700

Scottish Mortgage Investment Trust PLC

Your low cost alternative for global investment

Annual Report and Accounts 31 March 2005

Contents

The World and the Scottish Thistle (Cirsium Vulgare)
These emblems represent both our global reach and our Scottish origins. From an Edinburgh base, we have invested throughout the world since 1909.

Company data at 31 March 2005

Total assets	*Shareholders' funds*	*Market capitalisation*
£1,443m†	**£1,229m**	**£984m**

†before deduction of debentures, long and short term borrowings.

Company Summary

Scottish Mortgage is a low cost global portfolio with a core UK exposure designed to maximise overall returns.

Policy and Objective
Scottish Mortgage's objective is to maximise total return whilst also generating real dividend growth.
We invest internationally but with a core of exposure to the UK market. Our equity portfolio is relatively concentrated. We look to buy and hold strong businesses with good prospects for growth. We do not replicate regional indices but instead manage the portfolio and gearing levels actively; our focus is on identifying outstanding global investments.

Benchmark
The portfolio benchmark against which performance is measured is 50% FTSE All-Share Index and 50% FTSE World Ex UK Index (in sterling terms).

Management Details
Baillie Gifford & Co are appointed as investment managers and secretaries to the Company. The management contract can be terminated at 12 months' notice.

Capital Structure
At the year end the Company's share capital consisted of 295,605,115 ordinary shares of 25p each which were issued and fully paid. During the year the Company bought back 1,700,000 shares for cancellation. Long term gearing has been secured by the issue of £146 million (nominal value) of debenture stocks.

Management Fee
Baillie Gifford & Co's annual remuneration is 0.32% of total assets less current liabilities (excluding short term borrowings for investment purposes), calculated and payable on a quarterly basis.

ISA/PEP
ISA and PEP transfer facilities are available (see inside back cover).

AITC
The Company is a member of the Association of Investment Trust Companies, of which it was one of the founder members in 1932.

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 requirements of the UK Listing Authority. They are not authorised or regulated by the Financial Services Authority.

Year's Summary

The following information illustrates how Scottish Mortgage has performed over the year to 31 March 2005.

	31 March 2005	31 March 2004	% change
Total assets (before deduction of debentures, long and short term borrowings)	£1,442.5m	£1,355.3m	
Loans and debentures	£213.1m	£227.5m	
Equity shareholders' funds	£1,229.4m	£1,127.8m	
Net asset value per ordinary share (after deducting debentures at par)	418.1p	381.5p	9.6
Net asset value per ordinary share (after deducting debentures at market value)	394.4p	362.8p	8.7
Share price	*333.0p*	*305.0p*	*9.2*
Benchmark			8.6
FTSE All-Share Index	2,457.7	2,197.0	11.9
FTSE World Ex UK Index (in sterling terms)	248.2	235.4	5.4
Dividend per ordinary share	7.35p	7.00p	5.0
Earnings per ordinary share	7.37p	8.05p	(8.4)
Total expense ratio	0.52%	0.60%	
Discount (after deducting debentures at par)	20.4%	20.1%	
Discount (after deducting debentures at market value)	15.6%	15.9%	

	Year to 31 March 2005		Year to 31 March 2004	
Year's high and low	*High*	*Low*	*High*	*Low*
Share price	351.0p	280.5p	318.5p	234.5p
Net asset value (after deducting debentures at par)	429.9p	348.0p	392.0p	285.5p
Net asset value (after deducting debentures at market value)	406.4p	330.2p	n/a	n/a
Discount (after deducting debentures at par)	17.0%	21.2%	15.8%	20.6%
Discount (after deducting debentures at market value)	11.6%	17.1%	n/a	n/a

	31 March 2005	31 March 2004
Total return per ordinary share		
Revenue	7.37p	8.05p
Capital	35.96p	94.86p
Total	**43.33p**	**102.91p**

Past performance is no guarantee of future performance.

Five Year Summary

The following charts indicate how Scottish Mortgage has performed relative to its benchmark (applied retrospectively), its underlying net asset value and the retail price index over the five year period to 31 March 2005.

5 Year Total Return Performance

(figures rebased to 100 at 31 March 2000)

Dividend and RPI Growth

(figures rebased to 100 at 31 March 2000)

Annual Net Asset Value and Share Price Total Returns (relative to the benchmark total return)

Discount to Net Asset Value

(plotted on a monthly basis)

Past performance is no guarantee of future performance.

highlights

- A year of continued global economic growth and strong growth in company profits and dividends.
- The increasing wealth of large developing countries will be a major factor in markets for a number of years to come.
- The outlook for corporate profits remains encouraging.

Chairman's Statement

Scottish Mortgage recorded another year of growth. Net asset value per share rose by 9.6% and the share price by 9.2% compared to an 8.6% increase in the benchmark. This out-performance benefited from good stock selection and gearing. Global economic growth continued and companies reported strong growth in profits and dividends. The outlook for global equity investors for the current year remains encouraging.

Confidence in Asian and Emerging markets faltered in the first half due to concerns about the pace of Chinese growth. We increased our positions in these markets which turned out to be among the stronger performers in the second half. Investments in Asia Pacific and other Emerging markets, excluding Japan, now account for 18% of the equity content. We remain convinced that the growth of these developing countries will be the major global economic factor in markets for a number of years to come. While rising inflation and the likelihood of higher interest rates are also factors to consider, we expect to see sustained demand continuing to fuel overall growth.

Dividend and Earnings

The Board is recommending a final dividend of 5.05p, making a proposed total of 7.35p for the year. This 5.0% increase is well ahead of UK inflation at 3.2% as measured by the Retail Price Index. Earnings per share decreased by 8.4% to 7.37p but still cover the dividend. Income was boosted by a special dividend received from Microsoft amounting to £1.2 million, but this benefit was offset by the prudent write off of £1 million of recoverable Italian withholding tax, repayment of which, from the Italian authorities, is now up to 10 years overdue.

To enhance the appeal of the Company to individual shareholders, the Board plans to make two roughly equal dividend payments in the current year, thus giving shareholders a cash flow benefit. This is likely to be achieved by making a higher interim but a lower final payment in 2005/6. I do expect, however, that we will recommend a further real increase in the total dividend, as has been the case for the past 23 years.

Portfolio Management – a Global Strategy

Shares are chosen on a long term perspective to find individual companies, no matter where they are listed, which will provide our shareholders with good long term returns, while still taking into account the requirement to produce income as well as capital appreciation. As in previous years, a table showing the geographical attribution of performance is provided (see page 17). In future years we will not include this table as it can give an unrepresentative picture of how the portfolio is actually being run and what we are trying to achieve. We have a global perspective and we concentrate on the overall result rather than on each regional index. If the focus is placed on the various geographical indices, stock selection can be constrained and performance can suffer. The Managers are expected to add value through distinctive and committed global stock selection. There are currently 101 equity holdings compared to 120 last year, 129 the year before that and 163 five years ago.

We do not favour adopting the Manager of Manager, or Fund of Funds, approach. This method has become fashionable within the investment trust sector recently but we see a danger of performance dilution and a loss of global perspective with this model, just as there is in taking an indexed approach. Transparency for shareholders is reduced while accountability and oversight is more complex and challenging.

Balance Sheet

In September 2004, Scottish Mortgage became the first investment trust to be given an Aaa Issuer Rating by Moody's and it is the only Aaa rated company in the FTSE All-Share Index. Moody's ratings are opinions of the ability of businesses to honour senior unsecured financial

Past performance is no guarantee of future performance.

obligations and contracts. In its report, Moody's highlighted the Board's sensitivity to borrowing levels, the modest level of gearing, the straightforward capital structure, the long record of the Trust and the length of experience of the Managers in the equity market.

During the year Scottish Mortgage made use of its borrowings to finance equity holdings and remains geared into the market. This has proved beneficial over the period.

Discount, Buybacks and Marketing

During the period, it has been disappointing that – despite good investment performance – the discount between your Company's share price and the underlying asset value has not narrowed, but I would ask you to note two points:

1. When the debentures are priced at their market value, which is higher than the cost of their eventual redemption, the discount is significantly lower at 15.6% as opposed to 20.4% at par (as at 31 March 2005).
2. Scottish Mortgage's discount has often been less volatile than those of its larger peers in the past.

While the Board has buyback powers which have been used extensively in the past, they were exercised on only one occasion last year. We are asking for renewal of these powers and will continue to use them as appropriate opportunities arise.

The Board has stressed to the Managers the importance of working to raise awareness of Scottish Mortgage amongst existing and potential investors, particularly in the intermediary and private investor market. I consider that the Company offers long term equity investors a very appealing proposition. It has:

- low running costs,
- a strong global focus,
- a long term perspective,
- experienced and proven Managers.

Outlook

We remain optimistic for the current year. While the pace of profits growth may slow, the Managers are continuing to identify companies which they consider are capable of producing sustained long term growth. The fact that many large developing countries are becoming significantly richer augurs well for the global economy as a whole.

AGM

I hope that you will be able to attend the Annual General Meeting which will be held on Thursday, 30 June in Edinburgh as detailed on page 50. Shareholder approval is being sought at the meeting to increase the ceiling on the Chairman's and Directors' fees. Total fees are close to the current ceilings and consequently there is little scope for increase in future years. Details of the proposed Resolutions are shown on page 29.

The Managers will make a short presentation at the meeting and there will be an opportunity to ask questions.

Sir Donald MacKay

Sir Donald MacKay
5 May 2005

Directors and Management

Members of the Board come from a broad variety of backgrounds. The Board can draw on a very extensive pool of knowledge and experience. Baillie Gifford & Co, a leading UK investment management firm, who act as Managers and Secretaries to the Company have done so since its formation in 1909.

Directors

1 Sir Donald MacKay
Donald MacKay is 68 and was appointed a Director of Scottish Mortgage Investment Trust PLC in 1999, became Chairman in 2003 and is Chairman of the Nomination Committee. He is an economist who was Professor of Political Economy at Aberdeen University and Professor of Economics at Heriot-Watt University. He is a former chairman of The Malcolm Group PLC and Scottish Enterprise and is currently a director of Edinburgh Income and Value Trust plc.

2 GA Ball
Geoffrey Ball is 61 and was appointed a Director of Scottish Mortgage Investment Trust PLC in 1983 and is the senior independent director. He is executive chairman of CALA Group Ltd, having led the management buy out in 1999. He was president of the House Builders Federation of England and Wales from 2001 to 2003 and he was a director of The Standard Life Assurance Company for 13 years until 2001.

3 MM Gray
Michael Gray is 57 and was appointed a Director of Scottish Mortgage Investment Trust PLC in 2004. As Chairman and Chief Executive he led the growth of McQueen International over a 17 year period as it evolved from being a printing company into a global enterprise providing a range of support services to technology companies. On McQueen's acquisition, he became Senior Vice-President of Sykes Enterprises Inc., a global NASDAQ quoted outsourcing services company. He retired from Sykes in 1999 and currently has many business, community, charity and sporting interests and responsibilities. He is a former director of Scottish Enterprise and the Scottish Community Foundation.

4 WG McQueen
Gordon McQueen is 58 and was appointed a Director of Scottish Mortgage Investment Trust PLC in 2001 and is Chairman of the Audit Committee. He was an executive director of HBOS plc, Bank of Scotland and Halifax plc, where his chief role was Chief Executive, Treasury. He is a director of The Alliance Trust PLC, The Second Alliance Trust PLC, JP Morgan Fleming Mid Cap Investment Trust plc and Shaftesbury PLC.

5 JPHS Scott
John Scott is 52 and was appointed a Director of Scottish Mortgage Investment Trust PLC in 2001. He is a former executive director of Lazard Brothers & Co., Limited. During his twenty years with Lazard, he was involved with the merchant bank's corporate advisory activities and its Asian businesses. He is currently a director of various companies, including Dunedin Income Growth Investment Trust PLC, Martin Currie Pacific Trust plc, JP Morgan Fleming, Claverhouse Investment Trust plc, Xaar plc, Miller Insurance and Schroder Japan Growth Fund plc.

6 Lord Strathclyde
Thomas Strathclyde is 45 and was appointed a Director of Scottish Mortgage Investment Trust PLC in 2004. He is currently the Leader of the Opposition in the House of Lords. His parliamentary career to date includes extensive ministerial experience at the Departments of Employment, the Environment, Trade and Industry and the Scottish Office. Prior to entering politics in 1988 as a Government Whip, Lord Strathclyde worked in the City for the insurance brokers, Bain Dawes. Lord Strathclyde is also Chairman of London based hedge fund manager Trafalgar Capital Management Limited and a Director of Galena Capital Management Limited and Marketform Limited.

All Directors are members of the Nomination and Audit Committees.

Managers and Secretaries

Scottish Mortgage is managed by Baillie Gifford & Co, an investment management firm formed in 1927 out of the legal firm Baillie & Gifford, WS, which had been Managers and Secretaries to the Company since its formation in 1909.

Baillie Gifford is one of the largest investment trust managers in the UK and currently manages eight 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 total over £32 billion. Based in Edinburgh, it is one of the leading privately owned investment management firms in the UK, with 30 partners and a staff of over 400.

The manager of Scottish Mortgage's portfolio is James Anderson, a partner of Baillie Gifford where he is Deputy Chief Investment Officer and Head of the Global Team. He is ultimately responsible for stock selection and works closely with the other Heads of the Investment Departments.

The firm of Baillie Gifford & Co are authorised and regulated by the Financial Services Authority.

Returns From Markets
for the year ended 31 March 2005
Geographical performance* against benchmark in local currency

Managers' Review

Overview

Returns were respectable but unspectacular in the last twelve months. Given the dramatic succession of bull and bear markets of recent years modest positive returns are an unusual outcome but one which may be more frequent in the future.

Our relative performance was modestly ahead of the index aided by gearing. The geographical details of our performance can be found on page 17. As explained last year, we treat these figures with considerable caution. We manage the portfolio on a global basis with a core UK exposure to maintain our dividend yield. As the Chairman's Statement explains, we think that the attempt to beat regional benchmarks leads directly to sub-optimal and unduly diversified stock selection. From next year we will not be giving the geographical performance attribution on a regular basis. Instead we will aim to give clear guidance as to which stocks have added and subtracted value.

We have continued to reduce steadily the number of equity holdings. The year saw a reduction from 120 to 101 stocks. We expect a small further fall in the year ahead but we are now close to our preferred portfolio shape. Greater concentration should reinforce our conviction that all our holdings can add significant value for shareholders whilst still offering broad exposure to world economic growth and adequate risk diversification. We think that this policy differentiates us from many other large investment trusts.

The key theme for us remains the rising economic power of the emerging nations. This is likely to be the case for the next twenty years. Economic growth in China, India, Brazil and Eastern Europe was strong, once again, last year. Markets in these areas were, however, volatile as rising US interest rates took some toll. We regard such setbacks as offering opportunity as we think that major macroeconomic improvements in emerging markets mean that they are no longer dangerously exposed to modest rises in American interest rates.

United Kingdom

The UK market returned 15.6% in the year to 31 March, the second successive year of double digit positive returns. This represented a decent showing compared with the other major markets, where profit growth has been stronger but starting valuations tended also to be higher. Profit growth was similar to the market's rise and dividend growth continued to accelerate to close to 10% year on year, which meant that valuations were broadly unchanged over the period and remain at attractive levels.

Our own UK portfolio performed slightly worse than the FT All-Share Index, with most of the shortfall attributable to the decision not to own either BP or Shell, two of the largest UK stocks, whose longer term attractions strike us as underwhelming, not least in comparison with other alternatives from within the energy sector. While we remain deeply sceptical of

1 Allied Domecq

One of Allied Domecq's appealing brands.

2 BSkyB

We acquired a new holding in BSkyB during the year. The company continues to grow its customer base and profitability is improving sharply.

the long term investment case for either company, recent strength in the oil price has given both a profit boost which, in turn, led to strong share price performance. Beyond these two, the only significant disappointment came from the hedge fund manager Man Group, where continued asset and profit growth failed to convert into a rising share price, largely because of growing scepticism about the prospects for the hedge fund industry as a whole on the back of dull short term investment returns. While holding no strong views on the attractions of hedge funds as an asset class, we see no evidence to suggest that a proven manager with strong distribution cannot continue to grow its returns to shareholders and we added to our shareholding following weakness.

Portfolio activity was somewhat higher than usual, with a number of new purchases and complete sales. The overriding theme was to reduce exposure to companies with limited longer term growth opportunities and refocus the portfolio on businesses where we perceive greater potential. For example, we sold Gallaher and Scottish & Southern Energy, each of which has performed well in recognition of its strong management record but which both appear destined to grow at a below average rate given the limitations of the tobacco and utility sectors. We believe that BSkyB, Hays and Kingfisher, three of our recent purchases, offer significantly greater opportunities for growth and profitable investment over the next several years and we were able to acquire shares in each at a point when expectations were relatively subdued. Similarly, within the banking sector we can now muster little enthusiasm for HSBC or HBOS and subsequently sold out, while we are excited by the prospects for the smaller and more focused Standard Chartered and Northern Rock, both of which represent significant holdings after recent share purchases.

This increased focus on growth and longer term potential has shaped most of our trading activity over the year and has contributed to a further reduction in our UK stake. Net sales of £21m, represent the third consecutive year that the UK exposure has fallen and by the end of the year UK investments represented 45.5% of total assets, down from 47.5% twelve months earlier. While the UK economy has continued to grow at a satisfactory rate with modest inflation and a sensible pre-emptive tightening of monetary policy, future growth is unlikely to better the longer term trend and there are risks that activity could disappoint even modest expectations. Of course, the UK stockmarket offers exposure to much more than just the domestic economy, but the recent tailwinds of a rapid increase in consumer borrowing and expenditure now look likely to convert into headwinds and, at the margin, reduce the number and scope of domestically quoted investment opportunities. We have tended to reduce the UK stake simply because we have been able to find a broader range of potential investments elsewhere in the world.

1 SAP

SAP headquarters: a rare European high-technology success.

2 Sandvik

Sandvik headquarters: one of Europe's oldest and best industrial companies.

World excluding United Kingdom

We manage the international portfolio on a global basis, without geographical or sectoral constraints. We have therefore decided that it is inappropriate to persist with our previous practice of reviewing the portfolio region by region. Indeed, we think that such a focus can have damaging consequences for portfolio management. In the endeavour to meet regional performance targets, holdings in companies of significant weight in local indices, but little claim to global investment appeal, can appear in the portfolio. Over time there is a remorseless trend away from one international fund to several regional portfolios. We do not think that this is in the interests of shareholders. Our efforts to reverse this process have led to a welcome decrease in the number of stocks that we own. We are pleased that our holding sizes are now much more closely aligned to our conviction in each individual stock, rather than being a hostage to regional allocation and index weights. We think that this should prove beneficial in the years ahead.

The structural rise of emerging markets and portfolio structure

The key issue for the world markets is whether the rise of the major developing economies of China, India, Latin America and Eastern Europe continues and can offset the inevitable, if much delayed slow-down in American consumption. We are relatively confident that this will be the story of the next decade. This belief is reinforced not only by the increasingly sound fiscal, monetary and micro-economic policies being pursued in these nations but also by their generally impressive standards of educational achievement. Above all, it is backed by the improving and frequently impressive performance of the corporate sector. We would not wish to own stocks in the emerging markets simply because their local economies are growing. This remains a constraint in China but not in most other emerging markets. We require evidence of strong business models and competitive strengths in the same manner as we try to identify in the developed world. At the same time we think that the opportunities offered by the growth in emerging markets extends far beyond companies listed in these locations. From oil and mining stocks to manufacturers of industrial equipment to suppliers of brand name luxuries, the power of emerging market demand is driving improved operating conditions. We accept that there will be pauses in this process and that this may be temporarily painful in equity markets but we are determined to use such setbacks as opportunities to add to our exposure rather than to prompt alarm. In particular we regard modest rises in US interest rates leading to a sell-off in emerging markets as a classic example of misguided and outmoded emotion overcoming economic logic. We would only anticipate reconsidering our support for emerging markets if we were to see evidence of a secular rather than cyclical reversal in improvements in their GDP per capita. This would seem most likely to be prompted by major changes of political direction at the local or global level. Plainly recent actions in Russia have the potential to

1 EOG Resources
EOG Resources drilling rig.

2 Monsanto
Monsanto's biotechnology crops.

develop in this direction. As former shareholders in Yukos we have seen the direct consequences of the abuse of political power but we tend to think that this is a specific case and that global pressures towards liberal economic and political management remain formidable. In short, we think that the focus of global economic and stockmarket activity will move remorselessly to the now developing world in the decades ahead. We think that our asset allocation should reflect this and that there are individual stocks from these areas that thoroughly deserve to be in our portfolio.

Commodities

The most striking feature of the last year has been the sharp rise in the price of oil. Primarily we regard this as yet another consequence of the rise of Chinese demand. This said we also believe that the supply of oil is comparatively constrained. Whilst we consider it probable that Saudi Arabia can increase production, it requires a structurally high oil price to fund the necessary capital expenditures. Meanwhile the Western oil majors are struggling to find and develop worthwhile reserves. It appears to us to be an eventually self-defeating process to invest in these declining companies to gain exposure to a prolonged period of high oil prices. We prefer to look for oil and gas companies with the ability to increase reserves and production or those that enjoy significant earnings gearing to the current high prices. Some of these can be found in North America. Oil sands reserves have come into their own for Suncor whilst supply constrained markets permit strong pricing power as shown by EOG whilst ConocoPhillips has the refining position and production potential to make us more confident than is the case for so many integrated oil majors. Our search for reserve and production growth has led us to several emerging markets stocks. Petrobras seems to us to be highly appealing. It has a good exploration record (particularly in offshore Brazilian waters where others have failed), improving production prospects and a remarkably low valuation despite the increasing stability of the Brazilian economy. Our two Russian holdings, Gazprom and Lukoil, offer such formidable reserves that we believe the potential rewards hugely outweigh any political dangers that can be envisaged for two such government favoured giants.

Just as the oil market has been influenced by China so have broader commodity prices thrived on this new source of demand. Whilst we are wary that supply is less constrained than it is in oil markets and unpleasantly prey to speculative excesses we do accept that dominant, low-cost suppliers of key raw materials are in a strong position for some years to come as weaker competitors will find it difficult to finance and develop economic capacity even at currently prevailing prices. BHP Billiton and CVRD (Brazil) appear to have sufficiently strong positions (notably in iron ore) and to be disciplined enough in their pursuit of balance between future expansion and current shareholder reward to deserve places in our portfolio. Anglo American Platinum has, in contrast, been

1 Nissan Motor
Nissan Titan truck sold in US market.

2 Mitsui OSK Lines
Mitsui OSK Lines containership.

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unpopular with the markets as platinum prices have withered and rand strength has eroded returns. We have recently added to the holding as we feel the structural demand picture for platinum remains powerful despite these immediate anxieties.

Industry

Whilst markets have tended to focus on the commodity impact of Chinese demand there has been less attention paid to broader industrial themes linked to the rising importance of China but also India, Eastern Europe and Latin America. With the dynamics of global growth moving away from American consumers towards emerging economy industrialisation there are swathes of previously staid manufacturing enterprises that can now boast improved growth opportunities and competitive positions strengthened by years of industry consolidation and capital redeployment. The prime exemplars of this are perhaps two Swedish engineering holdings, Atlas Copco (a long-run holding added to this year) and Sandvik (purchased in the last year). Both companies have attained global leadership in their respective compressor and carbide tool markets and both have strong mining equipment franchises in addition. Both have been investing in emerging markets capacity for years and have built strong local presence and customer links to protect themselves against domestic competition. For BMW and Porsche the protection lies instead in brand strength that appears to be global in reach. At a time of nervousness about the automotive industry these virtues are ever more important and apparent.

Technology

Our technology investments have generally not enjoyed a good year in share price terms. We do, however, feel reasonably confident that our individual stocks are well-placed and that ratings are becoming statistically attractive for the first time in many years. We are therefore contemplating purchases in areas such as internet commerce that have previously been unappealing to us. Samsung is currently our largest technology holding to which we have been adding steadily. We remain fascinated by the growing power of the company in memory chips, mobile phones and flat screen technology. Given the cyclicality of these businesses, the notable willingness of Samsung to invest counter-cyclically and to impose scale, earnings will be as volatile as the share price. The ultimately impressive returns and low-rating make us patiently optimistic. Our other major holding is the German business software company SAP. This too has been a dull performer but continues to churn out consistent annual earnings growth, increasing margins, and growing industry dominance. Software is an industry that rewards scale so we think this is a self-reinforcing trend. We would also draw attention to an increase in our holding of Canon. This seems to us to be one of the few Japanese companies to offer the industry leadership, concentration on its core business and strong prospects to make it genuinely

1 CNOOC
CNOOC is a major Chinese player in the exploration and production of crude oil and natural gas.

2 *Norilsk Nickel*
Norilsk Nickel, one of the world's major integrated mining and metals companies, produces 20% of the global nickel supply.

world-class. The persistent de-rating of the company despite earnings consistently exceeding expectations strikes us as being symptomatic of a global disillusion with growth stocks and an undue preoccupation in the Tokyo market with all too often illusory re-structuring and domestic demand recovery stories.

Financials and consumer staples in America

It is in the area of financials and branded consumer goods that the US market comes into its own in its excellent selection of outstanding companies. Whilst we are aware that operating conditions for US financials have been benign for many years we are of the view that the specific competitive strengths of our investments are enduring. Moody's is a classic example of this as the business of rating bonds relies on reputation and market share which are built up over many decades. This is a service which is becoming ever more essential in today's financial system. We retain a large holding in the California based mortgage company Golden West. Its share price has been slightly over-shadowed this year by concern over rising interest rates but it remains the lowest-cost and most focussed operator and earnings continue to rise impressively. The other area which we find of consistent interest in America is brand name consumer goods. This year we would note that our purchase of Gillette has paid off more quickly than we anticipated through bid activity but stocks such as Altria, Wrigley and Walgreen continue to play a significant role in our portfolio. Whilst we select our stocks on a global basis we believe our US department has a record of investing in both financials and consumer goods that we should exploit as a source of ideas. We would also highlight this to our shareholders as so many other investment trusts have struggled in their US stock selection. Without such capable input from our colleagues, we would find it impossible to invest globally with confidence.

Prospects: the undervaluation of growth

Whilst the vagaries of market sentiment will doubtless swing in unexpected directions in the year ahead we are optimistic about the underlying prospects for our investments. We think that the opportunities for growth offered by the burgeoning globalisation of economies are profound and that those companies with the strategic positioning to exploit this will be able to generate excellent profitability. These companies can be found in all parts of the globe from India to Canada to Israel and it is our task to seek them throughout the world regardless of index weight or investment fashion. If the opportunities are appealing so too is the rating that the markets currently apply to growth stocks. The hangover from the excesses of the late 1990's has led to an exaggerated suspicion of the possibilities and ratings of growing companies that has been magnified by the momentum effects that markets have become so prey to in recent years. We think that global growth stocks are now highly attractive.

1 Lloyds of London

Lloyds of London has developed its global reputation over three centuries of underwriting.

2 Waste Recycling Group

Waste Recycling Group helps to manage the growing demand for waste disposal and recycling.

Fixed Interest

Scottish Mortgage's bond portfolio earned a healthy return of 9.5% in the year to 31 March. The overall economic climate was helpful with inflation remaining subdued despite strong global economic growth. The Bank of England raised base rates from 4% to 4.75% in response to the economy's strength and to block off inflationary pressures; the US's Federal Reserve also raised interest rates, somewhat more aggressively, from 1% to 2.75%. The European Central Bank and Bank of Japan, in contrast, kept interest rates unchanged as their economies wrestled with structural problems. Bond market returns followed the rate rise pattern: best in Europe, weakest in the US, with the UK lying somewhere in between.

Company profitability has continued to grow and many companies have sought to reduce indebtedness. One reflection of robust corporate health is the Moody's global speculative-grade default rate which declined to 2.1% from its 2001 peak of 10.6%. This improvement has led to a flood of money into high yield bonds and the European high yield market returned 11.1% over the past twelve months in local currency terms, or 14.3% when translated to sterling.

The Trust's bond portfolio is mainly comprised of investment grade bonds with a smaller allocation to higher yielding bonds with lower credit ratings. The former tend to have steady finances but have more sensitivity to interest rates. We look for bonds which pay a high interest rate premium in comparison to their credit risk or bonds which might be bought back at a premium by their issuer. A good example is AMP, the Australian insurer. Its exit from the UK market has both reduced business and financial risk and left a profitable domestic business. We expect that it will use surplus capital to buy back bonds and that the Trust's sterling denominated bonds will be a prime target when it does so.

In high yield bonds we look for companies which are expected to generate good cash flow to pay down debt. The ideal outcome is a de-gearing through a sale of the company or public share sale. In this year we realised profits in MTU, the German aero engines manufacturer, as speculation grew that it would return to the public stockmarket and in Eircom, the largest Irish telecom company, following its successful share sale. Both companies had reduced indebtedness markedly since we bought their bonds. Of our current holdings, Debenhams is perhaps the most likely to buy back its bonds: its highly successful and profitable turn-around as a private company paving the way for a public listing.

A final leg to the fixed income portfolio is asset backed bonds – bonds which have their income and capital backed by security. The Trust's bonds' assets vary from commercial mortgages through bank loans to healthcare clinics. This market segment has not appreciated in value to the same extent as others despite solid operating performance and so we expect it to do well in the coming year.

Our aim is to generate income while investing in assets which will hold value or, ideally, appreciate. While world growth is likely to moderate and US interest rate rises may weigh on global bond markets, we believe we can still find attractive investments in corporate bonds.

Past performance is no guaranteee of future performance

Performance Attribution for the year to 31 March 2005 (in sterling terms)

Computed relative to the benchmark (50% FTSE All-Share Index and 50% FTSE World Ex UK Index (in sterling terms)) with net income reinvested.

	Benchmark asset allocation		*Scottish Mortgage asset allocation*		Performance*		*Contribution to relative*	*Contribution attributable to:*	
	01.04.04	31.03.05	01.04.04	31.03.05	SM	Benchmark	return	Stock selection	Asset† allocation
Portfolio breakdown	%	%	%	%	%	%	%	%	%
United Kingdom	*50.0*	*50.0*	*50.5*	*49.0*	*13.7*	*15.6*	*(0.8)*	*(0.8)*	*–*
Europe ex. UK	9.8	10.7	10.7	11.2	10.0	18.6	(0.8)	(0.8)	–
North America	*30.5*	*30.0*	*26.1*	*25.1*	*18.2*	*4.8*	*3.4*	*3.0*	*0.4*
Japan	5.4	4.8	6.8	5.6	(3.3)	(4.3)	(0.2)	0.1	(0.2)
Asia Pacific ex. Japan	*3.4*	*3.4*	*11.0*	*10.5*	*10.3*	*13.5*	*(0.3)*	*(0.3)*	*–*
Other Emerging Markets	0.9	1.1	6.3	9.0	(8.8)	14.6	(1.3)	(0.3)	(1.0)
Bonds	*–*	*–*	*7.2*	*6.0*	*9.5*	*–*	*(0.1)*	*–*	*(0.1)*
Cash	–	–	1.0	0.2	6.8	–	–	–	–
Debentures and Loans	*–*	*–*	*(19.6)*	*(16.6)*	*6.7*	*–*	*0.8*	*–*	*0.8*
Total	**100.0**	**100.0**	**100.0**	**100.0**	**12.2**	**11.5**	**0.6**	**0.9**	**(0.2)**

Past performance is no guarantee of future performance.

Source: HSBC/Baillie Gifford & Co

* The above returns are calculated on a total return basis with net income reinvested and debentures valued at par. Scottish Mortgage's figures represent the returns on the Company's portfolio and the benchmark figures for each geographical area represent the return on the appropriate FTSE index.

Contributions cannot be added together as they are geometric; for example to calculate how a return of 12.2%, against a benchmark return of 11.5% translates into a relative return of 0.6%, divide the portfolio return of 112.2 by the benchmark return of 111.5 and subtract one.

† Asset allocation includes the contribution attributable to currency movements.

Investment Changes (£'000)

	Valuation at 31 March 2004	Net acquisitions (disposals)	Appreciation (depreciation)	Valuation at 31 March 2005
Equities*:				
United Kingdom	569,577	(21,165)	59,876	608,288
Continental Europe	120,477	10,210	10,566	141,253
North America	294,601	(26,033)	44,499	313,067
Japan	77,276	(4,810)	(3,117)	69,349
Asia Pacific	124,289	(885)	7,344	130,748
Other Emerging Markets	70,982	47,019	(5,875)	112,126
Total equities	1,257,202	4,336	113,293	1,374,831
Bonds:				
Sterling bonds	58,059	(1,177)	131	57,013
Euro bonds	20,051	(7,374)	1,081	13,758
US dollar bonds	3,184	1,489	(180)	4,493
Total investments	1,338,496	(2,726)	114,325	1,450,095
Net liquid assets/(liabilities)	16,845	(24,260)	(161)	(7,576)
Total assets	**1,355,341**	**(26,986)**	**114,164**	**1,442,519**

The figures above for total assets are made up of total net assets before deduction of debentures, long and short term borrowings.

* Equities include convertibles, limited partnerships and OEICs.

Distribution of Portfolio

Geographical 2005 (2004)

Other Emerging Markets 7.8% (5.2%)

Asia Pacific 9.1% (9.2%)

Japan 4.8% (5.7%)

UK 45.5% (47.5%)

North America 22.0% (21.9%)

Continental Europe 10.8% (10.5%)

Sectoral 2005 (2004)

Net Liquid (Liabilities)/Assets (0.5)% (1.3%)

Overseas Bonds 1.3% (1.7%)

UK Corporate Bonds 3.9% (4.3%)

Resources 16.0% (9.1%)

Information Technology 4.1% (6.1%)

Financials 23.8% (28.0%)

Industrials 13.1% (9.1%)

Consumer Goods 21.4% (22.1%)

Services and Utilities 16.9% (18.3%)

Thirty Largest Equity Holdings

Name	Region	Business	Market value £'000	% of total assets
Vodafone	United Kingdom	Mobile telecommunication services	66,486	4.6
Royal Bank of Scotland	United Kingdom	Banking	42,555	3.0
Barclays	United Kingdom	Banking	36,737	2.5
GlaxoSmithKline	United Kingdom	Pharmaceuticals	32,751	2.3
Samsung Electronics	Asia Pacific	Electronics manufacturer	31,181	2.2
Petrobras	Other Emerging Markets	Oil company	31,135	2.2
British American Tobacco	United Kingdom	Tobacco	29,623	2.1
Golden West Financial	North America	Savings and loans	25,614	1.8
BHP Billiton	Asia Pacific	Diversified resources	25,604	1.8
Aviva	United Kingdom	Life assurance	24,282	1.7
SAP	Continental Europe	Business software	24,003	1.6
Atlas Copco	Continental Europe	Engineering	23,616	1.6
EOG Resources	North America	Gas and oil exploration and production	22,802	1.6
Suncor Energy	North America	Oil company	21,849	1.5
Moody's	North America	Bond rating agency	20,840	1.4
Northern Rock	United Kingdom	Mortgage banking	20,644	1.4
Man Group	United Kingdom	Hedge fund manager and asset gatherer	20,610	1.4
Altria	North America	Tobacco and food	20,521	1.4
Omnicom	North America	Advertising agency	20,425	1.4
Diageo	United Kingdom	Branded spirits	20,291	1.4
ConocoPhillips	North America	Integrated oil company	19,974	1.4
Imperial Tobacco	United Kingdom	Tobacco	19,752	1.4
Teva Pharmaceuticals	Other Emerging Markets	Generic drugs manufacturer	19,561	1.4
Gazprom	Other Emerging Markets	Gas producer	19,417	1.3
Standard Chartered	United Kingdom	Banking	17,622	1.2
Wolseley	United Kingdom	Builders' merchant	16,886	1.2
Sandvik	Continental Europe	Engineering	16,557	1.1
BG Group	United Kingdom	Oil and gas exploration and production	16,351	1.1
BMW	Continental Europe	Automobiles	16,275	1.1
Hershey Foods	North America	Confectionery	15,614	1.1
			739,578	**51.2**

Classification of Investments

Classification Equities*:	UK %	Continental Europe %	North America %	Japan %	Asia Pacific %	Other Emerging Markets %	2005 Total %	2004 Total %
Mining	0.9	–	–	–	1.8	2.1	4.8	2.5
Oil and gas	1.1	–	4.5	–	1.3	4.3	11.2	6.6
Resources	**2.0**	**–**	**4.5**	**–**	**3.1**	**6.4**	**16.0**	**9.1**
Chemicals	0.9	–	0.9	–	–	–	1.8	0.9
Construction and building materials	2.5	–	–	0.4	–	–	2.9	2.5
Diversified industrials	–	–	–	–	–	–	–	0.4
Electronic and electrical equipment	–	0.5	0.7	0.8	2.2	–	4.2	3.4
Engineering and machinery	0.7	2.8	–	0.7	–	–	4.2	1.9
Industrials	**4.1**	**3.3**	**1.6**	**1.9**	**2.2**	**–**	**13.1**	**9.1**
Automobiles and parts	–	2.0	–	0.5	0.7	–	3.2	2.7
Household goods and textiles	–	–	1.8	–	–	–	1.8	0.9
Beverages	2.4	–	–	–	–	–	2.4	2.5
Food producers and processors	–	–	2.6	–	–	–	2.6	1.4
Healthcare and pharmaceuticals	3.2	–	1.0	–	0.1	1.4	5.7	8.7
Personal care and household products	–	0.6	–	–	–	–	0.6	0.5
Tobacco	3.4	–	1.4	0.3	–	–	5.1	5.4
Consumer Goods	**9.0**	**2.6**	**6.8**	**0.8**	**0.8**	**1.4**	**21.4**	**22.1**
General retailers	0.9	0.4	1.6	0.4	–	–	3.3	2.7
Leisure and hotels	2.6	–	0.7	–	–	–	3.3	1.9
Media and entertainment	1.9	–	1.4	–	–	–	3.3	3.0
Support services	0.9	–	0.5	–	–	–	1.4	2.7
Transport	–	–	–	0.3	0.7	–	1.0	1.8
Telecommunication services	4.6	–	–	–	–	–	4.6	5.4
Electricity	–	–	–	–	–	–	–	0.8
Services and Utilities	**10.9**	**0.4**	**4.2**	**0.7**	**0.7**	**–**	**16.9**	**18.3**
Banks	8.1	–	–	–	1.0	–	9.1	11.9
Insurance	–	–	–	0.3	–	–	0.3	1.1
Life assurance	2.4	–	–	–	–	–	2.4	2.8
Investment companies	0.7	1.2	–	0.6	–	–	2.5	1.6
Real estate	2.1	–	–	–	–	–	2.1	1.6
Speciality and other finance	1.9	–	3.9	0.3	1.3	–	7.4	9.0
Financials	**15.2**	**1.2**	**3.9**	**1.2**	**2.3**	**–**	**23.8**	**28.0**
Information technology hardware	0.4	0.7	–	–	–	–	1.1	3.6
Software and computer services	0.5	1.6	0.7	0.2	–	–	3.0	2.5
Information Technology	**0.9**	**2.3**	**0.7**	**0.2**	**–**	**–**	**4.1**	**6.1**
Total Equities*	**42.1**	**9.8**	**21.7**	**4.8**	**9.1**	**7.8**	**95.3**	
Total Equities* – 2004	42.0	8.9	21.7	5.7	9.2	5.2		92.7
Bonds	3.9	1.0	0.3	–	–	–	5.2	6.0
Net Liquid (Liabilities)/Assets	(0.5)	–	–	–	–	–	(0.5)	1.3
Total Assets (before deduction of debentures, long and short term borrowings)	**45.5**	**10.8**	**22.0**	**4.8**	**9.1**	**7.8**	**100.0**	
Total Assets – 2004	47.5	10.5	21.9	5.7	9.2	5.2		100.0
Debentures, Long and Short Term Borrowings	(10.5)	–	(2.2)	–	(2.0)	–	(14.7)	(16.8)
Equity Shareholders' Funds	**35.0**	**10.8**	**19.8**	**4.8**	**7.1**	**7.8**	**85.3**	
Equity Shareholders' Funds – 2004	36.3	10.5	18.6	5.7	6.9	5.2		83.2
Number of equity investments*	**39**	**11**	**21**	**12**	**11**	**7**	**101**	120

* Including convertibles, limited partnerships and OEICs

Classification	Name	Business	Market value £'000	%
United Kingdom				
Mining	Rio Tinto	Diversified mining	13,688	0.9
Oil and gas	BG Group	Oil and gas exploration and production	16,351	1.1
Chemicals	BOC	Industrial gases supplier	12,524	0.9
Construction and building materials	Travis Perkins	Builders' merchant	12,832	
	Wimpey	House builder	6,160	
	Wolseley	Builders' merchant	16,886	
			35,878	2.5
Engineering and machinery	FKI	Diversified engineer	4,250	
	Kidde	Diversified engineer	6,214	
			10,464	0.7
Beverages	Allied Domecq	Branded spirits	13,834	
	Diageo	Branded spirits	20,291	
			34,125	2.4
Healthcare and pharmaceuticals	Alliance UniChem	Pharmaceutical distributor and pharmacy operator	9,253	
	GlaxoSmithKline	Pharmaceuticals	32,751	
	Shire Pharmaceuticals	Pharmaceuticals	3,687	
			45,691	3.2
Tobacco	British American Tobacco	Tobacco	29,623	
	Imperial Tobacco	Tobacco	19,752	
			49,375	3.4
General retailers	Kingfisher	DIY retailer	12,416	0.9
Leisure and hotels	Carnival	Cruise ship operator	15,143	
	Hilton	Hotel and licensed betting operator	15,050	
	William Hill	Licensed betting operator	7,175	
			37,368	2.6
Media and entertainment	Aegis	Media services	5,355	
	BSkyB	Satellite broadcaster	11,320	
	Trinity Mirror	Newspaper publisher	11,216	
			27,891	1.9
Support services	Capita	Support services	7,144	
	Hays	Personnel and recruitment services	5,320	
			12,464	0.9
Telecommunication services	Vodafone	Mobile telecommunication services	66,486	4.6
Banks	Barclays	Banking	36,737	
	Nothern Rock	Mortgage banking	20,644	
	Royal Bank of Scotland	Banking	42,555	
	Standard Chartered	Banking	17,622	
			117,558	8.1
Life assurance	Aviva	Life assurance	24,282	
	Friends Provident	Life assurance	10,275	
			34,557	2.4
Investment companies	UK Balanced Property Trust	Property investment trust	10,795	0.7

Classification	Name	Business	Market value £'000	%
United Kingdom (continued)				
Real estate	British Land	Property	14,070	
	Hammerson	Property	11,163	
	Shaftesbury	Property	4,942	
			30,175	2.1
Speciality and other finance	Intermediate Capital Group	Mezzanine finance provider	6,784	
	Man Group	Hedge fund manager and asset gatherer	20,610	
			27,394	1.9
Information technology hardware	Spirent	Telecom equipment	5,783	0.4
Software and computer services	Sage	Small business software	7,305	0.5
Total United Kingdom Equities			**608,288**	**42.1**
Continental Europe				
Electronic and electrical equipment	ABB	Electrical equipment – Switzerland	7,273	0.5
Engineering and machinery	Atlas Copco	Engineering – Sweden	23,616	
	Sandvik	Engineering – Sweden	16,557	
			40,173	2.8
Automobiles and parts	BMW	Automobiles – Germany	16,275	
	Porsche	Automobiles – Germany	12,775	
			29,050	2.0
Personal care and household products	L'Oreal	Personal care – France	8,247	0.6
General retailers	Hermes	Luxury goods – France	5,768	0.4
Investment companies	Baillie Gifford European Smaller Companies Fund	Small company fund	14,461	
	Black Sea Property Fund	Bulgarian property trust	2,137	
			16,598	1.2
Information technology hardware	Ericsson	Telecommunications equipment – Sweden	10,141	0.7
Software and computer services	SAP	Business software – Germany	24,003	1.6
Total Continental European Equities			**141,253**	**9.8**
North America				
Oil and gas	ConocoPhillips	Integrated oil company	19,974	
	EOG Resources	Gas and oil exploration and production	22,802	
	Suncor Energy	Oil company – Canada	21,849	
			64,625	4.5
Chemicals	Monsanto	Seed and agricultural chemicals	12,630	0.9
Electronic and electrical equipment	Rockwell Automation	Industrial automation providers	10,041	0.7
Household goods and textiles	Gillette	Cosmetics, toileteries and batteries	14,827	
	Mohawk Industries	Carpets	11,666	
			26,493	1.8
Food producers and processors	Hershey Foods	Confectionery	15,614	
	Loblaw	Supermarkets – Canada	13,665	
	William Wrigley	Chewing gum	7,807	
			37,086	2.6
Healthcare and pharmaceuticals	Wellpoint	Managed care	13,931	1.0
Tobacco	Altria	Tobacco and food	20,521	1.4

Classification	Name	Business	Market value £'000	%
North America (continued)				
General retailers	Shoppers Drug Mart	Drug store – Canada	9,533	
	Walgreen	Pharmacy chain	12,835	
			22,368	1.6
Leisure and hotels	Wendy's	Restaurants	10,330	0.7
Media and entertainment	Omnicom	Advertising agency	20,425	1.4
Support services	Iron Mountain	Document management	7,530	0.5
Speciality and other finance	Golden West Financial	Savings and loans	25,614	
	Moody's	Bond rating agency	20,840	
	T Rowe Price	Fund management	10,464	
			56,918	3.9
Software and computer services	Microsoft	Software products	10,169	0.7
Total North American Equities			**313,067**	**21.7**
Japan				
Construction and building materials	Asahi Glass	Specialist glass manufacturer	5,569	0.4
Electronic and electrical equipment	Canon	Copiers and cameras	10,962	0.8
Engineering and machinery	SMC	Heavy electrical machinery	5,833	
	Sumitomo Heavy	Heavy electrical machinery	4,552	
			10,385	0.7
Automobiles and parts	Nissan Motor	Auto manufacturer	6,682	0.5
Tobacco	Japan Tobacco	Tobacco manufacturer	4,681	0.3
General retailers	Yamada Denki	Consumer electronics retailer	6,256	0.4
Transport	Mitsui OSK Lines	Shipping	4,449	0.3
Insurance	Mitsui Sumitomo Insurance	Non-life insurer	4,372	0.3
Investment companies	*MAC Japan Active Shareholder Fund Limited Partnership	Shareholder activist fund	8,659	0.6
Speciality and other finance	Promise	Consumer finance company	4,896	0.3
Software and computer services	Eaccess	Internet service provider	2,438	0.2
Total Japanese Equities			**69,349**	**4.8**

*denotes unlisted security.

Classification	Name	Business	Market value £'000	%
Asia Pacific				
Mining	BHP Billiton	Diversified resources – Australia	25,604	1.8
Oil and gas	CNOOC	Oil company – China	12,824	
	Petrochina	Oil company – China	6,691	
			19,515	1.3
Electronic and electrical equipment	*Samsung Electronics*	*Electronics manufacturer – Korea*	31,181	2.2
Automobiles and parts	Hero Honda Motors	Motorcycle and scooter manufacturer – India	10,297	0.7
Healthcare and pharmaceuticals	CK Life Sciences	Biotechnology company – Hong Kong	2,121	0.1
Transport	Shanghai Forte Land	Residential property – China	3,049	
	Zhejiang Expressway	Transport – China	6,718	
			9,767	0.7
Banks	Australia and New Zealand Banking	Banking – Australia	13,943	1.0
Speciality and other finance	Hansung Development Finance *Corporation*	*Mortgage bank – India*	10,894	
	Singapore Exchange	Securities exchange owner/operator – Singapore	7,426	
			18,320	1.3
Total Asia Pacific Equities			**130,748**	**9.1**
Other Emerging Markets				
Mining	*Anglo American Platinum*	*Platinum mining – South Africa*	9,093	
	CVRD	Mining company – Brazil	14,912	
	Norilsk Nickel	Mining company – Russia	6,501	
			30,506	2.1
Oil and gas	Gazprom	Gas producer – Russia	19,417	
	Lukoil	Oil company – Russia	11,507	
	Petrobras	Oil company – Brazil	31,135	
			62,059	4.3
Healthcare and pharmaceuticals	Teva Pharmaceuticals	Generic drugs manufacturer – Israel	19,561	1.4
Total Other Emerging Markets Equities			**112,126**	**7.8**
Total Equity Investments			**1,374,831**	**95.3**

Classification	Name	Market value £'000	%
Fixed Interest			
Sterling denominated	AMP Group Finance 6.875% 2022	2,083	
	AMP Group Finance 7.125% 2019	1,988	
	Bank of Scotland FR (SAMS) 2072	22,039	
	Bayerische Hypo-und Vereinsbank 8.625% 2005	222	
	British Gas 8.875% 2008	1,662	
	Business Management Finance FRN 2037	1,670	
	Cairngorm FRN 2015	2,850	
	Debenhams 10.5% 2012	1,095	
	Delamare Finance 6.067% 2029	936	
	Dignity Finance 8.151% 2030	2,813	
	France Telecom 8% 2017	3,613	
	Hilton 7.25% 2008	1,105	
	Lloyds Society 6.875% 2025	2,059	
	Lloyds TSB 7.834% 2015 Perpetual	1,626	
	MGE. FDG. Corp. No. 6 FRN 2035	2,062	
	National Westminster 11.5% Perpetual	1,848	
	Priory Finance FRN 2031	506	
	Swiss Re America 5.625% 2005	2,004	
	Tube Lines Finance 8.6801% 2031	3,306	
	WRG Acquisitions FRN 2011	1,526	
		57,013	3.9
Euro denominated	Avio 9.625% 2013	770	
	Duchess II E2 FRN 2015	1,376	
	Duchess II E2 FRN 2015	1,376	
	Eco-Bat PIK 10% 2015	1,702	
	Europa Two 14% 2027	2,414	
	Heckler & Koch 9.25% 2011	750	
	North Westerly 10.993% 2016	2,858	
	Nymphenburg FRN 2025	1,029	
	Odyssee Financing 8.375% 2014	382	
	Riverdeep Group 9.25% 2011	1,101	
		13,758	1.0
US$ denominated	Smurfit Capital 6.75% 2005	1,125	
	Stagecoach 8.625% 2009	801	
	TCW Gem VII P Zero 2016	2,567	
		4,493	0.3
Total Fixed Interest		**75,264**	**5.2**
Total Investments		**1,450,095**	**100.5**
Net Liquid Liabilities		**(7,576)**	**(0.5)**
Total Assets at Market Value		**1,442,519**	**100.0**
(before deduction of debentures, long and short term borrowings)			

Capital

At 31 March	Total assets £'000	*Debenture stocks, long and short term borrowings* *£'000*	Equity shareholders' funds *£'000*	Equity shareholders' funds per share p	Net asset value per share* p	Share price p	Discount† %
1995	1,072,822	195,505	877,317	243.2	244.4	217.0	11.2
1996	1,323,010	209,871	1,113,139	308.6	309.8	268.7	13.3
1997	1,472,300	256,229	1,216,071	337.1	338.4	290.5	14.2
1998	1,877,159	303,063	1,574,096	436.4	437.4	384.0	12.2
1999	1,868,328	222,427	1,645,901	456.3	457.3	375.5	17.9
2000	2,206,594	279,010	1,927,584	569.1	570.2	493.5	13.5
2001	1,660,182	195,893	1,464,289	445.4	447.5	377.0	15.8
2002	1,509,887	206,899	1,302,988	421.4	423.6	369.0	12.9
2003	1,051,545	207,225	844,320	283.3	285.5	234.5	17.9
2004	1,355,341	227,560	1,127,781	379.3	381.5	305.0	20.1
2005	**1,442,519**	**213,083**	**1,229,436**	**415.9**	**418.1**	**333.0**	**20.4**

* Net asset value per ordinary share has been calculated after deducting prior charges at par value (see note 18, page 48).
† Discount is the difference between Scottish Mortgage's quoted share price and its underlying net asset value.

Revenue

Year to 31 March	Gross *revenue* £'000	Available for ordinary *shareholders* £'000	Earnings per ordinary *share‡* p	Dividend per ordinary share *net* p	Total expense *ratio§* %
1995	42,504	19,390	5.37	4.40	0.24
1996	48,114	21,394	5.93	4.65	0.29
1997	50,571	24,604	6.82	5.15	0.27
1998	52,184	21,685	6.01	5.35	0.37
1999	44,894	20,263	5.62	5.50	0.38
2000	44,100	27,807**	7.82**	5.65	0.50
2001	44,075	25,212	7.57	6.00	0.51
2002	36,377	24,213	7.56	6.25	0.47
2003	33,909	22,597	7.43	6.60	0.49
2004	35,829	23,931	8.05	7.00	0.60
2005	**35,456**	**21,809**	**7.37**	**7.35**	**0.52**

Gearing Ratios

Actual *gearing¶*	Potential *gearing‖*
105	122
101	119
104	121
107	119
107	114
105	114
104	113
109	116
113	125
111	120
110	**117**

‡ The calculation of earnings per ordinary share is based on the revenue from ordinary activities after taxation and the weighted average number of ordinary shares in issue (see note 8, page 43).
§ Ratio of total operating costs to average shareholders' funds.
¶ Total assets (including all debt used for investment purposes) less all cash and fixed interest securities (ex convertibles) divided by shareholders' funds.
‖ Total assets (including all debt used for investment purposes) divided by shareholders' funds.
** *Restated for change in accounting policy to charge expenses 50:50 between revenue and capital.*

Cumulative Performance (taking 1995 as 100)

At 31 March	Net asset value per share	Net asset value total return††	Benchmark	Bechmark total return‡‡	Share price	Share price total return††	Earnings per ordinary share	*Dividend per* ordinary share net	Retail price index
1995	100	100	100	100	100	100	100	100	100
1996	127	129	123	127	124	127	110	106	103
1997	138	143	130	138	134	139	127	117	105
1998	179	187	168	183	177	187	112	122	109
1999	187	199	183	204	173	187	105	125	111
2000	233	250	212	239	227	247	146	128	114
2001	183	198	181	209	174	191	141	136	117
2002	173	190	172	202	170	190	141	142	118
2003	117	130	116	140	108	124	138	150	122
2004	156	180	145	180	141	167	150	159	125
2005	**171**	**199**	**157**	**201**	**153**	**184**	**137**	**167**	**129**
Compound annual returns									
5 year	(6.0%)	(4.5%)	(5.8%)	(3.4%)	(7.6%)	(5.8%)	(1.2%)	5.4%	2.5%
10 year	5.5%	7.1%	4.6%	7.2%	4.4%	6.3%	3.2%	5.3%	2.6%

†† Source: AITC.
‡‡ Source: Thomson Financial Datastream.

Past performance is no guarantee of future performance.

Directors' Report

The Directors have pleasure in submitting their Annual Report together with the results of the Company for the year to 31 March 2005.

Review of Activities

During the year under review the Company has followed the normal activities of an investment trust company. A review of the main features of the year is contained in the Chairman's Statement and in the Managers' Review on the preceding pages.

Dividends

The Board recommends a final dividend of 5.05p per ordinary share which, together with the interim of 2.30p already paid, makes a total of 7.35p for the year compared with 7.00p for the previous year.

If approved, the recommended final dividend on the ordinary shares will be paid on 6 July 2005 to shareholders on the register at the close of business on 10 June 2005. The ex-dividend date is 8 June 2005.

After payment of the dividend the accumulated revenue balance is increased by £82,000 to £54,123,000.

Status

The Company is an investment company within the meaning of section 266 of the Companies Act 1985.

The Company carries on business as an investment trust. In the opinion of the Directors, the Company conducts its affairs so as to enable it to obtain approval by the Inland Revenue as an investment trust under section 842 of the Income and Corporation Taxes Act 1988. The Company was approved as an investment trust for the year ended 31 March 2004, subject to matters that may arise from any subsequent enquiry by the Inland Revenue into the Company's tax return. The Company will continue to seek approval under section 842 of the Income and Corporation Taxes Act 1988 each year.

Corporate Governance

The Board is committed to achieving and demonstrating high standards of Corporate Governance. This statement outlines how the principles of The Combined Code and the AITC Code of Corporate Governance were applied throughout the financial year.

The Board

The Board has overall responsibility for the Company's affairs. It has a number of matters reserved for its approval including strategy, investment policy, currency hedging, gearing, treasury matters, dividend and corporate governance policy. A separate meeting devoted to strategy is held each year. Full and timely information is provided to the Board to enable the Board to function effectively and to allow Directors to discharge their responsibilities. The Board also reviews the financial statements, investment transactions, revenue budgets and performance.

Directors and Directors' Independence

The Board currently comprises six Directors

Directors' Attendance at Meetings

	Board	Audit Committee	Nomination Committee
Number of meetings	**8**	**3**	**1**
Sir Donald MacKay	8	3	1
GA Ball	7	2	1
MM Gray	8	3	1
WG McQueen	8	3	1
The Earl of Portarlington	3	1	–
JPHS Scott	8	3	1
Lord Strathclyde	8	3	1

The Earl of Portarlington attended all the meetings held up to the date of his retiral.

all of whom are non-executive and 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. Mr GA Ball who has served on the Board for more than nine years offers himself for re-election annually. The Board has concluded that, notwithstanding his length of service, Mr Ball retains independence of character and judgement and his skills and experience add to the strength of the Board. The executive responsibility for investment management has been delegated to the Company's Managers and Secretaries, Baillie Gifford & Co, and, in the context of a Board comprised entirely of non-executive Directors, there is no chief executive officer. The Senior Independent Director is Mr GA Ball.

The Directors believe that the Board has a balance of skills and experience which 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 8 and 9.

There is an agreed procedure for Directors to seek independent professional advice if necessary at the Company's expense. The Company also maintains Directors' and Officers' Liability insurance.

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 number of meetings of the Board, the Audit Committee and the Nomination Committee held during the year and the attendance of the individual Directors at those meetings is shown in the table above.

Nomination Committee
The Nomination Committee consists of the independent non-executive Directors and the Chairman of the Board is Chairman of the Committee. The Committee meets on an annual basis and at such other times as may be required. The Committee has written terms of reference which include reviewing the Board, identifying and nominating new candidates for appointment to the Board, Board appraisal, succession planning and training. The terms of reference are available on request.

Performance Evaluation
The Nomination Committee met to assess the performance of the Chairman, each Director, the Board as a whole and its committees, after inviting each Director and the Chairman to consider and respond to a set of questions. The appraisal of the Chairman was led by Mr GA Ball. The performance of each Director, the Chairman, the Board and its Committees continues to be effective and each Director and the Chairman remain committed to the Company. A review of the Chairman's and other Directors' commitments was carried out and the Nomination Committee 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.

Terms of Appointment and Re-elections
Letters which specify the terms of appointment, are issued to new Directors. The letters of appointment are available for inspection on request.

Under the provisions of the Company's Articles of Association, a Director appointed during the year is required to retire and seek election by shareholders at the next Annual General Meeting. Directors are required to submit themselves for re-election at least once every three years and Directors who have served for more than nine years offer themselves for re-election 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 add significantly to the strength of the Board.

The names of Directors retiring and offering themselves for re-election together with the reasons why the Board supports the re-elections are set out on page 29.

Induction and Training
New Directors are provided with an induction programme which is tailored to the particular circumstances of the appointee. Directors receive other relevant training as necessary.

Remuneration
Since all the Directors are non-executive, a Remuneration Committee is considered unnecessary and Directors' fees are considered by the Board as a whole within the limits approved by shareholders. The Company's policy on remuneration is set out in the Directors' Remuneration Report on pages 31 and 32.

Internal Controls and Risk Management

The Directors acknowledge their responsibility for the Company's system of internal controls and for reviewing its effectiveness. The system of internal controls is designed to manage rather than eliminate risk and can only provide reasonable but not absolute assurance against material misstatement or loss. The Directors confirm that they have reviewed the effectiveness of the system and they have procedures in place to ensure regular future reviews.

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 guidance "Internal Control: Guidance for Directors on the Combined Code."

The practical measures to ensure compliance with regulation and company law, and to provide effective and efficient operations and investment management, have been delegated to the Managers and Secretaries, Baillie Gifford & Co, under the terms of the Management Agreement. The Board acknowledges its responsibilities to supervise and control the discharge by the Managers and Secretaries of their obligations.

Baillie Gifford & Co. is responsible for the design, implementation and maintenance of control policies and procedures to safeguard the assets of the Company and to manage its affairs properly. This responsibility also extends to maintaining effective operational and compliance controls and risk management.

The Company's investments are segregated from those of Baillie Gifford & Co and its other clients through the appointment of The Bank of New York as independent custodian of the Company's investments.

The Baillie Gifford & Co heads of Business Risk & Internal Audit and Regulatory Risk provide the Board with regular reports on Baillie Gifford & Co's monitoring programmes. Baillie Gifford & Co conducts an annual review of its system of internal controls which is documented within an internal controls report. This report is independently reviewed by Baillie Gifford & Co's auditors and a copy is submitted to the Board.

A detailed risk map is prepared which identifies the significant risks faced by the Company and the key controls to manage these risks are confirmed as in place and operating effectively.

These procedures ensure that consideration is given regularly to the nature and extent of the 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 the risks identified. The Board confirms that these procedures have been in place throughout the Company's financial year, are operating effectively and continue to be in place up to the date of approval of this Report.

Internal Audit

The Board has reviewed the need for an internal audit function and has decided that the compliance and internal control systems and the internal audit function in place within the Investment 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 trust, is therefore considered unnecessary.

Accountability and Audit

The respective responsibilities of the Directors and the Auditors in connection with the Financial Statements are set out on pages 33 to 35.

The accounts have been prepared on the going concern basis as it is the Directors' opinion that the Company will continue in operational existence for the foreseeable future.

An Audit Committee has been established in compliance with the Combined Code consisting of all directors. Its authority and duties are clearly defined within its written terms of reference which are available on request. Mr WG McQueen is chairman of the Audit Committee. The committee's responsibilities include:

- monitoring and reviewing the integrity of the financial statements, the internal financial controls and the independence, objectivity and effectiveness of the external auditors;
- making recommendations to the Board in relation to the appointment of the external auditors and the remuneration and terms of their engagement;
- developing and implementing policy on the engagement of the external auditors to supply non-audit services;
- reviewing the arrangements in place within Baillie Gifford & Co whereby their staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters insofar as they may affect the Company;
- reviewing the terms of the Investment Management Agreement; and

Directors' interests

Name	Nature of interest	Ordinary 25p shares held at 31 March 2005	31 March 2004
Sir Donald MacKay	Beneficial	2,469	2,469
GA Ball	Beneficial	10,000	10,000
MM Gray	Beneficial	272,900	272,900
	Non-beneficial	12,500	12,500
WG McQueen	Beneficial	1,500	1,500
	Non-beneficial	3,000	3,000
JPHS Scott	Beneficial	15,464	15,464
Lord Strathclyde	Beneficial	3,142	3,142

The Directors at the year end, and their interests in the Company, were as shown above. There have been no changes intimated in the Directors' interests up to 4 May 2005.

- considering annually whether there is a need for the Company to have its own internal audit function.

Investment Manager

An Investment Management Agreement between the Company and Baillie Gifford & Co 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 Management Agreement is terminable on not less than 12 months' notice. Details of the fee arrangements with Baillie Gifford & Co are shown on page 41.

The Board considers the Company's investment management and secretarial arrangements for the Company on an ongoing basis and a formal review is conducted annually. The Board considers, 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; the administrative services provided by the Secretaries and the marketing efforts undertaken by the Managers. Following the most recent review it is the opinion of the Directors that the continuing appointment of Baillie Gifford & Co as Managers, on the terms agreed, is in the interests of shareholders as a whole.

Relations with Shareholders

The Board places great importance on communication with shareholders. The Company's Managers meet regularly with institutional shareholders and report shareholders' views to the Board. The Chairman is available to meet with shareholders as appropriate. Shareholders wishing to communicate with any members of the Board may do so by writing to them at the address on the back cover. The Company's Annual General Meeting provides a forum for communication with all shareholders and the Board announces the level of proxies lodged. The notice period for the Annual General Meeting is at least twenty working days. Shareholders and potential investors may obtain up-to-date information on the Company from the Managers' website, **www.bailliegifford.com**.

Voting Policy and Socially Responsible Investment

The Company has given discretionary voting powers to the investment managers, Baillie Gifford & Co. The Managers vote against resolutions they consider may damage shareholders' rights or economic interests. Baillie Gifford & Co give due weight to what they consider to be socially responsible investment when making investment decisions, but their overriding objective is to produce good investment returns for shareholders. The Managers' policy has been reviewed and endorsed by the Board.

Compliance

Subject to the special circumstances of the Company as an investment trust, the Company has complied with the provisions of The Combined Code during the financial year except that there is no Remuneration Committee and Directors are not appointed for specified terms. These issues are explained above.

The Board is also adhering to the principles of the AITC Code in all material respects.

Directors

Sir Donald MacKay and Mr JPHS Scott retire by rotation at the Annual General Meeting and will offer themselves for re-election.

Mr GA Ball, having served for more than nine years, offers himself for re-election.

Following formal performance evaluation, their performance continues to be effective and each remain committed to the Company. Their contribution to the Board is greatly valued and the Board recommends their re-election to shareholders.

The Earl of Portarlington retired from the Board on 1 July 2004.

Increase in ceiling on Directors' fees

Article 90 of the Company's Articles of Association provides that the fees paid to, and benefits in kind received by, the Chairman for his services in such office and the fees paid to, and benefits in kind received by, a Director for his services in such office should not exceed in aggregate £30,000 and in aggregate £20,000 per annum respectively or such higher amounts as the Company may from time to time by ordinary resolution determine. The Chairman's current fee is £27,000 and each Director's fee is currently £18,000 and consequently there is little scope for increase within the current limits set out in the Articles of Association. With the extra burdens placed on Directors nowadays it is likely that fees will generally continue to rise. Accordingly, it is proposed that, pursuant to Resolutions 10 and 11, as set out in the Notice of Annual General Meeting, the fees paid to, and benefits in kind received by the Chairman and a Director be increased to £45,000 and £30,000 respectively to allow flexibility in this regard.

Substantial Holdings

Name	No. of ordinary 25p shares held	% of issue
DC Thomson & Co Ltd	15,000,000	5.1
Prudential plc	10,938,100	3.7
Legal & General Investment Management	9,092,501	3.1

The above information has been intimated to the Company as at 4 May 2005 in compliance with section 198 of the Companies Act 1985.

Repurchase of Shares

At the Annual General Meeting held on 1 July 2004 the Company renewed its authority to purchase shares in the market, in respect of up to 44,566,036 ordinary shares (equivalent to 14.99% of its then issued share capital), such authority to expire at the conclusion of the Annual General Meeting of the Company to be held in respect of the year ending 2005 or 31 December 2005, whichever is earlier, unless previously varied, revoked or renewed.

During the year to 31 March 2005 the Company bought back 1,700,000 ordinary shares (nominal value £425,000), on the London Stock Exchange for cancellation. The total consideration for these shares was £4,908,000. Between 1 April 2005 and the date of this report no further shares have been bought back.

The principal reasons for such share buy-backs are:

(i) to enhance net asset value for continuing shareholders by purchasing shares at a discount to the prevailing net asset value;

(ii) to address any imbalance between the supply of and the demand for Scottish Mortgage's shares.

The shares in question were purchased at a price (after allowing for costs) below the net asset value and subsequently cancelled, thereby reducing the issued share capital (see note 15 on page 47). As a result of such purchases the net asset value of the Company has increased by approximately 0.1%.

The Directors are seeking shareholders' approval at the Annual General Meeting to renew the authority to purchase up to 14.99% of the Company's ordinary shares in issue at the date of the passing of the resolution, such authority to expire at the Annual General Meeting of the Company to be held in respect of the year ending 2006 or 29 December 2006, whichever is earlier. Under the Listing Rules of the UK Listing Authority of the Financial Services Authority, the maximum price that may be paid on the exercise of the authority must not exceed 105% of the average of the middle market quotations for the shares over the 5 business days immediately preceding the date of purchase. The minimum price that may be paid will be 25p per share. Purchases of shares will be made within guidelines established, from time to time, by the Board. Your attention is drawn to Special Resolution No. 9, in the Notice of Annual General Meeting.

Creditor Payment Policy

It is the Company's payment policy for the forthcoming financial year to obtain the best terms for all business. In general, the Company agrees with its suppliers the terms on which business will take place and it is its policy to abide by these terms.
The Company had no trade creditors at 31 March 2005 or 31 March 2004.

Auditors

The auditors, KPMG Audit Plc, are willing to continue in office and in accordance with section 385 and section 390A of the Companies Act 1985 resolutions concerning their reappointment and remuneration will be submitted to the Annual General Meeting.

By order of the Board

BAILLIE GIFFORD & Co
Managers and Secretaries
5 May 2005

Baillie G

Directors' emoluments for the year (audited)

	2005 £	2004 £
Directors who served during the year:		
Sir Donald MacKay (assumed the Chair 3 July 2003)	27,000	21,973
GA Ball	18,000	16,000
MM Gray (appointed 26 February 2004)	18,000	1,534
WG McQueen	18,000	16,000
The Earl of Portarlington (retired 1 July 2004)	4,537	16,000
JPHS Scott	18,000	16,000
Lord Strathclyde (appointed 26 February 2004)	18,000	1,534
	121,537	89,041
Past Directors:		
Lord Sanderson of Bowden (Chairman) (retired 3 July 2003)	–	6,181
	121,537	**95,222**

The Directors who served in the year received the above emoluments in the form of fees.

Directors' Remuneration Report

The Board has prepared this report, in accordance with the requirements of Schedule 7A to the Companies Act 1985. 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 auditors to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditors' opinion is included in their report on pages 34 and 35.

Remuneration Committee

The Company has six Directors, all of whom are non-executive. There is no separate Remuneration Committee and the Board as a whole considers changes to Directors' fees from time to time. Baillie Gifford & Co, who have been appointed by the Board as Managers and Secretaries, provide advice and comparative information when the Board considers the level of Directors' fees.

Policy on Directors' fees

The Board's policy is that the remuneration of Directors should be set at a reasonable level that is commensurate with the duties and responsibilities of the role and consistent with the requirement to attract and retain Directors of the appropriate quality and experience. It should also reflect the experience of the Board as a whole, be fair and should take account of the level of fees paid by comparable investment trusts. This policy will continue for the year ended 31 March 2006 and subsequent years.

The fees for the non-executive Directors are determined within the limits set out in the Company's Articles of Association. Article 90 of the Articles of Association states that the fees paid to, and benefits in kind received by, the Chairman shall not exceed in aggregate £30,000 per annum and those paid to, or received by, a Director shall not exceed in aggregate £20,000 per annum or such higher amounts as the Company may from time to time by ordinary resoution determine. Shareholders' approval to increase the limits (pursuant to Article 90 of the Articles of Association) to £45,000 for the Chairman and £30,000 for a Director will be sought at the forthcoming Annual General Meeting (see Resolutions 10 and 11 on page 50). Non-executive Directors are not eligible for any other remuneration apart from the reimbursement of allowable expenses.

The Board carried out a review of the level of Directors' fees during the year, and concluded that the fees should be increased from £24,000 to £27,000 for the Chairman and from £16,000 to £18,000 for each Director. The increase was effective from 1 April 2004.

Directors' service details

	Date of appointment	Due date for re-election
Sir Donald MacKay	1 July 1999	AGM June 2005
GA Ball	17 February 1983	AGM June 2005
MM Gray	26 February 2004	AGM 2007
WG McQueen	15 February 2001	AGM 2006
JPHS Scott	31 October 2001	AGM June 2005
Lord Strathclyde	26 February 2004	AGM 2007

Sums paid to third parties (audited)

The Directors' fees payable to Lord Sanderson of Bowden up to his retirement on 3 July 2003 were paid to Russell Consultants. The payment was for making his services available as a Director of the Company.

Directors' service contracts

It is the Board's policy that none of the Directors has a service contract. All of the Directors have been provided with revised appointment letters dated 22 April 2004 and the terms of their appointment provide that a Director shall retire and be subject to re-election at the first Annual General Meeting after their appointment. Thereafter, Directors are obliged to retire by rotation, and, if they wish, *to offer themselves for re-election*, no longer than every three years after that. Any Director who has served on the Board for more than nine years will submit himself for re-election annually. There is no notice period and no provision for compensation upon early termination of appointment.

Performance Graph

Scottish Mortgage's Share Price, FTSE All-Share Index and Benchmark*

(figures have been rebased to 100 at *31 March 2000*)

Past performance is no guarantee of future performance.

Company performance

The graph opposite compares the total return (assuming all dividends are reinvested) to ordinary shareholders compared to the total shareholder return on a notional investment made up of shares in the component parts of the FTSE All-Share Index. This index was chosen for comparison purposes, as it is a widely used measure of performance for UK listed companies. (Benchmark provided for information purposes only.)

Approval

The Directors' Remuneration Report on pages 31 and 32 was approved by the Board of Directors and signed on its behalf on 5 May 2005.

SIR DONALD MACKAY
Chairman

Sir Donald Mackay

Statement of Directors' Responsibilities in Respect of the Financial Statements

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent Auditors' Report

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

We have audited the financial statements on pages 36 to 49. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report and the Directors' Remuneration Report. As described on page 33, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Company is not disclosed.

We review whether the statement on pages 26 to 29 reflects the Company's compliance with the nine provisions of the 2003 FRC Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement and the unaudited part of the Directors' Remuneration Report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company as at 31 March 2005 and of its total return for the year then ended; and
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
Edinburgh
5 May 2005

	Notes	for the year ended 31 March 2005 Revenue £'000	Capital £'000	**Total £'000**	for the year ended 31 March 2004 Revenue £'000	Capital £'000	**Total £'000**
Gains on investments	9	–	114,325	**114,325**	–	285,687	**285,687**
Currency gains	16	–	1,534	**1,534**	–	5,980	**5,980**
Income	2	35,456	–	**35,456**	35,829	–	**35,829**
Investment management fee	3	(2,385)	(2,385)	**(4,770)**	(2,276)	(2,276)	**(4,552)**
Other administrative expenses	4	(1,382)	–	**(1,382)**	(1,404)	–	**(1,404)**
Net return before finance costs and taxation		31,689	113,474	**145,163**	32,149	289,391	**321,540**
Finance costs of borrowings	5	(7,385)	(7,385)	**(14,770)**	(7,290)	(7,303)	**(14,593)**
Return on ordinary activities before taxation		24,304	106,089	**130,393**	24,859	282,088	**306,947**
Tax on ordinary activities	6	(2,495)	392	**(2,103)**	(928)	–	**(928)**
Return on ordinary activities after taxation for the financial year attributable to equity shareholders		21,809	106,481	**128,290**	23,931	282,088	**306,019**
Dividends in respect of equity shares	7	(21,727)	–	**(21,727)**	(20,779)	–	**(20,779)**
Transfer to reserves		**82**	**106,481**	**106,563**	**3,152**	**282,088**	**285,240**
Return per ordinary share	8	**7.37p**	**35.96p**	**43.33p**	**8.05p**	**94.86p**	**102.91p**

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

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

The accompanying notes on pages 39 to 49 are an integral part of this statement.

	Notes	at 31 March 2005 £'000	at 31 March 2005 £'000	at 31 March 2004 £'000	at 31 March 2004 £'000
Fixed assets					
Investments	9		1,450,095		1,338,496
Current assets					
Debtors	11	9,293		16,404	
Cash and short term deposits	10	10,892		20,394	
		20,185		36,798	
Creditors					
Amounts falling due within one year	12	(59,514)		(95,302)	
Net current liabilities			(39,329)		(58,504)
Total assets less current liabilities			1,410,766		1,279,992
Creditors					
Amounts falling due after more than one year	13		(181,330)		(152,211)
			1,229,436		**1,127,781**
Capital and reserves					
Called-up share capital	15		73,901		74,326
Capital redemption reserve	16		16,279		15,854
Capital reserve – realised	16		773,424		777,982
Capital reserve – unrealised	16		311,709		205,578
Revenue reserve	16		54,123		54,041
Equity shareholders' funds	17		**1,229,436**		**1,127,781**
Net asset value per ordinary share (after deducting debentures at par)	18		**418.1p**		**381.5p**
Net asset value per ordinary share (after deducting debentures at market value)	14		**394.4p**		**362.8p**

The Accounts were approved by the Board and signed on their behalf on 5 May 2005.

SIR DONALD MACKAY
Chairman

Sir Donald Mackay

The accompanying notes on pages 39 to 49 are an integral part of this statement.

	Notes	for the year ended 31 March 2005 £'000	£'000	for the year ended 31 March 2004 £'000	£'000
Net cash inflow from operating activities	20		30,443		31,040
Servicing of finance					
Interest paid		(14,766)		(14,431)	
Net cash outflow from servicing of finance			(14,766)		(14,431)
Taxation					
Income tax refunded		55		52	
Overseas tax incurred		(1,079)		(947)	
Total tax paid			(1,024)		(895)
Financial investment					
Acquisitions of investments		(458,473)		(378,635)	
Disposals of investments		473,165		376,127	
Realised currency loss		(268)		(111)	
Net cash inflow/(outflow) from financial investment			14,424		(2,619)
Equity dividends paid			(21,069)		(19,919)
Net cash inflow/(outflow) before use of liquid resources and financing			8,008		(6,824)
Liquid resources					
Acquisition of term deposits		(41,579)		–	
Disposal of term deposits		41,686		–	
Net cash inflow from use of liquid resources			107		–
Financing					
Shares purchased for cancellation		(4,908)		(3,184)	
Bank loans repaid		(72,949)		(46,844)	
Bank loans drawn down		60,240		73,331	
Net cash (outflow)/inflow from financing			(17,617)		23,303
(Decrease)/increase in cash	21		**(9,502)**		**16,479**
Reconciliation of net cash flow to movement in net debt	21				
(Decrease)/increase in cash in the period			(9,502)		16,479
Decrease/(increase) in bank loans			12,709		(26,487)
Exchange movement on bank loans			1,695		6,091
Increase in short term deposits			(107)		–
Exchange movement on short term deposits			107		–
Other non-cash changes			73		61
Movement in net debt in the year			4,975		(3,856)
Net debt at 1 April			(207,166)		(203,310)
Net debt at 31 March			**(202,191)**		**(207,166)**

The accompanying notes on pages 39 to 49 are an integral part of this statement.

Notes to Accounts

Contents

1 Principal Accounting Policies

A summary of the principal accounting policies is set out in paragraphs (a) to (h) below. All have been applied consistently throughout the current and preceding year.

(a) Basis of Accounting

The accounts are prepared under the historical cost convention, modified to include the revaluation of fixed asset investments, and on the assumption that approval as an investment trust will continue to be granted.

The accounts have been prepared in accordance with applicable UK accounting standards and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies' issued in January 2003.

(b) Investments

Listed investments are shown at middle market value, or in the case of FTSE 100 constituents, at last traded prices issued by the London Stock Exchange.

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

Unlisted investments are shown at a valuation determined by the Directors based upon latest dealing prices, stockbroker valuations, net asset values and other information, as appropriate.

(c) Income

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

(ii) Interest from fixed interest securities is recognised on an accruals basis. Fixed interest securities issued at a significant discount or premium are accounted for on an effective yield basis.

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

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

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

(vi) If scrip is taken in lieu of dividends in cash, the net amount of the cash dividend declared is credited to the revenue account.

(d) Expenses

All expenses are accounted for on an accruals basis. Expenses are charged through the revenue account except as follows: where they relate directly to the acquisition or disposal of an investment, in which case they are added to the cost of the investment or deducted from the sale proceeds and where they are connected with the maintenance or enhancement of the value of investments, in which case they are charged 50:50 to the revenue account and realised capital reserve.

(e) Long Term Borrowings and Finance Costs

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

(f) Taxation

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

(g) Foreign Currencies

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

(h) Capital Reserves

(i) *Capital Reserves Realised:*
Gains and losses on realisation of investments and realised exchange differences of a capital nature are dealt with in this reserve. Purchases of the Company's own shares for cancellation are also funded from this reserve. 50% of management fees, including related VAT, and finance costs are allocated to the realised capital reserve in accordance with the Company's objective of combining capital and income growth.

(ii) Capital Reserves Unrealised:
Unrealised appreciation represents the amount by which assets and liabilities valued at market value differs from their book value and is dealt with in this reserve.

2 Income

	2005 £'000	2004 £'000
Income from investments		
Franked investment income	17,479	17,766
UK unfranked investment income†	3,954	4,921
Overseas dividends*	11,498	10,635
Overseas interest	2,047	1,929
	34,978	**35,251**
Other income		
Deposit interest	408	448
Underwriting commission and commitment fees	70	130
	478	**578**
Total income	**35,456**	**35,829**
Total income comprises:		
Dividends	29,793	29,493
Interest from investments	5,185	5,758
Other	478	578
	35,456	**35,829**
Income from investments		
Listed UK	19,447	21,496
Listed overseas	15,531	13,755
	34,978	**35,251**

† Includes OEIC income.
*2005 includes a special dividend of £1,236,000 from Microsoft.

3 Investment Management Fee

	2005 Revenue £'000	2005 Capital £'000	2005 **Total £'000**	2004 Revenue £'000	2004 Capital £'000	2004 **Total £'000**
Investment management fee	2,190	2,190	**4,380**	2,042	2,042	**4,084**
Irrecoverable VAT thereon	195	195	**390**	234	234	**468**
	2,385	**2,385**	**4,770**	**2,276**	**2,276**	**4,552**

Baillie Gifford & Co are employed by the Company as Managers and Secretaries under a management agreement which is terminable on not less than 12 months' notice, or on shorter notice in certain circumstances. The fee in respect of each quarter is 0.08% of total assets less current liabilities (excluding short term borrowings for investment purposes) and is subject to VAT at the appropriate rate. The management fee is levied on all assets, including holdings in collective investment schemes (OEICs) managed by Baillie Gifford & Co; however the OEIC's share class held by the Company does not attract a management fee.

4 Other Administrative Expenses – all charged to revenue

	2005 £'000	2004 £'000
General administrative expenses	1,244	1,294
Directors' fees (see Directors' Remuneration Report page 31)	122	95
Auditors' remuneration for audit services	16	15
	1,382	**1,404**

5 Finance Costs of Borrowings

	2005 Revenue £'000	2005 Capital £'000	2005 **Total £'000**	2004 Revenue £'000	2004 Capital £'000	2004 **Total £'000**
Bank loans and overdrafts repayable within five years	428	428	**856**	327	340	**667**
Debentures repayable wholly or partly in more than five years	6,957	6,957	**13,914**	6,963	6,963	**13,926**
	7,385	**7,385**	**14,770**	**7,290**	**7,303**	**14,593**

6 Tax on Ordinary Activities

	2005 Revenue £'000	2005 Capital £'000	2005 **Total £'000**	2004 Revenue £'000	2004 Capital £'000	2004 **Total £'000**
UK corporation tax	392	(392)	**–**	–	–	**–**
Overseas tax – current year	1,085	–	**1,085**	928	–	**928**
Overseas tax – adjustment to prior years	1,018	–	**1,018**	–	–	**–**
	2,495	**(392)**	**2,103**	**928**	**–**	**928**

	2005 £'000	2004 £'000
The tax charge for the year is lower than the standard rate of corporation tax in the UK (30%) The differences are explained below:		
Revenue return on ordinary activities before taxation	24,304	24,859
Revenue return on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2004 – 30%)	7,291	7,458
Income not taxable (franked investment income)	(5,244)	(5,330)
Overseas withholding tax written off	–	928
Overseas withholding tax written off claimed as a deduction	–	(278)
Overseas refundable tax deemed as irrecoverable	1,018	–
Overseas refundable tax claimed as a deduction	(305)	–
Surplus management expenses of a revenue nature available for offset	(265)	(1,850)
Current tax charge for the year	**2,495**	**928**

Capital returns are not included in the above analysis since, as an Investment Trust, the Company's capital gains are not taxable.

At 31 March 2005 the Company had surplus management expenses of £44 million (2004 – £38 million of which £880,000 was of a revenue nature) which have not been recognised as a deferred tax asset. This is because the Company is not expected to generate taxable income in a future period in excess of the deductible expenses of that future period and, accordingly, it is unlikely that the Company will be able to reduce future tax liabilities through the use of existing surplus expenses.

7 Ordinary Dividends

	2005	2004	2005 £'000	2004 £'000
Interim dividend per ordinary share (paid 26 November 2004)	2.30p	2.20p	6,799	6,540
Second interim dividend per ordinary share	–	4.40p	–	13,081
Proposed final dividend per ordinary share (payable 6 July 2005)	5.05p	0.40p	14,928	1,189
Adjustment to provision for 2003 final dividend	–	–	–	(31)
	7.35p	**7.00p**	**21,727**	**20,779**

8 Return per Ordinary Share

	2005			2004		
	Revenue	Capital	**Total**	Revenue	Capital	**Total**
	7.37p	**35.96p**	**43.33p**	**8.05p**	**94.86p**	**102.91p**

Revenue return per ordinary share is based on the net revenue on ordinary activities after taxation of £21,809,000 (2004 – £23,931,000), and on 296,098,814 (2004 – 297,361,946) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

Capital return per ordinary share is based on the net capital gain for the financial year of £106,481,000 (2004 – net capital gain of £282,088,000), and on 296,098,814 (2004 – 297,361,946) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

9 Fixed Assets – Investments

	2005 £'000	2004 £'000
Listed at market value – UK	641,564	610,211
– overseas	799,872	721,419
Unlisted	8,659	6,866
	1,450,095	**1,338,496**

	Listed in UK £'000	Listed overseas £'000	Unlisted £'000	**Total £'000**
Cost of investments held at 1 April 2004	496,447	639,096	5,967	**1,141,510**
Unrealised appreciation at 1 April 2004	113,764	82,323	899	**196,986**
Value of investments held at 1 April 2004	610,211	721,419	6,866	**1,338,496**
Movements in year:				
Purchases at cost	142,261	323,443	–	**465,704**
Sales – proceeds	(170,646)	(297,784)	–	**(468,430)**
– realised profits/(losses) on sales	34,538	(35,640)	–	**(1,102)**
Increase in unrealised appreciation	25,200	88,434	1,793	**115,427**
Value of investments held at 31 March 2005	**641,564**	**799,872**	**8,659**	**1,450,095**
Cost of investments held at 31 March 2005	502,600	629,115	5,967	**1,137,682**
Unrealised appreciation at 31 March 2005	138,964	170,757	2,692	**312,413**
Value of investments held at 31 March 2005	**641,564**	**799,872**	**8,659**	**1,450,095**

	2005 £'000	2004 £'000
Gains/(losses) on investments		
Realised losses on sales	(1,102)	(11,399)
Increase in unrealised appreciation	115,427	297,086
	114,325	**285,687**

Of the realised gains/(losses) on sales during the year a net gain/(loss) of £17,523,000 was included in unrealised appreciation at the previous year end.

9 Fixed Assets – Investments (continued)

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

	2005 C income shares held	2005 % of share class held	2004 C income shares held	2004 % of share class held
Baillie Gifford European Smaller Companies Fund	7,910,800	95.9	7,910,800	95.9

10 Financial Assets

A full list of the Company's investments is given on pages 20 to 24. In addition, a geographical analysis of the portfolio, an analysis of the investment portfolio by broad industrial or commercial sector and a list of the 30 largest equity investments by their aggregate market value are contained in the Managers' Review Section.

Exposure to currency risk through asset allocation is indicated below.

	2005 £'000	2004 £'000
Portfolio (currency of listing):		
Sterling	681,899	639,210
US dollar	382,237	341,810
Canadian dollar	45,047	26,409
Euro	80,826	99,372
Swedish kroner	50,314	24,769
Swiss franc	7,273	4,813
Japanese yen	69,349	77,276
Hong Kong dollar	24,712	62,148
Korean won	31,181	19,003
Australian dollar	39,547	21,561
Singapore dollar	7,426	5,388
Indian rupee	21,191	10,857
South African rand	9,093	5,880
	1,450,095	**1,338,496**
Cash:		
UK deposits	1,856	16,609
Foreign deposits – Euro	–	2,801
– US dollar	5,530	984
– Japanese yen	2,532	–
– Swedish kroner	974	–
	10,892	**20,394**

The cash deposits generally comprise call or short term money market deposits of less than one month which are repayable on demand.

The following currency amounts are included in net current assets:

	2005 Income accrued £'000	2005 Sales for subsequent settlement £'000	2005 Other debtors and prepayments £'000	2004 Income accrued £'000	2004 Sales for subsequent settlement £'000	2004 Other debtors and prepayments £'000
Sterling	6,848	1,309	149	7,490	–	156
US dollar	307	–	–	636	1,510	–
Canadian dollar	54	–	–	–	–	–
Euro	343	–	5	742	4,534	1,103
Hong Kong dollar	–	–	–	33	–	–
Japanese yen	278	–	–	200	–	–
	7,830	**1,309**	**154**	**9,101**	**6,044**	**1,259**

10 Financial Assets (continued)

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

	2005			2004		
	Market value £'000	Weighted average interest rate	Weighted average period until maturity	Market value £'000	Weighted average interest rate	Weighted average period until maturity
Fixed rate:						
UK bonds	22,886	7.7%	15 years	28,064	7.4%	12 years
UK bonds (perpetual)	3,474	9.4%	N/A	3,065	7.1%	N/A
UK convertible loan stock	–	–	–	5,535	7.3%	6 months
European bonds	9,977	10.8%	12 years	17,726	10.2%	10 years
US bonds	4,493	7.5%	8 years	3,184	7.2%	3 years
Floating rate:						
UK bonds (interest rate linked to sterling LIBOR)	30,653	3.7%	49 years	26,930	2.7%	61 years
European bonds (interest rate linked to euro LIBOR)	3,781	7.3%	13 years	2,325	7.6%	15 years

11 Debtors

	2005 £'000	2004 £'000
Due within one year:		
Income accrued	7,830	9,101
Sales for subsequent settlement	1,309	6,044
UK taxation recoverable	21	77
Other debtors and prepayments	133	1,182
	9,293	**16,404**

12 Creditors – Amounts falling due within one year

	2005 £'000	2004 £'000
ING Bank N.V. US$ loan	31,753	21,764
National Australia Bank Limited multi-currency loan	–	30,858
The Royal Bank of Scotland Plc multi-currency loan	–	22,727
Purchases for subsequent settlement	9,389	2,158
Second interim dividend	–	13,081
Proposed final dividend	14,928	1,189
Other creditors and accruals	3,444	3,525
	59,514	**95,302**

Included in other creditors is £404,000 (2004 – £335,000) in respect of the investment management fee.

Borrowing facilities

A 364 day US$60 million loan facility has been arranged with ING Bank N.V.

A 3 year £35 million multi-currency loan facility has been arranged during the year with National Australia Bank Limited.

A £100 million short term multi-currency loan facility has been arranged with The Royal Bank of Scotland plc, expiring within 12 months.

At 31 March 2005 drawings were as follows:

ING Bank N.V.	US$60 million at an interest rate of 3.2075% per annum.
National Australia Bank Limited	¥5,900 million at an interest rate of 0.74% per annum. (see note 13).

The main covenants relating to the above loans are:

(i) Total borrowings shall not exceed 35% of the Company's net asset value.

(ii) The Company's minimum net asset value shall be £700 million.

13 Creditors – Amounts falling due after more than one year

	Nominal rate	Effective rate	2005 £'000	2004 £'000
Debenture stocks:				
£20 million 8–14% stepped interest debenture stock 2020	14.0%	12.3%	22,323	22,374
£75 million 6.875% debenture stock 2023	6.875%	6.9%	74,340	74,303
£50 million 6–12% stepped interest debenture stock 2026	12.0%	10.8%	54,800	54,859
4½% irredeemable debenture stock			675	675
National Australia Bank Limited multi-currency loan			29,192	–
			181,330	**152,211**

Debenture stocks
The debenture stocks are stated in accordance with the requirements of Financial Reporting Standard 4 'Capital Instruments' ('FRS4'); the cumulative effect is to increase the carrying amount of borrowings by £6,463,000 (2004 – £6,536,000).

The debenture stocks are secured by a floating charge over the assets of the Company.

14 Financial Liabilities

	2005 £'000	2004 £'000
The interest rate risk profile of the Company's financial liabilities at 31 March was:		
Fixed rate – yen denominated	29,192	30,858
Floating rate – US$ denominated	31,753	44,491
Fixed rate – sterling denominated	152,138	152,211
	213,083	**227,560**
The maturity profile of the Company's financial liabilities at 31 March was:		
In one year or less, or on demand	31,753	75,349
In two to five years	29,192	–
In more than five years (weighted average period fixed 19 years)	151,463	151,536
No fixed date for repayment	675	675
	213,083	**227,560**

Fair value of financial liabilities
The debenture stock issues are included in the accounts in accordance with FRS4. A comparison with the closing mid market value is as follows:

	2005 Nominal £'000	2005 Book £'000	2005 Market £'000	2004 Nominal £'000	2004 Book £'000	2004 Market £'000
8–14% stepped interest debenture stock 2020	20,000	22,323	37,665	20,000	22,374	35,568
6.875% debenture stock 2023	75,000	74,340	87,146	75,000	74,303	81,053
6–12% stepped interest debenture stock 2026	50,000	54,800	90,429	50,000	54,859	84,085
4½% irredeemable debenture stock	675	675	568	675	675	564
	145,675	**152,138**	**215,808**	**145,675**	**152,211**	**201,270**

The fair value of the fixed rate yen loan at 31 March 2005 was £29,402,000.

All short term borrowings are stated at market value.

Deducting prior charges at market value would have the effect of reducing the net asset value per share from 418.1p to 394.4p. Taking the market price of the ordinary shares at 31 March 2005 of 333.0p, this would have given a discount to net asset value of 15.6% as against 20.4% on a traditional basis. At 31 March 2004 the effect would have been to reduce the net asset value from 381.5p to 362.8p. Taking the market price of the ordinary shares at 31 March 2004 of 305.0p, this would have given a discount to net asset value of 15.9% as against 20.1% on a traditional basis.

Short term debtors and creditors other than short term loans have been excluded from the disclosure of financial instruments as allowed by FRS 13 other than for currency disclosures which include £4,991,000 of US$, £2,532,000 of Japanese yen, £974,000 of Swedish kroner and £892,000 of Indian rupees (2004 – £824,000 of Euros) in respect of purchases for subsequent settlement and £325,000 of US$ and £68,000 of Japanese yen (2004 – £254,000 of US$ and £62,000 of Japanese yen) in respect of loan interest.

Gains and losses on hedges
At 31 March 2004 and 2005 there were no unrecognised gains/losses on hedges. Realised currency gains/losses are taken to the capital reserve and are not reflected in the revenue account unless they are of a revenue nature.

15 Called-up Share Capital

	2005 Number	2005 £'000	2004 Number	2004 £'000
Authorised ordinary shares of 25p each	**360,720,000**	**90,180**	**360,720,000**	**90,180**
Allotted, called up and fully paid ordinary shares of 25p each	***295,605,115***	***73,901***	***297,305,115***	***74,326***

At the Annual General Meeting on 1 July 2004 the Company renewed its authority to purchase shares in the market, in respect of 44,566,036 ordinary shares (equivalent to 14.99% of its issued share capital at that date). In the year to 31 March 2005, a total of 1,700,000 (2004 – 700,000) ordinary shares with a nominal value of £425,000 were bought back at a total cost of £4,908,000 (2004 – £1,779,000). At 31 March 2005 the Company had authority to buy back a further 42,866,036 ordinary shares.

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

16 Reserves

	Capital redemption reserve £'000	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Revenue reserve £'000
At 1 April 2004	15,854	777,982	205,578	54,041
Net loss on realisation of investments	–	(1,102)	–	–
Increase in unrealised appreciation	–	–	115,427	–
Exchange differences	–	(161)	–	–
Exchange differences on multi-currency loans	–	10,991	(9,296)	–
Shares purchased for cancellation	425	(4,908)	–	–
Investment management fee	–	(2,385)	–	–
Finance costs of borrowings	–	(7,385)	–	–
Tax relief on management fee and finance costs	–	392	–	–
Retained net revenue for the year	–	–	–	82
At 31 March 2005	**16,279**	**773,424**	**311,709**	**54,123**

17 Total Shareholders' Funds

	2005 £'000	2004 £'000
Total shareholders' funds are attributable as follows:		
Equity shares	**1,229,436**	**1,127,781**

Total shareholders' funds have been calculated in accordance with the provisions of FRS4. However, the net asset value per share figures in note 18 have been calculated on the basis of shareholders' rights to reserves as specified in the Articles of Association of the Company. A reconciliation of the two figures is as follows:

Shareholders' funds attributable to ordinary shares (as above)	£1,229,436,000
Number of ordinary shares in issue at the year end	295,605,115
Shareholders' funds per ordinary share	415.9p
Additions/(deductions)	
– expenses of debenture issue	(0.8p)
– allocation of interest on borrowings	3.0p
Net asset value per ordinary share	**418.1p**

18 Net Asset Value per Ordinary Share

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

	2005	2004	2005 £'000	2004 £'000
Ordinary shares	**418.1p**	**381.5p**	**1,235,903**	**1,134,321**

	2005 £'000	2004 £'000
The movements during the year of the assets attributable to the ordinary shares were as follows:		
Total net assets at 1 April	1,134,321	850,921
Total recognised gains and losses for the year	128,290	306,019
Dividends appropriated in the year	(21,727)	(20,779)
Adjustment to debentures	(73)	(61)
Shares purchased for cancellation	(4,908)	(1,779)
Total net assets at 31 March	**1,235,903**	**1,134,321**

Net asset value per ordinary share is based on net assets (adjusted to reflect the deduction of the debentures at par) and on 295,605,115 (2004 – 297,305,115) ordinary shares, being the number of ordinary shares in issue at the year end. Shareholders' funds as reported on the face of the balance sheet has been computed in accordance with the provisions of FRS4. A reconciliation of the two sets of figures under these two conventions is given in note 17.

19 Reconciliation of Movements in Shareholders' Funds

	2005 £'000	2004 £'000
Shareholders' funds at 1 April	1,127,781	844,320
Total recognised gains and losses for the year (after dividend payments)	106,563	285,240
Shares purchased for cancellation	(4,908)	(1,779)
Shareholders' funds at 31 March	**1,229,436**	**1,127,781**

20 Reconciliation of Net Revenue before Finance Costs and Taxation to Net Cash Inflow from Operating Activities

	2005 £'000	2004 £'000
Net revenue on ordinary activities before finance costs and taxation	31,689	32,149
Investment management fees charged to capital	(2,385)	(2,276)
Decrease in accrued income	1,247	830
Decrease in debtors	48	96
(Decrease)/increase in creditors	(156)	241
	30,443	**31,040**

21 Analysis of Change in Net Debt

	At 1 April 2004 £'000	Cash flows £'000	Other non-cash changes £'000	Exchange movement £'000	At 31 March 2005 £'000
Cash at bank and in hand	20,394	(9,502)	–	–	**10,892**
Term deposits	–	(107)	–	107	**–**
Loans due within one year	(75,349)	41,978	–	1,618	**(31,753)**
Loans due in two to five years	–	(29,269)	–	77	**(29,192)**
Debenture stocks	(152,211)	–	73	–	**(152,138)**
	(207,166)	**3,100**	**73**	**1,802**	**(202,191)**

22 Directors' Interest in Contracts

No Director has a contract of service with the Company.

During the year no Director was interested in any contract or other matter requiring disclosure under section 232 of the Companies Act 1985.

23 Contingencies, Guarantees and Financial Commitments

At the year end the Company had a contingent liability amounting to £14 million (2004 – £14 million) under a subscription agreement relating to participating loan notes. The obligation will expire on 31 December 2005.

24 Summary of Main Investment Restrictions

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

Holding size

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

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

Categories of investment

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

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

Transactions in futures and options must be consistent with Inland Revenue guidelines so as to ensure maintenance of the Company's Investment Trust status.

25 Derivatives and Other Financial Instruments

The Company operates as an investment trust company in accordance with S842 of the Income and Corporation Taxes Act 1988. The international nature of the Company's investment activities provides opportunities for both market appreciation and currency gains, but leaves it exposed to the risk of market volatility and currency fluctuations.

In the case of an investment trust, capital profits from investing activities and currency gains are not recognised in the revenue account, but are credited directly to a separate capital reserve which the Company is prohibited from distributing in the form of dividends.

Gearing

The Company has long term and short term borrowings. The aim of the use of gearing is to enhance long term returns to shareholders by investing borrowed funds in equities and other assets. Gearing is actively managed. How and where borrowings are invested is reviewed by the Board in consultation with the Managers at every Board meeting. In light of the decisions made, appropriate adjustments to the gearing position are then made by the Managers. Details of borrowings and where they are invested is given in monthly Factsheets published on the Managers' website, **www.bailliegifford.com**.

During the year the Company was given an Aaa Issuer Rating by Moody's. Issuer Ratings are opinions of the ability of entities to honour senior unsecured financial obligations and contracts.

The Company's revenue account may be affected by fluctuations in short term interest rates; income from overseas investment can be affected by currency fluctuations.

The Company's financial instruments, which provide finance for investment activities, comprise its debenture stocks, its long and short term borrowings, and its cash and liquid resources. In addition to the equity portfolio, the Company maintains investments in UK and overseas corporate bonds as part of its investment strategy.

The Company may, from time to time, enter into derivative transactions to hedge specific currency or interest rate risk. No such transactions were undertaken in the year.

The Company has precisely defined guidelines to govern the purchase or writing of options on individual shares. No options were purchased or written in the year.

Trading in financial instruments is not within the normal activities of an investment trust, nor is it the Company's policy to trade in such instruments. Transactions in financial instruments generally arise as a result of strategic investment decisions.

The Company's Managers may not enter into derivative transactions without the prior approval of the Board, and all borrowing facilities require Board authorisation. The Board agrees policies for managing risk with the Company's Managers. The main risks arising from the Company's financial instruments are market risk (as noted above), interest rate risk, credit risk, liquidity risk and foreign currency risk.

Interest Rate Risk

The Company finances its operations by means of called up share capital, realised capital profits, retained revenue reserves, bank borrowings and the issue of debenture stocks. The value of the Company's bond portfolio is subject to interest rate risk. It is not the Company's policy to hedge this risk.

The Company has negotiated short term multi-currency borrowing facilities at interest rates linked to LIBOR and may draw down funds for periods up to 3 years.

The Company has issued a mix of stepped and fixed interest debenture stocks. The stepped interest debenture stocks have reached their final step and are deemed to be fixed.

Credit Risk

In addition to interest rate risk, the Company's investments in bonds are also subject to credit risk. Credit risk reflects the possibility that a borrower will not be able to meet its obligation to make payments of interest or principal when they fall due. The Managers analyse the credit risk of the Company's bond investments prior to purchase and continue to monitor developments in credit quality subsequently.

Liquidity Risk

The Company's policy with regard to liquidity is to ensure continuity of funding. Short term flexibility is achieved by overdraft facilities.

Foreign Currency Risk

The international nature of the Company's investment activities gives rise to a currency risk which is inherent in the performance of its overseas investments. It is not the Company's policy to hedge this risk on a continuing basis, but the Company may from time to time match specific overseas investment with foreign currency borrowings.

The revenue account is subject to currency fluctuation arising on overseas income. The Company does not hedge this currency risk.

The Annual General Meeting of the Company will be held at the offices of Baillie Gifford & Co, Calton Square, 1 Greenside Row, Edinburgh EH1 3AN, on Thursday, 30 June 2005 at 4.00 pm.

If you have any queries as to how to vote or how to attend the meeting, please call us on 0800 027 0133.

Baillie Gifford may record your call.

Notice of Annual General Meeting

Notice is hereby given that the ninety-sixth Annual General Meeting of Scottish Mortgage Investment Trust PLC will be held within the Registered Office of the Company, Calton Square, 1 Greenside Row, Edinburgh EH1 3AN, on Thursday, 30 June 2005, at 4.00 pm for the following purposes:

Ordinary Business

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

1. To approve the Accounts of the Company for the year to 31 March 2005 with the Reports of the Directors and of the Auditors thereon.
2. To approve the Directors' Remuneration Report for the year to 31 March 2005.
3. To declare a dividend.
4. To re-elect Sir Donald MacKay as a Director.
5. To re-elect Mr GA Ball as a Director.
6. To re-elect Mr JPHS Scott as a Director.
7. To reappoint KPMG Audit Plc as Auditors.
8. To authorise the Directors to determine the remuneration of the Auditors.

To consider and, if thought fit, to pass the following resolution as a Special Resolution:

9. That, in substitution for any existing authority under section 166 of the Companies Act 1985 (the 'Act'), but without prejudice to the exercise of any such authority prior to the date hereof, the Company be authorised, in accordance with section 166 of the Act, to make market purchases (within the meaning of section 163(3) of the Act) of ordinary shares of 25p each in the capital of the Company ('Shares'), provided that:

   (a) the maximum aggregate number of Shares hereby authorised to be purchased shall be 14.99% of the issued ordinary share capital on the date on which this resolution is passed;

   (b) the minimum price which may be paid for a Share shall be 25p;

   (c) the maximum price (exclusive of expenses) which may be paid for a Share shall be an amount equal to 105% of the average of the middle market quotations (as derived from the Daily Official List of the London Stock Exchange) for the Shares for the 5 business days immediately preceding the date of purchase; and

   (d) unless previously varied, revoked or renewed by the Company in general meeting, the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2006 or 29 December 2006, whichever is the earlier, save that the Company may, prior to such expiry, enter into a contract to purchase 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 Shares pursuant to any such contract.

Special Business

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

10. That, the fees paid to, and benefits in kind received by, the Chairman of the Board of Directors for his services in the office of Director shall not, for the purposes of Article 90 of the Company's Articles of Association, exceed in aggregate £45,000 per annum.
11. That, the fees paid to, and benefits in kind received by, a Director for his services in the office of Director shall not, for the purposes of Article 90 of the Company's Articles of Association, exceed in aggregate £30,000 per annum.

By order of the Board

Baillie Gifford & Co
Managers and Secretaries
27 May 2005

Notes

1 A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote on his/her behalf. A proxy need not be a member of the Company. A Form of Proxy for the use of members is enclosed and to be valid must be lodged with the Registrar of the Company not less than 48 hours before the time set for the meeting.

2 Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those shareholders entered on the Register of Members of the Company as at 4.00 pm on 28 June 2005 or, in the event that the meeting is adjourned, on the Register of Members 48 hours before the time of any adjourned meeting, shall be entitled to attend or vote at the meeting in respect of the number of ordinary shares registered in their name at that time. Changes to the entries on the Register of Members after 4.00 pm on 28 June 2005 or, in the event that the meeting is adjourned, in the Register of Members 48 hours before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting, notwithstanding any provisions in any enactment, the Articles of Association of the Company or other instrument to the contrary.

3 Shareholders participating in the Baillie Gifford Investment Trust Share Plan, Children's Savings Plan or the Baillie Gifford Investment Trust ISA/PEP who wish to vote and/or attend the meeting must complete and return the enclosed reply-paid Form of Direction.

4 No Director has a contract of service with the Company.

Further Shareholder Information

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, by asking a professional adviser to do so, or through the Baillie Gifford savings vehicles (see inside back cover for details).

Sources of Further Information on the Company

The price of shares is quoted daily in the Financial Times and can also be found on the Baillie Gifford website at **www.bailliegifford.com**, Trustnet at **www.trustnet.co.uk** 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.

Key Dates

Ordinary shareholders normally receive two dividends in respect of each financial year. An interim dividend is paid at the end of November and a final dividend is paid in early July. The AGM is normally held in late June or early July.

Capital Gains Tax

For Capital Gains Tax indexation purposes, the market value (adjusted for the bonus issue of 4 for 1) of an ordinary share in the Company as at 31 March 1982 was 30.6p.

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 Registrar on 0870 702 0010. By quoting the reference number on your share certificate you can check your holding on the Registrar's web site: **www-uk.computershare.com/investor**.

Telephone Share Dealing Service

A telephone share dealing service has been established with our Registrar, Computershare Investor Services PLC, which provides shareholders with a way of buying or selling Scottish Mortgage Investment Trust PLC ordinary shares on the London Stock Exchange. There are no forms to complete and the share price at which you deal will generally be confirmed to you whilst you are still on the telephone. Please ensure you have your Shareholder Reference Number (SRN) ready when making the call. The SRN appears on your share certificate. For further information about this service please phone 0870 702 0000.

Please note that this share dealing service is not available to shareholders participating in the Baillie Gifford Investment Trust Share Plan, Children's Savings Plan, ISA, PEP and Select Pension.

This is not a recommendation to buy, sell or hold shares in Scottish Mortgage. If you are unsure of what action to take contact a financial adviser authorised under the Financial Services and Markets Act 2000. Please note that share values may go down as well as up, which may result in you receiving less than you originally invested.

Computershare Investor Services PLC is authorised and regulated by the Financial Services Authority.

Where this has been received in a country where the provision of such a service would be contrary to local laws or regulations, this should be treated as information only.

Electronic Communications and Proxy Voting

If you hold stock in your own name you can choose to receive communications from the Company, and vote, in electronic format. This method reduces costs, is environmentally friendly and, for many, is convenient too. The paragraphs below explain how you can use these services.

- **Electronic Communications** If you would like to take advantage of this service, please visit our Registrar's website at **www-uk.computershare.com/investor** and register. You will need your shareholder reference number (which is on your share certificate and tax voucher)

Analysis of Shareholders

	At 31 March 2005 Number of shares held	%	At 31 March 2004 Number of shares held	%
Institutions	118,877,323	40.3	120,030,427	40.3
Intermediaries	91,072,436	30.8	87,578,979	29.5
Individuals	58,373,673	19.7	66,966,028	22.5
Baillie Gifford Share Plans/PEP/ISA	19,437,547	6.6	19,867,131	6.7
Marketmakers	7,844,136	2.6	2,862,550	1.0
	295,605,115	**100.0**	**297,305,115**	**100.0**

to hand. If you then agree to the terms and conditions, in future, on the day that documents are sent to shareholders by post, you will receive an e-mail providing the website address link to the documents. After you register, paper documents will be available on request.

- **Electronic Proxy Voting** You can also return proxies electronically at **www-uk.computershare.com/proxy**. If you have registered for electronic communications you will be issued a PIN number to use when returning proxies to the secure Registrar website. You do not need to register for electronic communications to use electronic proxy voting, paper proxy forms will contain a PIN number to allow you to return proxies electronically.

If you have any questions about these services please contact Computershare on 0870 702 0000.

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. To appoint a proxy or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, the CREST message must be received by the issuer's agent (ID number 3RA50) not later than 48 hours before the time appointed for holding the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which the issuer's agent is able to retrieve the message. CREST Personal Members or other CREST sponsored members should contact their CREST sponsors for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and systems timings, please refer to the CREST Manual. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. Computershare Investor Services PLC is authorised and regulated by the Financial Services Authority.

Where this has been received in a country where the provision of such a service would be contrary to local laws or regulations, this should be treated as information only.

Scottish Mortgage is an investment trust. Investment trusts offer investors the following:

- Participation in a diversified portfolio of shares.
- Constant supervision by experienced professional managers.
- 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.

These accounts have been approved by the Directors of Scottish Mortgage Investment Trust PLC. Baillie Gifford Savings Management Limited is the ISA Manager of the Baillie Gifford Investment Trust ISA, the PEP Manager of the Baillie Gifford Investment Trust PEP, the Manager of the Baillie Gifford Investment Trust Share Plan and Children's Savings Plan and the promoter of the Baillie Gifford Select Pension. Alliance Trust Savings Limited is the provider, trustee and administrator of the Alliance Trust Personal Pension Plan through which the Baillie Gifford Select Pension is made available. Baillie Gifford Savings Management Limited is wholly owned by Baillie Gifford & Co. Both are authorised and regulated by the Financial Services Authority. Baillie Gifford only provides information about its products and does not provide investment advice. The staff of Baillie Gifford may hold shares in Scottish Mortgage and may buy or sell such shares subject to Baillie Gifford's personal account dealing rules.

Risks

Past performance is no guarantee of future performance. The capital value of and income distributed by an investment trust can go down as well as up and an investor may not get back the amount originally invested. The price of an investment trust share will fluctuate in accordance with supply and demand and may not reflect the underlying net asset value.

Investment trusts can borrow money to make further investments, which is commonly referred to as gearing. The risk is that when this money is repaid by the trust, the value of these investments may not be enough to cover the borrowing and interest costs and the trust makes a loss. If the trust's investments fall in value, gearing will increase the amount of the loss in value to investors. The more highly the trust is geared, the greater this effect will be.

As Scottish Mortgage invests in overseas securities, changes in the rates of exchange may also cause the value of your investment to go down or up.

The value of ISA and PEP tax advantages will depend on personal circumstances. Tax rates and reliefs may change in the future.

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

Baillie Gifford's Investment Trust Share Plan

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

Baillie Gifford's Investment Trust ISA

You can invest in a tax efficient way by investing a minimum of £2,000 or from £250 per month or by transferring an ISA with a value of at least £2,000 from your existing manager.

Baillie Gifford's Children's Savings Plan

A cost-effective plan tailored especially to meet the requirements to save for children. You can invest a minimum of £250 or from £30 per month.

Baillie Gifford's Investment Trust PEP Transfer

You can transfer an existing PEP to access a different market or to change your investment manager (minimum value of £2,000).

Baillie Gifford Select Pension

The Baillie Gifford Select Pension, provided by Alliance Trust Savings Limited is a self-invested personal pension. The minimum contribution is £50 per month.

Further Information

Retail Investments Department
Baillie Gifford Savings Management Limited
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We may record your call

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Fax: 0131 275 3955

Directors

Chairman:
Sir Donald MacKay

GA Ball
MM Gray
WG McQueen
JPHS Scott
Lord Strathclyde

Registrar

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Banker

The Bank of New York

Company Broker

UBS Investment Bank
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Auditor

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Saltire Court
20 Castle Terrace
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Company registration No. 7058

Managers, Secretaries and Registered Office

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