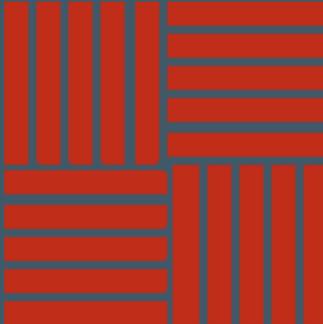


# SCOTTISH MORTGAGE INVESTMENT TRUST PLC

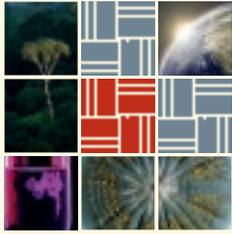
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Your low cost choice  
for global investment



Interim Financial Report  
30 September 2015





Scottish Mortgage Investment Trust PLC is an actively managed, low cost investment trust, investing in a high conviction 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 are financial risk, regulatory risk, operational risk, premium/discount volatility and leverage risk. An explanation of these risks and how they are managed is set out on page 8 of the Company's Annual Report and Financial Statements for the year to 31 March 2015 which is available on the Company's website: [www.scottishmortgageit.com](http://www.scottishmortgageit.com). The principal risks and uncertainties have not changed since the date of that report.

## Responsibility Statement

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with FRS 104 'Interim Financial Reporting';
- the Interim 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 condensed set of financial statements and a description of the principal risks and uncertainties for the remaining six months of the year); and
- the Interim 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  
5 November 2015

## Summary of Unaudited Results

	30 September 2015	31 March 2015 (audited)	% change
Total assets (before deduction of debentures, long and short term borrowings)	£3,565.1m	£3,820.4m	
Shareholders' funds	£3,084.7m	£3,333.2m	
Net asset value per ordinary share (after deducting borrowings at fair value)*	233.9p	262.4p	(10.9)
FTSE All-World Index (in sterling terms)			(11.8)
Share price	241.2p	267.2p	(9.7)
Premium (after deducting borrowings at fair value)	3.1%	1.8%	
Active share†	94%	95%	

	Six months to 30 Sept 2015	Six months to 30 Sept 2014	% change
Revenue earnings per share	1.23p	1.62p	(24.1)
Interim dividend per share#	1.38p	1.38p	–

	Six months to 30 Sept 2015	Six months to 30 Sept 2014
<b>Total returns (%)‡</b>		
Net asset value per ordinary share (after deducting borrowings at fair value)	(10.3)	9.7
Share price	(9.2)	12.9
FTSE All-World Index (in sterling terms)	(10.6)	5.9

	Six months to 30 Sept 2015		Year to 31 March 2015	
Period's high and low	High	Low	High	Low
Share price	281.8p	234.8p	271.0p	189.2p
Net asset value per ordinary share (after deducting borrowings at fair value)^	275.9p	223.2p	267.2p	192.7p
Premium/(discount) (after deducting borrowings at fair value)^	6.7%	0.4%	4.2%	(6.4%)
Average sector (discount)/premium (AIC Global Sector)	(4.9%)	(6.3%)	(5.1%)	(7.9%)

### Notes

\* Borrowings are deducted at fair value (the estimate of market worth).

† 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.

# See note 5, page 14.

‡ Source: Morningstar.

^ Cum-income.

Past performance is not a guide to future performance.

# Interim Management Report

## Results and Approach

Scottish Mortgage remains clear in its focus as a long term growth investment trust, with an objective to maximise total returns to shareholders, which it aims to achieve primarily through capital appreciation.

The investment philosophy underpinning the portfolio remains the same. The Managers continue to take a committed, long term approach to investing in businesses across the world which have the potential to grow much faster than the broader market.

Over the past 6 months, the net asset value (NAV) per share decreased by 10.9% and the share price fell by 9.7%. In comparison, the FTSE All-World Index fell by 11.8%. As commented in previous reports, the Managers highlight that this is too short a period over which to judge the investment approach and stress that 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 77%, and 104% for the share price. The Index returned 48% over the same period.

Demand for the Company's shares has remained healthy throughout the period and they have traded around or at a small premium to the underlying NAV. As per the policy set out in the Chairman's Statement in the Annual Report, from time to time the Company undertook to aid liquidity in the market by issuing shares from treasury to meet investor demand. Over the six month period, the Company issued over 48m shares, generating net proceeds in excess of £128m.

Share issuance provides the additional benefit of growing the Company. As the largest conventional investment trust, the Board firmly believes that Scottish Mortgage's size is a clear competitive advantage, as costs are spread over a wider shareholder base enabling us to offer lower costs to all.

## Earnings and Dividend

Earnings per share were 1.23p over the six months to 30 September 2015 compared with 1.62p for the same period last year, which represents a fall of

24.1%. This trend of lower earnings, foreshadowed in the Annual Report, is expected to continue. The fall is due to the large number of companies in the portfolio, particularly in the US, which are reinvesting in their own businesses' future growth rather than paying cash out to shareholders. Whilst this ought to be beneficial for future capital growth and is entirely consistent with Scottish Mortgage's own growth focus, it does affect the earnings level in the portfolio.

The Board is aware that dividends are important to a number of shareholders and the intention remains at least to maintain the dividend. An unchanged interim dividend of 1.38p will be paid.

## The Portfolio

At the end of September, there were 73 equity holdings in the portfolio, which remains relatively concentrated in the 30 largest stocks (78.8%). The weighting within an individual holding reflects both the Managers' level of conviction in the particular stock and its share price performance. In line with the five year plus investment horizon, portfolio turnover remains correspondingly low, (under 20% per annum).

In this report last year, the Company's holdings within the unlisted equity space were highlighted, against the background of Alibaba choosing to undertake an initial public offering, at a market capitalisation of c.US\$168bn. Since then, the trend of companies preferring to raise capital in the private markets and list on a public stock exchange much later in their development has progressed further and faster than expected. This is an extremely important shift for growth investors who primarily invest in the public equity markets, as it results in a loss of access to a considerable period of value creation in these exciting growth companies.

Many modern companies have developed new business models. They no longer depend on an extraordinary capital injection funded from the public markets, but are financing their development from internally generated cash flows by the time they reach a size appropriate for a public listing. Many of these 'capital-lite' business opportunities have been created by the technologies underpinning the

development of the internet but they span a wide range of established and new industries.

A significant number of the new companies, which the Managers have considered for investment over the past 12 months, have one or more founder-owners within their management teams. (This mirrors a broad trend within the existing portfolio). Such individuals tend to want to run their businesses on a sustainable multi-year growth basis. The destructive short term demands of Wall Street in particular around quarterly earnings targets for public companies, combined with the lower capital requirements of many of these businesses, have contributed to this trend to raise capital in the private market, rather than through an earlier listing on a stock exchange. Instead companies are seeking to partner with a relatively small number of investors who share their long term horizon.

Scottish Mortgage and Baillie Gifford have developed a reputation for patient long term investing, which is a real asset in this regard. Further, Scottish Mortgage's closed-end nature is particularly well suited to investing across the capital structure, as the portfolio does not have a predefined lifespan and can continue to hold its stake in a business when it chooses to list on a public market, acting as a proper long term partner and providing stability through the challenging period around any future initial public listing, to the benefit of all concerned.

Over the past six months, Scottish Mortgage has invested in a number of unlisted companies. These include Home24, a European online furniture retailer developed by Rocket Internet; Airbnb, an online travel platform, changing the shape of the global holiday accommodation market; Funding Circle, which is dis-intermediating the provision of capital between savers and small and medium sized enterprises in the UK, in direct competition to the banks; and Thumbtack, a US-based online directory and ratings platform for the provision of tradesmen's services. Within the last twelve months, private investments have also been made in the US cyber security and analytics company Palantir and the Indian e-commerce company, Flipkart.

In total, at the end of September, 16 unlisted investments accounted for 10% of the portfolio. As the Managers believe this trend in the corporate funding markets is likely to continue, shareholders should expect both these figures to rise.

It is worth emphasising, however, that the increase in the number of holdings in unlisted companies within the portfolio reflects the wider shift in corporate financing markets and does not represent a change in the investment approach taken by the Managers. These are not immature venture capital style businesses, but established, often highly cash generative companies, typically with valuations well over US\$1bn, which would have previously been accessed through the public equity markets. Many of those within the portfolio, such as Spotify are already global brands.

## Outlook

The relatively recent developments of e-commerce and social media still have a considerable amount of structural growth potential. Yet it is the application of the technologies which have underpinned these two shifts to a range of other industries which is particularly firing the enthusiasm of the Managers. The Managers strongly believe that we are on the cusp of transformative change in a range of areas, including healthcare, transportation and energy. As with e-commerce and social media, the Managers believe the majority of the value created by these shifts may well be concentrated in the hands of a few extraordinary companies, whose positions are reinforced by scale and network effects, giving rise to the potential for greater longevity of growth.

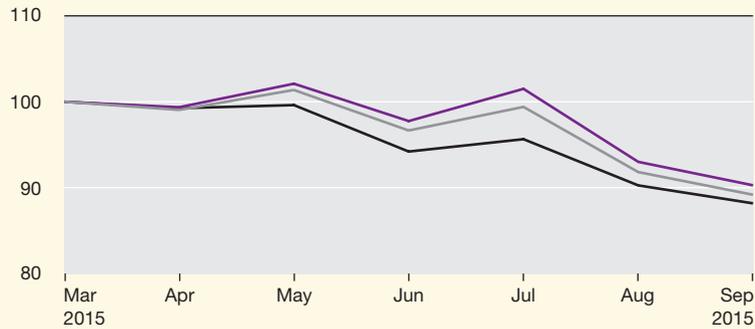
Against such a backdrop, it is a particularly exciting time to be a growth stock picker.

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

Past performance is not a guide to future performance.

### Six Months Performance

(figures plotted on a monthly basis and rebased to 100 at 31 March 2015)



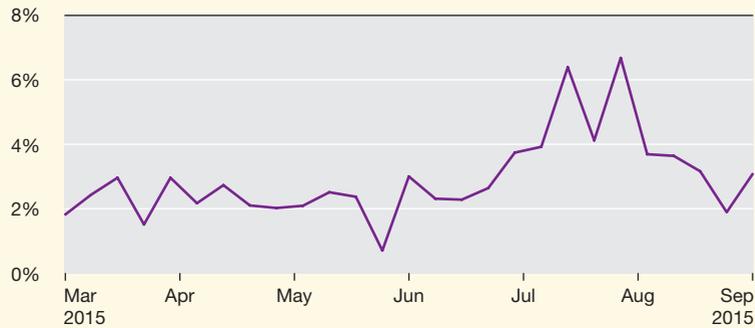
Source: Thomson Reuters Datastream/Baillie Gifford.

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

Dividends are not reinvested.

### Premium to Net Asset Value

(plotted on a weekly basis)



Source: Baillie Gifford.

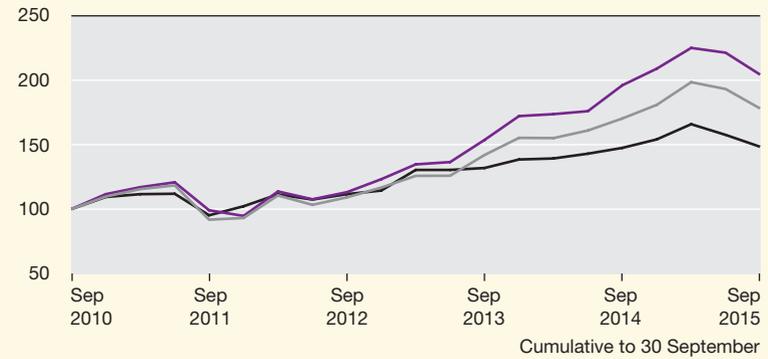
- Scottish Mortgage Premium (after deducting borrowings at fair value)

The premium 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 2010)



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 2005)



Source: Thomson Reuters Datastream.

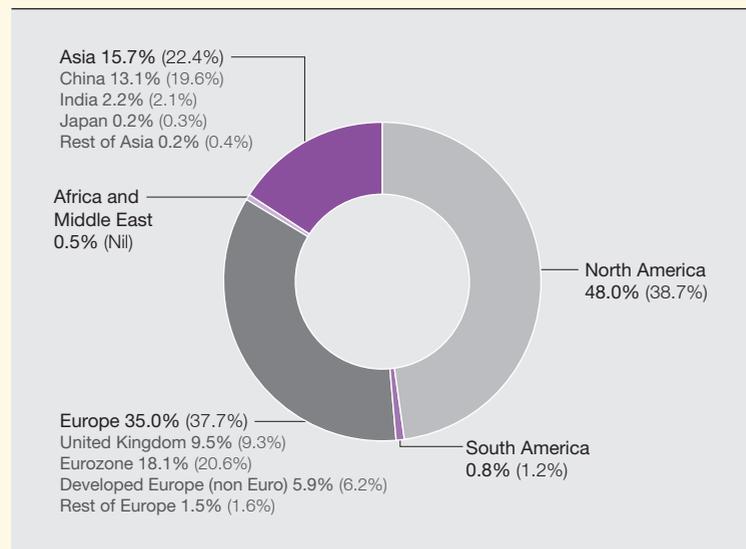
- Share price total return
- NAV (fair) total return
- Benchmark\* total return

\* 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\*

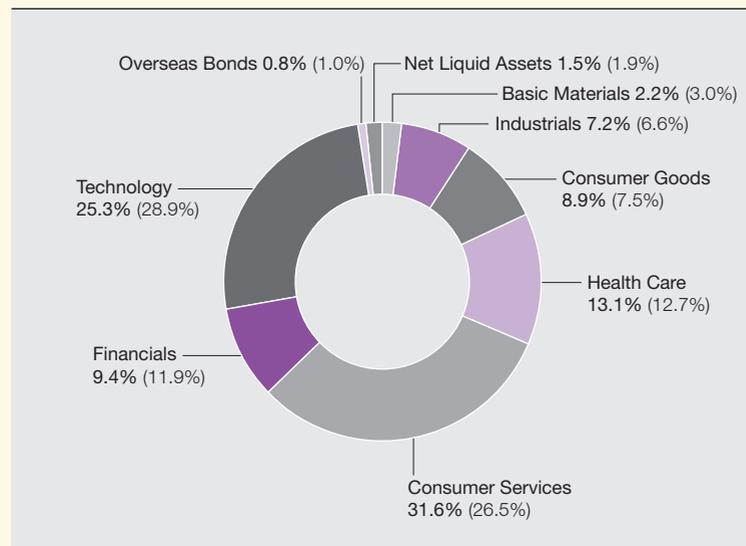
### Geographical Analysis at 30 September 2015

(31 March 2015)



### Sectoral Analysis at 30 September 2015

(31 March 2015)



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

## Thirty Largest Holdings and Performance at 30 September 2015

Name	Business	Fair value £'000	% of total assets	Contribution to absolute performance % †
Amazon.com	Online retailer	377,401	10.6	2.6
Illumina	Biotechnology equipment	277,343	7.8	(0.7)
Inditex	International clothing retailer	207,726	5.8	0.2
Tesla Motors	Electric cars	177,051	5.0	0.7
Baidu	Online search engine	156,155	4.4	(2.4)
Tencent Holdings	Internet services	148,087	4.2	(0.6)
Facebook	Social networking site	134,322	3.8	0.2
Google	Online search engine	120,267	3.4	0.2
Alibaba Group	Online retail	105,125	2.9	(1.3)
Fiat Chrysler Automobiles	Automobiles	82,084	2.3	(0.7)
Prudential	International insurance	81,648	2.3	(0.4)
Atlas Copco	Engineering	79,213	2.2	(0.7)
BASF	Chemicals	75,430	2.1	(0.6)
Kering	Luxury goods producer and retailer	74,467	2.1	(0.4)
Kinnevik	Investment company	65,493	1.8	(0.3)
Zalando	International clothing retailer	65,128	1.8	0.4
Rolls-Royce Group	Aerospace equipment	56,606	1.6	(0.6)
Novozymes	Enzyme manufacturer	49,654	1.4	(0.1)
Intuitive Surgical	Surgical robots	49,073	1.4	(0.2)
Apple	Computer technology	48,872	1.4	(0.2)
Housing Development Finance Corporation	Mortgage bank	44,113	1.2	(0.2)
LinkedIn Corp	Business-related social networking site	39,920	1.1	(0.4)
Palantir Technologies Inc*	Data analysis	39,357	1.1	0.2
Rocket Internet	Internet startup factory	37,930	1.1	(0.6)
Banco Santander	Banking	37,845	1.1	(0.6)
Magnit OJSC	Retailer	37,634	1.0	(0.1)
ARM Holdings	Semiconductor and software design company	37,477	1.0	(0.2)
Reckitt Benckiser	Consumer goods	35,868	1.0	0.1
ASML Holding	Lithography	34,230	1.0	(0.2)
Flipkart*	Indian e-commerce	33,951	0.9	0.1
		<b>2,809,470</b>	<b>78.8</b>	

† Contribution to absolute performance has been calculated on a total return basis over the period 1 April 2015 to 30 September 2015.

\* Denotes unlisted security.

Source: Baillie Gifford/StatPro.

Past performance is not a guide to future performance.

## Income Statement (unaudited)

	For the six months ended 30 September 2015			For the six months ended 30 September 2014		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on sales of investments	–	112,266	<b>112,266</b>	–	63,607	<b>63,607</b>
Changes in investment holding gains and losses	–	(479,614)	<b>(479,614)</b>	–	190,203	<b>190,203</b>
Currency gains/(losses)	–	5,467	<b>5,467</b>	–	(4,739)	<b>(4,739)</b>
Income from investments and interest receivable	22,127	–	<b>22,127</b>	24,934	–	<b>24,934</b>
Investment management fee (note 3)	(1,374)	(4,122)	<b>(5,496)</b>	(1,192)	(3,576)	<b>(4,768)</b>
Other administrative expenses	(1,584)	–	<b>(1,584)</b>	(1,415)	–	<b>(1,415)</b>
<b>Net return before finance costs and taxation</b>	<b>19,169</b>	<b>(366,003)</b>	<b>(346,834)</b>	<b>22,327</b>	<b>245,495</b>	<b>267,822</b>
Finance costs of borrowings	(2,254)	(6,761)	<b>(9,015)</b>	(2,185)	(6,555)	<b>(8,740)</b>
<b>Net return on ordinary activities before taxation</b>	<b>16,915</b>	<b>(372,764)</b>	<b>(355,849)</b>	<b>20,142</b>	<b>238,940</b>	<b>259,082</b>
Tax on ordinary activities	(1,216)	–	<b>(1,216)</b>	(365)	–	<b>(365)</b>
<b>Net return on ordinary activities after taxation</b>	<b>15,699</b>	<b>(372,764)</b>	<b>(357,065)</b>	<b>19,777</b>	<b>238,940</b>	<b>258,717</b>
<b>Net return per ordinary share</b> (note 4)	<b>1.23p</b>	<b>(29.22p)</b>	<b>(27.99p)</b>	<b>1.62p</b>	<b>19.54p</b>	<b>21.16p</b>
<b>Dividends paid and proposed per ordinary share</b> (note 5)	<b>1.38p</b>			<b>1.38p</b>		

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.

## Balance Sheet (unaudited)

	At 30 Sept 2015 £'000	At 31 March 2015 (audited) £'000
<b>Fixed assets</b>		
Investments held at fair value through profit or loss (note 6)	3,509,838	3,747,288
<b>Current assets</b>		
Debtors	2,690	3,693
Cash and short term deposits	58,765	76,543
	61,455	80,236
<b>Creditors</b>		
Amounts falling due within one year:		
Bank loans (note 7)	(273,964)	(111,149)
Other creditors	(6,235)	(7,085)
	(280,199)	(118,234)
<b>Net current liabilities</b>	(218,744)	(37,998)
<b>Total assets less current liabilities</b>	3,291,094	3,709,290
<b>Creditors</b>		
Amounts falling due after more than one year:		
Bank loans (note 7)	(56,113)	(225,665)
Debenture stocks	(150,244)	(150,407)
	(206,357)	(376,072)
	<b>3,084,737</b>	<b>3,333,218</b>
<b>Capital and reserves</b>		
Called up share capital	71,086	71,086
Capital redemption reserve	19,094	19,094
Capital reserve	2,928,611	3,173,033
Revenue reserve	65,946	70,005
<b>Shareholders' funds</b>	<b>3,084,737</b>	<b>3,333,218</b>
<b>Net asset value per ordinary share</b> (after deducting borrowings at fair value) (note 8)	<b>233.9p</b>	<b>262.4p</b>
<b>Net asset value per ordinary share</b> (after deducting borrowings at par)	<b>238.7p</b>	<b>268.0p</b>
<b>Ordinary shares in issue</b> (note 9)	<b>1,294,024,485</b>	<b>1,245,674,485</b>

## Statement of Changes in Equity (unaudited)

### For the six months ended 30 September 2015

	Called up share capital £'000	Capital redemption reserve £'000	Capital reserve* £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 April 2015	71,086	19,094	3,173,033	70,005	<b>3,333,218</b>
Net return on ordinary activities after taxation	–	–	(372,764)	15,699	<b>(357,065)</b>
Shares sold from treasury (note 9)	–	–	128,342	–	<b>128,342</b>
Dividends paid during the period (note 5)	–	–	–	(19,758)	<b>(19,758)</b>
<b>Shareholders' funds at 30 September 2015</b>	<b>71,086</b>	<b>19,094</b>	<b>2,928,611</b>	<b>65,946</b>	<b>3,084,737</b>

### 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	–	–	(13,730)	–	<b>(13,730)</b>
Shares sold from treasury	–	–	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>

\* The Capital Reserve balance at 30 September 2015 includes investment holding gains on fixed asset investments of £1,296,892,000 (30 September 2014 – gains of £1,403,318,000).

## Condensed Cash Flow Statement (unaudited)

	Six months to 30 Sept 2015 £'000	Six months to 30 Sept 2014 £'000
<b>Cash flows from operating activities</b>		
Net return on ordinary activities before taxation	(355,849)	259,082
Net losses/(gains) on investments	367,348	(253,810)
Currency (gains)/losses	(5,467)	4,739
Finance costs of borrowings	9,015	8,740
Overseas withholding tax	(1,172)	(1,666)
Changes in debtors and creditors	620	2,457
<b>Cash from operations</b>	14,495	19,542
Interest paid	(9,094)	(8,981)
<b>Net cash inflow from operating activities</b>	5,401	10,561
<b>Net cash (outflow)/inflow from investing activities</b>	(131,763)	51,458
Equity dividends paid (note 5)	(19,758)	(18,646)
Shares bought back	–	(29,337)
Shares sold from treasury	128,342	–
Net cash inflow from bank loans (note 7)	–	63,862
<b>Net cash inflow from financing activities</b>	108,584	15,879
(Decrease)/increase in cash and cash equivalents	(17,778)	77,898
Cash and cash equivalents at start of period	76,543	21,705
<b>Cash and cash equivalents at end of period*</b>	<b>58,765</b>	<b>99,603</b>

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

## Notes to the Condensed Financial Statements (unaudited)

1 The condensed financial statements for the six months to 30 September 2015 comprise the statements set out on pages 8 to 12 together with the related notes on pages 13 to 16. They have been prepared in accordance with FRS 104 'Interim Financial Reporting' and the AIC's Statement of Recommended Practice issued in November 2014 and have not been audited or reviewed by the Auditor pursuant to the Auditing Practices Board Guidance on 'Review of Interim Financial Information'. The Company has adopted FRS 102 for its financial year ending 31 March 2016. Following the application of the new reporting standards and the AIC's issued Statement of Recommended Practice, there has been no impact on the Company's Income Statement, Balance Sheet or Statement of Changes in Equity (previously called the Reconciliation of Movements in Shareholders' Funds) for periods previously reported. The Condensed Cash Flow Statement has been restated to reflect presentational changes required and does not include any other material changes. The financial statements for the six months to 30 September 2015 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 2015.

### Going Concern

The Company's assets, the majority of which are 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 Interim 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.

- 2 The financial information contained within this Interim Financial Report does not constitute statutory accounts as defined in sections 434 to 436 of the Companies Act 2006. The financial information for the year ended 31 March 2015 has been extracted from the statutory accounts which have been filed with the Registrar of Companies. The Auditor's Report on those accounts was not qualified, did not include a reference to any matters to which the Auditor drew attention by way of emphasis without qualifying their report, and did not contain statements under sections 498(2) or (3) of the Companies Act 2006.
- 3 Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, has been appointed by the Company as its Alternative Investment Fund Manager (AIFM) and Company Secretary. The investment management function has been delegated to Baillie Gifford & Co. The management agreement can be terminated on six months' notice. 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.

## Notes to the Condensed Financial Statements (unaudited)

	Six months to 30 Sept 2015 £'000	Six months to 30 Sept 2014 £'000
<b>4 Net return per ordinary share</b>		
Revenue return on ordinary activities after taxation	15,699	19,777
Capital return on ordinary activities after taxation	(372,764)	238,940
<b>Total net return</b>	<b>(357,065)</b>	<b>258,717</b>
<b>Weighted average number of ordinary shares in issue</b>	<b>1,275,927,764</b>	<b>1,223,091,562</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.

	Six months to 30 Sept 2015 £'000	Six months to 30 Sept 2014 £'000
<b>5 Dividends</b>		
<b>Amounts recognised as distributions in the period:</b>		
Previous year's final dividend of 1.55p (2014 – 1.52p), paid 6 July 2015	19,758	18,646
	<b>19,758</b>	<b>18,646</b>
<b>Dividends paid and proposed in the period:</b>		
Interim dividend for the year ending 31 March 2016 of 1.38p (2015 – 1.38p)	17,858	16,844
	<b>17,858</b>	<b>16,844</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 4 December 2015 to shareholders on the register at the close of business on 20 November 2015. The ex-dividend date is 19 November 2015. The Company's Registrars offer a Dividend Reinvestment Plan and the final date for elections for this dividend is 23 November 2015.

## 6 Fair Value

In accordance with FRS 102 and FRS 104, fair value measurements have been classified using the following fair value hierarchy:

Level A – Quoted prices for identical instruments in active markets

Level B – Prices of a recent transaction for identical instruments

Level C – Valuation techniques that use:

- (i) observable market data; or
- (ii) non-observable data.

### Investments held at fair value through profit or loss

	Level A £'000	Level B £'000	Level C £'000	Total £'000
<b>As at 30 September 2015</b>				
Listed equities/funds	3,105,133	21,982	–	<b>3,127,115</b>
Listed debt securities	–	28,593	–	<b>28,593</b>
Unlisted equities	–	–	354,130	<b>354,130</b>
<b>Total financial asset investments</b>	<b>3,105,133</b>	<b>50,575</b>	<b>354,130</b>	<b>3,509,838</b>
<b>As at 31 March 2015</b>				
Listed equities/funds	3,535,168	23,686	–	<b>3,558,854</b>
Listed debt securities	–	38,110	–	<b>38,110</b>
Unlisted equities	–	–	150,324	<b>150,324</b>
<b>Total financial asset investments</b>	<b>3,535,168</b>	<b>61,796</b>	<b>150,324</b>	<b>3,747,288</b>

There have been no transfers between levels of the fair value hierarchy during the period. The fair value of listed investments is bid price or, in the case of FTSE 100 constituents or holdings on certain recognised overseas exchanges, last traded price. They are categorised as level A if they trade in an active market and level B if they are traded on a market which is not considered to be active. The fair value of unlisted investments is determined using valuation techniques, determined by the Directors, based upon observable and/or non-observable data such as latest dealing prices, stockbroker valuations, net asset values and other information, as appropriate. The Company's holdings in unlisted investments are categorised as level C(ii) as the valuation techniques applied include the use of non-observable data.

- 7** The bank loans falling due within one year are a US\$200 million loan with National Australia Bank Limited ('NAB'), a US\$165 million loan with The Royal Bank of Scotland ('RBS') and a US\$50 million loan with State Street Bank and Trust Company ('State Street') (31 March 2015 – US\$165 million loan with State Street).

The bank loan falling due in more than one year is a US\$85 million loan with RBS (31 March 2015 – US\$200 million loan with NAB, a US\$50 million loan with State Street and a US\$85 million loan with RBS).

During the period the US\$165 million loan with State Street was repaid and replaced with a US\$165 million loan from RBS.

## Notes to the Condensed Financial Statements (unaudited)

- 8 The fair value of the borrowings at 30 September 2015 was £537,751,000 (31 March 2015 – £552,353,000).

	At 30 Sept 2015	At 31 March 2015 (audited)
	No. of shares	No. of shares
<b>9 Share capital: Ordinary shares of 5p each</b>		
Allotted, called up and fully paid	1,294,024,485	1,245,674,485
Treasury shares	127,706,395	176,056,395
	<b>1,421,730,880</b>	<b>1,421,730,880</b>

In the six months to 30 September 2015, the Company sold 48,350,000 ordinary shares from treasury at a premium to net asset value raising net proceeds of £128,342,000 (year to 31 March 2015 – 25,600,000 shares sold from treasury). At 30 September 2015 the Company had authority to issue or sell from treasury a further 171,338,672 ordinary shares.

In the six months to 30 September 2015 no ordinary shares were bought back. In the year to 31 March 2015 a total of 6,625,000 ordinary shares were bought back at a total cost of £13,730,000. At 30 September 2015 the Company had authority to buy back a further 189,012,580 ordinary shares.

- 10 Transaction costs on acquisitions within the portfolio amounted to £230,000 (30 September 2014 – £139,000) and transaction costs on sales amounted to £232,000 (30 September 2014 – £138,000). 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;

## Further Shareholder Information

- 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's risk could be increased by its investment in unlisted investments. These assets may be more difficult to buy or sell, so changes in their prices may be greater.
- Scottish Mortgage has borrowed money to make further investments (sometimes known as 'leverage'). The risk is that when this money is repaid by the Company, the value of the investments may not be enough to cover the borrowing and interest costs and the Company will make a loss. If the Company's investments fall in value, any 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 the opposite 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 interim financial report are subject to change without notice. This information has been issued and approved by Baillie Gifford & Co Limited, the Managers and Secretaries, and does not in any way constitute investment advice.

## Directors

Chairman:  
JPHS Scott FCII FCSI DL

J Dowley FCA  
Professor JA Kay CBE FBA FRSE  
FC McBain ACA  
WG McQueen CA FCIBS  
Dr P Subacchi

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## Company Details

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ISIN GB00BLDYK618  
Sedol BLDYK61  
Ticker SMT

## Further Information

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