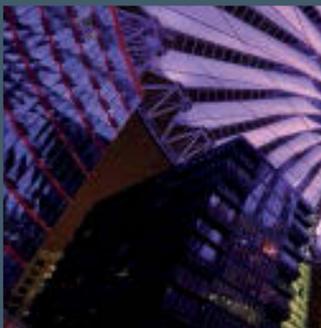
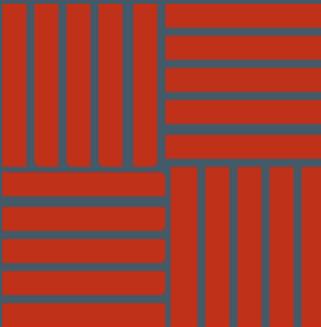


# SCOTTISH MORTGAGE INVESTMENT TRUST PLC

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Your low cost choice  
for global investment



Half-Yearly Financial Report  
30 September 2014





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

## Benchmark

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

## Principal Risks and Uncertainties

The principal risks facing the Company relate to the Company's investment activities. These risks are market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. An explanation of these risks and how they are managed is contained in note 22 of the Company's Annual Report and Financial Statements for the year to 31 March 2014. The principal risks and uncertainties have not changed since the publication of the Annual Report and Financial Statements which can be obtained free of charge from Baillie Gifford & Co (see contact details on the back cover of this report) and is available on the Scottish Mortgage page of the Managers' website: [www.scottishmortgageit.com](http://www.scottishmortgageit.com). Other risks facing the Company include the following:

**Gearing Risk** – the use of borrowings can magnify the impact of falling markets;

**Regulatory Risk** – that the loss of investment trust status or a breach of applicable legal and regulatory requirements could have adverse financial consequences and cause reputational damage;

**Operational Risk** – risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events; and

**Discount/Premium Volatility** – the risk to shareholders that the discount or premium can widen or narrow.

Further information can be found on page 8 of the Annual Report and Financial Statements.

## Responsibility Statement

We confirm that to the best of our knowledge:

- a) the condensed set of financial statements has been prepared in accordance with the Accounting Standards Board's statement 'Half-Yearly Financial Reports';
- b) the Half-Yearly Management Report includes a fair review of the information required by Disclosure and Transparency Rules 4.2.7R (indication of important events during the first six months, their impact on the financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year); and
- c) the Half-Yearly Financial Report includes a fair review of the information required by Disclosure and Transparency Rules 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board  
John Scott  
Chairman  
6 November 2014

## Summary of Unaudited Results

	30 September 2014	31 March 2014 <sup>*</sup> (audited)	% change
Total assets (before deduction of debentures, long and short term borrowings)	£3,284.2m	£2,986.6m	
Shareholders' funds	£2,825.2m	£2,597.7m	
Net asset value per ordinary share (after deducting borrowings at fair value) <sup>†</sup>	226.7p	208.0p	9.0
FTSE All-World Index (in sterling terms)	251.2	240.7	4.4
Share price	234.0p	208.8p	12.1
Premium (after deducting borrowings at fair value)	3.2%	0.4%	

	Six months to 30 Sept 2014	Six months to 30 Sept 2013 <sup>*</sup>	% change
Revenue earnings per share	1.62p	1.84p	(12.0)
Interim dividend per share <sup>#</sup>	1.38p	1.38p	–

	Six months to 30 Sept 2014	Six months to 30 Sept 2013
<b>Total returns (%)<sup>‡</sup></b>		
Net asset value per ordinary share (after deducting borrowings at fair value)	9.7	13.0
Share price	12.9	14.1
FTSE All-World Index (in sterling terms)	5.9	1.1

	Six months to 30 Sept 2014		Year to 31 March 2014 <sup>*</sup>	
<b>Period's high and low</b>	<b>High</b>	<b>Low</b>	<b>High</b>	<b>Low</b>
Share price	239.6p	189.2p	220.0p	156.2p
Net asset value per ordinary share (after deducting borrowings at fair value) <sup>^</sup>	236.7p	192.7p	219.7p	161.6p
Premium/(discount) (after deducting borrowings at fair value) <sup>^</sup>	3.8%	(6.4%)	4.2%	(6.7%)
Average sector discount (AIC Global Sector)	(6.4%)	(7.9%)	(6.2%)	(9.1%)

### Notes

<sup>\*</sup> All per share figures have been restated for the five for one share split on 30 June 2014.

<sup>†</sup> Borrowings are deducted at fair value (the estimate of market worth).

<sup>#</sup> See note 5, page 14.

<sup>‡</sup> Source: Morningstar.

<sup>^</sup> Cum-income.

Past performance is not a guide to future performance.

# Half-Yearly Management Report

## Results and Approach

The way Scottish Mortgage invests for its shareholders has not changed; the Company continues to take a committed long term approach to investing in businesses across the world which have the potential to grow substantially faster than the broader market.

Over the past 6 months, the net asset value (NAV) per share increased by 9.0% and the share price rose by 12.1%. In comparison, the FTSE All-World Index rose 4.4%. However this is a very short time frame over which to judge the investment philosophy; the long term performance figures are more representative of the success or otherwise of the strategy. Over the last 5 years, the total return for the NAV was 117%, and 155% for the share price. The Index returned 63% over the same period.

As a result of this long term performance, the company reached two important milestones over the period. First, Scottish Mortgage became the largest conventional investment trust in the sector, both by market capitalisation and total assets. As highlighted on previous occasions, the Board believes scale is a clear competitive advantage as a larger trust is able to spread its costs over a wider shareholder base, enabling it to offer lower costs to all. This matters, as costs have a significant impact on the compounded long term returns to shareholders.

Second, as the shares moved to a premium to NAV, the Company issued shares from treasury to meet market demand. This is in line with the observations in the Business Review section in the Annual Report earlier this year that it is in the long term interest of shareholders for the Company to manage the volatility of the share price relative to NAV. Earlier in the period the company bought back shares with the same underlying purpose.

## Earnings and Dividend

Earnings per share have fallen by 12% compared with the same period last year, to 1.62p (taking account of the five for one stock split). In particular, lower revenues received from the Polish holding KGHM have contributed to this, although the effect was partly offset in the period by a one off recovery of French withholding tax which had been levied in contravention of EU regulations. We expect this trend of lower earnings to continue for the year as a whole.

Scottish Mortgage is clear in its focus as a growth investment trust, with an objective to maximise total returns to shareholders. It aims to achieve this primarily through capital appreciation over the long term. As highlighted in the Chairman's Statement earlier in the year, a change was made at the AGM to the dividend policy to reflect this. The intention remains to grow the dividend, but not necessarily ahead of inflation, and to maintain the primary focus on capital growth. Meanwhile, an unchanged interim dividend of 1.38p will be paid.

## The Portfolio

At the end of September, there were 71 holdings in the portfolio but the weightings of the individual positions varied considerably, reflecting both the Managers' relative levels of conviction and individual share price performance. The largest 30 investments accounted for 80% of the portfolio by value. In line with the five year plus investment horizon of the Trust, portfolio turnover remains correspondingly low, under 20% p.a.

The Company's closed-end structure enables investments to be made both in listed and unlisted companies. This appears to be an increasingly important flexibility. Many of the companies which have been created on the back of new technologies have not required the same high levels of initial capital investment in order to grow. Further, they are cash generative at a much earlier stage in their life

Past performance is not a guide to future performance.

cycle and as a result are typically listing on a public exchange much later on in their growth phase. Being less dependent on the public capital markets has meant their management are able to take a much longer term approach to their business, as they are not beholden to the quarterly results focused financial industry. This is good for long term shareholders like Scottish Mortgage, however it means that the route to participating in their growth phase, when the highest potential returns are on offer, is increasingly through the purchase of unlisted shares. The most notable example of this would be Alibaba, the dominant Chinese e-commerce business, which listed on the New York Stock Exchange on 19 September this year. Scottish Mortgage invested in the company in 2012, as an unlisted holding. Since then the Trust has benefited from a substantial rise in value of this company, and Alibaba is now amongst the top ten holdings in the portfolio as the Managers believe there remains a huge amount of growth potential for the company.

Although the level of the unquoted investments within Scottish Mortgage has fallen as a result of Alibaba's public listing, investors should continue to expect such investments to form an important, if relatively small portion, of the portfolio.

The search for companies which are redefining the business models in their sector is a key element in the investment philosophy underpinning Scottish Mortgage. Often, this is driven by technological shifts. The Managers believe that the pace of such change is continuing to accelerate exponentially and is impacting across an ever broadening range of industries and business models. The networking effects often found alongside these technological shifts tend to concentrate the rewards in the hands of fewer and fewer winners, rendering it even more important to search for the individual companies which may benefit.

The sheer range of industries across which this type of change is occurring, means that it is no longer appropriate to see 'technology' as a homogenous group. Today, the main areas of exposure to this type of growth within the portfolio encompass a diverse range of revenue sources and profit drivers, including media, advertising & mobile communications (Baidu, Tencent, Facebook, Google), retail (Amazon & Kinnevik), the auto industry (Tesla), energy (SolarCity) and healthcare (Illumina). These companies are at varying stages of their development and the Managers believe that they all have much further to go. However, active investment is an ongoing process and the search continues for new businesses breaking the mould in this way, in the belief that in the long run, share prices follow earnings growth.

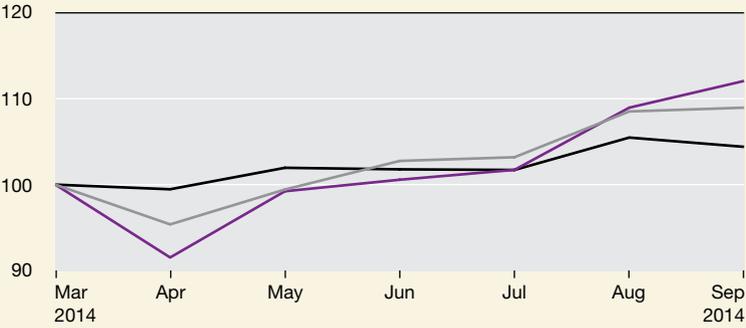
## Outlook

The Managers strongly believe that this is a particularly exciting time to be a growth investor. Two of the broad drivers behind this have been highlighted above. First is the compelling nature of change occurring across a widening spectrum of industries and second is a real shift in business models, away from capital intensive growth. In combination, these trends mean the potential rewards on offer for patient stock pickers, investing in the disruptive growth businesses of the future, could be very exciting. In order to benefit from this, one must be a long term investor. This is exactly the approach which Scottish Mortgage will continue to take for its shareholders.

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

## Six Months Performance

(figures plotted on a monthly basis and rebased to 100 at 31 March 2014)



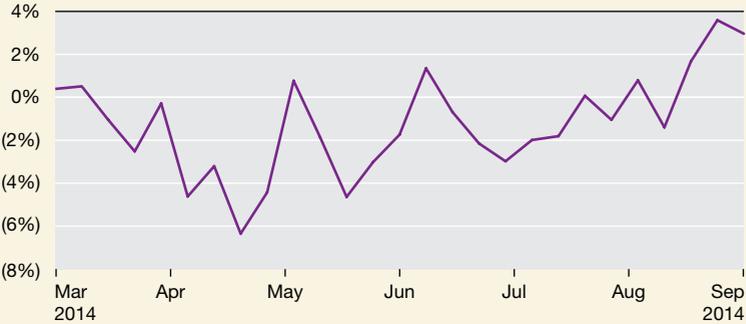
Source: Thomson Reuters Datastream/Baillie Gifford.

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

Dividends are not reinvested.

## Premium/(Discount) to Net Asset Value

(plotted on a weekly basis)



Source: Baillie Gifford.

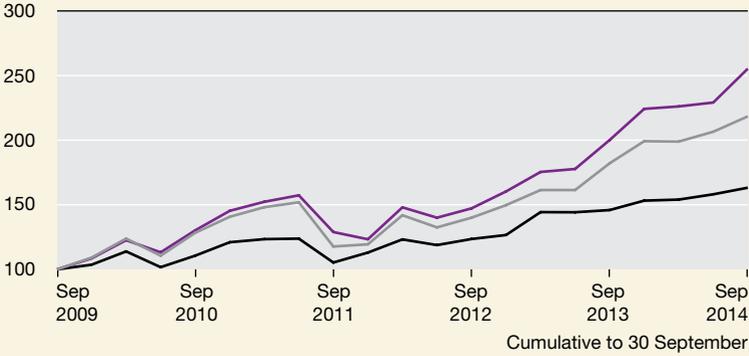
- Scottish Mortgage Premium/(Discount) (after deducting borrowings at fair value)

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

Past performance is not a guide to future performance.

## Five Year Total Return Performance

(figures rebased to 100 at 30 September 2009)



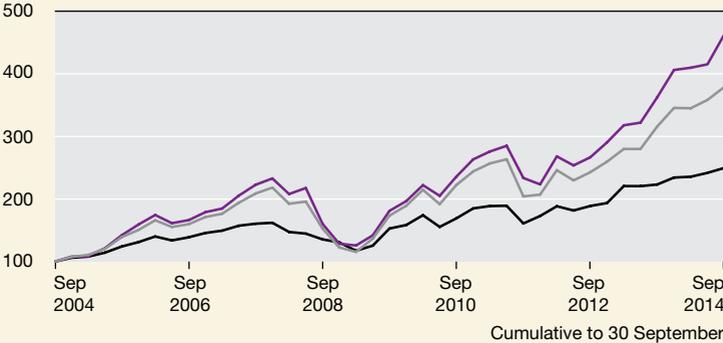
Source: Thomson Reuters Datastream.

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

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

## Ten Year Total Return Performance

(figures rebased to 100 at 30 September 2004)



Source: Thomson Reuters Datastream.

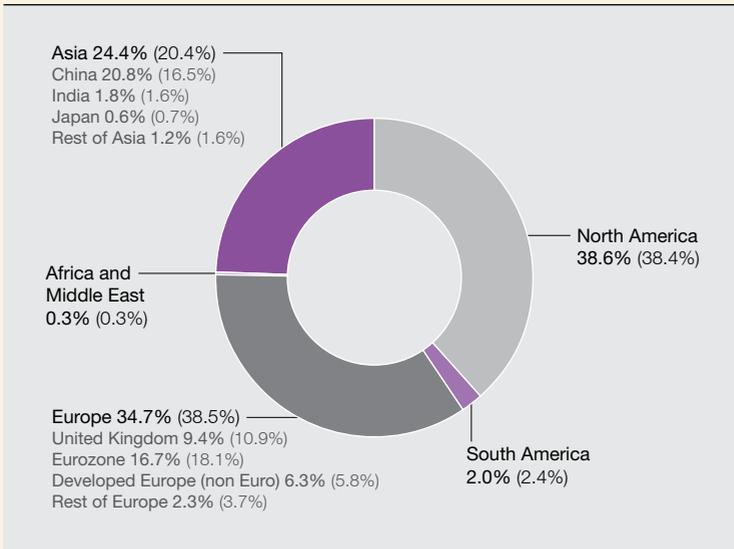
- Share price total return
- NAV (fair) total return
- Benchmark\* total return

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

## Distribution of Total Assets\*

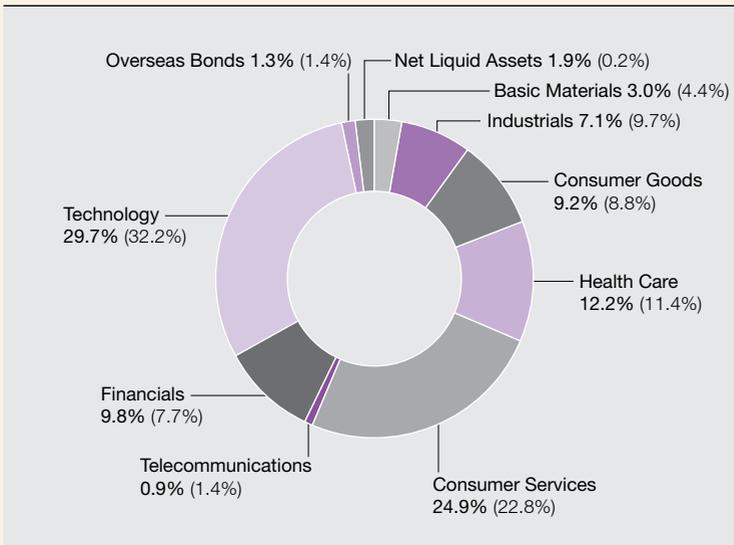
### Geographical Analysis at 30 September 2014

(31 March 2014)



### Sectoral Analysis at 30 September 2014

(31 March 2014)



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

## Thirty Largest Holdings and Performance at 30 September 2014

Name	Business	Fair value £'000	% of total assets	Contribution to absolute performance % *
Baidu	Online search engine	272,059	8.3	3.7
Amazon.com	Online retailer	232,277	7.1	(0.1)
Illumina	Biotechnology equipment	229,027	7.0	1.3
Tencent Holdings	Internet services	189,860	5.8	0.8
Inditex	International clothing retailer	150,469	4.6	(0.3)
Alibaba Group	Online retailer	147,705	4.5	2.6
Google	Online search engine	122,776	3.7	0.3
Facebook	Social networking site	103,174	3.1	1.1
Kering	Luxury goods producer and retailer	86,102	2.6	0.1
Banco Santander	Banking	84,099	2.6	0.3
Atlas Copco	Engineering	83,373	2.5	0.2
Fiat	Automobiles	81,354	2.5	(0.5)
Prudential	International insurance	80,651	2.5	0.3
Tesla Motors	Electric cars	79,732	2.4	0.6
Kinnevik	Investment company	77,670	2.4	(0.2)
BASF	Chemicals	58,422	1.8	(0.3)
Intuitive Surgical	Surgical robots	54,922	1.7	0.1
Reckitt Benckiser	Consumer goods company	48,557	1.5	0.2
Apple	Computer technology	46,452	1.4	1.0
Novozymes	Enzyme manufacturer	46,285	1.4	0.1
Brazil CPI Linked 2045	Brazilian government inflation linked bond	43,948	1.3	0.2
LinkedIn	Business-related social networking site	40,776	1.2	0.2
Zalando	International clothing retailer	39,286	1.2	–
Rolls-Royce Group	Aerospace equipment	38,580	1.2	(0.2)
Whole Foods Market	Food retailer	36,891	1.1	(0.5)
ARM Holdings	Semiconductor and software design company	33,596	1.0	(0.1)
New Oriental Education & Technology	Education and training	33,266	1.0	(0.3)
Twitter	Global platform for real-time conversation	29,764	0.9	0.2
HDFC	Mortgage bank (India)	29,684	0.9	0.2
O2 Czech Republic	Fixed and mobile telecoms	28,580	0.9	–
		<b>2,629,337</b>	<b>80.1</b>	

\* Contribution to absolute performance has been calculated on a total return basis over the period 1 April 2014 to 30 September 2014.

Source: Baillie Gifford/StatPro.

Past performance is not a guide to future performance.

## Income Statement (unaudited)

	For the six months ended 30 September 2014		
	Revenue £'000	Capital * £'000	Total £'000
Gains on sales of investments	–	63,607	<b>63,607</b>
Changes in investment holding gains and losses	–	190,203	<b>190,203</b>
Currency (losses)/gains	–	(4,739)	<b>(4,739)</b>
Income from investments and interest receivable	24,934	–	<b>24,934</b>
Investment management fee (note 3)	(1,192)	(3,576)	<b>(4,768)</b>
Other administrative expenses	(1,415)	–	<b>(1,415)</b>
<b>Net return before finance costs and taxation</b>	<b>22,327</b>	<b>245,495</b>	<b>267,822</b>
Finance costs of borrowings	(2,185)	(6,555)	<b>(8,740)</b>
<b>Net return on ordinary activities before taxation</b>	<b>20,142</b>	<b>238,940</b>	<b>259,082</b>
Tax on ordinary activities	(365)	–	<b>(365)</b>
<b>Net return on ordinary activities after taxation</b>	<b>19,777</b>	<b>238,940</b>	<b>258,717</b>
<b>Net return per ordinary share† (note 4)</b>	<b>1.62p</b>	<b>19.54p</b>	<b>21.16p</b>
<b>Dividends paid and proposed per ordinary share† (note 5)</b>	<b>1.38p</b>		

\* From 1 April 2014, the investment management fee and finance costs are charged 25% to revenue and 75% to capital (previously 50% to revenue and 50% to capital).

† Prior period figures restated for the five for one share split on 30 June 2014.

The total column of this statement is the profit and loss account of the Company.

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

A Statement of Total Recognised Gains and Losses is not required as all gains and losses of the Company have been reflected in the above statement.

For the six months ended 30 September 2013			For the year ended 31 March 2014 (audited)		
Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
–	17,339	<b>17,339</b>	–	116,763	<b>116,763</b>
–	214,981	<b>214,981</b>	–	318,731	<b>318,731</b>
–	13,092	<b>13,092</b>	–	18,766	<b>18,766</b>
33,433	–	<b>33,433</b>	50,385	–	<b>50,385</b>
(2,166)	(2,166)	<b>(4,332)</b>	(4,565)	(4,565)	<b>(9,130)</b>
(1,271)	–	<b>(1,271)</b>	(2,835)	–	<b>(2,835)</b>
29,996	243,246	<b>273,242</b>	42,985	449,695	<b>492,680</b>
(4,627)	(4,627)	<b>(9,254)</b>	(9,174)	(9,174)	<b>(18,348)</b>
25,369	238,619	<b>263,988</b>	33,811	440,521	<b>474,332</b>
(2,402)	–	<b>(2,402)</b>	(3,602)	–	<b>(3,602)</b>
<b>22,967</b>	<b>238,619</b>	<b>261,586</b>	<b>30,209</b>	<b>440,521</b>	<b>470,730</b>
<b>1.84p</b>	<b>19.10p</b>	<b>20.94p</b>	<b>2.43p</b>	<b>35.39p</b>	<b>37.82p</b>
<b>1.38p</b>			<b>2.90p</b>		

## Balance Sheet (unaudited)

	At 30 Sept 2014	At 30 Sept 2013	At 31 March 2014 (audited)
	£'000	£'000	£'000
<b>Fixed assets</b>			
Investments held at fair value through profit or loss	3,222,485	2,815,734	2,980,633
<b>Current assets</b>			
Debtors	7,223	25,625	5,093
Cash and short term deposits	99,603	13,688	21,705
	106,826	39,313	26,798
<b>Creditors</b>			
Amounts falling due within one year:			
Bank loans (note 6)	(101,776)	(244,273)	(238,170)
Other creditors	(45,144)	(19,985)	(20,851)
	(146,920)	(264,258)	(259,021)
<b>Net current liabilities</b>	(40,094)	(224,945)	(232,223)
<b>Total assets less current liabilities</b>	3,182,391	2,590,789	2,748,410
<b>Creditors</b>			
Amounts falling due after more than one year:			
Bank loans (note 6)	(206,637)	–	–
Debenture stocks	(150,552)	(150,825)	(150,697)
	(357,189)	(150,825)	(150,697)
	<b>2,825,202</b>	<b>2,439,964</b>	<b>2,597,713</b>
<b>Capital and reserves</b>			
Called up share capital	71,086	71,086	71,086
Capital redemption reserve	19,094	19,094	19,094
Capital reserve	2,655,881	2,261,893	2,429,523
Revenue reserve	79,141	87,891	78,010
<b>Shareholders' funds</b>	<b>2,825,202</b>	<b>2,439,964</b>	<b>2,597,713</b>
<b>Net asset value per ordinary share*</b>			
(after deducting borrowings at fair value) (note 7)	<b>226.7p</b>	<b>192.2p</b>	<b>208.0p</b>
<b>Net asset value per ordinary share*</b>			
(after deducting borrowings at par)	<b>231.9p</b>	<b>196.7p</b>	<b>212.2p</b>
<b>Ordinary shares in issue*</b> (note 8)	<b>1,220,574,485</b>	<b>1,243,324,485</b>	<b>1,226,699,485</b>

\* Prior period figures restated for the five for one share split on 30 June 2014.

## Reconciliation of Movements in Shareholders' Funds (unaudited)

### For the six months ended 30 September 2014

	Called up share capital £'000	Capital redemption reserve £'000	Capital reserve* £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 April 2014	71,086	19,094	2,429,523	78,010	<b>2,597,713</b>
Net return on ordinary activities after taxation	–	–	238,940	19,777	<b>258,717</b>
Shares bought back (note 8)	–	–	(13,730)	–	<b>(13,730)</b>
Shares sold from treasury (note 8)	–	–	1,148	–	<b>1,148</b>
Dividends paid during the period (note 5)	–	–	–	(18,646)	<b>(18,646)</b>
<b>Shareholders' funds at 30 September 2014</b>	<b>71,086</b>	<b>19,094</b>	<b>2,655,881</b>	<b>79,141</b>	<b>2,825,202</b>

### For the six months ended 30 September 2013

	Called up share capital £'000	Capital redemption reserve £'000	Capital reserve* £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 April 2013	71,086	19,094	2,045,003	83,185	<b>2,218,368</b>
Net return on ordinary activities after taxation	–	–	238,619	22,967	<b>261,586</b>
Shares bought back (note 8)	–	–	(21,729)	–	<b>(21,729)</b>
Dividends paid during the period (note 5)	–	–	–	(18,261)	<b>(18,261)</b>
<b>Shareholders' funds at 30 September 2013</b>	<b>71,086</b>	<b>19,094</b>	<b>2,261,893</b>	<b>87,891</b>	<b>2,439,964</b>

### For the year ended 31 March 2014 (audited)

	Called up share capital £'000	Capital redemption reserve £'000	Capital reserve* £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 April 2013	71,086	19,094	2,045,003	83,185	<b>2,218,368</b>
Net return on ordinary activities after taxation	–	–	440,521	30,209	<b>470,730</b>
Shares bought back (note 8)	–	–	(56,001)	–	<b>(56,001)</b>
Dividends paid during the year (note 5)	–	–	–	(35,384)	<b>(35,384)</b>
<b>Shareholders' funds at 31 March 2014</b>	<b>71,086</b>	<b>19,094</b>	<b>2,429,523</b>	<b>78,010</b>	<b>2,597,713</b>

\* The Capital Reserve balance at 30 September 2014 includes investment holding gains on fixed asset investments of £1,403,318,000 (30 September 2013 – gains of £1,109,365,000 and 31 March 2014 – gains of £1,213,115,000).

## Condensed Cash Flow Statement (unaudited)

	Six months to 30 Sept 2014 £'000	Six months to 30 Sept 2013 £'000	Year to 31 March 2014 (audited) £'000
Net cash inflow from operating activities	21,208	24,216	39,354
Net cash outflow from servicing of finance	(8,981)	(9,277)	(18,535)
Total tax suffered	(1,666)	(2,162)	(3,632)
Net cash inflow/(outflow) from financial investment	51,458	(6,096)	36,391
Equity dividends paid (note 5)	(18,646)	(18,261)	(35,384)
<b>Net cash inflow/(outflow) before financing</b>	<b>43,373</b>	<b>(11,580)</b>	<b>18,194</b>
Shares bought back (note 8)	(29,337)	(21,729)	(43,486)
Net cash inflow from bank loans (note 6)	63,862	33,130	33,130
<b>Increase/(decrease) in cash</b>	<b>77,898</b>	<b>(179)</b>	<b>7,838</b>
<b>Reconciliation of net cash flow to movement in net debt</b>			
Increase/(decrease) in cash in the period	77,898	(179)	7,838
Increase in bank loans (note 6)	(63,862)	(33,130)	(33,130)
Exchange movement on bank loans	(6,381)	12,982	19,085
Other non-cash changes	145	128	256
<b>Movement in net debt in the period</b>	<b>7,800</b>	<b>(20,199)</b>	<b>(5,951)</b>
<b>Net debt at start of the period</b>	<b>(367,162)</b>	<b>(361,211)</b>	<b>(361,211)</b>
<b>Net debt at end of the period</b>	<b>(359,362)</b>	<b>(381,410)</b>	<b>(367,162)</b>
<b>Reconciliation of net return before finance costs and taxation to net cash inflow from operating activities</b>			
Net return on ordinary activities before finance costs and taxation	267,822	273,242	492,680
Net gains on investments	(253,810)	(232,320)	(435,494)
Currency losses/(gains)	4,739	(13,092)	(18,766)
Changes in debtors and creditors	2,457	(3,614)	934
<b>Net cash inflow from operating activities</b>	<b>21,208</b>	<b>24,216</b>	<b>39,354</b>

## Notes to the Condensed Financial Statements (unaudited)

- The condensed financial statements for the six months to 30 September 2014 comprise the statements set out on pages 8 to 12 together with the related notes on pages 13 to 15. They have been prepared on the basis of the same accounting policies as set out in the Company's Annual Report and Financial Statements at 31 March 2014. From 1 April 2014 the investment management fee and finance costs are charged 25% to revenue and 75% to capital (previously they were charged 50% to revenue and 50% to capital). The financial statements have been prepared in accordance with the ASB's Statement 'Half-Yearly Financial Reports' and have not been audited or reviewed by the Auditors pursuant to the Auditing Practices Board Guidance on 'Review of Interim Financial Information'. The Company's assets, the majority of which are investments in quoted securities which are readily realisable, exceed its liabilities significantly. The Board approves borrowing limits and reviews regularly the amount of any borrowings and compliance with banking covenants. Accordingly, the Half-Yearly Financial Report has been prepared on the going concern basis as it is the Directors' opinion that the Company will continue in operational existence for the foreseeable future.
- The financial information contained within this Half-Yearly Financial Report does not constitute statutory accounts as defined in sections 434 to 436 of the Companies Act 2006. The financial information for the year ended 31 March 2014 has been extracted from the statutory accounts which have been filed with the Registrar of Companies. The Auditors' Report on those accounts was not qualified and did not contain statements under sections 498(2) or (3) of the Companies Act 2006.
- Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, has been appointed by the Company as its Alternative Investment Fund Manager (AIFM) and Company Secretary with effect from 1 July 2014. The investment management function has been delegated to Baillie Gifford & Co. The management agreement can be terminated on six months' notice. With effect from 1 April 2014 the annual management fee is 0.30% of total assets less current liabilities (excluding short term borrowings for investment purposes), calculated quarterly. The annual fee previously was 0.32% calculated quarterly on the same basis.

	Six months to 30 Sept 2014	Six months to 30 Sept 2013	Year to 31 March 2014 (audited)
	£'000	£'000	£'000
<b>4 Net return per ordinary share</b>			
Revenue return on ordinary activities after taxation	19,777	22,967	30,209
Capital return on ordinary activities after taxation	238,940	238,619	440,521
<b>Total net return</b>	<b>258,717</b>	<b>261,586</b>	<b>470,730</b>
<b>Weighted average number of ordinary shares in issue*</b>	<b>1,223,091,562</b>	<b>1,249,041,425</b>	<b>1,244,697,295</b>

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

There are no dilutive or potentially dilutive shares in issue.

\* Prior period figures restated for the five for one share split on 30 June 2014.

## Notes to the Condensed Financial Statements (unaudited)

	Six months to 30 Sept 2014 £'000	Six months to 30 Sept 2013 £'000	Year to 31 March 2014 (audited) £'000
<b>5 Dividends</b>			
<b>Amounts recognised as distributions in the period:</b>			
Previous year's final dividend of 1.52p (2013 – 1.46p), paid 7 July 2014	18,646	18,261	18,261
Interim dividend for the year ended 31 March 2014 of 1.38p, paid 29 November 2013	–	–	17,123
	<b>18,646</b>	<b>18,261</b>	<b>35,384</b>
<b>Dividends paid and proposed in the period:</b>			
Interim dividend for the year ending 31 March 2015 of 1.38p (2014 – 1.38p)	16,844	17,123	17,123
Final dividend for the year ended 31 March 2014 of 1.52p	–	–	18,646
Adjustment to previous year's final dividend re shares bought back	–	(73)	(73)
	<b>16,844</b>	<b>17,050</b>	<b>35,696</b>

The interim dividend was declared after the period end date and has therefore not been included as a liability in the balance sheet. It is payable on 5 December 2014 to shareholders on the register at the close of business on 21 November 2014. The ex-dividend date is 20 November 2014. The Company's Registrars offer a Dividend Reinvestment Plan and the final date for elections for this dividend is 24 November 2014.

- 6** The bank loan falling due within one year is a US\$165 million loan with State Street Bank and Trust Company ('State Street') (30 September 2013 and 31 March 2014 – US\$150 million with State Street, US\$163 million with National Australia Bank Limited ('NAB') and €61 million with Royal Bank of Scotland ('RBS')).
- The bank loans falling due in more than one year are: a US\$50 million with State Street, a US\$200 million loan with NAB and a US\$85 million loan with RBS (30 September 2013 and 31 March 2014 – nil).
- During the period the US\$150 million loan with State Street was repaid and replaced with US\$165 million and US\$50 million loans from State Street. The US\$163 million loan with NAB was repaid and replaced with a US\$200 million loan with NAB. The €61 million loan with RBS was repaid and replaced with a US\$85 million loan with RBS.
- 7** The fair value of the borrowings at 30 September 2014 was £517,257,000 (30 September 2013 – £445,425,000; 31 March 2014 – £435,178,000).

	At 30 Sept 2014	At 30 Sept 2013	At 31 March 2014 (audited)
	No. of shares	No. of shares *	No. of shares *
<b>8 Share capital: Ordinary shares of 5p each</b>			
Allotted, called up and fully paid	1,220,574,485	1,243,324,485	1,226,699,485
Treasury shares	201,156,395	178,406,395	195,031,395
	<b>1,421,730,880</b>	<b>1,421,730,880</b>	<b>1,421,730,880</b>

\* Restated for the five for one share split on 30 June 2014.

In the six months to 30 September 2014, the Company sold 500,000 ordinary shares from treasury at a premium to net asset value raising net proceeds of £1,148,000 (30 September 2013 and 31 March 2014 – no ordinary shares sold from treasury). At 30 September 2014 the Company had authority to issue or sell from treasury a further 183,504,920 ordinary shares.

In the six months to 30 September 2014 a total of 6,625,000 ordinary shares were bought back at a total cost of £13,730,000 (30 September 2013 – 12,400,000 ordinary shares at a total cost of £21,729,000; in the year to 31 March 2014 a total of 29,025,000 ordinary shares were bought back at a total cost of £56,001,000). At 30 September 2014 the Company had authority to buy back a further 180,639,165 ordinary shares. All prior period figures restated for the five for one share split on 30 June 2014.

- 9** Transaction costs on acquisitions within the portfolio amounted to £139,000 (30 September 2013 – £153,000; 31 March 2014 – £339,000) and transaction costs on sales amounted to £138,000 (30 September 2013 – £59,000; 31 March 2014 – £325,000). These costs are included in the book cost of acquisitions and in the net proceeds of disposals.

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

## Further Shareholder Information

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

### Baillie Gifford's Investment Trust Share Plan

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

### Baillie Gifford's Investment Trust ISA

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

### Baillie Gifford's Children's Savings Plan

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

### Online Management Service

You can also open and manage your Share Plan, Children's Savings Plan\* and/or ISA online, through our secure Online Management Service (OMS) which can be accessed through the Baillie Gifford website at [www.bailliegifford.com/oms](http://www.bailliegifford.com/oms). As well as being able to view the details of your plan online, the service also allows you to:

- obtain current valuations;
- make lump sum investments, except where there is more than one holder;
- sell part or all of your holdings, except where there is more than one holder;
- switch between investment trusts, except where there is more than one holder;
- set up a direct debit to make regular investments, except where there is more than one holder; and
- update certain personal details e.g. address and telephone number.

\* Please note that a Bare Trust cannot be opened via OMS. A Bare Trust Application Form must be completed.

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

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

### Risk Warnings

- Past performance is not a guide to future performance.
- Scottish Mortgage is a listed UK company. The value of its shares and any income from them can fall as well as rise and investors may not get back the amount invested.
- Scottish Mortgage invests in overseas securities. Changes in the rates of exchange may also cause the value of your investment (and any income it may pay) to go down or up.
- Scottish Mortgage invests in emerging markets where difficulties in dealing, settlement and custody could arise, resulting in a negative impact on the value of your investment.
- Scottish Mortgage has borrowed money to make further investments (sometimes known as 'gearing'). The risk is that when this money is repaid by the Company, the value of the investments may not be enough to cover the borrowing and interest costs and the Company will make a loss. If the Company's investments fall in value, any invested borrowings will increase the amount of this loss.
- Scottish Mortgage can buy back its own shares. The risks from borrowing, referred to above, are increased when a company buys back its own shares.

- Market values for securities which have become difficult to trade may not be readily available and there can be no assurance that any value assigned to such securities will accurately reflect the price the Company might receive upon their sale.
- Scottish Mortgage can make use of derivatives which may impact on its performance. Currently the Company does not make use of derivatives.
- Scottish Mortgage charges 75% of the investment management fee and 75% of borrowing costs to capital which reduces the capital value. Also, where income is low, the remaining expenses may be greater than the total income received, meaning the Company may not pay a dividend and the capital value would be further reduced.
- You should note that tax rates and reliefs may change at any time and their value depends on your circumstances.
- The favourable tax treatment of ISAs may change.
- The Company is listed on the London Stock Exchange and is not authorised or regulated by the Financial Conduct Authority.

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

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

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

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

## Directors

Chairman:

JPHS Scott FCII FCSI DL

Dr MM Gray OBE DL

Professor JA Kay CBE FBA FRSE

FC McBain ACA

WG McQueen CA FCIBS

Dr P Subacchi

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## Independent Auditor

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Company Registration

No. SC007058

ISIN GB0007838849

Sedol 0783884

Ticker SMT

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