Contents

Keystone Positive Change's objective is to generate long-term capital growth with the aim of the NAV total return exceeding that of the MSCI AC World Index ('ACWI') in sterling terms by at least 2% per annum over rolling five-year periods; and contribute to a more sustainable and inclusive world by investing in companies whose products or services make a positive social or environmental impact.

Financial highlights

Year to 30 September 2024

Share price*

+13.5%

NAV*

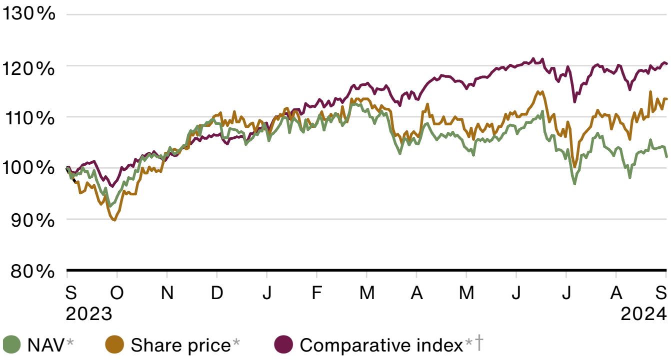
+2.2%

Comparative index*†

+20.4%

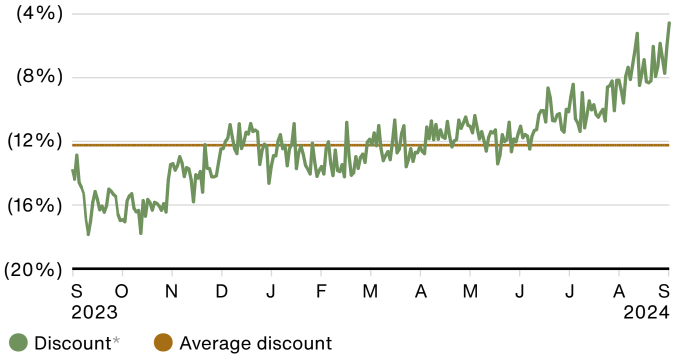
NAV, share price and comparative index total return

(figures rebased to 100 at 30 September 2023)



Discount to NAV

(figures plotted on a daily basis)



Performance

Total returns* to 30 September 2024 (%)	1 year	3 years	5 years	10 years
Share price	13.5	(31.7)	(17.7)	(10.8)
NAV	2.2	(28.9)	(29.1)	(13.4)
Comparative index†	20.4	28.8	33.7	85.7

* Source: LSEG/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 132 to 135. 'NAV' is net asset value per share with debt at market value.

† The MSCI All Country World Index (in sterling terms) is the principal index against which performance is measured with effect from 11 February 2021. Prior to that it was the FTSE All-Share. For the purposes of the above table, the returns on both comparative indices for their respective periods have been linked to form a single comparative index.

Past performance is not a guide to future performance. Baillie Gifford & Co Limited were appointed as the Company's Managers and Secretaries with effect from 11 February 2021.

Strategic report

This strategic report, which includes pages 5 to 47 and incorporates the Chair's statement, has been prepared in accordance with the Companies Act 2006.

Chair's statement

Karen Brade

Chair

Appointed to the Board in 2018, and as Chair in 2019

Since February 2021, Keystone Positive Change Investment Trust plc ('Keystone Positive Change', 'Keystone' or 'the Company') has had two objectives of equal importance: to generate attractive long-term capital returns through investment in public and private markets and to contribute towards a more sustainable and inclusive world by investing in companies whose products or services make a positive social or environmental impact. The Positive Change team at Baillie Gifford has an investment horizon of five years and beyond to allow these structural themes to play out. It is therefore disappointing to write to shareholders in the knowledge that the Company may not survive beyond its fourth anniversary of adopting this strategy.

Performance

Over the year to 30 September 2024, the Company's net asset value ('NAV') total return was +2.2% compared to +20.4% for its benchmark, the MSCI All Country World Index (in sterling terms). Over the same period, the share price total return was +13.5%.

The first half of the year, to 31 March 2024, offered encouraging signs of improved performance, with total returns of +10.7% for the NAV, +13.5% for the share price and +16.3% for the comparative index. The second half of the year proved more challenging, with the NAV losing much of its first half gain and the share price remaining flat.

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Since the Company adopted its investment strategy in February 2021, NAV total return (to 30 September 2024) has been -26.9%, share price total return -29.2%, while the index has delivered +40.3% over the same period. The Board recognises that these shareholder returns are very disappointing and that in order to meet the Company's investment objective of the NAV total return exceeding that of the MSCI All Country World Index in sterling terms by at least 2% per annum over rolling five-year periods, the portfolio would have to deliver significant outperformance for the two years to 30 September 2026 to make up the accumulated shortfall. The Board has, of course, been monitoring performance from the outset, and the Positive Change strategy has historically succeeded in delivering such outsize returns, most recently while benefiting from the pandemic recovery, when portfolio companies such as Moderna were producing life-saving vaccines on an unprecedentedly expedited timeline. The Company repositioned the portfolio in line with the current investment strategy at a peak valuation point for growth stocks and since then the macroeconomic environment has been far less supportive of early-stage, innovative businesses of the type that form this Company's investment universe. Such companies are, the Board believes, essential for the world to see the climate, biodiversity and social progress that it needs, but have been out of favour with investors.

Commentary on the performance of individual companies held in the portfolio during the last twelve months is provided in the Managers' Review.

Scheme of Reconstruction

On 9 September 2024, following a series of meetings with the Company's brokers and Managers, the Company released an announcement indicating that, although the Board remained confident in the long-term prospects for the strategy, it recognised that there had been a challenging period of performance during a difficult backdrop for the investment trust sector. It noted that over the previous 12 months the Board had taken several steps with a view to enhancing value for shareholders including introducing a share buyback programme, setting a continuation vote for February 2027 and increasing marketing activity. It nonetheless concluded that the interests of shareholders might be best served by implementing a transaction in the near term to address the size of the Company, the low liquidity in the Company's shares and the discount at which they have been trading, while enabling shareholders to retain exposure to a global impact strategy.

As indicated in that announcement, the Board then consulted more widely with shareholders and explored the Company's options, including a rollover into the Baillie Gifford Positive Change Fund, an FCA authorised open-ended investment company with assets of c.£1.8bn, substantially all of which is invested in the same portfolio of listed equities as the Company. During that process, particular attention was paid to addressing the illiquidity of the Company's five private company investments, which comprised 3.6% of total assets as at 30 September 2024.

On 30 September 2024, the Company released an announcement confirming that, having considered additional feedback from shareholders, and the Company's options to retain exposure to a global impact strategy, the Board had decided to propose a Scheme of Reconstruction and winding-up of the Company (the 'Scheme') under which shareholders would have the option to receive shares in the Baillie Gifford Positive Change Fund, or an uncapped cash exit at a modest discount to the formula asset value (the 'FAV') calculated for the purposes of the Scheme.

The detailed proposals in respect of the Scheme are contained in a separate Circular and shareholders are directed towards that document for the calculation of their entitlements under the Scheme. In view of this proposal, no Notice of Annual General Meeting is included in this Annual Report and Financial Statements for the year to 30 September 2024. Shareholders are encouraged to vote their shares at the General Meetings to be held in respect of the Scheme and as set out in the Circular.

Impact

The Company invests in listed and private companies that address a social or environmental challenge. Companies held in the portfolio must be positioned to make a significant contribution to solutions in one of four impact areas: social inclusion and education; environment and resource needs; healthcare and quality of life; and base of the pyramid (addressing the needs of the poorest four billion people in the world).

For a company to merit inclusion in the portfolio, it must meet both the anticipated financial return hurdle and the impact criteria. Further details of the Managers' approach are provided in their Review on the following pages.

In August 2024, the Company published its third Impact Report, monitoring and measuring the impact that the products and services provided by companies within the portfolio are having on society and the environment. The Impact Report is available on the Company's **website**, together with its companion document **Positive Conversations**, which outlines engagement on investee companies' business practices.

Amid a backdrop of uncertainty, the Board continues to believe that investing for positive change is both important and full of opportunity and hopes that shareholders will carefully consider the option to rollover their holding in this Company to the Baillie Gifford Positive Change Fund, which has also adopted a Sustainability Impact label, as set out in the Scheme of Reconstruction detailed above.

Discount

Over the year to 30 September 2024 the discount narrowed from 14.0% to 4.6%, although the Board recognises that this improvement in rating is primarily a function of the announcements made on 9 and 30 September, which are discussed above, rather than a sign of renewed market enthusiasm for the investment strategy.

During the year the Board commenced a buyback programme to provide additional liquidity for shareholders seeking an exit and unable to find it through natural market channels. The Company bought back 2,635,645 shares representing 4.3% of share capital at a cost of £5.8 million and an average discount of 12.8%. Although such transactions are accretive to NAV per share for ongoing shareholders, adding approximately 0.5% over the period, the Directors weighed this benefit against concerns regarding the impact of asset shrinkage on the ongoing charges ratio and medium-term reduction in liquidity in the Company's shares when assessing the appropriate quantum.

Gearing

The Company started the financial year with net gearing of 10.1%, having drawn down £15 million of a £25 million multi-currency revolving credit facility provided by The Royal Bank of Scotland International Limited. This facility expired at the end of August 2024 and was replaced by a £20 million uncommitted facility with The Bank of New York Mellon (International) Limited.

At 30 September 2024, net gearing stood at 8.7%, with the only adjustments to drawings being currency rebalancing on the US$ tranche but slightly higher retained cash balances reducing net gearing exposure. The Company is expected to continue to maintain a modest level of structural gearing, which should enhance shareholder returns, for as long as remains practicable within the context of the proposed Scheme of Reconstruction.

Costs

Under the current management arrangements, the annual management fee is 0.70% on the first £100 million of market capitalisation, 0.65% on the next £150 million of market capitalisation and 0.55% on the remaining market capitalisation. As the fee is calculated on market capitalisation, the Managers receive a smaller fee when the Company's shares are trading at a discount to NAV than they would if the fee was charged on net assets.

Ongoing charges for the year to 30 September 2024 were 1.02% (2023 – 0.90%), with the increase being attributable to both the decline in the asset base noted above and one-off professional fees incurred with respect to the 2024 AGM; the recruitment of a new Director, from which we will unfortunately not now be able to benefit; and renewal of the loan facility.

Dividend

The Company's capital growth-focused portfolio is not selected to generate a significant or regular income stream. Dividends will be paid only to the extent needed to maintain the Company's investment trust status. In accordance with the dividend policy, the Board is declaring an interim dividend of 0.10p per share (2023 – 0.45p per share) in lieu of a final dividend in respect of the year to 30 September 2024. A further interim dividend of 0.35p per share, calculated to exceed the minimum distribution required for the period from 1 October 2024 to the contemplated Scheme of Reconstruction implementation date, will accompany it. Both dividends will be paid on 31 December 2024 to shareholders on the register at close of business on 13 December 2024, to minimise administrative costs associated with such payments.

Board appointments

Last year, the Board indicated that, as part of the normal process of refreshment, Ian Armfield would not seek re-election at the AGM to be held in 2025. The Board therefore commenced a recruitment process to identify his successor and on 19 August the Company announced the appointment of Ranjan Ramparia with effect from 1 October 2024, to succeed Ian as Audit Chair on his retirement. Events have, unfortunately, overtaken the succession-planning process and the announcement released on 30 September 2024 and discussed in more detail above confirmed that Ms Ramparia would not now join the Board, in view of its probably limited future requirements. The Board thanks her for her engagement with the Company and is sorry not to benefit from her contribution.

The Company is compliant with the FCA's gender representation requirements on company boards, which target that at least 40% of directors will be women and at least one of the senior positions will be held by a woman. The recent recruitment process had a shortlist that comprised 44% women and 56% candidates of a non-white ethnic background.

Outlook

The Board retains a high degree of conviction in the Positive Change strategy and believes it is well suited to an investment trust structure which enables the Managers to access the significant impact opportunities available from committing primary capital to private companies and investing in less liquid public companies for the long term. However, we recognise that the Company has not received sufficient support from shareholders to allow the current strategy the time needed to play out over the period to the February 2027 continuation vote that we recently introduced. The Board has therefore reluctantly agreed to propose the Scheme, which will provide shareholders with an opportunity to continue their investment through the rollover option.

Should the General Meetings planned for early next year, as set out in the Shareholder Circular, not result in the Scheme of Reconstruction being completed, the Company will in due course convene an Annual General Meeting to consider the resolutions necessary for the Company to continue.

Karen Brade
Chair
26 November 2024

Managers' review

Kate Fox
Investment Manager
Appointed 2021

Lee Qian
Investment Manager
Appointed 2021

The global backdrop remains complex, dynamic and uncertain. Geopolitical tensions persist: the world feels fragile. We have emerged from a period of rapid interest rate rises to one where all eyes are on inflation and growth data points to determine if – and to what extent – policy makers will make further reductions to interest rates. 2024 is a record year for elections around the world, with none being more significant than the outcome of the US election in November.

Against this backdrop, we remain resolute and consistent in the philosophy that underpins the Company's two objectives – to deliver attractive investment returns and to contribute towards a healthier and more inclusive and environmentally sustainable world. Unfortunately, the challenges of our time such as climate change, the burden of disease, and inequalities, persist. These challenges require solutions. Fortunately, thanks to human ingenuity and entrepreneurship, there are companies developing solutions to such challenges. And here lies the opportunity: the providers of solutions will experience rising demand for their products and services – they will thrive – and companies that grow faster deliver the greatest outperformance.

This means that rather than trying to predict the next 25 basis point move in interest rates or the outcome of the US elections, we remain focused on understanding structural and secular trends such as the energy transition, digitalisation and innovation in healthcare.

Performance

Over the past twelve months, the Company's NAV total return was 2.2% and the share price total return was 13.5%. In comparison, the benchmark MSCI All Country World Index returned 20.4% (in sterling terms).

On the surface, NAV performance over the year appears unexciting, and the underperformance relative to the benchmark is disappointing. However, beneath these still waters there are interesting currents at play: accelerating growth, interesting opportunities related to Artificial Intelligence ('AI') and market sentiment which continues to swirl around short-term news and largely ignore the tides of change ahead.

The relatively weak investment returns belie the fact that the majority of companies in the portfolio continue to deliver pleasing operational progress. Indeed, indications are that fundamental growth is accelerating across the portfolio. Forward three-year earnings growth (on a consensus basis) is currently 18.5% per annum across the portfolio compared to 13.4% per annum 12 months ago. This compares to three-year forward earnings growth projections of 8.8% per annum for the index. As growth investors, it is our belief that it is this fundamental progress that will drive superior share price returns over the long run.

The top contributor to performance over the period was **TSMC**. It is the world's largest foundry for the manufacture of semiconductors, so is a critical enabler of high-performance computing and AI. Despite a challenging operating environment that included escalating geopolitical tensions, an earthquake in Taiwan and a semiconductor industry down cycle, TSMC has delivered strong results consistently over the last 12 months with cumulative revenue for the first three quarters of 2024 increasing 32% year-on-year. The demand for semiconductors is cyclical yet also underpinned by the secular demand for greater computing power and TSMC is at the heart of this. The company is a trusted partner to its customers as, contrary to its peers, it does not compete with its chip-design customers. This, combined with its processing and manufacturing acumen, provides a formidable competitive advantage: it manufactures more than half of the outsourced semiconductors globally. This position of strength will be further cemented with capacity expansion. For example, TSMC is expanding its presence in Europe, Japan and the US. This global footprint is important in an emerging geopolitical backdrop. TSMC is helping power the AI revolution, but it should not be forgotten that the semiconductors it makes are the building blocks of innovation much more broadly, whether that be in lower cost mobile computing, powering electric vehicles or in sophisticated medical devices that improve patients' lives.

MercadoLibre, the Latin American ecommerce platform and fintech business, was also a top contributor to performance as it continued to deliver strong operational performance with overall revenue growing by 42% year-on-year to over US$5 billion in its second quarter. Underpinning this is continued growth in both fintech services (monthly active users now surpass 52 million) and its ecommerce platform, which has grown in terms of all key metrics (gross merchandise volume, take rate and revenue). What is exciting is that the runway for growth is still significant – circa 85 million people use the ecommerce site in a population of 670 million in the regions in which it operates. These attention-grabbing 'headline statistics' are of course pleasing; so too is the long-term progress underpinning them. In 2023, MercadoLibre commissioned an impact study which found that 1.8 million families depended on the platform for their main source of income, and more than half of the SMEs (small and medium sized enterprises) which use the platform could have access to credit through its fintech services for the first time.

Nu Holdings had a strong 12 months, solidifying its position as a leading digital banking platform in Latin America. The company's net income more than doubled to reach US$487 million in the second quarter of 2024. Nu has continued to grow its customer base impressively, passing the 100 million milestone over the summer. Not only is Nu continuing to grow in Brazil but it is also expanding into Mexico and Colombia, where it now has circa 9 million customers and has captured over 70% of the deposits across all fintechs combined since launching its savings products. Nu continues to play a key role in promoting financial inclusion. A study published by Nu and Mastercard in early 2024 found that 60 per cent of Nu customers moved from gaining access to financial services to intensive use of basic financial products and credit within two years, regardless of income level. Increasing usage of financial products is one indicator of customers' increasing ability to meet their financial needs.

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Not all companies have experienced support from the markets. 'Negativity bias' refers to the human propensity to focus on negative events, information, or emotions more than their positive counterparts. To some extent we are seeing that over recent months in terms of the market sentiment towards some of the main detractors to performance (such as Remitly) where the market has placed much greater weight on any perceived weakness in results and largely ignored any fundamental progress.

Remitly provides mobile-based remittance services for migrants. Its recent results showed active customers had increased by 36% year-on-year to over six million, margins had improved and revenues had grown by 32%. However, despite strong operating progress the shares have been a detractor to performance, perhaps owing to concerns over investment in marketing spend and the return on that marketing spend. Against these short-term gyrations, we remain focused on the long-term investment case. Remitly is still in the early innings of growth and its competitive advantage – a combination of scale, efficiency, and brand – is strengthening. We do not require quarter-on-quarter progress to be smooth, providing the long-term opportunity is intact.

Moderna, the innovative biotech company, has had a challenging year. Moderna has an exciting technology platform and is rapidly expanding its product pipeline. However, where it has been challenged is on commercialisation. In the face of weak Covid vaccine sales and a disappointing RSV vaccine launch, the company has decided to reduce its research and development (R&D) spending and focus its pipeline while pushing out cash-break-even until 2028. Though it is reducing its R&D expenditure, it still expects to spend a considerable amount – over US$16 billion over four years – as it develops a pipeline that includes vaccines for respiratory, latent and infectious diseases as well as a personalised cancer vaccine. We met with Moderna's CEO Stephane Bancel following these developments to discuss them in detail and will continue to engage with the company. Regardless of how exciting the technology platform is, the commercial engine has to function well to allow the company to harness the programmability of its mRNA technology. We remain keenly vigilant for further progress.

Dexcom, the manufacturer of continuous glucose monitoring systems (CGMs) for diabetics saw its share price fall sharply following an announcement of slower than expected growth and a reset of expectations for the rest of the year. The challenge has been one of execution following a recent reorganisation of its sales force, weaker than expected international sales and a softening of US revenue per customer. These missteps are somewhat out of character for the company, which has displayed impressive operational progress and fundamental growth over a number of years. We believe there is a significant opportunity for CGMs and we remain optimistic about the potential of Dexcom's new over-the-counter Stelo product. We are engaging with management to build conviction in their ability to overcome the current challenges and unlock the tremendous growth opportunity ahead.

As regular readers of this report will be aware, an attractive feature of the Company is its ability to invest in private companies. At the end of September 3.6% of the portfolio was invested across five private companies developing and scaling exciting new technologies from carbon removal solutions to innovative fibres. We were delighted to attend the opening of **Climeworks**' new carbon removal plant in Iceland over the summer. There have been some challenges in scaling these complex facilities, but the company is adapting and innovating to overcome them, while also deepening its commercial talent pool. A visit to **Spiber**'s headquarters and pilot plant in Japan provided an opportunity to hear more about the advancements it is making in scaling its Thai production plant, particularly in improving the recipe of its brewed protein that is used to make innovative textiles. It was encouraging to hear of fashion houses interested in using its novel fibres. Unfortunately, the operational challenges persist for **Northvolt**, Europe's first home-grown manufacturer of lithium-ion batteries for electric vehicles and energy storage systems. To reflect the uncertainty about its future the valuation has been marked down significantly. These private companies have developed important products and are in the early stages of scaling and commercialising. Given the complexity of what they are trying to achieve, the journey will be far from smooth.

Portfolio

Over the past 12 months, portfolio name turnover has ticked up to circa 19%. This level is in line with our long-term time horizon and reflects the strength of the pipeline of new ideas. We have invested in seven new companies over the year and made seven complete sales.

We talked in the Interim Report about new investments in US electric vehicle company Rivian, South East Asian super-app Grab, and Katitas, the Japanese company which renovates old homes to create affordable and sustainable homes for buyers today.

The more recent investments in Epiroc, Vertex, Schneider and Soitec are also diverse in terms of their businesses and the challenges they are helping to solve.

Mining equipment is perhaps not an immediately obvious choice for the portfolio and it is not often that our research takes us literally underground. However, mining is an industry we cannot ignore. Our research into the industry has spanned a number of years, we have questioned industry experts from around the globe, quizzed management teams, and visited mines in Finland and Sweden to see mining machinery in action.

Metals and minerals are essential for progress in areas such as the green energy transition but their extraction comes at a cost. Mining is a carbon-intensive and traditionally dirty industry. How can we continue to mine the materials we need in a way that mitigates damage?

We have taken a new position in **Epiroc**, a high-quality Swedish industrial business which provides mission-critical equipment and services to the mining and construction industries. This is a strong business, operating in a consolidated market with high barriers to entry. 70% of revenue comes from the aftermarket, including services and parts. Epiroc is driving change in the mining industry through greater electrification, automation and digitalisation. Through the innovation of products and its business model, Epiroc is helping to catalyse the adoption of technologies that will enable a dirty, but necessary, industry to decarbonise.

Vertex Pharmaceuticals is also new to the portfolio. The company brings transformative medicines in areas of high unmet needs to market. Vertex played an important role in developing treatments for cystic fibrosis ('CF'), a genetic disease that results in excessive mucus in the lungs and often leads to serious infections. Prior to effective treatments, many CF patients sadly did not reach adulthood. Today, life expectancy for CF patients is around 60 years, with some patients living into their 80s. CF treatments provide a profitable revenue stream for Vertex, which generated US$10 billion in sales and US$4 billion in operating profit in 2023. This profit stream helps to fund research and Vertex's expansion into new disease areas, including sickle cell disease, beta thalassemia, diabetes, and renal diseases.

Electrification (replacing technologies or processes that use fossil fuels with electric-powered equivalents) is one of the most important strategies for reducing CO2 emissions from energy. **Schneider Electric**, a French multinational, is a leading provider of integrated electrification solutions for buildings, data centres, infrastructure and industries. It helps its customers manage the transition to a renewable dominant grid and without Schneider, the pace of deployment of renewable generation infrastructure globally would be slower. Schneider is well placed to benefit from the growing demand for electrical management products and services. Over the next decade and beyond, sales should compound at a mid-to-high single-digit pace, which, combined with margin expansion and sensible capital allocation, should result in attractive share price returns.

Soitec is a designer and manufacturer of engineered substrates used in the manufacturing of semiconductors. The company's silicon-on-insulator wafers improve the quality, performance and energy efficiency of semiconductors that are used in a wide range of applications across industries such as mobile and communication, automotive and smart devices. The company commands a strong competitive position with its processing technology and is well positioned to benefit from structural growth trends such as electrification, digitalisation and the rise of AI.

We are patient and long-term investors but where we detect a deterioration in the fundamentals of a business, or its impact case, we will sell and redeploy the capital in companies where we have higher conviction. Over the past year we have sold seven companies. We shared our rationale for selling Ørsted, the Danish energy company, and M3, the Japanese digital healthcare provider, in the Interim Report and discussed Daikin in last year's commentary. Our four more recent sales are detailed below.

The Company has owned South African insurance provider **Discovery** and single-cell sequencing tool developer **10x Genomics** since February 2021. Both companies have much to admire about their innovative products but each company is facing difficulties in growing its business against macro-challenges and industry-specific headwinds. These difficulties have led to disappointing share price performance over our period of ownership. The operational growth headwinds have led us to sell and redeploy the cash in companies where we have higher conviction in our dual objectives being achieved over the long term.

Umicore, the Belgian recycler of metals and manufacturer of automotive catalysts and battery cathodes, has also left the portfolio. The company had executed poorly in some areas of its business and a succession of CEO changes reduced our confidence that Umicore could navigate a fast-changing market and grow profitably.

Finally, we have sold **Wuxi Biologics** after a relatively short period of ownership (we first invested in August 2023). It is a Chinese company providing end-to-end solutions and services for the discovery, development and manufacturing of biologic drugs. It is a highly-regarded and entrepreneurial business in a market which has very attractive global growth potential. However, since investing the geopolitical risks have intensified to the point that a significant proportion of Wuxi's US-based customers may no longer be permitted to use its services in future. This uncertainty has weighed heavily on the share price and we concluded that despite the attractive fundamentals it is time to move on.

Impact

We released the Keystone Positive Change Annual **Impact Report** in August, which can be found on our website. The report details the impact of the products and services of the portfolio holdings. Our thesis is that impact and investment go hand-in-hand, and the good operating progress for many holdings has been mirrored by their growing impact. For example, in 2023, **Xylem**, the water infrastructure company, enabled its customers to reduce their water use by 800 billion litres. **Tesla** delivered over 1.8 million electric vehicles and deployed 14.7 GWh of energy storage. Tesla's products enabled customers to avoid emitting 20 million tonnes of CO2, up from 13.4 million tonnes in 2022. **Coursera**, the education platform has 142 million registered learners. 77% of learners reported a career benefit such as a promotion or pay rise after taking its courses. The Impact Report also provides aggregate data at a portfolio level and maps the portfolio to the United Nations Sustainable Development Goals.

Outlook

The view we shared with readers in May still holds today:

"Looking around us we see a world facing significant environmental and social challenges; we see individuals and businesses innovating and developing new products and services or new business models that have the potential to address these global challenges. We see investment opportunities in businesses that are challenging the status quo. What we see is encapsulated in our dual objectives: to contribute towards a more sustainable, inclusive and healthier world while generating attractive returns for shareholders...It could be said that society is at a watershed moment in time, faced with the choice of continuing along the path we are on, or having the bravery, ambition and determined optimism needed to help steer us onto a more sustainable trajectory. This watershed moment is rich with investment opportunities for the brave and ambitious."

We continue to believe that investing for positive change can deliver positive social, environmental and financial outcomes for people, planet and savers. We are as determined as ever to meet the Company's dual objectives.

Kate Fox
Lee Qian

Baillie Gifford & Co
26 November 2024

Investing for Positive Change

Delivering attractive long-term investment returns

We aim to deliver attractive investment returns, which we define as meaningful outperformance (by 2% annually net of fees) of the MSCI All Country World Index ('ACWI') over rolling five-year periods.

Our emphasis on growth and competitive advantage means that we expect the delivered returns of the portfolio to come primarily from revenue and profit growth at the companies we hold, rather than from changes in valuation. In broad terms, we look for companies with the potential to double in value over a five year period, while still having significant growth prospects thereafter.

Patience is required to tolerate short-term volatility that we embrace in order to generate superior long-term financial returns. We expect our portfolio of 30–60 listed and private companies to differ significantly from the benchmark index, many of whose major constituents are likely to suffer from precisely the challenges that we outline in our four Impact Themes, and whose very scale makes it difficult for them to innovate. While measuring portfolio returns relative to a benchmark index can be a helpful way to monitor the output of our investment process, we do not consider the benchmark when constructing the portfolio.

Delivering a positive impact

We look for listed and private companies for whom delivering a positive impact is core to their business; whose products and services represent a significant improvement to the status quo; and who conduct business with honesty and integrity. We look for areas where there is a meaningful, and widely accepted, opportunity gap between the current situation and the desirable social outcome, and for companies that are proactively narrowing that gap through their business activities. To this end, we have identified four Impact Themes.

Similar to financial returns, making a meaningful positive impact requires patience and perseverance. We are not looking for quick fixes, but genuine improvements which often take years, if not decades, of hard work. We believe a period of five to ten years is a useful timeframe for assessing companies' social and environmental contributions. We expect the four Impact Themes to evolve over time, hopefully as challenges are resolved.

Four Impact Themes

Social inclusion and education

Income and wealth inequalities have risen significantly over the past 30 years and now threaten our acceptance of capitalism as a force for good. We look for companies that are building a more inclusive society through their products and services. We also look for companies that are improving the quality or accessibility of education as we believe that the diffusion of skills and knowledge is one of the best tools to reduce inequality.

Environment and resource needs

The environmental impact of human activities is increasing, and basic resources such as food and water are becoming scarcer. Throughout history, climate change and famine have repeatedly limited the development of nations[1]. Left unresolved, those problems could jeopardise international relations, destabilise our society and damage our planet. We are looking for companies that are improving our resource efficiency and reducing the environmental impact of our economic activities.

Healthcare and quality of life

We are living longer but we are not necessarily healthier. We are richer but we are not necessarily happier. The stress of modern life is damaging our physical and mental health. We are searching for companies that are actively improving the quality of life in developed and developing countries.

Base of the pyramid

Economic growth has led to improvements in living conditions in many parts of the world. However, the fruits of human ingenuity have not filtered down to everyone. We are looking for companies that are addressing the basic and aspirational needs of the billions of people at the bottom of the global income ladder.

[1] The Measure of Civilisation: How Social Development Decides the Fate of Nations, 2013.

Investment process

Analysing investment and impact using a robust and consistent process

Both our objectives are of equal importance. To reflect this, we have established a six-stage process which allows both the impact and investment objectives to be considered equally in the key parts of our process: research, portfolio construction and reporting.

01

What we look for

A vast opportunity set for long-term stock pickers

The universe of companies in which we can invest is vast. We make no attempt to cover the whole universe. Neither do we use quantitative screens to cut it down to a manageable size. Instead, we rely on a clear and consistent set of filters to focus our attention on the relatively small number of businesses that might be of interest to us. These filters flow naturally from our dual objectives, and focus on: (1) the company's potential to address one of our four thematic global challenges; (2) its potential to build a profitably growing business.

02

Idea generation

Ideas naturally flow from our dual objectives. Curiosity is key

We are bottom-up stock pickers who let our curiosity and enthusiasm drive our research agenda. Idea generation takes place throughout the investment process: when we meet companies; through attendance at conferences; during team meetings; and through general reading. Our long-term time horizon, focus on fundamental in-house research and desire to take a different perspective means we use diverse sources of information, from independent research to engaging with academics and industry experts. Sharing a common objective with the rest of our investment colleagues (seeking high quality growth companies), we are fortunate in being able to leverage the intellectual resources of our wider investment department of around a hundred investors, including regional and global teams and sector specialists, and our ESG team.

01 **What we look for**

02 **Idea generation**

03 **Fundamental company research**

04 **Impact analysis**

05 **Portfolio construction**

06 **Monitoring, engagement and reporting**

03

Fundamental company research: eight questions

Consistent framework focuses on dual objectives

Our company analysis consists of two stages: fundamental company research and impact analysis.

Our fundamental company research involves an Investment Manager examining eight questions relating to the quality of the business and its growth prospects as well as the impact the company is expected to deliver.

To assess the growth potential and quality of a business, we consider the company's broad opportunity set, the strength and durability of the competitive advantage, the financial characteristics and management attitudes. To assess the expected impact of a holding, we consider the challenge the company is tackling, its product characteristics and business practices.

Valuation analysis focuses on whether we think the long-term growth prospects of a company are under-appreciated. Here, we use a range of measures for valuing companies and remain very much focused on the potential for a business in five years' time. If a company has backing from an Investment Manager, it will be taken forward to the second stage of research: the Impact Analysis.

8 question framework

Impact

01
What change is the company driving?

Growth

02
What is the scale of the growth opportunity and how might it evolve over time?

03
What is required to unlock the opportunity and how quickly can the company capitalise on it?

Quality

04
What is the competitive edge and how might it develop?

05
What attributes of the culture, governance, and management attitude will support or detract from the company's ability to capitalise on the opportunity?

06
What are the financial characteristics today and how might they evolve?

Valuation

07
What might the company look like and what might its valuation be in 5 to 10 years?

08
What will it take to be an outlier?

04

Impact analysis

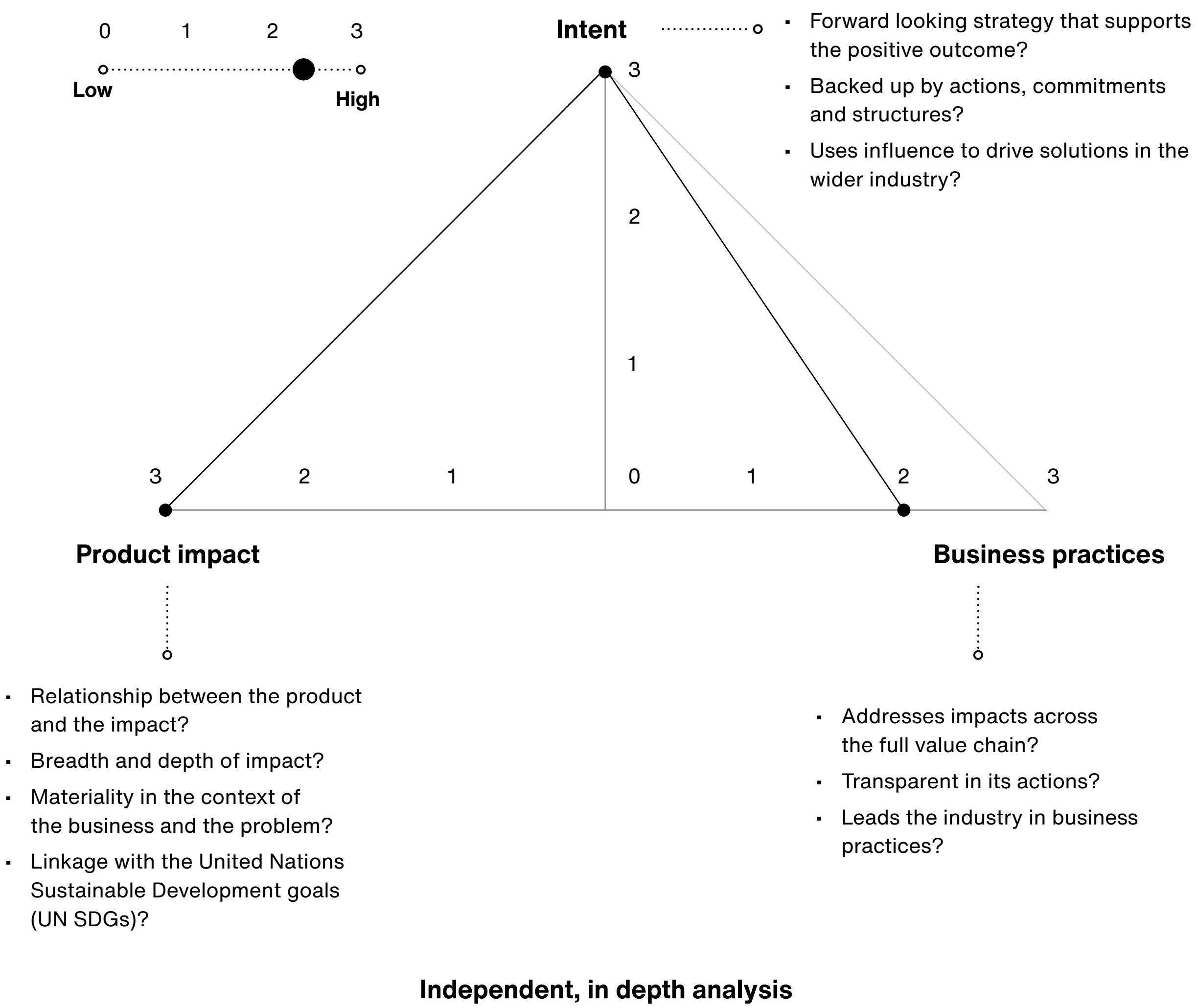
Independent and disciplined

The second stage of research focuses specifically on the impact potential of a business. This is carried out by one of the Positive Change Teams' Impact Analysts. Analysing impact is complex and can be highly subjective. Our impact analysis is carried out independent of the investment case using a rigorous, qualitative framework that is based upon three factors, shown below.

This analysis is holistic: we recognise that there is no perfect company and under each of these three factors we also consider areas of controversy, the negative consequences of operations and a company's awareness of those issues.

Monitoring and reporting impact is important: as one of our dual objectives it is as important as monitoring and reporting financial performance. The monitoring of impact is ongoing and is interwoven with our monitoring of the investment case for a company. We look at company reports and disclosures and are engaged with management, we monitor significant news, always with a focus on the long term and the key milestones we expect a company to reach in order to deliver impact.

Once a potential idea has been identified, we analyse it using a consistent framework of questions.



05

Portfolio construction

Two elements – investment and impact considered in tandem

The Positive Change team meets regularly to discuss new ideas and the level of conviction in existing holdings. The team's conviction in both the impact and investment potential of a company is taken into consideration when making portfolio decisions and sizing positions. Investment decisions are made by the five decision makers: three Investment Managers: Kate Fox, Lee Qian and Thaiha Nguyen, and two Senior Impact Analysts: Edward Whitten and Apricot Wilson. Every stock must have the backing of an Investment Manager and at least one sponsor of the impact objective. The group heavily relies on and respects the opinions of team members to help inform individual views. We think this process allows us to harness diverse perspectives while also retaining conviction and accountability of individual decision-making and reducing personal bias.

We are active investors and our portfolio will differ significantly from the benchmark, many of whose major constituents are likely to face headwinds from the challenges we identify. In order for a company to enter our portfolio, it must meet both of our objectives – there are no compromises.

With a long-term investment horizon, portfolio turnover will be low, we expect it to be below 20% per annum over the long term. We will carefully monitor the companies in which we invest through ongoing research and engagement with management teams. It is inevitable that businesses will have setbacks and we are happy to own companies through periods of short-term operational weakness. However, if longer-term concerns develop that are not addressed by management, if we detect a deterioration in the fundamental investment case, for either element of our dual objectives, we will sell a holding.

06

Monitoring, engagement and reporting

Rigorous, ongoing and with a long-term focus

Once we have taken a holding, we continue to monitor operational performance and progress towards delivering positive change. In doing so we engage with management teams on an ongoing basis. We report on how the strategy has delivered on both its financial objective and its impact objective.

The impact different companies make is not always quantifiable, nor should it be. Furthermore, comparing impact across companies with very different activities is problematic. And, where impact is more easily quantifiable, it is not always measured and disclosed in a uniform way. Despite its challenges, we have developed a robust approach using our in-depth knowledge of companies, and we report annually, though we always remain focused on our five-year-plus time horizon.

6.1 Company impact

Consistent with our bottom-up, fundamental investment approach, we identify bespoke metrics or milestones for each company that will help us monitor its progress in delivering positive change. We represent this impact through 'The Positive Chain', a model which demonstrates how each company is contributing to positive outcomes and impacts through its inputs, activities and outputs. We depend primarily on company reported data but do not limit ourselves to current levels of disclosure: where there are gaps we will engage with companies and request more information.

Company engagement more broadly is ongoing, and we will discuss with management teams both areas where we would like to see improvements as well as areas where companies excel.

6.2 Portfolio contribution to United Nations Sustainable Development Goals

At an overall portfolio level, we also link the product impact for each company to the United Nations' Sustainable Development Goals ('UN SDGs'). The UN developed the SDGs in 2015 as part of an ambitious programme which aims to end poverty in all forms, to build peaceful and inclusive societies, to protect human rights and promote gender equality, and to ensure the protection of the planet and its natural resources by the end of 2030. With 17 goals split into 169 specific targets covering a broad range of topics, we do not intend the portfolio to address every single goal. However, mapping the contribution of individual holdings to these goals via the underlying 169 targets allows us to assess the contribution of the portfolio as a whole using an independent framework.

The companies in the portfolio take different approaches and we hope to gain insight into what works best and to share our learnings across holdings. For those companies that report how their business is aligned with the SDGs, we take this into consideration when making the linkage to the goals, but we are selective in order to be as consistent as possible across all holdings.

Baillie Gifford's approach to valuing private companies

We hold our private company investments at 'fair value', i.e. the price that would be paid in an open-market transaction. Valuations are adjusted both during regular valuation cycles and on an ad hoc basis in response to 'trigger events'. Our valuation process ensures that private companies are valued in both a fair and timely manner.

The valuation process is overseen by a valuations group at Baillie Gifford, which takes advice from an independent third party (S&P Global). The valuations group is independent from the investment team, with all voting members being from different operational areas of the firm, and the investment managers only receive final notifications once they have been applied.

We revalue the private holdings on a three-month rolling cycle, with one-third of the holdings reassessed each month. During stable market conditions, and assuming all else is equal, each investment would be valued twice in a six month period. For investment trusts, the prices are also reviewed twice per year, at the interim and financial year end, by the respective investment trust boards and are subject to the scrutiny of external auditors in the annual audit process.

Beyond the regular cycle, the valuations team also monitors the portfolio for certain 'trigger events'. These may include: changes in fundamentals; a takeover approach; an intention to carry out an Initial Public Offering ('IPO'); company news which is identified by the valuation team or by the portfolio managers, or significant changes to the valuation of comparable public companies. Any ad hoc change to the fair valuation of any holding is implemented swiftly and reflected in the next published net asset value. There is no delay.

The valuations team also monitors relevant market indices on a weekly basis and updates valuations in a manner consistent with our external valuer's (S&P Global) most recent valuation report where appropriate. Continued market volatility has meant that recent pricing has moved much more frequently than would have been the case with the quarterly valuations cycle.

The Independent Auditor's Report on page 79 explains the procedures carried out by the external auditor on the valuation of the private companies (unlisted investments) as part of their audit.

Portfolio companies split by impact theme

Portfolio companies split by impact theme as at 30 September 2024

Social inclusion and education

Building a more inclusive society and/or improving the quality and accessibility of education

Holding	Value £'000	%
MercadoLibre	14,335	9.0
TSMC	12,805	8.1
ASML	8,843	5.6
Shopify	7,758	4.9
Nu Holdings	7,081	4.5
Duolingo	6,426	4.1
HDFC Bank	5,847	3.7
Grab	3,851	2.4
Coursera	1,840	1.2
PsiQuantum[u]	1,489	0.9
	70,275	**44.4**

Environment and resource needs

Improving our resource efficiency and reducing the environmental impact of our economic activities

Holding	Value £'000	%
Autodesk	7,322	4.6
Xylem	6,961	4.4
Ecolab	5,549	3.5
Tesla	3,931	2.5
Deere	3,877	2.4
Epiroc	3,062	1.9
Katitas	3,033	1.9
Schneider Electric	2,601	1.6
Climeworks[u]	1,862	1.2
Boston Electrometallurgical Corp[u]	1,404	0.9
Soitec	1,388	0.9
Novonesis	1,355	0.9
Joby Aviation	1,290	0.8
Rivian Automotive	597	0.4
Spiber[u]	449	0.3
Northvolt AB[u]	447	0.3
	45,128	**28.5**

Healthcare and quality of life

Actively improving the quality of life in developed and developing countries

Holding	Value £'000	%
Alnylam Pharmaceuticals	8,734	5.5
Moderna	4,888	3.1
Illumina	4,688	3.0
Dexcom	4,028	2.5
Sartorius	2,897	1.8
Vertex Pharmaceuticals	1,552	1.0
AbCellera Biologics	780	0.5
	27,567	**17.4**

Base of the pyramid

Addressing the basic aspirational needs of people at the bottom of the global income ladder

Holding	Value £'000	%
Bank Rakyat Indonesia	8,106	5.1
Remitly Global	3,640	2.3
Safaricom	1,120	0.7
	12,866	**8.1**
Net liquid assets*	**2,528**	**1.6**
Total assets*	**158,364**	**100.0**

* For a definition of terms see Glossary of Terms and Alternative Performance Measures on pages 132 to 135.

[u] Denotes unlisted/private company holding.

List of investments as at 30 September 2024

Name	Business	Impact theme*	Fair value £'000	% of total assets †
MercadoLibre	Ecommerce platform and fintech	Social	14,335	9.0
TSMC	Semiconductor manufacturer	Social	12,805	8.1
ASML	Supplier to semiconductor industry	Social	8,843	5.6
Alnylam Pharmaceuticals	Biotechnology	Healthcare	8,734	5.5
Bank Rakyat Indonesia	Bank	Base	8,106	5.1
Shopify	Online commerce platform	Social	7,758	4.9
Autodesk	Software products for architecture, engineering, construction, and manufacturing industries	Environment	7,322	4.6
Nu Holdings	Digital banking company	Social	7,081	4.5
Xylem	Innovative water solutions	Environment	6,961	4.4
Duolingo	Language learning website and mobile app	Social	6,426	4.1
HDFC Bank	Mortgage provider	Social	5,847	3.7
Ecolab	Water, hygiene and infection prevention services	Environment	5,549	3.5
Moderna	Messenger RNA therapeutics	Healthcare	4,888	3.1
Illumina	Gene sequencing equipment	Healthcare	4,688	3.0
Dexcom	Continuous glucose monitoring	Healthcare	4,028	2.5
Tesla	Electric cars and renewable energy solutions	Environment	3,931	2.5
Deere	Agricultural equipment	Environment	3,877	2.4
Grab#	Superapp in Southeast Asia, providing mobility, deliveries and digital financial services	Social	3,851	2.4
Remitly Global	Online money transfer payments for immigrants and their families	Base	3,640	2.3
Epiroc#	Mining and infrastructure equipment provider	Environment	3,062	1.9
Katitas#	Refurbishes vacant homes in Japan and sells to first-time buyers on an affordable basis	Environment	3,033	1.9
Sartorius	Biopharmaceutical and laboratory tooling	Healthcare	2,897	1.8
Schneider Electric#	Electrical power products	Environment	2,601	1.6
Climeworks[U]	Direct air carbon capture	Environment	1,862	1.2
Coursera	Online learning	Social	1,840	1.2
Vertex Pharmaceuticals#	Pharmaceuticals company	Healthcare	1,552	1.0
PsiQuantum[U]	Silicon photonic quantum computing	Social	1,489	0.9

Name	Business	Impact theme*	Fair value £'000	% of total assets †
Boston Electrometallurgical Corp⓾	Novel technology for producing green steel	Environment	1,404	0.9
Soitec#	Manufactures engineered substrates for semiconductor wafers	Environment	1,388	0.9
Novonesis	Biological solutions	Environment	1,355	0.9
Joby Aviation	Electric aircraft	Environment	1,290	0.8
Safaricom	Telecommunications and mobile payments	Base	1,120	0.7
AbCellera Biologics	Antibody drug discovery tools	Healthcare	780	0.5
Rivian Automotive#	Electric sports utility vehicles and pickup trucks	Environment	597	0.4
Spiber⓾	Novel protein biomaterials	Environment	449	0.3
Northvolt AB⓾	Battery developer and manufacturer, specialising in lithium-ion technology for electric vehicles	Environment	447	0.3
Total investments			**155,836**	**98.4**
Net liquid assets†			2,528	1.6
Total assets†			**158,364**	**100.0**

	Listed equities %	Unlisted securities ‡ %	Net liquid assets † %	Total assets † %
30 September 2024	**94.8**	**3.6**	**1.6**	**100.0**
30 September 2023	93.7	5.9	0.4	100.0

* Abbreviated as follows: Healthcare – Healthcare and quality of life; Social – Social inclusion and education; Environment – Environment and resource needs; Base – Base of the pyramid.

† For a definition of terms see Glossary of Terms and Alternative Performance Measures on pages 132 to 135.

\# New purchase during the year. Complete sales during the year were: 10x Genomics; Daikin Industries; Discovery Holdings; M3; Umicore; WuXi Biologics; Ørsted.

⓾ Denotes unlisted/private company holding.

‡ Includes holdings in ordinary shares, preference shares and promissory notes.

Relative contribution

Top ten relative stock contributors
Year to 30 September 2024

Name	Portfolio (average weight) %	Index (average weight) %	Relative contribution %
TSMC	7.7	0.8	2.7
MercadoLibre	8.5	0.1	2.0
Nu Holdings	4.3	<0.1	1.5
Duolingo	3.6	–	1.3
Alnylam Pharmaceuticals	4.2	<0.1	1.0
Shopify	5.0	0.1	0.7
Novonesis	1.5	<0.1	0.6
Xylem	4.8	<0.1	0.5
Ecolab	3.2	0.1	0.4
ASML	6.9	0.5	0.4

Bottom ten relative stock contributors
Year to 30 September 2024

Name	Portfolio (average weight) %	Index (average weight) %	Relative contribution %
Remitly Global	3.3	–	(3.3)
Moderna	5.0	<0.1	(3.2)
Northvolt AB	2.1	–	(2.6)
Wuxi Biologics	1.2	<0.1	(2.6)
Dexcom	4.5	0.1	(2.4)
Coursera	2.2	–	(2.3)
Umicore	1.7	<0.1	(1.4)
Bank Rakyat Indonesia	4.9	<0.1	(1.3)
Sartorius	2.2	<0.1	(1.1)
Deere	4.0	0.1	(0.9)

Top ten relative stock contributors
From take-on 11 February 2021 to 30 September 2024

Name	Portfolio (average weight) %	Index (average weight) %	Relative contribution %
Duolingo	1.8	–	2.5
Nu Holdings	2.1	<0.1	1.8
Alnylam Pharmaceuticals	3.6	<0.1	1.6
Nibe Industrier AB	1.7	<0.1	1.4
Abiomed	1.5	<0.1	1.1
MercadoLibre	6.5	0.1	0.8
Shopify	3.7	0.1	0.3
Xylem	3.7	<0.1	0.2
Deere	4.4	0.2	0.1
Autodesk	1.7	0.1	0.1

Bottom ten relative stock contributors
From take-on 11 February 2021 to 30 September 2024

Name	Portfolio (average weight) %	Index (average weight) %	Relative contribution %
Illumina	3.6	0.1	(5.6)
Moderna	7.1	0.1	(5.5)
Teladoc	1.0	<0.1	(4.8)
M3	2.0	<0.1	(4.8)
Umicore	2.9	<0.1	(3.9)
10X Genomics	1.7	<0.1	(3.7)
Ørsted	2.6	<0.1	(3.4)
Coursera	1.5	–	(3.1)
Safaricom	2.2	–	(2.6)
Sartorius	2.4	<0.1	(2.5)

Source: Revolution and relevant underlying index providers. Keystone Positive Change Investment Trust plc relative to MSCI ACWI total return, in sterling terms. See disclaimer on page 131.

Review of investments

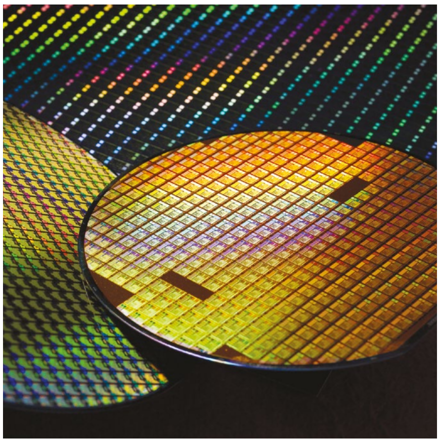
A review of the Company's ten largest investments as at 30 September 2024.

© Bloomberg/Getty Images.

MercadoLibre

MercadoLibre is Latin America's largest ecommerce platform and is emerging as a leader in the region's financial technology (fintech) industry. Ecommerce penetration is still low in Latin America, which should support high growth for a number of years. MercadoLibre provides a range of online and mobile payment solutions and financial services. These enable small businesses and consumers to transact and access financial services more easily and affordably than before, supporting economic resilience and opportunity. The fintech market is nascent but MercadoLibre has enormous potential to contribute to supporting livelihoods and financial inclusion for millions, and we believe it has a competitive advantage by leveraging its ecommerce business.

Impact Theme	Social inclusion and education
2024 Valuation	£14,335,000
% of total assets	9.0%
2023 Valuation	£12,639,000
% of total assets 2023	7.8%
Net purchases/(sales) in the year	(£3,524,000)

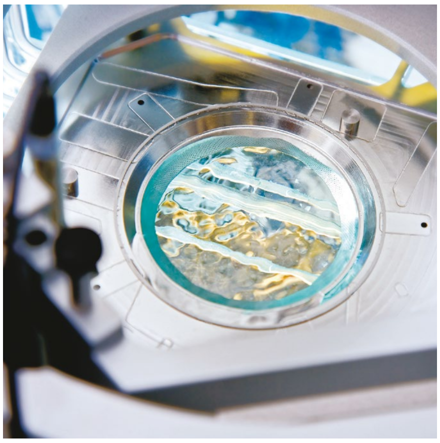


© Taiwan Semiconductor Manufacturing Co., Ltd.

TSMC

TSMC is the world's largest integrated circuit foundry. The company's scale, technology and efficiency will continue to enable price declines for semiconductors, which in turn enable innovation and environmental and social impact across many industries. The capital intensity of the foundry industry is continually increasing and TSMC, being a long-term trusted partner and the largest company of its kind, can invest in the latest equipment to maintain its cost advantage. These advantages should enable TSMC to benefit from the long-term growth of the semiconductor industry while generating attractive returns.

Impact Theme	Social inclusion and education
2024 Valuation	£12,805,000
% of total assets	8.1%
2023 Valuation	£6,829,000
% of total assets 2023	4.2%
Net purchases/(sales) in the year	(£361,000)



© ASML.

ASML

ASML is the world's leading manufacturer of specialist lithography equipment that performs a crucial stage in the manufacturing of semiconductor products. Semiconductors are fundamental to enabling innovations across most, if not all, industries; and many of these innovations will tackle societal challenges. By helping its customers create better-performing, cheaper semiconductor products, ASML is a key enabler of this important and growing industry. When others gave up, ASML persevered in developing the next generation of technology (extreme ultraviolet, or EUV) and will enjoy a monopoly position in helping a growing industry continue to advance for many years to come.

Impact Theme	Social inclusion and education
2024 Valuation	£8,843,000
% of total assets	5.6%
2023 Valuation	£9,418,000
% of total assets 2023	5.8%
Net purchases/(sales) in the year	(£3,105,000)

Alnylam Pharmaceuticals

Alnylam is developing innovative medicines based on a platform known as RNAi – a natural process of gene silencing. RNAi prevents the production of disease-causing proteins. Alnylam's pipeline is focused in four strategic therapeutic areas: Genetic Medicines; Cardio-Metabolic Disease; Hepatic Infectious Disease; and Central Nervous System. Founded in MIT in 2002 by three scientists (Phillip Sharp, who won the Nobel prize in 1993 for work on gene splicing, Paul Schimmel who is now at Scripps Research Institute, and Thomas Tuschl, a German expert on RNA) the company's management team has been consistent in describing its science-based culture. This is an early stage company with attractive opportunities for growth, although future profitability is dependent on the scale of individual drug successes.

Impact Theme	Healthcare and quality of life
2024 Valuation	£8,734,000
% of total assets	5.5%
2023 Valuation	£5,674,000
% of total assets 2023	3.5%
Net purchases/(sales) in the year	£505,000

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Bank Rakyat Indonesia

Bank Rakyat Indonesia (BRI) offers microfinance in Indonesia, where roughly half of the adult population remains unbanked. BRI's competitive advantage in microfinance stems from its vast network of rural branches, and its investment in mobile and agent-based banking, which enables it to build trust and relationships with customers and provide financial services at low cost. Financial services, which can have a transformative effect on social outcomes, are underpenetrated in Indonesia, offering a very long runway for growth and impact. After operational missteps and a challenging macroeconomic backdrop, including food price inflation, increased the bank's non-performing loan ratio, the Managers met the CFO to review the steps being taken to remedy the situation and concluded that the opportunity remained attractive, using share price weakness to add to the holding.

Impact Theme	Base of the pyramid
2024 Valuation	£8,106,000
% of total assets	5.1%
2023 Valuation	£6,848,000
% of total assets 2023	4.2%
Net purchases/(sales) in the year	£2,086,000

Shopify

Shopify enables small businesses to set up and sell products online by providing a one-stop shop of simple-to-use and low-cost tools including hosting, fulfilment, advertising and payment services. The integration of these tools with each other and across different platforms and channels can enable entrepreneurs from all backgrounds to start businesses and compete and expand quickly, reducing inequalities of opportunity and in turn promoting economic diversity and job creation. The company has grown rapidly in recent years but still appears to be at the very early stages of tapping into the huge opportunity ahead of it.

Impact Theme	Social inclusion and education
2024 Valuation	£7,758,000
% of total assets	4.9%
2023 Valuation	£6,711,000
% of total assets 2023	4.1%
Net purchases/(sales) in the year	(£1,356,000)

© Autodesk

Autodesk

Autodesk is a leading 3D design software provider. It provides the latest digital design and building information modelling (BIM) tools for the manufacturing and construction industries. Its cloud-based tools can use intelligent generative design to enable architects and engineers to make better, more informed designs in less time and at a reduced cost. In turn, this can reduce the amount of resources needed during the construction and manufacturing stage and the amount of energy consumed during the operational and use phase of an asset.

Autodesk has a strong competitive position, having become a quasi-standard software for Architecture, Engineering and Construction design professionals, with around one third of the market. It is a profitable and cash generative business.

Impact Theme	Environment and resource needs
2024 Valuation	£7,322,000
% of total assets	4.6%
2023 Valuation	£3,681,000
% of total assets 2023	2.3%
Net purchases/(sales) in the year	£2,488,000

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Nu Holdings

Nubank is a Brazilian neobank that aspires to reshape the Latin American financial system. In Latin America, customers are poorly served, while banks have been able to earn far higher returns than in many markets – a consequence of the historically volatile conditions and a degree of regulatory capture. Nubank has managed to acquire tens of millions of customers across Brazil, Colombia and Mexico through simple but desirable products and importantly at lower costs. Nubank's long-term and customer oriented culture, along with durable cost and underwriting advantages, and a highly motivated and experienced leadership team should lead to high growth and profitability in the next five years.

Impact Theme	Social inclusion and education
2024 Valuation	£7,081,000
% of total assets	4.5%
2023 Valuation	£5,178,000
% of total assets 2023	3.2%
Net purchases/(sales) in the year	(£1,453,000)

Xylem

Xylem manufactures pumps, filters, and treatment and testing equipment for modern water infrastructure. As a very large water company, Xylem's scale in distribution, research and development, and reputation should give the company an advantage as utilities and governments look for more efficient ways to address water challenges. The need to improve access to clean sanitation, reduce water pollution and upgrade aging infrastructure should support attractive long-term growth prospects for Xylem.

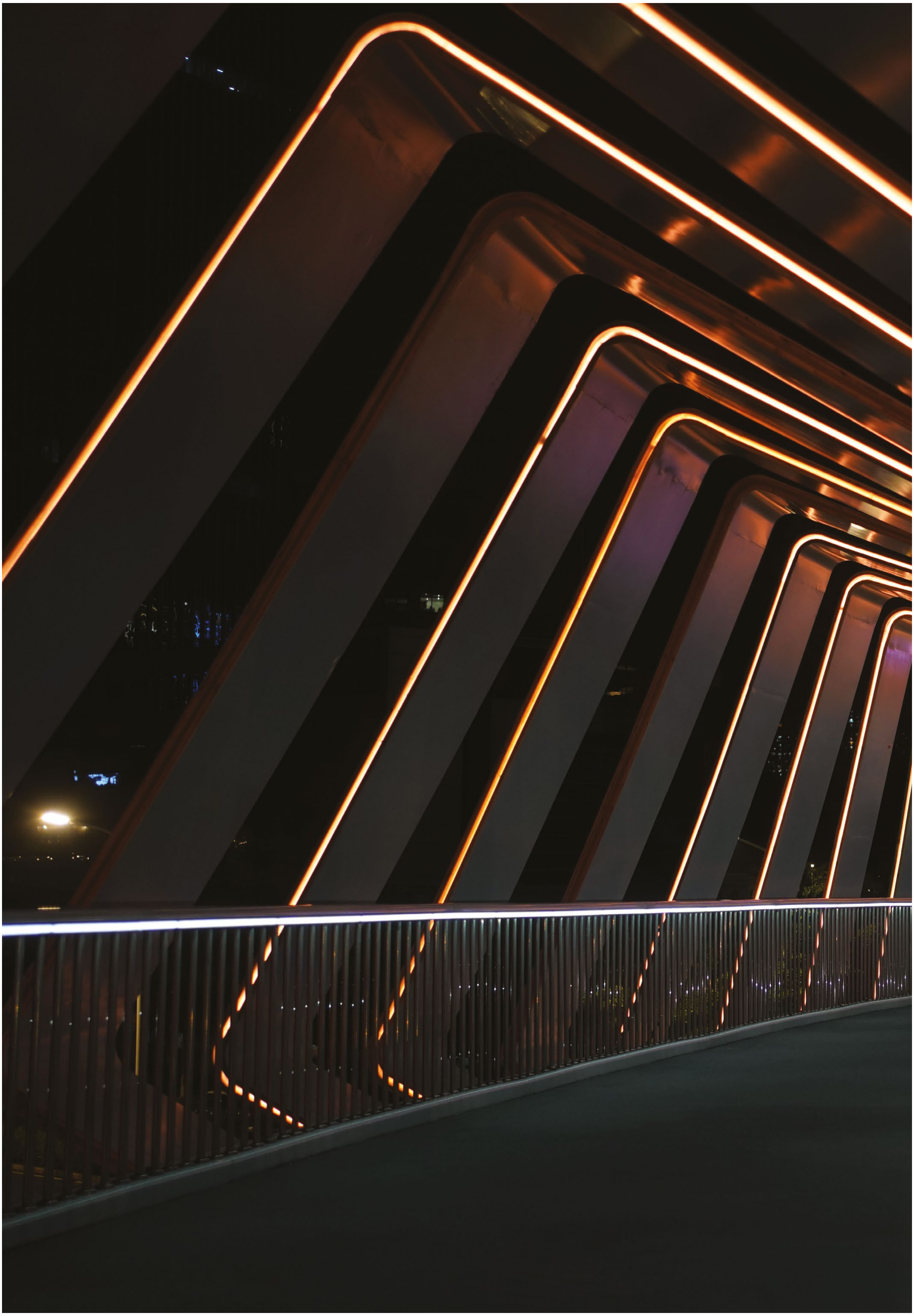
Impact Theme	Environment and resource needs
2024 Valuation	£6,961,000
% of total assets	4.4%
2023 Valuation	£5,275,000
% of total assets 2023	3.3%
Net purchases/(sales) in the year	(£400,000)

© Duolingo

Duolingo

Duolingo's mission is to develop the best education in the world and make it universally available. It started with an app that is fun, engaging and effective in helping people learn languages, and has since moved into English language testing, and recently launched separate literacy and maths apps. Through further content and product developments as well as new pricing strategies, it will be able to grow the user base and importantly, increase the paid conversion rate. Duolingo is run by a thoughtful and mission-obsessed founder, Luis von Ahn, who the Managers believe will strike the right balance between delivering on the mission and improving monetisation.

Impact Theme	Social inclusion and education
2024 Valuation	£6,426,000
% of total assets	4.1%
2023 Valuation	£5,675,000
% of total assets 2023	3.5%
Net purchases/(sales) in the year	(£2,122,000)



One year summary*

The following information illustrates how Keystone has performed over the year to 30 September 2024.

Capital and revenue information as at/for the year ended	30 September 2024	30 September 2023	% change
Total assets (before deduction of borrowings)	£158.4m	£162.2m	
Borrowings (at book value)	(£15.1m)	(£15.5m)	
Shareholders' funds	£143.2m	£146.7m	
Net asset value per ordinary share (borrowings at market value)†	242.0p	237.3p	2.0%
Share price	231.0p	204.0p	13.2%
Comparative index#			18.0%
Revenue earnings per ordinary share	0.32p	0.71p	(54.9%)
Dividends paid and payable in respect of the financial year	0.10p	0.45p	(77.8%)
Ongoing charges†	1.02%	0.90%	
Discount (to NAV with borrowings at market value)†	(4.6%)	(14.0%)	
Gross gearing†	10.6%	10.6%	
Net gearing†	8.7%	10.1%	
Active share†	96%	97%	

Year to 30 September	2024	2023
Total return performance†‡		
Net asset value (borrowings at market value)	2.2%	7.0%
Share price	13.5%	6.0%
Comparative index#	20.4%	11.0%

* For a definition of terms used see Glossary of Terms and Alternative Performance Measures on pages 132 to 135.

† Alternative performance measure – see Glossary of Terms and Alternative Performance Measures on pages 132 to 135.

The MSCI All Country World Index (in sterling terms) is the principal index against which performance is measured.

‡ Source: Baillie Gifford/LSEG and relevant underlying index providers. See disclaimer on page 131.

Past performance is not a guide to future performance.

Year to 30 September	2024	2024	2023	2023
Year's high and low	**High**	**Low**	**High**	**Low**
Net asset value per ordinary share (borrowings at market value)*†	265.5p	218.8p	266.8p	218.1p
Share price	234.0p	183.3p	226.0p	187.0p
Discount*†	(4.6%)	(17.9%)	(10.2%)	(18.0%)

Year to 30 September	2024	2023
Net return per ordinary share		
Revenue	0.32p	0.71p
Capital	4.14p	14.77p
Total	**4.46p**	**15.48p**

* For a definition of terms used see Glossary of Terms and Alternative Performance Measures on pages 132 to 135.

† Alternative performance measure – see Glossary of Terms and Alternative Performance Measures on pages 132 to 135.

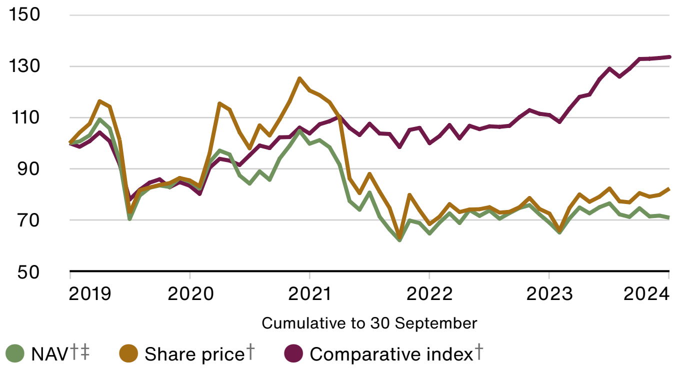
Past performance is not a guide to future performance.

Five year summary

The following charts indicate how Keystone has performed relative to its comparative index* and the relationship between share price and net asset value over the five year period to 30 September 2024.

Five year total return performance†
net asset value, share price and index*

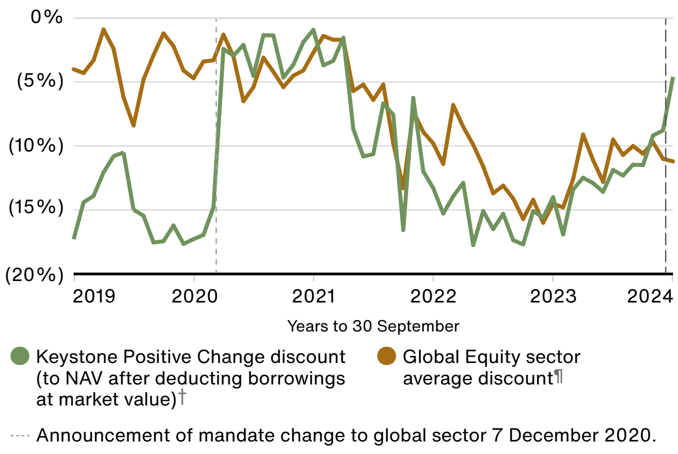
(figures rebased to 100 at 30 September 2019)



Source: LSEG and relevant underlying index providers#.

Discount to net asset value†

(figures plotted on a monthly basis)



Source: Baillie Gifford/LSEG#

* The MSCI All Country World Index (in sterling terms) is the principal index against which performance is measured with effect from 11 February 2021. Prior to that it was the FTSE All-Share. For the purposes of the above graph, the returns on both comparative indices for their respective periods have been linked to form a single comparative index.

† Alternative performance measure – see Glossary of Terms and Alternative Performance Measures on pages 132 to 135.

\# See disclaimer on page 131.

‡ With borrowings deducted at market value.

¶ Source: Morningstar.

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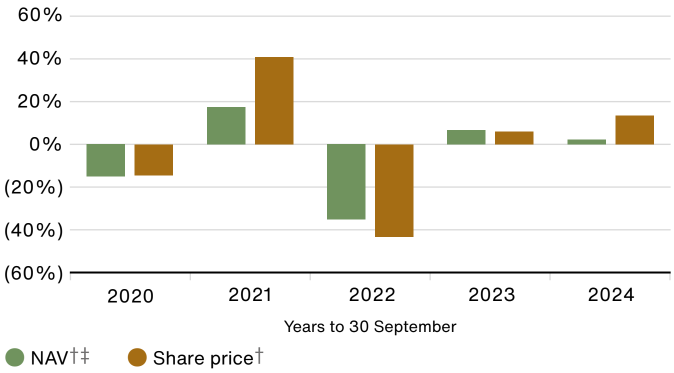
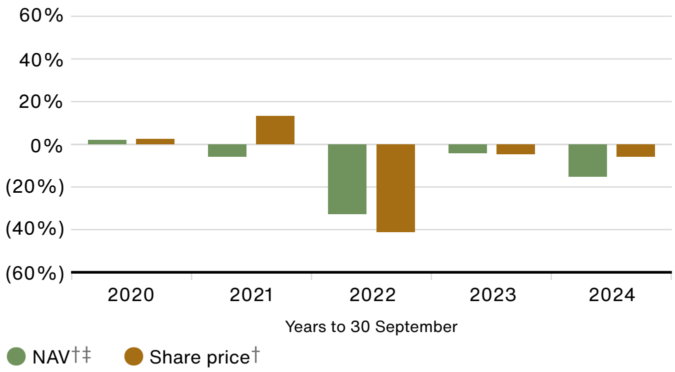
Annual net asset value and share price total returns†



Source: Baillie Gifford/LSEG#.

Relative annual net asset value and share price total returns†

(relative to the comparative index* total return)



Source: Baillie Gifford/LSEG and relevant underlying index providers#.

* The MSCI All Country World Index (in sterling terms) is the principal index against which performance is measured with effect from 11 February 2021. Prior to that it was the FTSE All-Share. For the purposes of the above graphs, the returns on both comparative indices for their respective periods have been linked to form a single comparative index.

† Alternative performance measure – see Glossary of Terms and Alternative Performance Measures on pages 132 to 135.

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‡ With borrowings deducted at market value.

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Ten year record*

Capital

At 30 September	Total assets * £'000	Borrowings £'000	Shareholders' funds £'000	NAV per share (book) * p	NAV per share (market) * p	Share price p	Discount to NAV (market) * %
2014	282,182	31,915	250,267	370.3	361.2	341.8	(5.4)
2015	291,567	31,942	259,625	384.1	373.4	355.2	(4.9)
2016	296,919	31,972	264,947	392.0	379.0	347.1	(8.4)
2017	307,390	32,003	275,387	407.4	396.0	346.0	(12.6)
2018	298,183	32,037	266,146	393.7	384.3	337.0	(12.3)
2019	289,677	32,071	257,606	381.1	372.5	308.0	(17.3)
2020	209,755	19,430	190,325	305.8	305.8	253.0	(17.3)
2021	224,881	10,364	214,517	347.0	347.0	344.0	(0.9)
2022	152,853	15,525	137,328	222.2	222.2	192.8	(13.2)
2023	162,148	15,495	146,653	237.2	237.3	204.0	(14.0)
2024	**158,364**	**15,133**	**143,231**	**242.0**	**242.0**	**231.0**	**(4.6)**

Revenue

Gearing ratios

Year to 30 September	Gross revenue £'000	Available for ordinary shareholders £'000	Revenue earnings per ordinary share ‡ p	Dividend paid and proposed per share net: Ordinary p	Special p	Total p	Ongoing charges * %	At 30 September: Net gearing * %	Gross gearing * %
2014	9,507	8,013	11.85	10.10	1.60	11.70	0.87	6.4	12.8
2015	10,071	8,659	12.81	10.20	2.46	12.66	0.71	3.8	12.3
2016	9,783	8,386	12.41	10.60	1.06	11.66	0.69	6.3	12.1
2017	9,001	8,316	12.30	11.00	0.94	11.94	0.61	6.3	11.6
2018	8,137	7,552	11.17	11.20	0.35	11.55	0.54	11.9	12.0
2019	8,732	7,516	11.12	11.20	0.734	11.934	0.54	3.7	12.4
2020	5,848	4,815	7.41	11.20	–	11.20	0.55	10.4	10.2
2021	2,353	1,605	2.60	11.20	–	11.20	0.51	4.6	4.8
2022	1,459	389	0.63	0.40	–	0.40	0.90	10.6	11.3
2023	1,618	440	0.71	0.45	–	0.45	0.90	10.1	10.6
2024	**1,534**	**192**	**0.32**	**0.10**	**–**	**0.10**	**1.02**	**8.7**	**10.6**

* For a definition of terms used see Glossary of Terms and Alternative Performance Measures on pages 132 to 135.

‡ The calculation of revenue earnings per share is based on the revenue from ordinary activities after taxation and the weighted average number of ordinary shares in issue (see note 07 on page 95).

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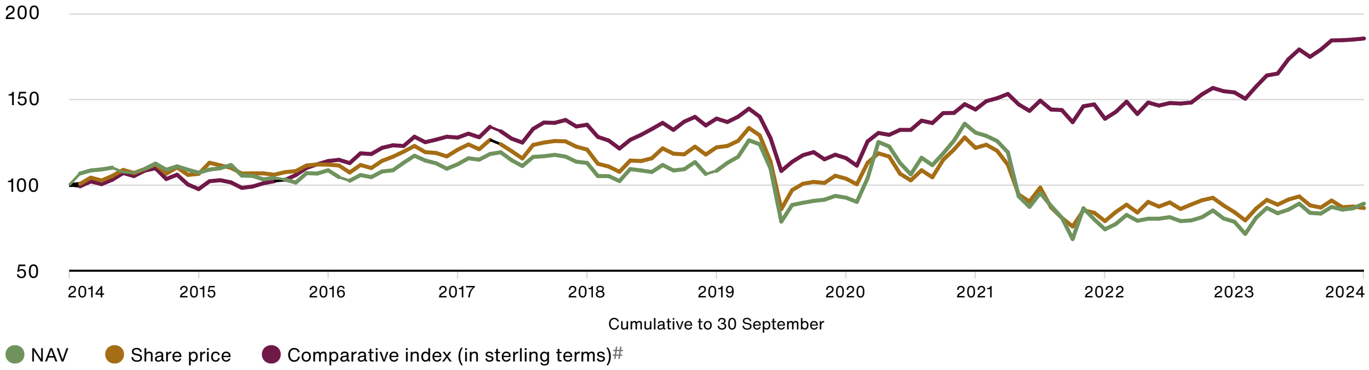
Cumulative performance (taking 2014 as 100)

At 30 September	NAV per share (market) *	NAV total return (market) *†	Share price	Share price total return *†	Comparative index †#	Comparative index total return †#	Revenue earnings	Dividends	Retail price index †
2014	100	100	100	100	100	100	100	100	100
2015	103	107	104	107	94	98	108	108	102
2016	105	112	102	109	106	114	105	100	103
2017	110	121	101	112	115	128	104	102	105
2018	106	121	99	113	117	135	94	99	109
2019	103	122	90	108	115	139	94	102	113
2020	85	104	74	93	93	116	63	96	115
2021	96	122	101	131	113	144	22	96	117
2022	62	79	56	74	107	139	5	3	122
2023	66	84	60	79	116	154	6	4	136
2024	**67**	**86**	**68**	**89**	**137**	**186**	**3**	**1**	**156**

Compound annual returns* (%)

5 year	(8.3)	(6.6)	(5.6)	(3.8)	3.5	6.0	n/a	n/a	6.7
10 year	(3.9)	(1.4)	(3.8)	(1.1)	3.2	6.4	n/a	n/a	4.5

Ten year total return performance*



Source: LSEG and underlying data providers. See disclaimer on page 131.

* For a definition of terms see Glossary of Terms and Alternative Performance Measures on pages 132 to 135.

† Source: LSEG and relevant underlying index providers. See disclaimer on page 131.

\# The MSCI All Country World Index (in sterling terms) is the principal index against which performance is measured with effect from 11 February 2021. Prior to that it was the FTSE All-Share. For the purposes of the above, the returns on both comparative indices for the respective periods have been linked to form a single comparative index.

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Business review

Business model

Business and status

Keystone Positive Change Investment Trust plc ('the Company' or 'Keystone Positive Change') is a public company limited by shares and is incorporated in England and Wales with its registered office address at 3 St Helen's Place, London, EC3A 6AB. 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 share capital although, subject to shareholder approval sought annually, it may purchase its own shares or issue shares. The price of the Company's shares is determined, like other listed shares, by supply and demand.

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

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

The Company's business model is for its independent, non-executive Board of Directors to appoint third party investment management and administration service providers, and to monitor the quality of the services provided by them.

Purpose and strategy

Keystone Positive Change Investment Trust plc aims to deliver above average long-term returns for shareholders by harnessing the long-term growth potential of companies whose businesses contribute to positive social or environmental change. The Company's strategy is determined by the Board, through setting investment policy and risk guidelines, together with investment limits, and monitoring their application by the third party Managers when investing the portfolio in accordance with the Objective and Policy detailed below.

Objective and policy

The Company's objective is to generate long term capital growth with the aim of the NAV total return exceeding that of the MSCI All Country World Index in sterling terms by at least 2% per annum over rolling five-year periods; and contribute towards a more sustainable and inclusive world by investing in the equities of companies whose products or services make a positive social or environmental impact.

The Company invests predominantly in shares of companies of any size, in any country and in any sector, whose products or behaviour make a positive impact on society and/or the environment in the investment managers' opinion. The Company will invest in companies addressing critical challenges in areas such as, but not limited to: social inclusion and education, healthcare and quality of life, environment and resource needs, and base of the pyramid. The shares in which the Company invests may be listed, quoted, or traded on any market, or shares in private companies.

The maximum direct investment in any one holding or fund is limited to 10% of the gross asset value of the Company, measured at the time of investment.

The portfolio will comprise between 30 and 60 public and private company securities. The maximum amount which may be invested in private company securities shall not exceed 30 per cent. of the gross asset value of the Company, measured at the time of investment. The Company will at all times be invested in several sectors. While there are no specific limits placed on exposure to any one sector, the Company will at all times invest and manage the portfolio in a manner consistent with spreading investment risk.

With prior approval of the Board, the Company may use derivatives for the purposes of efficient portfolio management in order to reduce, transfer or eliminate investment risk in the Company's portfolio and for gearing purposes. Derivative instruments in which the Company may invest may include foreign exchange forwards, exchange-listed and over-the-counter options, futures, options on futures, swaps and similar instruments. The Company does not intend to enter into derivative or hedging transactions to mitigate against general currency or interest rate risk.

The Company will not invest more than 15 per cent. of its gross assets in other investment companies or investment trusts which are listed on the Official List. The Company intends to employ gearing to seek to enhance long term capital growth and for the purposes of capital flexibility and efficient portfolio management. The Company may be geared through bank borrowings, the use of derivative instruments that have the effect of gearing the Company's portfolio, and any such other methods as the Board may determine. Gearing will not exceed 25 per cent. of the gross asset value of the Company, although the Board expects that gearing will typically not exceed 10 per cent. of the gross asset value of the Company, in both cases calculated at the time of drawdown of the relevant borrowings or entering into the relevant transaction, as appropriate.

While it is intended that the Company will be fully invested in normal market conditions, the Company may hold cash on deposit or invest on a temporary basis in a range of cash equivalent instruments. There is no restriction on the amount of cash or cash equivalent instruments that the Company may hold. Any material change in the Company's investment policy will require the approval of shareholders at a general meeting. In the event of a breach of the Company's investment policy, the Directors will announce through a Regulatory Information Service the actions which will be taken to rectify the breach.

Enhancements to objective and policy

It is intended that the Company will adopt the Sustainability Impact label under the UK's Sustainability disclosure requirements and investment labels regulations ('SDR') prior to the 2 December 2024 deadline, and will incorporate additional explanatory language within its objective and policy wording in alignment with the Baillie Gifford Positive Change Fund, which is also adopting the Sustainability Impact label. Its updated objective and policy can be found on the fund's website at **bailliegifford.com**. Such enhancements are considered, in the case of the Company, to be clarifications of existing policy and are not considered by the Board or the Company's Managers or brokers to represent a material change requiring shareholder approval in a General Meeting.

Culture

As an externally managed investment company with no employees, Keystone Positive Change's culture is expressed through its Board and its third party service providers, in particular its Managers, in their interactions with shareholders and other stakeholders. The Board's assessment of its own interactions is described in its section 172 statement on pages 44 to 47, and the Managers' culture of constructive engagement is set out within Investing for Positive Change on pages 14 to 19.

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 Board uses key performance indicators (KPIs) to measure the progress and performance of the Company over time when discharging its duties as set out on page 61 and evaluating the Managers as noted on page 55. These KPIs are established industry measures and are as follows:

- the movement in net asset value per ordinary share on a total return basis;
- the movement in the share price on a total return basis;
- the share price premium/discount relative to the net asset value; and
- ongoing charges.

An explanation of these measures can be found in the Glossary of Terms and Alternative Performance Measures on pages 132 to 135. Discussion on the current year's performance is included in the Chair's Statement on pages 5 to 8. The one, five and ten year records of the KPIs are shown on pages 30 to 35.

The Board also has regard to the total return of the Company's principal comparative index (MSCI All Country World Index in sterling terms).

The following impact KPIs have been adopted by the Board for the impact objective of its strategy. It is expected that 100% of listed portfolio investments (excluding cash and cash equivalents) will comply:

- The percentage of investments that meet the Managers' impact assessment;
- The percentage of investments that have linkage with the United Nations Sustainable Development Goals;
- The percentage of investments that comply with the Managers' policy on assessing breaches of the United Nations Global Compact Principles for Business; and
- The percentage of investments that comply with the business activity-based exclusions.

Financial position and borrowings

At 30 September 2024, the Company's net assets were valued at £143 million (2023 – £147 million) comprising a portfolio of mainly equity investments and net current assets.

The Company's borrowings at 30 September 2024 comprised a £20 million (2023 – £25 million) revolving credit facility provided by The Bank of New York Mellon (2023 - The Royal Bank of Scotland International Limited). At 30 September 2024 there were outstanding drawings of £7,500,000 (2023 – £7,500,000) and US$9,902,000 (2023 – US$9,453,000) at rates of 1.25% over SONIA (GBP loan) and 1.10% over US term SOFR, which switched from 1.25% over daily SOFR 29 August 2024 (US$ loan). Further details of the Company's borrowings are set out in note 11 on page 97 and details of the Company's gearing levels are included in the Chair's Statement on page 7 and the Ten Year Record on page 34.

Dividends

At the Company's Annual General Meeting held in February 2022, shareholders approved that the dividend payment policy for the financial year to 30 September 2022 and subsequent years would be to pay a single final dividend representing the minimum distribution required to maintain investment trust status. In order to ensure a distribution sufficient to ensure retention of investment trust status in respect of the financial year to 30 September 2024, regardless of the outcome of the Scheme of Reconstruction under consideration by shareholders, the Board is declaring an interim dividend in lieu of a final dividend.

Future developments of the Company

The outlook for the Company is dependent to a significant degree on economic events and the financial markets. Potential threats are discussed in the Principal and Emerging Risks analysis on pages 39 to 43 and factors which the Board consider to indicate the Company's prospects and financial health are discussed in the Viability Statement on page 44. Further comments on the outlook for the Company and its investment portfolio are set out in the Chair's Statement on page 8 and the Managers' Review on pages 9 to 13.

Principal and emerging risks

As explained on pages 64 and 65 there is an ongoing 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 threaten its business model, future performance, regulatory compliance, solvency or liquidity. A description of these risks and how they are being managed or mitigated is set out below.

The Board considers the impact of macroeconomic and geopolitical concerns to be factors which exacerbate existing risks, rather than discrete risks, within the context of an investment trust. Their impact is considered within the relevant risks.

	What is the risk?	How is it managed?		Current assessment of risk
Financial risk	The Company's assets consist mainly of listed securities and its principal and emerging financial risks are therefore market related and include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. An explanation of those risks and how they are managed is contained in note 19 to the Financial Statements on pages 100 to 105.	In order to oversee this risk, the Board considers at each meeting the composition and diversification of the portfolio by impact theme and holding size, along with sales and purchases of investments. Individual investments are discussed with the investment managers together with their general views on the various investment markets and sectors. A strategy meeting is held annually. The Board has, in particular, considered the impact of macroeconomic and geopolitical concerns. The value of the Company's investment portfolio would be affected by any impact, positively or negatively, on sterling but such impact would be partially offset by the effect of exchange rate movements on the Company's US$ denominated borrowings.	—	This risk remains high due to market volatility as a result of heightened macroeconomic and geopolitical concerns.

↑ Increasing Risk ↓ Decreasing Risk — No Change

Investment strategy risk

What is the 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.

How is it managed?
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 in terms of impact and shareholder returns; the level of discount/premium to net asset value at which the shares trade; and movements in the share register, and raises any matters of concern with the Managers.

During the year, the Board sought enhanced performance analysis reports and metrics from the Managers, and provided additional challenge in portfolio discussions.

Current assessment of risk
This risk remains high as the market's appetite for the innovative growth stocks typically held by the Company remains subdued, owing to macroeconomic and geopolitical concerns.

Notwithstanding the Board's confidence in the long-term prospects of the investment strategy, the disappointing shareholder returns led the Board to conclude that the proposed Scheme of Reconstruction best served the interests of shareholders. This enables shareholders to choose between retaining an exposure to a global impact strategy or receiving a cash exit at a modest discount.

Climate and governance risk

What is the risk?
As investors continue to place emphasis on Environmental, Social and Governance ('ESG') issues, perceived inaction 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 a failure to identify a pathway to Net Zero or poor employment practices). 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.

How is it managed?
This is mitigated by the Managers' strong ESG stewardship and engagement policies, which have been endorsed by the Company, and which are fully integrated into the investment process, as well as the extensive up-front and ongoing due diligence which the Managers undertake on each investee company. This due diligence includes assessment of the risks inherent in climate change (see page 66).

Current assessment of risk
The Managers continue to employ strong ESG stewardship and engagement policies.

Increasing Risk | Decreasing Risk | No Change

Discount risk

What is the risk?
The price 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 and the wider investment trust sector, and attract arbitrageurs whose interests may not be aligned with those of long-term investors.

How is it managed?
To manage this risk, the Board monitors the level of discount/premium at which the shares trade and the reasons for movements in either direction. The Board has a range of options available to address widening discounts and/or premiums, including reviewing the investment strategy or marketing approach. The Company has authority to buy back or issue shares when deemed by the Board to be in the best interests of the Company and its shareholders, and embarked on a programme of buybacks during the year. At the previous year end the Board also introduced a continuation vote to be held following five full years of the Positive Change strategy. During the year, the Chair and the Company's brokers met with shareholders to discuss their concerns, and in response to feedback proposed the Scheme of Reconstruction as set out in the Chair's Statement and Shareholder Circular.

Current assessment of risk
The Company's discount narrowed during the year. The terms of the Scheme of Reconstruction offer shareholders the possibility of rolling their investment over into the Baillie Gifford Positive Change Fund at NAV or receiving a cash exit at a modest discount to NAV.

Regulatory risk

What is the risk?
Failure to comply with applicable legal and regulatory requirements such as the tax rules for investment trust companies, the FCA Listing rules and the Companies Act could lead to the Company being subject to tax on capital gains, suspension of the Company's Stock Exchange listing, financial penalties or a qualified audit report.

How is it managed?
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. Should major regulatory change seem likely to impose disproportionate compliance burdens on the Company, representations are made to the relevant authorities 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.

Current assessment of risk
All control procedures are working effectively.

Increasing Risk | Decreasing Risk | No Change

	What is the risk?	How is it managed?		Current assessment of risk
Custody and depositary risk	Safe custody of the Company's assets may be compromised through control failures by the depositary, including breaches of cyber security.	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 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.	—	All control procedures are working effectively.
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 or major disaster. The Audit Committee reviews Baillie Gifford's Report on Internal Controls and the reports by other third party providers are reviewed by Baillie Gifford on behalf of the Board and a summary of the key points is reported to the Audit Committee and any concerns investigated. In the year under review, the key third party service providers have not experienced significant operational difficulties affecting their respective services to the Company.	—	All control procedures are working effectively.
Gearing risk	The Company may borrow money for investment purposes. If the investments fall in value, any borrowings will magnify the extent of this loss. If borrowing facilities are not renewed, the Company may have to sell investments to repay borrowings. The Company can also make use of derivative contracts.	To mitigate this risk all borrowings require the prior approval of the Board and gearing levels are discussed by the Board and Managers at every meeting. Covenant levels are monitored regularly. The majority of the Company's investments are in listed securities that are readily realisable. Further information on gearing can be found on page 34 and in the Glossary of Terms and Alternative Performance Measures on page 134.	—	The Company's revolving loan facility can be repaid with no penalties, should the decision be taken to reduce gearing.

↑ Increasing Risk ↓ Decreasing Risk — No Change

Political and associated economic risk

What is the risk?
Political change in areas in which the Company invests or may invest may increasingly have practical consequences for the Company.

How is it managed?
To mitigate this risk, developments are closely monitored and considered by the Board. The Board has particular regard to macroeconomic and geopolitical tensions, and monitors portfolio diversification by revenue stream where appropriate, as well as by investee companies' primary location, to mitigate against the negative impact of military action or trade barriers.

Current assessment of risk
This risk remains high due to the conflicts in Ukraine and Gaza and ongoing US/China tensions.

Cyber security risk

What is the 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.

How is it managed?
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.

Current assessment of risk
All control procedures are working effectively.

Emerging Risks

As explained on pages 64 and 65, the Board has regular discussions on principal and emerging risks, including any risks which are not an immediate threat but could arise in the longer term. The Board considers emerging risks at each Board meeting and discusses any mitigations required. The emerging Execution Risk identified in connection with the proposed Scheme of Reconstruction is mitigated by consultation with shareholders and the appointment of appropriately qualified professional advisors.

Increasing Risk Decreasing Risk No Change

Viability statement

The Company is a collective investment vehicle rather than a commercial business venture and is managed for long-term investment. It has no fixed life, and no continuation vote provisions in its Articles. The Directors' commitment to offer shareholders a continuation vote at the Annual General Meeting in 2027, allowing assessment of the Company's performance over five full financial years to 30 September 2026 of the Positive Change strategy is not considered to entail an obligation to shorten the recommended review period. In accordance with provision 31 of the UK Corporate Governance Code, the Directors assessed the prospects of the Company over a five year period as aligning with the Company's investment objective and the Managers' investment horizon. The Directors believe this period remains appropriate notwithstanding the Scheme of Reconstruction noted below as, in the absence of any adverse change to the regulatory environment and the favourable tax treatment afforded to UK investment trusts, it is a period over which they would not otherwise expect there to be any significant change to the current principal risks and to the adequacy of the mitigating controls in place.

In making this assessment the Directors have taken into account the Company's current financial position and conducted a robust assessment of the Company's principal and emerging risks and uncertainties (as detailed on pages 39 to 43). The Directors also considered the Company's investment objective and policy, the level of demand for the Company's shares, the nature of its assets, its liabilities and projected income and expenditure. The vast majority of the Company's investments are readily realisable and can be sold to meet its liabilities as they fall due, the main liabilities currently being the short-term bank borrowings. The Company's primary third party suppliers, including its Managers and Secretaries, custodian and depositary, registrar, auditor and broker, are not experiencing significant operational difficulties affecting their respective services to the Company. In addition, as substantially all of the essential services required by the Company are outsourced to third party service providers, this allows key service providers to be replaced at relatively short notice where necessary. Gearing and portfolio liquidity stress testing was conducted during the year. The stress testing did not indicate any matters of concern. The Board continues to monitor the economic impact of geopolitical tensions and macroeconomic challenges but does not consider that such impact would affect the going concern status or viability of the Company.

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, gearing, counterparty exposure, liquidity risk and financial controls, the Board believes that, subject to the matters noted immediately below, the prospects of the Company were such that the Directors would otherwise be able to confirm that they had a reasonable expectation that it would continue in operation and meet its liabilities as they fell due over the five year period of assessment.

While it is the Directors' belief that the Company is currently in such a position that, absent certain specific conditions, its viability could be reasonably foreseen over a five-year view, the Board also notes that a pattern of low voting levels in recent years' Annual General Meetings means that any significant shareholder seeking an exit other than through natural market liquidity could requisition a tender offer or similar corporate action. Although, at its current size, the Company is considered viable, following such a tender offer the Directors are of the opinion that it would not be, as unavoidable operational costs would represent too high a percentage of shareholders' funds. The Board has therefore put forward the Scheme of Reconstruction which recognises the current viability of the Company, offers an ongoing vehicle with similar portfolio characteristics for shareholders who share the Directors' belief in the Positive Change strategy and offers a cash exit for those shareholders who choose it. While the rollover and liquidation of the Company is not deemed certain until the General Meetings at which the decision will be finalised have been held, it should be noted that the Board considers there to be a material uncertainty that the Company will continue to exist in its present form beyond the next six months.

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, having regard to Keystone Positive Change being an externally-managed investment company with no employees, the Board considers the Company's key stakeholders to be: its existing and potential new shareholders; its externally-appointed managers (Baillie Gifford); other professional service providers (corporate broker, registrar, auditor and depositary); lenders; wider society and the environment.

The Board considers that the interests of the Company's key stakeholders are aligned, in terms of wishing to see the Company deliver sustainable long-term growth, in line with the Company's stated objective and strategy, and meet the highest standards of legal, regulatory, and commercial conduct, with the differences between stakeholders being merely a matter of emphasis on those elements.

The Board's methods for assessing the Company's progress in the context of its stakeholders' interests are set out below.

Stakeholder	Why we engage	How we engage and what we do
Shareholders	Shareholders are, collectively, the Company's owners: providing them with a return for their investment in accordance with the Company's investment policy and objective is the reason for its existence.	The Board places great importance on communication with shareholders. The Annual General Meeting provides the key forum for the Board and Managers to present to shareholders on the Company's performance, future plans and prospects. It also allows shareholders the opportunity to meet with the Board and Managers and raise questions and concerns. The Chair is available to meet with shareholders as appropriate. The Managers meet regularly with shareholders and their representatives, reporting their views back to the Board. Directors also attend certain shareholder presentations, in order to gauge shareholder sentiment first hand. Shareholders may also communicate with members of the Board at any time by writing to them at the Company's registered office or to the Company's broker. Direct shareholder engagement by the Directors, Managers and brokers informed the proposal of the Scheme of Reconstruction as discussed below.
Baillie Gifford – Managers and Secretaries	The Company's Board has delegated the management of the Company's portfolio, and the administration of the Company's operations including fulfillment of regulatory and taxation reporting requirements, to Baillie Gifford. Baillie Gifford is therefore responsible for the substantial activities of the Company and has the most immediate influence on its conduct towards the other stakeholders, subject to the oversight and strategic direction provided by the Board.	The Board engages with its Managers in a collaborative and collegiate manner, encouraging open and constructive discussion and debate, while also ensuring that appropriate and regular challenge is brought and evaluation conducted. This approach aims to enhance service levels and strengthen relationships with the Company's providers, with a view to ensuring the interests of the Company's shareholders are best served by keeping cost levels proportionate and competitive, and by maintaining the highest standards of business conduct.
Portfolio companies	As all of the Company's operations are conducted by third party professional providers, it is the companies held in its investment portfolio which have the primary real-world impact in terms of social and environmental change, both positively and negatively, as well as generating, through their commercial success, the investment growth sought by the Company's shareholders. The investee companies have an interest in understanding their shareholders' investment rationale in order to assure themselves that long-term business strategies will be supported.	The Board is cognisant 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 Keystone Positive Change's aim of providing a sustainable basis for adding value for shareholders. The Board's review of the Managers includes an assessment of their ESG approach and its application in making investment decisions. The Board regularly reviews Governance Engagement reports, which document the Managers' interactions with investee companies on ESG matters.

Stakeholder	Why we engage	How we engage and what we do
Brokers	The Company's brokers provide an interface between the Company's Board and its institutional shareholders.	The Company's brokers attend and provide reports to Board meetings, to keep the Board apprised of shareholder and wider market sentiment regarding the Company. During the year, they arranged a number of shareholder engagements and, as a result, were instrumental in developing the Scheme of Reconstruction noted below.
Registrars	The Company's registrars provide an interface with those shareholders who hold the Company's shares directly.	The Company Secretaries liaise with the registrars to ensure the frequency and accuracy of communications to shareholders is appropriate, and monitor shareholder correspondence to ensure that the level of service provided by the registrars is acceptable. The Managers' risk function reviews the registrars' internal controls report and reports on the outcome of this review to the Board.
Auditor	The Company's auditor has a responsibility to provide an opinion on whether the Company's Financial Statements as a whole are free from material misstatement, as set out in more detail in the Auditor's Report to the Members on page 82.	The Company's auditor meets with the Audit Chair and the Board, in the absence of the Managers where deemed necessary, at least twice a year, to review the audit plan and discuss the findings of the annual audit. The Managers undertake to provide all information requested by the auditor in connection with the Company's annual audit promptly and to ensure that it is complete and accurate in all respects.
Depositary and custodian	The depositary is responsible for the safekeeping of the Company's financial instruments, as set out in more detail on page 56.	The depositary provides the Audit Committee with a report on its monitoring activities. The Board and Managers engage with the depositary and custodian in a collaborative and collegiate manner, encouraging open and constructive discussion, while ensuring appropriate and regular challenge and evaluation. The interests of the Company's shareholders are best served by keeping cost levels proportionate and competitive, and by maintaining the highest standards of business conduct.
Lenders	Lenders such as holders of debt instruments (debentures, bonds and private placement loan notes) and banks providing fixed or revolving credit facilities provide the Company's gearing as described on page 97 and have an interest in the Company's ongoing financial health and viability.	The Company's legal advisers review all legal agreements in connection with the Company's debt arrangements to advise the Board on the appropriateness of the terms and covenants therein and did so for the new facility arranged in August. The Managers and Secretaries ensure that the frequency and accuracy of reporting on, for example, covenant certification, is appropriate and that correspondence from the lenders receives a prompt response.
AIC/industry peers	The Association of Investment Companies ('AIC') and the Company's investment trust industry peers have an interest in the Company's conduct and performance, as adverse market sentiment towards one investment trust can affect attitudes towards the wider industry.	The Company is a member of the AIC, and the Directors and/or the Managers and Secretaries (as appropriate) participate in requests for feedback on proposed legislation or regulatory developments, technical reviews, corporate governance discussions and/or training. Directors also attend the annual AIC conference and directors' round tables.
Investment platforms	Investment platforms provide an interface with shareholders who invest in the Company indirectly.	The Managers liaise with the various investment platforms on strategies for improving communications with the Company's shareholders who hold their shares via these platforms. An annual timetable of key dates is published on the Company's website, for the ease of reference of such shareholders.
Wider society and the environment	No entity, corporate or otherwise, can exist without having an influence on the society in which it operates or utilising the planet's resources. Through its third-party relationships, as noted above, the Company seeks to be a positive influence and, in circumstances where that is not possible, to mitigate its negative impacts insofar as is possible.	The Board and Managers' interactions with the various stakeholders as noted above form the principal forms of direct engagement with wider society and in respect of the environment (commercial, financial, and in terms of planetary health and resources).

The Board recognises the importance of keeping the interests of the Company's shareholders, and of acting fairly between them, firmly front of mind in its key decision making. 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 required the Directors to have regard to applicable section 172 factors included:

- arranging a new revolving credit facility with The Bank of New York Mellon, to replace the expiring 3 year facility with Royal Bank of Scotland International Limited, on improved commercial terms;
- the recruitment of a new Director, Ranjan Ramparia, with the intention that she should replace Ian Armfield as Audit Chair on his retirement from the Board scheduled for February 2025, and the subsequent reversal of that decision in view of the Scheme of Reconstruction (see below);
- formulation of a Scheme of Reconstruction, as discussed in more detail in the Chair's Statement and the Shareholder Circular, which will allow shareholders who wish to maintain exposure to the Positive Change strategy to roll their investment into the open ended vehicle managed by the same team, and will allow shareholders seeking a cash exit to do so at a moderate discount to NAV; and
- the declaration of an interim dividend of 0.10p per share in lieu of a final dividend, being the minimum required to maintain the Company's investment trust status, to be accompanied by a further interim dividend of 0.35p per share in respect of the financial period commencing 1 October 2024, to ensure retention of investment trust status for that period, and to reduce the costs and inconvenience to shareholders associated with multiple separate distributions.

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.

Board representation

The Board's diversity disclosures are set out on page 61 and 62.

Environmental, social and governance policy

Details of the Company's policy on socially responsible investment can be found under Corporate Governance and Stewardship on page 66, and under Investing for Positive Change on pages 14 to 19.

Modern slavery

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

The Strategic Report which includes pages 5 to 47 was approved by the Board of Directors and signed on its behalf on 26 November 2024.

Karen Brade
Chair

Governance report

This governance report, which includes pages 49 to 75 outlines the Board's approach to the governance of your Company. We believe that good governance builds better outcomes and we are committed to high standards of corporate governance and transparency.

Directors and management

Directors

Karen Brade

Chair

Appointed 2019

Karen Brade began her career in 1987 at Citibank on multi-national project finance transactions. Until 2004 she was a director at CDC (now British International Investment), the UK's development finance institution and impact investor in emerging economies, acting as an investment and portfolio manager, and conducting fund raising and investor development in South Asia. She was chair of Aberdeen Japan Investment Trust plc until 2023.

Now Karen serves as a non-executive director of HeiQ plc, of Augmentum Fintech plc, and of the general partner of Spark+Africa Fund, a US$64 million impact fund supporting clean and modern cooking energy solutions in Africa. She is an external member of Albion Capital's Investment Committee. She became Chair of Keystone in January 2019, having been a non-executive director since January 2018.

Ian Armfield

Audit Committee Chair

Appointed 2012

Ian Armfield was appointed to the Board on 1 November 2012 and became the Audit Committee Chair on 22 January 2013. He spent his executive career with PricewaterhouseCoopers LLP where he was an audit and risk assurance partner for 20 years working in the asset management and wider financial services industry. He is a non-executive director of Managed Pension Funds, an insurance company providing pooled investment management services to pension schemes, a non-executive director of LGPS Central, an asset manager for local government pension schemes, and chair of the Audit and Risk Committee for The Pearson Pension Plan. His expertise in auditing, risks and internal controls in asset management provides relevant, constructive oversight and challenge to the delivery of the Company's strategic goals.

All the Directors above and overleaf served on the Board throughout the year. All Directors are non-executive and, in the opinion of the Board, are independent of the Managers. All Directors are members of the Nomination Committee. All Directors, with the exception of William Kendall, are members of the Audit Committee.

William Kendall

Director

Appointed 2002

William Kendall is a veteran impact investor. For over 30 years he has run or had operational roles in early-stage investments in the food and drink industry, such as Green & Black's organic chocolate where he was CEO before selling the business to Cadbury Schweppes. Green & Black's launched the UK's first Fairtrade registered product. William has had a founding role in three investment funds. These have backed the development of disruptive enterprises and new technologies in major sectors such as the water industry, building products, the leisure industry and agriculture. He is a Trustee of the Grosvenor Estate and a founding director of Grosvenor Food & Agtech which has made over 25 investments around the world in areas such as vertical farming, raising insects for food, plant genetics, precision fermentation and alternative proteins. He advises or is a director of a number of UK-based, family-owned businesses each committed to a strong social and environmental purpose. William is an organic, regenerative farmer in East Anglia. He campaigns for better food systems and improved nature conservation. He firmly believes societal improvement is best delivered by private enterprise in combination with philanthropy and sensible regulation. He is a Trustee of the Suffolk Community Foundation and President of The Suffolk Wildlife Trust. He has a law degree from Cambridge University and an MBA from INSEAD.

Katrina Hart

Senior Independent Director

Appointed 2018

Katrina Hart was appointed to the Board on 18 January 2018 and became Senior Independent Director on 28 June 2023. During her executive career in corporate finance and equity research, she built a recognised specialism in the UK wealth and asset management sectors. Since 2011, she has applied her industry knowledge and markets experience to a number of highly complementary PLC boards, serving as a non-executive director for two asset management operating companies, four investment companies and a REIT. Katrina brings extensive anecdotal and technical understanding of the commercial and regulatory issues facing the wider UK investment market. She is currently also a non-executive director of Montanaro Asset Management and AEW UK REIT plc, and chair of JPMorgan UK Small Cap Growth and Income plc and Blackrock Frontiers Investment Trust plc.

Andrew Fleming

Director

Appointed 2022

Andrew Fleming was appointed to the Board on 1 March 2022. Andrew was chief executive of Waverton Investment Management and Kames Capital where he was responsible for their award-winning ethical investment teams. Earlier in his career he established one of Europe's first 'green' funds and was a very early advocate for the UNPRI. He is a trustee of two charities: the Rank Foundation, which has social impact as part of its core mission; and CTVC, which is the largest independent maker of moral, ethical and religious radio and television content in the UK, where he is chairman.

He has been involved with investment trusts for most of his career, was until recently a director of the Polar Capital Global Healthcare Trust and was previously chairman of the JP Morgan Japanese Investment Trust.

Portfolio Managers

Kate Fox
Investment Manager
Appointed 2021

Kate is an Investment Manager and decision maker in the Positive Change Team. Kate joined Baillie Gifford in 2002 and became a partner of the firm in 2020. She is a CFA Charterholder and graduated MA in Economics and Maths from the University of Edinburgh in 2001.

Kate believes the financial community plays a crucial role in creating a more sustainable world for future generations. Kate's experience analysing smaller companies has left her with a natural enthusiasm for businesses that address unmet needs or challenge the status quo, as well as an appreciation of their long-term potential.

Lee Qian
Investment Manager
Appointed 2021

Lee joined Baillie Gifford in 2012 and is an Investment Manager and decision maker in the Positive Change Team. He is a CFA Charterholder. Lee graduated BA (Hons) in Economics and Management from the University of Oxford in 2012. Lee grew up in China during a period of incredible economic and social progress, when hundreds of millions of people were lifted out of poverty and the standard of living improved for the majority of the population. Witnessing that has influenced Lee deeply about the role of businesses in society.

The Company has appointed Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, as its Alternative Investment Fund Managers ('AIFM') and Company Secretaries. Baillie Gifford & Co Limited has delegated portfolio management services to Baillie Gifford & Co. Dealing activity and transaction reporting have been further sub-delegated to Baillie Gifford Overseas Limited and Baillie Gifford Asia (Hong Kong) Limited. Baillie Gifford & Co is an investment management firm formed in 1927 out of the legal firm Baillie & Gifford, WS, which had been involved in investment management since 1908.

Baillie Gifford is one of the largest investment trust managers in the UK and currently manages thirteen close-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 totalled around £224 billion at 22 November 2024. Based in Edinburgh, it is one of the leading privately owned investment management firms in the UK, with 58 partners and a staff of around 1,700.

Baillie Gifford & Co Limited and Baillie Gifford & Co are both authorised and regulated by the Financial Conduct Authority.

Directors' report

The Directors present their Report together with the Financial Statements of the Company for the year to 30 September 2024.

Corporate governance

The Corporate Governance Report is set out on pages 59 to 66 and forms part of this report.

Directors

Information about the Directors who were in office at the year end and up to the date on which the Financial Statements were signed, including their relevant experience, can be found on pages 49 to 51.

The Company's Directors retire annually. Should the Scheme of Reconstruction be approved by shareholders, it is expected that the Directors will retire when the Company enters liquidation. Should the Company continue in operational existence in its current form, and an Annual General Meeting be scheduled in respect of the year ended 30 September 2024, resolutions proposing Directors' re-election will be put to shareholders at that time. Following formal performance evaluation, the Chair confirms that the Board considers that the Directors' performance continues to be effective and that they remain committed to the Company.

Directors' indemnity and insurance

The Company has entered into qualifying third party deeds of indemnity in favour of each of its Directors. The deeds, which were in force during the year to 30 September 2024 and up to the date of approval of this report, cover any liabilities that may arise to a third party, other than the Company, for negligence, default or breach of trust or duty. The Directors are not indemnified in respect of liabilities to the Company, any regulatory or criminal fines, any costs incurred in connection with criminal proceedings in which the Director is convicted or civil proceedings brought by the Company in which judgement is given against him/her. In addition, the indemnity does not apply to any liability to the extent that it is recovered from another person. The Company also maintains Directors' and Officers' liability insurance.

Conflicts of interest

Each Director submits a list of potential conflicts of interest to the Board on an annual basis. The Board considers these carefully, taking into account the circumstances surrounding them and, if considered appropriate, they are approved subject to periodic review. Having considered the lists of potential conflicts there were no actual direct or indirect interests of a Director which conflicted with the interests of the Company.

Management and Company Secretarial arrangements

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

The Investment Management Agreement between the AIFM and the Company sets out the matters over which the Managers have authority in accordance with the policies and directions of, and subject to restrictions imposed by, the Board. The Investment Management Agreement can be terminated on three months' notice. Compensation fees would only be payable in respect of the notice period if termination were to occur sooner. The annual management fee is 0.70% on the first £100 million of market capitalisation, 0.65% on the next £150 million of market capitalisation and 0.55% on the remaining market capitalisation (see note 3 on page 93 for more details). Market capitalisation for the purposes of management fee calculation is defined as the average number of shares in issue during the relevant valuation period multiplied by the average of the closing middle market prices for the Company's shares for the ten business days ending on the relevant valuation date.

Evaluation of the Managers

The function of a Management Engagement Committee is fulfilled by the Board. The Board reviews investment performance and monitors the arrangements for the provision of investment management and secretarial services to the Company on a continuous basis. A formal evaluation of the Managers by the Directors is conducted annually. The Directors' annual evaluation considered, amongst others, the following topics: the quality of the personnel assigned to handle the Company's affairs; the quality of policy guidance and explanations; the investment strategy and performance; administrative competence; the quality and coverage of papers; the marketing efforts undertaken by the Managers; communication with shareholders; and the service level provided by, and relationship with, the Managers generally.

Following the most recent evaluation in July 2024, the Directors were in agreement 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, was in the interest of shareholders as a whole. The Directors continue to believe this to be the case, notwithstanding the Scheme of Reconstruction being put to shareholders, and selected the Baillie Gifford Positive Change Fund as the rollover vehicle for that reason.

The Directors continued to give careful consideration to the basis of the management fee and actively discussed it with the Managers during the year. Shareholders electing for the rollover to the Baillie Gifford Positive Change Fund should note that the larger scale of this vehicle permits exposure to a very similar portfolio (albeit without access to private company investments or gearing) at the lower ongoing cost of 0.54% (as at 30 September 2024).

Depositary

The Bank of New York Mellon (International) Limited has been appointed as the Company's depositary in accordance with the requirements of the Alternative Investment Fund Managers ('AIFM') Regulations.

The Company's depositary also acts as the Company's custodian. 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.

Share capital

Capital structure

The Company's capital structure at 30 September 2024 consists of 67,593,995 ordinary shares of 10p each (30 September 2023 – 67,593,995) of which 59,179,987 (30 September 2023 – 61,815,632) are allotted and fully paid and 8,414,008 (30 September 2023 – 5,778,363) are held in treasury. There are no restrictions concerning the holding or transfer of the Company's ordinary shares and there are no special rights attached to any of the shares. The Company also has 250,000 5% cumulative preference shares of £1 each in issue.

Dividends

Twice annually, on the last business days in March and September, the Company pays a fixed dividend of 2.5% in respect of the preference shares, making a total of 5% per annum. The holders of preference shares receive their fixed dividend before any dividends are paid to holders of ordinary shares.

The Company's dividend payment policy in respect of ordinary shares is to pay a single final dividend that will be the minimum distribution to maintain investment trust status.

The Board declares an interim dividend of 0.10p per ordinary share for the year. An interim dividend of 0.35p per share in respect of the financial period commencing 1 October 2024 is also declared, and both will be paid on 31 December 2024 to shareholders on the register at the close of business on 13 December 2024. The ex-dividend date is 12 December 2024.

Capital entitlement

On a winding up, after meeting the liabilities of the Company, including paying the nominal value and any outstanding dividends to the holders of the preference shares, 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 £1 nominal held (one vote for every ten 10p ordinary shares). The preference shareholders have no voting rights.

Information on the deadlines for proxy appointments can be found in the relevant Notices of Meeting.

Individual Savings Account (ISA)

The ordinary shares of the Company are qualifying investments under applicable ISA regulations.

Major interests disclosed in the Company's shares

Name	Voting rights at 30 September 2024	% of issue
Saba Capital Management LP	1,361,306	23.0
Rathbones Investment Management Ltd	637,070	10.8
The Goldman Sachs Group, Inc	453,515	7.7
Jefferies Financial Group Inc	282,013	4.8
Bank of Montreal	188,590	3.2
EQ Investors Ltd	176,803	3.0

Between 1 October 2024 and 22 November 2024 the Company was notified that: Saba Capital Management LP hold 3.7% by way of direct shareholdings, and a further 24.5% through financial instruments; that Jefferies Financial Group Inc hold 4.8%; and that JP Morgan Securities plc hold 5.1%. There have been no other changes to the major interests in the Company's shares notified up to 22 November 2024.

Articles of Association

The Company's Articles of Association may only be amended by special resolution at a general meeting of shareholders.

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 of shares 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 to the Financial Statements.

Disclosure of information to auditor

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

Events after the end of the reporting period

The Directors confirm that there have been no events after the end of the reporting period which require adjustment of, or disclosure in, the Financial Statements or notes thereto up to 22 November 2024, other than the matter disclosed in note 21 on page 106.

Independent auditors

PricewaterhouseCoopers LLP having served as the Company's auditors for ten years, the Audit Committee carried out a formal audit tender process. Following this process, the Board approved the appointment of Johnston Carmichael LLP as auditor for the financial year commencing 1 October 2023. The appointment obtained shareholder approval at the Annual General Meeting held on 1 February 2024. Johnston Carmichael LLP therefore conducted the annual audit of the Company for the financial year to 30 September 2024 and their Report is on pages 77 to 84.

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 reasons set out above, the Company considers itself to be a low energy user and, therefore, is not required to disclose energy and carbon information under the SECR regulations.

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.

Criminal Finances Act 2017

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

Annual General Meeting

Issuance of shares

At the last Annual General Meeting, the Directors were granted shareholders' approval for a general authority to allot shares and also an authority to issue shares or sell shares held in treasury on a non pre-emptive basis (without first offering such shares to existing shareholders pro-rata to their existing holdings) up to a maximum nominal amount of £618,156. The Company issued no shares and sold no shares from treasury during the year to 30 September 2024 (year to 30 September 2022 – no shares issued or sold from treasury) or between 1 October and 22 November 2024. 8,414,008 shares were held in treasury as at 30 September 2024 and 22 November 2024 (see page 58 for details of buybacks into treasury transacted in the period).

Both issuance authorities expire at the earlier of the Annual General Meeting to be held in respect of the financial year to 30 September 2024, or 15 months from 1 February 2024, being the date of passing of the Resolution.

In view of the Scheme of Reconstruction being put to shareholders, and the General Meetings to be held in that respect, an Annual General Meeting has not been scheduled. Should one be required, a separate Notice of Annual General Meeting will be circulated to shareholders in due course, containing the relevant Resolutions to renew the authorities noted above.

Purchase of own shares

At the last Annual General Meeting the Company was granted authority to purchase up to 9,130,459 ordinary shares (equivalent to approximately 14.99% of its issued share capital), such authority to expire at the Annual General Meeting in respect of the year ended 30 September 2024. The principal reason for share buy-backs is to enhance net asset value per share for continuing shareholders by purchasing shares at a discount to the prevailing net asset value.

The Company may hold bought-back shares 'in treasury' and then:

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

ii. cancel the shares (or any of them).

Shares will only be sold from treasury at a premium to net asset value.

During the year to 30 September 2024, the Company bought back a total of 2,635,645 shares, representing 4.3% of the issued share capital at 30 September 2023, on 146 separate occasions at an average share price of 220.4 pence per share, an average discount to net asset value of 12.8% and a total cost of £5,842,000. These shares are held in treasury for reissue. No shares were sold from treasury in the year, therefore 8,414,008 shares were held in treasury at 30 September 2024.

Should an Annual General Meeting for the Company be held in due course, the Directors will seek shareholders' approval to renew the authority to purchase up to 14.99% of the Company's ordinary shares in issue at the date of the passing of the resolution, however no date has currently been set for such Annual General Meeting as noted above.

Should a buyback resolution be put to shareholders at such Annual General Meeting, the maximum price (excluding expenses) that may be paid on the exercise of the authority must not exceed 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 of the price of the last independent trade and the highest current independent bid for a share on the London Stock Exchange.

The minimum price (exclusive of expenses) that may be paid is 10p per share. Purchases of 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. This authority, if sought and 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.

On behalf of the Board
Karen Brade
Chair
26 November 2024

Corporate governance report

The Board is committed to achieving and demonstrating high standards of Corporate Governance. This statement outlines how the principles of the 2018 UK Corporate Governance Code (the 'Code') which can be found at frc.org.uk, and the relevant principles of the Association of Investment Companies ('AIC') Code of Corporate Governance issued in 2019 were applied throughout the financial year. The AIC Code provides a framework of best practice for investment companies and can be found at theaic.co.uk. The FRC has confirmed that AIC member companies who report against the AIC Code will be meeting their obligations in relation to the UK Code.

Compliance

The Board confirms that the Company has complied throughout the year under review with the relevant provisions of the Code and the recommendations of the AIC Code. The Code includes provisions relating to the role of the chief executive, executive directors' remuneration and the need for an internal audit function. Given that the Company is an externally managed investment trust, the Board considers these provisions are not relevant to the Company (the need for an internal audit function specific to the Company has been addressed on page 68).

The Board notes the publication in January 2024 of the UK Corporate Governance Code 2024, applicable to accounting periods beginning on or after 1 January 2025 and the publication in August 2024 of The AIC Corporate Governance Code, updated in response to the UK Corporate Governance Code 2024 and also applicable to accounting periods beginning on or after 1 January 2025.

Board of Directors

Comprises independent non-executive directors

Chair: Karen Brade
Senior Independent Director: Katrina Hart

Audit Committee

Chair: Ian Armfield

Purpose: The primary purpose of the Company's Audit Committee is to provide oversight of the financial reporting process, the audit process, risk management, the Company's system of internal controls and compliance with laws and regulations.

The Company does not have a Management Engagement Committee, the function of a Management Engagement Committee is performed by the Board. That function is to ensure that the Managers remain suitable to manage the portfolio, that the management contract is competitive and reasonable for the shareholders, and that the Company maintains appropriate administrative and company secretarial support.

Nomination Committee

Chair: Karen Brade

Purpose: The main purpose of the Nomination Committee is to oversee Board recruitment and succession planning as well as Board appraisals including identifying training needs.

Third-party service providers appointed by the Board

Alternative Investment Fund Managers and Company Secretaries:
Baillie Gifford & Co Limited (wholly owned subsidiary of Baillie Gifford & Co)

Dealing activity and transaction reporting:
Baillie Gifford Overseas Limited and Baillie Gifford Asia (Hong Kong) Limited

Johnston Carmichael LLP

Auditor

The Bank of New York Mellon (International) Limited

Depositary

Computershare Investor Services PLC

Registrar

Deutsche Numis

Company broker

The Board

The Board has overall responsibility for the Company's affairs. It has a number of matters reserved for its approval including strategy, investment policy, currency hedging, borrowings, gearing, treasury matters, dividend and corporate governance policy. A separate strategy session is held annually. The Board also reviews the Financial Statements, investment transactions, revenue budgets and performance. Full and timely information is provided to the Board to enable it to function effectively and to allow Directors to discharge their responsibilities.

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

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

The Senior Independent Director ('SID') is Katrina Hart and, as such, she is available to shareholders as an alternative to the Chair if they have concerns. The SID leads the Chair's performance appraisal and chairs the Nomination Committee when it considers the Chair's succession.

The Directors believe that the Board has a balance of skills and experience that enables it to provide effective strategic leadership and proper governance of the Company. Information about the Directors, including their relevant experience, can be found on pages 49 to 51.

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

Nomination Committee

The Nomination Committee consists of all the Directors and Karen Brade is the 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 composition of the Board, identifying and nominating new candidates for appointment to the Board, Board appraisal, succession planning and training. The Committee also considers whether Directors should be recommended for re-election by shareholders. The Committee is responsible for considering Directors' potential conflicts of interest and for making recommendations to the Board on whether or not the potential conflicts should be authorised. The Committee's Terms of Reference are available on request from the Company and on the Company's page of the Managers' website: **keystonepositivechange.com**.

Appointments to the Board

New Directors are appointed by the Board, following recommendation 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.

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 Directors offer themselves for re-election annually.

Diversity policy

The Board has due regard for the benefits of diversity in its membership and seeks to ensure that its structure, size and composition, including the skills, knowledge, gender and experience of the Directors, is sufficient for the effective direction and control of the Company. The Board is mindful of the importance of having a suitable mapped board succession and renewal process in line with corporate governance best practice and the Nomination Committee keeps succession planning under review.

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 Listing Rules diversity targets but notes that there may be circumstances where the additional responsibilities of a senior role or a preference not to disclose their ethnic background might dissuade quality candidates from accepting an appointment. In such circumstances, the value brought to the Board by their inclusion outweighs the ambition of meeting diversity targets.

Diversity of the Board

The following disclosures are provided in respect of the 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 Audit Committee Chair to represent a senior role within this context.

At 30 September 2024, which shall be used as the reference date for the disclosures in accordance with the Listing Rules 6.6.6R(9), the Board met the targets on percentage of women and women in senior roles, but not on ethnic background. Although, as noted below, the Company expected Ranjan Ramparia to join the Board on 1 October 2024, owing to the Scheme of Reconstruction contemplated, it was not felt appropriate for her to join at this juncture and accordingly there have been no changes to Board membership between 30 September 2024 and 26 November 2024.

Gender	Number	%	Senior roles
Men	3	60	0
Women	2	40	2
Prefer not to say	–	–	–

* The Board also considers Audit Committee Chair to be a senior role. The role of Audit Committee Chair is currently held by a man.

Ethnic background	Number	%	Senior roles
White	5	100	2
Prefer not to say	–	–	–

* The Board also considers Audit Committee Chair to be a senior role. The current Audit Committee Chair's ethnic background is white.

During the year to 30 September 2024, the Company conducted a process of Director recruitment, for which the Committee engaged Sapphire Partners, an external search consultancy with no other connection to the Company or any of its Directors, to search for a new Director with the requisite skills and experience to replace Ian Armfield as Audit Chair, as he had indicated his intention to step down at the Annual General Meeting to be held in 2025. Particular regard was also paid to the Parker Review recommendations. The Nomination Committee considered a shortlist that was 44% women, 56% candidates of non-white or mixed-race ethnicity. The Board expected to be able to report that, as of 1 October 2024 it would meet all the Listing Rule targets. In view of the contemplated Scheme of Reconstruction, however, the Board did not consider this an opportune point for a new Director to join.

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 which could interfere with the exercise of their independent judgement.

The Board has noted the inference of provisions in the UK Corporate Governance Code that non-executive directors who have served for more than nine years should be presumed not to be independent. However, it is the Board's assessment that the repository of experience provided by Directors of longer tenure can enhance a Board's independence from the Managers of an investment trust, by placing the current relationship within a broader context. The Board considers that the review of management arrangements that led to a change of Manager in 2021, the decision to offer shareholders a Continuation Vote after five financial years of the new strategy that was made at the end of last year, and the proposed Scheme of Reconstruction have borne this out, and that each of the Directors is independent of the Managers and free of any business or other relationships which could interfere with the exercise of their independent judgement.

The Directors recognise the importance of 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. It also commits to maintaining a programme of recruitment to provide refreshment of perspective with due regard to diversity.

Although William Kendall and Ian Armfield have served for more than nine years, following the annual review of board composition and performance evaluation the Board concluded that William Kendall and Ian Armfield continue to demonstrate independence of character and judgement. Although Ian Armfield indicated last year his intention not to offer himself for re-election at the AGM to be held in 2025 his knowledge and experience will be invaluable as the Board considers the Scheme of Reconstruction and therefore, although the Board was delighted to have identified a replacement with such excellent skills, the planned service overlap to ensure a smooth handover was considered to represent an additional cost to shareholders that could not be warranted in the present circumstances. William Kendall's practical experience in innovative, ethical companies is detailed in his biography on page 50 and the Board continues to derive a significant benefit from his unique perspective on the challenges faced by, and prospects of, portfolio companies.

Policy on Chair's tenure

In accordance with the UK Code of Corporate Governance, the Board has resolved that the Chair shall normally have tenure limited to nine years from their first appointment to the Board. Exceptions may be made in exceptional circumstances, for example to facilitate effective succession planning or if the Company were in the middle of a corporate action, when an extension may be appropriate.

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, excluding ancillary and sub-committee meetings. The Annual General Meeting was attended by all the Directors.

Directors' attendance at meetings

	Board	Audit Committee	Nomination Committee
Number of meetings	**5**	**3**	**1**
K Brade	5	3	1
I Armfield	5	3	1
A Fleming	5	3	1
K Hart	5	3	1
W Kendall	5	3 *	1

* Mr W Kendall is not a member of the Audit Committee but attended by invitation.

Performance evaluation

An appraisal of the Chair, each Director and a performance evaluation and review of the Board as a whole and the Audit and Nomination Committees was carried out during the year. The Chair's appraisal was led by the Senior Independent Director, Katrina Hart. The appraisals and evaluations considered, amongst other criteria, the balance of skills of the Board, training and development requirements, the contribution of individual Directors and the overall effectiveness of the Board and the Audit Committee. Following this process it was concluded that the performance of each Director, the Chair, the Board and the Audit and Nomination Committees continues to be effective and that each Director and the Chair remains committed to the Company. The Board has considered the recommendation to have Board evaluations externally facilitated every three years and is of the opinion that the use of external consultants to assist with the evaluation may provide useful insight and, for the 2024 evaluation, used the BoardForms facilitation platform tool to provide fresh perspective on the process. The option to engage external consultants for enhanced facilitation services is kept under review.

A review of the Chair's and other Directors' commitments was carried out and the Board is satisfied that they are capable of devoting sufficient time to the Company. There were no significant changes to the Chair's other commitments during the year.

Induction and training

New Directors are provided with an induction programme which is tailored to the particular circumstances of the appointee. During the year briefings on industry and regulatory matters were provided to the Board by the Managers and Secretaries. Directors attend other relevant external training and briefings as necessary.

Remuneration

As the Board considers all its members to be independent, and all the Directors are non-executive the Board does not consider it necessary to form a separate Remuneration Committee. Directors' fees are considered by the Board as a whole within the limits approved by shareholders. The Company's policy on remuneration is set out in the Directors' Remuneration Report on pages 70 to 73.

Audit Committee

The Audit Committee Report is set out on pages 67 to 69.

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 an ongoing 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'.

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 Baillie Gifford & Co Limited, acting as AIFM, and performing the role of Managers and Secretaries.

The Board oversees the functions delegated to, 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, Compliance and Business Risk Departments 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 – Assurance Reports on Controls at a Service Organisation. This report is independently reviewed by Baillie Gifford & Co's auditors, PricewaterhouseCoopers LLP, and a copy is received and considered by the Audit Committee.

To comply with the UK Alternative Investment Fund Managers Regulations, The Bank of New York Mellon (International) Limited acts 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 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 provides the Audit Committee with a report on its monitoring activities twice a year. The Company's depositary also acts as the Company's custodian. The custodian prepares reports on its key controls and safeguards which are independently reviewed by 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 are investigated.

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 127), are monitored and the sensitivity of the portfolio to key risks is reviewed 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.

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 at each meeting.

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', 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.

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 and specifically in the context of the challenging macroeconomic environment.

The Company's principal risks are market related and include market risk, liquidity risk and credit risk. An explanation of these risks and how they are managed is contained on pages 39 to 43 and in note 19 to the Financial Statements. The Board has, in particular, considered the impact of macroeconomic and geopolitical concerns, 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. The Company has continued to comply with the investment trust status requirements of section 1158 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) Regulations 2011. The Company's primary third party suppliers, including its Managers and Secretaries, custodian and depositary, registrar, auditor and broker, have not experienced significant operational difficulties affecting their respective services to the Company. 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 44, which assesses the prospects of the Company over a period of five years, that it is appropriate to retain the Going Concern presumption in preparation of these Financial Statements, notwithstanding the material uncertainty over whether the Company will continue in operational existence for a period of at least 12 months from the date of approval of these Financial Statements. As the Company's listed equity investments, which represent 104.9% of the Company's net assets and 94.8% of its total assets, are in any event fair valued at bid or last traded price (depending on the convention of the relevant market) in accordance with UK GAAP, the Financial Statements as prepared on a Going Concern basis are not considered to differ materially from those that would be produced on a basis other than Going Concern, and until the General Meetings as detailed in the Scheme of Reconstruction have been held, the certainty of outcome that would entail adoption of a basis other than Going Concern for these Financial Statements has not yet been reached.

Relations with shareholders

The Board places great importance on communication with shareholders. The Company's Managers meet regularly with shareholders and report shareholders' views to the Board. The Chair has maintained open lines of communication with market participants and investors in the Company, separate of Manager involvement, in order to ascertain views on corporate matters. The Chair is available to meet with shareholders as appropriate. Shareholders wishing to communicate with any members of the Board may do so by writing to them at the Secretaries' address or through the Company's broker, Deutsche Numis (see contact details on page 136).

The Company's Annual General Meetings provide a forum for communication with all shareholders. The level of proxies lodged for each resolution is announced at the meeting and is published at **keystonepositivechange.com** subsequent to the meeting. The notice period for the Annual General Meeting is at least twenty working days.

Shareholders and potential investors can obtain up-to-date information on the Company at **keystonepositivechange.com**.

Corporate governance and stewardship

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

The Board believes that it is in the shareholders' interests to consider environmental, social and governance ('ESG') factors when selecting and retaining investments and has asked the Managers to take these issues into account. The Managers do not exclude companies from their investment universe purely on the grounds of ESG factors. A positive engagement approach is employed whereby matters are discussed with management of investee companies with the aim of improving the relevant policies and management systems and enabling the Managers to consider how ESG factors could impact long-term investment returns and, in the case of Keystone Positive Change, impact outcomes. The Managers' statement of compliance with the UK Stewardship Code can be found on the Managers' website at **bailliegifford.com**. The Managers' policy has been reviewed and endorsed by the Board.

Climate change

The Board recognises that climate change poses a serious threat to our environment, our society and to economies and companies around the globe. Addressing the underlying causes is likely to result in companies that are high emitters of carbon facing greater societal and regulatory scrutiny and higher costs to account for the true environmental impact of their activities. The Managers carry out extensive work to understand Keystone Positive Change's exposure to climate related risks, at both the level of the portfolio and individual investee company. A bottom-up approach is adopted, in order to understand the situation for each individual holding, taking into account self-reported information (such as emissions, targets and risk assessments) as well as third-party information regarding temperature alignment, ambition of targets, and more macro analysis regarding physical risks and political dynamics in certain regions where companies have concentrated operations. Combining this with data on the portfolio footprint and composition allows the Managers to identify risk exposure under different scenarios and timeframes, and to subsequently prioritise engagement. The weighted average carbon intensity ('WACI') of the Keystone Positive Change portfolio is 21% lower than the MSCI Paris Aligned Index.

This analysis estimate is based on Scope 1 and 2 emissions only at this stage, and on 90.2% of the value of the Company's equity portfolio which either reports on carbon emissions and other carbon-related characteristics or for which estimated emissions data is available.

Baillie Gifford's Task Force on Climate-Related Financial Disclosures ('TCFD') Climate Report is available on the Managers' website at **bailliegifford.com**. A Keystone-specific TCFD climate report is also available on the Company's page of the Managers' website at **keystonepositivechange.com**.

The Managers have considered the EU Sustainable Finance Disclosures Regulation ('SFDR') and further details can be found on pages 108 to 124.

The Managers have considered the UK Sustainable Disclosure Requirements and investments labels regulations ('SDR') and consider that the Company's portfolio is managed in such a way as to make the Sustainability Impact label appropriate. This classification is endorsed by the Board. The Baillie Gifford Positive Change Fund, managed by the same portfolio managers using the same methodology, is also adopting this label and will become one of the first few authorised funds to use this label under the FCA's labelling regime. Further information can be found on the Managers' website at **bailliegifford.com**.

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

Positive Change

The Managers' approach to investing for positive change is set out on pages 14 to 19. The Company's **Impact Report** for the year to 31 December 2023 is available on the Managers' website at **bailliegifford.com**, as is the companion document, **Positive Conversations**. These documents are published annually, prepared to calendar year ends, consistent with the reporting periods of the vast majority of underlying investee companies.

On behalf of the Board
Karen Brade
Chair
26 November 2024

Audit Committee report

The Audit Committee consists of four of the Directors. The members of the Committee consider that they have the requisite financial skills and experience to fulfil the responsibilities of the Committee. Ian Armfield is Chair of the Audit Committee.

The Audit Committee reviews and reports to the Board on the Company's financial reporting, risk management and internal control systems and the independence and effectiveness of the external auditor. The Committee consists of Karen Brade, Katrina Hart, Andrew Fleming and Ian Armfield, who is the Audit Committee Chair. At the discretion of the Audit Committee Chair, William Kendall may be invited to attend Audit Committee meetings as a guest and during the year he attended two meetings of the Committee. In accordance with the Code and, given the size of the Board, it is considered appropriate for Karen Brade, the Chair of the Board, to be a member of the Audit Committee. The members of the Committee consider that they have the requisite financial skills and experience to fulfil the responsibilities of the Committee. 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 **keystonepositivechange.com**. The terms of reference are reviewed annually.

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

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

Activities of the Committee

The Committee met three times during the year, with the previous external auditors, PricewaterhouseCoopers LLP, attending one of those meetings and the new external auditor, Johnston Carmichael LLP, attending another. Representatives of the Managers' secretarial and administration teams attended all meetings and representatives of their Internal Audit, Compliance and Risk functions attended two meetings to present reports on their monitoring programmes.

The Committee was responsible for a range of matters including:

- consideration of the annual report and financial statements and interim financial report and the results announcements thereon;
- consideration of the appropriateness of the Company's accounting policies and any financial reporting judgements including the implementation of the Managers' valuation policy for investments in unlisted companies;
- monitoring the impact of any accounting or regulatory changes impacting the Company;
- consideration of the narrative elements of the annual report and financial statements including (on behalf of the Board) whether the annual report and financial statements taken as a whole was fair, balanced and understandable and provided the information necessary for shareholders to assess the Company's performance, business model and strategy;
- evaluation of reports received from the Managers and other service providers on their operational controls, from the Managers' internal audit, compliance and risk functions and from the auditor on the results of their audit, with respect to the effectiveness of the Company's internal control environment;
- management of the relationship with the external auditor including their appointment, remuneration and evaluation of their audit effectiveness, independence and objectivity; and
- consideration of the arrangements in place within Baillie Gifford & Co whereby their staff may, in confidence, raise concerns about possible improprieties in financial reporting or other matters.

Internal audit

The Committee believes that the compliance and internal control systems and the internal audit function in place within the 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 issues likely to impact the Financial Statements are the existence and valuation of investments, as they represent 98.4% of total assets.

The majority of the investments are in listed securities and market prices are readily available from independent external pricing sources. The Committee reviewed the Managers' Report on Internal Controls which details the controls in place regarding recording and pricing of investments and the reconciliation of investment holdings to third party data. The Managers agreed the portfolio holdings to confirmations from the Company's custodian.

The Committee considered the value of all unlisted (private company) investments at 30 September 2024 which are determined using valuation techniques based upon net asset values, comparable company multiples and performance, achievement of company milestones and other information as appropriate, and assessed the appropriateness of the judgements and assumptions used in valuing such investments.

The Committee reviewed the Managers' Report on Internal Controls which details the controls in place regarding completeness and accurate recording of investment income. The accounting treatment of each special dividend received or receivable during the year was reviewed by the Managers.

The Committee reviewed the allocation of management fees and finance costs between revenue and capital considering the long-term split of returns from the portfolio.

The Committee considered the factors that might affect the Company's viability over a period of five years and its ability to continue as a going concern for at least twelve months from the date of signing of the Financial Statements, together with reports from the Managers on the cash position and cash flow projections of the Company, the liquidity of its investment portfolio, compliance with loan covenants, availability of borrowing facilities, and the Company's ability to meet its obligations as they fall due. The Committee also reviewed the Viability Statement on page 44 and statement on Going Concern on page 65 including the implications of the Scheme of Reconstruction for both.

Following this assessment, the Committee recommended to the Board the appropriateness of the Going Concern basis in preparing the Financial Statements and confirmed the accuracy of the Viability Statement and statement on Going Concern.

The Managers 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.

Following a thorough review process the Audit Committee advised the Board that the 2024 annual financial report taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's financial position and performance, business model and strategy.

Internal controls and risk management

The Company's risk assessment and the way in which significant risks are managed is a key area of focus for the Committee. The Committee has undertaken a robust assessment of the risks to the Company both in terms of its operations and longer term viability and the process for identifying, evaluating and managing these risks is described in the Governance Report on pages 64 and 65. No significant weaknesses were identified in the year under review. A description of the principal and emerging risks facing the Company and considered in the Viability Statement are explained in the Strategic Report on pages 39 to 43.

External auditor

The Committee advises the Board on the appointment of the external auditor, sets their remuneration and assesses their effectiveness, independence, and objectivity.

The Company's current auditor, Johnston Carmichael LLP, were appointed following a competitive tender process in July 2023 and this year's audit is the first they have undertaken for the Company. Richard Sutherland has served as audit partner this year, his first as audit partner for the Company.

To assess the effectiveness of the auditor and the external audit process, the Committee reviewed and considered the audit plan, the fulfilment by the auditor of the agreed audit plan, a report from the auditor on the conclusion of the audit and feedback from the Secretaries on the performance of the audit team.

To fulfil its responsibility regarding the independence and objectivity of the external auditor, the Committee considered the auditor's arrangements to manage independence and a report from the auditor on the conclusion of the audit setting out why the auditor remains independent. The non-audit services to be provided by the auditor during the financial period starting 1 October 2024 in connection with the Scheme of Reconstruction are in accordance with the Company's non-audit services policy and the whitelist for such services, and the fees fall below the relevant limit. It is the Company's policy not to seek substantial non-audit services from its auditor. However, when the provision of non-audit services in respect of the Scheme of Reconstruction were being considered, the Committee determined that the particular skills of the audit firm made them a suitable supplier of those services and only approved the provision of those services as it considered that there was no threat to the objectivity and independence of the audit.

Johnston Carmichael LLP 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 described above, the Committee is satisfied that the auditor remains independent and effective for the purposes of this year's audit.

Accountability and audit

The respective responsibilities of the Directors and the auditor in connection with the Financial Statements are set out on pages 74 to 84.

On behalf of the Board
Ian Armfield
Audit Committee Chair
26 November 2024

Directors' remuneration report

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

Statement by the Chair

The Directors' Remuneration Policy is subject to shareholder approval every three years or sooner if an alteration to the policy is proposed. The Remuneration Policy, which is set out below, was last approved by shareholders at the AGM on 8 February 2023 and no changes are proposed.

The Board reviewed the level of fees during the year and it was agreed that with effect from 1 October 2024 the Chair's Fee should increase by £4,000 and Directors' fees should increase by £1,000 per annum with no change to the increment for Audit Committee Chair and no increment to be introduced for the Senior Independent Director. The fee levels were last increased on 1 October 2023.

Directors' remuneration policy

The Board is composed wholly of non-executive Directors, none of whom has a service contract with the Company. There is no separate remuneration committee and the Board as a whole considers changes to Directors' fees from time to time. Baillie Gifford & Co Limited, 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. 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.

Non-executive Directors are not eligible for any other remuneration or benefits apart from the reimbursement of allowable expenses. There are no performance conditions relating to Directors' fees and there are no long term incentive schemes or pension schemes. There is no notice period and no compensation is payable on loss of office.

Limits on Directors' remuneration

The fees for the non-executive Directors are payable monthly in arrears and are determined within the limit set out in the Company's Articles of Association, which is currently £200,000 in aggregate per annum following shareholder approval at the February 2023 Annual General Meeting.

The fees paid to Directors in respect of the year ended 30 September 2024 and the fees payable in respect of the year ending 30 September 2025, on the basis that the Company continues in business for a full year, are set out in the table below. The fees payable to the Directors in the subsequent financial years, if applicable, will be determined following regular review of the Directors' fees.

	Expected fees for the year ending 30 September 2025 £	**Fees as at 30 September 2024 £**
Chair's fee	43,000	39,000
Non-executive Director fee	28,500	27,500
Additional fee for Audit Committee Chair	5,000	5,000

Annual report on remuneration

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

The law requires the Company's auditor to audit certain of the disclosures provided in this report. Where disclosures have been audited, they are indicated as such. The auditor's opinion is included in the Independent Auditor's Report on pages 77 to 84.

Directors' interests (audited)

The Directors during the year under review and their interests (including those of connected persons) in the Company are as shown in the following table. No Director had any other interests, beneficial or otherwise, in the ordinary shares or cumulative preference shares of the Company during the year. Directors hold shares in the Company at their discretion. Share ownership is encouraged, but no guidelines have been set. There have been no changes notified in the Directors' interests up to 22 November 2024.

Name	**Nature of interest**	**Ordinary 10p shares held at 30 September 2024**	**Ordinary 10p shares held at 30 September 2023**
K Brade	Beneficial	22,070	22,037
I Armfield	Beneficial	7,500	7,500
A Fleming	Beneficial	20,000 *	10,000
K Hart	Beneficial	13,821 †	9,131
W Kendall	Beneficial	46,500	46,500

* new shares acquired October 2023

† new shares acquired December 2023

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	2024 Fees £	2024 Taxable benefits * £	2024 Total £	2023 Fees £	2023 Taxable benefits * £	2023 Total £
K Brade (Chair)	39,000	893	**39,893**	35,000	191	**35,191**
I Armfield (Audit Chair)	32,500	894	**33,394**	29,500	–	**29,500**
A Fleming (appointed 1 March 2022)	27,500	1,282	**28,782**	25,000	–	**25,000**
K Hart	27,500	838	**28,338**	25,000	–	**25,000**
W Kendall	27,500	961	**28,461**	25,000	–	**25,000**
	154,000	4,868	158,868	139,500	191	139,691

* Comprises expenses incurred by Directors in the course of, for example, travel to attend Board and Committee meetings held in the offices of Baillie Gifford & Co Limited, the Company's Secretaries. These amounts have been grossed up for income tax.

Annual percentage change in remuneration

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

Name	% from 2023 to 2024	% from 2022 to 2023	% from 2021 to 2022	% from 2020 to 2021	% from 2019 to 2020
K Brade (Chair from 22 January 2019)	13.4	(0.5)	7.2	7.3	14.4
I Armfield (Audit Committee Chair)	13.2	(1.2)	8.6	7.3	3.9
A Fleming (Appointed 1 March 2022)	15.1	71.4*	–	–	–
K Hart	13.4	(1.4)	10.3	7.0	4.0
W Kendall	13.8	(1.4)	10.3	7.0	4.0
Total Directors' remuneration	13.7	0.1	7.8	7.1	(0.9)

* This percentage movement reflects the Director's appointment in the period or the prior period as applicable. In such circumstances the movement in actual fees paid in the year will differ from the movement in annualised fees payable. Details are only shown for Directors serving on the Board in the current or prior financial year. The movement in total Directors' fees paid by the Company in the year may further be affected by the retirement of other Directors, whose details are no longer shown in the table above.

Statement of voting at Annual General Meeting

At the last Annual General Meeting, of the proxy votes received in respect of the Directors' Remuneration Report, 98.6% were in favour, 1.1% were against and votes withheld were 0.3%. At the last Annual General Meeting at which the Directors' Remuneration Policy was considered (February 2023) 97.4% of the proxy votes received were in favour, 2.3% were against and 0.3% were withheld.

Relative importance of spend on pay

The table below shows the actual expenditure during the year in respect of Directors' remuneration and distributions to shareholders by way of dividends. This disclosure is a statutory requirement, however, the Directors consider that comparison of Directors' remuneration with annual dividends does not provide a meaningful measure relative to the Company's overall performance as an investment trust with an objective of providing shareholders with long-term capital growth.

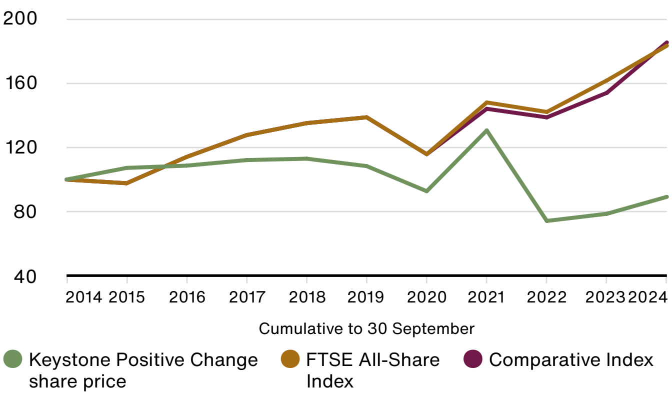
	2024 £'000	2023 £'000	Change %
Directors' remuneration	159	140	13.6
Dividends payable/paid to shareholders	276	247	11.7
Share buybacks	5,842	–	n/a

Company performance

The following graph compares, for the ten financial years ended 30 September 2024, the share price total return (assuming all dividends are reinvested) to Keystone Positive Change 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. The Company's comparative index is provided for information purposes only. The MSCI All Country World Index (in sterling terms) is the principal index against which performance is measured with effect from 11 February 2021. Prior to that it was the FTSE All-Share. The returns on both comparative indices for their respective periods have been linked to form a single comparative index.

Performance graph

(figures rebased to 100 at 30 September 2014)



Source: LSEG/Baillie Gifford and relevant underlying index providers. See disclaimer on page 131.

All figures are total returns (see Glossary of Terms and Alternative Performance Measures on pages 132 to 135). Baillie Gifford & Co Limited were appointed as the Company's Managers and Secretaries with effect from 11 February 2021.

Past performance is not a guide to future performance.

Approval

The Directors' Remuneration Report on pages 70 to 73 was approved by the Board of Directors and signed on its behalf on 26 November 2024.

Karen Brade
Chair

Statement of Directors' responsibilities

in respect of the Annual Report and Financial Statements

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

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law they have elected to prepare the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

The Directors are responsible for ensuring the Annual Report and Financial Statements are made available on a website. The Directors have delegated responsibility to the Managers for the maintenance and integrity of the Company's page of the Managers' website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions. The work carried out by the auditor does not involve any consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the Financial Statements since they were initially presented on the website.

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

- the Financial Statements, which have been prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', give a true and fair view of the assets, liabilities, financial position and net return of the Company;
- 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; and
- the Annual Report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

On behalf of the Board
Karen Brade
Chair
26 November 2024

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.

Financial report

The Financial Statements for the year to 30 September 2024 set out on pages 85 to 106 have been prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Independent auditor's report

To the members of Keystone Positive Change Investment Trust plc

Opinion

We have audited the financial statements of Keystone Positive Change Investment Trust plc ("the Company"), for the year ended 30 September 2024, which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- Give a true and fair view of the state of the Company's affairs as at 30 September 2024 and of its net return for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1a in the financial statements, which indicates that there is a material uncertainty related to going concern arising from the proposed Scheme of Reconstruction. As stated in Note 1a, these events or conditions, along with other matters as set forth in Note 1a, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

- Evaluating management's method of assessing going concern, including consideration of the proposed Scheme of Reconstruction, market conditions and uncertainties;
- Assessing and challenging the forecast cashflows and associated sensitivity modelling used by the Directors in support of their going concern assessment;
- Obtaining and recalculating management's assessment of the Company's ongoing maintenance of investment trust status; and
- Assessing the adequacy of the Company's going concern disclosures included in the Annual Report.

In relation to the Company's reporting on how it has 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.

Our audit approach

We planned our audit by first obtaining an understanding of the Company and its environment, including its key activities delegated by the Board to relevant approved third-party service providers and the controls over provision of those services.

We conducted our audit using information maintained and provided by Baillie Gifford & Co Limited (the “Alternative Investment Fund Managers”, “Administrator” and “Secretaries”), The Bank of New York Mellon (International) Limited (the “Depositary” and “Custodian”) and Computershare Investor Services PLC (the “Registrar”) to whom the Company has delegated the provision of services.

We tailored the scope of our audit to reflect our risk assessment, taking into account such factors as the types of investments within the Company, the involvement of the Administrator, the accounting processes and controls, and the industry in which the Company operates.

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 the evaluation of the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our 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) that we identified. These matters included 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 were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

In addition to the matter described in the Material uncertainty related to going concern section we summarise below the key audit matters in arriving at our audit opinion above, together with how our audit addressed these matters and the results of our audit work in relation to these matters.

Key audit matters	How our audit addressed the key audit matter and our conclusions
Valuation of listed investments (as per page 68 (Audit Committee report), page 91 (Principal accounting policies) and Note 9). At 30 September 2024 the valuation of the level 1, listed investments portfolio was £150.2m. As this is the largest component of the Company’s Balance Sheet, and a key driver of the Company’s net assets and total return, this has been designated as a key audit matter being one of the most significant assessed risks of material misstatements due to error. There is a further risk that the investments held at fair value may not be actively traded and the quoted prices may not therefore be reflective of fair value.	We have obtained controls reports provided by the Custodian and Administrator to evaluate the design of the process and implementation of key controls. We have compared market prices and exchange rates applied to all level 1 listed investment valuations held at 30 September 2024 to an independent third-party source, and recalculated the investment valuations. We have obtained average trading volumes from an independent third-party source for all listed investments held at year end and have assessed their liquidity. We have also assessed trading activity for evidence of an active market. From our completion of these procedures, we identified no material misstatements in relation to the valuation of the listed investments.

Key audit matters	How our audit addressed the key audit matter and our conclusions
Valuation and ownership of unlisted investments (as per page 68 (Audit Committee report), page 91 (Principal accounting policies) and Note 9). At 30 September 2024 the valuation of the level 3, unlisted portfolio was £5.7m. The Company determines the fair value of unlisted investments in accordance with the revised International Private Equity and Venture Capital (IPEV) valuation guidelines. The Directors are required to estimate the valuation of unlisted investments, which requires them to select an appropriate valuation method and appropriate inputs. There is significant estimation required in determining fair value and a further risk that the unlisted investments are recorded in error if the Company does not have proper legal title at year end. Therefore, this has been designated as a key audit matter, being one of the most significant assessed risks of material misstatements due to fraud or error.	We have performed a walkthrough of the unlisted investment valuation process to evaluate the design of the process and implementation of key controls. We have obtained evidence that the Managers' Valuation Committee review all valuations. We have obtained evidence of the Board's challenge and approval of all valuations. We evaluated the competence, capability and objectivity of S&P Global in their role as the Managers' expert. We have tested 100% of the unlisted investments and as part of our procedures have assessed the Directors' estimate of the fair value of the unlisted investments with reference to IPEV guidelines, the Company's accounting policies and the financial reporting framework. For the investments, we have: ▪ Obtained an understanding of the sector for each investee company for the period being audited, making enquiries of the Managers. ▪ Gained an understanding of the original investment rationale and valuation basis, along with any milestones set. ▪ Obtained an update on the investment, paying particular attention to progress against pre-set milestones and/or indications that a reduction in valuation may be appropriate. ▪ Assessed the appropriateness of the valuation basis used, paying particular attention to any changes from the prior year valuation basis. ▪ Agreed data used in the valuation models to independent sources, where available. ▪ Where deemed appropriate, engaged our specialist corporate finance team to review certain judgemental inputs to valuations, such as multiples and discounts. ▪ Reperformed the enterprise value calculations and waterfalls to ensure mathematical accuracy. ▪ Where appropriate, developed an auditor's point estimate or range. We agreed 100% of unlisted investments held at year end to an independently obtained confirmation from each portfolio company. We have ensured that accounting estimates and related disclosures are appropriately disclosed in the financial statements. We have assessed whether the disclosures in relation to valuation estimates within the financial statements are in accordance with the AIC SORP and FRS102 requirements. From our completion of these procedures, we identified no material misstatements in relation to the valuation and ownership of the unlisted investments.

Key audit matters	How our audit addressed the key audit matter and our conclusions
Revenue recognition, including allocation of special dividends as revenue or capital returns (as per page 91 (Principal accounting policies) and Note 2. Investment income recognised to 30 September 2024 was £1.5m, consisting primarily of dividend income from listed investments. Revenue-based performance metrics are often one of the key performance indicators for stakeholders. The investment income received by the Company during the year directly impacts these metrics and the minimum dividend required to be paid by the Company. There is a risk that revenue is incomplete or inaccurate through failure to recognise income entitlements or failure to appropriately account for their treatment. It has therefore been designated as a key audit matter being one of the most significant assessed risks of material misstatement due to fraud or error. Additionally, there is a further risk of incorrect allocation of special dividends as revenue or capital returns as judgement is required in determining their allocation within the Income Statement.	We have obtained controls reports covering the revenue recognition process, including the allocation of special dividends as revenue or capital, at the Administrator, to evaluate the design of the process and implementation of key controls. We have evaluated whether income is recognised and disclosed in accordance with the AIC SORP by assessing the accounting policies. We have recalculated 100% of dividends due to the Company based on investment holdings throughout the year and announcements made by investee companies. We have agreed a sample of dividends received to bank statements. We have assessed the completeness of the special dividend population with reference to independent third-party market data. No special dividends were identified. From our completion of these procedures, we identified no material misstatements in relation to revenue recognition, including allocation of special dividends as revenue or capital returns.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature and extent of our work and in evaluating the results of that work.

Materiality measure	Value
Materiality for the financial statements as a whole We have set materiality as 1% of net assets as we believe that net assets is the primary performance measure used by investors and is the key driver of shareholder value. We determined the measurement percentage to be commensurate with the risk and complexity of the audit and the Company's listed status.	£1.43m
Performance materiality Performance materiality represents amounts set by the auditor at less than materiality for the financial statements as a whole, to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. In setting this we consider the Company's overall control environment and any experience of the audit that indicates a lower risk of material misstatements. Based on our judgement of these factors, we have set performance materiality at 50% of our overall financial statement materiality as this is our first year as auditor.	£0.72m
Specific materiality Recognising that there are transactions and balances of a lesser amount which could influence the understanding of users of the financial statements we calculate a lower level of materiality for testing such areas. Specifically, given the importance of the distinction between revenue and capital for the Company, we also applied a separate testing threshold for the revenue column of the Income Statement, set at the higher of the reporting threshold below and 5% of the net revenue return on ordinary activities before tax. We have set a specific materiality in respect of related party transactions and Directors' remuneration. We used our judgement in setting these thresholds and considered our past experience of the audit, the history of misstatements and industry benchmarks for specific materiality.	£71.6k
Audit Committee reporting threshold We agreed with the Audit Committee that we would report to them all differences in excess of 5% of overall materiality in addition to other identified misstatements that warranted reporting on qualitative grounds, in our view. For example, an immaterial misstatement as a result of fraud.	£71.6k

During the course of the audit, we reassessed initial materiality and found no reason to alter the basis of calculation used at year-end.

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- 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
- The financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- Certain disclosures of Directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit; or
- A corporate governance statement has not been prepared by the Company.

Corporate governance statement

We have reviewed the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the entity's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

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 or our knowledge obtained during the audit:

- The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 65;
- The Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 44;

- The Directors' statement on fair, balanced and understandable set out on page 75;
- The Directors' statement on whether it has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities set out on page 65;
- The Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 39 to 43;
- The section of the Annual Report that describes the review of the effectiveness of risk management and internal control systems set out on pages 64 and 65; and
- The section describing the work of the Audit Committee set out on pages 67 to 69.

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out on pages 74 and 75, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors 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.

Auditor 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 auditor's 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

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.

We assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations by considering their experience, past performance and support available.

All engagement team members were briefed on relevant identified laws and regulations and potential fraud risks at the planning stage of the audit. Engagement team members were reminded to remain alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and the sector in which it operates, focusing on those provisions that had a direct effect on the determination of material amounts and disclosures in the financial statements. The most relevant frameworks we identified include:

- Companies Act 2006;
- Financial Conduct Authority (FCA) listing and Disclosure Guidance and Transparency Rules (DTR);
- The principles of the UK Corporate Governance Code applied by the AIC Code of Corporate Governance (the "AIC Code");
- Industry practice represented by the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("the SORP") issued in July 2022;
- The Company's qualification as an Investment Trust under section 1158 of the Corporation Tax Act 2010; and
- UK Generally Accepted Accounting Practice.

We gained an understanding of how the Company is complying with these laws and regulations by making enquiries of management and those charged with governance. We corroborated these enquiries through our review of relevant correspondence with regulatory bodies and board meeting minutes.

We assessed the susceptibility of the financial statements to material misstatement, including how fraud might occur, by meeting with management and those charged with governance to understand where it was considered there was susceptibility to fraud. This evaluation also considered how management and those charged with governance were remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how management and those charged with governance oversee the implementation and operation of controls. In areas of the financial statements where the risks were considered to be higher, we performed procedures to address each identified risk. We identified a heightened fraud risk in relation to:

- Management override of controls
- Valuation and ownership of unlisted investments
- Completeness and allocation of special dividends

Audit procedures performed in response to the risks relating to the valuation and ownership of unlisted investments and the completeness and allocation of special dividends are set out in the section on key audit matters above, and audit procedures performed in response to the risk of management override of controls are included below.

In addition to the above, the following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- Reviewing minutes of meetings of those charged with governance for reference to: breaches of laws and regulation or for any indication of any potential litigation and claims; and events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud;
- Performing audit procedures over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, recalculating the investment management fee, evaluating the business rationale of significant transactions outside the normal course of business and assessing judgements made by management in their calculation of accounting estimates for potential management bias;
- Completion of appropriate checklists and use of our experience to assess the Company's compliance with the Companies Act 2006 and the Listing Rules; and
- Agreement of the financial statement disclosures to supporting documentation.

Our audit procedures were designed to respond to the risk of material misstatements in the financial statements, recognising that 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 intentional concealment, forgery, collusion, omission or misrepresentation. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

Other matters which we are required to address

Following the recommendation of the Audit Committee, we were appointed by the Board on 1 February 2024 to audit the financial statements for the year ended 30 September 2024 and subsequent financial years. The period of our total uninterrupted engagement is one year, covering the year ended 30 September 2024.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Richard Sutherland (Senior Statutory Auditor)
For and on behalf of Johnston Carmichael LLP
Statutory Auditor
Edinburgh
United Kingdom
26 November 2024

Income statement

For the year ended 30 September

	Notes	2024 Revenue £'000	2024 Capital £'000	2024 Total £'000	2023 Revenue £'000	2023 Capital £'000	2023 Total £'000
Gains on investments	9	–	3,629	**3,629**	–	9,884	**9,884**
Currency gains		–	421	**421**	–	589	**589**
Income	2	1,534	–	**1,534**	1,618	–	**1,618**
Investment management fee	3	(233)	(700)	**(933)**	(223)	(668)	**(891)**
Other administrative expenses	4	(597)	–	**(597)**	(477)	–	**(477)**
Net return before finance costs and taxation		**704**	**3,350**	**4,054**	**918**	**9,805**	**10,723**
Finance costs of borrowings	5	(268)	(767)	**(1,035)**	(234)	(666)	**(900)**
Net return on ordinary activities before taxation		**436**	**2,583**	**3,019**	**684**	**9,139**	**9,823**
Tax on ordinary activities	6	(244)	(79)	**(323)**	(244)	(7)	**(251)**
Net return on ordinary activities after taxation		**192**	**2,504**	**2,696**	**440**	**9,132**	**9,572**
Net return per ordinary share	7	**0.32p**	**4.14p**	**4.46p**	**0.71p**	**14.77p**	**15.48p**
Note: Dividends per share paid and payable in respect of the year	8	0.10p			0.45p		

The total column of this Statement represents the profit and loss account of the Company. The supplementary revenue and capital columns are prepared under guidance issued 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 the Company does not have any other comprehensive income and the net return on ordinary activities after taxation is both the profit/(loss) and total comprehensive income/(expense) for the year.

The accompanying notes on pages 89 to 106 are an integral part of the Financial Statements.

Balance sheet

As at 30 September

	Notes	2024 £'000	2024 £'000	2023 £'000	2023 £'000
Fixed assets					
Investments held at fair value through profit or loss	9		155,836		161,497
Current assets					
Debtors	10	337		313	
Cash and cash equivalents	19	2,721		728	
		3,058		1,041	
Creditors					
Amounts falling due within one year	11	(15,327)		(15,628)	
Net current liabilities			(12,269)		(14,587)
Total assets less current liabilities			**143,567**		**146,910**
Creditors					
Amounts falling due after more than one year	12		(336)		(257)
Net assets			**143,231**		**146,653**
Capital and reserves					
Share capital	13		6,760		6,760
Share premium account	14		3,449		3,449
Capital redemption reserve	14		466		466
Capital reserve	14		132,058		135,396
Revenue reserve	14		498		582
Total shareholders' funds			**143,231**		**146,653**

The Financial Statements of Keystone Positive Change Investment Trust plc (Company registration number 538179) on pages 85 to 106 were approved and authorised for issue by the Board and were signed on 26 November 2024.

Karen Brade
Chair

The accompanying notes on pages 89 to 106 are an integral part of the Financial Statements.

Statement of changes in equity

For the year ended 30 September 2024

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 October 2023		6,760	3,449	466	135,396	582	**146,653**
Net return on ordinary activities after taxation		–	–	–	2,504	192	**2,696**
Ordinary shares bought back	13	–	–	–	(5,842)	–	**(5,842)**
Dividends paid during the year	8	–	–	–	–	(276)	**(276)**
Shareholders' funds at 30 September 2024		**6,760**	**3,449**	**466**	**132,058**	**498**	**143,231**

For the year ended 30 September 2023

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 October 2022		6,760	3,449	466	126,264	389	**137,328**
Net return on ordinary activities after taxation		–	–	–	9,132	440	**9,572**
Dividends paid during the year	8	–	–	–	–	(247)	**(247)**
Shareholders' funds at 30 September 2023		**6,760**	**3,449**	**466**	**135,396**	**582**	**146,653**

The accompanying notes on pages 89 to 106 are an integral part of the Financial Statements.

Cash flow statement

For the year ended 30 September

	Notes	2024 £'000	2024 £'000	2023 £'000	2023 £'000
Cash flows from operating activities					
Net return before finance costs and taxation			4,054		10,723
Tax on overseas income			(240)		(249)
Adjustments for:					
Purchase of investments		(45,749)		(36,264)	
Sale of investments		55,039		36,718	
			9,290		454
Gains on investments held at fair value			(3,629)		(9,884)
Movement in unrealised currency gains and losses			(486)		(607)
Increase in debtors			(28)		(109)
Increase/(decrease) in creditors			49		(19)
Net cash inflow from operating activities			**9,010**		**309**
Cash flows from financing activities					
Interest and facility fee paid on bank facility		(1,011)		(861)	
Preference dividends paid		(12)		(12)	
Bank facility drawn		15,318		620	
Bank facility repaid		(15,000)		–	
Ordinary shares bought back and stamp duty thereon		(5,842)		–	
Net equity dividends paid	8	(276)		(247)	
Net cash outflow from financing activities			**(6,823)**		**(500)**
Net increase/(decrease) in cash at bank			**2,187**		**(191)**
Exchange movements			(194)		(43)
Cash at bank at the start of the year			728		962
Cash at bank at the end of the year			**2,721**		**728**

Cash flows from operating activities includes					
Dividends received			1,455		1,554
Interest received			23		20

The accompanying notes on pages 89 to 106 are an integral part of the Financial Statements.

Notes to the Financial Statements

The Keystone Positive Change Investment Trust plc ('the Company') is a public company limited by shares and is incorporated in England and Wales. 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.

01 Principal accounting policies

The Financial Statements for the year to 30 September 2024 have been prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' on the basis of the accounting policies set out below which are unchanged from the prior year and have been applied consistently.

a. i. 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 at fair value through profit or loss, 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 macroeconomic and geopolitical concerns, but does not believe the Company's going concern status is affected. The Company's assets, the majority of which are investments in listed 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. The Company has continued to comply with the investment trust status requirements of section 1158 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) Regulations 2011. The Company's primary third party suppliers, including its Managers and Secretaries, custodian and depositary, registrar, auditor and broker, have not experienced significant operational difficulties affecting their respective services to the Company. 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 44, which assesses the prospects of the Company over a period of five years, that it is appropriate to retain the going concern presumption in preparation of these Financial Statements notwithstanding the material uncertainty set out below.

The Financial Statements have been prepared in accordance with the Companies Act 2006, applicable United Kingdom Accounting Standards and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued by the Association of Investment Companies ('AIC') in November 2014 and updated in July 2022 with consequential amendments.

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

The Directors consider the Company's functional currency to be sterling as the Company's shareholders are predominantly based in the UK, the Company is subject to the UK's regulatory environment and it is the currency in which its dividends and expenses are generally paid.

a. ii. Material uncertainty in relation to going concern

A Scheme of Reconstruction has been proposed, which will afford shareholders the opportunity within the next 12 months to vote on a rollover and liquidation of the Company. Notwithstanding that the Scheme represents a material uncertainty that casts significant doubt over whether the Company will continue in operational existence for a period of at least 12 months from the date of approval of these Financial Statements, the going concern presumption has been retained as the outcome is contingent on shareholder voting at the General Meetings planned for early 2025. As the Company's listed equity investments, which represent 104.9% of the Company's net assets and 94.8% of its total assets, are in any event fair valued at bid or last traded price (depending on the convention of the relevant market) in accordance with UK GAAP, the Financial Statements as prepared on a going concern basis are not considered to differ materially from those that would be produced on a basis other than going concern, and until the General Meetings as detailed in the Scheme of Reconstruction have been held, the certainty of outcome that would entail adoption of a basis other than going concern for these Financial Statements has not yet been reached.

b. Financial instruments

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.

c. Significant accounting judgements and estimates

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

Judgements

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

i. the appropriateness of the going concern basis;

ii. the determination as to whether special dividends should be treated as a repayment of capital or income depending on the facts of each particular case; and

iii. 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 2022 ('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(d) 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 (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. 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(d) 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.

d. 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 2022 ('IPEV'). The techniques applied are predominantly market-based approaches. The market-based approaches available under IPEV are set out below and are followed by an explanation of how they are applied to the Company's private company portfolio:

- Multiples;
- Industry valuation benchmarks; and
- Available market prices.

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

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

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

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.

e. Cash at bank

Cash at bank represents bank 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.

f. 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. Equity investment income includes distributions from Collective Investment Schemes, other than those that relate to equalisation which are treated as capital items. Special dividends are treated as revenue or capital items depending on the facts of each particular case.

   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.

ii. Interest from fixed interest securities is recognised on an effective yield basis.

iii. Unfranked investment income and overseas dividends include the taxes deducted at source.

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

g. Expenses

All expenses are accounted for on an accruals basis. Expenses are charged to the revenue column of the Income Statement except where they relate directly to:

i. the acquisition or disposal of an investment (transaction costs), in which case they are charged to capital within gains/losses on investments;

ii. the buy-back/issuance of shares, in which case they are added to the buy-back cost or deducted from the share issuance proceeds; or

iii. the enhancement of the assets of the Company, for example professional fees arising in connection with strategic corporate activity, in which case they are charged to capital.

The investment management fee is allocated 25% to revenue and 75% to capital, in line with the Board's expectation of returns from the Company's investments over the long term in the form of revenue and capital respectively. The 5% cumulative preference shares are classified as a liability and therefore the dividends payable on these shares are treated as finance costs and charged to revenue in the income statement.

h. Borrowings and finance costs

Borrowings, which comprise interest bearing bank loans are recognised initially at the proceeds received net of direct costs, and subsequently at amortised cost using the effective interest rate method. Finance costs are accounted for on an accruals basis and on an effective interest basis and, with the exception of cumulative preference share dividends as noted above, are allocated 25% to revenue and 75% to capital in line with the Board's expected long-term split of revenue and capital return from the Company's investment portfolio. The Board reviews the expense allocation policy on a yearly basis and considers whether it remains appropriate.

i. Taxation

The taxation charge represents the sum of current tax and the movement in the provision for deferred taxation during the year. Current taxation represents non-recoverable overseas taxes which are charged to revenue where it relates to income received and to capital where it relates to items of a capital nature. Deferred taxation is provided on all timing differences which have originated but not reversed by the Balance Sheet date, calculated on a non-discounted basis at the tax rates expected to apply when the timing differences reverse, based on what has been enacted or substantively enacted, relevant to the benefit or liability. Deferred tax assets are recognised only to the extent that it is more likely than not that there will be taxable profits from which underlying timing differences can be deducted.

j. Dividends payable

Where relevant, interim dividends are recognised in the period in which they are paid. Final dividends are recognised in the period in which the dividends are approved by the Company's shareholders.

k. Foreign currencies

Transactions involving foreign currencies are converted at the rate ruling at the time of the transaction. Monetary assets and liabilities and fixed asset investment 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 the Income Statement as capital or revenue as appropriate.

l. Share premium account

The balance classified as share premium represents:

- the excess of the proceeds of issuance of new shares over the nominal value; and
- the proceeds of sales of shares held in treasury in excess of the weighted average price paid by the Company to repurchase the shares.

m. Capital redemption reserve

The nominal value of ordinary share capital repurchased and cancelled is transferred out of the called-up share capital and into the capital redemption reserve.

n. Capital reserve

Gains and losses on realisation of investments, changes in the fair value of investments held and exchange differences of a capital nature are dealt with in this reserve. Purchases of the Company's own shares are also funded from this reserve. 75% of management fees and finance costs are allocated to the capital reserve in line with the Board's expectation of returns from the Company's investments over the long term in the form of revenue and capital respectively. Dividends may also be paid from this reserve.

o. Revenue reserve

The revenue profit or loss for the year is taken to or from this reserve. 25% of management fees and finance costs are allocated to the revenue reserve in line with the Board's expectations of returns from the Company's returns from the Company's investments over the long term in the form of revenue and capital respectively. The revenue reserve may be distributed by way of a dividend.

p. Single segment reporting

The Company is engaged in a single segment of business, being that of an investment trust company, consequently no business segmental analysis is provided.

02 Income

	2024 £'000	2023 £'000
Income from investments		
UK dividends	–	36
Overseas dividends	1,484	1,510
Overseas interest	27	52
	1,511	1,598
Other income		
Deposit interest	23	20
Total income	**1,534**	**1,618**
Total income comprises:		
Dividends and other income from financial assets designated at fair value through profit or loss	1,511	1,598
Interest from financial assets not at fair value through profit or loss	23	20
	1,534	**1,618**

03 Investment management fee

	2024 Revenue £'000	2024 Capital £'000	2024 Total £'000	2023 Revenue £'000	2023 Capital £'000	2023 Total £'000
Investment management fee	233	700	**933**	223	668	**891**

Details of the Investment Management Agreement are disclosed on page 55. Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, was appointed by the Company as its Alternative Investment Fund Managers and Company Secretaries with effect from 11 February 2021. Baillie Gifford & Co Limited has delegated the investment management services to Baillie Gifford & Co. The annual management fee is 0.70% on the first £100 million of market capitalisation, 0.65% on the next £150 million of market capitalisation and 0.55% on the remaining market capitalisation. Management fees are calculated and payable on a quarterly basis. Market capitalisation is calculated using middle market quotations derived from the Stock Exchange Daily Official List and the weighted average number of shares in issue during the quarter.

04 Other administrative expenses

	2024 £'000	2023 £'000
Custody fees	27	30
Depositary fees	15	17
Registrar's fees	29	39
Marketing expenses*	86	75
Directors' fees (see Directors' Remuneration Report on page 72)	154	140
Auditor's remuneration – statutory audit of annual Financial Statements†	43	64
General administrative expenses	243	112
	597	**477**

* The Company is part of a marketing programme which includes all the investment trusts managed by the Managers. The cost of this marketing strategy is borne, in partnership, by the Company and the Managers. The Managers match the Company's marketing contribution and provide the resource to manage and run the programme.

† Irrecoverable VAT on audit fees, and auditor's non-audit remuneration if applicable (no non-audit services were provided by the auditor during the years ended 30 September 2024 or 30 September 2023), is included within general administrative expenses.

05 Finance costs of borrowings

	2024 Revenue £'000	2024 Capital £'000	2024 Total £'000	2023 Revenue £'000	2023 Capital £'000	2023 Total £'000
Interest payable on borrowings repayable not by instalment:						
Interest and commitment fees on loan facility*	256	767	**1,023**	222	666	**888**
Dividends on 5% cumulative preference shares	12	–	**12**	12	–	**12**
	268	**767**	**1,035**	**234**	**666**	**900**

* See note 11 on page 97 for details of the Company's borrowing facilities.

06 Tax on ordinary activities

	2024 Revenue £'000	2024 Capital £'000	2024 Total £'000	2023 Revenue £'000	2023 Capital £'000	2023 Total £'000
Overseas taxation	244	–	**244**	244	–	**244**
Indian capital gains tax paid and provided for	–	79	**79**	–	7	**7**
	244	**79**	**323**	**244**	**7**	**251**

	2024 £'000	2023 £'000
Analysis of charge in year		
Overseas tax	244	244
Factors affecting tax charge for the year		
The tax assessed for the year is higher (2023 – higher) than the average standard rate of corporation tax in the UK of 25% (2023 – 22%). The differences are explained below:		
Net return on ordinary activities before taxation	**3,019**	**9,823**
Net return on ordinary activities multiplied by the average standard rate of corporation tax in the UK of 25% (2023 – 22%)	755	2,161
Capital returns not taxable	(1,013)	(2,304)
Income not taxable	(371)	(340)
Taxable expenses in the year not utilised	629	483
Overseas tax	244	244
Revenue tax charge for the year	**244**	**244**
Increase in provision for tax liability in respect of Indian capital gains	79	7
Capital tax charge for the year	**79**	**7**
Total tax charge for the year	**323**	**251**

As an investment trust, the Company's capital returns are not subject to UK corporation tax.

Factors that may affect future tax charges

At 30 September 2024 the Company had surplus management expenses and losses on non-trading loan relationships of £89,375,000 (2023 – £86,872,000). No deferred tax asset has been recognised in respect of these 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 losses through the use of existing surplus expenses.

07 Net return per ordinary share

	2024 Revenue	2024 Capital	2024 Total	2023 Revenue	2023 Capital	2023 Total
Net return per ordinary share	0.32p	4.14p	**4.46p**	0.71p	14.77p	**15.48p**

Revenue return per ordinary share is based on the net revenue return on ordinary activities after taxation of £192,000 (2023 – £440,000) and on 60,491,492 (2023 – 61,815,632) ordinary shares of 10p, being the weighted average number of ordinary shares in issue during the year. Capital return per ordinary share is based on the net capital gain for the financial year of £2,504,000 (2023 – gain of £9,132,000) and on 60,491,492 (2023 – 61,815,632) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

There are no dilutive or potentially dilutive shares in issue.

08 Ordinary dividends

	2024 p	2024 £'000	2023 p	2023 £'000
Amounts recognised as distributions in the year:				
Previous year's final (paid 8 February 2024)	0.45	276	0.40	247

We also set out below 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 £192,000 (2023 – £440,000).

	2024 p	2024 £'000	2023 p	2023 £'000
Amounts paid and payable in respect of the financial year:				
Proposed interim in lieu of final/final (payable 31 December 2024)	0.10	59	0.45	276

09 Fixed assets – investments

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

As at September 2024	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed equities	150,185	–	–	**150,185**
Unlisted securities	–	–	5,651	**5,651**
Total financial asset investments	**150,185**	**–**	**5,651**	**155,836**

As at 30 September 2023	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed equities	151,847	–	–	**151,847**
Unlisted securities	–	–	9,650	**9,650**
Total financial asset investments	**151,847**	**–**	**9,650**	**161,497**

09 Fixed assets – investments (continued)

Fair value hierarchy

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

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

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

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

The Company's unlisted investments at 30 September 2024 were valued using a variety of techniques. These include using comparable company multiples, net asset values, assessment of comparable company performance and assessment of milestone achievement at the investee companies. The determinations of fair value included assumptions that the trading multiples and comparable companies chosen for the multiples approach provide a reasonable basis for the determination of fair value. Valuations are cross-checked for reasonableness to alternative multiples-based approaches or benchmark index movements as appropriate. In some cases the latest dealing price is considered to be the most appropriate valuation basis, but only following assessment using the techniques described above.

	2024 Listed securities £'000	2024 Unlisted securities £'000	2024 £'000	2023 £'000
Cost of investments at start of year	191,183	9,634	**200,817**	214,141
Investment holding (losses)/gains at start of year	(39,336)	16	**(39,320)**	(62,074)
Value of investments at start of year	**151,847**	**9,650**	**161,497**	**152,067**
Movements in year:				
Purchases at cost	45,749	–	**45,749**	36,264
Sales proceeds received	(55,039)	–	**(55,039)**	(36,718)
Gains and losses on investments	7,628	(3,999)	**3,629**	9,884
Value of investments at end of year	**150,185**	**5,651**	**155,836**	**161,497**
Cost of investments at end of year	159,130	9,634	**168,764**	200,817
Investment holding losses at end of year	(8,945)	(3,983)	**(12,928)**	(39,320)
Value of investments at end of year	**150,185**	**5,651**	**155,836**	**161,497**

The Company received proceeds of £55,039,000 (2023 – £36,718,000) from investments sold during the year. The book cost of these investments when they were purchased was £77,802,000 (2023 – £49,588,000). These investments have been revalued over time and, until they were sold, any unrealised gains/losses were included in the fair value of the investments. Transaction costs of £43,000 (2023 – £24,000) and £30,000 (2023 – £9,000) were suffered on purchases and sales respectively.

	2024 £'000	2023 £'000
Gains/(losses) on investments:		
Realised losses on sales	(22,763)	(12,870)
Changes in investment holding gains and losses	26,392	22,754
	3,629	**9,884**

10 Debtors

	2024 £'000	2023 £'000
Amounts falling due within one year:		
Accrued income	153	131
Other debtors and prepaid expenses	184	182
	337	**313**

None of the above debtors are financial assets designated at fair value through profit or loss. The carrying amount of debtors is a reasonable approximation of fair value. There were no debtors that were past due or impaired at 30 September 2024 or 30 September 2023.

11 Creditors – amounts falling due within one year

	2024 £'000	2023 £'000
Bank loans	14,883	15,245
Other creditors and accruals	444	383
	15,327	**15,628**

None of the above creditors are financial liabilities held at fair value through profit or loss. Included in other creditors is £233,000 (2023 – £219,000) in respect of the investment management fee.

Borrowing facilities

At 30 September 2023 the Company had a 3 year £25 million multi-currency unsecured floating rate revolving facility with The Royal Bank of Scotland International Limited, which expired on 31 August 2024. The Company replaced this with an uncommitted floating rate revolving facility with The Bank of New York Mellon (International) Limited, which has an extension clause effective at 30 September 2026.

At 30 September 2024 drawings were as follows:

- The Bank of New York Mellon (International) Limited: US$9.9 million at an interest rate of 6.17% (being 1.1% over term SOFR) and £7.5 million at an interest rate of 1.1% over SONIA, both maturing in November 2024 (2023 – US$9.5 million at an interest rate of 1.25% over SOFR and £7.5 million at an interest rate of 1.25% over SONIA, both maturing in December 2023).

The main covenants relating to the above loans are that total borrowings shall not exceed 20% of the Company's net assets and the Company's minimum net assets shall be £100 million.

There were no breaches of loan covenants during the year.

12 Creditors – amounts falling due after more than one year

	2024 £'000	2023 £'000
5% cumulative preference shares of £1 each	250	250
Provision for tax liability in respect of Indian capital gains	86	7
	336	**257**

Preference share dividends are paid bi-annually in March and September.

Provision for Tax Liability

The tax liability provision at 30 September 2024 of £86,000 (2023 – £7,000) relates to a potential liability for Indian capital gains tax that may arise on the Company's Indian investments should they be sold in the future, based on the net unrealised taxable capital gain at the year 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.

13 Share capital

	2024 Number	2024 £'000	2023 Number	2023 £'000
Allotted, issued and fully paid ordinary shares of 10p each	59,179,987	5,918	61,815,632	6,182
Treasury shares of 10p each	8,414,008	842	5,778,363	578
	67,593,995	**6,760**	**67,593,995**	**6,760**

The Company is limited by shares. The ordinary shares are fully participating and on a poll carry one vote per £1 nominal held. In the year to 30 September 2024, the Company issued no ordinary shares and bought back 2,635,645 ordinary shares at a total cost of £5,842,000 to be held in treasury (2023 – no shares issued or bought back). At 30 September 2024 the Company had authority to buy back 7,400,107 ordinary shares and to allot or sell from treasury 6,181,560 ordinary shares without application of pre-emption rights. Under the provisions of the Company's Articles of Association share buy-backs are funded from the capital reserve.

14 Capital and reserves

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
At 1 October 2023	6,760	3,449	466	135,396	582	**146,653**
Gains on investments	–	–	–	3,629	–	**3,629**
Exchange differences on bank loans	–	–	–	680	–	**680**
Other exchange differences	–	–	–	(259)	–	**(259)**
Movement in Indian CGT provision	–	–	–	(79)	–	**(79)**
Revenue return on ordinary activities after taxation	–	–	–	–	192	**192**
Investment management fee charged to capital	–	–	–	(700)	–	**(700)**
Finance costs of borrowings charged to capital	–	–	–	(767)	–	**(767)**
Ordinary shares bought back	–	–	–	(5,842)	–	**(5,842)**
Dividends paid during the year	–	–	–	–	(276)	**(276)**
At 30 September 2024	**6,760**	**3,449**	**466**	**132,058**	**498**	**143,231**

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
At 1 October 2022	6,760	3,449	466	126,264	389	**137,328**
Gains on investments	–	–	–	9,884	–	**9,884**
Exchange differences on bank loans	–	–	–	650	–	**650**
Other exchange differences	–	–	–	(61)	–	**(61)**
Movement in Indian CGT provision	–	–	–	(7)	–	**(7)**
Revenue return on ordinary activities after taxation	–	–	–	–	440	**440**
Investment management fee charged to capital	–	–	–	(668)	–	**(668)**
Finance costs of borrowings charged to capital	–	–	–	(666)	–	**(666)**
Dividends paid during the year	–	–	–	–	(247)	**(247)**
At 30 September 2023	**6,760**	**3,449**	**466**	**135,396**	**582**	**146,653**

14 Capital and reserves (continued)

The share premium account comprises the net proceeds received by the Company following the issue of shares, after deduction of the nominal amount of 10 pence and any applicable issue costs (nominal amount of 50 pence prior to the subdivision on 13 February 2020). The capital redemption reserve maintains the equity share capital arising from the buy back and cancellation of shares. It, and the share premium account, are non-distributable.

The capital reserve includes cumulative realised gains/(losses) on the disposal of investments and the unrealised investment holding gains/(losses), being the difference between cost and market value at the balance sheet date. Certain expenses are also deducted from capital as detailed in notes 1(g) and 1(h). The capital reserve balance at 30 September 2024 includes unrealised investment holding losses on investments of £12,928,000 (2023 – losses of £39,320,000) as detailed in note 9 on page 96, with a realised capital balance of £144,868,000 at 30 September 2024 (2023 – £174,960,000). Share buy backs can be funded from the capital reserve and during the year £5,842,000 (2023 – nil) of share buy backs were funded from the capital reserve. The revenue reserve shows the net revenue retained. The revenue reserve is distributable by dividend and was fully utilised during the year to 30 September 2021, with a small surplus arising in subsequent years. The capital reserve is also distributable by way of dividend, to the extent that it constitutes realised returns.

When making a distribution to shareholders, the Directors determine profits available for distribution by reference to the ‘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. When making their assessment of reserves available for distribution, the Directors adopt a prudent approach, such that net unrealised investment holding gains would not be treated as distributable, irrespective of how readily realisable the relevant securities are considered to be, and net unrealised investment holding losses would be deducted from accumulated realised capital reserves.

15 Shareholders’ funds per ordinary share

	2024	**2023**
Shareholders’ funds	£143,231,000	£146,653,000
Number of ordinary shares in issue at the year end	59,179,987	61,815,632
Shareholders’ funds per ordinary share	242.0p	237.2p

The shareholders’ funds figures above have been calculated after deducting borrowings at book value, in accordance with the provisions of FRS 102. The net asset value figures shown in the One Year Summary on page 30 have been calculated after deducting borrowings at market value.

Reconciliations between shareholders’ funds and both NAV measures are shown in the Glossary of Terms and Alternative Performance Measures on page 132.

16 Analysis of change in net debt

	At 1 October 2023 £’000	**Cash flows £’000**	**Exchange movement £’000**	**At 30 September 2024 £’000**
Cash at bank	728	2,187	(194)	**2,721**
Loans due within one year	(15,245)	(318)	680	**(14,883)**
5% cumulative preference shares	(250)	–	–	**(250)**
	(14,767)	**1,869**	**486**	**(12,412)**

	At 1 October 2022 £’000	**Cash flows £’000**	**Exchange movement £’000**	**At 30 September 2023 £’000**
Cash at bank	962	(191)	(43)	**728**
Loans due within one year	(15,275)	(620)	650	**(15,245)**
5% cumulative preference shares	(250)	–	–	**(250)**
	(14,563)	**(811)**	**607**	**(14,767)**

17 Contingent liabilities, guarantees and financial commitments

At 30 September 2024 and 30 September 2023 the Company had no contingent liabilities, guarantees or financial commitments.

18 Related Parties and transactions with the Managers

The Directors' fees and shareholdings are detailed in the Directors' Remuneration Report on pages 70 to 73. 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.

Baillie Gifford & Co Limited has been appointed as the Company's Alternative Investment Fund Manager ('AIFM') and Company Secretaries. Details of the terms of the Investment Management Agreement are set out on page 55 and details of the fees during the year and the balances outstanding at the year end are shown in notes 3 and 11 respectively.

19 Financial instruments

As an investment trust, the Company invests in equities and makes other investments so as to secure its investment objective of capital growth. The Company borrows money when the Board and investment managers have sufficient conviction that the assets funded by borrowed monies will generate a return in excess of the cost of borrowing. In pursuing its investment objective, the Company is exposed to a variety of risks that cause short term variation in the Company's net assets and could result in either a reduction in the Company's net assets or a reduction in the net return available for dividend.

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 reduction in the Company's net assets rather than to minimise the short term volatility.

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

Market risk

The fair value or 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.

i. 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 currency in which an investee company's share price is quoted is not necessarily the one in which it earns its profits.

The movement in exchange rates on overseas earnings may have a more significant impact upon a company's valuation than a simple translation of the currency in which the share price of the company is quoted. It is not the Company's policy to hedge this risk on a continuing basis but the Company may, and currently does, match specific overseas investment with foreign currency borrowings.

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.

19 Financial instruments (continued)

i. Currency risk (continued)

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.

At 30 September 2024	Investments £'000	Cash at bank £'000	Loans and preference shares £'000	Other debtors and creditors £'000	Net exposure £'000
US dollar	102,466	2,610	(7,383)	75	**97,768**
Euro	15,730	–	–	91	**15,821**
Japanese yen	3,482	–	–	38	**3,520**
Other overseas currencies	34,158	52	–	(25)	**34,185**
Total exposure to currency risk	**155,836**	**2,662**	**(7,383)**	**179**	**151,294**
Sterling	–	59	(7,750)	(372)	**(8,063)**
	155,836	**2,721**	**(15,133)**	**(193)**	**143,231**

At 30 September 2023	Investments £'000	Cash at bank £'000	Loans and preference shares £'000	Other debtors and creditors £'000	Net exposure £'000
US dollar	106,801	16	(7,745)	83	**99,155**
Euro	16,791	–	–	89	**16,880**
Japanese yen	6,270	–	–	14	**6,284**
Other overseas currencies	31,635	–	–	61	**31,696**
Total exposure to currency risk	**161,497**	**16**	**(7,745)**	**247**	**154,015**
Sterling	–	712	(7,750)	(324)	**(7,362)**
	161,497	**728**	**(15,495)**	**(77)**	**146,653**

Currency risk sensitivity

At 30 September 2024, if sterling had weakened by 5% in relation to all currencies, with all other variables held constant, total net assets and total return on ordinary activities would have increased by the amounts shown below. A 5% strengthening 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 was performed on the basis of a 15% strengthening/weakening of sterling for 2023.

	2024 £'000	2023 £'000
US dollar	4,888	14,873
Euro	791	2,532
Japanese yen	176	943
Other overseas currencies	1,709	4,754
	7,564	**23,102**

19 Financial instruments (continued)

ii. Interest rate risk

Interest rate movements may affect directly:

- the fair value of any investments in fixed interest rate securities;
- the level of income receivable on cash deposits;
- the fair value of any fixed-rate borrowings; and
- the interest payable on any variable rate borrowings.

Interest rate movements may also impact upon the market value of the Company's investments other than any fixed income securities. The effect of interest rate movements upon the earnings of an investee company may have a significant impact upon the valuation of that company's equity. The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions and when entering borrowing agreements. The Board reviews on a regular basis the amount of investments in cash and fixed income securities and the income receivable on cash deposits, floating rate notes and other similar investments. The Company finances part of its activities through borrowings at approved levels. The amount of such borrowings and the approved levels are monitored and reviewed regularly by the Board.

Financial assets

The Company's interest rate risk exposure on its financial assets at 30 September 2024 amounted to £2,721,000 (2023 – £728,000), comprising its cash and short term deposits.

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 bank base rate.

Financial liabilities

The interest rate risk profile of the Company's bank loans and the maturity profile of the undiscounted future cash flows in respect of the Company's contractual financial liabilities at 30 September are shown below.

Interest rate risk profile

	2024 £'000	2023 £'000
Floating rate – US dollar	7,383	7,745
Floating rate – sterling	7,500	7,500
	14,833	**15,245**

Maturity profile

	2024 Within 1 year £'000	2023 Within 1 year £'000
Repayment of loans	14,833	15,245
Interest on loans	81	69
	14,914	**15,314**

Interest rate risk sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates at the Balance Sheet date and with the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates.

An increase of 1% in interest rates, with all other variables being held constant, would have decreased the Company's total net assets and total return on ordinary activities for the year ended 30 September 2024 by £150,000 based on actual drawings through the year, (2023 – a decrease of £154,000, based on actual drawings through the year). This is mainly due to the Company's exposure to interest rates on its floating rate bank loan and cash balances. A decrease of 1% would have had an equal but opposite effect.

iii. 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 objective and investment policy.

19 Financial instruments (continued)

iii. Other price risk (continued)

Other price risk sensitivity

A full list of the Company's investments is shown on pages 22 and 23. In addition, analysis of the portfolio by impact theme is contained in the Strategic Report. 104.9% of the Company's net assets are invested in listed equities (2023 – 103.5%). A 10% increase in listed equity valuations at 30 September 2024 would have increased total assets and total return on ordinary activities by £15,019,000 (2023 – £15,185,000). A decrease of 10% would have had an equal but opposite effect.

3.9% (2023 – 6.6%) of the Company's net assets are invested in private company investments. The fair valuation of the private company investments is influenced by the judgements and estimates made in the fair valuation process (see 1(c) on page 90). 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 30 September 2024		Significant unobservable inputs*					
Valuation technique	Fair value as at 30 September 2024 £'000	Key unobservable inputs	Other unobservable inputs†	Range	Weighted average range #	Sensitivity %	Sensitivity to changes in significant unobservable inputs
Benchmark performance	3,043	Selection of comparable companies and indices§	a,b,c,d	(27)% – 8%	-5%	10%	If input comparable company performance changed by +/-10%, the fair value would change by £264,652 and -£139,045.
		Insolvency risk discount	a,b	N/A	90%	10%	If the insolvency risk discount changed by +/-10%, the fair value would change by £154,191 and -£149,241.
Adjusted price of recent transaction	746	Insolvency risk discount	a,b	N/A	50%	10%	If the insolvency risk discount changed by +/-10%, the fair value would change by +/- £119,638.
Price of expected transaction	1,862	Execution risk discount¶	a,b	N/A	10%	10%	If the execution risk dicount changed by +/-10%, the fair value would change by +/- £206,867.

† See explanation for other unobservable inputs on page 104 (sections 'a' to 'd' as relevant).

\# Weighted average is calculated by reference to the fair value of holdings as at the respective year-end. This therefore gives a clearer indication of the typical multiple or adjustment being applied across the portfolio.

¶ This valuation technique captures the transaction implied discounts/premiums and illiquidity discounts observed and priced into the recent transaction price, which is one of the inputs in deriving a valuation using this methodology.

§ See explanation for the selection of comparable companies on page 104 section 'c'. The percentage movements reflect the movement in overall company value for the basket of comparable companies relevant to each holding since the most recent transaction or since the last assessed.

19 Financial instruments (continued)

As at 30 September 2023		Significant unobservable inputs*					
Valuation technique	Fair value as at 30 September 2023 £'000	Key unobservable inputs	Other unobservable inputs†	Range	Weighted average range #	Sensitivity %	Sensitivity to changes in significant unobservable inputs
Recent transaction price	3,240	n/a	a,b	n/a	n/a	n/a	n/a
Benchmark performance	6,410	Selection of comparable companies and indices§	a,b,c,d	(7%) – (16%)	(13%)	10%	If input comparable company performance changed by +/-10%, the fair value would change by £442,592 and -£442,639.

† See explanation for other unobservable inputs below (sections 'a' to 'd' as relevant).

Weighted average is calculated by reference to the fair value of holdings as at the respective year-end. This therefore gives a clearer indication of the typical multiple or adjustment being applied across the portfolio.

¶ This valuation technique captures the transaction implied discounts/premiums and illiquidity discounts observed and priced into the recent transaction price, which is one of the inputs in deriving a valuation using this methodology.

§ See explanation for the selection of comparable companies below, section 'c'. The percentage movements reflect the movement in overall company value for the basket of comparable companies relevant to each holding since the most recent transaction or since the last assessed.

* **Significant unobservable inputs**

The variable inputs applicable to each broad category of valuation basis will vary depending 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(c) on page 90.

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 in which they operate.

d. 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.

19 Financial instruments (continued)

iii. Other price risk (continued)

Liquidity risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk is not significant as the majority of the Company's assets are investments in quoted securities that are readily realisable. The Board provides guidance to the Managers as to the maximum exposure to any one holding and to the maximum aggregate exposure to substantial holdings.

The Company has the power to take out borrowings, which give it access to additional funding when required. The Company's current borrowing facility is detailed in note 11 and the maturity profile of its borrowings is set out above. Under the terms of the borrowing facility, borrowings are repayable on demand at their current carrying value.

Credit risk

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

- where the investment managers make an investment in a bond or other security with credit risk, that credit risk is assessed and then compared to the prospective investment return of the security in question;
- the 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 Managers monitor the Company's risk by reviewing the depositary's internal control reports and reporting their 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 done 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 before any transfer of cash or securities away from the Company is completed; and
- cash is only held at banks that have been identified by the Managers as reputable and of high credit quality.

Credit risk exposure

The maximum exposure to credit risk at 30 September was:

	2024 £'000	2023 £'000
Cash at bank	2,721	728
Debtors	319	296
	3,040	1,024

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 there is no difference between the amounts at which the financial assets and liabilities of the Company are carried in the Balance Sheet and their fair values. The fair values of the Company's borrowings are shown below. The fair value of the 5% cumulative preference shares was based on the closing market offer price on the London Stock Exchange as at 30 September 2023 and was par at 30 September 2024 owing to the proposed Scheme of Reconstruction, which offers redemption at par should the Scheme proceed.

	2024 Par value £'000	2024 Book value £'000	2024 Market value £'000	2023 Par value £'000	2023 Book value £'000	2023 Market value £'000
Bank loans due within one year	14,833	14,833	14,833	15,245	15,245	15,245
5% cumulative preference shares	250	250	250	250	250	239
	15,083	15,083	15,083	15,495	15,495	15,484

20 Capital management

The capital of the Company is its share capital and reserves as set out in note 14 together with its borrowings (see note 11).

The objective of the Company is to invest globally to achieve capital growth, which takes priority over income and dividends.

The Company's investment policy is set out on pages 36 and 37. 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 39 to 43.

The Company has the ability to issue and buy back its shares (see pages 57 and 58) and any changes to the share capital during the year are set out in notes 13 and 14.

The Company does not have any externally imposed capital requirements other than the covenants on its loans which are detailed in note 11.

21 Subsequent events

On 15 November 2024, the Company's holdings in Northvolt, which represented £447,000 and 0.3% of the Company's total assets at 30 September 2024, were written down further, with the adjusted value of £63,000 reflected in the daily NAV announcements released thereafter.

Sustainable Finance Disclosure Regulation ('SFDR')

Unaudited

Sustainable Finance Disclosure Regulation ('SFDR'): Article 9 taxonomy reporting

The EU Sustainable Finance Disclosure Regulation ('SFDR') does not have direct impact in the UK. However, it applies to third-country products marketed in the EU. As Keystone Positive Change Investment Trust plc is marketed in the EU by the AIFM, Baillie Gifford & Co Limited, via the National Private Placement Regime ('NPPR'), the following disclosures are provided to comply with the requirements of SFDR.

Keystone Positive Change Investment Trust plc, as an investment company that has sustainable investment as its objective (classified pursuant to Article 9 of SFDR) is required to include in periodic reports information on the overall sustainability impact by means of relevant sustainability indicators. This information should be disclosed using the prescribed templates included within the SFDR Delegated Regulation. To meet this requirement, a periodic reporting template has been prepared pursuant to Article 9 of SFDR during the reference period covering 1 October 2023 to 30 September 2024.

Quantitative information has been calculated at appropriate intervals using the average month-end value of investments during the reference period. For the purpose of SFDR reporting and calculating quantitative information, investments also include assets that are not used to attain the sustainable investment objective such as those used for liquidity purposes (e.g. cash). Quantitative information may not necessarily fully reconcile due to rounding when the underlying investments are added together to arrive at a single number, although the difference will be immaterial (i.e. 0.1%). Reference periods used for SFDR reporting cover the same period as the financial statements.

ESMA's Supervisory Briefing on sustainability risks and disclosure in the area of investment management states that: 'National Competent Authorities could reasonably expect that products disclosing under Article 9 of SFDR would disclose the Principal Adverse Impacts of investment decisions referred to in Article 7 of SFDR, even though it is not mandatory, due to the requirements of 'Do No Significant Harm' disclosures for sustainable investments in the SFDR Delegated Regulation which require the disclosure of how the indicators for adverse impacts in Annex I of the SFDR Delegated Regulation have been taken into account and because Article 9 SFDR products should only make sustainable investments.' As such, we have also disclosed the Principal Adverse Impacts of investment decisions for Keystone Positive Change Investment Trust plc.

Product name:
Keystone Positive Change Investment Trust plc

Legal entity identifier:
5493002H3JXLXLIGC563

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**.

That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with environmental objective might be aligned with the Taxonomy or not.

Sustainable investment objective

Does this financial product have a sustainable investment objective?	
●● ☒ Yes	●○ ☐ No
☒ It made **sustainable investments with an environmental objective**: 34.3% ☒ in economic activities that qualify as environmentally sustainable under the EU Taxonomy ☒ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	☐ It **promoted Environmental/Social (E/S) characteristics** and while it did not have as its objective a sustainable investment, it had a proportion of __% of sustainable investments ☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy ☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy ☐ with a social objective
☒ It made **sustainable investments with a social objective**: 64.8%	☐ It promoted E/S characteristics, but **did not make any sustainable investments**

To what extent was the sustainable investment objective of this financial product met?

The Company contributed towards a more sustainable and inclusive world by investing primarily in the equities of companies whose products and/or services made a positive social and/or environmental impact in the Company's four impact themes, each of which represent key global challenges: (i) social inclusion and education, (ii) environment and resource needs, (iii) healthcare and quality of life and (iv) base of the pyramid (i.e. addressing the needs of the poorest four billion people in the world). The impact analysis was carried out using a framework that is based upon assessing three factors: (i) intent, (ii) product impact and (iii) business practices.

Through the product impact analysis, all companies in the Company's portfolio met the sustainable investment objective of the financial product, because their products and/or services address a global environmental and/or social challenge. As part of the assessment of product impact, the contribution that the companies' products and/or services made to the United Nations Sustainable Development Goals ('SDGs') was mapped using the 169 targets that underpin the SDGs. The SDGs are made up of 17 goals, some of which can be mapped on a high-level basis against the six environmental objectives outlined in the EU Taxonomy.

No specific index has been designated as a reference benchmark for the purpose of attaining the sustainable investment objective.

Sustainability indicators measure how the sustainable objectives of the financial product are attained.

How did the sustainability indicators perform?

Indicator	To Sept 2023	To Sept 2024
Holdings voted in line with Voting and Engagement Guidelines	99.2 *	99.1 *
Holdings qualitatively assessed to meet the impact criteria	99.2 *	99.1 *
Holdings qualitatively assessed to have a linkage with the SDGs	99.2 *	99.1 *

* All holdings are in compliance with this indicator. The percentage above is an expression of the total portfolio less the portion of assets (such as cash or derivatives) which cannot count towards a positive assessment against the indicator.

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

How did the sustainable investments not cause significant harm to any sustainable investment objective?

How were the indicators for adverse impacts on sustainability factors taken into account?

At the time of investment and during the reference period, mandatory indicators for adverse impacts in Table 1 of Annex I of the SFDR Regulatory Technical Standards ('SFDR RTS') and opt-in indicators for adverse impacts selected by the Manager in Tables 2 and 3 of Annex I of SFDR RTS deemed to indicate the presence of a principal adverse impact were assessed and monitored. Principal adverse impacts were monitored through stewardship activities which includes the following actions to mitigate or reduce principal adverse impacts: (a) voting (b) dialogue and engagement and (c) collaborative activities with other shareholders and/or broader stakeholder groups. The Company additionally complied with the Manager's controversial weapons exclusion policy as outlined in the Manager's Stewardship Principles and Guidelines document.

Were the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

Alignment with the OECD Guidelines is routinely monitored centrally at Baillie Gifford. As per Baillie Gifford's Stewardship Approach, we expect all companies that we invest in to operate in accordance with the principles and standards set out in the United Nations Global Compact ('UNGC'). In the Manager's opinion, all holdings operated in accordance with the principles set out in the United Nations Global Compact and related standards, including the Organisation for Economic Co-operation and Development ('OECD') Guidelines for Multinational Enterprises and the United Nations Guiding Principles on Business and Human Rights during the reference period.

How did this financial product consider principal adverse impacts on sustainability factors?

The Company invested primarily in assets that qualify as sustainable investments. As such, principal adverse impacts on sustainability factors have been considered as part of assessing that these investments do not cause significant harm to the sustainable investment objective. Please refer to the previous section on 'How were the indicators for adverse impacts on sustainability factors taken into account?' for more details.

What were the top investments of this financial product?

The list includes the investments constituting the **greatest proportion of investments** of the financial product during the reference period which is: 1 October 2023 to 30 September 2024

Largest Investments	Sector	Country	% Assets
MercadoLibre	Wholesale and retail trade	Brazil	7.8
TSMC	Manufacturing	Taiwan	6.4
ASML	Manufacturing	Netherlands	6.2
Shopify	Information and communication	Canada	4.6
Moderna	Professional, scientific and technical	United States	4.5
Bank Rakyat Indonesia	Financial and insurance	Indonesia	4.5
Xylem	Manufacturing	United States	4.4
Dexcom	Manufacturing	United States	4.0
Autodesk	Information and communication	United States	4.0
Nu Holdings	Finance and insurance	Brazil	3.9
Alnylam Pharmaceuticals	Manufacturing	United States	3.8
Deere	Manufacturing	United States	3.6
HDFC Bank	Finance and insurance	India	3.3
Duolingo	Information and communication	United States	3.3
Remitly Global	Financial and insurance	United States	3.1

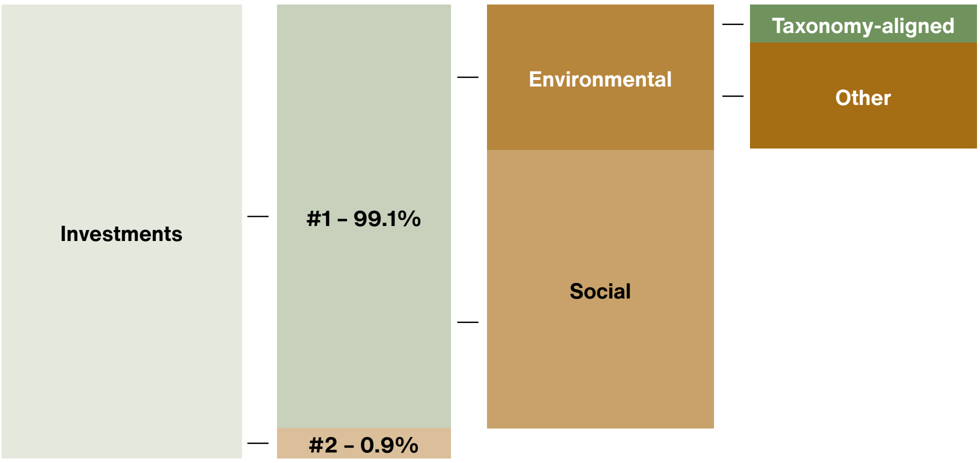
Percentage assets calculated on a weighted average basis, measured at month ends throughout the reference period. If cash and/or derivatives are within the top investments during the reference period, they are not presented in the table above and have been replaced by a holding that is used to attain the sustainable investment objective. We believe that excluding investments that are not used to attain the sustainable investment objective leads to greater transparency.

Asset allocation describes the share of investments in specific assets

What was the proportion of sustainability-related investments?

What was the asset allocation?

In order to meet the sustainable investment objective promoted by the Company, it invested at least 99.1% of its total assets in equity securities of companies whose products and/or services made a positive social and/or environmental impact in the Company's four impact themes, each of which represent key global challenges. This included 6.6% invested in sustainable investments with an environmental objective aligned with the EU Taxonomy. The remaining proportion of the investments was used for liquidity and/or efficient portfolio management purposes and did not affect the attainment of the sustainable investment objective of the Company. Any minimum environmental or social safeguards regarding the remaining proportion of the investments is covered in a specific section below.



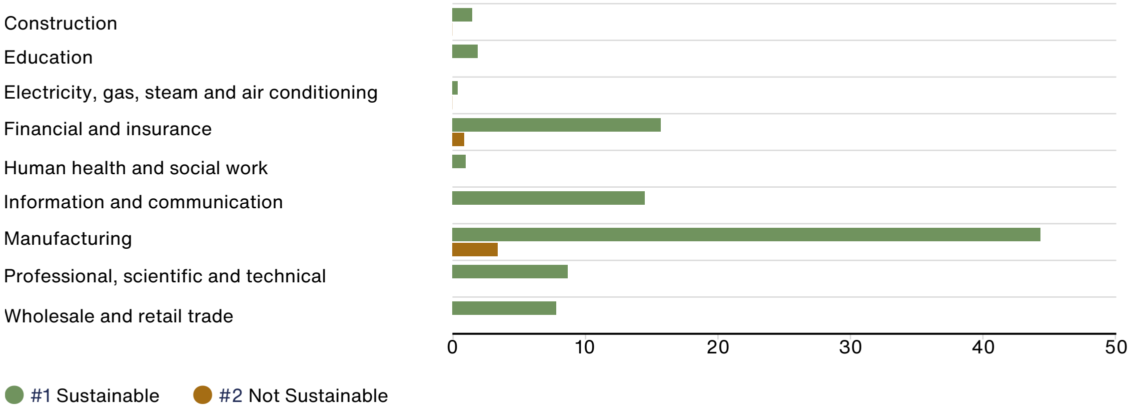
#1 Sustainable covers sustainable investments with environmental or social objectives.
#2 Not sustainable includes investments which do not quailfy as sustainable investments.

The Company did not invest in line with a predetermined environmental theme, and there was no commitment as to which specific environmental objectives in the EU Taxonomy the Company would contribute to. However, these specific environmental objectives are disclosed below.

EU Taxonomy Objective	%
Climate change mitigation	28.9
Climate change adaptation	5.3

In which economic sectors were the investments made?

A breakdown of the economic sectors the Company is exposed to, including any sub-sectors of the economy that derive revenues from exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, storage and trade of fossil fuels, is provided below.



Nomenclature of Economic Activities ('NACE') Sector	NACE Sub-Sector
Construction	Construction of buildings
Education	Education
Electricity, gas, steam and air conditioning supply	Electricity, gas, steam and air conditioning supply
Financial and insurance	Financial service activities, except insurance and pension funding
	Insurance, reinsurance and pension funding, except compulsory social security
	Activities auxiliary to financial services and insurance activities
Human health and social work	Human health activities
Information and communication	Information service activities
	Publishing activities
	Telecommunications
Manufacturing	Manufacture of basic pharmaceutical products and pharmaceutical preparations
	Manufacture of chemicals and chemical products
	Manufacture of computer, electronic and optical products
	Manufacture of electrical equipment
	Manufacture of machinery and equipment not elsewhere covered
	Manufacture of motor vehicles, trailers and semi-trailers
	Manufacture of other transport equipment
	Other manufacturing
Professional, scientific and technical	Scientific research and development
Wholesale and retail trade; repair of motor vehicles and motorcycles	Retail trade, except of motor vehicles and motorcycles

To what minimum extent were sustainable investments with an environmental objective aligned with the EU Taxonomy?

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

6.6% of the Company was EU Taxonomy-aligned during the reference period. These investments' compliance with the requirements laid down under the EU Taxonomy have not been subject to an assurance or review provided by an auditor or third party. Alignment has been obtained through a combination of third-party data and investment research. An explanation of the reasons for investing in sustainable investments other than those with an environmental objective aligned with the EU Taxonomy is detailed in a separate section below.

Did the financial product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy#?

☐ Yes

☐ In fossil gas ☐ In nuclear energy

☒ No

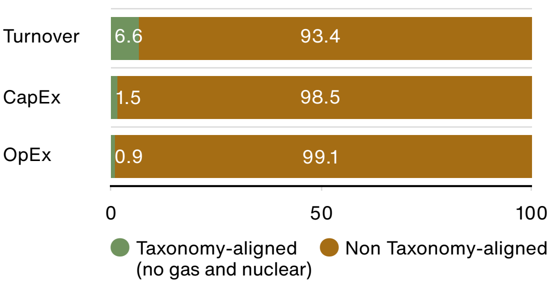
Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

Taxonomy-aligned activities are expressed as a share of:

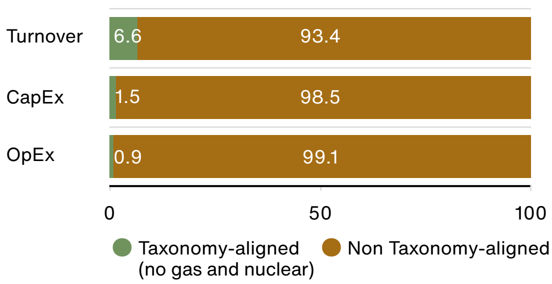
- **turnover** reflects the 'greenness' of investee companies today.
- **capital expenditure** (CapEx) shows the green investments made by investee companies, relevant for a transition to a green economy.
- **operational expenditure** (OpEx) reflects the green operational activities of investee companies.

The graphs below show in green the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.

Taxonomy-alignment of investments including sovereign bonds



Taxonomy-alignment of investments excluding sovereign bonds



*For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures. During the reference period, the Company held no sovereign bonds. This graph represents 100% of the total investments.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

What was the share of investments in transitional and enabling activities?

Reporting Period	% Transitional	% Enabling
From 1 October 2023 to 30 September 2024	–	1.8

How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods?

	Including Sovereign Bonds			Excluding Sovereign Bonds		
Reporting Period	Turnover	CapEx	Opex	Turnover	CapEx	Opex
From 1 October 2023 to 30 September 2024	6.6	1.5	0.9	6.6	1.5	0.9
From 1 October 2022 to 30 September 2023	8.8	–	–	8.8	–	–

Sustainable investments with an environmental objective that were not aligned with the EU Taxonomy are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under (EU) 2020/852.

What was the share of sustainable investments with an environmental objective that were not aligned with the EU Taxonomy?

The share of sustainable investments with an environmental objective not aligned with the EU Taxonomy was 24.3% during the reference period. As such, the Company has exceeded the minimum commitment in investments with an environmental objective not aligned with the EU Taxonomy as outlined in the Investor Disclosure Document. Economic activities that are not aligned with the EU Taxonomy are not necessarily environmentally harmful or unsustainable. In addition, not all economic activities are covered by the EU Taxonomy as it is not possible to develop criteria for all sectors where activities could conceivably make a substantial contribution to the environment.

What was the share of socially sustainable investments?

The share of sustainable investments with a social objective was 64.8% during the reference period. As such, the Company has exceeded the minimum commitment in investments with a social objective as outlined in the Investor Disclosure Document.

What investments were included under "not sustainable", what was their purpose and were there any minimum environmental or social safeguards?

The investments included under #2 Not sustainable in the Asset Allocation graph were primarily cash and cash equivalents used for liquidity purposes. As such, these investments did not affect the attainment of the sustainable investment objective of the Company. The assessment of counterparties and issuers for cash management (including cash and cash equivalents) focused on creditworthiness of these parties, which can be impacted by sustainability risks.

What actions have been taken to attain the sustainable investment objective during the reference period?

The Company's portfolio was actively managed and focused on investing in equities of companies whose products and/or services make a positive social and/or environmental impact. The Company employed an impact strategy as it contributed towards a more sustainable and inclusive world alongside capital growth over the long term.

SFDR requires that products promoting environmental and/or social characteristics do not invest in companies which do not follow good governance practices. As such, the Manager has a policy to apply good governance tests on areas covering sound management structures, employee relations, remuneration of staff and tax compliance. All companies held in the Company's portfolio passed these tests.

Principal adverse sustainability impacts statement

Baillie Gifford's approach to managing Principal Adverse Impacts

Baillie Gifford considers principal adverse impacts of its investment decisions on sustainability factors and has adopted the Principal Adverse Impacts Due Diligence Policy to set its approach on the consideration of material or likely to be material principal adverse impacts. Each investment strategy may take a different approach to reach the same goal of properly assessing and weighing up Environmental, Social and Governance ('ESG') matters within its investment process. Financially material ESG issues, including the potential adverse impact of a holding, are routinely considered throughout the investment process.

In identifying indicators for principal adverse impacts, financial market participants are encouraged to consider the scope, severity, probability of occurrence and potentially irremediable character of sustainability factors. As indicators, we have identified (i) investments in companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement and (ii) number of identified cases of severe human rights issues and incidents. These additional indicators were chosen as they are aligned with issues that are considered material to the long-term growth potential of investments.

Engaging with and monitoring investments we make is an integral element of our investment process and core to how we discharge our stewardship responsibilities. Investment teams and ESG analysts are involved in this process. Further details of Baillie Gifford's approach to engagement is outlined in the ESG Principles and Guidelines document available in the About Us section of the Baillie Gifford website.

We utilise the United Nations Global Compact to identify potential concerns at investee companies. We also consider investment holdings against related standards, including the Organisation for Economic Co-operation and Development ('OECD') Guidelines for Multinational Enterprises and the United Nations Guiding Principles on Business and Human Rights. Our Climate Report details our plans and commitments as they relate to climate change. These plans and commitments are based on our support for the Paris Agreement's ambition to limit global warming to well below 2°C and ideally 1.5°C. The 1.5°C target was reinforced in the 2021 Glasgow Climate Pact and reflected in the UK's 2050 net zero emissions target, which we also support.

The assessment of adverse impacts will be made based on third-party data and our own research. The third-party data used to quantify adverse impacts through various indicators is based on either backward-looking analysis or estimates (e.g. use of proxy data and/or assumptions). As such, the quality and reliability of these indicators will be dependent on companies disclosing this information. Data availability varies not only per asset class (i.e. equity versus corporate debt) but also per market (e.g. developed market versus emerging market). Whilst we expect data availability to increase in the near to medium term for certain asset classes/ markets (corporate debt, private equity and emerging markets) through various initiatives that would harmonise the disclosure of sustainability-related information (including these adverse impact indicators), for certain asset classes (e.g. currencies, derivatives) we expect these to be resolved in the longer term. Where there is no impact disclosed, this is either because a particular indicator is not relevant based on investments held in the Company or data is not available. If it is due to the latter, then this will be reflected as 0.0 within the data coverage section. Summed values may not add up exactly to their component parts owing to rounding. CCY stands for the currency used in the annual reporting.

The data provided in pages 117 to 121 should be read within the context of the coverage information provided on pages 122 to 124.

Product Level commitment to reduce or mitigate Principal Adverse Impacts

Positive Change is a global equity strategy with two equally important objectives: delivering attractive investment returns and delivering a positive social and/or environmental impact. The strategy aims to achieve this by investing in companies that we believe have enduring competitive advantages and will grow their earnings faster than the market average and are providing solutions to global challenges through their products and services. Our investment approach is based upon ‘bottom-up’ stock selection. We pick companies based on their fundamental investment and impact attractions, irrespective of their location. More information on our philosophy, process, performance and other insights can be found on the Baillie Gifford website.

The Positive Change strategy commits to full transparency in reporting against the Principal Adverse Sustainability Impact Indicators (‘PASI’). It commits to understanding and monitoring how each portfolio company approaches these important areas and, where we deem them to be a material detractor from the financial and sustainability performance, to making efforts to encourage companies to reduce or mitigate their negative contributions through our stewardship activities. This may be through engagements with companies, and/or through our proxy voting decisions and investment decisions.

The Company considered principal adverse impacts of its investment decisions on sustainability factors. Baillie Gifford’s Stewardship Principles and Guidelines details its approach on the consideration of material or potentially material ESG factors, including principal adverse impacts, and sustainability risk. Further, the Company complied with the Manager’s controversial weapons exclusion policy as outlined in the Manager’s Stewardship Principles and Guidelines document. During the reference period, the following exclusions were introduced which contribute to the consideration of principal adverse impacts: (a) compliance with the Manager’s policy on assessing breaches of the United Nations Global Compact Principles for Business as outlined in the Manager’s ESG Principles and Guidelines document, (b) holdings that derive (i) more than 10% of annual revenues from the production and/or distribution of armaments; (ii) more than 30% of annual revenues from the production or distribution of thermal coal; and (c) more than 5% of annual revenues from the production of tobacco. These exclusions are reflected in the Investor Disclosure Document.

As a concentrated portfolio of companies whose products and services are playing a positive role in addressing social and/or environmental challenges, we believe that focusing our efforts on creating change at the company level, rather than setting portfolio absolute or relative targets on reductions across the PASI indicators, is the best way to effect real-world positive change. We therefore make no commitment to quantitative absolute or relative reductions in the portfolio-level indicators provided in this report. One exception is the proportion of companies that have set emissions reduction targets aligned with the Paris Agreement. We expect 75% of portfolio companies to have these targets by 2026 in line with the Positive Change strategy’s Net Zero commitment, further details of which can be found on the Baillie Gifford website. We believe this to be an appropriate approach for a concentrated portfolio of 25-50 holdings with an active approach to investment and stewardship. As a result, the explanations and actions described against the PASI indicators below relate to individual companies in the Keystone Positive Change portfolio.

Our primary method of identifying and investigating how companies are contributing to PASI indicators and wider ESG issues is through our proprietary pre-buy investment and impact analysis and ongoing monitoring of portfolio companies. Our robust impact analysis framework considers three pillars: Product Impact, Intent and Business Practices (ESG). Analysis of the potential for negative social or environmental impact, unintended or otherwise, is included in each of these sections but we focus most closely on the list of PASI indicators in our Business Practices (ESG) analysis. Further detail on our approach to analysis can be found in our Investing for Positive Change section on pages 14 to 19 of this report. We also have several processes which support our ongoing monitoring of portfolio companies using both proprietary and third party information, including pre-trade flags and restrictions, annual audits and this document. The data contained within this report is included in the pack for portfolio review meetings which take place every 8 weeks. Each year, we publish two reports which further detail our work on understanding and mitigating adverse impacts of portfolio companies, including:

- An annual **Impact Report**, which includes a section on the negative contribution of portfolio companies mapped to Sustainable Development Goal targets; and,
- An annual ESG and Engagement Report ‘**Positive Conversations’**, which highlights ESG research undertaken and summarises all company engagements conducted within the year.

Indicators applicable to investments in investee companies

Climate and Other Environmental Related Indicators

Greenhouse Gas Emissions

GHG Emissions of investee companies (tCO2e)	2023	2024
Scope 1 GHG emissions	800.9	494.0
Scope 2 GHG emissions	865.7	829.5
Scope 3 GHG emissions	22,357.7	19,568.7
Total GHG Emissions	24,024.3	20,892.1

Actions taken, actions planned and targets set for the next reference period:
Our approach to mitigating climate change:
Baillie Gifford considers a wide range of factors that can impact long-term investment performance. As part of this, we believe that competitive advantage will accrue to the climate-prepared. Companies readying themselves for the challenge by reducing emissions in their value chains will have the best chance of providing sustainable long-term investment returns for our clients.
Keystone Positive Change's second objective: to deliver a positive social and/or environmental impact naturally includes climate change, which, as noted in 2017 at the inception of the Positive Change strategy, is the greatest challenge of our time. As such, many of our portfolio companies are helping to decarbonise the economy and help societies adapt to climate change. We consider companies' approach to climate mitigation in our investment and impact research and, where relevant, it is considered as a factor in investment decisions.
In addition to our investment activities, we believe that we, as investors on behalf of our client, can make an important contribution to solving climate change through our engagement and support for investee companies. This takes the form of regular meetings with the management teams, investor relations and the sustainability teams of companies in the portfolio which we deem to be priorities for climate-related engagement, such as the heaviest emitters and the laggards in reporting.
The basis for our engagement prioritisation is our climate audit which, supported by Baillie Gifford's central climate team, is conducted on an annual basis, assessing the approach to climate mitigation across all portfolio companies. This forms the basis of our engagement prioritisation. We also consider climate impacts in our proxy voting and, where we deem appropriate after having considered each proposal on merit, will support climate proposals at company general meetings.
We commit to transparent reporting on our approach to climate change, detailing all of our climate engagements with companies, and disclosing our assessments of climate risk. Every year we report the portfolio carbon emissions against the MSCI ACWI Index, which is the benchmark for our investment performance, as well as the MSCI ACWI Climate Change Paris-Aligned Index, which more accurately reflects where emissions need to be to meet the Paris Agreement. This can be found in the Company's ESG and Engagement report 'Positive Conversations'.
Perhaps most importantly however, we will continue to look beyond just a company's ESG business practices (including carbon footprint) and focus on companies that are providing game-changing positive solutions that address the challenges of climate change, such as renewable energy, carbon capture, and a circular economy. We will support and encourage these companies to quantify the positive impact that they are providing.

Carbon Footprint of investee companies (tCO2e per million CCY invested)	2023	2024
Carbon Footprint	141.8	127.0

Actions taken, actions planned and targets set for the next reference period:
See above 'Our approach to mitigating climate change'.

GHG intensity of investee companies	2023	2024
Scope 1+2 Intensity (t/CCY million sales)	40.2	41.2
WACI (tCO2e/mill revenue) S3 Est. Material	225.0	342.8
Scope 3 – Total Sales Intensity	657.9	617.3
WACI (tCO2e/mill revenue) S1 S2 & S3 Est. Material	265.2	384.1
Scope 1+2+3 Intensity (t/CCY million sales)	698.1	658.5

Actions taken, actions planned and targets set for the next reference period:
See above 'Our approach to mitigating climate change'.

Exposure to companies active in the fossil fuel sector (%)	2023	2024
Share of investments in companies active in the fossil fuel sector	4.2	0.9

Actions taken, actions planned and targets set for the next reference period:
Keystone Positive Change has very limited direct exposure to the fossil fuel sector. Where companies in the portfolio do have exposure, following extensive engagement, we have assessed that there is an appropriate plan to become fossil fuel free within a suitable timeline. We will continue to monitor this exposure. For further information see above 'Our approach to mitigating climate change'.

Share of non-renewable energy consumption and production (%)	2023	2024
Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	73.8	74.7

Actions taken, actions planned and targets set for the next reference period:
We have engaged on this matter extensively with companies, especially those which because of their geography, struggle to source 100% renewable energy. In these cases, we have encouraged companies to allocate capital to solving this problem. We will continue to monitor and engage with these companies in the coming years, encouraging renewable energy sourcing where possible. For further information see above 'Our approach to mitigating climate change'.

Energy consumption intensity per high impact climate sector	2023	2024
Energy consumption in GWh per million CCY of revenue of investee companies, per high impact climate sector:		
Sector A (agriculture, forestry and fishing)	N/A	N/A
Sector B (mining and quarrying)	N/A	N/A
Sector C (manufacturing)	0.2	0.2
Sector D (electricity, gas, steam and air conditioning)	2.0	2.1
Sector E (water supply, sewerage, waste management and remediation)	0.1	0.1
Sector F (construction)	N/A	0.0
Sector G (motor vehicles and motorcycles)	0.0	0.1
Sector H (transportation and storage)	N/A	0.1
Sector L (real estate activities)	N/A	N/A

Actions taken, actions planned and targets set for the next reference period:
See above 'Our approach to mitigating climate change'.

Biodiversity

Activities negatively affecting biodiversity-sensitive areas (%)	2023	2024
Share of investments in investee companies with sites/operations located in or near to biodiversity sensitive areas where activities of those investee companies negatively affect those areas:	0.0	1.6

Actions taken, actions planned and targets set for the next reference period:
Baillie Gifford has developed a proprietary portfolio biodiversity audit which we conduct for Keystone Positive Change on at least an annual basis. We then take a risk-based approach to conducting further analysis and engagement with companies that we feel are most exposed to biodiversity impacts and related risks. Our holdings exposed to agriculture and mineral supply chains have been prioritised for engagement.

Water

Emissions to water	2023	2024
Tonnes of emissions to water generated by investee companies per million CCY invested, expressed as a weighted average	0.9	–

Actions taken, actions planned and targets set for the next reference period:
Each year we conduct a water audit of all portfolio companies which examines company reporting on water withdrawal, usage and exposure to water stressed regions. This is also a relevant topic in our climate risk assessments, which we conduct at a portfolio level twice a year, and annually for our TCFD report. We have prioritised companies with exposure to areas of water scarcity and semiconductor manufacturing for further engagement.

Waste

Hazardous waste and radioactive waste ratio	2023	2024
Tonnes of hazardous waste and radioactive waste generated by investee companies per million CCY invested, expressed as a weighted average	0.0	0.0

Actions taken, actions planned and targets set for the next reference period:
The Keystone Positive Change portfolio has a very low hazardous waste intensity when compared with the MSCI ACWI benchmark, but also a much higher proportion of companies reporting on their hazardous waste. The amount of hazardous waste varies dramatically by sector. While we have engaged on hazardous waste in the past for relevant sectors and companies, it is not currently an engagement priority.

Social and employee, respect for human rights, anti-corruption and bribery matters

Social and employee matters

Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development ('OECD') Guidelines for Multinational Enterprises	2023	2024
Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises (%)	0.0	0.0

Actions taken, actions planned and targets set for the next reference period:
This factor is routinely monitored centrally at Bailie Gifford. As per Baillie Gifford's Stewardship Approach, we expect all holdings to operate in accordance with the principles and standards set out in the United Nations Global Compact ('UNGC'). There have been no reported violations. One company in the portfolio is on the Sustainalytics UNGC Watchlist and we continue to engage and evaluate accordingly. If we identify any violations in the future, we commit to engaging with companies to understand the situation and encourage redress where appropriate. As long-term, bottom-up, active investors, divestment is the last resort, following significant engagement efforts.

Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	2023	2024
Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance / complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises (%)	72.4	35.1

Actions taken, actions planned and targets set for the next reference period:
A high proportion of our portfolio has no processes for specifically monitoring compliance with the UNGC. We assess the greatest risk of non-compliance for multinational enterprises in the portfolio to sit within their supply chains. Through our research and engagement, we continue to consider how companies manage their suppliers including codes of conduct and human rights due diligence.

Unadjusted gender pay gap	2023	2024
Average unadjusted gender pay gap of investee companies (%)	5.5	11.8

Actions taken, actions planned and targets set for the next reference period:
While the average gender pay gap of companies in the Keystone Positive Change portfolio is below the MSCI ACWI benchmark, the coverage for this metric is very limited. We will continue to encourage gender pay assessments and reporting, although we are cognisant that such reporting is only mandatory in certain jurisdictions (e.g. UK, California).

Board gender diversity (%)	2023	2024
Average number of female board members in investee companies, expressed as a percentage of all board members	33.8	33.2

Actions taken, actions planned and targets set for the next reference period:
We believe that gender diversity is one of several characteristics that can lead to better decision making on company boards, although its financial materiality varies by the size of company and stage of growth, as well as the business it conducts. However, we also recognise that gender diversity at a senior level is important for inclusivity and for creating a more inclusive society in the future. Again, our portfolio compares favourably to the MSCI ACWI Benchmark but there is still a long way to go. We have identified several companies where board gender diversity could be improved and we will continue to consider this in our conversations with the boards and our proxy voting, encouraging more gender diversity.

Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons, and biological weapons)	2023	2024
Share of investments in investee companies involved in the manufacture or selling of controversial weapons (%)	0.0	0.0

Actions taken, actions planned and targets set for the next reference period:
We will continue to monitor and screen out companies directly exposed to controversial weapons and, where appropriate, seek to understand any downstream involvement of portfolio companies. We do not expect to have intentional exposure to this area because of the Keystone Positive Change impact objective and because of Baillie Gifford's firm-wide level restriction on investing in controversial weapons. In September 2023, one holding, Daikin Industries, was linked to controversial weapons by our service provider due to the production of smoke bombs containing white phosphorus. Following further research, we took the decision to sell out of the holding during the reference period. Whilst our research indicated that the intended use of the weapon was not for controversial purposes, we felt that the holding no longer aligned with the philosophy of the strategy.

Additional climate and other environment-related indicators

Emissions

Investments in companies without carbon emission reduction targets	2023	2024
Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement (%)	31.3	35.3

Actions taken, actions planned and targets set for the next reference period:
Under our Net Zero commitments for the Positive Change strategy we expect 75% of portfolio companies to have appropriate net zero aligned targets by 2026 and 90% of portfolio companies to have appropriate net zero aligned targets by 2030.

Human Rights

Number of identified cases of severe human rights issues and incidents	2023	2024
Number of cases of severe human rights issues and incidents connected to investee companies on a weighted average basis	0.0	0.0

Actions taken, actions planned and targets set for the next reference period:
We are not aware of any recent cases of severe human rights issues or incidents connected to portfolio companies. However, we are vigilant to such incidents taking place and will continue to encourage companies to continuously improve their monitoring and enforcement of internationally recognised human rights within their own operations and their supply chain. We will prioritise research and engagement with companies that have mineral supply chains and operations in jurisdictions with poor human rights regulation and governance.

Appendix 1 – Data Coverage

The following coverage statistics are for the current reporting period.

Baillie Gifford relies on a third party data provider (MSCI) for sufficient coverage, estimation and collation of accurate reporting by companies themselves. However we recognise that coverage of different metrics may vary and may in turn impact the data disclosed in this report. Therefore, we have included coverage figures for each metric that is used in this report in an effort to provide transparency of the data that is being used and how it impacts the overall reporting at portfolio level. We have also identified where we view the data coverage as good, medium or poor and the actions we are taking to improve coverage and data quality (see below).

Coverage relative to Eligible Assets	Category	Explanation
>80%	Good	At present we view this as satisfactory coverage but expect coverage levels to continue to improve
20% - 80%	Medium	We review metrics in this group with an expectation that those at the higher end of the scale will continue to improve. For those at the lower end of the scale, we may seek to improve disclosure through corporate engagement but recognise different disclosure regimes exist globally and recognise the pace of improvement will vary across different jurisdictions.
<20%	Poor	We view this level of coverage as unsatisfactory but acknowledge that for these metrics, coverage is poor in general. As above, we may seek to engage with investee companies to encourage better disclosure.

The figure for Coverage below has been calculated based on percentage of total Assets Under Management ('AUM'). However the Category (Good, Medium or Poor) has been determined based on Coverage as a percentage of Eligible Assets. For example, if the figures for Coverage and Eligible Assets are the same, this means we have data for all the assets which are eligible to report that metric and therefore the Category will be considered Good. Over the course of 2023, we engaged in work to improve our data processing capacity. This will allow us to take on additional third party sources of data to enhance the scope of our coverage. We do this while bearing in mind that methodologies differ between third parties and increased coverage may not always lead to higher quality data, but that the landscape continues to evolve and mature.

Climate and Other Environmental Related Indicators

Greenhouse Gas Emissions

GHG Emissions of investee companies	Coverage	Eligible Assets	Category
Scope 1 GHG emissions (tCO2e)	88.1	99.1	Good
Scope 2 GHG emissions (tCO2e)	88.1	99.1	Good
Scope 3 Material GHG emissions (tCO2e)	34.5	99.1	Medium
Total Scope 1 + 2 + 3 Material GHG Emissions (tCO2e)	34.1	99.1	Medium

Carbon Footprint of investee companies	Coverage	Eligible Assets	Category
Scope 1 + 2 + 3 Material Carbon Footprint (tCO2e per million CCY invested)	34.1	99.1	Medium

GHG intensity of investee companies	Coverage	Eligible Assets	Category
Scope 1+2 Intensity (tCO2e per million CCY revenue)	88.1	99.1	Good
Scope 3 Material Intensity (tCO2e per million CCY revenue)	34.5	99.1	Medium
Scope 3 All Intensity (tCO2e per million CCY revenue)	88.3	99.1	Good
Scope 1+2+3 Material Intensity (tCO2e per million CCY revenue)	34.1	99.1	Medium
Scope 1+2+3 All Intensity (tCO2e per million CCY revenue)	87.9	99.1	Good

Exposure to companies active in the fossil fuel sector	Coverage	Eligible Assets	Category
Share of investments in companies active in the fossil fuel sector	93.8	99.1	Good

Share of non-renewable energy consumption and production	Coverage	Eligible Assets	Category
Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	68.9	99.1	Medium

Energy consumption intensity per high impact climate sector	Coverage	Eligible Assets	Category
Energy consumption in GWh per million CCY of revenue of investee companies, per high impact climate sector:			
Sector A (agriculture, forestry and fishing)	N/A	N/A	N/A
Sector B (mining and quarrying)	N/A	N/A	N/A
Sector C (manufacturing)	42.3	50.6	Good
Sector D (electricity, gas, steam and air conditioning)	0.3	1.4	Medium
Sector E (water supply, sewerage, waste management and remediation)	1.5	1.8	Good
Sector F (construction)	1.0	1.7	Medium
Sector G (motor vehicles and motorcycles)	7.8	7.8	Good
Sector H (transportation and storage)	1.5	2.2	Medium
Sector L (real estate activities)	N/A	N/A	N/A

Biodiversity

Activities negatively affecting biodiversity-sensitive areas	Coverage	Eligible Assets	Category
Share of investments in investee companies with sites/operations located in or near to biodiversity sensitive areas where activities of those investee companies negatively affect those areas:	51.5	99.1	Medium

Water

Emissions to water	Coverage	Eligible Assets	Category
Tonnes of emissions to water generated by investee companies per million CCY invested, expressed as a weighted average	0.0	99.1	Poor

Waste

Hazardous waste and radioactive waste ratio	Coverage	Eligible Assets	Category
Tonnes of hazardous waste and radioactive waste generated by investee companies per million CCY invested, expressed as a weighted average	62.2	99.1	Medium

Social and employee, respect for human rights, anti-corruption and bribery matters

Social and employee matters

Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development ('OECD' Guidelines for Multinational Enterprises	Coverage	Eligible Assets	Category
Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	92.2	99.1	Good

Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Coverage	Eligible Assets	Category
Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	89.1	99.1	Good

Unadjusted gender pay gap	Coverage	Eligible Assets	Category
Average unadjusted gender pay gap of investee companies	30.1	99.1	Medium

Board gender diversity	Coverage	Eligible Assets	Category
Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	88.8	99.1	Good

Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons, and biological weapons)	Coverage	Eligible Assets	Category
Share of investments in investee companies involved in the manufacture or selling of controversial weapons	89.5	99.1	Good

Additional climate and other environment-related indicators

Emissions

Investments in companies without carbon emission reduction targets	Coverage	Eligible Assets	Category
Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	88.0	99.1	Good

Human Rights

Number of identified cases of severe human rights issues and incidents	Coverage	Eligible Assets	Category
Number of cases of severe human rights issues and incidents connected to investee companies on a weighted average basis	89.5	99.1	Good

Shareholder information

Further shareholder information

Keystone Positive Change 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 UK 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.

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 Keystone Positive Change, you can do so online. There are a number of companies offering real time online dealing services – find out more by visiting **keystonepositivechange.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 Company's website at **keystonepositivechange.com** and on other financial websites. Company factsheets are also available on the Company's website and are updated monthly. These are available from Baillie Gifford on request.

Keystone Positive Change share identifiers

ISIN GB00BK96BB68

Sedol BK96BB6

Ticker KPC

Legal Entity Identifier 5493002H3JXLXLIGC563

Key dates

The Interim Report is issued in May and the Annual Report is normally issued in December. The AGM is normally held in February but no AGM for 2025 has yet been scheduled. Dividends, if applicable, are normally paid as a single final payment shortly after the Company's AGM.

Analysis of shareholders at 30 September

	2024 Number of shares held	2024 %	2023 Number of shares held	2023 %
Institutions	5,369,199	9.1	4,294,998	7.0
Intermediaries	36,364,281	61.4	47,287,227	76.5
Individuals	2,679,004	4.5	3,475,683	5.6
Marketmaker/ Trading	14,767,503	25.0	6,757,724	10.9
	59,179,987	100.0	61,815,632	100.0

Share register enquiries

Computershare Investor Services PLC maintains the share register on behalf of the Company. In the event of queries regarding shares registered in your own name, please contact the registrars on 0370 703 6269. 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.

You can also check your holding on the registrars' 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 price 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; and
- use online dealing services.

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).

Electronic proxy voting

If you hold stock in your own name you can choose to vote by returning proxies electronically at **eproxyappointment.com**. If you have any questions about this service please contact Computershare Investor Services PLC on 0370 703 6269.

CREST proxy voting

If you are a user of the CREST system (including a CREST Personal Member), you may appoint one or more proxies or give an instruction to a proxy by having an appropriate CREST message transmitted. For further information please refer to the CREST Manual.

Data protection

The Company is committed to ensuring the confidentiality and security of any personal data provided to it. Further details on how personal data is held and processed on behalf of the Company can be found in the privacy policy available on the Company's website **keystonepositivechange.com**.

Alternative Investment Fund Managers Regulations ('AIFMR')

In accordance with the 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. In accordance with the Regulations, the AIFM remuneration policy is available at **bailliegifford.com** or on request (see contact details on page 136). The numerical remuneration disclosures in respect of the AIFM's relevant reporting period are also available at **bailliegifford.com**.

The Company's maximum and actual leverage levels (see Glossary of Terms and Alternative Performance Measures on pages 132 to 135) at 30 September 2024 are as follows:

Leverage exposure

	Gross method	Commitment method
Maximum limit	2.50:1	2.00:1
Actual	1.11:1	1.11:1

Automatic exchange of information

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

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

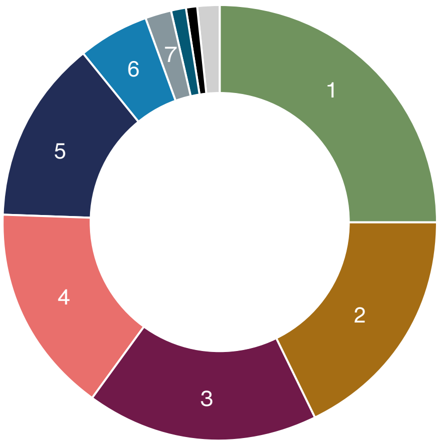
Shareholders, excluding those whose shares are held in CREST, who come on to the share register will be sent a certification form for the purposes of collecting this information.

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

Distribution of total assets* and size splits

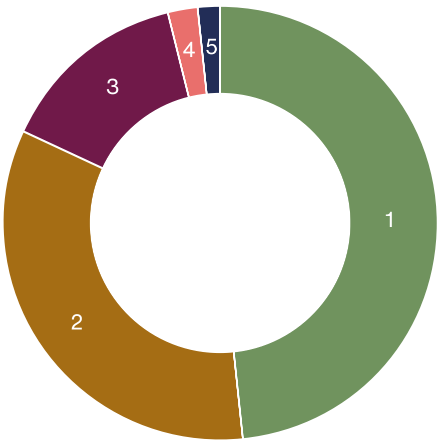
The Managers do not manage the Keystone Positive Change portfolio by reference to conventional industry sectors or geographical exposure weightings. The analysis below is provided purely for shareholder interest.

Sectoral analysis as at 30 September 2024 (2023)



	Sectoral	2024 %	2023 %
1	Information Technology	25.0	17.3
2	Consumer Discretionary	17.8	20.8
3	Healthcare	17.4	21.8
4	Financials	15.6	16.3
5	Industrials	13.5	10.4
6	Materials	5.3	8.6
7	Real Estate	1.9	–
8	Energy	1.2	1.1
9	Communication Services	0.7	1.2
10	Utilities	–	2.1
11	Net Liquid Assets	1.6	0.4

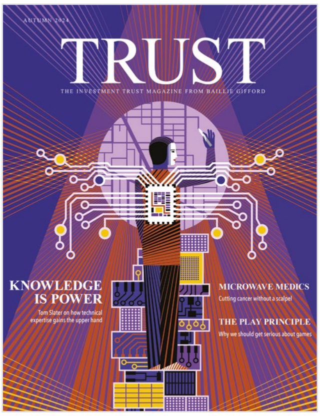
Geographical analysis as at 30 September 2024 (2023)



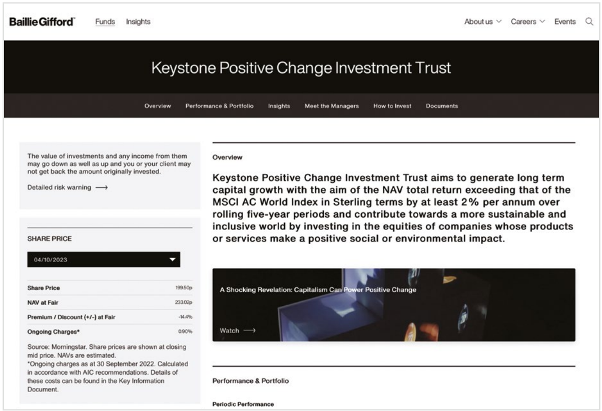
	Geographical	2024 %	2023 %
1	North America	48.5	48.3
2	Emerging Markets	33.5	28.1
3	Continental Europe	14.2	19.3
4	Developed Asia	2.2	3.9
5	Net Liquid Assets	1.6	0.4

* For a definition of terms used see Glossary of Terms and Alternative Performance Measures on pages 132 to 135.

Communicating with shareholders



Trust magazine



Keystone Positive Change Investment Trust web page at **keystonepositivechange.com**

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 Keystone Positive Change. 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 opposite) and give them your suggestions. They will also be very happy to answer questions that you may have about Keystone Positive Change.

Keystone Positive Change on the web

Up-to-date information about Keystone Positive Change can be found on the Company's page of the Managers' website at **keystonepositivechange.com**. You will find full details on the Company, including recent portfolio information and performance figures.

Client relations team contact details

You can contact the Baillie Gifford Client Relations Team by telephone, email or post:

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

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

Address:
Baillie Gifford Client Relations Team
Calton Square
1 Greenside Row
Edinburgh EH1 3AN

Please note that Baillie Gifford is not permitted to give financial advice. If you would like advice, please ask an authorised intermediary.

[Future Stocks: Our best impact ideas]

Rosie Rankin explains why Nubank, Xylem and Grab can both improve lives and offer investment returns

Keystone Positive Change Impact Report 2023

Where innovation meets impact: logging portfolio companies' progress in shaping a better future

Keystone Positive Conversations 2023

Keystone Positive Change Investment Trust's ESG and engagement report shows the difference talking can make

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.

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MSCI Index data

Source: MSCI. The MSCI information may only be used for your internal use, may not be reproduced or redisseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an 'as is' basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the 'MSCI Parties') expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages. (**msci.com**).

FTSE Index data

Source: London Stock Exchange Group plc and its group undertakings (collectively, the 'LSE Group'). © LSE Group 2024. FTSE Russell is a trading name of certain of the 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.

Glossary of terms and alternative performance measures ('APM')

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).

Shareholders' funds

Shareholders' funds is the value of all assets held less all liabilities, with borrowings deducted at book cost.

Net Asset Value (APM)

When a Company's borrowings are all short-term, flexible facilities, Net Asset Value ('NAV') equates to shareholders' funds, being the value of all assets held less all liabilities (including borrowings). Per share amounts are calculated by dividing the relevant figure by the number of ordinary shares in issue (excluding shares held in treasury). For the current year, there is no difference between borrowings at book value, borrowings at par and borrowings at market value (see note 19 on page 105) and no reconciliation between NAV with debt at book/par value and NAV with debt at market value is provided. For the prior year, a reconciliation is provided below, as the NAV per share differs by 0.1p owing to roundings.

		2024	2023
Shareholders' funds (net assets)	(a)	£ 143,231,000	£146,653,000
Ordinary shares in issue (excluding treasury shares)	(b)	59,179,987	61,815,632
Net asset value per share ('NAV') with debt at book/par	**(a ÷ b x 100)**	**242.0p**	**237.2p**

		2023
Shareholders' funds (net assets)		£146,653,000
Add back: debt at book/par		£15,495,000
Less: debt at market value		(£15,484,000)
Net asset value with debt at market value	(a)	£146,664,000
Ordinary shares in issue (excluding treasury shares)	(b)	61,815,632
Net asset value per share ('NAV') with debt at market value	**(a ÷ b x 100)**	**237.3p**

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 NAV per share from the share price and is usually expressed as a percentage of the NAV per share. If the share price is higher than the NAV per share, this situation is called a premium.

		2024	2023
Net asset value per ordinary share	(a)	242.0p	237.3p
Share price	(b)	231.0p	204.0p
Discount	**((b) – (a)) ÷ (a)**	**(4.6%)**	**(14.0%)**

Net liquid assets

Net liquid assets comprise current assets less current liabilities (excluding borrowings) and provisions.

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 dividend on the date that the share price goes ex-dividend, as detailed below.

		2024 NAV	2024 Share price	2023 NAV	2023 Share price
Closing NAV per share/share price	(a)	242.0p	231.0p	237.3p	204.0p
Dividend adjustment factor*	(b)	1.0018	1.0020	1.00166	1.00194
Adjusted closing NAV per share/share price	**(c) = (a) x (b)**	**242.4p**	**231.5p**	**237.7p**	**204.4p**
Opening NAV per share/share price	(d)	237.3p	204.0p	222.2p	192.8p
Total return	**(c) ÷ (d) -1**	**2.2%**	**13.5%**	**7.0%**	**6.0%**

* The dividend adjustment factor is calculated on the assumption that dividends of 0.45p (2023 – 0.40p) paid by the Company during the year were reinvested into shares of the Company at the cum income NAV/share price, as appropriate, at the ex-dividend dates.

Ongoing charges (APM)

The total expenses (excluding dealing and borrowing costs) incurred by the Company as a percentage of the daily average net asset value (with borrowings at market value), as detailed below.

		2024 £'000	2023 £'000
Investment management fee		933	891
Other administrative expenses		597	477
Total expenses	**(a)**	**1,530**	**1,368**
Average net asset value	(b)	150,070	152,538
Ongoing charges	**((a) ÷ (b) expressed as a percentage)**	**1.02%**	**0.90%**

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.

Gross gearing, also referred to as potential gearing is the Company's borrowings expressed as a percentage of shareholders' funds (a ÷ c in the table below).

Net gearing, also referred to as invested gearing is borrowings at book value less cash at bank (any certificates of deposit are not deducted) and brokers' balances expressed as a percentage of shareholders' funds (b ÷ c in the table below).

		2024 £'000	2023 £'000
Borrowings (at book cost)	(a)	15,133	15,495
Less: cash at bank		(2,721)	(728)
Less: sales for subsequent settlement		–	–
Add: purchases for subsequent settlement		–	–
Adjusted borrowings	(b)	12,412	14,767
Shareholders' funds	(c)	143,231	146,653
Gross Gearing	**(a) as a percentage of (c)**	**10.6%**	**10.6%**
Net Gearing	**(b) as a percentage of (c)**	**8.7%**	**10.1%**

Leverage (APM)

For the purposes of the 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. The leverage figures at 30 September 2024 are detailed on page 127.

Unlisted (private) 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.

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 compounded value at the start of each year.

Contingent value rights

'CVR' after an instrument name indicates a security, usually arising from a corporate action such as a takeover or merger, which represents a right to receive potential future value, should the continuing company achieve certain milestones.

Take rate

The take rate is the percentage of sales that a platform or marketplace takes as a commission in exchange for providing a service such as transactions processing, hosting, or other value-added services. This is a fundamental aspect of any ecommerce business, as it directly impacts profit margins.

Treasury shares

The Company has the authority to make market purchases of its ordinary shares for retention as treasury shares for future reissue, resale, transfer, or for cancellation. Treasury shares do not receive distributions and the Company is not entitled to exercise the voting rights attaching to them.

Bottom-up stock pickers

Baillie Gifford describes its investment style as being 'bottom-up stock pickers' which means that portfolios are built 'bottom-up', based on enthusiasm for the growth prospects of individual companies, rather than 'top-down', by reference to pre-determined allocations on geographical or industrial sectoral grounds.

Sustainable Finance Disclosure Regulation ('SFDR')

The EU SFDR does not have direct impact in the UK but, as Keystone Positive Change Investment Trust plc is marketed in the EU, SFDR reporting obligations apply. Owing to its impact objective, Keystone is classified as an Article 9 fund and must report against a detailed taxonomy in the form prescribed by the regulations.

United Nations Global Compact ('UNGC')

The UNGC is the world's largest corporate sustainability initiative, which calls upon companies to align strategies and operations with universal principles on human rights, labour, environment and anti-corruption, and take actions that advance societal goals. Over 12,000 companies based in over 160 countries are participating.

United Nations Sustainable Development Goals ('SDGs')

In September 2015, all 193 Member States of the United Nations adopted a plan for achieving a better future for all – laying out a path to end extreme poverty, fight inequality and injustice, and protect our planet by 2030. At the heart of 'Agenda 2030'; are the 17 Sustainable Development Goals. These are: 1. No poverty; 2. Zero hunger; 3. Good health and well-being; 4. Quality education; 5. Gender equality; 6. Clean water and sanitation; 7. Affordable and clean energy; 8. Decent work and economic growth; 9. Industry, innovation and infrastructure; 10. Reduced inequalities; 11. Sustainable cities and communities; 12. Responsible consumption and production; 13. Climate action; 14. Life below water; 15. Life on land; 16. Peace, justice and strong institutions; and 17. Partnerships for the goals.

Organisation for Economic Co-operation and Development ('OECD')

The OECD is an international organisation of 38 member countries, with a goal to shape policies that foster prosperity, equality, opportunity and well-being for all through the development of evidence-based international standards.

Company information

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