

BAILLIE GIFFORD UK GROWTH FUND PLC



Interim Financial Report
31 October 2020





Objective

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

Benchmark

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

Principal Risks and Uncertainties

The principal risks facing the Company are financial risk, investment strategy risk, discount risk, regulatory risk, custody and depositary risk, operational risk, leverage risk and political risk. An explanation of these risks and how they are managed is set out on pages 6 and 7 of the Company's Annual Report and Financial Statements for the year to 30 April 2020 which is available on the Company's website: www.bgukgrowthfund.com. The principal risks and uncertainties have not changed since the date of that report.

Responsibility Statement

We confirm that to the best of our knowledge:

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

By order of the Board
Carolyn Dobson
Chairman
26 November 2020

Summary of Unaudited Results*

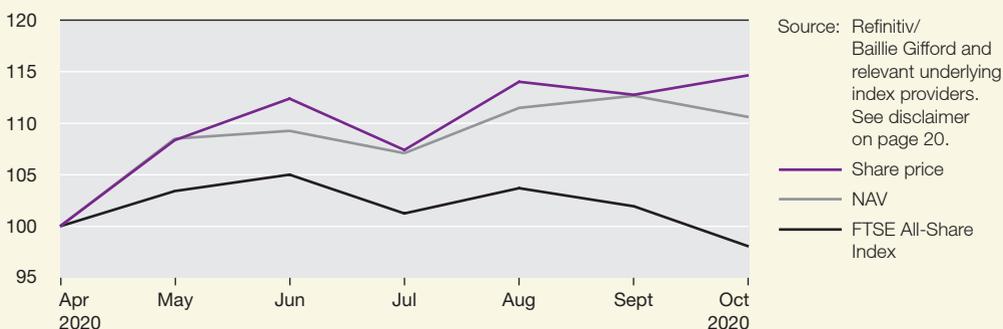
	31 October 2020	30 April 2020 (audited)	% change
Shareholders' funds	£286.9m	£263.7m	
Net asset value per ordinary share	190.6p	175.2p	8.8
Share price	182.0p	161.5p	12.7
FTSE All-Share Index†			(3.4)
Discount#	(4.5%)	(7.8%)	
Active share#	85%	86%	

	Six months to 31 October 2020	Six months to 31 October 2019	% change
Revenue earnings per share	1.22p	2.51p	(51.4)

	Six months to 31 October 2020	Year to 30 April 2020
Total returns (%)#		
Net asset value	10.6	(12.5)
Share price	14.7	(14.6)
FTSE All-Share Index†	(2.0)	(16.7)

Six Months Total Return Performance

(figures plotted on a monthly basis and rebased to 100 at 30 April 2020)



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

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

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

Past performance is not a guide to future performance.

The Managers' Core Investment Principles

Investment Philosophy

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

Growth

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

Patience

Great growth companies are not built in a day. We firmly believe that investors need to be patient to fully benefit from the scale of the potential. Our investment time horizon, therefore, spans decades rather than quarters and our portfolio turnover, at 6.9%, is significantly below the UK industry average. This patient, long-term approach affords a greater chance for the superior growth and competitive traits of companies to emerge as the dominant influence on their share prices and allows compounding to work in the investors' favour.

Active Investment Management

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

For a definition of terms see Glossary of Terms and Alternative Performance Measures on pages 18 and 19. Past performance is not a guide to future performance.

The Managers' Stewardship Principles

We have a responsibility to behave as supportive and constructively engaged long-term investors. Our approach favours a small number of simple principles which help shape our interactions with companies:

Prioritisation of Long-term Value Creation

We encourage company management and their boards to be ambitious and focus their investments on long-term value creation.

Sustainable Business Practices

We look for companies to act as responsible corporate citizens, working within the spirit and not just the letter of the laws and regulations that govern them.

Fair Treatment of Stakeholders

We believe it is in the long-term interests of companies to maintain strong relationships with all stakeholders, treating employees, customers, suppliers, governments and regulators in a fair and transparent manner.

A Constructive and Purposeful Board

We believe that boards play a key role in supporting corporate success and representing the interests of minority shareholders.

Long-term Focused Remuneration With Stretching Targets

We look for remuneration policies that are simple, transparent and reward superior strategic and operational endeavour.

Interim Management Report

Performance

Over the six months to 31 October 2020, the Company's net asset value total return (capital and income) per share increased by 10.6% which compares to a fall of 2.0% in the FTSE All-Share Index, total return, over the same period. The share price total return over the six months was 14.7% and the discount to net asset value narrowed from 7.8% to 4.5%. A good number of the holdings in the portfolio performed well over the period with Renishaw, Games Workshop and Farfetch seeing particularly strong share price moves. Prudential and Boohoo.com were notable laggards.

The fog from this year's Covid-19 pandemic has yet to clear and therefore overshadowed events over the six month period. As we noted in the Annual Report, it is still difficult to work out what the longer term consequences will be. That is not to suggest for a moment that these events of 2020 are somehow unimportant. They are seismic and likely to have a huge impact in accelerating change in the way that we all shop and consume goods, in how we travel or interact, how the world innovates in technology and healthcare, and in the demise of 'zombie' companies. There will certainly be lasting beneficiaries (and casualties) of pandemic related disruption, justifiably captured in the way some areas of stockmarkets have already moved relative to others this year.

Nevertheless, our low portfolio turnover in the period was perhaps the most telling indicator that we continue to believe strongly that our focus on growth businesses with large addressable markets, sound financial positions and talented management teams remains the most fruitful way to invest money on your behalf in the UK. While the relative performance of the portfolio over the last six months might superficially back this up, we the managers try to remain phlegmatic whether short-term performance is good or bad and certainly steer away from making bold claims. The reason is that performance over the short-term can be random which unsettles some observers who crave 'meaning' and there is therefore a temptation to indulge in storytelling to

explain why individual shares in the portfolio have done well or badly over short time periods. We have always asked fellow shareholders that you judge us over five years and whilst the indicators since being appointed in June 2018 are tentatively encouraging, we would caution that we expect future volatility in relative performance given that the portfolio deliberately looks very different from the index. To be clear though, in the long run we continue to believe that share prices follow fundamentals. Hence our preference for owning companies with above average growth prospects.

Portfolio

It is also almost customary in manager reports to shareholders to talk at length about portfolio trading because it is a visible sign of the fund managers 'doing something'. We humbly suggest that this approach makes sense when a portfolio is churned a great deal but as noted above our approach is quite different in trying to minimise our trading and let the fundamentals of the businesses we invest in to do the talking. It occurred to us in writing this report that we are as guilty as anyone else in falling into this trap of highlighting 'the new' rather than 'the old' so we decided to highlight below two very different businesses we have owned since taking on the mandate and which are coping with the current challenging circumstances in interesting ways.

Renishaw is an excellent example of a world leading UK engineering company which specialises in ultra-high precision measurement technology and additive manufacturing (3D printing). Whilst the short-term backdrop in some important end markets, such as automotive and aerospace, has been very challenging, the company has continued to pursue long-term innovations. For example, earlier this year it announced a milestone development in a medical study looking to help patients with Parkinson's disease. The trial was the first of its kind to be trialled on humans and uses Renishaw's 3D printing technology to create a device which allows drugs to be delivered directly

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

and accurately into patients' brains. The device is implanted using Renishaw's surgical robot which positions four catheters into the brain. To help advance other healthcare applications such as this, Renishaw has recently created 'Renishaw Neuro Solutions', a new entity to help advance its neurological range through the regulatory process and roll its products out to the mass market in a cost-effective way. We welcome management's commitment to investing in next generation technologies which the attractive returns of the business and prudent balance sheet allow even during testing operating conditions. A boldness of vision and disregard for the short-term remain, in our view, key drivers for the success of Renishaw and we remain confident in its long-term outlook.

In contrast, the multinational distributor and outsourcing company, Bunzl, operates in much lower margin and normally more mundane end markets. Yet in 2020 it has had to cope with a severe slowdown in demand from customers serving the retail and foodservice sectors although that has been more than offset by strong demand from governments, healthcare providers and existing customers ordering cleaning products and personal protection equipment in order to re-build their stock levels. This offset underplays the nimbleness required by a decentralised business to manage through this 'shock' and also highlighted to us the benefits of Bunzl's long-term planning and investment in its supply chain. For example, its sourcing operation in Shanghai has helped it to respond to the demands placed on the business with agility, flexibility and speed which we think will strengthen relationships with many of its customers. As a result of this shift, the company reported better than expected performance in the first half of the year and decided to repay the Covid-related government support packages it received. This is something we view as a further positive reflection on the culture of the business, which we place a special importance on as long-term investors. Looking ahead, we believe there is an opportunity for Bunzl to take market share from smaller competitors and we remain upbeat about the long-term outlook for this business.

Of course, we did do some trading in the period. We added to the specialist marketing business 4imprint after an encouraging meeting with management convinced us that the business will emerge in a stronger competitive position when the economies recover. New holdings were taken in the specialist insurer Lancashire as we think it is well positioned to benefit from increasing insurance pricing and the credit scorer Experian which we think has years of growth in front of it. We reduced our holding in Just Eat Takeaway.com after a period of strong operational performance but also after some concerns about a deal to enter the competitive US market. Finally, we sold out of Rolls-Royce as we became more pessimistic about its long-term prospects and requirement for a significant equity fund raising which duly came to pass and also sold the pub & restaurant operator Mitchells & Butlers as we think the prospects of that business have dimmed.

Perhaps the last issues to address are two ongoing governance issues on two stocks in the portfolio: Rio Tinto and Boohoo.com. Shareholders are probably well aware of the former destroying sacred caves in Australia while the latter has been caught up in unacceptable practices carried out by some suppliers. In both cases, one of your portfolio managers has been closely involved in the detailed and extensive engagements with each company about these troubling matters. Our experience of engaging with companies on sensitive governance matters is that commenting publicly when the engagement is ongoing destroys trust and consequently weakens our ability to influence. Yet we also understand that this approach could be misunderstood. So, let us be clear: we have as supportive long-term shareholders expressed in direct language our strong disappointment at serious governance failings at each, but we also acknowledged in our meetings with both that it is what happens next that really matters. We are listening to both boards who are pleasingly undertaking serious self-reflection and be assured that we are encouraging and expecting significant improvements in some business practices. That is

what serious long-term investors should be trying to do in the first instance with companies that in our view exhibit attractive investment potential rather than selling and moving on. We will update you further in the Annual Report.

Outlook

Perhaps the elephant in the room is why the UK stockmarket continues to perform poorly relatively to most other markets. Smarter people than us have offered various theories but none strike us as wholly convincing. Perhaps the Brexit talks are a factor or perhaps it is the 'old economy' makeup of the market but in truth nobody knows, and it is not something we spend a huge amount of time theorising about, particularly as it may reverse at any point. In any case, we see our job as identifying great growth businesses, continuing to kick the tyres to make sure they are performing as we hoped and keep a close eye out for exciting new opportunities that might be additive to the quality of the portfolio. With all the uncertainty out there, it is easy to lose sight of the things that matter.

We consider it fortunate that we work at a firm that always supports us in sticking to our fundamental task of long-term investing and having a board that is constructively challenging but also very supportive of our approach. None of this guarantees anything about the future but helps explain why we remain confident that our approach and our portfolio is well positioned to deliver for fellow shareholders over the long-term.

Iain McCombie & Milena Mileva
Managers & Secretaries
26 November 2020

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.

List of Investments at 31 October 2020

Name	Business	Value £'000	% of total assets
Basic Materials			
Rio Tinto	Metals and mining company	6,583	2.3
Victrex	Speciality high-performance chemicals manufacturer	4,280	1.5
		10,863	3.8
Consumer Goods			
Games Workshop	Toy manufacturer and retailer	11,196	3.9
Diageo	International drinks company	7,106	2.4
Burberry	Luxury goods retailer	5,418	1.9
		23,720	8.2
Consumer Services			
Auto Trader Group	Advertising portal for second hand cars in the UK	12,481	4.3
Rightmove	UK's leading online property portal	10,042	3.5
Howden Joinery	Manufacturer and distributor of kitchens to trade customers	9,160	3.2
HomeServe	Domestic insurance	8,915	3.1
Boohoo.com	Online fashion retailer	8,151	2.8
Just Eat Takeaway.com	Operator of online and mobile market place for takeaway food	7,321	2.5
RELX	Professional publications and information provider	7,288	2.5
Farfetch	Technology platform for the global fashion industry	4,246	1.5
4imprint	Direct marketer of promotional merchandise	3,618	1.2
		71,222	24.6
Financials			
St. James's Place	UK wealth manager	9,641	3.3
Hargreaves Lansdown	UK retail investment platform	8,420	2.9
Prudential	International life insurer	7,182	2.5
Draper Esprit	Technology focused venture capital firm	6,483	2.3
IntegraFin	Provides platform services to financial clients	6,194	2.2
Helical	Property developer	6,152	2.1
Legal & General	Insurance and investment management company	5,996	2.1
Lancashire Holdings	General insurance	4,594	1.6
Hiscox	Property and casualty insurance	3,990	1.4
Just Group	Provider of retirement income products and services	3,292	1.1
IG Group	Spread betting website	3,273	1.1
AJ Bell	Investment platform	2,977	1.0
		68,194	23.6

Name	Business	Value £'000	% of total assets
Healthcare			
Genus	World leading animal genetics company	13,090	4.5
Abcam	Online platform selling antibodies to life science researchers	12,570	4.3
Creo Medical	Designer and manufacturer of medical equipment	657	0.2
		<u>26,317</u>	<u>9.0</u>
Industrials			
Renishaw	World leading metrology company	14,543	5.0
Bunzl	Distributor of consumable products	8,706	3.0
FDM Group	Provider of professional services focusing on information technology	7,820	2.7
Halma	Specialist engineer	7,595	2.6
Ashtead	Construction equipment rental company	7,575	2.6
Ultra Electronics	Aerospace and defence company	7,216	2.5
Volution Group	Supplier of ventilation products	6,220	2.1
Inchcape	Car wholesaler and retailer	4,857	1.7
Bodycote	Heat treatment and materials testing	4,489	1.6
PageGroup	Recruitment consultancy	3,904	1.3
Euromoney Institutional Investor	Specialist publisher	2,608	0.9
Experian	Global provider of credit data and analytics	1,905	0.7
James Fisher & Sons	Specialist service provider to the global marine and energy industries	1,901	0.7
		<u>79,339</u>	<u>27.4</u>
Technology			
First Derivatives	IT consultant and software developer	7,479	2.6
		<u>7,479</u>	<u>2.6</u>
Total Equities		287,134	99.2
Net Liquid Assets		2,262	0.8
Total Assets		289,396	100.0

Stocks highlighted in bold are the 20 largest holdings.

Income Statement (unaudited)

	For the six months ended 31 October 2020			For the six months ended 31 October 2019			For the year ended 30 April 2020 (audited)		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments	–	26,649	26,649	–	(14,054)	(14,054)	–	(42,210)	(42,210)
Currency losses	–	–	–	–	(9)	(9)	–	(9)	(9)
Income from investments and interest receivable	2,263	–	2,263	4,243	–	4,243	6,562	–	6,562
Investment management fee (note 3)	(212)	(495)	(707)	(221)	(515)	(736)	(438)	(1,021)	(1,459)
Other administrative expenses	(203)	–	(203)	(239)	–	(239)	(463)	–	(463)
Net return before finance costs and taxation	1,848	26,154	28,002	3,783	(14,578)	(10,795)	5,661	(43,240)	(37,579)
Finance costs of borrowings	(15)	(34)	(49)	(9)	(21)	(30)	(17)	(40)	(57)
Net return on ordinary activities before taxation	1,833	26,120	27,953	3,774	(14,599)	(10,825)	5,644	(43,280)	(37,636)
Tax on ordinary activities	–	–	–	–	–	–	–	–	–
Net return on ordinary activities after taxation	1,833	26,120	27,953	3,774	(14,599)	(10,825)	5,644	(43,280)	(37,636)
Net return per ordinary share (note 4)	1.22p	17.35p	18.57p	2.51p	(9.70p)	(7.19p)	3.75p	(28.75p)	(25.00p)
Note: Dividends paid and payable per share (note 5)	–	–	–	–	–	–	3.10p	–	–

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

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

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

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

Balance Sheet (unaudited)

	At 31 October 2020 £'000	At 30 April 2020 (audited) £'000
Fixed assets		
Investments held at fair value through profit or loss (note 6)	287,134	259,793
Current assets		
Debtors	150	746
Cash and cash equivalents	2,581	3,512
	2,731	4,258
Creditors		
Amounts falling due within one year:		
Bank loan (note 7)	(2,450)	–
Other creditors	(469)	(392)
	(2,919)	(392)
Net current (liabilities)/assets	(188)	3,866
Net assets	286,946	263,659
Capital and reserves		
Share capital	40,229	40,229
Share premium account	9,875	9,875
Capital redemption reserve	19,759	19,759
Warrant exercise reserve	417	417
Share purchase reserve	60,433	60,433
Capital reserve	146,845	120,725
Revenue reserve	9,388	12,221
Shareholders' funds	286,946	263,659
Net asset value per ordinary share*	190.6p	175.2p
Ordinary shares in issue (note 8)	150,520,484	150,520,484

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

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

Statement of Changes in Equity (unaudited)

For the six months ended 31 October 2020

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Warrant exercise reserve £'000	Share purchase reserve £'000	Capital reserve* £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 May 2020	40,229	9,875	19,759	417	60,433	120,725	12,221	263,659
Net return on ordinary activities after taxation	–	–	–	–	–	26,120	1,833	27,953
Dividends paid (note 5)	–	–	–	–	–	–	(4,666)	(4,666)
Shareholders' funds at 31 October 2020	40,229	9,875	19,759	417	60,433	146,845	9,388	286,946

For the six months ended 31 October 2019

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

* The Capital Reserve balance at 31 October 2020 includes investment holding losses of £5,627,000 (31 October 2019 – losses of £18,589,000).

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

Cash Flow Statement (unaudited)

	Six months to 31 October 2020 £'000	Six months to 31 October 2019 £'000
Cash flows from operating activities		
Net return on ordinary activities before taxation	27,953	(10,825)
Net (gains)/losses on investments	(26,649)	14,054
Currency losses	–	9
Finance costs of borrowings	49	30
Changes in debtors and creditors	632	1,237
Cash from operations	1,985	4,505
Interest paid	(9)	(29)
Net cash inflow from operating activities	1,976	4,476
Cash flows from investing activities		
Acquisitions of investments	(10,062)	(5,204)
Disposals of investments	9,371	6,531
Net cash (outflow)/inflow from investing activities	(691)	1,327
Cash flows from financing activities		
Bank loan drawn down	2,450	–
Equity dividends paid	(4,666)	(4,440)
Net cash outflow from financing activities	(2,216)	(4,440)
(Decrease)/increase in cash and cash equivalents	(931)	1,363
Exchange movements	–	(9)
Cash and cash equivalents at start of year	3,512	4,488
Cash and cash equivalents at end of year*	2,581	5,842

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

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

Notes to the Condensed Financial Statements (unaudited)

- 1 The condensed Financial Statements for the six months to 31 October 2020 comprise the statements set out on the previous pages together with the related notes below. They have been prepared in accordance with FRS 104 'Interim Financial Reporting' and the AIC's Statement of Recommended Practice issued in November 2014 and updated in October 2019 with consequential amendments and have not been audited or reviewed by the Auditor pursuant to the Auditing Practices Board Guidance 'Review of Interim Financial Information'. The Financial Statements for the six months to 31 October 2020 have been prepared on the basis of the same accounting policies as set out in the Company's Annual Report and Financial Statements at 30 April 2020.

Going Concern

Having considered the nature of the Company's principal risks and uncertainties, as set out on the inside front cover, together with its current position, investment objective and policy, its assets and liabilities and projected income and expenditure, together with the Company's dividend policy, it is the Directors' opinion that the Company has adequate resources to continue in operational existence for the foreseeable future. The Board has, in particular, considered the impact of heightened market volatility since the Covid-19 outbreak 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 and could be sold to repay borrowings if required. All borrowing facilities require the prior approval of the Board. Gearing levels and compliance with borrowing covenants are reviewed by the Board on a regular basis. In accordance with the Company's Articles of Association, shareholders have a right to vote on the continuation of the Company every five years, the next vote being in 2024. Accordingly, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing these Financial Statements and confirm that they are not aware of any material uncertainties which may affect the Company's ability to continue to do so over a period of at least twelve months from the date of approval of these Financial Statements.

- 2 The financial information contained within this Interim Financial Report does not constitute statutory accounts as defined in sections 434 to 436 of the Companies Act 2006. The financial information for the year ended 30 April 2020 has been extracted from the statutory accounts which have been filed with the Registrar of Companies. The Auditor's Report on those accounts was not qualified, did not include a reference to any matters to which the Auditor drew attention by way of emphasis without qualifying their report, and did not contain a statement under sections 498(2) or (3) of the Companies Act 2006.
- 3 Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, has been appointed by the Company as its Alternative Investment Fund Manager (AIFM) and Company Secretary. The investment management function has been delegated to Baillie Gifford & Co. The management agreement can be terminated on six months' notice. The annual fee is 0.5% of net asset value, calculated and payable quarterly.

Notes to the Condensed Financial Statements (unaudited)

	Six months to 31 October 2020 £'000	Six months to 31 October 2019 £'000
4 Net return per ordinary share		
Revenue return on ordinary activities after taxation	1,833	3,774
Capital return on ordinary activities after taxation	26,120	(14,599)
Total net return	27,953	(10,825)
Weighted average number of ordinary shares in issue	150,520,484	150,520,484

Net return per ordinary share is based on the above totals of revenue and capital and the weighted average number of ordinary shares in issue during each period. There are no dilutive or potentially dilutive shares in issue.

	Six months to 31 October 2020 £'000	Six months to 31 October 2019 £'000
5 Dividends		
Amounts recognised as distributions in the period:		
Previous year's final dividend of 3.10p (2019 – 2.95p), paid 12 August 2020	4,666	4,440
	4,666	4,440

No interim dividend will be declared in respect of the current period.

6 Fair Value Hierarchy

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

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

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

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

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

- 7** At 31 October 2020 the Company had borrowings of £2,450,000 (30 April 2020 – nil). This was drawn down under the one year £20 million unsecured revolving credit loan facility with National Australia Bank which expires in July 2021.

Notes to the Condensed Financial Statements (unaudited)

- 8** At 31 October 2020, the Company had the authority to buy back 22,563,020 ordinary shares and to allot or sell from treasury 15,052,048 ordinary shares without application of pre-emption rights in accordance with the authorities granted at the AGM in August 2020. During the six months to 31 October 2020, no shares were bought back into treasury (30 April 2020 – nil) and no shares were allotted or sold from treasury (30 April 2020 – nil).
- 9** During the period, transaction costs on equity purchases amounted to £12,000 (31 October 2019 – £3,000) and on equity sales £5,000 (31 October 2019 – £3,000).

10 Related Party Transactions

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

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

Further Shareholder Information

How to Invest

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

Client Relations Team Contact Details

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

Share Register Enquiries

Computershare Investor Services PLC maintains the share register on behalf of the Company. In the event of queries regarding shares registered in your own name, please contact the Registrars on 0370 703 0025.

Cross-holdings (Listing Rule 15.2.5)

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

Automatic Exchange of Information

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

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

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

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

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

Risk Warnings

Past performance is not a guide to future performance.

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

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

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

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

The Company's risk is increased as it holds fewer investments than a typical investment trust and the effect of this, together with its long term approach to investment, could result in large movements in the share price.

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

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

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

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

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

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

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

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

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

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

Glossary of Terms and Alternative Performance Measures (APM)

Total Assets

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

Net Asset Value

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

Net Liquid Assets

Net liquid assets comprise current assets less current liabilities, excluding borrowings.

Discount/Premium (APM)

As stockmarkets and share prices vary, an investment trust's share price is rarely the same as its NAV. When the share price is lower than the NAV per share it is said to be trading at a discount. The size of the discount is calculated by subtracting the share price from the NAV per share and is usually expressed as a percentage of the NAV per share. If the share price is higher than the NAV per share, it is said to be trading at a premium.

	31 October 2020	30 April 2020
Closing NAV per share	190.6p	175.2p
Closing share price	182.0p	161.5p
Discount	(4.5%)	(7.8%)

Total Return (APM)

The total return is the return to shareholders after reinvesting the net dividend on the date that the share price goes ex-dividend.

		31 October 2020 NAV	31 October 2020 Share price	30 April 2020 NAV	30 April 2020 Share price
Closing NAV per share/share price	(a)	190.6p	182.0p	175.2p	161.5p
Dividend adjustment factor*	(b)	1.0168	1.0176	1.0143	1.0155
Adjusted closing NAV per share/share price	(c = a x b)	193.8p	185.2p	177.7p	164.0p
Opening NAV per share/share price	(d)	175.2p	161.5p	203.1p	192.0p
Total return	(c ÷ d) - 1	10.6%	14.7%	(12.5%)	(14.6%)

* The dividend adjustment factor is calculated on the assumption that the dividends of 3.10p (2019 – 2.95p) paid by the Company during the year were reinvested into shares of the Company at the cum income NAV per share/share price, as appropriate, at the ex-dividend date.

Ongoing Charges (APM)

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

Turnover (APM)

Turnover is calculated by dividing sales by the average of opening and closing assets, on an annualised basis.

Gearing (APM)

At its simplest, gearing is borrowing. Just like any other public company, an investment trust can borrow money to invest in additional investments for its portfolio. The effect of the borrowing on the shareholders' assets is called 'gearing'. If the Company's assets grow, the shareholders' assets grow proportionately more because the debt remains the same. But if the value of the Company's assets falls, the situation is reversed. Gearing can therefore enhance performance in rising markets but can adversely impact performance in falling markets.

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

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

Leverage (APM)

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

Active Share (APM)

Active share, a measure of how actively a portfolio is managed, is the percentage of the portfolio that differs from its comparative index. It is calculated by deducting from 100 the percentage of the portfolio that overlaps with the comparative index. An active share of 100 indicates no overlap with the index and an active share of zero indicates a portfolio that tracks the index.

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