Independent Auditor's Report

to the members of Scottish Mortgage Investment Trust PLC ('the Company')

We have audited the financial statements of Scottish Mortgage Investment Trust PLC for the year ended 31 March 2013 set out on pages 32 to 50. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective Responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 30, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on Financial Statements

In our opinion the financial statements:

— give a true and fair view of the state of the Company's affairs as at 31 March 2013 and of its net return for the year then ended;

— have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and

— have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

— the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and

— the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

— adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

— the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or

— certain disclosures of Directors' remuneration specified by law are not made; or

— we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

— the Directors' statement, set out on page 25, in relation to going concern;

— the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and

— certain elements of the report to shareholders by the Board on Directors' remuneration.

Catherine Burnet (Senior Statutory Auditor)
for and on behalf of
KPMG Audit Plc, Statutory Auditor
Chartered Accountants
20 Saltire Court
Edinburgh
EH1 2EG
10 May 2013

Income Statement

For the year ended 31 March

	Notes	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000
Gains/(losses) on investments	9	–	244,988	**244,988**	–	(94,940)	**(94,940)**
Currency (losses)/gains	14	–	(10,396)	**(10,396)**	–	5,974	**5,974**
Income	2	58,950	–	**58,950**	52,689	–	**52,689**
Investment management fee	3	(3,836)	(3,836)	**(7,672)**	(3,632)	(3,632)	**(7,264)**
Other administrative expenses	4	(2,379)	–	**(2,379)**	(2,380)	–	**(2,380)**
Net return before finance costs and taxation		52,735	230,756	**283,491**	46,677	(92,598)	**(45,921)**
Finance costs of borrowings	5	(9,215)	(9,215)	**(18,430)**	(9,401)	(9,401)	**(18,802)**
Net return on ordinary activities before taxation		43,520	221,541	**265,061**	37,276	(101,999)	**(64,723)**
Tax on ordinary activities	6	(4,010)	–	**(4,010)**	(3,803)	–	**(3,803)**
Net return on ordinary activities after taxation		**39,510**	**221,541**	**261,051**	**33,473**	**(101,999)**	**(68,526)**
Net return per ordinary share	7	**15.59p**	**87.42p**	**103.01p**	**13.07p**	**(39.81p)**	**(26.74p)**

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. No operations were acquired or discontinued during the year.

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.

The accompanying notes on pages 36 to 50 are an integral part of the financial statements.

Balance Sheet

As at 31 March

	Notes	2013 £'000	2013 £'000	2012 £'000	2012 £'000
Fixed assets					
Investments held at fair value through profit or loss	9		2,581,849		2,361,636
Current assets					
Debtors	10	5,401		8,321	
Cash and short term deposits		13,867		20,855	
		19,268		29,176	
Creditors					
Amounts falling due within one year	11	(72,867)		(125,295)	
Net current liabilities			(53,599)		(96,119)
Total assets less current liabilities			2,528,250		2,265,517
Creditors					
Amounts falling due after more than one year	12		(309,882)		(253,194)
			2,218,368		**2,012,323**
Capital and reserves					
Called up share capital	13		71,086		71,086
Capital redemption reserve	14		19,094		19,094
Capital reserve	14		2,045,003		1,844,229
Revenue reserve	14		83,185		77,914
Shareholders' funds	15		**2,218,368**		**2,012,323**
Net asset value per ordinary share (after deducting borrowings at fair value)	22		**857.6p**		**768.7p**
Net asset value per ordinary share (after deducting borrowings at par)	16		**885.4p**		**795.6p**

The Financial Statements of Scottish Mortgage Investment Trust PLC (Company registration No. SC007058) were approved and authorised for issue by the Board and signed on 10 May 2013.

John Scott
Chairman

The accompanying notes on pages 36 to 50 are an integral part of the financial statements.

Reconciliation of Movements in Shareholders' Funds

For the year ended 31 March 2013

	Notes	Share capital £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 April 2012		71,086	19,094	1,844,229	77,914	**2,012,323**
Net return on ordinary activities after taxation	14	–	–	221,541	39,510	**261,051**
Shares bought back	13	–	–	(20,767)	–	**(20,767)**
Dividends paid during the year	8	–	–	–	(34,239)	**(34,239)**
Shareholders' funds at 31 March 2013		**71,086**	**19,094**	**2,045,003**	**83,185**	**2,218,368**

For the year ended 31 March 2012

	Notes	Share capital £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 April 2011		71,086	19,094	1,965,865	76,249	**2,132,294**
Net return on ordinary activities after taxation		–	–	(101,999)	33,473	**(68,526)**
Shares bought back	13	–	–	(19,637)	–	**(19,637)**
Dividends paid during the year	8	–	–	–	(31,808)	**(31,808)**
Shareholders' funds at 31 March 2012		**71,086**	**19,094**	**1,844,229**	**77,914**	**2,012,323**

The accompanying notes on pages 36 to 50 are an integral part of the financial statements.

Cash Flow Statement

For the year ended 31 March

	Notes	2013 £'000	2013 £'000	2012 £'000	2012 £'000
Net cash inflow from operating activities	17		48,335		44,484
Servicing of finance					
Interest paid		(18,693)		(18,803)	
Net cash outflow from servicing of finance			(18,693)		(18,803)
Taxation					
Income tax refunded		19		38	
Overseas tax incurred		(4,061)		(3,896)	
Total tax paid			(4,042)		(3,858)
Financial investment					
Acquisitions of investments		(287,065)		(621,168)	
Disposals of investments		310,571		654,761	
Realised currency (loss)/profit		(1,088)		3,562	
Net cash inflow from financial investment			22,418		37,155
Equity dividends paid	8		(34,239)		(31,808)
Net cash inflow before financing			13,779		27,170
Financing					
Shares bought back	13	(20,767)		(19,637)	
Bank loans repaid		–		(102,206)	
Bank loans drawn down		–		100,829	
Net cash outflow from financing			(20,767)		(21,014)
(Decrease)/increase in cash	18		**(6,988)**		**6,156**
Reconciliation of net cash flow to movement in net debt	18				
(Decrease)/increase in cash in the period			(6,988)		6,156
Decrease/(increase) in bank loans			–		1,377
Exchange movement on bank loans			(9,308)		2,412
Other non-cash changes			226		199
Movement in net debt in the year			(16,070)		10,144
Net debt at 1 April			(345,141)		(355,285)
Net debt at 31 March			**(361,211)**		**(345,141)**

The accompanying notes on pages 36 to 50 are an integral part of the financial statements.

Notes to the Financial Statements

1 Principal Accounting Policies

The financial statements for the year to 31 March 2013 have been prepared on the basis of the accounting policies set out below, which are unchanged from last year and have been applied consistently.

(a) Basis of Accounting

The financial statements are prepared on a going concern basis under the historical cost convention, modified to include the revaluation of fixed asset investments, and on the assumption that approval as an investment trust will be retained.

The Directors consider the Company's functional currency to be sterling as the Company's shareholders are predominantly based in the UK and the Company and its investment manager, who are subject to the UK's regulatory environment, are also UK based.

The financial statements have been prepared in accordance with The Companies Act 2006, applicable UK Accounting Standards and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies' (issued in January 2009).

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

Financial assets and financial liabilities are recognised in the Company's balance sheet when it becomes a party to the contractual provisions of the instrument.

(b) Investments

Purchases and sales of investments are accounted for on a trade date basis. All investments are designated as valued at fair value through profit or loss upon initial recognition and are measured at subsequent reporting dates at fair value. The fair value of listed security investments is bid value, or in the case of FTSE 100 constituents, at last traded prices issued by the London Stock Exchange.

Listed investments include Open Ended Investment Companies ('OEICs') authorised in the UK; these are valued at closing price and are classified for valuation purposes according to the principal geographical area of the underlying holdings.

The fair value of unlisted investments uses valuation techniques, determined by the Directors, based upon latest dealing prices, stockbroker valuations, net asset values and other information, as appropriate.

Gains and losses arising from changes in the fair value of investments are considered to be realised to the extent that they are readily convertible to cash, without accepting adverse terms, at the balance sheet date. Fair value gains on unlisted investments are not considered to be readily convertible to cash and are therefore treated as unrealised. The treatment of listed investments is dependent upon the individual circumstances of each holding.

(c) Cash and Short Term Deposits

Cash includes cash in hand and deposits repayable on demand. Deposits are repayable on demand if they can be withdrawn at any time without notice and without penalty or if they have a maturity or period of notice of not more than one working day.

(d) Income

(i) Income from equity investments is brought into account on the date on which the investments are quoted ex-dividend or, where no ex-dividend date is quoted, when the Company's right to receive payment is established.

(ii) Interest from fixed interest securities is recognised on an effective interest rate basis. Where income returns are for a non-fixed amount, the impact of these returns on the effective interest rate is recognised once such returns are known. If there is reasonable doubt that a return will be received, its recognition is deferred until that doubt is removed.

(iii) Franked income is stated net of tax credits.

(iv) Unfranked investment income includes the taxes deducted at source.

(v) Interest receivable on deposits is recognised on an accruals basis.

(vi) If scrip is taken in lieu of dividends in cash, the net amount of the cash dividend declared is credited to the revenue account. Any excess in the value of the shares received over the amount of the cash dividend foregone is recognised as capital.

(vii) Special dividends are treated as repayments of capital or income depending on the facts of each particular case.

(e) Expenses

All expenses are accounted for on an accruals basis. Expenses are charged through the revenue column of the income statement except as follows: where they relate directly to the acquisition or disposal of an investment (transaction costs), in which case they are recognised as capital within losses/gains on investments; and where they are connected with the maintenance or enhancement of the value of investments, in which case they are charged 50:50 to the revenue account and capital reserve.

(f) Long Term Borrowings and Finance Costs

Long term borrowings are carried in the balance sheet at amortised cost, representing the cumulative amount of net proceeds after issue, plus accrued finance costs attributable to the stepped interest debentures. The finance costs of such borrowings are allocated 50:50 to the revenue column of the income statement and capital reserve at a constant rate on the carrying amount. Issue costs are written off at a constant rate over the life of the borrowings. Gains and losses on the repurchase or early settlement of debt is wholly charged to capital.

(g) Taxation

The tax effect of different items of income and expenditure is allocated between revenue and capital on the same basis as the particular item to which it relates, under the marginal method, using the Company's effective tax rate for the accounting period.

Deferred taxation is provided on all timing differences, calculated at the current tax rate relevant to the benefit or liability. Deferred tax assets are recognised only to the extent that it will be more likely than not that there will be taxable profits from which underlying timing differences can be deducted.

(h) Foreign Currencies

Transactions involving foreign currencies are converted at the rate ruling at the time of the transaction. Assets and liabilities in foreign currencies are translated at the closing rates of exchange at the balance sheet date. Any gain or loss arising from a change in exchange rate subsequent to the date of the transaction is included as an exchange gain or loss in capital reserve or revenue reserve as appropriate.

(i) Capital Reserve

Gains and losses on disposal of investments, changes in fair value of investments held, exchange differences of a capital nature and the amount by which other assets and liabilities valued at fair value differ from their book cost are dealt with in this reserve. Purchases of the Company's own shares are also funded from this reserve. 50% of management fees and finance costs are allocated to the capital reserve in accordance with the Company's objective of combining capital and income growth.

2 Income

	2013 £'000	2012 £'000
Income from investments		
Franked investment income*	7,361	6,156
UK unfranked investment income*	3	797
Overseas dividends	46,629	39,140
Overseas interest	4,927	6,575
	58,920	**52,668**
Other income		
Deposit interest	30	13
Underwriting commission and commitment fees	–	8
	30	21
Total income	**58,950**	**52,689**
Total income comprises:		
Dividends from financial assets designated at fair value through profit or loss	53,993	45,378
Interest from financial assets designated at fair value through profit or loss	4,927	7,290
Deposit interest from financial assets not at fair value through profit or loss	30	13
Other income not from financial assets	–	8
	58,950	**52,689**

* Includes OEIC income.

3 Investment Management Fee

	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000
Investment management fee	3,836	3,836	**7,672**	3,632	3,632	**7,264**

Baillie Gifford & Co is employed by the Company as Managers and Secretaries under a management agreement which is terminable on not less than six months' notice, or on shorter notice in certain circumstances. The fee in respect of each quarter is 0.08% of total assets less current liabilities (excluding short term borrowings for investment purposes). The management fee is levied on all assets, including holdings in collective investment schemes (OEICs) managed by Baillie Gifford & Co; however the OEICs' share class held by the Company does not itself attract a management fee.

4 Other Administrative Expenses – all charged to the revenue column of the income statement

	2013 £'000	2012 £'000
General administrative expenses	2,176	2,203
Directors' fees (see Directors' Remuneration Report page 29)	176	151
Auditor's remuneration for audit services	24	23
Auditor's remuneration for non-audit services – certification of results for the debenture trustees	1	1
– provision of Indian tax services	2	2
	2,379	**2,380**

5 Finance Costs of Borrowings

	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000
Financial liabilities not at fair value through profit or loss						
Bank loans and overdrafts repayable within five years	2,334	2,334	**4,668**	2,507	2,507	**5,014**
Debentures repayable wholly or partly in more than five years	6,881	6,881	**13,762**	6,894	6,894	**13,788**
	9,215	**9,215**	**18,430**	**9,401**	**9,401**	**18,802**

6 Tax on Ordinary Activities

	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000
Overseas taxation	**4,010**	**–**	**4,010**	**3,803**	**–**	**3,803**

	2013 £'000	2012 £'000
The tax charge for the year is lower than the standard rate of corporation tax in the UK of 24% (2012 – 26%)		
The differences are explained below:		
Net return on ordinary activities before taxation	265,061	(64,723)
Net return on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK of 24% (2012 – 26%)	63,615	(16,828)
Capital returns not taxable	(56,302)	23,131
Income not taxable (franked investment income)	(1,767)	(1,601)
Income not taxable (overseas dividends)	(10,683)	(9,585)
Adjustment to income received from OEICs for tax purposes	1	3
Taxable expenses in the year not utilised	5,136	4,969
Overseas withholding tax	4,010	3,803
Double taxation relief	–	(89)
Current tax charge for the year	**4,010**	**3,803**

At 31 March 2013 the Company had surplus management expenses and losses on non-trading loan relationships of £100 million (2012 – £79 million) which have not been recognised as a deferred tax asset. This is because the Company is not expected to generate taxable income in a future period in excess of the deductible expenses of that future period and, accordingly, it is unlikely that the Company will be able to reduce future tax liabilities through the use of existing surplus expenses.

7 Net Return per Ordinary Share

	2013 Revenue	2013 Capital	2013 Total	2012 Revenue	2012 Capital	2012 Total
Net return per ordinary share	**15.59p**	**87.42p**	**103.01p**	**13.07p**	**(39.81p)**	**(26.74p)**

Revenue return per ordinary share is based on the net revenue on ordinary activities after taxation of £39,510,000 (2012 – £33,473,000), and on 253,421,883 (2012 – 256,199,678) ordinary shares, being the weighted average number of ordinary shares (excluding treasury shares) during the year.

Capital return per ordinary share is based on the net capital gain for the financial year of £221,541,000 (2012 – net capital loss of £101,999,000), and on 253,421,883 (2012 – 256,199,678) ordinary shares, being the weighted average number of ordinary shares (excluding treasury shares) during the year.

There are no dilutive or potentially dilutive shares in issue.

8 Ordinary Dividends

	2013	2012	2013 £'000	2012 £'000
Amounts recognised as distributions in the year:				
Previous year's final (paid 2 July 2012)	6.80p	6.20p	17,246	15,904
Interim (paid 23 November 2012)	6.70p	6.20p	16,993	15,904
	13.50p	**12.40p**	**34,239**	**31,808**

Also set out below are the total dividends paid and proposed in respect of the financial year, which is the basis on which the requirements of section 1158 of the Corporation Tax Act 2010 are considered. The revenue available for distribution by way of dividend for the year is £39,510,000 (2012 – £33,473,000).

	2013	2012	2013 £'000	2012 £'000
Dividends paid and payable in respect of the year:				
Interim dividend per ordinary share (paid 23 November 2012)	6.70p	6.20p	16,993	15,904
Proposed final dividend per ordinary share (payable 1 July 2013)	7.30p	6.80p	18,334	17,246
	14.00p	**13.00p**	**35,327**	**33,150**

9 Fixed Assets – Investments

As at 31 March 2013	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed equities/funds	2,463,152	4,498	–	**2,467,650**
Listed debt securities	–	66,857	–	**66,857**
Unlisted equities	–	–	47,342	**47,342**
Total financial asset investments	**2,463,152**	**71,355**	**47,342**	**2,581,849**

As at 31 March 2012	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed equities/funds	2,226,765	7,612	–	**2,234,377**
Listed debt securities	–	120,575	–	**120,575**
Unlisted equities	–	–	6,684	**6,684**
Total financial asset investments	**2,226,765**	**128,187**	**6,684**	**2,361,636**

Investments in securities are financial assets designated at fair value through profit or loss on initial recognition. In accordance with Financial Reporting Standard 29 'Financial Instruments: Disclosures', the preceding tables provide an analysis of these investments based on the fair value hierarchy described below, which reflects the reliability and significance of the information used to measure their fair value.

Fair Value Hierarchy

The fair value hierarchy used to analyse the fair values of financial assets is described below. The levels are determined by the lowest (that is the least reliable or least independently observable) level of input that is significant to the fair value measurement for the individual investment in its entirety as follows:

Level 1 – investments with quoted prices in an active market;

Level 2 – investments whose fair value is based directly on observable current market prices or is indirectly being derived from market prices; and

Level 3 – investments whose fair value is determined using a valuation technique based on assumptions that are not supported by observable current market prices or are not based on observable market data.

	Listed equities £'000	Listed debt £'000	Unlisted £'000	Total £'000
Cost of investments at 1 April 2012	1,555,298	44,438	6,650	**1,606,386**
Investment holding gains/(losses) at 1 April 2012	679,079	76,137	34	**755,250**
Value of investments at 1 April 2012	2,234,377	120,575	6,684	**2,361,636**
Movements in year:				
Purchases at cost	250,848	–	33,243	**284,091**
Sales – proceeds	(239,421)	(69,445)	–	**(308,866)**
– gains on sales	58,777	47,077	–	**105,854**
Changes in investment holding gains and losses	163,069	(31,350)	7,415	**139,134**
Value of investments at 31 March 2013	**2,467,650**	**66,857**	**47,342**	**2,581,849**
Cost of investments at 31 March 2013	1,625,502	22,070	39,893	**1,687,465**
Investment holding gains/(losses) at 31 March 2013	842,148	44,787	7,449	**894,384**
Value of investments at 31 March 2013	**2,467,650**	**66,857**	**47,342**	**2,581,849**

The purchases and sales proceeds figures above include transaction costs of £238,000 (2012 – £968,000) and £188,000 (2012 – £669,000) respectively.

Of the gains on sales during the year of £105,854,000 (2012 – losses of £11,862,000) a net gain of £95,418,000 (2012 – gain of £145,013,000) was included in the investment holding gains/(losses) at the previous year end.

9 Fixed Assets – Investments (continued)

The following tables show reconciliations from the opening balances to the closing balances for fair value measurements in Level 3 of the fair value hierarchy.

	Value at 1 April 2012 £'000	Purchases/ amortisation £'000	Sales proceeds £'000	Change in listing £'000	Gains/ (losses) on sales £'000	Holding gains/ (losses) £'000	Value at 31 March 2013 £'000
Unlisted equities	6,684	33,243	–	–	–	7,415	**47,342**
	6,684	**33,243**	**–**	**–**	**–**	**7,415**	**47,342**

	Value at 1 April 2011 £'000	Purchases/ amortisation £'000	Sales proceeds £'000	Change in listing £'000	Gains/ (losses) on sales £'000	Holding gains/ (losses) £'000	Value at 31 March 2012 £'000
Listed debt securities	8,523	–	(8,482)	–	(14,475)	14,434	**–**
Unlisted equities	2,467	3,785	–	–	–	432	**6,684**
Unlisted debt securities	4,587	–	–	(6,700)	–	2,113	**–**
	15,577	**3,785**	**(8,482)**	**(6,700)**	**(14,475)**	**16,979**	**6,684**

The gains and losses included in the above tables have all been recognised in the income statement on page 32. The Company believes that other reasonably possible alternative valuations for its Level 3 holdings would not differ significantly from those included in the financial statements.

	2013 £'000	2012 £'000
Net gains/(losses) on investments designated at fair value through profit or loss on initial recognition		
Gains/(losses) on sales	105,854	(11,862)
Changes in investment holding gains/(losses)	139,134	(83,078)
	244,988	**(94,940)**

During the year the Company had a holding in an Open Ended Investment Company ('OEIC') managed by Baillie Gifford & Co, the Company's investment manager. The share class held in the OEIC does not attract a management fee. At 31 March the Company held:

	2013 C income shares held	2013 Value £'000	2013 % of fund held	2012 C income shares held	2012 Value £'000	2012 % of fund held
Baillie Gifford Global Discovery Fund*	**2,554,821**	**12,148**	**40.1**	**2,554,821**	**9,708**	**47.0**

* On 1 May 2011 the Fund changed its name from the Baillie Gifford European Smaller Companies Fund to the Baillie Gifford Global Discovery Fund.

10 Debtors

	2013 £'000	2012 £'000
Amounts falling due within one year:		
Income accrued	4,776	5,842
Sales for subsequent settlement	–	1,705
UK taxation recoverable	3	22
Other debtors and prepayments	622	752
	5,401	**8,321**

None of the above debtors are financial assets designated at fair value through profit or loss. The carrying amount of debtors is a reasonable approximation of fair value.

11 Creditors – Amounts falling due within one year

	2013 £'000	2012 £'000
The Royal Bank of Scotland plc loan	–	50,842
The Bank of New York Mellon multi-currency loan	65,196	61,960
Purchases for subsequent settlement	–	2,974
Share buybacks payable	3,092	4,994
Other creditors and accruals	4,579	4,525
	72,867	**125,295**

Included in other creditors is £1,325,000 (2012 – £1,153,000) in respect of the investment management fee.

Borrowing facilities

A 1 year US$99 million multi-currency loan facility has been arranged with The Bank of New York Mellon.
A 2 year €61 million loan facility has been arranged with The Royal Bank of Scotland plc.
A 3 year £100 million multi-currency loan facility, at the time of draw down, has been arranged with National Australia Bank Limited.

At 31 March 2013 drawings were as follows:

The Bank of New York Mellon	US$99 million at an interest rate of 1.20% per annum
The Royal Bank of Scotland plc	€61 million at an interest rate of 1.64% per annum
National Australia Bank Limited	US$163 million at an interest rate of 2.63% per annum

The main covenants relating to the above loans are:
(i) Total borrowings shall not exceed 35% of the Company's net asset value.
(ii) The Company's minimum net asset value shall be £760 million.
(iii) The Company shall not change the investment manager without prior written consent of the lenders.

During the year The Royal Bank of Scotland plc loan, which had drawings of €61 million was repaid and a new two year €61 million facility was entered into with The Royal Bank of Scotland plc.

12 Creditors – Amounts falling due after more than one year

	Nominal rate	Effective rate	2013 £'000	2012 £'000
Debenture stocks:				
£20 million 8–14% stepped interest debenture stock 2020	14.0%	12.3%	21,619	21,747
£75 million 6.875% debenture stock 2023	6.875%	6.9%	74,636	74,599
£50 million 6–12% stepped interest debenture stock 2026	12.0%	10.8%	54,023	54,158
4½% irredeemable debenture stock			675	675
Bank loans:				
National Australia Bank Limited multi-currency loan			107,343	102,015
The Royal Bank of Scotland plc loan			51,586	–
			309,882	**253,194**

Debenture stocks

The debenture stocks are stated at the cumulative amount of net proceeds after issue, plus accrued finance costs attributable to the stepped interest debentures. The cumulative effect is to increase the carrying amount of borrowings by £5,278,000 (2012 – £5,504,000) over nominal value. The debenture stocks are secured by a floating charge over the assets of the Company. Under the terms of the Debenture Trust Deeds, total borrowings should not exceed a sum equal to one half of the adjusted total of capital and reserves at the Company's year end.

13 Called Up Share Capital

	2013 Number	2013 £'000	2012 Number	2012 £'000
Allotted, called up and fully paid ordinary shares of 25p each	251,144,897	62,786	253,619,897	63,405
Treasury shares of 25p each	33,201,279	8,300	30,726,279	7,681
Total	**284,346,176**	**71,086**	**284,346,176**	**71,086**

The Company's authority permits it to hold shares bought back 'in treasury'. Such treasury shares may be subsequently either sold for cash (at, or at a premium to, net asset value per ordinary share) or cancelled. In the year to 31 March 2013 a total of 2,475,000 (2012 – 2,900,000) ordinary shares with a nominal value of £619,000 (2012 – £725,000) were bought back at a total cost of £20,767,000 (2012 – £19,637,000) and held in treasury. At 31 March 2013 the Company had authority to buy back a further 35,542,622 ordinary shares.

Under the provisions of the Company's Articles the share buy-backs were funded from the capital reserve.

14 Capital and Reserves

	Share capital £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
At 1 April 2012	71,086	19,094	1,844,229	77,914	**2,012,323**
Gains on sales	–	–	105,854	–	**105,854**
Changes in investment holding gains and losses	–	–	139,134	–	**139,134**
Exchange differences	–	–	(1,088)	–	**(1,088)**
Exchange differences on multi-currency loans	–	–	(9,308)	–	**(9,308)**
Shares bought back	–	–	(20,767)	–	**(20,767)**
Investment management fee charged to capital	–	–	(3,836)	–	**(3,836)**
Finance costs of borrowings charged to capital	–	–	(9,215)	–	**(9,215)**
Dividends paid in year	–	–	–	(34,239)	**(34,239)**
Revenue return on ordinary activities after taxation	–	–	–	39,510	**39,510**
At 31 March 2013	**71,086**	**19,094**	**2,045,003**	**83,185**	**2,218,368**

The capital reserve includes investment holding gains of £894,384,000 (2012 – gains of £755,250,000) as disclosed in note 9. The revenue reserve is distributable by way of dividend.

15 Shareholders' Funds

	2013 £'000	2012 £'000
Total shareholders' funds are attributable as follows:		
Equity shares	**2,218,368**	**2,012,323**

Total shareholders' funds have been calculated in accordance with the provisions of FRS26. However, the net asset value per share figures in note 16 have been calculated on the basis of shareholders' rights to reserves as specified in the Articles of Association of the Company. A reconciliation of the two figures is as follows:

	2013	2012
Shareholders' funds attributable to ordinary shares (as above)	£2,218,368,000	£2,012,323,000
Number of ordinary shares in issue at the year end*	251,144,897	253,619,897
Shareholders' funds per ordinary share	883.3p	793.4p
Additions/(deductions)		
– expenses of debenture issue	(0.5p)	(0.6p)
– allocation of interest on borrowings	2.6p	2.8p
Net asset value per ordinary share	**885.4p**	**795.6p**

* Excluding shares held in treasury.

16 Net Asset Value per Ordinary Share

The net asset value per ordinary share and the net assets attributable to the ordinary shareholders at the year end calculated in accordance with the Articles of Association were as follows:

	2013	2012	2013 £'000	2012 £'000
Ordinary shares	**885.4p**	**795.6p**	**2,223,646**	**2,017,827**

	2013 £'000	2012 £'000
The movements during the year of the assets attributable to the ordinary shares were as follows:		
Total net assets at the start of the year	2,017,827	2,137,997
Total recognised gains and losses for the year	261,051	(68,526)
Dividends paid in the year	(34,239)	(31,808)
Adjustment to debentures	(226)	(199)
Shares bought back	(20,767)	(19,637)
Total net assets at 31 March	**2,223,646**	**2,017,827**

Net asset value per ordinary share is based on net assets (adjusted to reflect the deduction of the debentures at par/nominal value (see note 22)) and on 251,144,897 (2012 – 253,619,897) ordinary shares, being the number of ordinary shares (excluding treasury shares) in issue at the year end. Shareholders' funds as reported on the face of the balance sheet have been calculated in accordance with the provisions of FRS26. A reconciliation of the two sets of figures under these two conventions is given in note 15.

17 Reconciliation of Net Return before Finance Costs and Taxation to Net Cash Inflow from Operating Activities

	2013 £'000	2012 £'000
Net return on ordinary activities before finance costs and taxation	283,491	(45,921)
(Gains)/losses on investments	(244,988)	94,940
Currency losses/(gains)	10,396	(5,974)
Amortisation of fixed income book cost	–	(3)
Decrease in accrued income	1,116	1,167
Decrease/(increase) in debtors	130	(19)
(Decrease)/increase in creditors	(1,810)	294
Net cash inflow from operating activities	**48,335**	**44,484**

18 Analysis of Change in Net Debt

	At 1 April 2012 £'000	Cash flows £'000	Other non-cash changes £'000	Exchange movement £'000	At 31 March 2013 £'000
Cash at bank and in hand	20,855	(6,988)	–	–	13,867
Loans due within one year	(112,802)	–	50,842	(3,236)	(65,196)
Loans due in two to five years	(102,015)	–	(50,842)	(6,072)	(158,929)
Debenture stocks	(151,179)	–	226	–	(150,953)
	(345,141)	**(6,988)**	**226**	**(9,308)**	**(361,211)**

19 Related Party Transactions

The Directors' fees for the year are detailed in the Directors' Remuneration Report on page 29.

No Director has a contract of service with the Company. During the year no Director was interested in any contract or other matter requiring disclosure under section 412 of the Companies Act 2006.

20 Contingencies, Guarantees and Financial Commitments

At the year end the Company had a capital commitment amounting to US$11,319,400 (2012 – US$14,769,400) in respect of two subscription agreements, Innovation Works Development Fund, L.P. with a total commitment of US$15 million which expires on 21 May 2020 and WI Harper Fund VII Management with a total commitment of US$10 million which expires on 3 March 2019. At 31 March 2013 US$6.75 million and US$6.93 million (2012 – US$4.50 million and US$5.73 million) has been drawn down on each of these agreements respectively.

21 Summary of Main Investment Restrictions

(As incorporated within the Investment Management Agreement between the Company and Baillie Gifford & Co.)

Holding size

At the time of investment, a maximum of 8% of total assets may be invested in any one holding. This restriction does not apply to investment in collective investment schemes, issues by way of rights or certain government bonds.

A maximum of 40% of total assets may be invested in holdings individually exceeding 3% of the value of the Company's total assets. Again, this restriction does not apply to collective investment schemes, issues by way of rights or certain government bonds.

The maximum permitted investment in other UK listed investment companies in aggregate is 15% of gross assets.

Categories of investment

No investment shall be made on which there is unlimited liability.

The Managers must seek permission of the Board to invest in collective investment schemes managed by Baillie Gifford & Co.

With prior approval of the Board, the Company may undertake derivative transactions for the purpose of efficient portfolio management and for investment purposes.

22 Financial Instruments

As an Investment Trust, the Company invests in equities and makes other investments so as to achieve its investment objective of maximising total return, whilst also generating real dividend growth, from a focused and actively managed global portfolio. In pursuing its investment objective, the Company is exposed to various types of risk that are associated with the financial instruments and markets in which it invests.

These risks are categorised here as market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. The Board monitors closely the Company's exposures to these risks but does so in order to reduce the likelihood of a permanent loss of capital rather than to minimise the short term volatility. Risk provides the potential for both loss and gains and in assessing risk, the Board encourages the Managers to exploit the opportunities that risk affords.

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

Market Risk

The fair value of future cash flows of a financial instrument or other investment held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements – currency risk, interest rate risk and other price risk. The Board of Directors reviews and agrees policies for managing these risks and the Company's Investment Managers both assess the exposure to market risk when making individual investment decisions and monitor the overall level of market risk across the investment portfolio on a continuing basis. Details of the Company's investment portfolio are shown in note 9 and on pages 17 to 19.

Currency Risk

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

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

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

22 Financial Instruments (continued)

Currency Risk (continued)

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

As at 31 March 2013	Investments £'000	Cash and deposits £'000	Loans and debentures £'000	Other debtors and creditors* £'000	Net exposure £'000
US dollar	1,143,473	3,750	(172,539)	(139)	**974,545**
Euro	461,445	–	(51,586)	409	**410,268**
Swedish krona	149,675	–	–	–	**149,675**
Hong Kong dollar	103,779	–	–	–	**103,779**
Brazilian real	82,806	–	–	1,578	**84,384**
Polish zloty	60,200	–	–	–	**60,200**
Danish krone	50,676	–	–	69	**50,745**
Indian rupee	46,678	–	–	–	**46,678**
Swiss franc	29,473	–	–	–	**29,473**
Turkish lira	18,305	–	–	–	**18,305**
Indonesian rupiah	18,149	–	–	–	**18,149**
Czech koruna	13,163	–	–	–	**13,163**
Japanese yen	11,195	33	–	–	**11,228**
Other overseas currencies	31,832	–	–	4	**31,836**
Total exposure to currency risk	**2,220,849**	**3,783**	**(224,125)**	**1,921**	**2,002,428**
Sterling	361,000	10,084	(150,953)	(4,191)	**215,940**
	2,581,849	**13,867**	**(375,078)**	**(2,270)**	**2,218,368**

* Includes net non-monetary assets of £14,000.

As at 31 March 2012	Investments £'000	Cash and deposits £'000	Loans and debentures £'000	Other debtors and creditors* £'000	Net exposure £'000
US dollar	1,026,100	13,249	(163,975)	204	**875,578**
Euro	337,320	–	(50,842)	364	**286,842**
Swedish krona	127,568	–	–	–	**127,568**
Hong Kong dollar	111,355	–	–	–	**111,355**
Brazilian real	144,926	–	–	2,738	**147,664**
Polish zloty	82,167	–	–	–	**82,167**
Danish krone	41,186	–	–	58	**41,244**
Indian rupee	48,271	–	–	–	**48,271**
Swiss franc	43,642	–	–	95	**43,737**
Turkish lira	12,970	–	–	–	**12,970**
Indonesian rupiah	17,268	–	–	–	**17,268**
Czech koruna	30,659	–	–	–	**30,659**
Japanese yen	11,012	29	–	–	**11,041**
Other overseas currencies	28,553	4,518	–	1,973	**35,044**
Total exposure to currency risk	**2,062,997**	**17,796**	**(214,817)**	**5,432**	**1,871,408**
Sterling	298,639	3,059	(151,179)	(9,604)	**140,915**
	2,361,636	**20,855**	**(365,996)**	**(4,172)**	**2,012,323**

* Includes net non-monetary assets of £48,000.

22 Financial Instruments (continued)

Currency Risk Sensitivity

At 31 March 2013, if sterling had strengthened by 5% in relation to all currencies, with all other variables held constant, total net assets and total return on ordinary activities would have decreased by the amounts shown below. A 5% weakening of sterling against all currencies, with all other variables held constant, would have had an equal but opposite effect on the financial statement amounts. The analysis is performed on the same basis for 2012.

	2013 £'000	2012 £'000
US dollar	48,727	43,779
Euro	20,513	14,342
Swedish krona	7,484	6,378
Hong Kong dollar	5,189	5,568
Brazilian real	4,219	7,383
Polish zloty	3,010	4,108
Danish krone	2,537	2,062
Indian rupee	2,334	2,414
Swiss franc	1,474	2,187
Turkish lira	915	649
Indonesian rupiah	908	863
Czech koruna	658	1,533
Japanese yen	561	552
Other overseas currencies	1,592	1,752
	100,121	**93,570**

Interest Rate Risk

Interest rate movements may affect directly:

— the fair value of the investments in fixed interest rate securities;

— the level of income receivable on cash deposits;

— the fair value of the Company's fixed-rate borrowings; and

— the interest payable on the Company's variable rate borrowings.

Interest rate movements may also impact upon the market value of the Company's investments outwith fixed income securities. The effect of interest rate movements upon the earnings of a company may have a significant impact upon the valuation of that company's equity.

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions and when entering borrowing agreements.

The Board reviews on a regular basis the amount of investments in cash and fixed income securities and the income receivable on cash deposits, floating rate notes and other similar investments.

The Company finances part of its activities through borrowings at approved levels. The amount of such borrowings and the approved levels are monitored and reviewed regularly by the Board. Movements in interest rates, to the extent that they affect the market value of the Company's fixed rate borrowings, may also affect the amount by which the Company's share price is at a discount or a premium to the net asset value at fair value.

22 Financial Instruments (continued)

Interest Rate Risk (continued)

The interest rate risk profile of the Company's financial assets and liabilities at 31 March is shown below:

Financial Assets

	2013 Fair value £'000	2013 Weighted average interest rate	2013 Weighted average period until maturity *	2012 Fair value £'000	2012 Weighted average interest rate	2012 Weighted average period until maturity *
Floating rate:						
Brazilian bonds (index linked)	66,857	8.8%	32 years	120,575	9.7%	33 years
Cash and short term deposits:						
Other overseas currencies	3,783	–	n/a	17,796	–	n/a
Sterling	10,084	0.1%	n/a	3,059	0.1%	n/a

* Based on expected maturity date.

The cash deposits generally comprise call or short term money market deposits of less than one month which are repayable on demand. The benchmark rate which determines the interest payments received on cash balances is the bank base rate.

Financial Liabilities

The interest rate risk profile of the Company's bank loans and debentures (at amortised cost) and the maturity profile of the undiscounted future cash flows in respect of the Company's contractual financial liabilities at 31 March are shown below.

Interest Rate Risk Profile

The interest rate risk profile of the Company's financial liabilities at 31 March was:

		2013 £'000	2012 £'000
Floating rate	– US$ denominated	65,196	61,960
Fixed rate	– Sterling denominated	150,953	151,179
	– Euro denominated	51,586	50,842
	– US$ denominated	107,343	102,015
		375,078	**365,996**

Maturity Profile

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

	2013 Within 1 year £'000	2013 Between 1 and 5 years £'000	2013 More than 5 years £'000	2012 Within 1 year £'000	2012 Between 1 and 5 years £'000	2012 More than 5 years £'000
Repayment of loans and debentures	65,196	158,929	145,675 *	112,802	102,015	145,675 *
Accumulated interest on loans and debentures to maturity date	17,776	57,067	84,738	17,483	59,330	98,725
	82,972	**215,996**	**230,413**	**130,285**	**161,345**	**244,400**

* Includes £675,000 irredeemable debenture stock.

Interest Rate Risk Sensitivity

An increase of 100 basis points in bond yields as at 31 March 2013 would have decreased total net assets and total return on ordinary activities by £10,442,000 (2012 – £17,712,000). A decrease of 100 basis points would have had an equal but opposite effect.

An increase of 100 basis points in bond yields as at 31 March 2013 would have increased the net asset value per share (with borrowings at fair value) by 2.93p (2012 – increased by 0.43p). A decrease of 100 basis points would have had an equal but opposite effect.

22 Financial Instruments (continued)

Other Price Risk

Changes in market prices other than those arising from interest rate risk or currency risk may also affect the value of the Company's net assets.

The Board manages the market price risks inherent in the investment portfolio by ensuring full and timely access to relevant information from the Investment Managers. The Board meets regularly and at each meeting reviews investment performance, the investment portfolio and the rationale for the current investment positioning to ensure consistency with the Company's objectives and investment policies. The portfolio does not seek to reproduce the index, investments are selected based upon the merit of individual companies and therefore performance may well diverge from the short term fluctuations of the benchmark.

Other Price Risk Sensitivity

Fixed asset investments are valued at bid prices which equate to their fair value. A full list of the Company's investments is given on pages 17 to 19. In addition, a geographical analysis of the portfolio, an analysis of the investment portfolio by broad industrial or commercial sector and a list of the 30 largest investments by their aggregate market value are contained in the Managers' Review Section.

111.2% (2012 – 111.0%) of the Company's net assets are invested in quoted equities. A 3% increase in quoted companies equity valuations at 31 March 2013 would have increased total assets and total return on ordinary activities by £74,030,000 (2012 – £67,031,000). A decrease of 3% would have had an equal but opposite effect.

Liquidity Risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

Liquidity risk is potentially significant but the majority of the Company's assets are investments in quoted securities that are believed to be readily realisable. The Board provides guidance to the Investment Managers as to the maximum exposure to any one holding and to the maximum aggregate exposure to substantial holdings.

The Company has the power to take out borrowings, which give it access to additional funding when required.

Credit Risk

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

This risk is managed as follows:

- Where the Investment Managers make an investment in a bond or other security with credit risk, that credit risk is assessed and then compared to the prospective investment return of the security in question.
- The Board regularly receives information from the Investment Managers on the credit ratings of those bonds and other securities in which the Company has invested.
- The Company's listed investments are held on its behalf by The Bank of New York Mellon (acting as agent), the Company's custodian. Bankruptcy or insolvency of the custodian may cause the Company's rights with respect to securities held by the custodian to be delayed. The Investment Managers monitor the Company's risk by reviewing the custodian's internal control reports and reporting its findings to the Board.
- Investment transactions are carried out with a large number of brokers whose creditworthiness is reviewed by the Investment Managers. Transactions are ordinarily undertaken on a delivery versus payment basis whereby the Company's custodian bank ensures that the counterparty to any transaction entered into by the Company has delivered on its obligations at the same time as any transfer of cash or securities away from the Company is completed.
- Transactions involving derivatives, and other arrangements wherein the creditworthiness of the entity acting as broker or counterparty to the transaction is likely to be of sustained interest, are subject to rigorous assessment by the Investment Managers of the creditworthiness of that counterparty. The Company's aggregate exposure to each such counterparty is monitored regularly by the Board.
- Cash is held only at banks that are regularly reviewed by the Managers.

Credit Risk Exposure

The maximum exposure to direct credit risk at 31 March was:

	2013 £'000	2012 £'000
Fixed interest investments	66,857	120,575
Cash and short term deposits	13,867	20,855
Debtors and prepayments	5,401	8,321
	86,125	**149,751**

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

22 Financial Instruments (continued)

Fair Value of Financial Assets and Financial Liabilities

The Directors are of the opinion that the financial assets and liabilities of the Company are stated at fair value in the balance sheet with the exception of long term borrowing. Long term borrowings in relation to debentures are included in the accounts at the amortised amount of net proceeds after issue, plus accrued finance costs in accordance with FRS26. The fair value of bank loans is calculated with reference to government bonds of comparable maturity and yield. A comparison with the fair value (closing offer value) is as follows:

	2013 Par/nominal £'000	2013 Book £'000	2013 Fair £'000	2012 Par/nominal £'000	2012 Book £'000	2012 Fair £'000
8–14% stepped interest debenture stock 2020	20,000	21,619	33,618	20,000	21,747	31,660
6.875% debenture stock 2023	75,000	74,636	92,287	75,000	74,599	94,140
6–12% stepped interest debenture stock 2026	50,000	54,023	87,430	50,000	54,158	85,740
4½% irredeemable debenture stock	675	675	565	675	675	616
Total debentures	**145,675**	**150,953**	**213,900**	**145,675**	**151,179**	**212,156**
Fixed rate loans		158,929	160,461		102,015	103,738
Total long term borrowings		**309,882**	**374,361**		**253,194**	**315,894**

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

Deducting long term borrowings at fair value would have the effect of reducing the net asset value per share from 885.4p to 857.6p. Taking the market price of the ordinary shares at 31 March 2013 of 822.5p, this would have given a discount to net asset value of 4.1% as against 7.1% on a debt at par basis. At 31 March 2012 the effect would have been to reduce the net asset value from 795.6p to 768.7p. Taking the market price of the ordinary shares at 31 March 2012 of 708.0p, this would have given a discount to net asset value of 7.9% as against 11.0% on a debt at par basis.

Capital Management

The capital of the Company is its share capital and reserves as set out in notes 13 and 14 together with its borrowings (see notes 11 and 12). The objective of the Company is to maximise total return, whilst also generating real dividend growth, from a focused and actively managed global portfolio. The Company's investment policy is set out on page 21. In pursuit of the Company's objective, the Board has a responsibility for ensuring the Company's ability to continue as a going concern and details of the related risks and how they are managed are set out on page 25. The Company has the authority to issue and buy back its shares (see page 27) and changes to the share capital during the year are set out in notes 13 and 14. The Company does not have any externally imposed capital requirements other than the covenants on its loans which are detailed in notes 11 and 12.