Annual Report and Financial Statements

30 September 2023

Baillie Gifford European Growth Trust plc

Managed by

Baillie Gifford™

Investor Disclosure Document

The UK Alternative Investment Fund Managers Regulations require certain information to be made available to investors prior to their investment in the Company. The Company's Investor Disclosure Document is available for viewing at **bgeuropeangrowth.com**

Notes

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

Investment trusts are UK public listed companies and as such comply with the requirements of the Financial Conduct Authority ('FCA'). They are not authorised or regulated by the FCA.

Baillie Gifford European Growth Trust plc currently conducts its affairs, and intends to continue to conduct its affairs, so that the Company's ordinary shares can qualify to be considered as a mainstream investment product and can be recommended by Independent Financial Advisers to ordinary retail investors in accordance with the rules of the FCA in relation to non-mainstream investment products.

This document is important and requires your immediate attention.

If you reside in the UK and you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 immediately. If you reside outwith the UK, you should consult an appropriately authorised financial adviser.

If you have sold or otherwise transferred all of your holding in Baillie Gifford European Growth Trust plc, please forward this document, together with accompanying documents, but not your personalised form of proxy, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was or is being effected for delivery to the purchaser or transferee.

Cover image: Aurora Borealis over Tromsø in northern Norway.

Baillie Gifford™

Contents

Baillie Gifford European Growth Trust plc aims to achieve capital growth over the long-term from a diversified portfolio of European securities.

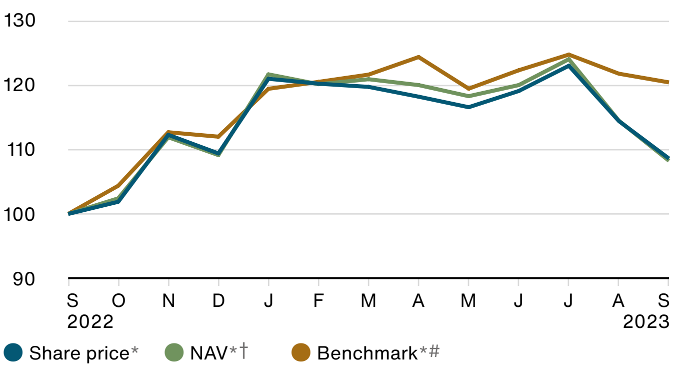
Financial highlights

Year to 30 September 2023

Share price*	NAV (borrowings at book value)*†	NAV (borrowings at fair value)*†	Comparative index*#
8.6%	8.7%	8.3%	20.5%

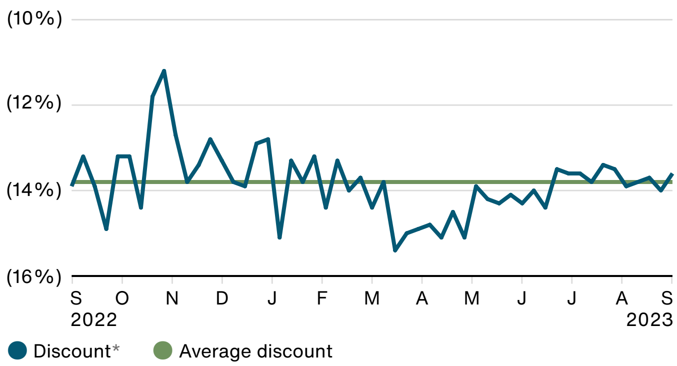
NAV, share price and benchmark total return*

(figures rebased to 100 at 30 September 2022)



Discount to net asset value*

(figures plotted on a weekly basis)



* Source: Refinitiv/Baillie Gifford and relevant underlying index providers. See disclaimer on page 120. All figures are stated on a total return basis. Total return and discount are an alternative performance measures – see Glossary of terms and alternative performance measures on pages 122 to 124.

† Net asset value per share ('NAV').

\# The benchmark is the FTSE Europe ex UK Index (in sterling terms).

Past performance is not a guide to future performance.

Baillie Gifford – philosophy and process

Our philosophy

To generate remarkable returns over time we strongly believe that our investment philosophy and process need to break from convention. Since the inception of our first European equities strategy in 1985 we have been working on this very task. We have always believed that being longer-term than most and being truly active would tip the odds of outperforming in our favour.

Now however, we also have a much greater understanding of the hidden asymmetry in equity markets. Wealth creation and outperformance are not generated by lots of slightly better-than-average companies; they are generated by a very small number of special companies that go on to produce huge returns over long periods of time. These are the outliers we are looking for.

They endure and prosper thanks to attractive growth opportunities and unique corporate cultures that translate into strong competitive advantages. They are mostly owned or managed by entrepreneurial founders, families or other inside owners, who tend to focus more on sustainability and protecting the interests of employees and customers.

Our philosophy and process have evolved over time to give ourselves the best chance of finding these outliers, and to own them for the long-term. We need to think in decades rather than quarters; we need differentiated sources of insight; we need to think about what might go right rather than wrong; and we need to have the right corporate culture that encourages and supports our way of thinking.

Long-term

We believe great businesses can be structurally mispriced as the market often underestimates their durability and attractiveness. At the same time, most investors have a time horizon that is far too short to fully appreciate the potential of outstanding businesses; they are neither willing nor able to align themselves with the timescale of achievement of great businesses.

Capturing significant upside requires the adoption of a long-term mindset: we must think about companies, their progress and opportunities, not in months and quarters but in years and decades. We must have the courage and conviction to own businesses through thick and thin. While in aggregate our average holding period will typically be between five and ten years, implying a portfolio turnover of 10–20%, we are likely to hold individual companies for a much longer period.

Growth

We are looking for each company we invest in to have the potential to at least double in value on a five year view. Our analysis shows this is correlated with earnings growth rather than a change in valuation. For that reason, we focus on companies that have large, structural growth opportunities, and that are capable of reinvesting at high rates of return as a result of strong competitive advantages.

Optimism

Thinking creatively and optimistically are critical underpinnings if we are aiming to invest in Europe's outliers. We need to think about what can go right, rather than what can go wrong in an investment case. We need to be willing to embrace uncertainty and recognise that we will make mistakes. We need to recognise that returns in equity markets are asymmetric, with the maximum loss capped to the initial stake and the upside unbounded. For our portfolios, returns are determined less by the occasional – and inevitable – but by those very successful investments. As humans, we are programmed to dislike losses far more than we enjoy gains. However, we know that stock market returns are highly skewed, with overall returns dominated by a small subset of outliers. We must guard against this cognitive bias and remain resolute in our pursuit of investing in Europe's great growth companies.

Bottom-up approach

We believe investors spend too much time worrying about top-down, macroeconomic considerations which are highly unpredictable and outwith their control. We are bottom-up stock pickers and approach investing with the view to become a long-term owner in a select number of fundamentally attractive businesses. We devote our time and energy to gaining a deep understanding of what drives success in business in general, and in the case of specific companies. We seek out differentiated sources of information to enable us to gain differentiated insights.

Strategic report

The Strategic report, which includes pages 7 to 53 and incorporates the Chairman's statement, has been prepared in accordance with the Companies Act 2006.

Chairman's statement

Michael MacPhee

Chairman

Appointed to the Board in 2016 and as Chairman in 2017

Performance

The net asset value per share ('NAV') total return over the Company's financial year was 8.3% compared to a total return of 20.5% for the FTSE Europe ex UK Index, in sterling terms. The share price total return over the year was 8.6%; as at 30 September 2023 the discount to NAV of the Company's shares was 13.6%.

The dramatic shift in macroeconomics and interest rates of all durations has continued to make it a challenging time for growth investors. Discount rates have risen; price earnings ratios are conversely lower. Despite strong operational performance from most of our holdings (further detail provided in the Managers' report on pages 10 to 14), the share prices of the types of companies we own have not recovered from the significant falls we saw in the previous year, and in some cases have fallen further.

Since Baillie Gifford began managing the portfolio in November 2019, the NAV total return has been 9.3% compared to a total return of 25.1% for the FTSE Europe ex UK Index, in sterling terms. The share price total return has been 2.6%, with the discount widening from 7.5% to 13.6%.

After an initially strong run of performance, the Company has suffered two years of poor investment results. This has damaged the longer run outcome for now. The Board is painfully aware of the volatility and disappointment this has entailed for shareholders but is confident that Baillie Gifford's currently out-of-favour growth style will be vindicated in the longer term. The reason equity investment yields the best long run returns is that it involves volatility and requires patience and, on occasion, a degree of endurance. The Board therefore considers it premature to make a proper assessment of long-term performance.

Source: Refinitiv/Baillie Gifford and relevant underlying index providers. See disclaimer on page 120. All figures are stated on a total return basis. Total return and discount are an alternative performance measures – see Glossary of terms and alternative performance measures on pages 122 to 124.

Past performance is not a guide to future performance.

Earnings and dividend

During the year the Company received a repayment of tax (and interest) from HMRC, totalling £7.9 million (2.20p per share) following receipt of a settlement agreement in relation to the Franked Investment Group ('FII GLO') computational-based claims. The Board distributed this to shareholders as a special interim dividend of 2.20p per ordinary share on 15 September 2023.

Revenue return per share for the year was 2.68p (2022 – 0.79p) and the Board is recommending a final dividend of 0.40p per share (2022 – 0.70p). Subject to shareholder approval at the Annual General Meeting ('AGM'), the dividend will be paid on 2 February 2024 to shareholders on the register on 5 January 2024. The ex-dividend date will be 4 January 2024.

Borrowings

The Company has two €30 million long-term debt facilities: the first has a remaining duration of 17 years and is priced at a fixed rate of 1.57% and the other has over 12 years outstanding at a fixed rate of 1.55%. The Company also has an undrawn €30 million overdraft facility with The Northern Trust Company, which at present is capped at €15 million following Board agreement. At the year end, the Company had gearing of 15.6% of shareholders' funds.

Share buybacks, issuance and discount

Over the course of the Company's financial year, the share price moved from a 13.5% discount to NAV to a 13.6% discount to NAV. During this period, the Company bought back 538,471 shares at a total cost of approximately £501,000. The shares repurchased by the Company are held in treasury and are available to be reissued, at a premium, when market conditions allow.

The Board is of the view that the Company should retain the power to buy back shares during the year and so, at the AGM, is seeking to renew the annual authority to repurchase up to 14.99% of the shares in the Company in issue. When buying back shares, the Board does not have a formal discount target and is prepared to buy back shares opportunistically.

The Company also has authority to issue new shares and to reissue any shares held in treasury for cash on a non pre-emptive basis. Shares are issued/reissued only at a premium to NAV, thereby enhancing NAV for existing shareholders. The Directors are, once again, seeking 10% share issuance authority at the AGM. As with the buy back authority, this authority would expire at the conclusion of the AGM to be held in 2025.

The Board

As noted in the 2022 Annual Report, Dr. Woodward will stand down from the Board at the AGM. The Board therefore undertook a recruitment process seeking to appoint an additional independent non-executive Director and was pleased to announce the appointment of David Barron with effect from 1 October 2023. David has spent 25 years working in the investment management sector and was until November 2019 Chief Executive Officer of Miton Group PLC following six years with the firm. Prior to this he was Head of Investment Trusts at JP Morgan Asset Management for more than ten years having joined Robert Fleming in 1995. David will stand for election at the upcoming AGM. On Dr Woodward's departure from the Board, Andrew Watkins will become Chair of the Audit Committee and Emma Davies Senior Independent Director. It is my intention to stand down at the 2025 AGM, at which time David will replace me as Chair. The Board intends to undertake a recruitment process next year and anticipates appointing a further Director by 30 September 2024.

The Board wishes to thank Dr Woodward for his many years of commitment, service, energy and insight and, in particular, for his assiduity and experience in the role of Chairman of the Audit Committee.

Annual General Meeting

The AGM will be held at 11 a.m. on 18 January 2024 at the Institute of Directors, 116 Pall Mall, London, SW1Y 5ED. The Managers will make a presentation and I look forward to meeting shareholders who are able to attend. To accurately reflect the views of shareholders of the Company, the Board intends to hold the AGM voting on a poll, rather than by a show of hands as has been customary. This will ensure an exact and definitive result. The Board encourages all shareholders to exercise their votes on the AGM resolutions by completing and submitting the form of proxy enclosed with the Annual Report to ensure that your votes are represented at the meeting (whether or not you intend to attend in person). If you hold shares through a share platform or other nominee, the Board encourages you to contact these organisations directly as soon as possible to arrange for you to submit votes in advance of the AGM. Alternatively, the Association of Investment Companies' ('AIC') website **theaic.co.uk/how-to-vote-your-shares** has information on how to vote your shares if you hold them via one of the major platforms. The following link will also take you through to the AIC website where there is information on how your platform can help you attend the AGM in person **theaic.co.uk/aic/ready-to-invest/shareholder-voting/attending-an-agm**.

Should shareholders have questions for the Board or the Managers, or any queries as to how to vote, they are welcome, as always, to submit them by email to **trustenquiries@bailliegifford.com** or call 0800 917 2112.

Information on the resolutions can be found on pages 110 and 111. The Directors consider that all resolutions to be put to shareholders are in their and the Company's best interests as a whole and recommend that shareholders vote in their favour.

Outlook

Fund managers are nearly always prone to regard the current environment as difficult. It is no exaggeration, however, to describe the present geopolitical turmoil and deterioration in the fabric and harmony of both democratic and autocratic societies as troubling and unusual. 25 years of unprecedented and arguably reckless money printing has come home to roost. Adding value in anticipating big picture change either good or bad is difficult, even accepting an element of reflexivity: one thing leads to another. Inflation leads to falling living standards and, historically, wars. The good news, as ever, is in the degree of innovation, disruption and commercial success that can flow from human ingenuity. Stock-picking in the form of focussing on what might go right is the best way to explore and mine this seam. Growing, high quality companies delivering goods and services that enhance their customers' lives are worthy of attention and investment. Our Managers are adept at this activity. They have been sticking to their guns. In this we support them.

Michael MacPhee
Chairman
16 November 2023

Managers' report

Stephen Paice
Investment Manager

Chris Davies
Investment Manager

We took over management of the Company four years ago with the aim of investing in Europe's most dynamic growth companies. Since then, the share price has experienced a spectacular rise and equally spectacular fall. Adjusted for the share split, we started at just over 80p, peaked at around 170p, and ended the current period almost where we started. While we continually ask ourselves what we could have done differently, Baillie Gifford has been managing European portfolios since 1985 and has experienced poor performance before. Many of our most successful companies have been through similarly difficult bouts. Just as those companies did, we emerged from each one in a stronger position. We do not wish to downplay the recent period of poor performance. We think about it every day. Disappointing as this is, however, it is more important to consider where the share price will be five years from now.

Over short periods there are many variables that help dictate what a company is worth. These include interest rates, risk appetite, social media, and many of the behavioural shortcomings from which we humans regularly suffer. Companies make mistakes too – operational hiccups happen. These are businesses run by real people trying to navigate complex issues and unpredictable events. Over longer periods of time, however, these variables play a far less significant part. What is more important for value creation is a strong, durable corporate culture, and the ability to grow profitably over time. We will make mistakes, but if we build and maintain a portfolio of high-quality growing businesses run by people we trust, we believe that we can deliver for our shareholders.

For a definition of terms see Glossary of terms and alternative performance measures on pages 122 and 124.
Past performance is not a guide to future performance.

Performance

Over the last financial year, the Company's NAV delivered a total return of 8.3% while the FTSE Europe ex UK index returned 20.5% in sterling terms. The Company's share price total return was 8.6%, ending the period at 83.6p, representing a discount of 13.6% to the NAV. This compares to a discount of 13.5% at the beginning of the period.

Despite these relative returns, we are increasingly optimistic about the future. Operational progress has been at least in line with our expectations, and we are seeing many affirming signals that our companies are taking advantage of this environment, investing while peers retrench, carrying out acquisitions, and buying back shares. We are not the only ones who think the selloff is overdone.

Positive contributors in the period include Ryanair, which continued to take market share from weaker airlines and invest in new capacity. Online classified companies Adevinta and its major shareholder Schibsted showed that they can offset temporarily weaker volumes with price increases. Both companies' share prices have also been boosted by news that a private equity consortium is looking to acquire Adevinta. Freight forwarder DSV and building materials manufacturer Kingspan continue to execute well, and both have been linked with potential large-scale acquisitions made feasible by their strong balance sheets. Spotify continues to grow healthily and now boasts over 550 million monthly active users. After much investment, its recent focus has shifted to profitability using cost reductions and price increases as levers. This shift is underway at many technology companies, although Spotify is the first to be rewarded by the market.

Some companies performed less well. Battery startup Northvolt was written down to reflect moves in public benchmarks, though operational progress remains good. Elsewhere, payments processing company Adyen fell almost 50% in the week after announcing some market share losses in the US. This looks temporary to us, though we continue to monitor progress and debate the attractiveness of the new, lower valuation. Sartorius Stedim Biotech, which manufactures bioprocessing equipment for the biologics industry, also reported negative news, noting a slowdown in demand and higher inventories. Again, these issues feel temporary, and we have made a modest addition. Swedish gaming company Embracer has been more disappointing. The investment case centred on the founder's strategy of acquiring media content and gaming studios and letting their founders flourish in a decentralised organisation. Unfortunately, this was a case of overpromising and underdelivering, and management is now being forced to sell assets to pay down debt. We have some sympathy for the idea that the company is now undervalued, but we have lost faith in the management team and the board. Trust in management and alignment are non-negotiable for us so we have sold our entire position.

Improving performance

We genuinely believe that the future looks brighter than the past. Cynics may argue that this is what all underperforming fund managers say, so the onus is on us to explain the underpinnings of our optimism. So, what are the catalysts to drive improving performance?

Cognitive psychologist Gary Klein, in his book *Seeing What Others Don't*, suggests that performance is improved by 'reducing errors and increasing insights'. As we have written before, our main error has been misjudging the impact of rapidly shifting monetary policy on the valuations of growth companies. Because the companies in the portfolio tend to be smaller and grow much faster than average, most of their lifetime cashflows are in the future, and these are now being discounted at a much higher rate than they were. We have therefore felt the impact of rising rates much more acutely. When panic sweeps the market, it is the more nascent, higher growth companies that get hit hardest.

In order to minimise future valuation risk, we monitor interest rate and duration risk in the portfolio and construct a reverse discounted cashflow model for every company we look at. These process tweaks will help us test our assumptions on valuation, but also to take advantage of opportunities in a volatile market. This is crucial – the potential upside is much greater than the potential downside, so while minimising errors is important, it is less important than identifying insights to help us invest today in tomorrow's winners.

> Insights shift us toward a new story, a new set of beliefs that are more accurate, more comprehensive, and more useful. Our insights transform us in several ways. They change how we understand, act, see, feel, and desire.
>
> – Gary Klein

Insights

We strive to identify insights. We look for new ways of seeing companies, truths that others are perhaps less able to see, potential that the market is not currently discounting. This is how one outperforms the market over the long term. Klein suggests that insights are often generated through pattern recognition and making connections as a by-product of coincidence or curiosity. Insights can also come from contradictions and inconsistencies. When we come across things that don't make sense, we need to build new mental models to understand what is going on. For us this is happening more and more when thinking about company valuations.

We have underperformed over the past two years – this simple observation is irrefutable. Interest rates have risen, and valuation multiples have fallen. However, here's the contradiction: over the past two years, the forward price-to-earnings multiple of our portfolio has fallen by 50%, from 34x to 17x*, which is a 40% premium to the index we are trying to outperform. If you believe sell-side analysts, earnings per share (EPS) of our portfolio are expected to grow 12% per annum over the next three years which compares favourably to 4% per annum for the index. At those rates, the valuation multiple of our portfolio would be below that of the index within five years, although we would be disappointed if it wasn't sooner. This doesn't make any sense to us. The companies we invest in typically grow faster than the index and we would expect this to continue for far longer than five years. We think they are higher quality, have unique corporate cultures, have less debt, and are run by some of the best capital allocators in Europe. Things can always get cheaper but even the idea that our portfolio would trade at a discount to the index in a few years highlights just how inefficient the market is at valuing growth.

* Representative portfolio and index figures are calculated excluding negative earnings.

So, what's going on? Part of the explanation could be related to hyperbolic discounting. This is a complicated sounding way of saying that future profits are being excessively discounted. We are reminded of the 1972 Stanford marshmallow experiment, led by psychologist Walter Mischel, which set out to measure a child's willingness to defer gratification. Children would often choose to devour one marshmallow immediately rather than wait fifteen minutes to receive two. This desire to experience immediate rewards at the expense of bigger rewards in the future plagues markets as much as children.

As long-term investors, we believe that the market tends to underestimate the attractiveness of special companies over long periods. This inefficiency becomes much more acute during times of stress, when time horizons shrink, risk appetite diminishes, and a premium is placed on certainty. It's no great surprise, then, that market breadth has narrowed sharply since 2021. Many have sought refuge in the perceived safety of the largest companies in the index regardless of their fundamentals or valuations. We've long believed that the midcap space in Europe contains a high proportion of future outliers, but this view is increasingly at odds with what the market is pricing in. This won't last forever, so we believe that this is the time to be adding to those stocks where we see asymmetric payoffs.

Portfolio

Portfolio turnover for the year was 9%, implying an average holding period of just over 10 years. During the second half of our financial year, we made six new investments in public companies: EQT, one of the world's largest and most reputable private equity firms; LVMH and Moncler, two luxury goods companies that are getting better as they get bigger; Soitec, an innovative French semiconductor company exposed to rapidly growing markets; Royal Unibrew, a multi-beverage company with serial acquirer characteristics; and Eurofins, a global lab testing business we've been waiting patiently to buy for many years. We also made a new investment in an unlisted Italian software company called Bending Spoons, which has a unique approach to monetising consumer mobile apps. This is a diverse, high-quality, highly profitable collection of companies growing much faster than the market, with meaningful inside ownership and attractive valuations.

During the same period, to make way for these new holdings, we completely sold five investments. We have already mentioned Embracer, but food delivery firm Just Eat Takeaway.com and green holding company Aker Horizons didn't work out either. Just Eat Takeaway suffered from an ill-timed acquisition in the highly competitive US market. Legislators also introduced fee caps which effectively turned a profitable business into a loss making one. With Aker Horizons we underestimated how difficult it would be for its portfolio of clean tech businesses to generate profits. MedTech distributor Addlife, and heat pump manufacturer NIBE, have been more successful. During the Covid pandemic, Addlife benefitted from increased demand for diagnostics and hospital equipment, while demand for NIBE's energy efficient heat pumps far exceeded supply during the energy crisis. In both cases we determined that valuations had risen too much, and that the capital would be best redirected into better ideas.

Private companies

While the Company can invest up to 20% of total assets in private companies, we currently have five investments accounting for around 11%: Northvolt (4.9%), McMakler (1.8%), sennder (1.8%), Flix (1.5%) and Bending Spoons (0.9%). Overall operational progress has been good and both Northvolt and Flix are rumoured to be considering an initial public offering ('IPO') in 2024.

We think giving investors low-cost access to private companies that would otherwise be unavailable is an attractive proposition. Companies are staying private for longer, as many of them are relatively asset light and therefore require little capital to grow. As a result, many are in the fortunate position to be able to choose their investors. We think our reputation as long-term growth investors and our ability to invest in both private and public markets mean we are advantaged when it comes to deal flow. We absolutely believe that investing in Europe's increasingly dynamic private companies can generate significant value and provide insights into a level of disruption not normally seen in public markets.

Northvolt

Our very first private investment is becoming increasingly important to us and the broader European economy. Northvolt was founded in 2016 by two former Tesla executives backed by two Swedish entrepreneurs who wanted to accelerate decarbonisation. Their mission was to produce the world's greenest batteries with the lowest carbon footprint. In just seven years, the company has taken on over 4,000 employees, secured more than $8bn in funding, and received more than $55bn in orders from customers like BMW, VW, Scania, Siemens and ABB. This is truly remarkable.

At 4.9% it is the largest position in the portfolio, so its success will help underpin any rebound in performance. The rumoured IPO in 2024 is just a milestone for us if it happens as we can continue holding the shares if there remains sufficient upside. Either way it should be very high profile particularly given its strategic importance to Europe's automotive industry, politicians, and financial institutions who all want to see it succeed. Europe cannot afford to rely on Asian battery manufacturers. It needs to build its own supply chain and Northvolt is the best chance we have.

Northvolt's opportunity is large and growing. In Europe alone, battery demand is expected to increase from around 150GWh in 2022 to 1,370GWh in 2030. This is likely to be revised upwards as new markets and applications emerge. We suspect this will be a commoditised market, but Northvolt's strategy seems well-suited. Important aspects of this strategy include:

- An ambition to lower the carbon footprint of a battery to 10kg of carbon dioxide equivalent per kilowatt hour, a 90% reduction from the current industry benchmark. This will be driven by access to very cheap renewable hydroelectric power, using responsibly sourced raw materials, and using at least 50% recycled material.
- Its unique vertical integration. Everything from cathode production to cell assembly to recycling will be done in-house. This not only lowers carbon emissions but also helps capture more recycled materials and improves quality.
- A European supply chain. A local champion needs local supply, and Northvolt's aim is to source 90% of components from within Europe. This creates a lot of alignment with those customers and politicians responsible for orders and subsidies.
- A focus on talent. Northvolt has assembled one of the best R&D teams in the world. Battery chemistries and technological roadmaps will evolve so it is important that the company can adapt and compete with its Asian competitors.

During an investment trip to Sweden with the Board, we recently visited Northvolt's first factory, Northvolt Ett, in the small town of Skellefteå. The 200-hectare site near the Arctic Circle is equivalent to around 300 football pitches, so is a highly ambitious project. The current plan is to produce 150GWh of batteries by 2030, but there is upside potential to this figure. To put this into context, if the average electric car has a 70kWh battery, this would be enough to power more than 2 million of the 11 million cars sold in Europe in 2022. Using public estimates for battery prices in 2030, this could result in $10–15bn in sales. Engineering and manufacturing at this scale poses tremendous challenges, and there will no doubt be delays and setbacks. If Northvolt succeeds, however, the payoff for investors could be huge.

Outlook

Our investment style is very much out of favour, and we have undoubtedly made mistakes, but we have the right people and corporate culture at Baillie Gifford to persevere through this difficult time. There are plenty of geopolitical tensions and economic headwinds to worry about, but we must not let such factors overshadow the adaptability, innovation, and capital allocation of the companies we invest in. We are riding on the coat-tails of founders, families and management teams who are doing all the hard work. That this work is being so discounted by the market gives us confidence in a brighter outlook for returns from here.

Stephen Paice
Chris Davies
Baillie Gifford
16 November 2023

Review of investments

A review of the Company's ten largest investments as at 30 September 2023.

© Northvolt

Northvolt

Our first and largest private company investment. Founded in 2016 by two former Tesla executives, Northvolt's mission is to accelerate decarbonisation by manufacturing the world's greenest batteries. As demand in Europe alone is expected to grow by c. 10x by the end of the decade, it is vital that Europe has its own battery champion to minimise the dependency on Asian manufacturers. The support from investors, European industrial conglomerates, and politicians means the chances of success are relatively high.

Geography	Sweden
Valuation	£18,752,000
% of total investments	4.9
Valuation at 30 September 2022	£24,301,000
% of total investments at 30 September 2022	6.7
Net purchases/(sales) in year to 30 September 2023	Nil

Prosus

A global consumer technology holding company that listed in Europe in 2019. Its biggest and most important asset is a stake in Tencent, the founder-run, Chinese social media and gaming giant. With over 1.3bn monthly users and an undermonetised platform, there are ample opportunities for continued profitable growth. We think Tencent is mispriced, and as Prosus trades at a significant discount to the value of its assets, we think it's even more mispriced.

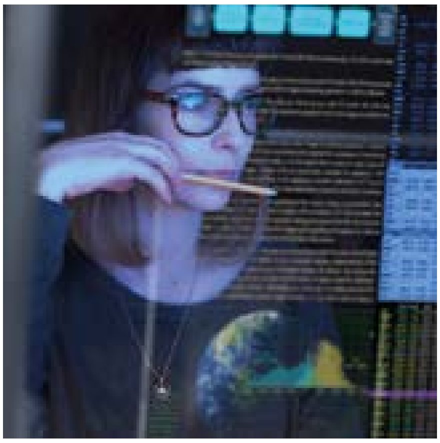
Geography	Netherlands
Valuation	£18,710,000
% of total investments	4.9
Valuation at 30 September 2022	£21,439,000
% of total investments at 30 September 2022	5.9
Net purchases/(sales) in year to 30 September 2023	(£5,815,000)

© Ryanair

Ryanair

The dominant European low-cost airline. Its levels of growth and profitability make Ryanair an outlier in the industry. These are driven by its significant and increasing size advantage and a relentless corporate culture focused on low costs. A strong balance sheet and attractive cash generation also provide additional shareholder returns and the ability to buy new, larger, and more fuel-efficient aircraft. We think that there are many more years of market share gains to come.

Geography	Ireland
Valuation	£16,791,000
% of total investments	4.4
Valuation at 30 September 2022	£11,990,000
% of total investments at 30 September 2022	3.3
Net purchases/(sales) in year to 30 September 2023	(£700,000)



Topicus.com

A serial acquirer in the vertical market software space, buying niche software companies in the highly fragmented European market. Internal cash generation is strong thanks to the mission-critical nature of the software and customer stickiness, which leads to pricing power. This and the presence of parent company and major shareholder Constellation Software – from which Topicus.com was spun out in early 2021 – increase the odds of smart capital allocation and value creation for many years to come.

Geography	Netherlands
Valuation	£16,053,000
% of total investments	4.2
Valuation at 30 September 2022	£13,025,000
% of total investments at 30 September 2022	3.6
Net purchases/(sales) in year to 30 September 2023	Nil

Schibsted

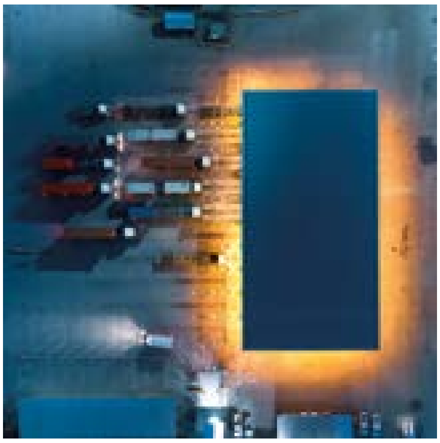
Norwegian media conglomerate with operations across the Nordics. As well as owning influential newspapers, it also has a collection of online classifieds businesses with dominant competitive positions driven by powerful network effects. It also owns a large stake in another listed classifieds business, Adevinta, which today accounts for most of Schibsted's value. Alignment is strong, with long-term shareholder Tinius Trust investing alongside minorities. This company has a remarkable ability to reinvent itself, and we believe it can continue doing so.

Geography	Norway
Valuation	£14,381,000
% of total investments	3.8
Valuation at 30 September 2022	£9,431,000
% of total investments at 30 September 2022	2.6
Net purchases/(sales) in year to 30 September 2023	Nil

Atlas Copco

We think this is one of the best engineering companies in the world. It has leading market shares in air compressors and vacuum pumps which have wide industrial uses and come with very profitable aftermarket businesses. Its decentralised organisation and innovative corporate culture set the standard for others to try and copy. Capital allocation is excellent, and we are strongly aligned with its long-term anchor shareholder, Investor AB.

Geography	Sweden
Valuation	£13,070,000
% of total investments	3.5
Valuation at 30 September 2022	£10,958,000
% of total investments at 30 September 2022	3.0
Net purchases/(sales) in year to 30 September 2023	(£655,000)



DSV

One of the world's biggest freight forwarding companies with significant operations in the sea and air markets. It grows organically and via periodic, large acquisitions. This helps it gain scale, which permits ever higher investment in products and services that competitors cannot match and allows it to secure better pricing from carriers. It also has a unique, high-performance culture focused on operational efficiency, allowing it to make substantial improvements to the companies it acquires.

Geography	Denmark
Valuation	£12,473,000
% of total investments	3.3
Valuation at 30 September 2022	£8,565,000
% of total investments at 30 September 2022	2.4
Net purchases/(sales) in year to 30 September 2023	Nil

ASML

Makes lithography machines vital for the manufacture of semiconductor chips. It is a crucial enabler of Moore's Law and has an especially strong lead in the most technologically advanced extreme ultraviolet lithography machines where it enjoys monopoly status. Demand for smaller and more computationally powerful chips continues to grow strongly with multiple drivers ranging from artificial intelligence to internet-of-things applications. This will require more capital expenditure from semiconductor fabs, resulting in a highly favourable growth outlook.

Geography	Netherlands
Valuation	£12,247,000
% of total investments	3.2
Valuation at 30 September 2022	£9,609,000
% of total investments at 30 September 2022	2.6
Net purchases/(sales) in year to 30 September 2023	Nil

© Allegro

Allegro.eu

Poland's dominant ecommerce platform. Online penetration of retail remains relatively low in Poland, and we believe Allegro will gain significant share as it continues to broaden its assortment and offers the best prices on the market. It recently acquired Mall Group, adding countries like Czechia and almost doubling its addressable market. Allegro's position is driven by powerful network effects, and its ability to fight off competition has been well-demonstrated, even against almighty Amazon.

Geography	Poland
Valuation	£12,058,000
% of total investments	3.2
Valuation at 30 September 2022	£7,786,000
% of total investments at 30 September 2022	2.1
Net purchases/(sales) in year to 30 September 2023	Nil

© Kingspan

Kingspan

A family-run Irish building materials company. Its main products are highly insulated panels and boards for commercial buildings although its acquisitive nature has seen it expand into adjacent product lines and new geographies. The tailwinds from increasing environmental regulations and its ability to consolidate fragmented markets seem to us to have been underappreciated. We think the same could be said of the family CEO whom we rate very highly.

Geography	Ireland
Valuation	£11,356,000
% of total investments	3.0
Valuation at 30 September 2022	£7,502,000
% of total investments at 30 September 2022	2.1
Net purchases/(sales) in year to 30 September 2023	Nil

One year summary

The following information illustrates how Baillie Gifford European Growth Trust has performed over the year to 30 September 2023

	30 September 2023	30 September 2022	% change
Shareholders' funds (borrowings at book value)	£327.4m	£310.4m	
Gearing*	(16%)	(16%)	
Net asset value per ordinary share (borrowings at book value)	91.4p	86.5p	5.7%
Net asset value per ordinary share (borrowings at fair value)*	96.7p	91.9p	5.2%
Share price	83.6p	79.5p	5.2%
FTSE Europe ex UK Index (in sterling terms)			16.9%
Ongoing charges*†	0.62%	0.60%	
Discount (with borrowings at book value)*	8.5%	8.1%	
Discount (with borrowings at fair value)*†	13.6%	13.5%	
Active share*	91%	92%	
Revenue earnings per ordinary share	2.68p	0.79p	239%
Special interim dividend paid during the year	2.20p	–	
Final dividend declared for the year	0.40p	0.70p	
Dividends paid and payable in respect of the year	**2.60p**	**0.70p**	

* Alternative performance measure – see Glossary of terms and alternative performance measures on pages 122 and 124.

† Key Performance Indicator.

Source: Refinitiv/Baillie Gifford and relevant underlying index providers. See disclaimer on page 120.

Past performance is not a guide to future performance.

Year to 30 September	2023	2022
Total return (%)*		
Net asset value per ordinary share (borrowings at book value)†	8.7%	(43.7%)
Net asset value per ordinary share (borrowings at fair value)†	8.3%	(40.4%)
Share price†	8.6%	(47.7%)
FTSE Europe ex UK Index (in sterling terms)	20.5%	(15.3%)

Year to 30 September	2023	2023	2022	2022
Year's high and low	**High**	**Low**	**High**	**Low**
Net asset value per ordinary share (borrowings at book value)	115.08p	83.08p	169.20p	85.72p
Net asset value per ordinary share (borrowings at fair value)*	119.91p	88.69p	169.26p	90.00p
Share price	101.8p	77.4p	164.4p	78.0p
Discount (borrowings at fair value)*†	(11.2%)	(15.7%)	(1.4%)	(17.2%)

Year to 30 September	2023	2022
Net return per ordinary share		
Revenue return	2.68p	0.79p
Capital return	5.09p	(67.98p)
Total return	**7.77p**	**(67.19p)**

* Alternative performance measure – see Glossary of terms and alternative performance measures on pages 122 and 124.

† Key performance indicator.

Source: Refinitiv/Baillie Gifford and relevant underlying index providers. See disclaimer on page 120.

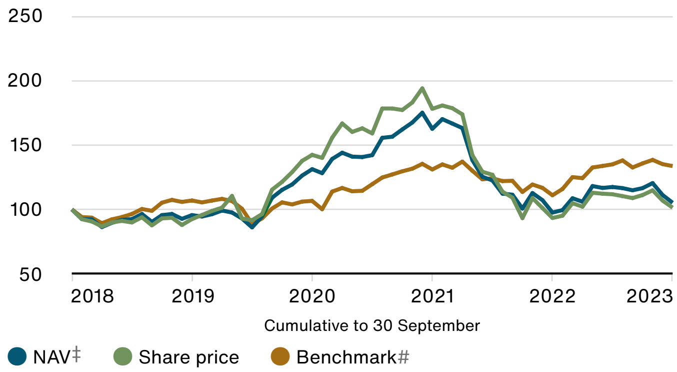
Past performance is not a guide to future performance.

Five year summary

The following charts indicate how an investment in Baillie Gifford European Growth Trust has performed relative to its benchmark and its underlying NAV over the five year period to 30 September 2023.

Five year total return* performance

(figures rebased to 100 at 30 September 2018)



Source: Refinitiv/Baillie Gifford and relevant underlying index providers†. Dividends are reinvested.

(Discount)/premium* to NAV

(figures plotted on a monthly basis)

Source: Refinitiv/Baillie Gifford.

The (discount)/premium is the difference between Baillie Gifford European Growth Trust's quoted share price and its underlying net asset value per share expressed as a percentage of net asset value per share.

* See Glossary of terms and alternative performance measures on pages 122 and 124.

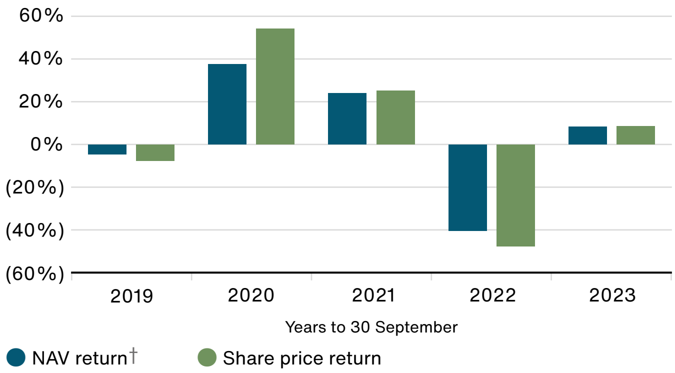
† See disclaimer on page 120.

\# The benchmark is the FTSE Europe ex UK Index (in sterling terms).

‡ With borrowings deducted at fair value.

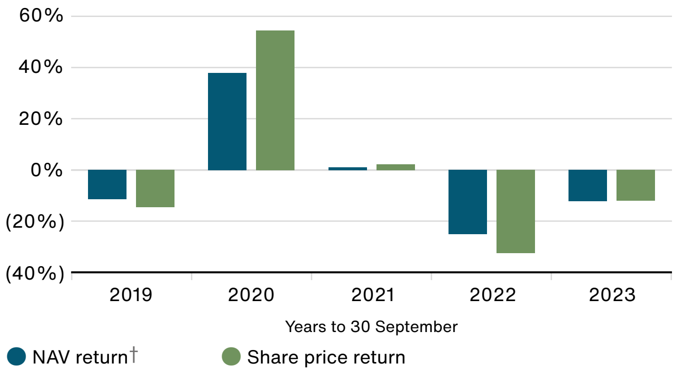
Past performance is not a guide to future performance.

Annual NAV and share price total returns*



Source: Refinitiv/Baillie Gifford and relevant underlying index providers‡.

Annual NAV and share price total returns*
(relative to the benchmark‡ total returns)



Source: Refinitiv/Baillie Gifford and relevant underlying index providers‡.

* See Glossary of terms and alternative performance measures on pages 122 and 124.

† With borrowings deducted at fair value.

\# See disclaimer on page 120.

‡ The benchmark is the FTSE Europe ex UK Index (in sterling terms).

Past performance is not a guide to future performance.

Ten year record

Capital

At 30 September	Total assets £'000	Borrowings £'000	Shareholders' funds £'000	NAV per share (book) *† p	NAV per share (fair) *† p	Share price † p	Discount (book) * %	Discount (fair) * %
2013	323,222	–	323,222	76.8	76.8	68.5	10.9	10.9
2014	336,729	–	336,729	80.0	80.0	74.9	6.4	6.5
2015	312,239	–	312,239	74.2	74.2	67.3	9.3	9.3
2016	360,875	10,216	350,659	83.4	83.4	72.3	13.3	13.4
2017	440,200	–	440,200	104.8	104.8	92.0	12.3	12.3
2018	426,974	12,655	414,319	100.4	100.4	90.8	9.6	9.6
2019	373,857	–	373,857	92.9	92.9	81.0	12.8	12.8
2020	469,587	16,939	452,648	125.0	125.0	122.0	2.4	2.4
2021	613,010	51,471	561,539	154.0	154.5	152.4	1.0	1.3
2022	362,957	52,560	310,397	86.5	91.9	79.5	8.1	13.5
2023	**379,350**	**51,960**	**327,390**	**91.4**	**96.7**	**83.6**	**8.5**	**13.6**

Revenue / Gearing ratios

Year to 30 September	Gross revenue £'000	Available for ordinary shareholders £'000	Revenue earnings per ordinary share † p	Ordinary dividends paid and proposed per share † p	Special dividends per share † p	Ongoing charges ratio # %	Gearing * %	Gross gearing * %
2013	10,413	7,581	1.8	1.4	0.4	0.6	–	–
2014	9,528	6,246	1.5	1.4	0.1	0.6	–	–
2015	9,540	6,708	1.6	1.4	0.2	0.6	–	–
2016	10,357	8,003	1.9	1.6	0.6	0.6	3	3
2017	12,591	10,853	2.6	2.1	0.1	0.6	–	–
2018	13,775	11,461	2.7	2.7	–	0.6	3	3
2019	14,523	12,605	3.1	3.1	–	0.6	–	–
2020	2,597	1,569	0.4	0.3	–	0.4	4	4
2021	3,256	1,533	0.4	0.3	–	0.7	7	9
2022	4,313	2,861	0.8	0.7	–	0.6	16	17
2023	**3,912**	**9,625**	**2.7**	**0.4**	**2.2**	**0.6**	**16**	**16**

Source: Refinitiv/Baillie Gifford. See disclaimer on page 120.

* For a definition of terms see Glossary of terms and alternative performance measures on pages 122 and 124.

† Prior year figures restated for the ten for one share split on 1 February 2021.

\# Total operating costs divided by average net asset value. Baillie Gifford & Co Limited was appointed on 29 November 2019 and agreed to waive its management fee for six months from the date of its appointment. Without the management fee waiver the ongoing charges ratio for the year to 30 September 2020 would have been 0.66%. See Glossary of terms and alternative performance measures on pages 122 and 124.

Past performance is not a guide to future performance.

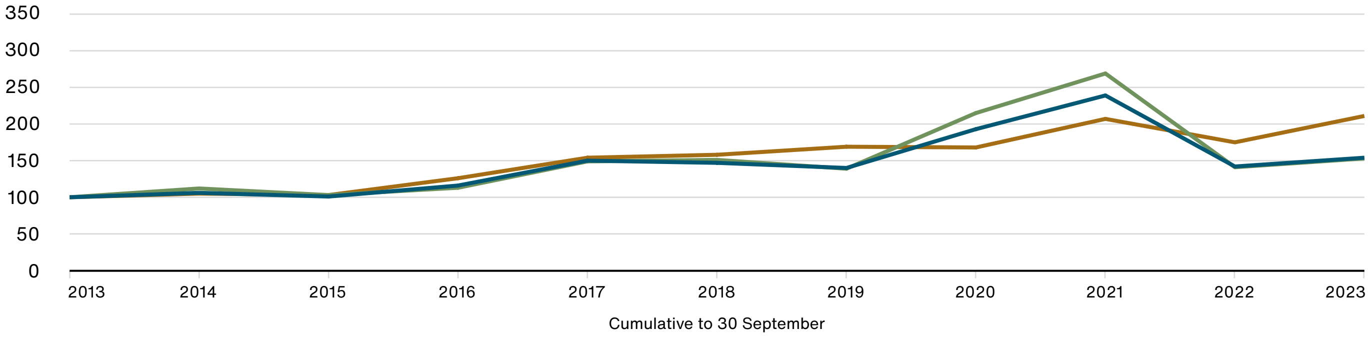
Cumulative performance (taking 2013 as 100)

At 30 September	Net asset value per share	Net asset value total return *	Share price	Share price total return *	Benchmark †	Benchmark total return †	Revenue earnings per ordinary share	Dividends paid and proposed per ordinary share
2013	100	100	100	100	100	100	100	100
2014	104	106	109	112	102	105	83	100
2015	97	101	98	103	97	103	89	100
2016	109	116	106	113	114	126	106	114
2017	136	150	134	149	136	154	143	154
2018	131	147	133	151	135	158	152	193
2019	121	140	118	139	140	169	172	221
2020	163	193	178	215	136	168	23	25
2021	200	239	223	269	163	207	23	25
2022	113	142	116	141	134	175	44	50
2023	**119**	**154**	**122**	**153**	**156**	**211**	**149**	**29**

Compound annual returns (%)

	Net asset value per share	Net asset value total return	Share price	Share price total return	Benchmark	Benchmark total return	Revenue earnings per ordinary share	Dividends paid and proposed per ordinary share
5 year	(1.9)	1.0	(1.6)	0.3	3.0	6.0	(0.4)	(31.7)
10 year	1.8	4.4	2.0	4.3	4.6	7.8	4.1	(11.8)

Ten year total return performance*



NAV total return* Share price total return* Benchmark total return*†

Source: Refinitiv and underlying data providers. See disclaimer on page 120.

* See Glossary of terms and alternative performance measures on pages 122 and 124.

† FTSE Europe ex UK Index (in sterling terms).

Past performance is not a guide to future performance.

Business review

Business model

Business and status

Baillie Gifford European Growth Trust plc ('the Company') is a public company limited by shares and is incorporated in England. The Company is an investment company within the meaning of section 833 of the Companies Act 2006 and carries on business as an investment trust. Investment trusts are UK public listed companies and their shares are traded on the London Stock Exchange. They invest in a portfolio of assets in order to spread risk. The Company has a fixed share capital although, subject to shareholder approval sought annually, it may purchase its own shares or issue shares. The price of the Company's shares is determined, like other listed shares, by supply and demand. The Company has been approved as an investment trust by HM Revenue & Customs subject to the Company continuing to meet the eligibility conditions. The Directors are of the opinion that the Company has continued to conduct its affairs so as to enable it to comply with the ongoing requirements of section 1158 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) (Tax) Regulations 2011.

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

Investment objective

To achieve capital growth over the long-term from a diversified portfolio of European securities.

Investment policy

The Company is invested in a diversified portfolio of between 30 to 60 European companies.

The Company may not invest more than 10% of total assets in any one individual stock at the time of investment.

The Board recognises that investment in some European countries can be riskier than in others. Investment risks are diversified through holding a wide range of securities in different countries and industrial sectors. The Company has the ability to invest in securities that are listed in countries which are not included in the FTSE All-World European ex UK indices, where these securities have a meaningful connection with continental Europe.

The Board has the authority to hedge the Company's exposure to movements in the rate of exchange of currencies, principally the euro, in which the Company's investments are denominated, against sterling, its reporting currency.

Up to 20% of total assets, as measured at the time of initial investment, can be invested in unlisted investments.

The level of gearing within the portfolio is agreed by the Board and the absolute amount of any gearing should not exceed 20% of net assets at time of drawdown, excluding any unlisted investments in the calculation of net assets.

No more than 10% of the total assets of the Company may be invested in other listed investment companies (including investment trusts) except in those that have stated that they will invest no more than 15% of their total assets in other listed investment companies. In this case, the limit is 15%.

The Managers' compliance with the limits set out in the investment policy is monitored by the Board and the Alternative Investment Fund Manager ('AIFM').

Culture

As an externally managed investment company with no employees, Baillie Gifford European Growth Trust's culture is expressed through its Board and its third party service providers, in particular its Managers, in their interactions with shareholders and other stakeholders. The Board's assessment of its own interactions is described in its Section 172 Statement on pages 35 to 37, and the Baillie Gifford statement on stewardship, which describes the Managers' culture of constructive engagement, is set out on pages 40 and 41.

Borrowings

At 30 September 2023 the Company had an uncommitted €30 million bank overdraft credit facility agreement with The Northern Trust Company for the purpose of pursuing its investment objective. At 30 September 2023, nil had been drawn down (2022 – nil). At 30 September 2023 the Company also had €30 million of long-term, fixed rate, senior, unsecured privately placed loan notes, with a fixed coupon of 1.57% to be repaid on 8 December 2040 and a further €30 million of long-term, fixed rate, senior, unsecured privately placed loan notes with a fixed coupon of 1.55% to be repaid on 24 June 2036. Further details of the Company's borrowings are set out in note 12 on page 100.

Performance

At each Board meeting, the Directors consider a number of performance measures to assess the Company's success in achieving its objectives. The performance measures below are to 30 September 2023.

Key performance indicators

The Board uses key performance indicators ('KPIs') to measure the progress and performance of the Company over time when discharging its duties as set out on page 65. These KPIs are established industry measures.

The one, five and ten year records of the KPIs can be found on pages 20 to 25. Further discussion is included in the Chairman's statement on pages 7 to 9.

In addition to the above, the Board considers peer group comparative performance.

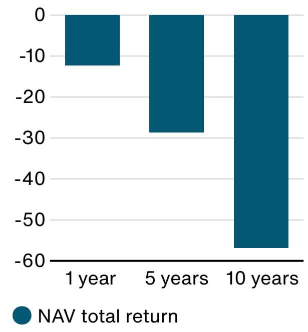
Across these measures, the Board looks for relative outperformance over the long term, while remaining mindful that the nature of the Investment Policy and the growth characteristics of the portfolio investments may entail periods of underperformance over the short and medium term. The Board is satisfied with the Company's progress and performance.

Share price total return relative to the benchmark*

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

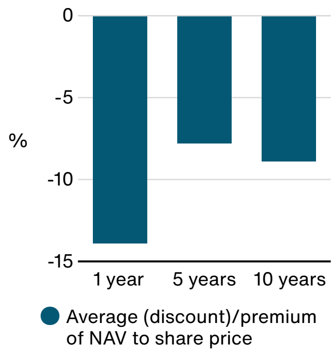
Net asset value total return relative to the benchmark*

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



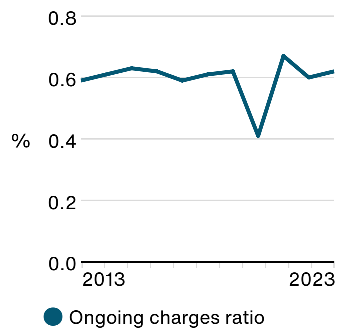
Share price (discount)/premium*

As stock markets 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 it is said to be trading at a discount. If the share price is higher than the NAV, this situation is called a premium.



Ongoing charges ratio*

The ongoing charges ratio is the total recurring expenses (excluding the Company's cost of dealing in investments and borrowing costs) incurred by the Company as a percentage of the daily average net asset value. Without the management fee waiver (see page 24) the ongoing charges ratio for 2020 would have been 0.66%



* Alternative performance measure – see Glossary of terms and alternative performance measures on pages 122 to 124.

Past performance is not a guide to future performance.

Viability statement

Having regard to provision 31 of the UK Corporate Governance Code, the Directors have assessed the prospects of the Company over a five year period. The Directors continue to believe this period to be appropriate as it reflects the Company's longer term investment strategy and to be a period during which, in the absence of any adverse change to the regulatory environment and to the tax treatment afforded to UK investment trusts, they do not expect there to be any significant change to the current principal risks facing the Company nor to the effectiveness of the controls employed to mitigate those risks. Furthermore, the Directors do not reasonably envisage any change in strategy or any events which would prevent the Company from operating over a period of five years.

In considering the viability of the Company, the Directors have conducted a robust assessment of each of the principal and emerging risks and uncertainties detailed on pages 30 to 34, in particular the impact of market risk where a significant fall in European equity markets would adversely impact the value of the investment portfolio. The Directors have also considered the Company's leverage and liquidity in the context of the loan notes repayable in 2036 and 2040, the income and expenditure projections and the fact that the majority (89%) of the Company's investments are readily realisable quoted equity securities which can be sold to meet its liabilities if necessary, the main liabilities currently being the loan notes.

Specific leverage and liquidity stress testing was conducted during the year, including consideration of the risk of further market volatility resulting from increasing geopolitical tensions. The leverage stress testing identified the impact on leverage in scenarios where gross assets fall by 25% and 50%, reflecting a range of market conditions that may adversely impact the portfolio. The liquidity stress testing identified the reduction in the value of assets that can be liquidated within one month that would result in the value of those assets falling below the value of the borrowings. The stress testing did not indicate any matters of concern.

In addition, all of the key operations required by the Company are outsourced to third party service providers and it is reasonably considered that alternative providers could be engaged at relatively short notice where necessary.

Based on the Company's processes for monitoring revenue projections and operating costs, share price discount/premium, the Managers' compliance with the investment objective, asset allocation, the portfolio risk profile, leverage, counterparty exposure, liquidity risk, financial controls and the Managers' operational resilience, the Directors have concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five years.

Principal and emerging risks

As explained on page 68 there is an ongoing process for identifying, evaluating and managing the risks faced by the Company. The Directors have undertaken a robust assessment of the principal and emerging risks facing the Company, including those that would threaten the business model, future performance, solvency or liquidity. A description of these risks and how they are being managed or mitigated is set out below:

Risk	What is the risk?	How is it managed?	Current assessment of risk
Financial risk	The Company's assets consist mainly of listed securities (89% of the investment portfolio) and its principal and emerging financial risks are therefore market related and include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. An explanation of those risks and how they are managed is contained in note 19 to the Financial Statements on pages 101 to 107.	The Board has, in particular, considered the impact of heightened market volatility due to macroeconomic factors such as higher inflation and interest rates and geopolitical concerns. In order to oversee this risk, the Board considers at each meeting various metrics including regional and industrial sector weightings, top and bottom stock contributors to performance along with sales and purchases of investments. Individual investments are discussed with the portfolio manager together with general views on the investment markets and sectors. A strategy session is held annually.	↑ This risk is increasing due to increased market volatility as a result of heightened macroeconomic and geopolitical concerns.
Investment strategy risk	Pursuit of an investment strategy to fulfil the Company's objective which the market perceives to be unattractive or inappropriate, or the ineffective implementation of an attractive or appropriate strategy, may lead to reduced returns for shareholders and, as a result, a decreased demand for the Company's shares. This may lead to the Company's shares trading at a widening discount to their net asset value.	To mitigate this risk, the Board regularly reviews and monitors the Company's objective and investment policy and strategy, the investment portfolio and its performance, the level of discount/premium to net asset value at which the shares trade and movements in the share register and raises any matters of concern with the Managers.	↑ This risk is increasing as the market's appetite for growth stocks, typically held by the Company, has decreased during the recent period of heightened macroeconomic and geopolitical concern.
Political and associated economic risk	Political change in areas in which the Company invests or may invest may have financial consequences for the Company.	To mitigate this risk developments are closely monitored and considered by the Board and are regularly discussed at Board meetings.	↑ This risk is increasing as governments and consumers around the world continue to assess the impact of geopolitical and macroeconomic tensions.

↑ Increasing Risk ↓ Decreasing Risk — No Change

Discount risk

What is the risk?

The discount/premium at which the Company's shares trade relative to its net asset value can change. The risk of a widening discount is that it may undermine investor confidence in the Company.

How is it managed?

To manage this risk, the Board monitors the level of discount/premium at which the shares trade and the Company has authority to buy back its existing shares, when deemed by the Board to be in the best interests of the Company and its shareholders.

Current assessment of risk

The Company's discount widened slightly during the year.

Regulatory risk

What is the risk?

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

How is it managed?

To mitigate this risk, Baillie Gifford's Business Risk, Internal Audit and Compliance Departments provide regular reports to the Audit Committee on Baillie Gifford's monitoring programmes. Major regulatory change could impose disproportionate compliance burdens on the Company. In such circumstances representation is made to ensure that the special circumstances of investment trusts are recognised. Shareholder documents and announcements, including the Company's published Interim and Annual Report and Financial Statements, are subject to stringent review processes and procedures are in place to ensure adherence to the Transparency Directive and the Market Abuse Directive with reference to inside information.

Current assessment of risk

There have been no material regulatory changes that have impacted the Company during the year.

Increasing Risk Decreasing Risk No Change

Risk	What is the risk?	How is it managed?	Current assessment of risk
Custody and depositary risk	Safe custody of the Company's assets may be compromised through control failures by the Depositary, including breaches of cyber security.	To mitigate this risk, the Audit Committee receives six-monthly reports from the Depositary confirming safe custody of the Company's assets held by the Custodian. Cash and portfolio holdings are independently reconciled to the Custodian's records by the Managers who also agree uncertificated private portfolio holdings to confirmations from investee companies. The Custodian's audited internal controls reports are reviewed by Baillie Gifford's Business Risk Department and a summary of the key points is reported to the Audit Committee and any concerns investigated. In addition, the existence of assets is subject to annual external audit.	All control procedures are working effectively.
Operational risk	Failure of Baillie Gifford's systems or those of other third party service providers could lead to an inability to provide accurate reporting and monitoring or a misappropriation of assets.	To mitigate this risk, Baillie Gifford has a comprehensive business continuity plan which facilitates continued operation of the business in the event of a service disruption. The Audit Committee reviews Baillie Gifford's Report on Internal Controls and reports by other key third party providers are reviewed by Baillie Gifford on behalf of the Board and a summary of the key points is reported to the Audit Committee and any concerns investigated. The other key third party service providers have not experienced significant operational difficulties affecting their respective services to the Company.	All control procedures are working effectively.

Increasing Risk Decreasing Risk No Change

Leverage risk

What is the risk?

The Company may borrow money for investment purposes (sometimes known as 'gearing' or 'leverage'). If the investments fall in value, any borrowings will magnify the extent of this loss. If borrowing facilities are not renewed, the Company may have to sell investments to repay borrowings.

How is it managed?

To mitigate this risk, all borrowings require the prior approval of the Board and leverage levels are discussed by the Board and Managers at every meeting. Covenant levels are monitored regularly. The majority of the Company's investments are in quoted securities that are readily realisable. Further information on leverage can be found on page 119 and the Glossary of terms and alternative performance measures on pages 122 to 124.

Current assessment of risk

The Company has in place long term borrowings, expiring in 2036 and 2040.

Climate and governance risk

What is the risk?

Perceived problems on environmental, social and governance ('ESG') matters in an investee company could lead to that company's shares being less attractive to investors, adversely affecting its share price, in addition to potential valuation issues arising from any direct impact of the failure to address the ESG weakness on the operations or management of the investee company (for example in the event of an industrial accident or spillage). Repeated failure by the Managers to identify ESG weaknesses in investee companies could lead to the Company's own shares being less attractive to investors, adversely affecting its own share price.

How is it managed?

This is mitigated by the Managers' strong ESG stewardship and engagement policies which are available to view on the Managers' website, **bailliegifford.com/esg**, and which have been reviewed and endorsed by the Company, and which have been fully integrated into the investment process. Due diligence includes assessment of the risks inherent in climate change (see page 70).

Current assessment of risk

The Investment Manager continues to employ strong ESG stewardship and engagement policies.

Increasing Risk Decreasing Risk No Change

Cyber security risk

What is the risk?

A cyber attack on Baillie Gifford's network or that of a third party service provider could impact the confidentiality, integrity or availability of data and systems.

How is it managed?

To mitigate this risk, the Audit Committee reviews Reports on Internal Controls published by Baillie Gifford and other third party service providers. Cyber security due diligence is performed by Baillie Gifford on third party service providers which includes a review of crisis management and business continuity frameworks.

Current assessment of risk

This risk is seen as increasing due to recent indications that the continuation of geopolitical tensions could lead to cyber attacks. Emerging technologies, including AI, could potentially increase information security risks. In addition, service providers operate a hybrid approach of remote and office working, thereby increasing the potential of a cyber security threat.

Emerging risk

What is the risk?

As explained on page 68 and 69, the Board has regular discussions on principal risks and uncertainties, including any risks which are not an immediate threat but could arise in the longer term.
The Board considers that the key emerging risks arise from the interconnectedness of global economies and the related exposure of the investment portfolio to external and emerging threats such as escalating geopolitical tensions, cyber security risks including developing AI and quantum computing capabilities, and new coronavirus variants or similar public health threats.

How is it managed?

This is mitigated by the Managers' close links to the investee companies and their ability to ask questions on contingency plans. The Managers believe the impact of such events may be to slow growth rather than to invalidate the investment rationale over the long term.

Current assessment of risk

No change in assessment of risk.

Increasing Risk Decreasing Risk No Change

Promoting the success of the Company (section 172 statement)

Under section 172 of the Companies Act 2006, the directors of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters and to the extent applicable) to: a) the likely consequences of any decision in the long term, b) the interests of the company's employees, c) the need to foster the company's business relationships with suppliers, customers and others, d) the impact of the company's operations on the community and the environment, e) the desirability of the company maintaining a reputation for high standards of business conduct, and f) the need to act fairly as between members of the company.

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

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

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

Stakeholder	Why we engage	How we engage and what we do
Shareholder	Shareholders are, collectively, the Company's owners: providing them with a return for their investment in accordance with the Company's investment policy and objective is the reason for its existence.	The Board places great importance on communication with shareholders. The Annual General Meeting provides an opportunity for the Board and Managers to present to shareholders on the Company's performance, future plans and prospects. It also allows shareholders the opportunity to meet with the Board and Managers and raise questions and concerns. The Chairman and Senior Independent Director ('SID') are available to meet with shareholders as appropriate. The Managers meet regularly with shareholders and their representatives, reporting their views back to the Board. Directors also attend certain shareholder presentations, in order to gauge shareholder sentiment first hand. Shareholders may also communicate with members of the Board at any time by writing to them at the Company's registered office or to the Company's broker. These communication opportunities help inform the Board when considering how best to promote the success of the Company for the benefit of all shareholders over the long term.
Baillie Gifford – Managers and Secretaries	The Company's Board has delegated the management of the Company's portfolio, and the administration of the Company's operations including fulfilment of regulatory and taxation reporting requirements, to Baillie Gifford. Baillie Gifford is therefore responsible for the substantial activities of the Company and has the most immediate influence on its conduct towards the other stakeholders, subject to the oversight and strategic direction provided by the Board.	The Board seeks to engage with its Managers and Secretaries, and other service providers, in a collaborative and collegiate manner, encouraging open and constructive discussion and debate, while also ensuring that appropriate and regular challenge is brought and evaluation conducted. This approach aims to enhance service levels and strengthen relationships with the Company's providers, with a view to ensuring the interests of the Company's shareholders are best served by keeping cost levels proportionate and competitive, and by maintaining the highest standards of business conduct.

Stakeholder	Why we engage	How we engage and what we do
Portfolio companies	As all of the Company's operations are conducted by third party professional providers, it is the companies held in its investment portfolio which have the primary real-world impact in terms of social and environmental change, both positively and negatively, as well as generating, through their commercial success, the investment growth sought by the Company's shareholders. The investee companies have an interest in understanding their shareholders' investment rationale in order to assure themselves that long-term business strategies will be supported.	The Board is cognisant of the need to consider the impact of the Company's investment strategy and policy on wider society and the environment. The Board considers that its oversight of environmental, social and governance ('ESG') matters is an important part of its responsibility to all stakeholders. The Board's review of the Managers includes an assessment of their ESG approach and its application in making investment decisions. The Board regularly reviews Governance Engagement reports, which document the Managers' interactions with investee companies on ESG matters (see pages 42 to 45).
Brokers	The Company's brokers provide an interface between the Company's Board and its institutional shareholders.	The Company's brokers regularly attend Board meetings, and provide reports to those meetings, in order to keep the Board apprised of shareholder and wider market sentiment regarding the Company. They also arrange forums for shareholders to meet the Chairman, or other Directors, outwith the normal general meeting cycle.
Registrars	The Company's registrars provide an interface with those shareholders who hold the Company's shares directly.	The Company Secretaries liaise with the registrars to ensure the frequency and accuracy of communications to shareholders is appropriate, and monitor shareholder correspondence to ensure that the level of service provided by the registrars is acceptable. The Manager's risk function reviews the registrars' internal controls report and reports on the outcome of this review to the Audit Committee.
Auditor	The Company's Auditor has a responsibility to provide an opinion on whether the Company's Financial Statements as a whole are free from material misstatement, as set out in more detail in the Auditor's Report to the members on page 81.	The Company's Auditor meets with the Audit Commitee, in the absence of the Managers where deemed necessary, and the Managers undertake to provide all information requested by the Auditor in connection with the Company's annual audit promptly and to ensure that it is complete and accurate in all respects.
Depositary and Custodian	The Depositary is responsible for the safekeeping of the Company's financial instruments, as set out in more detail on page 59.	The Depositary provides the Audit Committee with a report on its monitoring activities. The Board and Managers seek to engage with the Depositary and Custodian in a collaborative and collegiate manner, encouraging open and constructive discussion and debate, while also ensuring that appropriate and regular challenge is brought and evaluation conducted. This approach aims to enhance service levels and strengthen relationships with the Company's providers, with a view to ensuring the interests of the Company's shareholders are best served by keeping cost levels proportionate and competitive, and by maintaining the highest standards of business conduct.
Lenders	Lenders such as holders of debt instruments (debentures, bonds and private placement loan notes) and banks providing fixed or revolving credit facilities or overdrafts provide the Company's gearing and have an interest in the Company's ongoing financial health and viability.	The Company's legal advisers review all legal agreements in connection with the Company's debt arrangements and advise the Board on the appropriateness of the terms and covenants therein. The Managers and Secretaries ensure that the frequency and accuracy of reporting on, for example, covenant certification, is appropriate and that correspondence from the lenders receives a prompt response.

Stakeholder	Why we engage	How we engage and what we do
AIC/industry peers	The Association of Investment Companies (AIC) and the Company's investment trust industry peers have an interest in the Company's conduct and performance, as adverse market sentiment towards one investment trust can affect attitudes towards the wider industry.	The Company is a member of the AIC, and the Directors and/or the Managers and Secretaries (as appropriate) participate in technical reviews, requests for feedback on proposed legislation or regulatory developments, corporate governance discussions and/or training.
Investment platforms	Investment platforms provide an interface with shareholders who invest in the Company indirectly.	The Managers liaise with the various investment platforms on strategies for improving communications with the Company's shareholders who hold their shares via these platforms. An annual timetable of key dates is published on the Company's website, for the ease of reference of such shareholders.
Wider society and the environment	No entity, corporate or otherwise, can exist without having an influence on the society in which it operates or utilising the planet's resources. Through its third-party relationships, as noted above, the Company seeks to be a positive influence and, in circumstances where that is not possible, to mitigate its negative impacts insofar as is possible.	The Board and Managers' interactions with the various stakeholders as noted above form the principal forms of direct engagement with wider society and in respect of the environment (commercial, financial, and in terms of planetary health and resources).

The Board recognises the importance of maintaining the interests of the Company and its stakeholders, in aggregate, firmly front of mind in its key decision making and Baillie Gifford & Co Limited, the Company Secretaries, are at all times available to the Board to ensure that suitable consideration is given to the range of factors to which the Directors should have regard. In addition to ensuring that the Company's stated investment objective was being pursued, key decisions and actions during the year which have required the Directors to have regard to applicable section 172 factors include:

- Undertaking a recruitment process and subsequently appointing David Barron as a Director with effect from 1 October 2023 (see page 65). This appointment is consistent with the AIC Corporate Governance Code principle that 'a successful company is led by an effective board, whose role is to promote the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society';
- The Board's decision to declare a final dividend of 0.70p per ordinary share for the year end 30 September 2022, the minimum required for the Company to maintain its investment trust status;
- The Board's decision to distribute the HMRC refund (note 6 on page 96 provides more detail) as a special dividend; and
- The buy back of 538,471 shares at a discount enhancing the NAV for continuing shareholders.

Employees, human rights and community issues

The Board recognises the requirement to provide information about employees, human rights and community issues. As the Company has no employees, all its Directors are non-executive and all its functions are outsourced, there are no disclosures to be made in respect of employees, human rights and community issues.

Gender representation

At 30 September 2023, the Board comprises four Directors, three male and one female. The Company has no employees. The Board's policy on diversity is set out on pages 66 and 67.

Environmental, social and governance policy

Details of the Company's policy on socially responsible investment can be found under Corporate Governance and Stewardship on page 70.

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

The Strategic report, which includes pages 7 to 53 was approved by the Board of Directors and signed on its behalf on 16 November 2023.

Michael MacPhee
Chairman

Baillie Gifford statement on stewardship

Baillie Gifford's over-arching ethos is that we are 'actual' investors. We have a responsibility to behave as supportive and constructively engaged long-term investors. We invest in companies at different stages in their evolution, across vastly different industries and geographies and we celebrate their uniqueness. Consequently, we are wary of prescriptive policies and rules, believing that these often run counter to thoughtful and beneficial corporate stewardship. Our approach favours a small number of simple principles which help shape our interactions with companies.

Prioritisation of long-term value creation

We encourage our holdings to be ambitious and focus their investments on long-term value creation. We understand that it is easy to be influenced by short-sighted demands for profit maximisation but believe these often lead to sub-optimal long-term outcomes. We regard it as our responsibility to steer holdings away from destructive financial engineering towards activities that create genuine economic and stakeholder value over the long run. We are happy that our value will often be in supporting management when others don't.

A constructive and purposeful board

We believe that boards play a key role in supporting corporate success and representing the interests of all capital providers. There is no fixed formula, but it is our expectation that boards have the resources, information, cognitive and experiential diversity they need to fulfil these responsibilities. We believe that good governance works best when there are diverse skillsets and perspectives, paired with an inclusive culture and strong independent representation able to assist, advise and constructively challenge the thinking of management.

Long-term focused remuneration with stretching targets

We look for remuneration policies that are simple, transparent and reward superior strategic and operational endeavour. We believe incentive schemes can be important in driving behaviour, and we encourage policies which create genuine long-term alignment with external capital providers. We are accepting of significant payouts to executives if these are commensurate with outstanding long-run value creation, but plans should not reward mediocre outcomes. We think that performance hurdles should be skewed towards long-term results and that remuneration plans should be subject to shareholder approval.

Fair treatment of stakeholders

We believe it is in the long-term interests of all enterprises to maintain strong relationships with all stakeholders – employees, customers, suppliers, regulators and the communities they exist within. We do not believe in one-size-fits-all policies and recognise that operating policies, governance and ownership structures may need to vary according to circumstance. Nonetheless, we believe the principles of fairness, transparency and respect should be prioritised at all times.

Sustainable business practices

We believe an entity's long-term success is dependent on maintaining its social licence to operate and look for holdings to work within the spirit and not just the letter of the laws and regulations that govern them. We expect all holdings to consider how their actions impact society, both directly and indirectly, and encourage the development of thoughtful environmental practices and 'net-zero' aligned climate strategies as a matter of priority. Climate change, environmental impact, social inclusion, tax and fair treatment of employees should be addressed at board level, with appropriately stretching policies and targets focused on the relevant material dimensions. Boards and senior management should understand, regularly review and disclose information relevant to such targets publicly, alongside plans for ongoing improvement.

Environmental, social and governance engagement

Corporate governance and stewardship

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

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

By engaging with companies, the Managers seek to build constructive relationships with them, to better inform our investment activities and, where necessary, effect change within our holdings, ultimately with the goal of achieving better returns for our shareholders. The table on the following page shows the engagements in the year to 30 September 2023.

Engagements in the year to 30 September 2023	Environmental	Social	Governance
Adevinta			●
Adyen	●	●	●
Allegro.eu			●
ASML			●
Beijer Ref			●
Cellectis			●
Dassault Systèmes			●
Delivery Hero			●
DSV	●		●
Eurofins			●
Evotec			●
Hemnet			●
IMCD			●
Kering		●	●
Kingspan		●	●
Mettler-Toledo			●
Nexans	●		●
Northvolt		●	
Prosus	●		
Richemont			●
Ryanair	●		●
Sartorius Stedim Biotech			●
Schibsted			●
Soitec			●
tonies			●
Wizz Air			●

The examples on the following pages demonstrate our stewardship approach through constructive, ongoing engagement.

Kering

Objective

We participated in Kering's annual ESG Roadshow to receive an update from the company's senior executives and lead independent director. Our ongoing engagement priorities with the company relate to its executive remuneration, upstream supply chain, materials innovation work and board effectiveness – namely, Emma Watson's attendance as sustainability committee chair. We were interested in discussing updates on these matters; however, the call came at an apposite time. One of Kering's houses, Balenciaga, was heavily criticised after an advertising campaign which sexualised children. The incident was a source of profound disappointment for us as shareholders, and we wanted assurance that the company would act to reinforce oversight processes.

Discussion

We expressed concern that internal procedures had not halted the Balenciaga campaign. Especially given the company had agreed to implement more robust checks and balances after a similar incident at Gucci in 2019. Although it was disappointing to hear that the advertising campaign had received sign-off through Balenciaga's internal processes, Kering's senior executives shared expressions of hurt and disappointment on the call. There will be an internal inquiry.

On executive remuneration, we flagged that Kering's annual variable remuneration appeared to have softened corporate social responsibility targets – 10 per cent of remuneration was seemingly payable with the sending of just "one compliance-related message every year". The company explained the intention in setting the target was to encourage the chairman and CEO to promote a culture of integrity. The remuneration committee will undertake a qualitative assessment of promoting such a culture, where one compliance-related message a year would not suffice. We will monitor related disclosures once they are made available to shareholders in the subsequent remuneration report.

We touched on materials innovation and traceability, particularly for leather – an integral material to the products that are Kering's largest source of revenue and one of the most significant contributors to environmental impact in its environmental profit and loss accounts. The company has 2025 targets to reach 100 per cent leather traceability to the slaughterhouse and 100 per cent alignment with the Kering Standards (which cover things like animal welfare, chemical use and land use). The company's efforts here are notable, and it is working with tanneries and factories to implement more sustainable practices. We flagged how we considered materials innovation to be a key lever the company has at its disposal to reduce its land use footprint further – the company's initiatives here are notable (albeit small-scale). Still, we recognise the challenges of scalability and the need for functional performance. Finally, we were pleased that Emma Watson chaired a recent sustainability committee meeting after poor attendance last year.

Outcome

After the call, Balenciaga issued a public apology in which the house took responsibility for 'a series of grievous errors'. The statement outlined that internal and external investigations were underway and would lead to changes. It committed to revised ways of working, reinforcement of validation and sign-off processes and further remediating actions. We are encouraged by the swift action taken, but we intend to engage in the future for updates on implementing these commitments. We also look forward to follow-ups on remuneration, board effectiveness and supply chain progress in future engagements.

Northvolt

Objective

We spoke to Fredrick Hedlund, Senior Vice President of Cell Operations, to understand how production and the ramping-up of Northvolt's battery manufacturing operations is progressing. We were particularly interested in understanding the challenges the company has had ramping up production while at the same time keeping high process safety standards.

Discussion

Northolt's Ett manufacturing site is starting to ramp up production and now has an interim target this year to get to 1 GWh of production capacity at a production utilisation of >70%. This ramp-up has involved many different production lines being designed, developed and installed simultaneously, which has naturally created teething challenges.

At the moment, the greatest risk of an incident is due to manual intervention by changing and turning on and off production lines and is not linked to production line speed. Once up and running the production lines will be mostly automated, which will reduce the risk to operatives. Northvolt has a 2025 safety target of 2 or below LTIFR (lost time injuries frequency rate) per million, at the moment they are running at around 4 which is below the industry average. Once more production lines get up and running it is likely that safety statistics will improve.

Outcome

By engaging with Northvolt on process safety, we acquired a greater understanding of the high-risk environments it is experiencing as production continues to ramp up. We were encouraged to hear that Northvolt has stretching safety targets and that it is taking process safety seriously at Ett.

Ryanair

Objective

To learn more about how Ryanair's sustainability initiatives are supporting the business's long-term strategy.

Discussion

We attended Ryanair's sustainability event at Trinity College Dublin, where we heard from senior management and business partners. We learned about the company's partnership with TCD and Royal Dutch Shell to develop sustainable aviation fuel. We also spoke with representatives from Boeing and Safran, Ryanair's aircraft and engine manufacturers, about technology developments that improve fuel efficiency and noise reduction. It was also interesting to hear more about the regulatory and logistics landscape that needs reform to support cleaner air travel. Finally, we heard strong arguments against the potential for battery technology and hydrogen to provide scalable solutions to the aviation industry's environmental impact within the next 20 years.

Outcome

We came away from this event with greater confidence in Ryanair's commitment to sustainability. The company is an industry leader in terms of the environmental impact of its business operations and has set out an ambitious strategy to improve over time. We will maintain our dialogue with management and the board in support of continued progress.

Baillie Gifford – proxy voting

We believe that 'active ownership' of our clients' holdings is as important as selecting the right investments in the first instance. These guidelines are aligned with our stewardship principles and describe our approach to proxy voting and company engagement, the key levers of active ownership, often described as 'stewardship'.

While these guidelines are intended to provide an insight into how we approach voting on our clients' behalf, it is important to note that we assess every company individually. In voting, we will always evaluate proposals on a case-by-case basis, based on what we believe to be in the best long-term interests of our clients, rather than rigidly applying a policy.

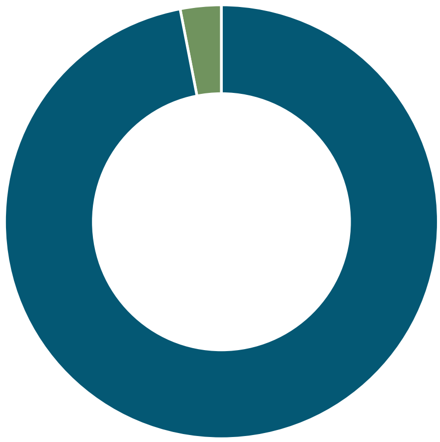
A broad cross-section of our investment staff is involved in our ongoing work on stewardship. In the same way that our investment approach is based around empowered and independent teams, our voting and engagement is led by the individual investment teams. In keeping with our decentralised and autonomous culture, our investment teams will, on occasion, elect to vote differently on the same general meeting resolutions. Where this happens, we report accordingly in the proxy voting disclosure on our website. We also have clear processes in place to identify, prevent and manage potential proxy voting related conflicts of interest to ensure that in all cases the firm acts in the clients' best interest. Baillie Gifford's firm-wide conflict of interest disclosure is available on its website.

Prior to taking any voting action, we usually address specific ESG concerns by engaging directly with the company, using voting as an escalation mechanism if we have not seen sufficient progress. The two examples on the next page demonstrate this engagement.

Company meeting record

Number of meetings voted with management	78%
Number of meetings with at least one against, withhold or abstain	22%

Voting distribution



Number of votes for	97%
Number of votes against	3%

Richemont

Objective

We engaged with Richemont due to board changes and our ongoing concerns regarding executive remuneration practices.

Discussion

The concerns relate to poor structure and disclosure of remuneration, which undermine our ability to assess pay for performance. This meant we voted against variable remuneration at the 2022 AGM.
We requested to speak directly with the Lead Independent Director and Chair of the Remuneration Committee, Clay Brendish, ahead of the 2023 AGM, but we were informed that this would not be possible until after our voting deadline. We spoke with an Investor Relations representative instead. Richemont informed us that it does not want to disclose targets for the Long-Term Incentive Plan ('LTIP') remuneration portion for reasons of commercial sensitivity.
We then asked for reflections on the significant dissent on remuneration received from free-float shareholders at last year's AGM. Richemont believed the primary reason for this was the undisclosed executive receiving a special award. This year, Richemont has disclosed the CFO as the beneficiary. Replacement of long-tenured board members is also an ongoing process, and the board is seeking new representatives with an understanding of clientele in the US and Asian markets.

Outcome

We escalated voting action to oppose the Remuneration Committee Chair and the variable remuneration component at the 2023 AGM. Remuneration was the subject of significant dissent again this year, with 23% of shareholders voting against executive variable remuneration. The Remuneration Committee Chair also received 9% of votes against their re-election.

Kering

Objective

We had a meeting with Kering to discuss proposals on the agenda for its 2023 Annual General Meeting. Our primary goals were to test for levels of stretch in remuneration, register our disappointment in the consistently poor board attendance of Emma Watson, and understand the key learnings from the inquiry into the Balenciaga scandal – an incident that had implications for brand equity.

Discussion

We spoke with Group Legal Director and IR representatives at Kering. We explored the remuneration committee's decision not to consider the Balenciaga incident in determining executive remuneration outcomes. This was despite the annual bonus containing specific ESG metrics related to culture. It was explained to us that the committee concluded that the scandal was due to a lack of judgement at Balenciaga, and it was not deemed to be a compliance-related issue or an example of a violation of ethics at the Group level. Emma Watson's board attendance had improved, but it remains a concern. Staggered board elections mean that shareholders are only able to vote on the elections of individual board members once every four years.

Outcome

After careful consideration, we decided to vote against the remuneration report. We believed the Balenciaga scandal to be of direct relevance to ESG metrics contained in the executive annual bonus and, therefore, should have been reflected in the performance outcome. These metrics included “entrench Kering's culture and values” and “strengthen the culture of ethics within the group”. The fact that the related components of the plan paid out at 100 per cent was an indication to us of a weak remuneration structure and deficient application of the policy. It's clear that there's a delicate balance to be struck between Group oversight with the ability to foster challenge and creativity at individual Group Houses. Kering appears to be taking a thoughtful approach through the updates it is making to internal processes in response to the Balenciaga incident.

Baillie Gifford – valuing private companies

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

The valuation process is overseen by a valuations committee at Baillie Gifford which takes advice from an independent third party (S&P Global). The portfolio managers feed into the process, but the valuations committee owns the process and the portfolio managers only receive final valuation notifications once they have been applied.

We revalue the private holdings on a three-month rolling cycle, with one-third of the holdings reassessed each month. For investment trusts, the prices are also reviewed twice per year by the respective investment trust boards and are subject to the scrutiny of external auditors in the annual audit process.

Recent market volatility has meant that recent pricing has moved much more frequently than would have been the case with the quarterly valuations cycle. Beyond the regular cycle, the valuations team also monitors the portfolio for certain ‘trigger events’. These may include: changes in fundamentals; a takeover approach; an intention to carry out an IPO; or changes to the valuation of comparable public companies. The valuations team also monitors relevant market indices on a weekly basis and updates valuations in a manner consistent with our external valuer’s (S&P Global) most recent valuation report where appropriate. When market volatility is particularly pronounced the team do these checks daily. Any ad hoc change to the fair valuation of any holding is implemented swiftly and reflected in the next published net asset value. There is no delay.

List of investments

As at 30 September 2023

Name	Geography	Business	2023 Value £'000	2023 % of total assets
Northvolt[u]	Sweden	Battery developer and manufacturer	18,752	4.9
Prosus	Netherlands	Portfolio of online consumer companies	18,710	4.9
Ryanair	Ireland	Low-cost airline	16,791	4.4
Topicus.com	Netherlands	Acquirer of vertical market software companies	16,053	4.2
Schibsted	Norway	Media and classifieds advertising platforms	14,381	3.8
Atlas Copco	Sweden	Industrial group	13,070	3.5
DSV	Denmark	Freight forwarder	12,473	3.3
ASML	Netherlands	Semiconductor equipment manufacturer	12,247	3.2
Allegro.eu	Poland	Ecommerce platform	12,058	3.2
Kingspan	Ireland	Building materials provider	11,356	3.0
EXOR	Netherlands	Investment company specialising in industrials	10,774	2.8
Kering	France	Owner of luxury fashion brands	10,570	2.8
IMCD	Netherlands	Speciality chemicals distributor	9,697	2.6
Adevinta	Norway	Online classifieds marketplaces	9,606	2.5
Avanza Bank	Sweden	Online investment platform	9,396	2.5
Richemont	Switzerland	Owner of luxury goods companies	8,907	2.3
Spotify	Sweden	Online audio streaming service	8,528	2.2
Mettler-Toledo	Switzerland	Manufacturer of precision instruments for laboratories	8,302	2.2
Dassault Systèmes	France	Develops software for 3D computer-aided design	8,137	2.1
Adyen	Netherlands	Online payments platform	8,024	2.1
Nexans	France	Cable manufacturing company	8,003	2.1
Reply	Italy	IT consulting and systems integration provider	7,089	1.9
sennder[u]#	Germany	Freight forwarder focused on road logistics	6,938	1.8
McMakler[u]	Germany	Digital real estate broker	6,668	1.8
Sartorius Stedim Biotech	France	Pharmaceutical and laboratory equipment provider	6,531	1.7
Zalando	Germany	Online fashion retail platform	5,848	1.5
Flix[u]	Germany	Long-distance bus and train provider	5,841	1.5
Hypoport*	Germany	FinTech platform	5,633	1.5
Hexpol	Sweden	Manufacturer of rubber and polymer compounds	5,591	1.5
Kinnevik	Sweden	Investment company specialising in digital consumer businesses	5,508	1.5
Delivery Hero	Germany	Online food delivery platform	4,968	1.3

Name	Geography	Business	2023 Value £'000	2023 % of total assets
Epiroc	Sweden	Mining and infrastructure equipment provider	4,910	1.3
Evotec	Germany	Contract research and drug discovery company	4,793	1.3
HelloFresh	Germany	Meal kit delivery company	4,775	1.3
LVMH*	France	Luxury goods	4,626	1.2
Wizz Air	Hungary	Low-cost airline	4,583	1.2
Soitec*	France	Manufactures engineered substrates for semiconductor wafers	4,508	1.2
Hemnet	Sweden	Online real estate platform	4,400	1.2
adidas	Germany	Sports shoes and clothing manufacturer	4,170	1.1
Beijer Ref	Sweden	Wholesaler of cooling technology	3,827	1.0
AUTO1	Germany	Online platform for used car selling in Europe	3,785	1.0
Moncler*	Italy	Manufactures luxury apparel products	3,693	1.0
Bending Spoons*ⓤ	Italy	Mobile application software developer	3,243	0.9
AutoStore*	Norway	Warehouse automation and cubic storage systems	3,121	0.8
Tonies	Germany	Musical storybox toys for children	3,099	0.8
Royal Unibrew*	Denmark	Alcoholic and non-alcoholic beverages	2,892	0.8
Eurofins*	France	Analytical testing services	2,862	0.8
Crispr Therapeutics	Switzerland	Developer of treatments based on gene editing technology	2,701	0.7
EQT*	Sweden	Investment firm, investing in equity, ventures, infrastructure and real estate	2,688	0.7
VNV Global	Sweden	Investment company specialising in early-stage technologies	2,253	0.6
Cellectis†	France	Biotech focused on genetic engineering	433	0.1
Total Investments			**377,812**	**99.6**
Net Liquid Assets			**1,536**	**0.4**
Total Assets			**379,348**	**100.0**
Borrowings			**(51,960)**	**(13.7)**
Shareholders' funds			**327,388**	**86.3**

Details of the ten largest investments are given on pages 16 to 19 along with comparative valuations.

ⓤ Denotes private company investment.

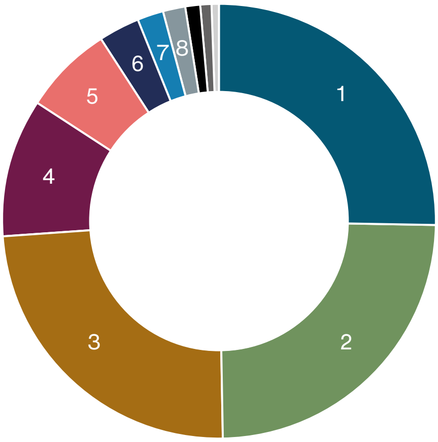
* New holding bought during the year (Addlife, Aker Horizons, Embracer, NIBE Industrier, Takeaway.com, Ubisoft Entertainment were sold during the year)

† Includes American Depositary Receipt.

Includes convertible loan note.

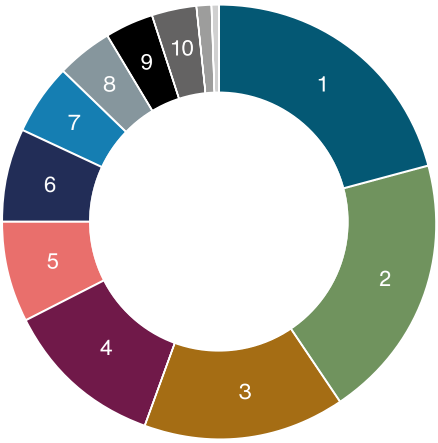
Distribution of total assets*

Sector 2023



	Sector	2023 %	2022 %
1	Industrials	25.4	22.6
2	Consumer Discretionary	24.4	28.5
3	Information Technology	24.1	24.5
4	Financials	10.4	8.6
5	Healthcare	6.8	7.3
6	Real Estate	2.9	2.5
7	Technology	2.1	–
8	Materials	1.5	2.4
9	Consumer Services	1.2	1.4
10	Consumer Staples	0.8	–
11	Utilities	–	0.9
12	Net Liquid Assets	0.4	1.3

Geographical 2023



	Geographical	2023 %	2022 %
1	Sweden	20.9	26.2
2	Netherlands	19.8	23.4
3	Germany	14.9	13.7
4	France	12.0	10.4
5	Ireland	7.4	5.4
6	Norway	7.1	5.2
7	Switzerland	5.2	6.3
8	Denmark	4.1	2.4
9	Italy	3.8	2.2
10	Poland	3.2	2.1
11	Hungary	1.2	1.4
12	Net Liquid Assets	0.4	1.3

* Total assets represents total net assets before deduction of borrowings.

Governance report

This governance report, which includes pages 55 to 79, outlines the Board's approach to the governance of your Company. We believe that good governance builds better outcomes and we are committed to high standards of corporate governance and transparency.

Directors and management

Directors

Michael MacPhee

Chairman

Appointed 2016

Michael MacPhee was called to the English Bar in 1987, and joined Baillie Gifford & Co in 1989 and became a partner in 1998. He headed the firm's European department from 2003 to 2008 and thereafter co-managed a global investment strategy. From 1998 until his retirement from the firm in 2014 he was the manager of Mid Wynd International Investment Trust PLC. He is a director of Carbon Recycled Energy Limited. He was appointed a Director of the Company in 2016 and Chairman in 2017.

David Barron

Director

Appointed 2023

David Barron has spent 25 years working in the investment management sector and until November 2019 was chief executive officer of Miton Group PLC following six years with the firm. Prior to this he was head of investment trusts at JP Morgan Asset Management for more than ten years having joined Robert Fleming in 1995. He is currently chairman of Dunedin Income Growth Investment Trust PLC, chairman of the audit committee of Fidelity Japan Trust PLC and of BlackRock Sustainable American Income Trust plc. He was also a non-executive director of Premier Miton Group PLC until 7 July 2023. He was appointed a Director of the Company on 1 October 2023.

Emma Davies

Director

Appointed 2021

Emma Davies is an experienced investment professional who has spent her career investing across global equity markets, as well as in the property and private equity markets in the UK. She has a sophisticated understanding of ESG considerations, particularly with regard to social and governance concerns. She is currently the chief investment officer at Guy's & St Thomas' Foundation and is also a non-executive director and chair of the audit committee of Riverstone Credit Opportunities Income Plc and a non-executive director of Octopus Future Generations VCT. She was appointed a Director of the Company in 2021.

Andrew Watkins

Director

Appointed 2019

Andrew Watkins (Senior Independent Director) was head of client relations, sales and marketing for Invesco Perpetual's listed investment funds business until his retirement in June 2017. He is currently chairman of Ashoka India Equity Investment Trust plc and CT UK High Income Trust plc, a director of Chelverton UK Dividend Trust plc and Consistent Unit Trust Management Company Limited. He was appointed a Director of the Company in 2019.

Dr Michael Woodward

Audit Committee Chair

Appointed 2013

Dr Michael Woodward has worked in the investment trust industry for over 40 years, both as a European portfolio manager with Ivory & Sime and as the individual with responsibility for the management of the investment trust business at Martin Currie and F&C Asset Management. He was appointed a Director of the Company in 2013 and Chairman of the Audit Committee in 2017.

All of the Directors are members of the Audit Committee.

Managers and secretaries

The Company has appointed Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, as its Alternative Investment Fund Managers ('AIFM') and Company Secretary. Baillie Gifford & Co Limited has delegated investment management services to Baillie Gifford & Co. Baillie Gifford & Co is an investment management firm formed in 1927 out of the legal firm Baillie Gifford, WS, which had been involved in investment management since 1908.

Baillie Gifford is one of the largest investment trust managers in the UK and currently manages twelve investment trusts. Baillie Gifford also manages unit trusts and open ended investment companies, together with investment portfolios on behalf of pension funds, charities and other institutional clients, both in the UK and overseas. Funds under the management or advice of Baillie Gifford totalled around £217 billion as at 15 November 2023. Based in Edinburgh, it is one of the leading privately owned investment management firms in the UK, with 57 partners and a staff of around 1,830.

The Managers of Baillie Gifford European Growth Trust are Stephen Paice and Chris Davies. Stephen is Head of the European Equity Team. Chris is an Investment Manager in the European Equity Team.

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

Directors' report

The Directors present their Report together with the audited Financial Statements of the Company for the year to 30 September 2023.

Corporate governance

The Corporate governance report is set out on pages 64 to 70 and forms part of this Report.

Managers and Company Secretaries

Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, was appointed as the Company's Alternative Investment Fund Manager ('AIFM') and Company Secretaries on 29 November 2019. Baillie Gifford & Co Limited has delegated portfolio management services to Baillie Gifford & Co. Dealing activity and transaction reporting has been further sub-delegated to Baillie Gifford Overseas Limited and Baillie Gifford Asia (Hong Kong) Limited.

The Investment Management Agreement between the AIFM and the Company sets out the matters over which the Managers have authority in accordance with the policies and directions of, and subject to restrictions imposed by, the Board. The Investment Management Agreement is terminable on not less than three months' notice or on shorter notice in certain circumstances. Compensation would only be payable if termination occurred prior to the expiry of the notice period. The annual management fee is 0.55% of the lower of (i) the Company's market capitalisation and (ii) the Company's net asset value (which shall include income), in either case up to £500 million, and 0.50% of the amount of the lower of the Company's market capitalisation or net asset value above £500 million, calculated and payable quarterly.

Careful consideration has been given by the Board as to the basis on which the management fee is charged. The Board considers that maintaining a relatively low ongoing charges ratio is in the best interests of the shareholders. The Board is also of the view that calculating the fee with reference to performance would be unlikely to exert a positive influence over the long-term performance.

The Board considers the Company's investment management and secretarial arrangements on an ongoing basis and a formal review is conducted annually. The Board considered, amongst others, the following topics in its review: the quality of the personnel assigned to handle the Company's affairs; the investment process and the results achieved to date; investment performance; the administrative services provided by the Secretaries and the quality of information provided; the marketing efforts undertaken by the Managers; the relationship with the Managers; and comparative peer group charges and fees.

Following the most recent review, the Board concluded that the continuing appointment of Baillie Gifford & Co Limited as AIFM and the delegation of investment management services to Baillie Gifford & Co, on the terms agreed, is in the interests of shareholders as a whole.

Depositary

In accordance with the Alternative Investment Fund Managers Regulations, Northern Trust Investor Services has been appointed as Depositary to the Company.

The Depositary's responsibilities include cash monitoring, safe keeping of the Company's financial instruments, verifying ownership and maintaining a record of other assets and monitoring the Company's compliance with investment limits and leverage requirements. Custody services are provided by The Northern Trust Company (as a delegate of the Depositary) ('the Custodian').

Directors

Information about the Directors, including their relevant experience, can be found on pages 55 and 56.

With the exceptions of Dr Woodward, who is standing down, and Mr Barron, who is seeking election for the first time, all Directors will retire at the Annual General Meeting and offer themselves for re-election. Following a formal performance evaluation, the Chairman confirms that the Board considers that their performance continues to be effective and each remains committed to the Company. Their contribution to the Board is greatly valued and the Board recommends their re-election to shareholders.

Director indemnification and insurance

The Company has entered into qualifying third party deeds of indemnity in favour of each of its Directors. The deeds, which were in force during the year to 30 September 2023 and up to the date of approval of this report, cover any liabilities that may arise to a third party, other than the Company, for negligence, default or breach of trust or duty. The Directors are not indemnified in respect of liabilities to the Company, any regulatory or criminal fines, any costs incurred in connection with criminal proceedings in which the Director is convicted or civil proceedings brought by the Company in which judgement is given against her or him. In addition, the indemnity does not apply to any liability to the extent that it is recovered from another person.

The Company maintains Directors' and Officers' liability insurance.

Conflicts of interest

Each Director submits a list of potential conflicts of interest to the Board for consideration and approval at each meeting. The Board considers these carefully, taking into account the circumstances surrounding them prior to authorisation. Having considered the lists of potential conflicts there were no situations which gave rise to a direct or indirect interest of a Director which conflicted with the interests of the Company.

Dividends

The Board recommends a final dividend of 0.40p per ordinary share (2022 – 0.70p). During the year a special interim dividend of 2.20p was paid on 15 September 2023. Dividends will only be paid to the extent needed to maintain the Company's investment trust status.

If approved by shareholders at the Annual General Meeting, the recommended final dividend per ordinary share will be paid on 2 February 2024 to shareholders on the register at the close of business on 5 January 2024. The ex-dividend date is 4 January 2024. The Company's Registrar offers a Dividend Reinvestment Plan (see page 116) and the final date for elections for this dividend is 12 January 2024.

Share capital

Capital structure

The Company's capital structure at 30 September 2023 consists of 402,443,690 ordinary shares of 2.5p each (2022 – 402,443,690) of which 358,149,200 (2022 – 358,687,671) are allotted and fully paid and 44,294,490 (2022 – 43,756,019) are held in treasury.

There are no restrictions concerning the holding or transfer of the Company's ordinary shares and there are no special rights attached to any of the shares.

Dividends

The ordinary shares carry a right to receive dividends. Interim dividends are determined by the Directors, whereas the proposed final dividend is subject to shareholder approval.

Capital entitlement

On a winding up, after meeting the liabilities of the Company, the surplus assets will be paid to ordinary shareholders in proportion to their shareholdings.

Voting

Each ordinary shareholder present in person or by proxy is entitled to one vote on a show of hands and, on a poll, to one vote for every share held.

Information on the deadlines for proxy appointments can be found on pages 112 to 114.

Major interests disclosed in the Company's shares

The Company has received notifications in accordance with the Financial Conduct Authority's Disclosure and Transparency Rule 5.1.2R of the following interests in 3% or more of the voting rights attached to the Company's issued share capital.

Name	Number of ordinary 2.5p shares held at 30 September 2023	% of issue *
1607 Capital Partners LLC	40,021,686	11.2
Allspring Global Investments Holdings	35,941,508	10.0
Investec Wealth & Investment Ltd	18,433,790	5.1
City of London Investment Management Company Ltd	18,015,519	5.0
Charles Stanley	17,973,280	5.0

* Ordinary shares in issue excluding treasury shares.

Holdings above are stated as per the most recent notification to a Regulatory Information Service. There have been no other changes to the major interests in the Company's shares intimated up to 15 November 2023.

Analysis of Shareholders at 30 September

	2023 Number of shares held	2023 %	2022 Number of shares held	2022 %
Institutions	133,291,147	37.2	94,839,985	26.4
Intermediaries/ Retail Savings Platforms	194,983,462	54.4	234,340,347	65.3
Individuals	24,632,840	6.9	26,700,592	7.5
Marketmakers	5,241,751	1.5	2,806,747	0.8
	358,149,200	100.0	358,687,671	100.0

Annual General Meeting

The details of this year's AGM, including the proposed resolutions and information on the deadlines for proxy appointments, can be found on pages 112 to 114. Shareholders who hold shares in their own name on the main register will be provided with a Form of Proxy. If you hold shares through a share platform or other nominee, the Board would encourage you to contact these organisations directly as soon as possible to arrange for you to vote at the AGM. The resolutions relating to the renewal of the Directors' authorities to issue and buy back shares are explained in more detail below.

Authority to hold general meetings at shorter notice

Resolution 13, which is proposed as a special resolution, seeks authority for the Directors to convene general meetings of the Company, other than Annual General Meetings ('AGMs'), on a minimum of 14 clear days' notice. The notice period for AGMs will remain at 21 clear days. The approval will be effective until the Company's next AGM, at which it is intended that renewal will be sought. The Directors will only call general meetings on 14 clear days' notice where they consider it in the best interests of shareholders to do so and the relevant matter requires to be dealt with expediently.

Share issuance authority

Resolution 10 in the Notice of Annual General Meeting seeks to renew the Directors' general authority to issue shares up to an aggregate nominal amount of £2,983,249. This amount represents one-third of the Company's total ordinary share capital currently in issue and meets institutional guidelines. No issue of ordinary shares will be made pursuant to the authorisation of Resolution 10 which would effectively alter the control of the Company without the prior approval of shareholders in general meeting.

Resolution 11, which is proposed as a special resolution, seeks authority for the Directors to issue shares or sell shares held in treasury on a non pre-emptive basis for cash up to an aggregate nominal amount of £894,974 (representing 10% of the issued ordinary share capital of the Company as at 15 November 2023). This authority will continue until the conclusion of the Annual General Meeting to be held in 2025 or on the expiry of 15 months from the passing of the resolution, if earlier.

Such authorities will only be used to issue shares or sell shares from treasury at a premium to NAV and only when the Directors believe that it would be in the best interests of the Company to do so.

During the year to 30 September 2023, no shares (2022 – no shares) were issued from treasury.

Market purchases of own shares

At the last Annual General Meeting the Company was granted authority to purchase up to 53,767,282 ordinary shares (equivalent to 14.99% of its issued share capital), such authority to expire at the 2024 Annual General Meeting. The Directors are seeking shareholders' approval at the Annual General Meeting to renew the authority to make market purchases of up to 14.99% of the Company's ordinary shares in issue (excluding treasury shares) at the date of passing of the resolution, such authority to expire at the Annual General Meeting of the Company to be held in 2025. Such purchases will only be made at a discount to the prevailing NAV. During the year to 30 September 2023, 538,471 shares (representing 0.15% of issued share capital at 30 September 2022) at a discount to net asset value at a cost of £501,000 (2022 – 5,911,659) were bought back under the buy-back authority. Between 1 October and 15 November 2023, 159,302 shares were bought back. 44,453,792 shares were held in treasury as at 15 November 2023 (representing 11% of the share capital).

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

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

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

Shares will only be resold from treasury at a premium to NAV.

Treasury shares do not receive distributions and the Company will not be entitled to exercise the voting rights attaching to them.

In accordance with the Listing Rules, the maximum price (excluding expenses) that may be paid on the exercise of the authority must not exceed the higher of:

(i) 5 per cent. above the average closing price on the London Stock Exchange of an ordinary share over the five business days immediately preceding the date of purchase; and

(ii) the higher of the price of the last independent trade and the highest current independent bid on the London Stock Exchange.

The minimum price (exclusive of expenses) that may be paid will be the nominal value of an ordinary share. Purchases of ordinary shares will be made within guidelines established, from time to time, by the Board. Your attention is drawn to Resolution 12 in the Notice of Annual General Meeting. This authority, if conferred, will only be exercised if to do so would result in an increase in NAV for the remaining shareholders and if it is considered in the best interests of shareholders generally.

Recommendation

The Directors unanimously recommend you vote in favour of the resolutions to be proposed at the Annual General Meeting as it is their view that the resolutions are in the best interests of shareholders as a whole.

Financial instruments

The Company's financial instruments comprise its investment portfolio, cash balances, borrowings and debtors and creditors that arise directly from its operations such as sales and purchases awaiting settlement and accrued income. The financial risk management objectives and policies arising from its financial instruments and the exposure of the Company to risk are disclosed in note 19 to the Financial Statements.

Future developments of the Company

The outlook for the Company is set out in the Chairman's statement on pages 7 to 9 and in the Managers report on pages 10 to 14.

Articles of Association

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

Disclosure of information to Auditor

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

Independent Auditor

The Auditor, BDO LLP, is willing to continue in office, and in accordance with section 489 and section 491(1) of the Companies Act 2006, resolutions concerning BDO LLP's reappointment and remuneration will be submitted to the Annual General Meeting.

Post Balance Sheet events

The Directors confirm, up to 16 November 2023, that there have been no significant post Balance Sheet events which require adjustment to, or disclosure in, the Financial Statements or notes.

Stakeholder engagement

Although the Company has no employees, trade suppliers or customers, the Directors give regular consideration to the need to foster the Company's business relationships with its stakeholders, in particular with shareholders, its externally appointed Managers, other professional service providers and lenders. The effect of this consideration upon the key decisions taken by the Company during the financial year is set out in further detail in the Strategic Report on pages 35 to 37.

Greenhouse gas emissions and Streamlined Energy & Carbon Reporting ('SECR')

All of the Company's activities are outsourced to third parties. The Company therefore has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. For the same reasons as set out above, the Company considers itself to be a low energy user under the SECR regulations and has no energy and carbon information to disclose.

Bribery Act

The Company has a zero tolerance policy towards bribery and is committed to carrying out business fairly, honestly and openly. The Managers also adopt a zero tolerance approach and have policies and procedures in place to prevent bribery.

Criminal Finances Act 2017

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

On behalf of the Board
Michael MacPhee
Chairman
16 November 2023

Corporate governance report

The Board is committed to achieving and demonstrating high standards of Corporate Governance. This statement outlines how the principles of the 2018 UK Corporate Governance Code (the 'UK Code') which can be found at frc.org.uk and the relevant principles of the Association of Investment Companies ('AIC') Code of Corporate Governance (the 'AIC Code') published in 2019 were applied throughout the financial year. The AIC Code provides a framework of best practice for investment companies and can be found at theaic.co.uk.

Compliance

The FRC has confirmed that AIC member companies who report against the AIC Code will be meeting their obligations in relation to the UK Code. The Board confirms that the Company has complied throughout the year under review with the relevant provisions of the UK Code and the recommendations of the AIC Code except as follows:

- a Nomination Committee has not been established. As the Board is comprised entirely of non-executive Directors and is small in size, a Nomination Committee is considered unnecessary.
- the Company has no executive Directors and no employees and consequently does not have a Remuneration Committee. The Directors' Remuneration report on pages 74 to 77 provides information on the remuneration arrangements for the Directors of the Company. The Chairman is available to engage with shareholders on issues relating to Directors' remuneration where required.
- given the small size of the Board and the fact that all Directors are independent, the Company does not have a Management Engagement Committee. The Company's management functions are delegated to the AIFM, who has delegated the management of the Company's investment portfolio to the Investment Manager, Baillie Gifford & Co. The Board reviews at least annually the performance of the AIFM, the terms of its engagement and the continued appointment of the AIFM. The Board also reviews the performance of the Investment Manager.
- the Audit Committee comprises all Directors of the Company. The Chairman is a member of the Audit Committee as he was independent on appointment.

The Board

The Board has overall responsibility for the Company's affairs. It has a number of matters formally reserved for its approval including strategy, investment policy, gearing, share buy-back and issuance policy, treasury matters, dividend and corporate governance policy. The Board seeks to contribute to the delivery of the Company's strategy by engaging with the Managers in a collaborative and collegiate manner with open and respectful discussion and debate being encouraged, whilst also ensuring that appropriate and regular challenge is brought and evaluation is conducted. The Board also reviews the Financial Statements, investment transactions, revenue budgets and performance of the Company. Full and timely information is provided to the Board to enable it to function effectively and to allow Directors to discharge their responsibilities.

As at 30 September 2023 the Board comprised four Directors, all of whom are non-executive. The Chairman is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda. The executive responsibility for investment management has been delegated to the Company's Alternative Investment Fund Manager ('AIFM'), Baillie Gifford & Co Limited, and, in the context of a Board comprising only non-executive Directors, there is no chief executive officer. The Senior Independent Director is Andrew Watkins.

The Directors believe that the Board has a balance of skills and experience that enables it to provide effective strategic leadership and proper governance of the Company. Information about the Directors, including their relevant experience, can be found on pages 55 and 56.

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

Appointments to the Board

In advance of Dr Woodward's retiral at the 2024 Annual General Meeting, Trust Associates was engaged to help identify a potential new Director. The Board identified the skills and experience that would be required, having due regard for the benefits of diversity on the Board, and candidates were interviewed from a shortlist provided by Trust Associates. Trust Associates has no other connection with the Company or any of the Directors. David Barron was identified as the preferred candidate and was appointed to the Board on 1 October 2023. The Board believes his depth of experience and knowledge will be a great benefit to the Company.

The terms and conditions of Directors' appointments are set out in formal letters of appointment which are available for inspection on request.

Under the provisions of the Company's Articles of Association, Directors are subject to election by shareholders at the first AGM after their appointment. Thereafter, at each AGM any Director who has not stood for re-election at either of the two preceding AGMs is required to retire and offer themselves for re-election. In addition, one third of the Directors eligible to retire by rotation shall retire from office at each AGM. Beyond these requirements, it has been agreed that all Directors will seek annual re-election at the Company's AGMs.

Independence of Directors

All the Directors are considered by the Board to be independent of the Managers and free of any business or other relationship which could interfere with the exercise of their independent judgement. Notwithstanding his length of service, the Board consider Dr Woodward to be independent.

The Directors recognise the importance of succession planning for company boards and review the Board's composition annually. The Board is of the view that length of service will not necessarily compromise the independence or contribution of directors of an investment trust company, where continuity and experience can be a benefit to the Board. The Board concurs with the view expressed in the AIC Code that long-serving Directors should not be prevented from being considered independent.

In accordance with the AIC Code of Corporate Governance, all Directors are subject to annual re-election. Following a formal performance evaluation, the Board concluded that its members continued to be independent in character and judgement and their skills and experience added significantly to the strength of the Board.

Meetings

There is an annual cycle of Board meetings which is designed to address, in a systematic way, overall strategy, review of investment policy, investment performance, marketing, revenue budgets, dividend policy and communication with shareholders. The Board considers that it meets sufficiently regularly to discharge its duties effectively. The table below shows the attendance record for the Board and Committee meetings held during the year. The Annual General Meeting was attended by all Directors serving at that date.

Directors' attendance at meetings

	Board	Audit Committee
Number of meetings	**4**	**2**
Michael MacPhee	4	2
Emma Davies	4	2
Andrew Watkins	4	2
Michael Woodward	4	2

Policy on Chairman's tenure

The Board's policy is that the Chairman will serve for no longer than nine years, other than in exceptional circumstances for the benefit of the Company.

Performance evaluation

An appraisal of the Chairman, each Director and a performance evaluation and review of the Board as a whole and the Audit Committee was carried out during the year. Each Director and the Chairman responded to an evaluation questionnaire. The Chairman's appraisal was led by Andrew Watkins, the Senior Independent Director. The appraisals and evaluations considered, amongst other criteria, the balance of skills of the Board, training and development requirements, the contribution of individual Directors and the overall effectiveness of the Board and the Audit Committee. Following this process it was concluded that there was a diverse range of skills within the Board, and the performance of each Director, the Chairman, the Board and the Audit Committee continues to be effective and that each Director and the Chairman remain committed to the Company.

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

Diversity

Appointments to the Board are made on merit with due regard for the benefits of diversity including gender, social and ethnic backgrounds, cognitive and personal strengths. The priority in appointing new Directors is to identify the candidate with the best range of skills and experience to complement existing Directors. Within the context of a small, entirely non-executive Board, a single appointment or retirement can have a significant impact on percentage representation, and a limited number of senior roles are available. The Board will endeavour to comply with the FCA Listing Rules diversity targets more often than not but notes that an orderly succession plan can, when implemented thoughtfully and having regard to the best interests of the Company and its shareholders, take a significant period of time to develop and may result in periods when the diversity targets are not met.

Board composition

In order to fulfil its obligations, the Board recognises the importance of having a range of skilled and experienced Directors, balancing the benefits of length of service and knowledge of the Company with the desirability of ensuring regular refreshment of the Board. The Board reviews its composition annually.

The following disclosures are provided in respect of the FCA Listing Rules targets that: i) 40% of a board should be women; ii) at least one senior role should be held by a woman; and iii) at least one board member should be from a non-white ethnic background, as defined by the Office of National Statistics criteria.

As an externally managed investment company with no chief executive officer or chief financial officer, the roles which qualify as senior under FCA guidance are Chair and Senior Independent Director ('SID'). The Board also considers Audit Committee Chair to represent a senior role within this context. The Board has resolved that the Company's year end date be the most appropriate date for disclosure purposes. Since 30 September, 2023 David Barron has been appointed to the Board.

As at 30 September 2023, the Board did not comply with the FCA Listing Rule target with respect to ethnic background or the 40% target for women. Further, the Board did not meet the FCA Listing Rules target for a woman holding a senior role on the Board. The Board considers that its small size is the principal reason why the Listing Rule targets were not met. The Board supports, and is ambitious to meet, all the Listing Rule diversity targets and will continue to review its size and composition both as part of its refreshment cycle and more widely.

As explained in the Chairman's statement on page 8 Dr Woodward will stand down from the Board at the AGM to be held in January 2024. On Dr Woodward's departure from the Board, Andrew Watkins will become Chair of the Audit Committee and Emma Davies will become the Senior Independent Director.

Gender	Number	%	Senior roles
Men	3	75	2*
Women	1	25	–
Prefer not to say	–	–	–

* The Board Chairman and SID being senior positions in accordance with the FCA Listing Rules. The Board also considers the Audit Committee Chair to be a senior position. The Audit Committee Chair is a man.

Ethnic background	Number	%	Senior roles
White	4	100	2*
Prefer not to say	–	–	–

* The Board Chairman and SID, being senior positions in accordance with the FCA Listing Rules. The Board also considers the Audit Committee Chair to be a senior position. The Audit Committee Chair's ethnic background is White.

All recruitment for new Board members will be external, through the use of an external recruitment agency. The recruitment agency will be engaged to undertake the selection of a list of suitable candidates for consideration and approval by the Board. The external recruitment agency will be asked to put forward candidates with the desired skillset and also with a diverse range of backgrounds, cultures and identities. The Board will take the Listing Rule diversity targets and any other best practice matters into account when determining the appropriateness of a candidate and final appointment.

Induction and training

New Directors are provided with an induction programme which is tailored to the particular circumstances of the appointee. Regular briefings were provided during the year on industry and regulatory matters. Directors receive other relevant training as necessary.

Audit Committee

The report of the Audit Committee is set out on pages 71 to 73.

Internal controls and risk management

The Directors acknowledge their responsibility for the Company's risk management and internal control systems and for reviewing their effectiveness, including with regard to preparation of the Company's Annual Report and Financial Statements. The systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company in accordance with the FRC guidance 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting'.

The practical measures in relation to the design, implementation and maintenance of control policies and procedures to safeguard the Company's assets and to manage its affairs properly, including the maintenance of effective operational and compliance controls have been delegated to the Managers and Secretaries.

The Board oversees the functions delegated to the Managers and Secretaries and the controls managed by the AIFM in accordance with the UK Alternative Investment Fund Managers Regulations (as detailed below). Baillie Gifford & Co's Internal Audit and Compliance Departments and the AIFM's permanent risk function provide the Audit Committee with regular reports on their monitoring programmes. The reporting procedures for these departments are defined and formalised within a service level agreement. Baillie Gifford & Co conducts an annual review of its system of internal controls which is documented within an internal controls report which complies with ISAE 3402 – Assurance Reports on Internal Controls of Service Organisations made available to Third Parties. This report is independently reviewed by Baillie Gifford & Co's Auditor and a copy is submitted to the Audit Committee.

A report identifying the material risks faced by the Company and the key controls employed to manage these risks is reviewed by the Audit Committee. These procedures ensure that consideration is given regularly to the nature and extent of risks facing the Company and that they are being actively monitored. Where changes in risk have been identified during the year they also provide a mechanism to assess whether further action is required to manage these risks.

The Directors confirm that they have reviewed the effectiveness of the Company's risk management and internal controls systems, which accord with the FRC 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting' and they have procedures in place to review their effectiveness on a regular basis. No significant weaknesses were identified in the year under review and up to the date of this Report.

The Board confirms that these procedures have been in place throughout the Company's financial year and continue to be in place up to the date of approval of this Report.

To comply with the Alternative Investment Fund Managers Regulations, Northern Trust Investor Services acts as the Company's Depositary and Baillie Gifford & Co Limited as its AIFM.

The Depositary's responsibilities include cash monitoring, safe keeping of the Company's financial instruments, verifying ownership and maintaining a record of other assets and monitoring the Company's compliance with investment limits and leverage requirements. The Depositary is liable for the loss of financial instruments held in custody. The Company's Custodian is The Northern Trust Company. The Custodian prepares reports on its key controls and safeguards which are independently reviewed by KPMG LLP. The reports are reviewed by Baillie Gifford's Business Risk Department and a summary of the key points is reported to the Audit Committee and any concerns are investigated.

The Depositary provides the Audit Committee with a report on its monitoring activities.

The AIFM has established a permanent risk management function to ensure that effective risk management policies and procedures are in place and to monitor compliance with risk limits. The AIFM has a risk management policy which covers the risks associated with the management of the portfolio, and the adequacy and effectiveness of this policy is reviewed and approved at least annually. This review includes the risk management processes and systems and limits for each risk area.

The risk limits, which are set by the AIFM and approved by the Board, take into account the objectives, strategy and risk profile of the portfolio. These limits, including leverage (see page 119), are monitored and the sensitivity of the portfolio to key risks is undertaken periodically as appropriate to ascertain the impact of changes in key variables in the portfolio. Exceptions from limits monitoring and stress testing undertaken by Baillie Gifford's Business Risk Department are escalated to the AIFM and reported to the Board along with any remedial measures being taken.

Going concern

In accordance with the Financial Reporting Council's guidance on going concern and liquidity risk, the Directors have undertaken a rigorous review of the Company's ability to continue as a going concern.

The Company's principal and emerging risks are market related. An explanation of these risks and how they are managed is on pages 30 to 34 and contained in note 19 to the Financial Statements. The Board has, in particular, considered the impact of heightened market volatility due to macroeconomic and geopolitical concerns and has conducted specific leverage and liquidity stress testing but does not believe the Company's going concern status is affected.

The Company's assets, which at present are mainly investments in quoted securities which are readily realisable, exceed its liabilities significantly. All borrowings require the prior approval of the Board. Gearing levels and compliance with borrowing covenants are reviewed by the Board on a regular basis. The Company has continued to comply with the investment trust status requirements of section 1158 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) (Tax) Regulations 2011.

The Company's primary third party suppliers, including its Managers and Secretaries, Custodian, Depositary, Registrar, Auditor and Corporate Broker, are not experiencing significant operational difficulties affecting their respective services to the Company.

Accordingly, the Financial Statements have been prepared on the going concern basis as it is the Directors' opinion, having assessed the principal and emerging risks and other matters, as set out in the Viability Statement on page 29, that the Company will continue in operational existence for a period of at least 12 months from the date of approval of these Financial Statements.

Relations with shareholders

The Board places great importance on communication with shareholders. The Company's Managers meet regularly with shareholders and their representatives. The Chairman and Senior Independent Director also meet shareholders independently of the Managers and report shareholders' views to the Board. Shareholders wishing to communicate with any members of the Board may do so by writing to them at the Company's registered office or through the Company's broker, Peel Hunt LLP (see contact details on page 125). All correspondence addressed to the Chairman is dealt with directly by the Chairman.

The Company's Annual General Meeting provides a further forum for communication with all shareholders. The level of proxies lodged for each resolution is announced at the meeting and is published at **bgeuropeangrowth.com** subsequent to the meeting. The notice period for the Annual General Meeting is at least 21 clear days. Shareholders and potential investors may obtain up-to-date information from the Company's page on the Managers' website at **bgeuropeangrowth.com**.

Corporate governance and stewardship

The Board believes that it is in the shareholders' interests to consider environmental, social and governance ('ESG') factors including climate change when selecting and retaining investments and has asked the Managers to take these issues into account. The Managers do not exclude companies from their investment universe purely on the grounds of ESG factors but adopt a positive engagement approach whereby matters are discussed with management with the aim of improving the relevant policies and management systems and enabling the Managers to consider how ESG factors could impact long-term investment returns. The Managers' Statement of Compliance with the UK Stewardship Code can be found on the Managers' website: **bailliegifford.com**.

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

Climate change

The Board recognises that climate change poses a serious threat to our environment, our society and to economies and companies around the globe. Addressing the underlying causes is likely to result in companies that are high emitters of carbon facing greater societal and regulatory scrutiny and higher costs to account for the true environmental impact of their activities. The Managers' pursuit of long-term growth opportunities typically involves investment in entrepreneurial, disruptive and technology-driven businesses. These companies are often capital-light with a low carbon footprint. The Managers believe that carbon footprint metrics in isolation are unhelpful – that some firms pollute more than others is a mostly meaningless observation. An external provider was engaged to map the carbon footprint of the portfolio. This analysis shows that the carbon intensity of Baillie Gifford European Growth Trust is 55% less than the index (FTSE All-World Europe ex UK Index) and is based on 82% of the value of the Company's portfolio which has either reported or estimated S12 carbon emissions data and 81% of the value of the Company's portfolio which has estimated S3 carbon emissions data.

Baillie Gifford's Task Force on Climate-Related Financial Disclosures ('TCFD') Climate Report is available on the Managers' Website at **bailliegifford.com**. Baillie Gifford published the Company's first TFCD Report in June 2023. This report is a means by which the portfolio's carbon footprint and exposure to climate risk are measured and reported. Companies disclosing their emission and communicating emissions plans will be a helpful place from which to begin more useful discussions with management teams, industry experts and regulators. The Managers, Baillie Gifford & Co, are signatories to the United Nations Principles for Responsible Investment and the Carbon Disclosure Project and are also members of the International Corporate Governance Network.

On behalf of the Board
Michael MacPhee
Chairman
16 November 2023

Audit Committee report

The Audit Committee consists of all Directors. The members of the Committee consider that they have the requisite financial skills and experience to fulfil the responsibilities of the Committee. Michael Woodward is the Chairman of the Committee.

The Committee's authority and duties are clearly defined within its written Terms of Reference which are available on request from the Company and on the Company's page of the Managers' website: **bgeuropeangrowth.com**. The Terms of Reference are reviewed annually.

The Committee's effectiveness is reviewed on an annual basis as part of the Board's performance evaluation process (see page 66).

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

Main activities of the Commitee

The Committee met twice during the year to 30 September 2023. Baillie Gifford attended both meetings and the external Auditor, BDO LLP, attended one meeting. Baillie Gifford & Co's Internal Audit and Compliance Departments and the AIFM's permanent risk function provided reports on their monitoring programmes.

The matters considered, monitored and reviewed by the Committee during the course of the year included the following:

- the Annual and Interim Reports;
- the Company's accounting policies and practices and the implementation of the Managers' valuation policy for investments in unquoted companies;
- the regulatory changes impacting the Company;
- the fairness, balance and understandability of the Annual Report and Financial Statements and whether it provided the information necessary for shareholders to assess the Company's performance, business model and strategy;
- the effectiveness of the Company's internal control environment;

- the appointment/reappointment, remuneration and terms of engagement of the external Auditor;
- whether the audit services contract should be put out to tender;
- the policy on the engagement of the external Auditor to supply non-audit services;
- the independence and objectivity of the external Auditor and the effectiveness of the audit process;
- the need for the Company to have its own internal audit function;
- the HMRC tax repayment and subsequent payment of a special dividend;
- the internal controls reports received from the Managers and other service providers; and
- the arrangements in place within Baillie Gifford & Co whereby its staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

Internal audit

The Committee continues to believe that the compliance and internal control systems and the internal audit function in place within the Managers provide sufficient assurance that a sound system of internal control, which safeguards shareholders' investment and the Company's assets, is maintained. An internal audit function, specific to the Company, is therefore considered unnecessary.

The external Auditor has adopted a wholly substantive approach to testing and therefore the absence of an internal audit function has not had an impact on audit procedures.

Financial reporting

The Committee considers that the most significant issues likely to affect the Financial Statements are the existence and valuation of investments, as they represent 99.6% of total assets, and the accuracy and completeness of income from investments.

The majority of the investments are in quoted securities and market prices are readily available from independent external pricing sources. The Committee reviewed the Managers' Report on Internal Controls which details the controls in place regarding recording and pricing of investments, accurate recording of investment income and the reconciliation of investment holdings to third party data.

The Managers agreed the prices of all the listed investments at 30 September 2023 to external price sources. The Committee reviewed the Managers' valuation policy for investments in private companies (as described on pages 92 and 93) and approved the valuation of the unlisted investments following a detailed review of the valuation of the investments and relevant challenge where appropriate. The listed portfolio holdings were agreed by the Managers to confirmations from the Company's custodian. The unlisted holdings were agreed by the Managers to confirmations from the investee companies.

The Committee considered the factors, including the impact of increasing geopolitical tensions, that might affect the Company's viability over a period of five years and its ability to continue as a going concern for at least twelve months from the date of signing of the Financial Statements, together with the reports from the Managers on the cash position and cash flow projections of the Company, the liquidity of the investment portfolio, compliance with debt covenants, availability of borrowing facilities and the Company's ability to meet its obligations as they fall due. The Committee also reviewed the Viability Statement on page 29 and the statement on Going Concern on page 69 including the impact of increasing geopolitical tensions. Following this assessment, the Committee recommended to the Board the appropriateness of the Going Concern basis in preparing the Financial Statements and confirmed the accuracy of the Viability Statement and statement on Going Concern.

The Managers and Auditor confirmed to the Committee that they were not aware of any material misstatements in the context of the Financial Statements as a whole and that the Financial Statements are in accordance with applicable law and accounting standards.

Internal controls and risk management

The Committee reviewed the effectiveness of the Company's risk management and internal controls systems as described on pages 68 and 69. No significant weaknesses were identified in the year under review.

External Auditor

To fulfil its responsibility regarding the independence and objectivity of the external Auditor, the Committee reviewed:

- the audit plan for the year to 30 September 2023;
- a report from the Auditor describing its arrangements to manage auditor independence and received confirmation of its independence; and
- the extent of non-audit services provided by the external Auditor.

To assess the effectiveness of the external Auditor, the Committee reviewed and considered:

- the Auditor's fulfilment of the agreed audit plan;
- feedback from the Secretaries on the performance of the audit team;
- the Audit Quality Inspection Report from the FRC; and
- detailed discussion with audit personnel to challenge audit processes and deliverables.

To fulfil its responsibility for oversight of the external audit process the Committee considered and reviewed:

- the Auditor's engagement letter;
- the Auditor's proposed audit strategy;
- the audit fee; and
- a report from the Auditor on the conclusion of the audit.

BDO LLP, has been engaged as the Company's Auditor since 2017. The audit partners responsible for the audit are rotated at least every five years in accordance with professional and regulatory standards in order to protect independence and objectivity and to provide fresh challenge to the business. Chris Meyrick is the lead audit partner and has held the role since January 2022.

BDO LLP has confirmed that it believes it is independent within the meaning of regulatory and professional requirements and that the objectivity of the audit partner and staff is not impaired.

Having carried out the review process described above, the Committee is satisfied that the Auditor has remained independent and effective.

There are no contractual obligations restricting the Committee's choice of external Auditor.

Accountability and audit

The respective responsibilities of the Directors and the Auditor in connection with the Financial Statements are set out on pages 78 to 87.

On behalf of the Board
Michael Woodward
Audit Committee Chairman
16 November 2023

Directors' remuneration report

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

Statement by the Chairman

The Directors' Remuneration Policy is subject to shareholder approval every three years or sooner if an alteration to the policy is proposed. The Remuneration Policy, which is set out below, was approved at the Annual General Meeting in February 2023 and no changes are proposed to the policy at the Annual General Meeting to be held in 2024. Following a review it was agreed that, as of 1 October 2023, the non-executive Directors' fees would be increased from £27,000 to £30,000 per annum, the Chairman's fee be increased from £40,200 to £44,000 and the additional fee for the Chairman of the Audit Committee be increased from £3,600 to £6,000. Directors' fees had last been increased on 1 October 2020.

Directors' remuneration policy

The Company follows the recommendation of the AIC Code that Directors' remuneration should reflect their duties, responsibilities and the value of their time spent on the Company's affairs. The Board's policy is that the remuneration of the Directors should reflect the experience of the Board as a whole and be determined with reference to comparable organisations and appointments.

The Board has set three levels of fees: one for the Chairman, one for the other Directors, and an additional fee that is paid to the Director who chairs the Audit Committee. Fees are reviewed annually in accordance with the policy. The fee for any new Director appointed will be determined on the same basis.

Any views expressed by shareholders on the fees being paid to Directors will be taken into consideration by the Board when reviewing the Directors' Remuneration Policy and in the annual review of Directors' fees.

The Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits, as the Board does not consider such arrangements or benefits necessary or appropriate for non-executive Directors.

Under the Articles of Association, Directors are entitled to be paid for all reasonable travel, hotel and incidental expenses incurred in or about the performance of their duties as Directors, including expenses incurred in attending Board or shareholder meetings.

If any Director is called upon to perform extra or special services of any kind, under the Articles of Association, they shall be entitled to receive such extra remuneration as the Board may decide in addition to any remuneration they may be entitled to receive.

The Company does not enter into service contracts with its Directors. Instead, the Company has a policy of entering into a letter of appointment with each of its Directors, copies of which are available on request from the Company Secretary. It is intended that the Company's policy when determining the duration of notice periods and termination payments under the Directors' letters of appointment will be based on prevailing best practice guidelines. Under the Directors' letters of appointment, there is a notice period of one month and no compensation is payable to a Director on leaving office. No compensation is payable in the event of a takeover bid.

The terms of their appointment provide that all Directors shall retire and be subject to election at the first Annual General Meeting after their appointment. Thereafter, at each AGM any Director who has not stood for appointment or re-election at either of the two preceding AGMs is required to retire and offer themselves for re-election. Beyond these requirements, it has been agreed that all Directors will seek annual re-election at the Company's AGMs.

Limits on Directors' remuneration

The fees for the non-executive Directors are payable monthly in arrears and are determined within the limit set out in the Company's Articles of Association which is currently £200,000 per annum in aggregate. Any change to this limit requires shareholder approval.

The fees paid in respect of the year ended 30 September 2023 together with the expected fees payable in respect of the year ending 30 September 2024 are set out in the table below. The fees payable to the Directors in the subsequent financial years will be determined following an annual review of the Directors' fees.

	Expected fees for year ending 30 September 2024 £	**Fees paid for the year to 30 September 2023 £**
Chairman's fee	44,000	40,200
Non-executive Director's fee	30,000	27,000
Additional fee for the Chairman of the Audit Committee	6,000	3,600
Total aggregate annual fees that can be paid to the Directors in any year under the Directors' Remuneration Policy, as set out in the Company's Articles of Association	200,000	200,000

Annual report on remuneration

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

The law requires the Company's Auditor to audit certain of the disclosures provided in this report. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is included in the Independent Auditor's report on pages 81 to 87.

Directors' remuneration for the year (audited)

The Directors who served during the year received the following remuneration in the form of fees and taxable benefits. This represents the entire remuneration paid to the Directors.

Name	2023 Fees £	2023 Taxable benefits * £	2023 Total £	2022 Fees £	2022 Taxable benefits * £	2022 Total £
Michael MacPhee	40,200	1,219	**41,419**	40,200	473	**40,673**
Emma Davies	27,000	1,277	**28,277**	27,000	781	**27,781**
Andrew Watkins	27,000	1,395	**28,395**	27,000	1,125	**28,125**
Michael Woodward	30,600	1,991	**32,591**	30,600	1,107	**31,707**
	124,800	**5,882**	**130,682**	**124,800**	**3,486**	**128,286**

* Comprises expenses incurred by Directors in the course of travel to attend Board and Committee meetings held at the Company's normal place of business. These amounts have been grossed up for applicable income tax and national insurance.

Annual percentage change in remuneration

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

Name	% from 2022 to 2023	% from 2021 to 2022	% from 2020 to 2021	% from 2019 to 2020
Michael MacPhee	2	1	20	–
Emma Davies*	2	37	–	–
Andrew Watkins†	1	4	20	33
Michael Woodward	3	1	23	–

* Appointed 1 January 2021

† Appointed 1 January 2019

Directors' interests (audited)

The Directors at the end of the year under review, and their interests in the Company, are shown in the following table. There is no requirement under the Company's Articles of Association for Directors to hold shares in the Company. There have been no changes intimated in the Directors' interests up to 16 November 2023.

Name	Nature of interest	Ordinary 2.5p shares held at 30 September 2023	Ordinary 2.5p shares held at 30 September 2022
Michael MacPhee	Beneficial	756,950	756,950
Emma Davies	Beneficial	20,420	19,750
Andrew Watkins	Beneficial	15,000	15,000
Michael Woodward	Beneficial	50,000	50,000

Statement of voting at Annual General Meeting

At the last Annual General Meeting, of the proxy votes received in respect of the Directors' Remuneration Report, 99.4% were in favour, 0.4% were against and votes withheld were 0.2%. At the last Annual General Meeting at which the Directors' Remuneration Policy was considered (February 2023), 99.2% of the proxy votes received were in favour, 0.6% were against and 0.2% votes were withheld.

Relative importance of spend on pay

The table below shows the actual expenditure (fees and taxable benefits) during the year in relation to Directors' remuneration and distributions to shareholders.

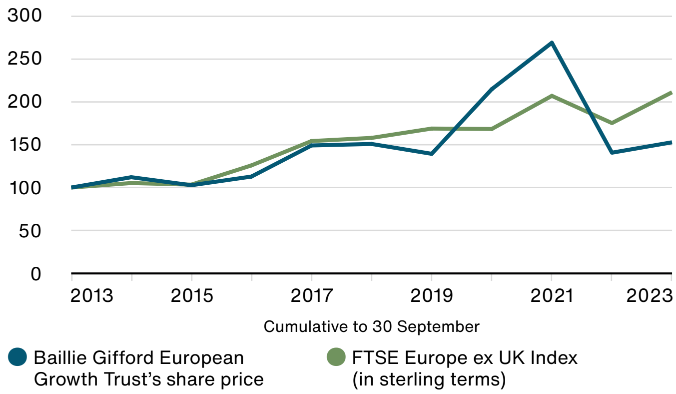
	2023 £'000	2022 £'000	Change %
Directors' remuneration	131	128	2
Dividends	9,312	2,511	271
Share buy backs	501	7,444	(93)

Company performance

The following graph compares the share price total return (assuming all dividends are reinvested) to ordinary shareholders compared with the total shareholder return on a notional investment made up of shares in the component parts of the FTSE Europe ex UK Index. This index was chosen for comparison purposes as it is a widely used measure of performance for European listed companies and also the index against which the Company measures its performance.

Performance graph

(figures rebased to 100 at 30 September 2013)



Source: Refinitiv and relevant underlying index providers. See disclaimer on page 120.

All figures are total returns (assuming net dividends are reinvested). See Glossary of terms and alternative performance measures on pages 122 and 124.

Past performance is not a guide to future performance.

Approval

The Directors' Remuneration Report on pages 74 to 77 was approved by the Board of Directors and signed on its behalf on 16 November 2023.

Michael MacPhee
Chairman

Statement of Directors' responsibilities

in respect of the Annual Report and the Financial Statements

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

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law they have elected to prepare the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 'The Financial Reporting Standard Applicable in the UK and Republic of Ireland' (FRS 102). Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of its profit or loss for that year. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements and the Directors' remuneration report comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error, and are also responsible for safeguarding the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable laws and regulations, the Directors are also responsible for preparing a Strategic report, Directors' report, Directors' remuneration report and Corporate governance statement that complies with those laws and regulations.

In accordance with Disclosure Guidance and Transparency Rule 4.1.14R, the Financial Statements will form part of the annual financial report prepared using the single electronic reporting format under the TD ESEF Regulation. The Auditor's report on these Financial Statements provides no assurance over the ESEF format.

The Directors are responsible for ensuring that the Annual Report and Financial Statements are made available on a website. Financial Statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of Financial Statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's page of the Managers' website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the Financial Statements contained therein. The Directors have delegated responsibility to the Managers for the maintenance and integrity of the Company's page of the Managers' website.

Responsibility Statement of the Directors in respect of the Annual Financial Report

We confirm that, to the best of our knowledge:

- the Financial Statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and net return of the Company;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties it faces; and
- the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

On behalf of the Board
Michael MacPhee
16 November 2023

Notes

The following notes relate to financial statements published on a website and are not included in the printed version of the Annual Report and Financial Statements:

- The maintenance and integrity of the Baillie Gifford & Co website is the responsibility of Baillie Gifford & Co; the work carried out by the Auditors does not involve consideration of these matters and accordingly, the Auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Financial report

The Financial Statements for the year to 30 September 2023 are set out on pages 88 to 107 and have been prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Independent auditor's report

to the members of Baillie Gifford European Growth Trust plc

Opinion on the Financial Statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2023 and its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the Financial Statements of Baillie Gifford European Growth Trust plc (the 'Company') for the year ended 30 September 2023 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the Audit Committee.

Independence

Following the recommendation of the Audit Committee, we were appointed by the members on 24 January 2017 to audit the Financial Statements for the year ending 30 September 2017 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 7 years, covering the years ending 30 September 2017 to 30 September 2023. We remain independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Company.

Conclusions relating to going concern

In auditing the Financial Statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Evaluating the appropriateness of the Directors' method of assessing going concern in light of current market volatility by reviewing the information used by the Directors in completing the assessment;
- Reviewing the loan agreements to identify the covenants and assessing the likelihood of them being breached based on the Directors' forecasts and our sensitivity analysis;
- Assessing the liquidity position available to meet the future obligations and operating expenses for the next twelve months; and
- Challenging the appropriateness of the Directors' assumptions and judgements made with regards to forecasts, including stress-testing forecasts which included consideration of the covenant headroom.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the Financial Statements are authorised for issue.

In relation to the Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the Financial Statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

		2023	2022
Key audit matters ('KAM')	Valuation and ownership of listed investments and unlisted investments	√	√
Materiality	£3.2m (2022: £3.8m) based on 1.0% (2022: 1.2%) of net assets		

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company's system of internal controls, and assessing the risks of material misstatement in the Financial Statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement. In particular, we looked at where the Directors made subjective judgements, specifically in respect of the valuation of unquoted investments, which have a high level of estimation uncertainty involved.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the scope of our audit addressed the Key audit matter
Valuation and ownership of listed investments and unlisted investments (Note 1 and Note 9) We considered the valuation and ownership of listed and of unlisted investments to be the most significant audit area as investments represent the most significant balance in the Financial Statements and underpin the principal activity of the entity. There is a risk that the prices used for the listed investments held by the Company are not reflective of fair value. This is a highly material figure in the Financial Statements which required significant audit attention. There is also a risk of error in the recording of investment holdings such that those records do not appropriately reflect the property of the Company. The unlisted investments have significant judgement involved in selecting a valuation methodology and a high level of estimation uncertainty involved in determining their valuations. For these reasons and the materiality to the Financial Statements, this is considered to be a key area of our overall audit strategy and allocation of our resources and hence a key audit matter.	**Listed Investments (£336m/89% of total investments)** We tested the valuation of 100% of the portfolio of listed investments. We performed the following procedures: • Confirmed the year end bid price was used by agreeing to externally quoted prices and, for all of the investments, assessed if there were contra indicators, such as liquidity considerations, to suggest bid price is not the most appropriate indication of fair value; • Recalculated the value of investments held by multiplying the share price by the number of shares held at the year end; • Agreed the exchange rates used to independent sources; and • Agreed the listed investments holdings to independently received third-party confirmation from the custodian to confirm ownership. **Unlisted Investments (£41m/11% of total investments)** We tested the valuation of 100% of the portfolio of unlisted investments. We performed the following procedures: • Considered the appropriateness of the valuation methodology applied by the AIFM under the International Private Equity and Venture Capital Valuation ('IPEV') Guidelines and applicable accounting standards; • Reviewed the valuations prepared by Baillie Gifford & Co ('the Manager') and challenged and corroborated the inputs to the valuation with reference to management information on investee companies, market data and our own understanding of the investee companies and assessed the impact of the estimation uncertainty concerning these assumptions; • Agreed the exchange rates used to independent sources; and • Agreed the unlisted investments holdings either to independently received third-party confirmation from the custodian or confirmation from the underlying investee companies, to confirm ownership. For unlisted investments that were valued using calibrated price of recent investment transaction, reviewed for changes in fair value we: • Verified the price of recent investment transaction to supporting documentation; • Considered whether the investment was an arm's length transaction through reviewing the parties involved in the transaction and checking whether or not they were already investors in the investee company; • Considered whether there were any indications that the price of recent investment transaction was no longer representative of fair value considering, inter alia, the current performance of the investee company and the milestones and assumptions set out in the investment proposal; and • Considered whether the price of recent investment is supported by alternative valuation techniques as well as the time lapsed/calibration since the investment round.

Key audit matter	How the scope of our audit addressed the Key audit matter
	For unlisted investments that were valued using market approach (multiples, industry valuation benchmarks and available market prices) we: • Challenged and corroborated the inputs to the valuation with reference to management information of investee companies, market data and our own understanding and assessed the impact of the estimation uncertainty concerning these assumptions and the disclosure of these uncertainties in the Financial Statements; • Reviewed the historical financial statements and any recent management information available to support assumptions about maintainable revenues, earnings or cash flows used in the valuations; • Considered the multiples applied and the discounts applied by reference to observable quoted company market data; • Challenged the consistency and appropriateness of adjustments made to such market data in establishing the revenue, cash flow or earnings multiple applied in arriving at the valuations adopted by considering the individual performance of investee companies against plan and relative to the peer group, the market and sector in which the investee company operates and other factors as appropriate; • For investments being valued using the benchmarking method, we have considered the appropriateness of the benchmark index applied and comparable company baskets; and • For investments being valued using the benchmarking method, we have also considered the consistency of the benchmark being applied. Where appropriate, we performed stress and reverse stress tests to determine where the movement becomes material as well as sensitivity analysis by developing our own point estimate and considered acceptable ranges of valuations where we considered that alternative input assumptions could reasonably have been applied and we considered the overall impact of such sensitivities on the portfolio of investments in determining whether the valuations as a whole are reasonable and free from bias. **Key observations:** Based on our procedures performed we did not identify any matters to suggest that the valuation and ownership of listed and unlisted investments was inappropriate.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the Financial Statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the Financial Statements as a whole.

Based on our professional judgement, we determined materiality for the Financial Statements as a whole and performance materiality as follows:

	Company financial statements	
	2023	**2022**
Materiality	£3.2 million	£3.8 million
Basis for determining materiality	1.0% (2022: 1.2%) of net assets	
Rationale for the benchmark applied	Net assets is a primary indicator of performance and is considered to be the key consideration for the users of the Financial Statements and reflects the fact that debt is present in the Company.	
Performance materiality	£2.4 million	£2.9 million
Basis for determining performance materiality	75% (2022: 75%) of materiality based on our knowledge and experience of the client, history of errors identified and low level of expected misstatements.	

Reporting threshold

We agreed with the Audit Committee that we would report to it all individual audit differences in excess of £160,000 (2022: £194,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual report and Financial Statements other than the Financial Statements and our Auditor's report thereon. Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the Financial Statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate governance statement is materially consistent with the Financial Statements or our knowledge obtained during the audit.

Going concern and longer-term viability

- The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified; and
- The Directors' explanation as to their assessment of the Company's prospects, the period this assessment covers and why the period is appropriate.

Other Code provisions

- Directors' statement on fair, balanced and understandable;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section describing the work of the Audit Committee.

Other Companies Act 2006 Reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report

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

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

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

Directors' remuneration

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

Matters on which we are required to report by exception

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

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

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. We considered the significant laws and regulations to be the Companies Act 2006, the FCA listing and DTR rules, the principles of the AIC Code of Corporate Governance, industry practice represented by the AIC SORP, United Kingdom Generally Accepted Accounting Practice, and the Company's qualification as an Investment Trust under UK tax legislation as any non-compliance with this would lead to the Company losing various deductions and exemptions from corporation tax.

Our tests included, but were not limited to:

- agreement of the Financial Statements' disclosures to underlying supporting documentation;
- enquiries of management and those charged with governance relating to the existence of any non-compliance with laws and regulations;
- review of minutes of Board meetings throughout the period;
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations; and
- reviewing the calculation in relation to Investment Trust compliance to check that the Company was meeting its requirements to retain its Investment Trust status.

Fraud

We assessed the susceptibility of the Financial Statements to material misstatement, including fraud.

Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Review of minutes of meetings of those charged with governance for any known or suspected instances of fraud; and
- Discussion amongst the engagement team as to how and where fraud might occur in the Financial Statements.

Based on our risk assessment, we considered the areas most susceptible to be valuation of unlisted investments and the risk of management override of controls in relation to the valuation of unlisted investments.

Our procedures in respect of the above included:

- In addressing the risk of valuation of unlisted investments, the procedures set out in the key audit matter section in our report were performed;
- In addressing the risk of management override of control, we:
  - Considered the opportunity and incentive to manipulate accounting entries and target tested relevant adjustments made in the period end financial reporting process;
  - Reviewed for significant transactions outside the normal course of business;
  - Reviewed the significant judgements made in the unlisted investment valuations and considering whether the valuation methodology is the most appropriate; and
  - Considered any indicators of bias in our audit as a whole.
- Recalculation of investment management fees in total; and
- Obtaining independent confirmation of bank balances.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the Financial Statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the Financial Statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: **frc.org.uk/auditorsresponsibilities**. This description forms part of our Auditor's report.

Use of our report

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

Chris Meyrick (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, United Kingdom
16 November 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Income statement

For the year ended 30 September

	Notes	2023 Revenue £'000	2023 Capital £'000	2023 Total £'000	2022 Revenue £'000	2022 Capital £'000	2022 Total £'000
Gains/(losses) on investments	9	–	19,795	**19,795**	–	(241,839)	**(241,839)**
Currency (losses)/gains	14	(40)	533	**493**	104	(1,145)	**(1,041)**
Income	2	3,912	–	**3,912**	4,313	–	**4,313**
Investment management fee	3	(354)	(1,416)	**(1,770)**	(412)	(1,647)	**(2,059)**
Other administrative expenses	4	(564)	–	**(564)**	(572)	–	**(572)**
Net return before finance costs and taxation		**2,954**	**18,912**	**21,866**	**3,433**	**(244,631)**	**(241,198)**
Finance costs of borrowings	5	(164)	(653)	**(817)**	(214)	(652)	**(866)**
Net return before taxation		**2,790**	**18,259**	**21,049**	**3,219**	**(245,283)**	**(242,064)**
Tax on ordinary activities	6	6,835	–	**6,835**	(358)	–	**(358)**
Net return after taxation		**9,625**	**18,259**	**27,884**	**2,861**	**(245,283)**	**(242,422)**
Net return per ordinary share	**7**	**2.68p**	**5.09p**	**7.77p**	**0.79p**	**(67.98p)**	**(67.19p)**

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

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

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

The accompanying notes on pages 92 to 107 are an integral part of the Financial Statements.

Balance sheet

As at 30 September

	Notes	2023 £'000	2023 £'000	2022 £'000	2022 £'000
Fixed assets					
Investments held at fair value through profit or loss	9		377,812		358,105
Current assets					
Debtors	10	2,406		2,797	
Cash at bank	19	907		3,571	
		3,313		6,368	
Creditors					
Amounts falling due within one year:	11	(1,775)		(1,516)	
Net current assets			1,538		4,852
Total assets less current liabilities			**379,350**		**362,957**
Creditors					
Amounts falling due after more than one year:	12		(51,960)		(52,560)
Net assets			**327,390**		**310,397**
Capital and reserves					
Share capital	13		10,061		10,061
Share premium account	14		125,050		125,050
Capital redemption reserve	14		8,750		8,750
Capital reserve	14		176,215		158,457
Revenue reserve	14		7,314		8,079
Shareholders' funds			**327,390**		**310,397**
Net asset value per ordinary share* (borrowings at book value)	**15**		**91.4p**		**86.5p**
Net asset value per ordinary share* (borrowings at fair value)			**96.7p**		**91.9p**

The Financial Statements of Baillie Gifford European Growth Trust plc (Company registration number 1055384) were approved and authorised for issue by the Board and were signed on 16 November 2023.

Michael MacPhee
Chairman

The accompanying notes on pages 92 and 107 are an integral part of the Financial Statements.

* See Glossary of terms and alternative performance measures on pages 122 and 124.

Statement of changes in equity

For the year ended 30 September 2023

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 October 2022		10,061	125,050	8,750	158,457	8,079	**310,397**
Dividends paid during the year	8	–	–	–	–	(10,390)	**(10,390)**
Shares bought back into treasury	13	–	–	–	(501)	–	**(501)**
Net return on ordinary activities after taxation	14	–	–	–	18,259	9,625	**27,884**
Shareholders' funds at 30 September 2023		**10,061**	**125,050**	**8,750**	**176,215**	**7,314**	**327,390**

For the year ended 30 September 2022

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 October 2021		10,061	125,050	8,750	411,184	6,494	**561,539**
Dividends paid during the year	8	–	–	–	–	(1,276)	**(1,276)**
Shares bought back into treasury	13	–	–	–	(7,444)	–	**(7,444)**
Net return on ordinary activities after taxation	14	–	–	–	(245,283)	2,861	**(242,422)**
Shareholders' funds at 30 September 2022		**10,061**	**125,050**	**8,750**	**158,457**	**8,079**	**310,397**

The accompanying notes on pages 92 to 107 are an integral part of the Financial Statements.

Cash flow statement

For the year ended 30 September

	Notes	2023 £'000	2023 £'000	2022 £'000	2022 £'000
Cash flows from operating activities					
Net return on ordinary activities before taxation		21,049		(242,064)	
Net (gains)/losses on investments		(19,795)		241,839	
Currency (gains)/losses		(533)		1,041	
Finance costs of borrowings		817		866	
Tax repayment received		7,034		–	
Overseas withholding tax suffered		(199)		(284)	
Overseas withholding tax received		451		459	
Changes in debtors*		(170)		(214)	
Changes in creditors*		29		(316)	
Cash from operations†			8,683		1,327
Interest paid			(813)		(852)
Net cash inflow from operating activities			**7,870**		**475**
Cash flows from investing activities					
Acquisitions of investments#		(46,765)		(147,499)	
Disposals of investments#		47,203		147,012	
Net cash inflow/(outlow) from investing activities			**438**		**(487)**
Cash flows from financing activities					
Shares bought back into treasury		(509)		(7,436)	
Equity dividends paid		(10,390)		(1,276)	
Net cash outflow from financing activities			**(10,899)**		**(8,712)**
Decrease in cash and cash equivalents			**(2,591)**		**(8,724)**
Exchange movements			(73)		43
Cash and cash equivalents at start of year	16		3,571		12,252
Cash and cash equivalents at end of year	16		**907**		**3,571**
Comprising:					
Cash at bank			907		3,571
			907		**3,571**

* Change in debtors is made up of changes in accrued income, prepaid expenses and taxation recoverable (excluding overseas withholding tax received in the year) – see note 10. Change in creditors is made up of changes in other creditors and accruals – see note 11.

† Cash from operations includes dividends received of £2,839,000 (2022 – £4,284,000) and interest received of £919,000 (2022 – £2,000).

\# Acquisitions of investments is made up of the current year purchases at cost (see note 9), plus opening purchases for subsequent settlement, less closing purchases for subsequent settlement (see note 11). Disposals of investments is made up of the current year sales proceeds (see note 9), plus opening investment sales awaiting settlement, less closing investment sales awaiting settlement (see note 10).

The accompanying notes on pages 92 to 107 are an integral part of the Financial Statements.

Notes to the Financial Statements

01 Principal accounting policies

The Financial Statements for the year to 30 September 2023 have been prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' on the basis of the accounting policies set out below which are consistent with those applied for the year ended 30 September 2022.

a. Basis of accounting

All of the Company's operations are of a continuing nature and the Financial Statements are prepared on a going concern basis under the historical cost convention, modified to include the revaluation of fixed asset investments and on the assumption that approval as an investment trust under section 1158 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) (Tax) Regulations 2011 will be retained. The Board has, in particular, considered the impact of heightened market volatility due to macroeconomic and geopolitical concerns, but does not believe the Company's going concern status is affected. The Company's assets, which at present are mainly investments in quoted securities which are readily realisable, exceed its liabilities significantly. All borrowings require the prior approval of the Board. Gearing levels and compliance with borrowing covenants are reviewed by the Board on a regular basis. The Company has continued to comply with the investment trust status requirements of section 1158 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) (Tax) Regulations 2011.

The Company's primary third party suppliers, including its Managers and Secretaries, Custodian, Depositary, Registrar, Auditor and Corporate Broker, are not experiencing significant operational difficulties affecting their respective services to the Company. Accordingly, the Financial Statements have been prepared on the going concern basis as it is the Directors' opinion, having assessed the principal and emerging risks and other matters as set out in the Viability Statement on page 29, that the Company will continue in operational existence for a period of at least 12 months from the date of approval of these Financial Statements.

The Financial Statements have been prepared in accordance with the Companies Act 2006, applicable UK Accounting Standards and with the AIC's Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued in November 2014 and updated in July 2022.

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

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.

The Directors consider the Company's functional currency to be sterling as the entity is listed on a sterling stock exchange in the UK, the Company's share capital and dividends paid are denominated in sterling, the Company's shareholders are predominantly based in the UK and the Company and its Investment Manager, which are subject to the UK's regulatory environment, are also UK based.

b. Significant accounting estimates and judgements

The preparation of the Financial Statements requires the use of estimates, assumptions and judgements. These estimates, assumptions and judgements affect the reported amounts of assets and liabilities, at the reporting date. While estimates are based on best judgement using information and financial data available, the actual outcome may differ from these estimates. The key sources of estimation and uncertainty relate to the assumptions used in the determination of the fair value of the unlisted investments, which are detailed in note 9 on page 97.

Judgements

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

i. the determination of the functional currency of the Company as sterling (see rationale in 1(a) above); and

ii. the fair valuation of the unlisted investments.

The key judgements in the fair valuation process are:

i. the Managers' determination of the appropriate application of the International Private Equity and Venture Capital Guidelines 2022 (IPEV Guidelines) to each unlisted investment; and

ii. the Directors' consideration of whether each fair value is appropriate following detailed review and challenge. The judgement applied in the selection of the methodology used for determining the fair value of each unlisted investment can have a significant impact upon the valuation.

Estimates

The key estimate in the Financial Statements is the determination of the fair value of the unlisted investments by the Managers for consideration by the Directors. This estimate is key as it significantly impacts the valuation of the unlisted investments at the Balance Sheet date. The fair valuation process involves estimation using subjective inputs that are unobservable (for which market data is unavailable). The main estimates involved in the selection of the valuation process inputs are:

i. the selection of appropriate comparable companies in order to derive revenue multiples and meaningful relationships between enterprise value, revenue and earnings growth. Comparable companies are chosen on the basis of their business characteristics and growth patterns;

ii. the selection of a revenue metric (either historic or forecast);

iii. the application of an appropriate discount factor to reflect the reduced liquidity of unlisted companies versus their listed peers;

iv. the estimation of the probability assigned to an exit being through an initial public offering ('IPO') or a company sale;

v. the selection of an appropriate industry benchmark index to assist with the valuation validation or the application of valuation adjustments, particularly in the absence of established earnings or closely comparable peers; and

vi. the calculation of valuation adjustments derived from milestone analysis (i.e. incorporating operational success against the plan/forecasts of the business into the valuation).

c. Investments

The Company's investments are classified as held at fair value through profit and loss in accordance with sections 11 and 12 of FRS 102. Purchases and sales of investments are recognised on a trade date basis. Expenses incidental to the purchase and sale of investments are recognised in the Income Statement as capital items.

Investments are designated as held at fair value through profit or loss on initial recognition and are measured at subsequent reporting dates at fair value. The fair value of listed security investments is bid price or last traded price. Unlisted investments are valued at fair value by the Directors following a detailed review and appropriate challenge of the valuations proposed by the Managers. The Managers' unlisted investment policy applies methodologies consistent with IPEV Guidelines. These methodologies can be categorised as follows (a) market approach (multiples, industry valuation benchmarks and available market prices); (b) income approach (discounted cash flows); and (c) replacement cost approach (net assets). The valuation process recognises also, as stated in the IPEV Guidelines, that the price of a recent investment may be an appropriate starting point for estimating fair value, however it should be evaluated using the techniques described above.

d. Cash and cash equivalents

Cash and cash equivalents include 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.

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

iii. Interest receivable/payable on bank deposits is recognised on an accruals basis.

iv. Overseas dividends include the taxes deducted at source.

v. 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.

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

f. Expenses

All expenses are accounted for on an accruals basis. Expenses are charged through the revenue account except:

i. where they relate directly to the acquisition or disposal of an investment in which case they are recognised as capital within losses/gains on investments. These expenses are commonly referred to as transaction costs and comprise brokerage commission and stamp duty.

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

The management fee is allocated 20% to revenue and 80% to capital in line with the Board's expected long-term split of revenue and capital return from the Company's investment portfolio. The Board reviews the expense allocation policy on a yearly basis and considers whether it remains appropriate.

g. Long term borrowings, overdrafts and finance costs

Unsecured loan notes and overdrafts are classified as loans and are measured at amortised cost. They are initially recorded at the par value of proceeds received net of direct costs. Finance costs are accounted for on an accruals basis and on an effective interest basis and are allocated 20% to revenue and 80% to capital in line with the Board's expected long-term split of revenue and capital return from the Company's investment portfolio. The Board reviews the expense allocation policy on a yearly basis and considers whether it remains appropriate.

h. Taxation

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

i. Dividend distributions

Final dividends are recognised in the year in which the dividends are approved by the Company's shareholders in a General Meeting. Interim dividends are recognised in the year in which they are paid.

j. Foreign currencies

Transactions involving foreign currencies are converted at the rate ruling at the time of the transaction. Monetary assets and liabilities and fixed asset investment in foreign currencies are translated at the closing rates of exchange at the Balance Sheet date. Any gain or loss arising from a change in exchange rate subsequent to the date of the transaction is included as an exchange gain or loss in the Income Statement as capital or revenue as appropriate to the transaction.

k. Capital reserve

Gains and losses on disposal of investments, changes in the 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 the capital reserve. Purchases of the Company's own shares are also funded from this reserve. The nominal value of such shares is transferred from share capital to the capital redemption reserve if the shares are subsequently cancelled. 80% of management fees and finance costs have been allocated to the capital reserve. The capital reserve, to the extent it constitutes realised profits, is distributable.

l. Share premium

The share premium reserve represents the excess of the issue price over the nominal value of shares issued less transaction costs incurred on the issue of the shares.

m. Capital redemption reserve

The nominal value of ordinary share capital purchased and cancelled is transferred out of called-up share capital and into the capital redemption reserve on the relevant trade date.

n. Revenue reserve

The revenue profit or loss for the year is taken to or from this reserve. The revenue reserve may be distributed by way of a dividend.

o. Single segment reporting

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

02 Income

	2023 £'000	2022 £'000
Income from investments		
Overseas dividends	2,890	4,311
Overseas interest	103	–
Other income		
Interest	919	2
Total income	**3,912**	**4,313**

Interest for 2023 includes £869,000 interest received from HMRC with the tax repayment (see note 6 on page 96).

03 Investment management fee

	2023 Revenue £'000	2023 Capital £'000	2023 Total £'000	2022 Revenue £'000	2022 Capital £'000	2022 Total £'000
Investment management fee	**354**	**1,416**	**1,770**	**412**	**1,647**	**2,059**

Details of the Investment Management Agreement are disclosed on pages 58 and 59. Baillie Gifford & Co Limited's annual management fee is 0.55% of the lower of (i) the Company's market capitalisation and (ii) the Company's net asset value (which shall include income), in either case up to £500 million, and 0.50% of the amount of the lower of the Company's market capitalisation or net asset value above £500 million, calculated and payable quarterly.

04 Other administrative expenses

	2023 £'000	2022 £'000
General administrative expenses	166	163
Directors' fees (see Directors' remuneration report on page 76)	125	125
Marketing*	88	100
Custody	67	82
Auditor's remuneration – statutory audit of Company's Annual Financial Statements	52	36
Depositary	38	43
Registrar	28	23
	564	**572**

* The Company is part of a marketing programme which includes all the Investment Trusts managed by the Manager. The marketing strategy has an ongoing objective to stimulate demand for the Company's shares. The cost of this marketing strategy is borne in partnership by the Company and the Manager. The Manager matches the Company's marketing contribution and provides the resource to manage and run the programme.

05 Finance costs

	2023 Revenue £'000	2023 Capital £'000	2023 Total £'000	2022 Revenue £'000	2022 Capital £'000	2022 Total £'000
Negative interest on cash balances	–	–	–	51	–	51
Overdraft arrangement fee	1	2	3	1	2	3
Loan notes interest	163	651	814	162	650	812
	164	**653**	**817**	**214**	**652**	**866**

06 Tax on ordinary activities

	2023 Total £'000	2022 Total £'000
Analysis of charge in year		
Overseas taxation	199	358
HMRC tax repayment	(7,034)	–
Tax Charge	**(6,835)**	**358**

	2023 £'000	2022 £'000
Factors affecting tax charge for year		
The tax charge for the year is lower than the standard rate of corporation tax in the UK of 22%*. The differences are explained below:		
Net revenue return on ordinary activities before taxation	2,790	3,219
Net revenue return on ordinary activities multiplied by the standard rate of corporation tax in the UK of 22%* (2022 – 19%)	614	612
Effects of:		
Income not taxable	(627)	(839)
Overseas tax charge	199	358
HMRC tax repayment	(7,034)	–
Taxable losses in year not utilised	13	227
Revenue tax charge for the year	**(6,835)**	**358**

* A tax rate of 22% reflects the increase in the UK corporation tax rate from 19% to 25% from 1 April 2023.

As an investment trust, the Company's capital gains are not taxable.

As noted in the 2018 Annual Report the Company pursued a potential reclaim of tax relating to Franked Investment Group ('FII GLO') computation-based claims, filed on the basis that the tax treatment of dividends received from EU-resident companies was contrary to Article 43 (freedom of establishment) and/or Article 56 (free movement of capital and payments) of the European Community Treat. Following successful legal action regarding the treatment of overseas dividend income and a subsequent settlement agreement with HMRC the Company received a repayment of tax relating to the accounting periods ending 2003 to 2009 and the revenue tax charge for 2023 therefore includes £7,034,000 UK corporation tax.

Factors that may affect future tax charges

At 30 September 2023 the Company had unrelieved losses carried forward of £27,033,000 (2022– £24,856,000) and had a potential deferred tax asset of £6,758,000 (2022 – £6,214,000) on taxable losses which is available to be carried forward and offset against future taxable profits. A deferred tax asset has not been recognised on these losses as it is considered unlikely that the Company will make taxable revenue profits in the future and it is not liable to tax on its capital gains. The potential deferred tax asset has been calculated using a corporation tax rate of 25% (2022 – 25%).

Due to the Company's status as an investment trust, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided for deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

07 Net return per ordinary share

	2023 Revenue	2023 Capital	2023 Total	2022 Revenue	2022 Capital	2022 Total
Net return per ordinary share	**2.68p**	**5.09p**	**7.77p**	**0.79p**	**(67.98p)**	**(67.19p)**

Revenue return per ordinary share is based on the net revenue return on ordinary activities after taxation of £9,625,000 (2022 – £2,861,000), and on 358,552,904 (2022 – 360,823,119) ordinary shares, being the weighted average number of ordinary shares in issue during each year.

Capital return per ordinary share is based on the net capital gain for the financial year of £18,259,000 (2022 – net capital loss of £245,283,000), and on 358,552,904 (2022 – 360,823,119) ordinary shares, being the weighted average number of ordinary shares in issue during each year.

There are no dilutive or potentially dilutive shares in issue.

08 Ordinary dividends

	2023	2022	2023 £'000	2022 £'000
Amounts recognised as distributions in the period:				
Previous year's final (paid 10 February 2023)	0.70p	0.35p	2,511	1,276
Special Interim Dividend (paid 15 September 2023)	2.20p	–	7,879	–
	2.90p	**0.35p**	**10,390**	**1,276**

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 £9,625,000 (2022 – £2,861,000).

	2023	2022	2023 £'000	2022 £'000
Dividends paid and proposed in the period:				
Special interim dividend (paid 15 September 2023)	2.20p	–	7,879	–
Proposed final dividend per ordinary share (payable 2 February 2024)	0.40p	0.70p	1,433	2,511
	2.60p	**0.70p**	**9,312**	**1,276**

09 Investments

As at 30 September 2023	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Securities				
Listed equities	336,369	–	–	**336,369**
Unlisted equities	–	–	41,443	**41,443**
Total financial asset investments	**336,369**	**–**	**41,443**	**377,812**

As at 30 September 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Securities				
Listed equities	318,506	–	–	**318,506**
Unlisted equities	–	–	39,599	**39,599**
Total financial asset investments	**318,506**	**–**	**39,599**	**358,105**

Investments in securities are financial assets designated at fair value through profit or loss on initial recognition. In accordance with FRS 102 the tables above 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 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 – 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 valuation techniques used by the Company are explained in the accounting policies on pages 92 and 93. A sensitivity analysis by valuation technique of the unlisted securities is on pages 104 to 106.

09 Investments (continued)

Significant holdings disclosure requirements

Details are disclosed below in accordance with the requirements of paragraph 82 of the AIC Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (updated in July 2022) in relation to unlisted investments included in the ten largest holdings disclosed on page 50. As required, this disclosure includes turnover, pre-tax profits and net assets attributable to investors, as reported within the most recently audited financial statements of the investee companies where possible.

As at 30 September 2023 Name	Business	Latest Financial Statements	Proportion of capital owned %	Book cost £'000	Market Value £'000	Income recognised from holding in the period £'000	Turnover ('000)	Pre-tax profit/ (loss) ('000)	Net assets attributable to shareholders ('000)
Northvolt AB	Battery developer and manufacturer, specialised in lithium-ion technology for electric vehicles	n/a	0.24	14,037	18,752	Nil	Information not publicly available		

As at 30 September 2022 Name	Business	Latest Financial Statements	Proportion of capital owned %	Book cost £'000	Market Value £'000	Income recognised from holding in the period £'000	Turnover ('000)	Pre-tax profit/ (loss) ('000)	Net assets attributable to shareholders ('000)
Northvolt AB	Battery developer and manufacturer, specialised in lithium-ion technology for electric vehicles	n/a	0.23	14,307	24,301	Nil	Information not publicly available		

	Listed equities £'000	Unlisted equities £'000	Total £'000
Cost of investments held at 1 October 2022	406,740	29,372	436,112
Unrealised (depreciation)/appreciation at 1 October 2022	(88,234)	10,227	(78,007)
Value of investments held at 1 October 2022	318,506	39,599	358,105
Analysis of transactions during the year:			
Purchases at cost	41,231	5,775	47,006
Sales proceeds received	(47,094)	–	(47,094)
Gains/(losses) on investments	23,726	(3,931)	19,795
Value of investments held at 30 September 2023	**336,369**	**41,443**	**377,812**
Cost of investments held at 30 September 2023	375,265	35,147	410,412
Unrealised (depreciation)/appreciation at 30 September 2023	(38,896)	6,296	(32,600)
Value of investments at 30 September 2023	**336,369**	**41,443**	**377,812**

The purchases and sales proceeds figures above include transaction costs of £17,000 (2022 – £104,000) and £17,000 (2022 – £59,000) respectively.

09 Investments (continued)

	2023 £'000	2022 £'000
Net gains/(losses) on investments		
(Losses)/gains on sales	(25,612)	32,819
Changes in investment holding gains/(losses)	45,407	(274,658)
	19,795	**(241,839)**

10 Debtors

	2023 £'000	2022 £'000
Accrued income and prepaid expenses	186	80
Taxation recoverable	1,224	1,611
Investment sales awaiting settlement	996	1,106
	2,406	**2,797**

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

	2023 £'000	2022 £'000
Interest payable	236	239
Purchases for subsequent settlement	966	725
Share buy backs payable	–	9
Other creditors and accruals	573	543
	1,775	**1,516**

None of the above creditors are financial liabilities held at fair value through profit or loss. Included in other creditors is £412,000 (2022 – £392,000) in respect of the investment management fee.

The Company currently has a €30,000,000 bank overdraft credit facility agreement with The Northern Trust Company (the 'Bank') for the purpose of pursuing its investment objective. As at 30 September 2023, nil had been drawn down (2022 – nil). The facility is uncommitted. Interest is charged at 1.25% above the European Central Bank Main Financing Rate. The Board has currently agreed to cap a drawdown under this facility at €15,000,000.

The maximum aggregate principal amount which may be outstanding under the facility at any time is the lower of €30,000,000 or 20% of the aggregated value of unencumbered assets acceptable to the Bank. The facility contains covenants preventing the Company from creating any security interest over any assets of the Company held by the Bank or incurring any other financial indebtedness without the express permission of the Bank. The Company is required to maintain its status as an investment trust authorised by HMRC and to maintain the appointment of Northern Trust Investor Services as its Depositary. The facility also demands automatic repayment in the event of an unremedied breach by the Company or should the Company become insolvent or subject to insolvency, winding-up or administrative proceedings. There were no breaches of covenants during the year.

12 Creditors – amounts falling due after more than one year

	2023 £'000	2022 £'000
Unsecured loan notes:		
€30m 1.55% 24 June 2036	25,998	26,299
€30m 1.57% 8 December 2040	25,962	26,261
	51,960	**52,560**

The Company has €30 million of long-term, fixed rate, senior, unsecured privately placed loan notes, with a fixed coupon of 1.57% to be repaid on 8 December 2040 and a further €30 million of long-term, fixed rate, senior, unsecured privately placed loan notes with a fixed coupon of 1.55% to be repaid on 24 June 2036.

The main covenants which are tested monthly are: (i) Net tangible assets shall not fall below £200,000,000. (ii) Total borrowings shall not exceed 30% of the Company's adjusted assets (as defined by the loan agreement). (iii) The Company's number of holdings shall not fall below 30.

13 Share capital

	2023 Number	2023 £'000	2022 Number	2022 £'000
Allotted, called up and fully paid ordinary shares of 2.5p each	358,149,200	8,954	358,687,671	8,967
Treasury shares of 2.5p each	44,294,490	1,107	43,756,019	1,094
Total	**402,443,690**	**10,061**	**402,443,690**	**10,061**

The Company's shareholder authority permits it to hold shares bought back in treasury. Under such authority, treasury shares may be subsequently either sold for cash (at a premium to net asset value per ordinary share) or cancelled. At 30 September 2023 the Company had authority to buy back 53,228,811 ordinary shares. During the year to 30 September 2023, no ordinary shares (2022 – nil) were bought back for cancellation and 538,471 ordinary shares were bought back into treasury at a cost of £501,000 (2022 – £7,444,000). Under the provisions of the Company's Articles of Association share buy-backs are funded from the capital reserve. The Company has authority to allot shares under section 551 of the Companies Act 2006. The Board has authorised use of this authority to issue new shares at a premium to net asset value per share in order to enhance the net asset value per share for existing shareholders and improve the liquidity of the Company's shares. During the year to 30 September 2023 no shares were issued (in the year to 30 September 2022 – no shares were issued).

14 Capital and reserves

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
At 1 October 2022	10,061	125,050	8,750	158,457	8,079	310,397
Gains on investments	–	–	–	19,795	–	19,795
Investment management fee charged to capital				(1,416)		(1,416)
Finance costs charged to capital				(653)		(653)
Exchange differences	–	–	–	533	–	533
Ordinary shares bought back into treasury	–	–	–	(501)	–	(501)
Dividends paid in year	–	–	–	–	(10,390)	(10,390)
Revenue return on ordinary activities after taxation	–	–	–	–	9,625	9,625
At 30 September 2023	**10,061**	**125,050**	**8,750**	**176,215**	**7,314**	**327,390**

The capital reserve includes unrealised losses of £32,600,000 (2022 – losses of £78,007,000) as disclosed in note 9 and unrealised currency gains of £947,000 (2022 – gains of £340,000).

The revenue reserve of £7,314,000 and the capital reserve (to the extent that realised profits exceed any unrealised losses, £176,215,000) are distributable.

15 Shareholders' funds per ordinary share

	2023	2022
Shareholders' funds	£327,390,000	£310,397,000
Number of ordinary shares in issue at the year end	358,149,200	358,687,671
Shareholders' funds per ordinary share	91.4p	86.5p

The shareholders' funds figures above have been calculated after deducting borrowings at book value, in accordance with the provisions of FRS 102 and based on 358,149,200 (2022 – 358,687,671) ordinary shares, being the number of ordinary shares in issue at the year end, excluding shares held in treasury. The net asset value figures shown on the Balance Sheet on page 89 have been calculated after deducting borrowings at either book value or fair value. Reconciliations between shareholders' funds and both NAV measures are shown in the Glossary of terms and alternative performance measures on pages 122 to 124. There are no dilutive or potentially dilutive shares in issue.

16 Analysis of change in net debt

	1 October 2022 £'000	Cash flows £'000	Other non-cash changes £'000	Exchange movement £'000	30 September 2023 £'000
Cash and cash equivalents	3,571	(2,591)	–	(73)	907
Loans due in more than one year	(52,560)	–	(6)	606	(51,960)
	(48,989)	**(2,591)**	**(6)**	**533**	**(51,053)**

17 Contingent liabilities, guarantees and financial commitments

There were no contingent liabilities, guarantees or financial commitments at the year end (2022 – none).

18 Transactions with related parties and the managers and secretaries

The Directors' fees for the year and interests in the Company's shares at the end of the year are detailed in the Directors' Remuneration Report on page 76. The Directors' Fees are included in note 4 on page 95. No Director has a contract of service with the Company. During the years reported, no Director was interested in any contract or other matter requiring disclosure under section 412 of the Companies Act 2006.

The Management fee due to Baillie Gifford & Co Limited is set out in note 3 on page 95 and the amount accrued at 30 September 2023 is set out in note 11 on page 99. Details of the Investment Management Agreement are set out on page 58.

The Company is part of a marketing programme which includes all the investment trusts managed by the Manager. The Company's marketing contribution, recharged by the Manager, was £88,000 (£100,000) as disclosed in note 4.

19 Financial instruments

The Company invests in equities for the long-term so as to achieve its investment objective of long-term capital growth with the aim of providing a total return in excess of the FTSE Europe Ex UK Index. The Company borrows money when the Managers have sufficient conviction that the assets funded by borrowed monies will generate a return in excess of the cost of borrowing. In pursuing its investment objective, the Company is exposed to various types of risk that are associated with the financial instruments and markets in which it invests and could result in a reduction in the Company's net assets and/or a reduction in the profits available for dividend.

These risks are categorised here as market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. The Board monitors closely the Company's exposures to these risks but does so in order to reduce the likelihood of a permanent loss of capital rather than to minimise short-term volatility.

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

Market risk

The fair value or future cash flows of a financial instrument or other investment held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements – currency risk, interest rate risk and market price risk. The Board of Directors reviews and agrees policies for managing these risks and the Company's Investment Manager assesses the exposure to market risk when making individual investment decisions as well as monitoring the overall level of market risk across the investment portfolio on an ongoing basis. Details of the Company's investment portfolio are shown on pages 50 and 51.

19 Financial instruments (continued)

Currency risk

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. It is not the Company's policy to hedge foreign currency risk on a continuing basis but the Company may, and currently does through the euro denominated unsecured loan notes, match overseas investments with foreign currency borrowings.

The Investment Manager monitors the Company's exposure to foreign currencies and reports to the Board on a regular basis. The Investment Manager assesses 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 overseas 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.

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

At 30 September 2023	Investments £'000	Cash and deposits £'000	Loan Notes £'000	Debtors and creditors £'000	Net exposure £'000
Euro	203,558	790	(51,960)	224	152,612
Swedish kroner	51,643	–	–	486	52,129
US dollar	38,536	–	–	–	38,536
Norwegian krone	27,109	–	–	–	27,109
Canadian dollar	16,053	–	–	–	16,053
Danish krone	15,365	–	–	133	15,498
Polish zloty	12,058	–	–	32	12,090
Swiss franc	8,907	–	–	287	9,194
Total exposure to currency risk	**373,229**	**790**	**(51,960)**	**1,162**	**323,221**
Sterling	4,583	117	–	(531)	4,169
	377,812	**907**	**(51,960)**	**631**	**327,390**

At 30 September 2022	Investments £'000	Cash and deposits £'000	Loan Notes £'000	Debtors and creditors £'000	Net exposure £'000
Euro	186,111	3,454	(52,560)	976	**137,981**
Swedish kroner	63,596	–	–	–	**63,596**
US dollar	42,788	–	–	–	**42,788**
Norwegian krone	18,919	–	–	–	**18,919**
Canadian dollar	13,025	–	–	–	**13,025**
Swiss franc	12,234	–	–	649	**12,883**
Danish krone	8,565	–	–	136	**8,701**
Polish zloty	7,786	–	–	31	**7,817**
Total exposure to currency risk	**353,024**	**3,454**	**(52,560)**	**1,792**	**305,710**
Sterling	5,081	117	–	(511)	**4,687**
	358,105	**3,571**	**(52,560)**	**1,281**	**310,397**

19 Financial instruments (continued)

Currency Risk Sensitivity

At 30 September 2023, 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 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 2022.

	2023 £'000	2022 £'000
Euro	7,631	6,899
Swedish kroner	2,606	3,180
US dollar	1,927	2,139
Norwegian krone	1,355	946
Canadian dollar	803	651
Danish krone	775	644
Polish zloty	605	435
Swiss franc	460	391
	16,162	**15,285**

Interest rate risk

Interest rate movements may affect the level of income receivable and payable on cash deposits and interest payable on variable rate borrowings and the fair value of the Company's fixed-rate borrowings. They may also impact upon the market value of the Company's investments as 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 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 the income receivable on cash deposits.

The Company has the ability to finance 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.

During the year to 30 September 2023, the majority of the Company's assets were non-interest bearing.

Financial assets

Cash deposits generally comprise overnight call or short-term money market deposits and earn interest at floating rates based on prevailing bank base rates.

Financial liabilities

The interest rate risk profile of the Company's financial liabilities at 30 September 2023 is shown below:

	2023 £'000	2022 £'000
Fixed rate – Euro denominated	51,960	52,560

Maturity profile

The maturity profile of the Company's financial liabilities at 30 September was:

	2023 Within 1 year £'000	2023 Between 1 and 5 years £'000	2023 More than 5 years £'000	2022 Within 1 year £'000	2022 Between 1 and 5 years £'000	2022 More than 5 years £'000
Repayment of loans, debentures and loan notes	–	–	51,960	–	–	52,560

19 Financial Instruments (continued)

Interest rate risk sensitivity

An increase of 1.0% in interest rates, with all other variables being held constant, would have increased the Company's net assets for the year to 30 September 2023 by £14,000 (as during the year the Company received interest on cash held on deposit) (year to 30 September 2022 – a decrease of £44,000 (as during the year the Company was only paying interest on cash held on deposit)). A decrease of 1.0% would have had an equal but opposite effect. The sensitivity for 2023 excludes the £869,000 interest received from HMRC relating to the tax repayment.

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 Company's exposure to changes in market prices relates to the fixed asset investments as disclosed in note 8.

The Board manages the market price risks inherent in the investment portfolio by ensuring full and timely access to relevant information from the Investment Manager. 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 comparative index.

Other price risk sensitivity – quoted

A full list of the Company's investments is shown on pages 50 and 51. In addition, a geographical analysis of the portfolio and an analysis of the investment portfolio by broad industrial or commercial sector are contained on page 52.

102.7% (2022 – 102.6%) of the Company's net assets are invested in quoted equities. A 20% increase in quoted equity valuations at 30 September 2023 would have increased total net assets and net return on ordinary activities after taxation by £67,274,000 (2022 – £63,701,000). A decrease of 20% would have had an equal but opposite effect. The level of change is considered to be reasonable based on observations of current market conditions.

Other price risk sensitivity – unlisted

12.7% (2022 – 12.8%) of the Company's net assets are invested in unlisted investments. The fair valuation of the unlisted investments is influenced by the estimates, assumptions and judgements made in the fair valuation process (see 1(b) on pages 92 and 93). A sensitivity analysis is provided below which recognises that the valuation methodologies employed involve subjectivity in their significant unobservable inputs and illustrates the sensitivity of the valuations to these inputs. The inputs have been flexed by +/-10% with the exception of the Recent Transaction Price valuation approach as it does not involve significant subjectivity. The table also provides the range of values for the key unobservable inputs.

As at 30 September 2023		Significant unobservable inputs*					
Valuation technique	**Fair value of investments £'000**	**Key unobservable inputs**	**Other unobservable inputs†**	**Range**	**Weighted average range#**	**Sensitivity %**	**Sensitivity to changes in significant unobservable inputs**
Market approach using comparable traded multiples	5,841	Enterprise Value/Last twelve months (EV/LTM) revenue multiple	a,b,c,d	0.5x – 3.9x	1.57x	10%	If EV/LTM multiples changed by +/-10%, the fair value would change by £621,066 and (£623,742)‡.
		Transaction implied premiums and discounts	g	25.1%–30.7%	27.8%	10%	If the transaction implied premium/discount is changed by +/- 10%, the fair value would change by £126,043 and (£128,718).
Benchmark performance	18,752	Selection of comparable companies and relevant indices	a,b,c,f	(15.7%)–3.4%	(13.2%)	10%	If input comparable company performance changed by +/-10%, the fair value would change by £1,994,592 and (£1,992,712).
Recent transaction price	16,850	Initial transaction price	a,b	n/a	n/a	n/a	n/a

19 Financial Instruments (continued)

As at 30 September 2022		Significant unobservable inputs*					
Valuation technique	Fair value of investments £'000	Key unobservable inputs	Other unobservable inputs†	Range	Weighted average range#	Sensitivity %	Sensitivity to changes in significant unobservable inputs
Market approach using comparable traded multiples	15,298	EV/LTM revenue multiple	a,b,c,d	2.6x – 9.3x	5.1x	10%	If EV/LTM multiples changed by +/- 10%, the fair value would change by £984,790 and (£990,855)‡.
		Illiquidity discount	e	-10%	-10%	-10%	If the illiquidity discount is changed by +/- 10%,the fair value would change by £106,234 and (£112,299).
Recent transaction price	24,301	n/a	a,b	n/a	n/a	n/a	n/a

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

† See explanation of significant unobservable inputs below (sections 'a' to 'g' as relevant).

‡ Flexing the revenue figures by the same sensitivity would result in the same change in both directions.

* **Significant unobservable inputs**

The variable inputs applicable to each broad category of valuation basis will vary dependent on the particular circumstances of each private company valuation. An explanation of each of the key variable inputs is provided below. The assumptions made in the production of the inputs are described in note 1(c) on page 93.

a. Application of valuation basis

Each investment is assessed independently, and the valuation basis applied will vary depending on the circumstances of each investment. When an investment is pre-revenue, the focus of the valuation will be on assessing the recent transaction and the achievement of key milestones since investment. Adjustments may also be made depending on the performance of comparable benchmarks and companies. For those investments where a trading multiples approach can be taken, the methodology will factor in revenue, earnings or net assets as appropriate for the investment, and where a suitable correlation can be identified with the comparable companies then a regression analysis will be performed. Discounted cash flows will also be considered where appropriate forecasts are available.

b. Probability estimation of liquidation events

The probability of a liquidation event such as a company sale, or alternatively an initial public offering ('IPO'), is a key variable input in the transaction-based and multiples-based valuation techniques. The probability of an IPO versus a company sale is typically estimated from the outset to be 50:50 if there has been no indication by the company of pursuing either of these routes. If the company has indicated an intention to IPO, the probability is increased accordingly to 75% and if an IPO has become a certainty the probability is increased to 100%. Likewise, in a scenario where a company is pursuing a trade sale the weightings will be adjusted accordingly in favour of a sale scenario, or in a situation where a company is underperforming expectations significantly and therefore deemed very unlikely to pursue an IPO.

c. Selection of comparable companies

The selection of comparable companies is assessed individually for each investment at the point of investment, and the relevance of the comparable companies is continually evaluated at each valuation. The key criteria used in selecting appropriate comparable companies are the industry sector in which they operate, the geography of the company's operations, the respective revenue and earnings growth rates and the operating margins. Typically, between 4 and 10 comparable companies will be selected for each investment, depending on how many relevant comparable companies are identified. The resultant revenue or earnings multiples or share price movements derived will vary depending on the companies selected and the industries they operate in.

d. Estimated sustainable earnings

The selection of sustainable revenue or earnings will depend on whether the company is sustainably profitable or not, and where it is not then revenues will be used in the valuation. The valuation approach will typically assess companies based on the last twelve months of revenue or earnings, as they are the most recent available and therefore viewed as the most reliable. Where a company has reliably forecasted earnings previously or there is a change in circumstance at the business which will impact earnings going forward, then forward estimated revenue or earnings may be used instead.

19 Financial instruments (continued)

Significant unobservable inputs (continued)

e. Application of illiquidity discount

The application of an illiquidity discount will be applied either through the calibration of a valuation against the most recent transaction, or by application of a specific discount. The discount applied where a calibration is not appropriate is typically 10%, reflecting the fact that the majority of the investments held are substantial companies with some secondary market activity.

f. Selection of appropriate benchmarks

The selection of appropriate benchmarks is assessed individually for each investment. The industry and geography of each company are key inputs to the benchmark selection, with either one or two key indices or benchmarks being used for comparison.

g. Transaction implied premium and discount

Where there is an implied company valuation available as a result of an external arm's length transaction, the ongoing valuation will be calibrated to this by deriving a company valuation with reference to the average multiple from a set of comparable companies and comparing this to a transaction implied valuation, and could result in an implied premium or discount compared to comparable companies at the point of transaction. This discount or premium will be considered in future valuations, and may be reduced due to factors such as period of time since the transaction and company performance. Where a calibrated approach is not appropriate, a discount for illiquidity will be applied as noted in (e) above.

Liquidity risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk is not significant as the majority of the Company's assets are in investments that are readily realisable. The Company's holdings in unlisted investments, which are not considered to be readily realisable, amounted to 12.7% of net assets at 30 September 2023.

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

The maturity profile of the Company's financial liabilities is on page 103.

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 Manager makes 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 Managers on the credit ratings of those bonds and other securities in which the Company has invested (if any);
- the Depositary is liable for the loss of financial instruments held in custody. The Depositary will ensure that any delegate segregates the assets of the Company. The Depositary has delegated the custody function to The Northern Trust Company. 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 Manager monitors 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 Manager. Transactions are ordinarily undertaken on a delivery versus payment basis whereby the Company's custodian ensures that the counterparty to any transaction entered into by the Company has delivered on its obligations before any transfer of cash or securities away from the Company is completed;
- the creditworthiness of the counterparty to transactions involving derivatives, structured notes and other arrangements, wherein the creditworthiness of the entity acting as broker or counterparty to the transaction is likely to be of sustained interest, is subject to rigorous assessment by the Investment Manager; and
- cash is only held at banks that are regularly reviewed by the Investment Manager.

Credit risk exposure

The exposure to credit risk at 30 September was:

	2023 £'000	2022 £'000
Cash and cash equivalents	907	3,571
Debtors	2,406	2,797
	3,313	**6,368**

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

19 Financial instruments (continued)

Fair value of financial assets and financial liabilities

The Directors are of the opinion that there is no difference between the amounts at which the financial assets and liabilities of the Company are carried in the Balance Sheet and their fair values, with the exception of long term borrowings. The fair values of the Company's borrowings are shown below. The fair values of the loan notes are calculated by reference to corporate bonds of comparable maturity and yield.

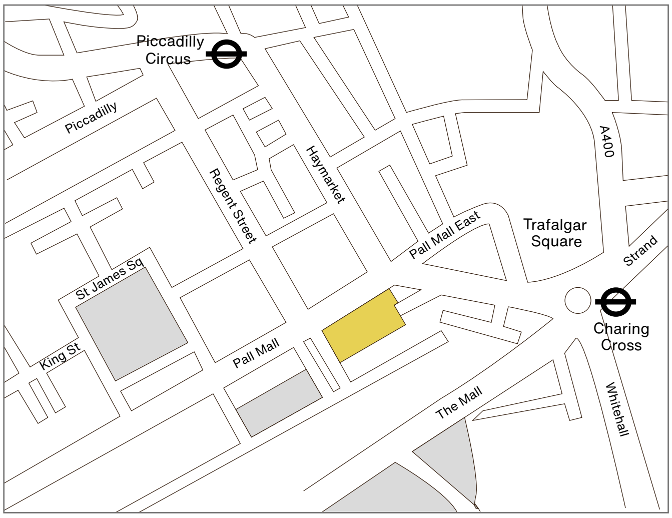
Unsecured loan notes:	2023 Book value £'000	2023 Fair value £'000	2022 Book value £'000	2022 Fair value £'000
€30m – 1.57% 8 December 2040	25,962	15,076	26,261	15,393
€30m – 1.55% 24 June 2036	25,988	17,793	26,299	18,032
	51,960	**32,869**	**52,560**	**33,425**

Capital management

The objective of the Company is to maximise the total return to its equity shareholders through an appropriate capital structure. Its borrowings are set out in note 12 on page 100. The Company does not have any externally imposed capital requirements other than the covenants on its loan notes which are detailed in note 12. The capital of the Company is the ordinary share capital as detailed in note 13. It is managed in accordance with its investment policy in pursuit of its investment objective, both of which are detailed on pages 26 and 27, and shares may be repurchased or issued as explained on page 100.

Shareholder information

Notice of Annual General Meeting



Institute of Directors

Baillie Gifford™

The Annual General Meeting of Baillie Gifford European Growth Trust plc will be held at the Institute of Directors, 116 Pall Mall, London, SW1Y 5ED on Thursday 18 January 2024, at 11am. You will find directions to the venue by scanning the QR code above.

To accurately reflect the views of shareholders of the Company, the Board intends to hold the AGM voting on a poll, rather than by a show of hands, as has been customary.

The Board encourages all shareholders to submit proxy voting forms as soon as possible and, in any event, by no later than 11am on 16 January 2024.

Should shareholders have questions for the Board or the Managers or any queries as to how to vote or how to attend the meeting they are welcome as always to submit them by email to **trustenquiries@bailliegifford.com** or call 0800 917 2112. Baillie Gifford may record your call.

For details of how to vote your shares if held via a platform please refer to **theaic.co.uk/how-to-vote-your-shares**.

Notice is hereby given that an Annual General Meeting of Baillie Gifford European Growth Trust plc will be held at the Institute of Directors, 116 Pall Mall, London, SW1Y 5ED on Thursday 18 January 2024, at 11am for the following purposes.

To consider and, if thought fit, to pass the following Resolutions as Ordinary Resolutions.

01. To receive and adopt the Financial Statements of the Company for the year to 30 September 2023 with the Reports of the Directors and of the Independent Auditor thereon.
02. To approve the Directors' Annual Report on Remuneration for the year to 30 September 2023.
03. To declare a final dividend of 0.40p per ordinary share.
04. To elect David Barron as a Director of the Company.
05. To re-elect Michael MacPhee as a Director of the Company.
06. To re-elect Andrew Watkins as a Director of the Company.
07. To re-elect Emma Davies as a Director of the Company.
08. To re-appoint BDO LLP as Independent Auditor of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting at which the Financial Statements are laid before the Company.
09. To authorise the Directors to determine the remuneration of the Independent Auditor of the Company.
10. That, in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date hereof, the Directors of the Company be and they are hereby generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the 'Act') to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company ('Securities') provided that such authority shall be limited to the allotment of shares and the grant of rights in respect of shares with an aggregate nominal value of up to £2,983,249, such authority to expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on the expiry of 15 months from the passing of this resolution, whichever is the earlier, unless previously revoked, varied or extended by the Company in a general meeting, save that the Company may at any time prior to the expiry of this authority make an offer or enter into an agreement which would or might require Securities to be allotted or granted after the expiry of such authority and the Directors shall be entitled to allot or grant Securities in pursuance of such an offer or agreement as if such authority had not expired.

To consider and, if thought fit, to pass Resolutions 11, 12 and 13 as Special Resolutions.

11. That, subject to the passing of Resolution 10 above, and in substitution for any existing power but without prejudice to the exercise of any such power prior to the date hereof, the Directors of the Company be and they are hereby generally empowered, pursuant to sections 570 and 573 of the Companies Act 2006 (the 'Act'), to allot equity securities (within the meaning of section 560(1) of the Act), for cash pursuant to the authority given by Resolution 10 above, and to sell treasury shares for cash, as if section 561(1) of the Act did not apply to any such allotment or sale, provided that this power:

a. expires at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution or on the expiry of 15 months from the passing of this Resolution, whichever is the earlier, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted or treasury shares to be sold after such expiry and the Directors may allot equity securities or sell treasury shares in pursuance of any such offer or agreement as if the power conferred hereby had not expired; and

b. shall be limited to the allotment of equity securities or the sale of treasury shares up to an aggregate nominal value of £894,974, being approximately 10% of the nominal value of the issued share capital of the Company, as at 15 November 2023.

12. That, in substitution for any existing authority but without prejudice to the exercise of any such authority prior to the date hereof, the Company be and is hereby generally and unconditionally authorised, pursuant to and in accordance with section 701 of the Companies Act 2006 (the 'Act') to make market purchases (within the meaning of section 693(4) of the Act) of fully paid ordinary shares of 2.5 pence each in the capital of the Company ('ordinary shares') (either for retention as treasury shares for future reissue, resale, transfer or cancellation), provided that:

a. the maximum aggregate number of ordinary shares hereby authorised to be purchased is 53,662,686, or, if less, the number representing approximately 14.99% of the issued ordinary share capital of the Company as at the date of the passing of this Resolution;

b. the minimum price (excluding expenses) which may be paid for each ordinary share shall be the nominal value of that share;

c. the maximum price (excluding expenses) which may be paid for each ordinary share shall not be more than the higher of:

i. 5 per cent above the average closing price on the London Stock Exchange of an ordinary share over the five business days immediately preceding the date of purchase; and

ii. the higher of the last independent trade and the highest current independent bid on the London Stock Exchange; and

d. unless previously varied, revoked or renewed by the Company in a general meeting, the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in respect of the year ending 30 September 2024, save that the Company may, prior to such expiry, enter into a contract to purchase ordinary shares under such authority which will or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of ordinary shares pursuant to any such contract.

13. That, the Company be and is hereby generally and unconditionally authorised to hold general meetings (other than Annual General Meetings) on 14 clear days' notice,such authority to expire at the conclusion of the next Annual General Meeting of the Company.

By order of the Board
Baillie Gifford & Co Limited
Company Secretaries
16 November 2023

Notes

01. As a member you are entitled to appoint a proxy or proxies to exercise all or any of your rights to attend, speak and vote at the AGM. A proxy need not be a member of the Company but must attend the AGM to represent you. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You can only appoint a proxy using the procedure set out in these notes and the notes to the proxy form. You may not use any electronic address provided either in this notice or any related documents (including the proxy form) to communicate with the Company for any purpose other than those expressly stated.

02. To be valid any proxy form or other instrument appointing a proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, must be received by post or (during normal business hours only) by hand at the Registrars of the Company at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY or online at **eproxyappointment.com** no later than two days (excluding non-working days) before the time of the meeting or any adjourned meeting.

03. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual and/or by logging on to the website **euroclear.com/CREST**. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

04. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & International Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's registrar (ID 3RA50) no later than two days (excluding non-working days) before the time of the meeting or any adjournment. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

05. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & International Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his/her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

06. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

07. The return of a completed proxy form or other instrument of proxy will not prevent you attending the AGM and voting in person if you wish.

08. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 and section 311 of the Companies Act 2006 the Company specifies that to be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company no later than two days (excluding non-working days) prior to the commencement of the AGM or any adjourned meeting. Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

09. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it,he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

10. The statement of the rights of shareholders in relation to the appointment of proxies in Notes 1 and 2 above does not apply to Nominated Persons. The rights described in those Notes can only be exercised by shareholders of the Company.

11. Under section 338 of the Companies Act 2006, members meeting the qualification criteria set out in note 14 below may, subject to certain conditions, require the Company to circulate to members notice of a resolution which may properly be moved and is intended to be moved at that meeting. The conditions are that:

    a. the resolution must not, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise);

    b. the resolution must not be defamatory of any person, frivolous or vexatious; and

    c. the request:

        i. may be in hard copy form or in electronic form;

        ii. must identify the resolution of which notice is to be given by either setting out the resolution in full or, if supporting a resolution sent by another member, clearly identifying the resolution which is being supported;

        iii. must be authenticated by the person or persons making it; and

        iv. must be received by the Company not later than 7 December 2023.

12. Under section 338A of the Companies Act 2006, members meeting the qualification criteria set out at note 14 below may require the Company to include in the business to be dealt with at the Annual General Meeting a matter (other than a proposed resolution) which may properly be included in the business (a matter of business). The request must have been received by the Company no later than 7 December 2023. The conditions are that the matter of business must not be defamatory of any person, frivolous or vexatious.

    The request must identify the matter of business by either setting it out in full or, if supporting a statement sent by another member, clearly identify the matter of business which is being supported. The request must be accompanied by a statement setting out the grounds for the request. Members seeking to do this should write to the Company providing their full name and address.

13. Under section 527 of the Companies Act 2006, members meeting the qualification criteria set out in note 14 below may require the Company to publish, on its website, (without payment) a statement (which is also passed to the Auditor) setting out any matter relating to the audit of the Company's Financial Statements, including the Auditor's Report and the conduct of the audit. Such requests must be made in writing and must state your full name and address.

14. In order to be able to exercise the members' rights in notes 11 to 13, the relevant request must be made by:

    a. members representing at least 5% of the total voting rights of all the members who have a right to vote on the resolution to which the requests relate; or

    b. at least 100 members who have a right to vote on the resolution to which the requests relate and hold shares in the Company on which there has been paid up an average sum, per member, of at least £100.

    Such requests should be sent to the Company at Calton Square, 1 Greenside Row, Edinburgh, EH1 3AN. Electronic requests permitted under section 338 (see note 11) should be sent to trustenquiries@bailliegifford.com.

15. Information regarding the Annual General Meeting, including information required by section 311A of the Companies Act 2006, is available from the Company's page of the Managers' website at **bgeuropeangrowth.com**.
16. As at 15 November 2023 (being the last practicable day prior to the publication of this notice) the Company's issued share capital consisted of 357,989,898 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 15 November 2023 were 357,989,898 votes. Voting on the resolutions will be conducted by way of a poll. This will ensure an extact and definitive result.
17. Any person holding 3% or more of the total voting rights of the Company who appoints a person other than the Chairman of the meeting as his/her proxy will need to ensure that both he/she and his/her proxy comply with their respective disclosure obligations under the UK Disclosure and Transparency Rules.
18. No Director has a contract of service with the Company.

Further shareholder information

Baillie Gifford European Growth Trust is an investment trust. Investment trusts offer investors the following:

- participation in a diversified portfolio of shares;
- constant supervision by experienced professional managers; and
- the Company is free from capital gains tax on capital profits realised within its portfolio, although investors are still liable for capital gains tax on profits when selling their investment.

How to invest

The Company's shares are traded on the London Stock Exchange. They can be bought by placing an order with a stockbroker, or by asking a professional adviser to do so. If you are interested in investing directly in Baillie Gifford European Growth Trust, you can do so online. There are a number of companies offering real time online dealing services. Find out more by visiting the investment trust pages at **bailliegifford.com**.

Sources of further information on the Company

The price of the Company's shares is quoted daily in the Financial Times and can also be found on the Company's page of the Managers' website at **bgeuropeangrowth.com**, Trustnet at **trustnet.com** and on other financial websites. Company factsheets are also available on the Baillie Gifford website and are updated monthly. These are available from Baillie Gifford on request.

Baillie Gifford European Growth Trust Identifiers

ISIN GB00BMC7T380

Sedol BMC7T38

Ticker BGEU

Legal Entity Identifier 213800QNN9EHZ4SC1R12

The ordinary shares of the Company are listed on the London Stock Exchange.

Key dates

Ordinary shareholders normally receive one dividend in respect of each financial year paid in February. The Annual Report and Financial Statements are normally issued in November and the AGM is normally held in January/February.

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 889 4086.

This helpline also offers an automated self-service functionality (available 24 hours a day, 7 days a week) which allows you to:

- hear the latest share price;
- confirm your current share holding balance; and
- order Change of Address, Dividend Bank Mandate and Stock Transfer forms.

You can also check your holding on the Registrars' website at **investorcentre.co.uk**. They also offer a free, secure share management website service which allows you to:

- view your share portfolio and see the latest market price of your shares;
- calculate the total market price of each shareholding;
- view price histories and trading graphs;
- change address details; and
- use online dealing services.

To take advantage of this service, please log in at **investorcentre.co.uk** and enter your Shareholder Reference Number and Company Code (this information can be found on the last dividend voucher or your share certificate).

Electronic proxy voting

If you hold stock in your own name you can choose to vote by returning proxies electronically at **eproxyappointment.com**.

If you have any questions about this service please contact Computershare on 0370 889 4086.

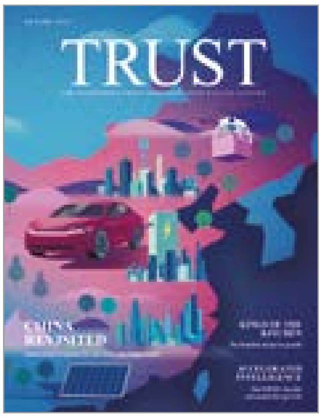
Dividend Reinvestment Plan

Computershare operate a Dividend Reinvestment Plan which can be used to buy additional shares instead of receiving your dividend via cheque or into your bank account. For further information log on to **investorcentre.co.uk** and follow the instructions or telephone 0370 889 4086.

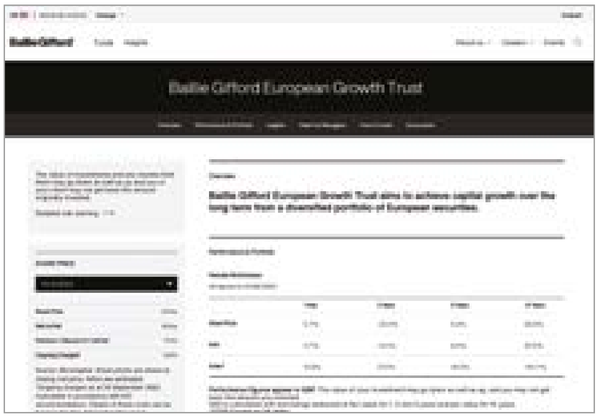
CREST proxy voting

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

Communicating with shareholders



Trust magazine



Baillie Gifford European Growth Trust web page at **bgeuropeangrowth.com**

Trust magazine

Trust is the Baillie Gifford investment trust magazine which is published twice a year. It provides an insight to our investment approach by including interviews with our fund managers, as well as containing investment trust news, investment features and articles about the trusts managed by Baillie Gifford, including Baillie Gifford European Growth Trust. *Trust* plays an important role in helping to explain our products so that readers can really understand them. For a copy of **Trust**, please contact the Baillie Gifford Client Relations Team (see contact details on page 125).

You can subscribe to Trust magazine or view a digital copy at bailliegifford.com/trust

Suggestions and Questions

Any suggestions on how communications with shareholders can be improved are welcomed, so please contact the Baillie Gifford Client Relations Team and give them your suggestions. They will also be very happy to answer questions that you may have about Baillie Gifford European Growth Trust.

Baillie Gifford European Growth Trust on the web

Up-to-date information about Baillie Gifford European Growth Trust is available on the Company's page of the Managers' website at **bgeuropeangrowth.com**. You will find full details of the Company, including recent portfolio information and performance figures.

Electronic communications from the Company

Shareholders now have the opportunity to be notified by email when the Company's Annual Reports, Interim Reports and other formal communications are available on the website, instead of receiving printed copies by post. This has environmental benefits in the reduction of paper, printing, energy and water usage, as well as reducing costs to the Company.

If you have not already elected to receive electronic communications from the Company and wish to do so, please contact the Registrar using the details shown on page 125. Please have your Shareholder Reference Number to hand.

Client relations team contact details

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

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

Email: **trustenquiries@bailliegifford.com**
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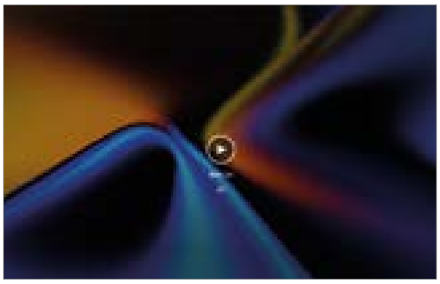
Please note that Baillie Gifford is not permitted to give financial advice. If you would like advice, please ask an authorised intermediary.



European growth: time to bargain hunt?

by Stephen Paice

Stephen Paice outlines where the opportunities lie and the trends driving value creation.

The history of Baillie Gifford European Growth Trust

by John Newlands

How a trust giving investors access to the European market has found grounds for optimism despite volatility.

Europe's new growth stars

by Chris Davies

Three companies helping turn the continent from an innovation backwater to a hotspot.

UK Alternative Investment Fund Managers ('AIFM') Regulations

In accordance with the AIFM Regulations, information in relation to the Company's leverage and the remuneration of the Company's AIFM, Baillie Gifford & Co Limited, is required to be made available to investors.

AIFM Remuneration

In accordance with the Regulations, the AIFM remuneration policy is available at **bailliegifford.com** or on request (see contact details on page 125). The numerical remuneration disclosures in respect of the AIFM's reporting period are available at **bailliegifford.com**.

Leverage

The Company's maximum and actual leverage (see Glossary of terms and alternative performance measures on page 124) levels at 30 September 2023 are shown below:

	Gross method	Commitment method
Maximum limit	2.50:1	2.00:1
Actual	1.16:1	1.16:1

Automatic exchange of information

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

The legislation requires investment trust companies to provide personal information to HMRC on certain investors who purchase shares in investment trusts. As an affected company, Baillie Gifford European Growth Trust will have to provide information annually to the local tax authority on the tax residencies of a number of non-UK based certificated shareholders and corporate entities.

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

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

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FTSE Index data

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Sustainable Finance Disclosure Regulation ('SFDR') (unaudited)

The EU SFDR does not have a direct impact in the UK due to Brexit, however, it applies to third-country products marketed in the EU. As Baillie Gifford European Growth Trust is marketed in the EU by the AIFM, Baillie Gifford & Co Limited, via the National Private Placement Regime, the following disclosures have been provided to comply with the high-level requirements of SFDR. The AIFM has adopted Baillie Gifford & Co's Governance and Sustainable Principles and Guidelines as its policy on integration of sustainability risks in investment decisions. Baillie Gifford & Co's approach to investment is based on identifying and holding high quality growth businesses that enjoy sustainable competitive advantages in their marketplace. To do this it looks beyond current financial performance, undertaking proprietary research to build an in-depth knowledge of an individual company and a view on its long-term prospects. This includes the consideration of sustainability factors (environmental, social and/or governance matters) which it believes will positively or negatively influence the financial returns of an investment. More detail on the Managers' approach to sustainability can be found in the Governance and Sustainability Principles and Guidelines document, available publicly on the Baillie Gifford website **bailliegifford.com**.

Taxonomy Regulation

The Taxonomy Regulation establishes an EU-wide framework of criteria for environmentally sustainable economic activities in respect of six environmental objectives. It builds on the disclosure requirements under SFDR by introducing additional disclosure obligations in respect of alternative investment funds that invest in an economic activity that contributes to an environmental objective. The Company does not commit to make sustainable investments as defined under SFDR. As such, the underlying investments do not take into account the EU criteria for environmentally sustainable economic activities.

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

An alternative performance measure ('APM') is a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. The APMs noted below are commonly used measures within the investment trust industry and serve to improve comparability between investment trusts.

Total assets

This is the Company's definition of Adjusted Total Assets, being the total value of all assets less current liabilities, before deduction of all borrowings.

Shareholders' funds

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

Net asset value

Net Asset Value is the value of total assets less liabilities with borrowings deducted at either book value or fair value as described below. The net asset value per share (NAV) is calculated by dividing this amount by the number of ordinary shares in issue (excluding treasury shares).

Net asset value (borrowings at fair value) (APM)

Borrowings are valued at an estimate of market worth. The fair value of the Company's loan notes is set out in note 19 on page 107.

A reconciliation from shareholders' funds (borrowings at book value) to net asset value after deducting borrowings at fair value is provided below.

	2023 £'000	2023 per share	2022 £'000	2022 per share
Shareholders' funds (borrowings at book value)	327,390	91.4p	310,397	86.5p
Add: book value of borrowings	51,960	14.5p	52,560	14.7p
Less: fair value of borrowings	(32,869)	(9.2p)	(33,425)	(9.3p)
Net asset value (borrowings at fair value)	**346,481**	**96.7p**	**329,532**	**91.9p**

The per share figures above are based on 358,149,200 (2022 – 358,687,671) ordinary shares of 2.5p, being the number of ordinary shares in issue at the year end.

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 it is said to be trading at a discount. The size of the discount is calculated by subtracting the share price from the NAV and is usually expressed as a percentage of the NAV. If the share price is higher than the NAV, it is said to be trading at a premium.

	2023 NAV (book)	2023 NAV (fair)	2022 NAV (book)	2022 NAV (fair)
Closing NAV	91.4p	96.7p	86.5p	91.9p
Closing share price	83.6p	83.6p	79.5p	79.5p
Discount	**8.5%**	**13.6%**	**8.1%**	**13.5%**

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.

		2023 NAV (fair)	2023 Share price	2022 NAV (fair)	2022 Share price
Closing NAV/share price	(a)	96.7p	83.6p	91.9p	79.5p
Dividend adjustment factor*	(b)	1.0286	1.0328	1.0024	1.0025
Adjusted closing NAV/share price	**(c) = (a) x (b)**	**99.5p**	**86.3p**	**92.1p**	**79.7p**
Opening NAV/share price	(d)	91.9p	79.5p	154.5p	152.4p
Total return	**(c) ÷ (d) -1**	**8.3%**	**8.6%**	**(40.4%)**	**(47.7%)**

* The dividend adjustment factor is calculated on the assumption that the dividends of 0.7p and 2.20p (2022 – final dividend 0.35p) paid by the Company during the year were reinvested into shares of the Company at the cum income NAV/share price, as appropriate, at the ex-dividend date.

The NAV(fair) total return for the period since Baillie Gifford began managing the portfolio in November 2019 can be calculated using the methodology shown in the table above and an opening NAV of 93.7p, a dividend adjustment factor of 1.0585 and a closing NAV of 96.7p.

Ongoing charges (APM)

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

A reconciliation from the expenses detailed in the Income Statement on page 88 is provided below.

		2023	2022
Investment management fee		£1,770,000	£2,059,000
Other administrative expenses		£564,000	£572,000
Total expenses	(a)	**£2,334,000**	**£2,631,000**
Average net asset value (with borrowings deducted at fair value)	(b)	£379,519,000	£439,950,000
Ongoing charges ((a) ÷ (b) expressed as a percentage)		0.62%	**0.60%**

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 shareholders' funds is called 'gearing'. If the Company's assets grow, shareholders' funds 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.

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

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

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.

Company information

Directors

Chairman: M MacPhee
D Barron*
E Davies
A Watkins
Dr M Woodward

* Appointed 1 October 2023

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Depositary

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ISIN: GB00BMC7T380

Sedol: BMC7T38

Ticker: BGEU

Legal Entity Identifier:
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