

THE SCOTTISH AMERICAN INVESTMENT COMPANY P.L.C.

SAINTS

Income again and again



Contents

1	Objective	
Strategic Report		
2	Chairman's Statement	
4	One Year Summary	
5	Five Year Summary	
6	Business Review	
10	Investment Approach	
12	Managers' Review	
15	Investment Changes	
16	Performance Attribution	
16	Distribution of Portfolio	
17	Classification of Investments	
18	List of Investments	
20	Property Portfolio	
21	Ten Year Record	
Governance Report		
22	Directors and Management	
23	Directors' Report	
26	Corporate Governance Report	
29	Audit Committee Report	
31	Directors' Remuneration Report	
33	Statement of Directors' Responsibilities	
		Financial Report
34	Independent Auditor's Report	
40	Income Statement	
41	Balance Sheet	
42	Statement of Changes in Equity	
43	Cash Flow Statement	
44	Notes to the Financial Statements	
		Shareholder Information
57	Cost-effective Ways to Buy and Hold Shares in SAINTS	
58	Communicating with Shareholders	
59	Further Shareholder Information	
59	Dividend Dates for 2020	
60	Analysis of Shareholders	
61	Notice of Annual General Meeting	
65	Glossary of Terms and Alternative Performance Measures	

Investor Disclosure Document

The EU Alternative Investment Fund Managers Directive requires certain information to be made available to investors prior to their investment in the Company. The Company's Investor Disclosure Document is available for viewing at www.saints-it.com.

Notes

None of the views expressed in this document should be construed as advice to buy or sell a particular investment. Investment trusts are UK public listed companies and as such comply with the requirements of the UK Listing Authority. They are not authorised or regulated by the Financial Conduct Authority.

SAINTS currently conducts its affairs, and intends to continue to conduct its affairs, so that the Company's Ordinary Shares can qualify to be considered as a mainstream investment product and can be recommended by Independent Financial Advisers (IFAs) to ordinary retail investors in accordance with the rules of the Financial Conduct Authority (FCA) in relation to non-mainstream investment products.

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the action you should take you should consult your stockbroker, bank manager, solicitor, accountant or other independent financial advisor authorised under the Financial Services and Markets Act 2000 immediately if you are in the United Kingdom or, if not, from another appropriately authorised financial adviser.

If you have sold or otherwise transferred all of your ordinary shares in The Scottish American Investment Company P.L.C., please forward this document, together with any accompanying documents, but not your personalised Form of Proxy, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was or is being effected for delivery to the purchaser or transferee.

SAINTS aims to deliver real dividend growth by increasing capital and growing income.

Year to 31 December 2019

Dividend 11.875p

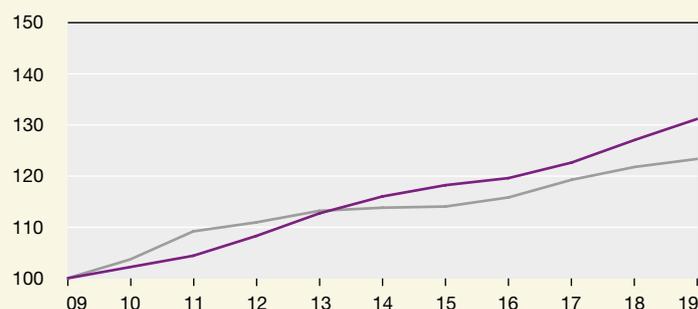
Yield 2.8%

Ten Year Summary

Dividend versus Inflation

(figures rebased to 100 at 31 December 2009)

— SAINTS dividend
— CPI



Share Price

(figures rebased to 100 at 31 December 2009)

— Share price total return*



Premium/(Discount)*

(plotted as at month end dates)

— Premium/(discount) (after deducting borrowings at fair value)
— Premium/(discount) (after deducting borrowings at book value)



Source: Refinitiv/Baillie Gifford and relevant underlying index providers. See disclaimer on page 64.

* Alternative performance measure, see Glossary of Terms and Alternative Performance Measures on pages 65 and 66.

Past performance is not a guide to future performance.

Strategic Report

This Strategic Report, which includes pages 2 to 21 and incorporates the Chairman's Statement, has been prepared in accordance with the Companies Act 2006.

Chairman's Statement



The Company's objective is to deliver real dividend growth by increasing capital and growing income. An increased dividend of 11.875p (2018 – 11.50p) will extend the Company's record of raising its dividend to forty consecutive years.

Overview

Markets again made good progress in 2019, helped by further support from the US Federal Reserve and other central banks. The path was not, however, smooth and the politicians were less helpful than the central bankers. Trade war fears were realised as tariffs were increased, and Brexit remained a feature. Eventually, though, markets returned to their upwards trajectory as trade tensions lessened, a withdrawal agreement was passed by the newly elected UK parliament and economic news improved. However, the reduction in uncertainties at one level has brought new ones in its wake such as the shape of any trade deal with the European Union.

Your Company has also made strong progress over the past year, outpacing the market despite enjoying the protection provided by investing in sources of revenue which are dependable. In uncertain times such dependability is rightly prized and this, together with generally strong operational progress from SAINTS' holdings, has helped deliver attractive returns as well as a dependable and rising income. The Company has also delivered strong absolute and relative performance over longer periods – total returns have topped our Global Equity Income peer group over the past five years.

Dividend and Inflation

A final dividend of 3.00p is recommended which will take the full year dividend to 11.875p per share, 3.3% higher than the 2018 dividend of 11.50p. This year's increase is more than twice the annual rate of inflation of 1.3% for 2019 as measured by CPI. Over the last ten years the Company's dividends have increased at well above the rate of inflation.

Revenues

Earnings per share have increased by 1% to 11.87p and investment income has risen to £23m. Income from equities has been helped by operational progress at many of the Company's investments and by increases in dividends, partially offset by a reduction in the special dividends received. The rents from the Company's property investments have also increased modestly, helped by the high proportion of rents which are linked to RPI. Against this, there has been a lower contribution to revenues from fixed income investments and in the latter part of the year sterling's strength had a negative impact on the income generated by the portfolio's overseas assets.

Currency headwinds come and go, and it is a great advantage of the investment trust structure and our accumulated revenue reserves that the Board can look through such variations when setting the dividend, concentrating instead on the strength of underlying revenue progression and on overall returns.

Both managers (Baillie Gifford and, for the Company's property investments, OLIM) continue at the Board's request to emphasise supporting the dependability and the future growth of the Company's dividend in line with its objective.

Total Return Performance

Over the year your investment in SAINTS delivered a share price total return of 25.1% and the net asset value total return (capital and income) was 22.9%. As well as being a very strong year in terms of absolute performance, returns also exceeded those from global equities which rose 22.3% over 2019. More importantly, however, it continues a record of outperformance which has enabled SAINTS not only to meet its objectives but also to deliver returns at the head of its peer group of Global Income investment trusts over the past five years.

As always we would caution against reading too much into short-term relative performance. The Managers and your Board have a long-term perspective and the Company's portfolio of investments differs markedly from the make-up of the global equity index against which performance is often compared. This differentiated portfolio is necessary and appropriate in order for SAINTS to deliver a high and growing income stream, as well as real growth in the Company's assets. Nonetheless, it is worth highlighting that over the year the Company's equity portfolio outperformed equities, and that the returns from its property and fixed income investments also compared favourably with returns from those asset classes. Returns from equities were helped by the generally encouraging operational performance delivered by the companies in which the portfolio is invested. A further year of outperformance from property in a more challenging environment is a notable outcome of the property managers' emphasis on strength of covenant. Performance was also helped by the evolution of the property element of the portfolio away from sectors such as restaurants and retail, which was highlighted last year.

For a definition of terms see Glossary of Terms and Alternative Performance Measures on pages 65 and 66.

See disclaimer on page 64.

Past performance is not a guide to future performance.

The principal contributors to and detractors from performance and the changes to the equity, property and bond investments are explained in more detail in the Managers' Review.

Borrowings and Debt Refinancing

SAINTS' borrowings take the form of a single £80m debenture. Our current borrowing arrangements date from a time when the prevailing interest rates were much higher than today, and the existing debenture bears a coupon of 8%. During 2019, the borrowings continued to be used to fund a range of higher yielding commercial property and, to a much lesser extent, some fixed income investments.

As previously announced, the past year has seen a very positive development in relation to SAINTS' debenture, with terms having been agreed to issue £80m of long-term private placement debt to refinance our long-term borrowings when the existing debenture matures in April 2022. I am pleased to say that we were able to take advantage of market conditions to agree a fixed rate of just over 3% per annum.

This transaction effectively removes any refinancing risk and obtains long-dated financing at what the Board believes to be attractive pricing levels, with the intention of enhancing shareholder returns and income over the long term. It also enables the Board and the Managers to consider how best to invest in the coming years when the cost of debt will be much lower than currently.

The book value of the debenture is £81.9m which, at the year end, was equivalent to approximately 13.6% of shareholders' funds. The estimated market or fair value of the debenture was £91.0m, a decrease from the previous year's value of £92.0m. The market value of the Company's borrowings will fall more significantly over the next two years as the redemption date approaches which will enhance returns.

Environmental, Social and Governance (ESG)

The Board of SAINTS recognises the importance of considering Environmental, Social and Governance (ESG) factors when making investments. This is an area the Board has discussed at length during 2019, as we consider that Board oversight of ESG matters is an important part of our responsibility to shareholders. I am pleased to reassure you that consideration of relevant ESG factors is an integral part of the way in which your investments are managed and would refer you to the Managers' Review where there is more detail on Baillie Gifford's approach to stewardship and its activity over the past year.

Outlook

The concerns which dominate the market are varied but, with the notable and tragic exception of the new coronavirus, remain essentially the same as in recent years. Other concerns include worries over trade wars and economic growth, and conversely over less accommodative monetary policy. Brexit may be 'done', but the future shape of our relationship with Europe is still uncertain and much work remains.

The Board and the Managers are alert to both potential opportunities and challenges. In the current environment the Managers correctly remain focussed on the resilience of the Company's holdings and the dependability of their dividends. Importantly, however, they are also focussed on long-term potential, and on the sustainable growth of the cashflows from which future dividends will flow.

As a Board, we remain of the view that this long-term approach based on investing globally for sustainable growth is the best route to achieving SAINTS' aim of growing the dividend ahead of inflation over time. We have great confidence in the Managers' approach, and this confidence has been strengthened by another year of generally encouraging operational performance and growth from the holdings in the portfolio.

Issuance

The Company has raised over £26 million from new share issuance, at a premium to net asset value prevailing from time to time, in order to satisfy investor demand over the year. This is some way above the level of issuance last year and serves the interests of current shareholders by reducing costs per share and helping to further improve liquidity.

The Board

The two Directors who joined the Board last year, Dame Mariot Leslie and Karyn Lamont, have settled in well and are already making a valuable contribution to the Board's deliberations. Their appointments were part of an ongoing Board refreshment exercise. As was announced at the beginning of February, the next stage of this refreshment is that Karyn will take over from Eric Hagman as chair of the Audit Committee with effect from the conclusion of the forthcoming AGM. Eric has, though, kindly agreed to give us the benefit of his experience for one more year. The Board believes that the pace of change should be measured, so that careful succession planning can allow a desirable mix of old and new hands, and also of knowledge, experience and background, on the Board.

AGM

The AGM will be held at 11am on Thursday 2 April 2020 at Baillie Gifford's offices at Calton Square, 1 Greenside Row, Edinburgh. The Managers will make a presentation on the investment portfolio and there will also be an opportunity to ask questions. The Directors and the Managers look forward to meeting you there.

Peter Moon
Chairman
12 February 2020

One Year Summary*

The following information illustrates how SAINTS has performed over the year to 31 December 2019.

	31 December 2019	31 December 2018	% change
Total assets (before deduction of debenture) [¶]	£682.4m	£566.2m	
Debenture (book value)	£81.9m	£82.7m	
Shareholders' funds	£600.5m	£483.5m	
Net asset value per ordinary share (debenture at fair value) [†]	400.9p	336.4p	19.2
Net asset value per ordinary share (debenture at book value)	407.1p	343.0p	18.7
Share price	426.0p	351.0p	21.4
Benchmark [#]			19.2
Premium (debenture at fair value) [†]	6.3%	4.3%	
Premium (debenture at book value)	4.6%	2.3%	
Revenue earnings per ordinary share	11.87p	11.75p	1.0
Dividends paid and payable in respect of the year	11.875p	11.50p	3.3
Ongoing charges [‡]	0.77%	0.76%	
Active share [‡]	90%	90%	

Year to 31 December	2019	2018
Total returns (%)^{††}		
Net asset value (debenture at fair value)	22.9	(2.4)
Net asset value (debenture at book value)	22.3	(3.4)
Share price	25.1	(1.6)
Benchmark [#]	22.3	(3.4)

Year to 31 December	2019	2019	2018	2018
Year's high and low	High	Low	High	Low
Net asset value (debenture at fair value) [†]	410.2p	333.8p	375.8p	327.8p
Net asset value (debenture at book value)	416.8p	340.4p	383.9p	334.0p
Share price	431.0p	350.0p	391.5p	344.0p
Premium – debenture at fair value [†]	6.4%	1.2%	6.3%	1.0%
Premium/(discount) – debenture at book value	4.7%	(0.6%)	4.4%	(1.8%)

	31 December 2019	31 December 2018
Net return per ordinary share		
Revenue	11.87p	11.75p
Capital	62.81p	(23.99p)
Total	74.68p	(12.24p)

* For a definition of terms see Glossary of Terms and Alternative Performance Measures on pages 65 and 66.

[†] Alternative performance measure, see Glossary of Terms and Alternative Performance Measures on pages 65 and 66.

[#] The Company's benchmark is the FTSE All-World Index (in sterling terms).

[‡] Source: Refinitiv/Baillie Gifford and relevant underlying data providers. See disclaimer on page 64.

[¶] Net of current liabilities.

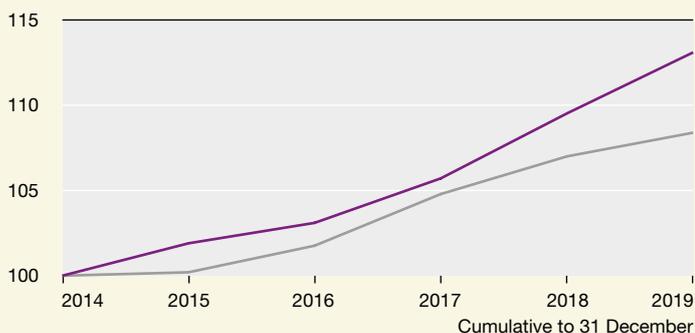
Past performance is not a guide to future performance.

Five Year Summary

The following charts provide a comparison of SAINTS' dividends to inflation, dividend growth and performance relative to the benchmark index over the five year period to 31 December 2019.

Dividend versus Inflation

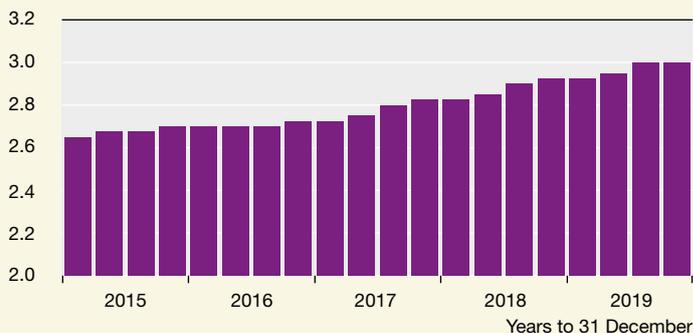
(figures rebased to 100 at 31 December 2014)



Source: Refinitiv and relevant underlying index providers†.

— SAINTS dividend
— CPI

Five Year Quarterly Dividends Paid (pence)

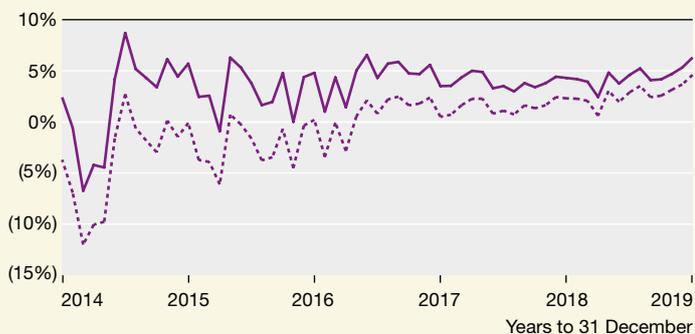


Source: Refinitiv/Baillie Gifford and relevant underlying index providers†.

■ SAINTS dividend (pence)

Premium/(discount)# to Net Asset Value

(plotted on a monthly basis)



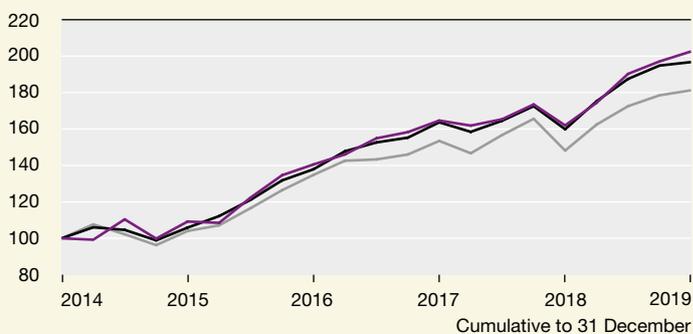
Source: Refinitiv/Baillie Gifford and relevant underlying index providers†.

— SAINTS premium/(discount) – fair value
- - - SAINTS premium/(discount) – book value

The premium/(discount) is the difference between SAINTS' quoted share price and its underlying net asset value.

Five Year Total Return# Performance

(figures rebased to 100 at 31 December 2014)



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

— Share price total return
— Benchmark* total return
— NAV total return (fair value)

* The Company's benchmark is the FTSE All-World Index (in sterling terms).

For a definition of terms see Glossary of Terms and Alternative Performance Measures on pages 65 and 66.

† See disclaimer on page 64.

Past performance is not a guide to future performance.

Business Review

Business Model

Business and Status

The Company is an investment company within the meaning of section 833 of the Companies Act 2006 and carries on business as an investment trust. Investment trusts are UK public listed companies and their shares are traded on the London Stock Exchange. They invest in a portfolio of assets in order to spread risk. The Company has a fixed share capital although, subject to shareholder approvals sought annually, it may purchase its own shares or issue shares. The price of the Company's shares is determined, like other listed shares, by supply and demand.

The Company has been approved as an investment trust by HM Revenue & Customs subject to the Company continuing to meet the eligibility conditions. The Directors are of the opinion that the Company has continued to conduct its affairs so as to enable it to comply with the ongoing requirements of section 1158 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) (Tax) Regulations 2011.

The Company is an Alternative Investment Fund for the purposes of the EU Alternative Investment Fund Managers Directive.

Objective and Policy

SAINTS' objective is to deliver real dividend growth by increasing capital and growing income.

SAINTS' policy is to invest mainly in equity markets, but other investments may be held from time to time including bonds, property and other asset classes.

The Board believes that a flexible approach to investment is important. As market valuations across and within different asset classes vary over time, the ability to adjust asset allocation and portfolio positioning in response to these variations is important. There are no pre-defined maximum or minimum exposure levels for asset classes, sectors or regions.

The Board also believes that a medium to long term approach is likely to lead to the best investment returns. SAINTS' performance in any one year is likely to differ from that of its benchmark index, sometimes by a significant amount. Financial markets are volatile, particularly over short time periods, but the Manager is encouraged to view such volatility as giving rise to investment opportunities rather than as a risk to be avoided.

In order to achieve real growth in the dividend, the income generated from SAINTS' assets needs to grow over the medium to longer term at a faster rate than inflation. Consequently, the focus of the portfolio is on listed equities. Investments are regularly considered and made in a broad range of other asset types and markets. Derivative and structured instruments may also be used with prior Board approval, either to hedge an existing investment or a currency exposure or to exploit an investment opportunity.

The equity portfolio consists of shares listed both in the UK and in overseas markets. The portfolio is diversified across a range of holdings with little regard paid to the weighting of individual companies in the benchmark index. The number of individual companies will vary over time and the portfolio is managed on a global basis rather than as a series of regional sub-portfolios.

Investments are made in markets other than listed equity markets when prospective returns appear to be superior to those from equity markets or are considered likely to exceed SAINTS' borrowing costs. The list of these other investments will vary from time to time as opportunities are identified but include investment grade bonds, high yield bonds, property, forestry, private equity and other asset types.

As an investment trust, SAINTS is able to borrow money and does so when the Board and Managers have sufficient conviction that the assets funded by borrowed monies will generate a return in excess of the cost of borrowing. Whenever long term borrowings cannot be fully invested in such manner, the borrowed funds are used to purchase a diversified portfolio of similar maturity bonds to the borrowings. This has the effect of hedging out much of the interest rate risk and removing the mismatch between borrowing costs and associated investment returns. Gearing levels are discussed by the Board and Managers at every Board meeting and monitored between meetings. The Board will not take out additional borrowings if this takes the level of effective gearing beyond 130%.

The starting position for investment of shareholders' funds is 100% exposure to equity markets. The allocation to equity markets at any point in time will reflect the Board's and Managers' views on prospective returns from equities and the full range of alternative investment opportunities but, in broad terms, SAINTS will gear up through the use of borrowings if equity markets look undervalued and will hold cash or invest in non-equity assets when equity markets look overvalued.

The exposure to listed equities is set within a range of 75% to 125% of shareholders' funds in normal circumstances. The number of individual equities held will vary over time but, in order to diversify risk, will typically be in a range between 50 and 100.

The Board monitors the aggregate exposure to any one entity across the whole investment portfolio. The maximum exposure at time of investment to any one entity is 15% of total assets. The Board is notified in advance of any transaction that would take an individual equity holding above 5% of shareholders' funds. SAINTS does from time to time invest in other UK listed investment companies. The maximum permitted investment in such companies is 15% of gross assets.

An overview by the Manager is given on pages 12 to 15 and a detailed analysis of the Company's investment portfolio held at the year end is set out on pages 16 to 20.

Board Oversight

Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, has been appointed by the Company as its Alternative Investment Fund Manager (AIFM). The investment management function has been delegated to Baillie Gifford & Co and the management of the property portfolio to OLIM Property Limited. When assessing the performance of the Company and the Managers, the Board looks at dividend growth, share price and at net asset value total returns relative to inflation and the benchmark total return. The Board believes it is appropriate to make this assessment over a medium to long term timeframe, a minimum of five years, in accordance with the medium to long term approach taken to investment.

The Board monitors closely the activities of the Managers, the composition of the investment portfolio and the level of gearing.

The Board sets a number of guidelines and places limits and restrictions on the Managers in order to minimise the risk of permanent loss of capital. Within these constraints, the Board encourages the Managers to maximise long term capital and income growth rather than minimise short term volatility in the capital value of the investment portfolio. The main source of both long term return and short term volatility in SAINTS' portfolio is likely to be the investments in listed equities.

The Board also monitors SAINTS' revenue position and receives regular estimates from the Managers of likely income growth. The level of dividend in any one year is set after assessing the income generated by the portfolio in that year, the level of revenue reserves and long term trends in income.

Discount/Premium

The Company annually seeks shareholder authority to buy back its own shares at a discount to net asset value and to hold such shares in treasury as well as to issue new shares and sell treasury shares at a premium to net asset value.

The Company can issue shares at such times as the premium indicates that demand is not being met by natural liquidity in the market.

Buy-back powers have been used in the past in circumstances when large lines of stock cannot be absorbed by the market. The discount or premium, in absolute terms and relative to other similar investment trust companies, and the composition of the share register are discussed at every Board meeting. While there is no discount target, the Board is aware that discount volatility is unwelcome to many shareholders and that share price performance is the measure used by most investors. The Board oversees the Managers' marketing programme which is designed to stimulate demand for the Company's shares, provide effective communication to existing and potential shareholders and maintain the profile of the Company.

During the year the Company issued 6,590,000 ordinary shares at a premium to net asset value (2018 – 4,955,000). No shares were bought back during the year.

Performance

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

Key Performance Indicators

The key performance indicators (KPIs) used to measure the progress and performance of the Company over time are established industry measures and are as follows:

- dividend per share;
- earnings per share;
- the movement in net asset value per ordinary share (after deducting debentures at fair value) compared to the benchmark;
- the movement in the share price;

- the premium/discount (after deducting debentures at fair value); and
- ongoing charges.

An explanation of these measures can be found in the Glossary of Terms and Alternative Performance Measures on pages 65 and 66.

The one, five and ten year records of the KPIs are shown on pages 4, 5 and 21.

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

Principal Risks

As explained on pages 27 and 28, there is an ongoing process for identifying, evaluating and managing the risks faced by the Company on a regular basis. The Directors have carried out a robust assessment of the principal risks facing the Company including those that would threaten its business model, future performance, solvency or liquidity. There have been no significant changes to the principal risks during the year. A description of these risks and how they are being managed or mitigated is set out below.

Financial Risk – the Company's assets consist mainly of listed securities and its principal risks are therefore market related and include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. An explanation of those risks and how they are managed is contained in note 18 to the Financial Statements on pages 52 to 56. To mitigate this risk at each Board meeting the Manager provides an investment policy paper which includes a detailed explanation of significant stock selection decisions and the overall rationale for holding the current portfolio. Consideration is given to portfolio movements and the top and bottom contributors to performance. The investment approach is considered in detail at the annual Strategy Meeting.

Investment Strategy Risk – pursuing an investment strategy to fulfil the Company's objective which the market perceives to be unattractive or inappropriate, or the ineffective implementation of an attractive or appropriate strategy, may lead to reduced returns for shareholders and, as a result, a decreased demand for the Company's shares. This may lead to the Company's shares trading at a widening discount to their net asset value. To mitigate this risk, the Board regularly reviews and monitors the Company's objective and investment policy and strategy; the investment portfolio and its performance; the level of discount/premium to net asset value at which the shares trade; and movements in the share register.

Regulatory Risk – failure to comply with applicable legal and regulatory requirements such as the tax rules for investment companies, the UKLA Listing Rules and the Companies Act could lead to suspension of the Company's Stock Exchange listing, financial penalties, a qualified audit report or the Company being subject to tax on capital gains. To mitigate this risk, Baillie Gifford's Business Risk, Internal Audit and Compliance Departments provide regular reports to the Audit Committee on Baillie Gifford's monitoring programmes. Major regulatory change could impose disproportionate compliance burdens on the Company. In such circumstances representation is made to ensure that the special circumstances

of investment trusts are recognised. Shareholder documents and announcements, including the Company's published Interim and Annual Report and Financial Statements, are subject to stringent review processes, and procedures are in place to ensure adherence to the Transparency Directive and the Market Abuse Directive with reference to inside information.

Custody and Depositary Risk – safe custody of the Company's assets may be compromised through control failures by the Depositary, including breaches of cyber security. To mitigate this risk, the Board receives six monthly reports from the Depositary confirming safe custody of the Company's assets held by the Custodian. Cash and portfolio holdings are independently reconciled to the Custodian's records by the Managers. The Custodian's audited internal controls reports are reviewed by Baillie Gifford's Business Risk Department and a summary of the key points is reported to the Audit Committee and any concerns investigated.

Operational Risk – failure of Baillie Gifford's systems or those of other third party service providers could lead to an inability to provide accurate reporting and monitoring or a misappropriation of assets. To mitigate this risk, Baillie Gifford has a comprehensive business continuity plan which facilitates continued operation of the business in the event of a service disruption or major disaster. The Board reviews Baillie Gifford's Report on Internal Controls and the reports by other key third party providers are reviewed by Baillie Gifford on behalf of the Board.

Discount Risk – the discount/premium at which the Company's shares trade relative to its net asset value can change. The risk of a widening discount is that it may undermine investor confidence in the Company. The Board monitors the level of discount/premium at which the shares trade and the Company has authority to buy back its existing shares when deemed by the Board to be in the best interests of the Company and its shareholders.

Leverage Risk – the Company may borrow money for investment purposes (sometimes known as 'gearing' or 'leverage'). If the investments fall in value, any borrowings will magnify the impact of this loss. If borrowing facilities are not renewed, the Company may have to sell investments to repay borrowings. The Company can also make use of derivative contracts. To mitigate this risk, all borrowings require the prior approval of the Board and leverage levels are discussed by the Board and Managers at every meeting. The majority of the Company's investments are in quoted securities that are readily realisable. Further information on leverage can be found on page 64 and the Glossary of Terms and Alternative Performance Measures on pages 65 and 66.

Political Risk – political developments will be closely monitored and considered by the Board and Managers. Following the departure of the UK from the European Union on 31 January 2020, the Board continues to assess the potential consequences for the Company's future activities but believes that the nature and diversification of the Company's assets positions the Company to be suitably insulated from any Brexit related risks.

Viability Statement

In accordance with provision 31 of the UK Corporate Governance Code, the Directors have assessed the prospects of the Company. The Directors have elected to do this over a minimum period of five years, which they continue to believe to be appropriate as it reflects the longer term investment strategy of the Company in terms of both investment horizon and income growth, and to be a period during which, in the absence of any adverse change to the regulatory environment and to the tax treatment afforded to UK investment trusts, they do not expect there to be any significant change to the current principal risks facing SAINTS nor to the controls in place to effectively mitigate those risks. Moreover, the Directors do not envisage any change in strategy or any events which would prevent the Company from operating over a minimum period of five years.

In considering the viability of the Company, the Directors have conducted a robust assessment of each of the principal risks and uncertainties detailed on pages 7 and 8 and in particular the impact of market risk where a significant fall in global equities markets would adversely impact the value of the investment portfolio. The Directors have also considered the Company's income and expenses and dividend policy having undertaken a review of revenue projections over a five year period and its liquidity in the context of the majority of its investments being listed equities which are readily realisable and so capable of being sold to provide funding if required. Leverage comprising a fixed term Debenture which has a nominal value of £80m and is redeemable at par in 2022, has also been considered with specific leverage and liquidity stress testing conducted during the year. Terms have been agreed to replace the Debenture at maturity in April 2022 with £80m of long-term private placement debt at a fixed coupon of 3.12%, £40m maturing in 2045 and £40m maturing in 2049. In addition, all of the key operations required by the Company are outsourced to third party service providers and it is reasonably considered that alternative providers could be engaged at relatively short notice. The Board has specifically considered the UK's departure from the European Union on 31 January 2020 and can see no scenario that it believes would affect the going concern status or viability of the Company. The management of Brexit related matters is explained further in the Managers' Review on page 15.

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

Section 172 Statement

Under section 172 of the Companies Act 2006, the directors of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters and to the extent applicable) to:

- a) the likely consequences of any decision in the long term;
- b) the interests of the company's employees;

- c) the need to foster the company's business relationships with suppliers, customers and others;
- d) the impact of the company's operations on the community and the environment,
- e) the desirability of the company maintaining a reputation for high standards of business conduct, and
- f) the need to act fairly as between members of the company.

In this context and having regard to SAINTS being an externally-managed investment company with no employees, the Board considers that the Company's key stakeholders are its existing and potential new shareholders and debenture stockholders, its externally-appointed managers (Baillie Gifford and OLIM Property) and other professional service providers (corporate broker, registrar, auditors and depository), lenders and wider society and the environment.

Great importance is placed by the Board on communication with shareholders and the Annual General Meeting provides the key forum for the Board and Managers to present to shareholders on the performance of SAINTS and on the future plans/prospects for the Company. It also allows shareholders the opportunity to meet with the Board and Managers and to raise questions and concerns. The Chairman is available to meet with shareholders as appropriate and the Managers meet regularly with shareholders and their respective representatives, reporting back on views to the Board. Shareholders may also communicate with the Board at any time by writing to them at the Company's registered office or to the Company's broker. These communication opportunities help inform the Board when considering how best to promote the success of the Company for the benefit of all shareholders over the long term. Shareholders can find further detail on this in the Managers' Review on pages 13 and 14.

The Board seeks to engage with its managers and other service providers in a collaborative and collegiate manner, with open and respectful discussion and debate being encouraged, whilst also ensuring that appropriate and regular challenge is brought and evaluation is conducted. The aim of this approach is to enhance service levels and strengthen relationships with the Company's providers with a view to ensuring the interests of the Company's shareholders and stockholders are best served by keeping cost levels proportionate and competitive, by maintaining the highest standards of business conduct and by upholding the Company's values.

Whilst the Company's operations are limited (with all substantive operations being conducted by the Company's third party service providers), the Board is keenly aware of the need to consider the impact of the Company's investment strategy and policy on wider society and the environment. The Board considers that its oversight of environmental, social and governance (ESG) matters is an important part of its responsibility to all stakeholders and that proper consideration of ESG factors sits naturally with SAINTS' longstanding aim of providing shareholders with a dependable source of income, together with growth in income and capital that exceeds inflation over time.

The Board recognises the importance of keeping the interests of the Company's shareholders, and of acting fairly between them, firmly front of mind in its key decision making and the Company

Secretaries are at all times available to the Board to ensure that suitable consideration is given to the range of factors to which the Directors should have regard. In addition to ensuring that the Company's stated investment objective was being pursued, key decisions and actions during the year which have required the Directors to have regard to applicable section 172 factors include:

- the refinancing of the existing £80 million debenture, which is due to mature in April 2022, by securing forward dated long-term private placement debt, which effectively removes any refinancing risk and obtains long-dated financing at what the Board believes to be attractive pricing levels, with the intention of enhancing shareholder returns and income over the long term;
- as part of ongoing Board succession and refreshment, the appointment and induction of Dame Mariot Leslie and Karyn Lamont to the Board in January 2019 and April 2019, respectively, in support of the AIC Corporate Governance Code principle that 'a successful company is led by an effective board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society'; and
- the raising of over £26 million from new share issuance, at a premium to net asset value prevailing from time to time, in order to satisfy investor demand over the year and which serves the interests of current shareholders by reducing costs per share and helping to further improve liquidity.

Employees, Human Rights and Community Issues

The Board recognises the requirement to provide information about employees, human rights and community issues. As the Company has no employees, all its Directors are non-executive and all its functions are outsourced, there are no disclosures to be made in respect of employees, human rights and community issues. Further information on the Company's approach to environmental, social and governance (ESG) matters are provided on page 28.

Gender Representation

The Board comprises six Directors, three male and three female. The Company has no employees. The Board's policy on diversity is set out on page 27.

Environmental, Social and Governance Policy

Details of the Company's policy on socially responsible investment can be found under Corporate Governance and Stewardship on page 28.

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

Future Developments of the Company

The outlook for the Company for the next 12 months is set out in the Chairman's Statement on pages 2 and 3 and the Managers' Review on pages 12 to 15.

Investment Approach

SAINTS' aim is to provide its shareholders with a dependable source of income, together with growth in income and capital that exceeds inflation over time. To achieve these goals, our strategy is to allocate the majority of the Company's assets to a portfolio of carefully selected global equities. History tells us that equities offer investors the best opportunity to enjoy inflation-beating growth in income and capital over the long term.

Within the equity portfolio, we focus solely on companies whose income and growth potential is aligned with SAINTS' goals. Our starting point for any equity investment is a company's long-term potential for earnings and cash flow growth above inflation. We believe share prices and dividends over the long term follow company earnings and cash flows. By investing only in companies whose earnings and cash flows are likely to grow ahead of inflation, we expect the shares held in the equity portfolio to deliver the growth in income and capital that we seek for SAINTS' shareholders.

Besides the potential for profit growth, we seek dividend dependability at any company in which we invest. By 'dependability' we mean the resilience of a company's dividend through business and economic cycles. We focus on companies whose dividends are likely to prove dependable over long periods of time, regardless of the prevailing market conditions or economic cycle. These resilient dividends help underpin the dependability of SAINTS' own distributions to shareholders.

Companies with the prospect of both dependable dividends and attractive profit growth are not common. However, we make full use of the global equity universe available to the Company, which consists of several thousand stocks. This allows us to construct a diversified portfolio of investments which meet our requirements. Typically the portfolio consists of around 60–80 companies. We believe this range strikes the right balance between diversification and focus.

Our portfolio is very different from conventional equity market indices. The income stream from such indices is often dominated by the dividends from a small number of companies, often in cyclical and capital-intensive industries. The result is that as a source of income they are unreliable. Our approach is consciously different, to ensure stability of the income we generate for the Company's shareholders.

We are also only interested in truly sustainable income streams, which ultimately come from companies that are managed in a genuinely sustainable way. Our approach therefore gives careful consideration to environmental, social and governance factors; and we seek to engage constructively with the companies in which we invest in order to help promote their continued long-term success.

To identify the businesses we are looking for, we employ a disciplined research process that focuses on the dependability of a company's dividend and the growth potential of its earnings and cash flow. The opportunities for growth vary widely, but they can be broadly described as falling into one of four categories described on page 11. We have also used this categorisation to illustrate the portfolio, as at 31 December 2019.

Each block in the illustration represents an individual holding, and the height of each block indicates the size of the holding in the equity portfolio. The colour of each block represents the type of growth by which we categorise the company. The column in which a block appears indicates the stock's dividend yield, shown across the horizontal axis.

Borrowed Funds

Although the equity portfolio accounts for the majority of the Company's investments, we also invest in portfolios of property and bonds. As an investment company, SAINTS benefits from the ability to use borrowings, up to a prudent amount. By investing these borrowings in the property and bond portfolios, we enhance the Company's ability to meet its investment objective.

SAINTS' borrowings currently take the form of a long-term debenture. The borrowed money is invested with the intention of beating the cost of these borrowings. Our asset allocation decisions aim to strike a balance between income contribution, income dependability and growth at the whole portfolio level.

A directly-held portfolio of UK commercial property, managed by OLIM Property Limited, has been a favoured investment for the borrowed funds for many years. The allocation to this property portfolio has varied over time, but the continuing attraction is OLIM Property Limited's focus on strong covenants and lease terms that typically include fixed or inflation-linked rent increases. Properties are selected for the portfolio on the basis of their income dependability and growth characteristics, much as in the equity portfolio.

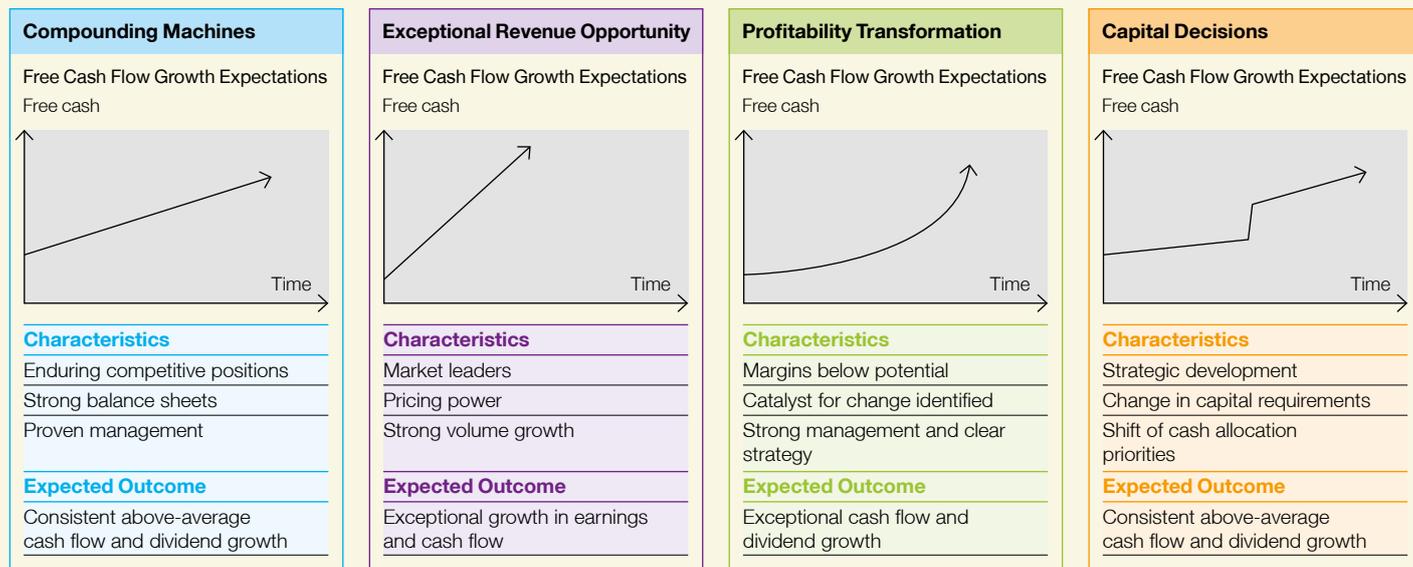
Our fixed income investments are more tactical in nature, given the fixed nature of their income stream which does not support SAINTS' primary objective of dividend growth over time. Investments are made when the total return potential and the absolute level of income is significant. The bond portfolio is global, giving us the same large number of opportunities to select from, just as we do in the equity portfolio.

Summary

Aim: To provide shareholders with a dependable source of income, together with growth in income and capital that exceeds inflation over time.

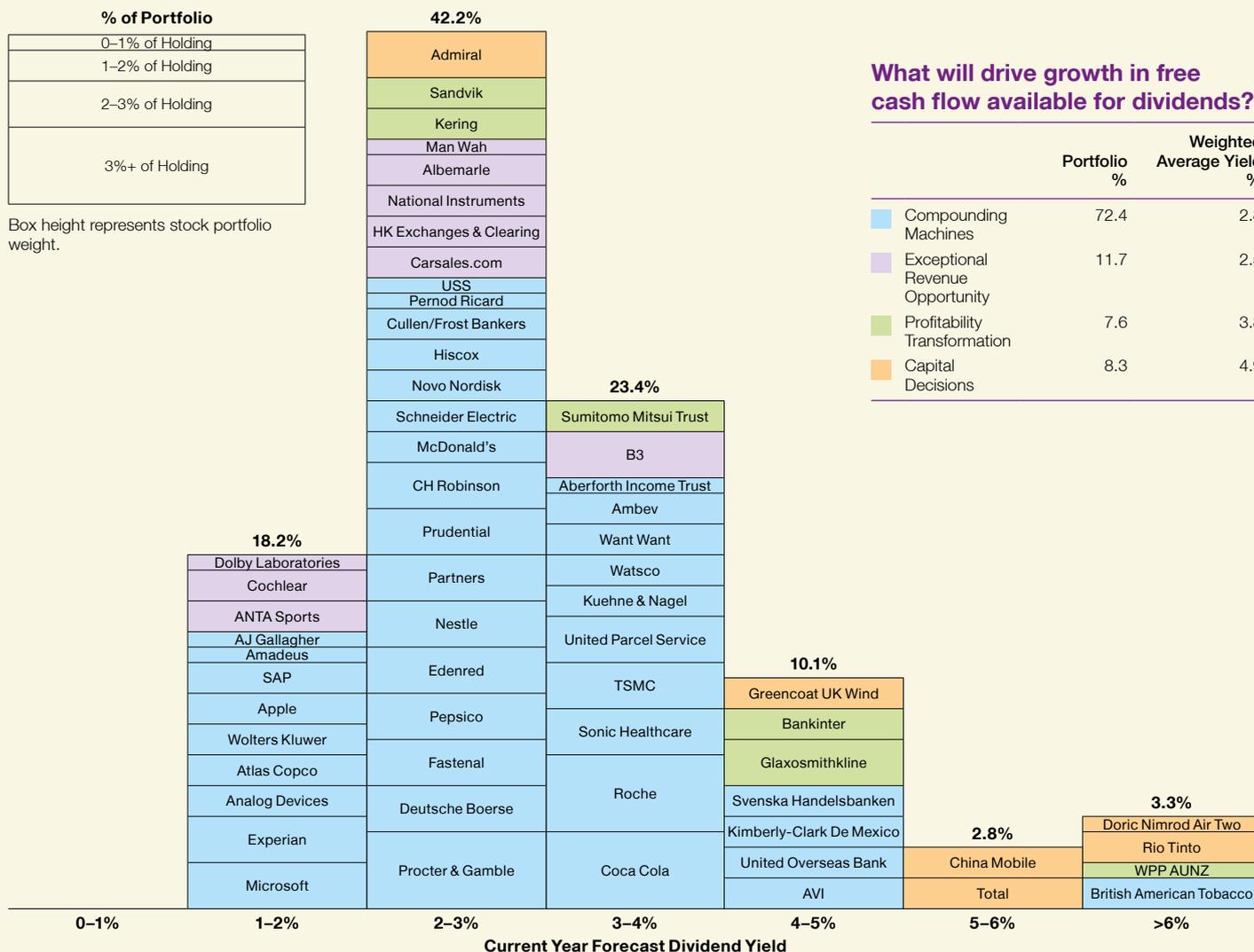
- This aim is underpinned for the long-term by investment in a portfolio of equities selected for their real income and capital growth potential.
- Equity investments are complemented through the opportunistic investment of borrowed funds:
 - A high-yielding directly-held UK property portfolio offering a dependable and growing rental income stream;
 - Tactical investments in fixed income instruments.
- A robust dividend in even the most challenging of investment environments:
 - Underlying investments are selected for dependability of income alongside growth;
 - The board and management team are committed to delivering real dividend growth sustainably into the future;
 - Significant revenue reserves to support the smooth progression of dividends.
- Outcome: an investment for the long term which can generate a dependable income stream, with significant growth potential in both capital and income.

Drivers of Free Cash Flow Growth



% of Portfolio
0-1% of Holding
1-2% of Holding
2-3% of Holding
3%+ of Holding

Box height represents stock portfolio weight.



What will drive growth in free cash flow available for dividends?

	Portfolio %	Weighted Average Yield %
Compounding Machines	72.4	2.8
Exceptional Revenue Opportunity	11.7	2.5
Profitability Transformation	7.6	3.8
Capital Decisions	8.3	4.9

Figure 1: Graphical representation of SAINTS' equity portfolio holdings as at 31 December 2019, ordered by dividend yield and colour coded by the categorisation of what will drive growth in free cash flow available for dividends.

Source: IBES, Bloomberg, Baillie Gifford. Holding sizes and forecast yields are as at 31 December 2019. Yields are based on market consensus and Baillie Gifford estimates of ordinary dividends, on a 12 month forward basis, gross of withholding taxes. Excludes cash, weights have been rebalanced to 100%. Totals may not sum due to rounding. See disclaimer on page 64.

Managers' Review

SAINTS aims to deliver real growth in income and capital to its shareholders, not just for one or two years but again and again.

In this section we provide a brief overview of how SAINTS' investments performed during 2019. We then provide a more detailed report on the equity portfolio, including how during the past few years we have been incorporating sustainability questions in our thinking. A review of the Company's property and other investments follows. In the final section we reflect on so-called Dividend Aristocrats, and describe some of the ways in which we are seeking to improve as investors.

Progress during 2019

2019 may have been an exhausting year for journalists, but it was a good year for equity investors, including those in SAINTS. During the year the Company's NAV total return (debenture at fair value) rose by 22.9%, driven by strong growth from the equity portfolio. Income also grew by 5.6% to £23.0m, with growth from both the equity and property portfolios, though issuance meant this was spread across a higher number of shares.

As we explained last year, the biggest driver of returns in any one year will typically be the equity portfolio, which is roughly equivalent to the Company's NAV. During 2019 the equity portfolio returned 23.6%, which was ahead of broader equity markets (22.3%). The strong absolute performance in 2019 is at least partly the result of a rebound from the sell-off in markets at the end of 2018. Indeed, some of the strongest contributors to returns this year were names like TSMC, whose share price had been weak when markets panicked about the health of the global economy at the end of 2018. Over the course of 2019, TSMC's management team became steadily more upbeat about the demand for their semiconductors, to the point that they committed to new investments in capacity that should extend their lead as the largest foundry in the world. The share price performed strongly as markets worried less about the short-term and refocused on the long-term.

We will comment below on some of the contributors to longer-term performance, but generally our bias towards capital-light businesses that have big growth opportunities ahead of them continued to be helpful. Growth in dividend income was 9.4%. In general, we were pleased with the rate of dividend increases, with notable dividend increases from Kering, B3 and United Overseas Bank. However, there were fewer one-off 'special' dividends paid in 2019 than last year.

During the course of the year we also sold some holdings which previously contributed to income, such as the utility company SSE, because we were concerned about their managers not striking the right balance between dividends and reinvestment. This sale was a drag on short-term income growth, but we think it will be helpful for SAINTS' longer-term progression.

The property portfolio, managed by OLIM Ltd, produced a return of 7.1%, which was very strong in the context of the 1% return delivered by the IPD Index. This demonstrates that SAINTS' portfolio is very different from the broader UK commercial property market. SAINTS has, for instance, no exposure to high-street retail or restaurants. This is a conscious choice by the manager, who has exited areas where there are significant worries around the health of tenants. Income grew by 3% to £5.3m, which was a return of 6.3% on the portfolio's starting value. Income rather than capital growth therefore provided the bulk of the portfolio's returns this year.

The small fixed income portfolio, which represents less than 3% of SAINTS' assets, delivered a 15.7% return, and income of £0.7m. The income was lower than in 2019, largely due to changes in the make-up of the portfolio. Fixed income assets are not a natural fit for our goal of long-term income and capital growth ahead of inflation, but we can draw on an excellent pool of ideas from colleagues who are specialists in fixed income and sometimes these ideas do fit SAINTS' goals, as the returns generated by the portfolio last year testify.

Equity Portfolio

What We Look For

In the investment approach section, we set out some of the distinctive features which we believe the best long-term income investments typically share – features that most businesses simply don't have. For instance, they need to be real growth businesses, meaning they need to have long runways of inflation-beating growth ahead of them. They also need to be capable of paying dividends while they grow. This means they are unlikely to be a highly capital-intensive business, where there is a tension between dividends and growth.

As long-term investors we want to own these businesses through good times and bad, and so the company needs to be capable of paying dividends in a resilient way, without nasty shortfalls when times are tough. Finally, as long-term investors we always need to ask: is this a company that is run by an exceptional management team, who prioritise what is right for the business over the same long-term time horizon as we do for SAINTS? Or do they prioritise short-term numbers and chasing fashions?

We look for all these characteristics in the companies in which we invest. From our experience, considering hundreds of potential investments over the years, we know that very few of them make the cut. Indeed, in a typical year we may research and discuss 30-50 potential new ideas, all of which will have some appeal – but they usually fall down on one or more of these hurdles. Only half a dozen may make their way into the portfolio in a given year.

That is why we are grateful to have a global universe of thousands of dividend paying stocks to pick from. This breadth of opportunity set dramatically improves the odds of finding exactly what we are looking for. It makes it much easier for us to find enough of the best opportunities to enable us to build a diversified portfolio than it would be if we were just confined to the UK market, for example.

Theory and Practice

What strikes us most looking back over recent years is that, while the intellectual case for global investing for income has been easy to make for some time, the tangible benefits of following this approach are becoming increasingly apparent in the results of the Company. To put it another way, theory is being borne out by practice.

To illustrate, the table below shows the largest equity contributors to SAINTS' absolute performance over the past five years.

ANTA Sports Products	Chinese sportswear and footwear
Partners Group	Swiss alternative asset manager
Kering	French luxury goods holding company
B3 S.A.	Brazilian stock and derivative exchange
Cochlear	Australian hearing implant business

These winners have come from five different industries and four different continents. The drivers of their success have been totally idiosyncratic. The businesses do share some common features – for example, they are all businesses with a low degree of capital intensity, and in parts of their businesses we would argue that they have significant pricing power, because they offer a compelling or even unique product. We would struggle to find analogues for all of these businesses within any one regional stock market. And we would certainly struggle to find analogues with as attractive business models, or similarly ambitious management teams.

The other common factor in our assessment of these businesses is the emphasis that we put on growth in our initial investment hypothesis, rather than having a requirement for a high starting level of yield – a trap we believe many investors fall into. Indeed, three of the businesses listed in the table above were classified by us at purchase as ‘Exceptional Revenue Opportunities’ – in other words, businesses where we believed there was an opportunity to grow sales dramatically on a five-year view. Five years ago, three of these five stocks yielded less than 3% and so would not have looked that interesting to many income investors. But since then they’ve delivered earnings growth of between 100% and 273%, and dividend growth of 89% and 226%. This goes to reinforce the importance of focusing our research process on looking for businesses with big growth opportunities that, along the way, can also pay healthy dividends. It’s easy for income investors to ‘reverse engineer’ an investment case in a high yielding company like BT or Vodafone; it’s much less easy to fall into this trap when your starting point is a clear focus on identifying opportunities for long-term earnings growth.

Over the last five years, SAINTS’ equity portfolio has returned 13.3% p.a. The average global equity income fund has returned 9.1% p.a., while the average UK equity income fund has returned 6.7% p.a. (both figures net of costs). We suspect our main difference with the former group is precisely this focus on growth over a long-term time horizon. Compared with the latter, we believe the breadth of our opportunity set has been an enormous benefit. To be clear, the UK market has some solid attractions to us as income investors, and we would be surprised if none of the shares in the portfolio were listed in London. We still own some great companies in the UK – for instance Experian, the credit bureau, or the insurers Admiral and Prudential.

But our incremental ideas have more typically been in other markets. To re-use an analogy we have made in the past: managing a regional income portfolio is akin to trying to conduct an orchestra through Vivaldi’s Four Seasons with only the brass section at one’s disposal. Managing a global income portfolio is akin to deploying the full orchestra.

To illustrate this further it is worth focussing on some of the new holdings which we have purchased for SAINTS in 2019. Some of these businesses are pursuing a local opportunity in a particular market around the world. For instance, USS is continuing to consolidate the Japanese car auction market, while Watsco is helping contractors in the US air conditioning market become more efficient. Carsales.com’s biggest opportunity is continuing to help Australian car dealers reach consumers more effectively. Other new purchases are highly global businesses, with employees around the world. Amadeus provides critical IT to

airlines on every continent, helping them reduce costs and deliver more personalised services to passengers. Kuehne + Nagel’s freight forwarding services help global companies operate their supply chains more effectively.

Another category is businesses which span the globe, but where the edge is in services or brands with a very local appeal. We think that a key part of Schneider’s success in providing medium and low voltage electrical equipment to customers around the world has been the way they’ve mastered the quirks of local markets, be that in Europe or China. The big growth drivers we see for demand for their products are global – namely a desire to reduce emissions, and to ensure electrical systems are safe and reliable. But many of their solutions are local. Similarly, Pernod Ricard has a portfolio of global brands, such as Jameson’s, Glenlivet and Chivas Regal. But their success comes down to their ability to understand local consumer preferences, and tailor their strategy and brands to the tastes of the Indian or American consumer.

Wherever we search for these companies, we benefit from having a clear idea of what we are looking for, and setting the bar for inclusion high. During the year, we decided that a number of businesses no longer met our high hurdles, either because we felt our investment case no longer held, or because they were just not as compelling when set against the other businesses we owned. For example, Alphabet has been held by SAINTS for over a decade, and delivered very strong capital growth over that time, but our recent conversations with management have emphasised that there is little prospect of a dividend being paid within the next five years, and so Alphabet seems unlikely to contribute to SAINTS’ income. Other sales includes RPM, Johnson & Johnson, Apache, Zenkoku Hoshu, SSE, M&G, and Signify.

Governance and Sustainability

In his statement, the Chairman emphasised the importance the Board places on ensuring that as managers, we invest on your behalf in a sustainable way, which will support dividends for many years. Over recent years this is an area we have increasingly emphasised in our research. In many ways it is a natural counterpart to our focus on seeking dependable dividends: if a business is behaving in an unsustainable way, or abuses some of its stakeholders, then it is unlikely that we can have confidence in its future earnings and dividends on a longer term horizon. One of the first questions our analysis asks of any company we consider is therefore: ‘Is the business model sustainable?’

Whenever we are considering a new buy idea, our dedicated Governance and Sustainability analyst provides us with independent research assessing the long-term case. A focus of this research is alignment. Not only alignment between investors’ interests and those of the board and management, but also of other stakeholders with the company. For instance, following a helpful engagement with The Coca-Cola Company on their sustainability plans, we wrote last year to the board of directors highlighting the benefits to all stakeholders of continuing the company’s push towards using more sustainable packaging and encouraging recycling.

This work also explicitly considers the key sustainability opportunities and challenges for each investment. For instance, what would it mean if Amadeus, which currently processes millions of airline ticket transactions each year, became the global leader in providing information on the carbon intensity of a particular passenger's journey? How could they responsibly use that data?

Investing in a sustainable way is partly about identifying the right companies. But in our view it is equally important to engage constructively with those companies to help them be as strong as they can possibly be. Each year we identify our engagement priorities for the year ahead, focused on three areas which we view as the most material to the portfolio as a whole. This year we have focused on climate change; fair tax practices; and responsible consumption (particularly the recycling of plastics and packaging).

The scope of our engagements here was broad. For example, in the climate change strand of work, we reviewed the carbon footprint of the portfolio, which is less than one-fifth of that of the wider equity market, a function of our emphasis on asset-light businesses. We prioritised work on two areas. Firstly, we encouraged large emitters, such as fossil fuel producer Total, to be bolder in their plans to reduce the carbon intensity of their production. Total are one of very few traditional energy companies taking the transition seriously, with comprehensive targets and a clear plan to invest significantly in renewable energy. We have encouraged them not to benchmark themselves against the industry 'average' and set their sights even higher. Secondly, we engaged with our logistics holdings, such as CH Robinson, UPS and Kuehne + Nagel. These companies have a lower profile but we think they have a major role to play in assisting the transition to a less carbon-intensive economy. This year we engaged with them to understand how they are seeking to ensure they help customers reduce the emissions associated with freight transport – which revealed an interesting disparity between our most and least progressive holdings in the area. Part of our job is applauding the achievements of those companies that are best-in-class – and using their example to encourage less dynamic businesses to be more ambitious.

We are finding that the companies we admire most are often those that are several steps ahead of us when it comes to considering, for instance, how climate change might affect their businesses. It is a reminder that one of the most important judgements we can make is around the quality of the management teams at the companies we invest in.

We look forward to reporting what we are doing to progress our engagement plans in these and other areas over the coming years.

Property and Other Investments

The long-term performance of SAINTS' property portfolio is outstanding, with a total return of 11.3% p.a. since 1996. Such returns are only possible because the managers, OLIM, do not seek to replicate their 'benchmark', or copy the fashions of the property industry.

The most notable contributor to the property portfolio's returns this year was a 23% increase in the valuation of the Caravan Park in New Romney, which has been held by SAINTS for over 20 years. Strong trading by the tenant led to a favourable rent review

and prompted the valuation uplift. This esoteric property is exactly the sort of investment that the manager seeks out, with strong fundamentals behind it. Elsewhere, some of the assets saw modest decreases in their valuations, including the data centre in Milton Keynes that is leased to TalkTalk. OLIM continue to be cautious about the potential impact of Brexit on certain sectors of the domestic UK economy, and manage the portfolio accordingly. During the year, there was a new purchase of a bowling alley on a 6.6% yield, largely funded by the sale of two pubs to their tenant at a premium to the last valuation.

The small fixed income portfolio, which represents less than 3% of SAINTS' assets, delivered a 15.7% return. During the year we bought a small holding in Netflix bonds, due 2029. We believe that their recurring subscriber base and large library of content are both valuable and long-lasting assets, and likely to support a higher credit rating over time. We also bought a holding in the bonds of First Quantum, a low-cost copper producer, which is in the process of deleveraging its balance sheet. We funded these through selling our investments in the Athena Debt Opportunities fund, the Alibaba convertible (as it approached maturity), and the Aryzta perpetual hybrid.

Looking Forward

Despite ongoing worries about politics and economic news, this has been a good year for most of our holdings, and for the performance of the Company. However, it is always the future of the Company that we must concern ourselves with. A risk in investing is that you look backwards rather than forwards.

One way that dividend investors sometimes do this is by focusing on so-called 'Dividend Aristocrats'. This is a term that was popularised in the US market and refers to companies that have an unbroken 25-year history of continual dividend increases. SAINTS, which has grown its dividend every year for the last four decades (and has not reduced its dividend since 1938), therefore meets the definition of being an 'aristocrat' in its own right.

In 2005, Standard & Poor's launched a 'Dividend Aristocrats' Index, allowing investors to identify a basket of these companies. Today billions of passive dollars track this index. We recently thought it would be interesting to investigate how many of 2005's founding 'aristocrats' still make the criteria today? We were surprised to find that only half of them did. Over the fifteen years since the index was launched, a few of the original companies were acquired, or reshuffled their businesses, which interrupted their dividend records. But more than 1 in 3 of these blue-chip dividend payers went on to cut their dividends, often drastically. General Electric, for instance, which was once held up as a classic example of a 'sure thing' for dividends, has seen its earnings and dividends collapse in recent years. Often the Aristocrats have proved less robust and adaptable than their boards or investors expected, to changes that had not been foreseen.

This highlights the danger for investors of just looking backwards, particularly if they are long-term income investors. Extrapolation tends to be a good way of forecasting what happens tomorrow, but it's a bad way of predicting what will happen in ten years from now.

If anything, we tend to think the risks of gazing in the rear-view mirror are increasing. Competitors are emerging faster, consumer habits changing more rapidly, and concerns over climate change are forcing many businesses to rethink strategies that have

historically worked well. Because we are investing for income for decades rather than quarters, we need to look for different pockets of opportunity, rather than just opting for those parts of the market which have historically offered safety; and we need to think critically about how adaptable the businesses we invest in are going to be in a future that is unlikely to offer 'more of the same'.

So what are we doing differently, to avoid extrapolating yesterday's successes?

The core DNA of what we look for, which we set out in our 'Investment Approach' section is not changing. But we have been trying to improve what we do, in three areas.

Firstly, we have been seeking to broaden SAINTS' opportunity set. In 2019, an analyst who had spent two years on our team became one of the initial members of the firm's new research office in Shanghai. Part of his remit is to generate income-growth ideas from the China A-share market for SAINTS. This should be a fertile hunting ground. We estimate that including the A-share market would increase our global 'universe' of dividend-paying companies with a market cap of >£1bn from 4,500 to 5,400 (both numbers much higher than the UK market's universe of 250 companies!). We will continue to apply a high hurdle to new ideas from China, as elsewhere – but we think that on a 5–10 year view, the increase in the opportunity set that this offers us could be material.

Beyond idea generation, a continuing focus for our team is broadening the range of research inputs we can use in order to better understand the long-term opportunity each company enjoys. We are already finding that a local, mandarin-speaking presence on the ground in China is helping us better understand the opportunities facing some of our existing holdings, such as Anta Sports. In other areas we are working more intensively with our investigative researcher, who spends several months at a time speaking to a long list of employees, customers and suppliers of a given company. Recently her projects included prodding the cultures of Johnson & Johnson (which we sold), or Novo Nordisk (which we added to). We are also working more closely with our

unlisted equities team, who invest in many innovative companies that are seeking to disrupt established businesses. These conversations are helping us understand what competition for some of our holdings may look like in five or ten years time, and understand the challenges that businesses may need to adapt to.

One of the joys of investing in a company's equity, rather than debt, is that you are investing in an adaptable, living entity, made up of people, who can pre-empt challenges, and adjust – often long before financial markets have started to discount an issue. Engaging with boards and management on sustainability and governance questions, such as the climate change investigations we have recently been making, is one way of testing which companies are truly adaptable, and thinking imaginatively about the opportunities and challenges they may face. There are of course other risks and challenges beyond climate change, ranging from the new coronavirus to continued uncertainty relating to the UK's future trading relationship with Europe. In this environment it is possible the level of sterling may also see further changes, which would have an impact on both the sterling value of SAINTS' overseas assets and of its overseas income. As fund managers, we are always mindful of such risks in relation to both stock selection and the overall balance of the portfolio.

However, notwithstanding such uncertainties, as growth investors we also have a clear focus on opportunities. We enter the new decade feeling optimistic about the individual investments within your Company's equity and property portfolios, and their ability to support a growing income stream for SAINTS' shareholders in the future. Whilst we are proud of SAINTS' record over the past several years, it is this forward-looking analysis that matters for the decade ahead.

James Dow
Toby Ross
Baillie Gifford & Co
12 February 2020

Investment Changes

	Valuation at 31 December 2018 £'000	Net acquisitions/ (disposals) £'000	Appreciation/ (depreciation) £'000	Valuation at 31 December 2019 £'000
United Kingdom Equities	75,313	517	12,317	88,147
Overseas Equities	376,840	32,044	81,091	489,975
Total Equities	452,153	32,561	93,408	578,122
Direct Property	83,500	681	619	84,800
Bonds	24,344	(12,529)	1,727	13,542
Total Investments	559,997	20,713	95,754	676,464
Net Liquid Assets*	6,157	(150)	(53)	5,954
Total Assets	566,154	20,563	95,701	682,418

The figures above for total assets are made up of total net assets before deduction of the debenture.

* This includes deferred expenses.

Performance Attribution for the year to 31 December 2019

Portfolio breakdown	Average allocation SAINTS %	Average allocation benchmark %	Total return* SAINTS %	Total return benchmark %
Global Equities	95.1	100.0	23.6	22.3
Bonds	3.0		15.7	
Direct Property	15.1		7.1	
Deposits	1.5		–	
Debenture at book value	(14.7)		6.8	
Portfolio Total Return (debenture at book value)			23.0	22.3
Other items†			(0.7)	
Fund Total Return (debenture at book value)			22.3	22.3
Adjustment for change in fair value of debenture			0.6	
Fund Total Return (debenture at fair value)			22.9	22.3

Past performance is not a guide to future performance.

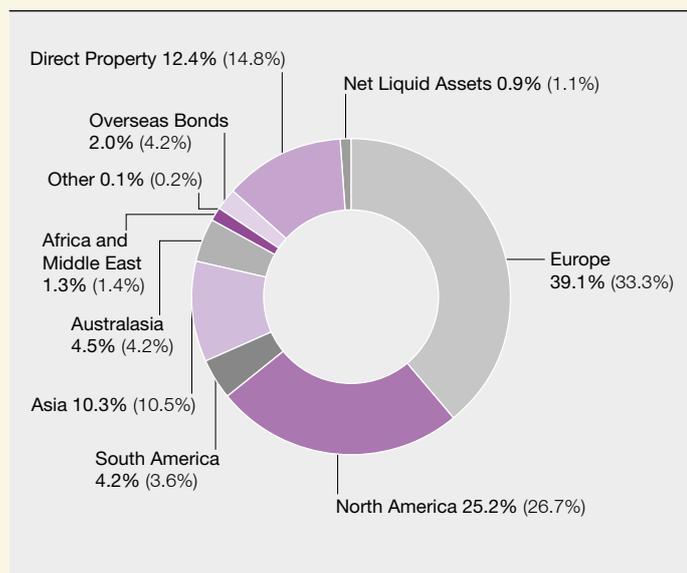
Source: Baillie Gifford and relevant underlying index providers. See disclaimer on page 64.

* The above returns are calculated on a total return basis with net income reinvested.

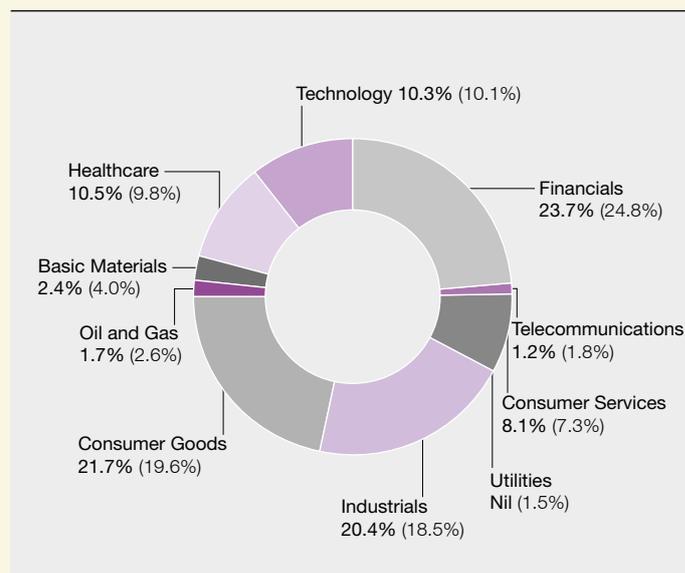
† Includes Baillie Gifford and OLIM Property Limited management fees.

Distribution of Portfolio

Geographical as at 31 December 2019 (2018)



Equities by Sector as at 31 December 2019 (2018)



Classification of Investments

Classification	UK %	Overseas %	2019 Total %	2018 Total %
Equities:				
Oil and gas producers	–	1.4	1.4	2.1
Oil and Gas	–	1.4	1.4	2.1
Chemicals	–	0.9	0.9	2.2
Mining	1.1	–	1.1	1.0
Basic Materials	1.1	0.9	2.0	3.2
Electronic and electrical equipment	–	2.2	2.2	2.1
General industrials	–	–	–	0.9
Industrial engineering	–	2.6	2.6	2.0
Industrial transportation	0.3	4.9	5.2	3.9
Support services	1.8	4.3	6.1	5.9
Construction and materials	–	1.2	1.2	–
Industrials	2.1	15.2	17.3	14.8
Food producers	–	11.1	11.1	8.8
Household goods and home construction	–	3.4	3.4	2.6
Personal goods	–	2.7	2.7	3.5
Tobacco	1.2	–	1.2	0.8
Consumer Goods	1.2	17.2	18.4	15.7
Healthcare equipment and services	–	3.2	3.2	3.0
Pharmaceuticals and biotechnology	1.8	3.9	5.7	4.8
Healthcare	1.8	7.1	8.9	7.8
Food and drug retailers	–	1.4	1.4	1.7
General retailers	–	2.1	2.1	1.2
Media	–	3.4	3.4	2.9
Consumer Services	–	6.9	6.9	5.8
Mobile telecommunications	–	1.0	1.0	1.4
Telecommunications	–	1.0	1.0	1.4
Electricity	–	–	–	1.2
Utilities	–	–	–	1.2
Banks	–	5.1	5.1	5.1
Non-life insurance	3.1	0.8	3.9	4.4
Life insurance	1.8	–	1.8	1.5
Real estate	–	0.1	0.1	0.2
Financial services	–	7.3	7.3	6.9
Equity investment instruments	1.9	–	1.9	1.7
Financials	6.8	13.3	20.1	19.8
Software and computer services	–	3.9	3.9	3.6
Technology hardware and equipment	–	4.8	4.8	4.5
Technology	–	8.7	8.7	8.1
Total Equities	13.0	71.7	84.7	
Total Equities – 2018	13.5	66.4	79.9	79.9
Direct Property	12.4	–	12.4	14.7
Bonds	–	2.0	2.0	4.3
Net Liquid Assets	0.7	0.2	0.9	1.1
Total Assets	26.1	73.9	100.0	
Total Assets – 2018	29.0	71.0		100.0
Debenture	(12.0)	–	(12.0)	(14.6)
Equity Shareholders' Funds	14.1	73.9	88.0	
Equity Shareholders' Funds – 2018	14.4	71.0		85.4
Number of equity investments	11	52	63	65

List of Investments at 31 December 2019

Name	Business	Value £'000	% of total assets
Coca Cola	Beverage manufacturer	18,789	2.8
Roche Holdings	Pharmaceuticals	17,916	2.6
Procter & Gamble	Household product manufacturer	17,514	2.6
Deutsche Boerse	Securities exchange owner/operator	16,217	2.4
Fastenal	Distribution and sales of industrial supplies	15,217	2.2
Sonic Healthcare	Laboratory testing	15,125	2.2
Microsoft	Computer software	14,867	2.2
Pepsico	Snack and beverage manufacturer	14,688	2.2
Edenred	Voucher programme outsourcer	14,597	2.1
B3 S.A.	Securities exchange owner/operator	14,254	2.1
Nestlé	Food producer	14,088	2.1
Taiwan Semiconductor Manufacturing	Semiconductor manufacturer	13,977	2.0
Admiral	Car insurance	13,768	2.0
Partners Group	Asset management	13,140	1.9
Experian	Credit scoring and marketing services	12,425	1.8
GlaxoSmithKline	Pharmaceuticals, vaccines and consumer healthcare	12,034	1.8
Prudential	Life insurer	12,019	1.8
CH Robinson	Delivery and logistics	11,951	1.7
United Parcel Service	Courier services	11,729	1.7
Analog Devices	Integrated circuits	10,691	1.6
Atlas Copco	Engineering	10,450	1.5
Kuhne + Nagel	Worldwide freight forwarder	10,253	1.5
Anta Sports Products	Sportswear manufacturer and retailer	10,112	1.5
McDonald's	Fast food restaurants	9,641	1.4
Total	Integrated oil company	9,565	1.4
Kering	Luxury brand conglomerate	9,164	1.3
Wolters Kluwer	Information services and solutions provider	9,081	1.3
Schneider Electric	Electrical power products	8,882	1.3
AVI	Staple foods manufacturer	8,811	1.3
Novo Nordisk	Pharmaceutical company	8,805	1.3
Greencoat UK Wind	UK wind farms	8,446	1.3
United Overseas Bank	Commercial banking	8,444	1.2
Watsco	Distributes air conditioning, heating and refrigeration equipment	8,432	1.2
British American Tobacco	Cigarette manufacturer	8,391	1.2
Kimberly-Clarke De México	Paper-based household products	8,249	1.2
Apple	Computer technology	8,183	1.2
Sandvik	Engineering	7,587	1.1
Hiscox	Property and casualty insurance	7,545	1.1
Carsales.com	Online marketplace for classified car advertisements	7,472	1.1
Sumitomo Mitsui Trust Holdings	Trust bank and investment manager	7,465	1.1
Rio Tinto	Mining	7,294	1.1
Want Want	Snacks and milk-based products	6,877	1.0
China Mobile	Mobile telecommunication services	6,829	1.0
Cochlear	Hearing aids	6,806	1.0
Cullen/Frost Bankers	Provides banking services throughout the state of Texas	6,609	1.0
Hong Kong Exchanges and Clearing	Securities exchange owner/operator	6,353	0.9
Svenska Handelsbanken	Banking	6,150	0.9
Ambev	Brewing	6,077	0.9
SAP	Business software developer	6,036	0.9
Bankinter	Corporate and retail bank	5,942	0.9

Name	Business	Value £'000	% of total assets
National Instruments	Electronic test and measurement systems	5,937	0.9
Albemarle	Producer of speciality and fine chemicals	5,887	0.9
Amadeus IT Group	Technology provider for the travel industry	5,708	0.8
Man Wah	Sofa designer and manufacturer	5,617	0.8
Pernod Ricard	Global spirits manufacturer	5,488	0.8
Dolby Laboratories	Multimedia software	5,418	0.8
USS	Second-hand car auctioneer	5,341	0.8
Arthur J Gallagher	Insurance broker	5,258	0.8
Aberforth Split Level Income Trust	UK small-cap equities fund	4,162	0.6
Doric Nimrod Air Two	Aircraft leasing	1,797	0.3
WPP	Advertising agency	1,561	0.2
Cambium Global Timberland	Forestry investment fund	726	0.1
Terra Catalyst Fund*	Fund of European property funds	265	–
Total Equities		578,122	84.7
Direct Property			
Direct Property	See table on page 20.	84,800	12.4
Bonds			
US dollar denominated	First Quantum Minerals 7.25% 2023	2,851	
	Netflix 5.375% 2029	3,774	
		6,625	1.0
Brazilian real denominated	Brazil CPI Linked 15/05/2045	6,917	1.0
Total Bonds		13,542	2.0
Total Investments		676,464	99.1
Net Liquid Assets (including deferred expenses)		5,954	0.9
Total Assets (before deduction of debenture)		682,418	100.0

* Delisted.

Property Portfolio

Location	Type	Tenant	2019 Value £'000	2019 % of total assets	2018 Value £'000
Basingstoke	Warehouse	G4S Cash Solutions (UK) Limited	3,300	0.5	3,500
Biggleswade	Warehouse	Quest Automotive Products UK Limited	5,700	0.8	5,200
Cleethorpes	Public House	Stonegate Pub Company Limited	850	0.1	1,000
Crawley	Petrol Station and Convenience Store	Co-operative Group Food Limited	3,750	0.5	3,750
Denbigh	Supermarket	Aldi Stores Limited	5,150	0.7	5,000
Dundee*	Public House	JD Wetherspoon Plc	–	–	1,300
Earley	Public House	Spirit Pub Company (Managed) Limited	2,900	0.4	3,200
Kenilworth	Nursing Home	Care UK Community Partnerships Limited	7,200	1.1	7,200
Luton	Public House	Stonegate Pub Company Limited	3,400	0.5	3,400
Milton Keynes	Data Centre	TalkTalk Communications Limited	15,500	2.3	16,700
New Romney	Holiday Village	Park Resorts Limited	16,300	2.4	13,200
Newport Pagnell	Car Showroom	Pendragon Plc	3,200	0.5	4,000
Oxford	Public House	Spirit Pub Company (Managed) Limited	1,950	0.3	2,100
Pagham	Convenience Store	Co-operative Group Food Limited	1,200	0.2	1,300
Portsmouth*	Public House	JD Wetherspoon Plc	–	–	2,600
Prestatyn	Public House	Stonegate Pub Company Limited	1,400	0.2	1,800
Southend-on-Sea	Warehouse	Giant Booker Limited	8,000	1.2	8,250
Taunton†	Bowling Alley	Mitchells & Butlers Retail (No.2) Limited	5,000	0.7	–
			84,800	12.4	83,500

* Sold during the year.

† Purchased during the year.

The Strategic Report, which includes pages 2 to 21, was approved by the Board on 12 February 2020.

Peter Moon
Chairman

Ten Year Record*

Revenue

Year to 31 December	Gross revenue £'000	Available for ordinary shareholders £'000	Earnings per ordinary share † p	Dividend per ordinary share (net) p	Ongoing charges # %	Equity gearing ‡ %	Potential gearing ¶ %
2009	17,194	11,989	9.05	9.05	1.02	(3)	32
2010	16,379	11,271	8.51	9.25	0.90	(4)	26
2011	17,316	12,346	9.32	9.45	0.89	(1)	30
2012	18,556	13,564	10.22	9.80	0.94	(2)	27
2013	18,421	13,541	10.21	10.20	0.90	4	25
2014	18,782	13,940	10.51	10.50	0.90	1	25
2015	18,626	13,913	10.47	10.70	0.93	2	24
2016	18,630	13,939	10.46	10.825	0.87	0	19
2017	20,484	15,213	11.33	11.10	0.80	(6)	17
2018	21,743	16,230	11.75	11.50	0.76	(6)	17
2019	22,950	17,096	11.87	11.875	0.77	(3)	14

† The calculation of earnings per ordinary share is based on the revenue column of the return on ordinary activities after taxation in the Income Statement and the weighted average number of ordinary shares in issue.

Calculated as total operating costs divided by average net asset value (with debt at fair value) in accordance with AIC guidelines.

‡ Total assets (including all debt used for investment purposes) less cash, bonds (ex convertibles) and property divided by shareholders' funds. Alternative performance measure, see Glossary of Terms and Alternative Performance Measures on pages 65 and 66.

¶ Total assets (including all debt used for investment purposes) divided by shareholders' funds. Alternative performance measure, see Glossary of Terms and Alternative Performance Measures on pages 65 and 66.

Capital

At 31 December	Total assets £'000	Debenture stocks and loans £'000	Shareholders' funds £'000	Net asset value per share (book) § p	Net asset value per share (fair) § p	Share price p	Premium/ (discount) ^ (book) %	Premium/ (discount) ^ (fair) %
2009	365,067	87,892	277,175	209.2	206.0	181.0	(13.5)	(12.1)
2010	418,269	87,446	330,823	249.7	242.5	245.5	(1.7)	1.2
2011	381,166	86,972	294,194	221.7	205.3	208.5	(6.0)	1.6
2012	401,780	86,467	315,313	237.7	220.5	225.5	(5.1)	2.3
2013	428,313	85,931	342,382	258.1	247.0	256.3	(0.7)	3.8
2014	429,167	85,361	343,806	259.1	243.7	249.6	(3.7)	2.4
2015	433,209	84,756	348,453	261.7	247.5	261.5	(0.1)	5.7
2016	515,622	84,112	431,510	323.5	309.2	324.0	0.2	4.8
2017	581,366	83,428	497,938	366.2	355.6	368.0	0.5	3.5
2018	566,154	82,701	483,453	343.0	336.4	351.0	2.3	4.3
2019	682,418	81,930	600,488	407.1	400.9	426.0	4.6	6.3

§ Net asset value per ordinary share has been calculated after deducting the debenture at either book value or fair value. See Glossary of Terms and Alternative Performance Measures on pages 65 and 66.

^ Premium/(discount) is the difference between SAINTS' quoted share price and its underlying net asset value at either book value or fair value. See Glossary of Terms and Alternative Performance Measures on pages 65 and 66.

Cumulative Performance (taking 2009 as 100)

At 31 December	Net asset value per share	Net asset value total return	Share price	Share price total return	Benchmark	Benchmark total return	Earnings per ordinary share	Dividends per ordinary share (net)	Consumer price index
2009	100	100	100	100	100	100	100	100	100
2010	119	126	136	142	113	116	94	102	104
2011	106	108	115	126	104	110	103	104	108
2012	114	121	125	142	113	123	113	108	111
2013	123	142	142	168	132	149	113	113	113
2014	124	146	138	170	143	166	116	116	114
2015	125	154	144	186	146	173	116	118	114
2016	155	201	179	240	184	224	116	120	116
2017	175	239	203	281	204	255	125	123	119
2018	164	233	194	276	192	246	130	127	122
2019	195	287	235	345	229	301	131	131	123

Compound annual returns

5 year	9.5%	14.5%	11.3%	15.2%	9.8%	12.6%	2.5%	2.5%	1.5%
10 year	6.9%	11.1%	8.9%	13.2%	8.7%	11.6%	2.7%	2.7%	2.1%

On 1 January 2009, the Company changed its benchmark from 70% FTSE All-Share Index and 30% FTSE World ex UK Index to 50% FTSE All-Share Index and 50% FTSE All-World ex UK Index and with effect from 1 January 2014, the Company's benchmark became 100% FTSE All-World Index. For the purposes of the above tables the returns on these benchmarks for their respective periods have been linked to form a single benchmark. Source: Refinitiv/Baillie Gifford and relevant underlying index providers. See disclaimer on page 64.

* For a definition of terms, see Glossary of Terms and Alternative Performance Measures on pages 65 and 66.

Past performance is not a guide to future performance.

Directors and Management

Members of the Board come from a broad variety of backgrounds. The Board can draw on an extensive pool of knowledge and experience.

Directors

Peter Moon

Mr Moon joined the Board in 2005 and was appointed Chairman in 2016. He was chief investment officer of the Universities Superannuation Scheme Limited fund. He is chairman of Bell Potter (UK) Limited and is a director of JP Morgan Asian Investment Trust plc and First Property plc. He is an investment adviser of Teeside Pension Fund, a former chairman of Arden Partners plc, a former director of MBNA Europe and a former member of the National Association of Pension Funds Investment Committee.

Bronwyn Curtis, OBE

Ms Curtis joined the Board in 2014. An economist, she was Head of Global Research and Senior Adviser to the Head of Global Banking and Markets at HSBC Bank plc. Her previous positions included Head of European Broadcast at Bloomberg LP, Chief Economist for Nomura International and Global Head of Foreign Exchange and Fixed Income Strategy at Deutsche Bank. She is chairman of JP Morgan Asian Investment Trust plc.

Eric Hagman, CBE, CA

Mr Hagman joined the Board in 2005 and became Chairman of the Audit Committee in 2009. He joined Arthur Andersen in 1971 and became the managing partner in Scotland in 1982. He spent the last five years until 2002 in London as a managing partner on the UK Leadership Team. He is a director of WA Baxter & Sons Limited. He was formerly a trustee of the National Galleries of Scotland and a director of British Polythene Industries plc, Glen Group plc, Scottish Financial Enterprise and Scottish Enterprise.

Karyn Lamont, CA

Ms Lamont joined the Board on 4 April 2019. Karyn is a chartered accountant and former audit partner at PricewaterhouseCoopers. She has over 25 years experience providing audit and other services to a range of clients across the UK's financial services sector, including a number of investment trusts. Karyn is audit committee chairman of The Scottish Investment Trust plc, The North American Income Trust plc, The Scottish Building Society and Iomart Group.

Dame Mariot Leslie

Dame Mariot Leslie was appointed by the Board on 1 January 2019. She was a member of the Diplomatic Service from 1977 until her retirement in 2014. In the course of her career she represented the UK overseas in Singapore, Germany, France and Italy, ran the FCO's Policy Planning Staff, and was a member of the British Government's Joint Intelligence Committee. She was the British Ambassador to Norway from 2002–2006 and the UK's Permanent Representative to NATO from 2010 to 2014.



Lord Macpherson of Earl's Court, GCB

Lord Macpherson joined the Board in 2016 and was appointed Senior Independent Director on 4 April 2019.

He was Permanent Secretary to the Treasury from 2005 to 2016, leading the department through the global economic and financial crisis. Prior to that, he held a number of senior posts at the Treasury, including Principal Private Secretary to Ken Clarke and Gordon Brown. An economist by training, he worked for Peat Marwick consulting and the CBI before joining the Treasury. Lord Macpherson is currently chairman of C Hoare and Co, a director of British Land plc, and is a visiting Professor at King's College, London.

All Directors are members of the Nomination Committee and all Directors with the exception of Mr Moon, are members of the Audit Committee. Mr Moon stepped down from the Audit Committee in November 2018.

Managers and Secretaries

The Company has appointed Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, as its Alternative Investment Fund Manager and Company Secretary. Baillie Gifford & Co Limited has delegated investment management services to Baillie Gifford & Co. Dealing activity and transaction reporting have been further sub-delegated to Baillie Gifford Overseas Limited. Baillie Gifford & Co is an investment management firm formed in 1927 out of the legal firm Baillie & Gifford, WS, which had been involved in investment management since 1908.

Baillie Gifford is one of the largest investment trust managers in the UK and currently manages ten investment trusts. Baillie Gifford also manage 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 around £230 billion. Based in Edinburgh, it is one of the leading privately owned investment management firms in the UK, with 43 partners and a staff of around 1,250.

SAINTS is managed by James Dow and Toby Ross. They work closely with the other specialist equity, bond and multi-asset class investors at Baillie Gifford. The property investments are managed separately by OLIM Property Limited, a specialist property manager.

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

Directors' Report

The Directors present their Report together with the Financial Statements of the Company for the year to 31 December 2019.

Corporate Governance

The Corporate Governance Report is set out on pages 26 to 28 and forms part of this Report.

Manager and Company Secretaries

Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, has been appointed as the Company's Alternative Investment Fund Manager ('AIFM') and Company Secretary. Baillie Gifford & Co Limited has delegated investment management services to Baillie Gifford & Co. Dealing activity and transaction reporting have been further sub-delegated to Baillie Gifford Overseas Limited. The management of the property portfolio has been delegated to OLIM Property Limited.

The Investment Management Agreement between the AIFM and the Company sets out the matters over which the Managers have authority in accordance with the policies and directions of, and subject to restrictions imposed by, the Board. The Investment Management Agreement is terminable on not less than six months' notice. Compensation fees would only be payable in respect of the notice period if termination were to occur within a shorter notice period. The annual management fee is 0.45% of total assets less current liabilities, excluding the property portfolio, calculated on a quarterly basis. The Board is of the view that calculating the fee with reference to performance would be unlikely to exert a positive influence on performance.

The Property Management Agreement sets out the matters over which OLIM Property Limited has discretion and those matters which require Board approval. The Property Management Agreement is terminable on three months' notice. The annual fee is 0.5% of the value of the property portfolio, subject to a minimum quarterly fee of £6,250.

The Board considers the Company's investment management and secretarial arrangements on a continuing basis and a formal review is conducted annually. The Board considered the following topics amongst others in its review:

- investment process;
- investment performance;
- dividend growth;
- the quality of the personnel assigned to handle the Company's affairs;
- developments at the Managers, including staff turnover;
- the administrative services provided by the Secretaries;
- the property management service provided by OLIM Property Limited;
- share price and discount; and
- charges and fees.

Following the most recent review it is the opinion of the Directors that the continuing appointment of Baillie Gifford & Co Limited as AIFM, the delegation of investment management services to Baillie Gifford & Co, the further sub-delegation of dealing activity and transaction reporting to Baillie Gifford Overseas Limited and the delegation of the management of the property portfolio to OLIM Property Limited, on the terms agreed, is in the interests of the Company and shareholders as a whole.

Depositary

In accordance with the Alternative Investment Fund Managers (AIFM) Directive, the AIFM must appoint a Depositary to the Company. The Bank of New York Mellon (International) Limited has been appointed as the Company's Depositary. The Depositary's responsibilities include cash monitoring, safe keeping of the Company's financial instruments, verifying ownership and maintaining a record of other assets and monitoring the Company's compliance with investment limits and leverage requirements. The custody function is also undertaken by The Bank of New York Mellon (International) Limited ('the Custodian').

Directors

Information about the Directors, including their relevant experience, can be found on page 22.

All Directors will retire at the Annual General Meeting and offer themselves for re-election. Following formal performance evaluation, the Chairman confirms the Directors' performance continues to be effective and each remains committed to the Company.

Director Indemnification and Insurance

The Company has entered into qualifying third party deeds of indemnity in favour of each of its Directors. The deeds, which were in force during the year to 31 December 2019 and up to the date of approval of this Report, cover any liabilities that may arise to a third party, other than the Company, for negligence, default or breach of trust or duty. The Directors are not indemnified in respect of liabilities to the Company, any regulatory or criminal fines, any costs incurred in connection with criminal proceedings in which the Director is convicted or civil proceedings brought by the Company in which judgement is given against him/her. In addition, the indemnity does not apply to any liability to the extent that it is recovered from another person.

The Company maintains Directors' and Officers' Liability Insurance.

Conflicts of Interest

Each Director submits a list of potential conflicts of interest to the Nomination Committee on an annual basis. The Committee considers these carefully, taking into account the circumstances surrounding them and makes a recommendation to the Board on whether or not the potential conflicts should be authorised. Board authorisation is for a period of one year. Having considered the lists of potential conflicts there were no situations which gave rise to a direct or indirect interest of a Director which conflicted with the interests of the Company.

Dividends

The Board recommends a final dividend of 3.00p per ordinary share which, together with the interim dividends already paid, makes a total of 11.875p for the year. If approved, the recommended final dividend on the ordinary shares will be paid on 9 April 2020 to shareholders on the register at the close of business on 6 March 2020. The ex-dividend date is 5 March 2020.

The Company's Registrar offers a Dividend Reinvestment Plan (see page 60) and the final date for the receipt of elections for reinvestment of this dividend is 19 March 2020.

Share Capital

Capital Structure

The Company's capital structure consists of 147,520,943 ordinary shares of 25p each (2018 – 140,930,943 ordinary shares).

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

Dividends

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

Capital Entitlement

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

Voting

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

Information on the deadlines for proxy appointments can be found on page 63.

Major Interests in the Company's Shares

Name	No. of ordinary 25p shares held at 31 December 2019	% of issue
Rathbone Investment Management Ltd	9,116,733	6.2
Brewin Dolphin Limited	6,623,973	4.5
DC Thomson & Co Ltd	4,100,000	2.8

There have been no changes to the major interests in the Company's shares disclosed between 31 December 2019 and 11 February 2020.

Annual General Meeting

Share Issuance Authority

Resolution 13 in the Notice of Annual General Meeting seeks to renew the Directors' general authority to issue shares up to an aggregate nominal amount of £12,352,578. This amount represents 33.33% of the Company's total ordinary share capital currently in issue and meets institutional guidelines. No issue of ordinary shares will be made pursuant to the authorisation in Resolution 13 which would effectively alter the control of the Company without the prior approval of shareholders in general meeting.

Resolution 14, which is proposed as a special resolution, seeks to renew the Directors' authority to issue shares or sell shares held in treasury on a non-pre-emptive basis (i.e. without first offering such shares to existing shareholders pro-rata to their existing holdings) for cash up to an aggregate nominal amount of £3,705,773 (representing 10% of the issued ordinary share capital of the Company as at 11 February 2020). The authorities sought in Resolutions 13 and 14 will continue until the conclusion of the Annual General Meeting to be held in 2021 or on the expiry of 15 months from the passing of this resolution, if earlier.

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

See further in this regard under the heading 'Authority to Issue Shares at a Discount to Net Asset Value (with Borrowings Valued at Book)' below.

During the year to 31 December 2019, the Company issued at a premium to net asset value on 63 separate occasions a total amount of 6,590,000 shares at an average price of 403.6p per share, raising proceeds of £26,488,000. Between 1 January and 11 February 2020, the Company issued a further 710,000 shares at a premium to net asset value raising proceeds of £3,057,052. No shares were held in treasury as at 11 February 2020.

Authority to Issue Shares at a Discount to Net Asset Value (with Borrowings Valued at Book)

As noted above, the Board believes that issuing shares to meet unsatisfied demand in the marketplace is generally in the best interests of the Company. Shareholders are asked on an annual basis to grant the Directors customary share allotment and issuance authorities (see 'Share Issuance Authorities' above) in order to facilitate non-pre-emptive share issuance, either of new ordinary shares or of any shares which are held by the Company in treasury. Even where such authorities are in place, however, the Listing Rules prohibit the issue of shares, whether new or from treasury, for cash at a price below the net asset value per share (NAV) of the shares which are then in issue, unless the new shares are first offered to existing shareholders pro-rata to their existing holdings.

As stated previously, the Board considers NAV (assets less liabilities) on the basis of the Company's borrowings valued at their book value to be the prudent measure when determining the price at which to issue shares. It remains the Directors' firm intention only to issue shares at, or at a premium to, NAV calculated on this measure. In order, though, to guard against a technical breach of the Listing Rules prohibition mentioned above, by virtue of an inadvertent share issuance at a discount to NAV with borrowings at book (due, for example, to challenges in estimating intra-day market movements), the Board is again this year proposing an additional annual resolution which, paradoxically, seeks to authorise the Directors to issue shares at a discount to NAV at book.

Resolution 15 is being proposed, therefore, solely for this technical purpose and specifically in the context of the Directors' continued intention only to issue shares on a basis which protects or enhances shareholder value.

At the 2019 Annual General meeting, 21.7% of votes cast were against this resolution and subsequent to the AGM, relevant shareholders were contacted to reiterate that this resolution is designed solely to prevent an inadvertent and technical breach of the Listing Rules and the Directors' continued intention is only to issue shares on a basis which protects or enhances shareholder value.

Market Purchase of Own Shares

The Company's buy-back authority was last renewed at the AGM on 4 April 2019 in respect of 21,166,770 shares of 25p each (equivalent to 14.99% of its then issued share capital). No shares were bought back during the year under review and no shares are held in treasury.

The principal reasons for share buy-backs are:

- (i) to enhance the net asset value for continuing shareholders by purchasing shares at a discount to the prevailing net asset value; and
- (ii) to address any imbalance between the supply of and demand for SAINTS' shares that results in a discount of the quoted market price to the published net asset value per share.

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

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

Shares will only be re-sold from treasury at a premium to net asset value per ordinary share.

The Directors are seeking shareholders' approval at the Annual General Meeting to renew the authority to make market purchases of up to 22,219,818 ordinary shares representing approximately 14.99% of the Company's ordinary shares in issue at the date of passing of the resolution, such authority to expire at the Annual General Meeting of the Company to be held in 2021. Such purchases will only be made through the market for cash at prices below the most recently calculated net asset value per ordinary share, which will result in an increase in value of the remaining ordinary shares. Any such shares purchased shall either be held in treasury or cancelled. In accordance with the Listing Rules of the UK Listing Authority, the maximum price (excluding expenses) that may be paid on the exercise of the authority must not exceed the higher of:

- (i) 5 per cent above the average closing price on the London Stock Exchange of an ordinary share over the five business days immediately preceding the date of purchase; and
- (ii) the higher of the price of the last independent trade and the highest current independent bid as stipulated by Article 5(1) of Commission Regulation (EC) 22 December 2003 implementing the Market Abuse Directive as regards exemptions for any buy back programmes and stabilisation of financial instruments (No. 2273/2003).

The minimum price (exclusive of expenses) 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. The Company does not have any warrants or options in issue. Your attention is drawn to Resolution 16 in the Notice of Annual General Meeting.

Financial Instruments

The Company's financial instruments comprise its investment portfolio, cash balances, borrowings and debtors and creditors that arise directly from its operations such as sales and purchases awaiting settlement and accrued income. The financial risk management objectives and policies arising from its financial instruments and the exposure of the Company to risk are disclosed in note 18 to the Financial Statements.

The Company has agreed terms to issue £80m of long-term private placement debt to refinance its long-term borrowings when the existing debenture matures in 2022 through the issuance of two series: a 23 year note for £40m to be repaid in 2045 and a 27 year note for £40m to be repaid in 2049. The replacement debt will be secured, unlisted and denominated in sterling bearing a coupon of 3.12%.

Articles of Association

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

Disclosure of Information to Auditor

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

Independent Auditor

The Auditor, KPMG LLP, is willing to continue in office and in accordance with section 489 of the Companies Act 2006, resolutions concerning their reappointment and remuneration will be submitted to the Annual General Meeting.

Post Balance Sheet Events

The Directors confirm that there have been no significant post Balance Sheet events up to 11 February 2020 that require disclosure in the Financial Statements.

Greenhouse Gas Emissions

All of the Company's activities are outsourced to third parties. The Company therefore has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

Bribery Act

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

Criminal Finances Act 2017

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

Recommendation

The Board unanimously recommends you to vote in favour of the resolutions to be proposed at the Annual General Meeting as, in its opinion, they are in the best interests of the shareholders as a whole.

On behalf of the Board
Peter Moon
12 February 2020

Corporate Governance Report

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

Compliance

The Board confirms that the Company has complied throughout the year under review with the relevant provisions of the Code and the recommendations of the AIC Code. The Code includes provisions relating to the role of the chief executive, executive directors' remuneration and the need for an internal audit function. Given that the Company is an externally managed investment trust, the Board considers these provisions are not relevant to the Company (the need for an internal audit function specific to the Company has been addressed on page 29). Details of the Board's view on Directors who have served on the Board for more than nine years can be found under the Independence of Directors section of this Report.

The Board

The Board has overall responsibility for the Company's affairs. It has a number of matters formally reserved for its approval including strategy, investment policy, currency hedging, gearing, treasury matters, dividend and corporate governance policy. A separate meeting devoted to strategy is held each year. The Board also reviews the financial statements, investment transactions, revenue budgets and investment performance of the Company. 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 currently comprises six Directors all of whom are non-executive. The Chairman is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda. The executive responsibility for investment management has been delegated to the Company's Alternative Investment Fund Manager ('AIFM'), Baillie Gifford & Co Limited, and, in the context of a Board comprising entirely non-executive Directors, there is no chief executive officer. The Senior Independent Director is Lord Macpherson of Earl's Court.

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 page 22.

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

Appointments

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

Under the provisions of the Company's Articles of Association, a Director appointed during the year is required to retire and seek election by shareholders at the next Annual General Meeting. The Board has agreed that all the Directors will retire at each Annual General Meeting and, if appropriate, offer themselves for re-election.

Independence of Directors

All Directors are considered by the Board to be independent of the Managers and free of any business or other relationship which could interfere with the exercise of their independent judgement.

Mr Moon and Mr Hagman have served on the Board for more than nine years. The Directors recognise the importance of succession planning for company boards and review the Board composition annually. The Board is of the view that length of service will not necessarily compromise the independence or contribution of Directors of an investment trust company, where continuity and experience can be a benefit to the Board. Following a formal performance evaluation, the Board has concluded that, notwithstanding their length of service, Mr Moon and Mr Hagman remain independent. Their actions and decisions have confirmed their independence and the Directors believe their length of service has been a benefit to the Board.

Meetings

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

Directors' Attendance at Meetings

	Board	Audit Committee	Nomination Committee
Number of meetings	5	2	1
Peter Moon*	5	–	1
Bronwyn Curtis	5	2	1
Eric Hagman	5	2	1
Karyn Lamont†	3	1	1
Dame Mariot Leslie	5	2	1
Lord Macpherson of Earl's Court	5	2	1
Lord Kerr of Kinlochard#	2	1	–

* Peter Moon is not a member of the Audit Committee.

† Karyn Lamont was appointed on 4 April 2019.

Lord Kerr of Kinlochard retired on 4 April 2019.

Nomination Committee

The Nomination Committee consists of the whole Board due to the ongoing small size of the Board 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 composition, Board appraisal, succession planning, training and identifying and nominating new candidates for appointment to the Board. The Committee also considers whether Directors should be recommended for re-election by shareholders. The Committee is responsible for considering Directors' potential conflicts of interest and for making recommendations to the Board on whether or not the potential conflicts should be authorised. Appointments to the Board are made on merit with due regard for the benefits of diversity,

including gender. The priority in appointing new Directors is to identify the candidate with the best range of skills and experience to complement existing Directors and so the Board does not consider it appropriate to set diversity targets.

During the year to 31 December 2018, it was announced that Lord Kerr of Kinlochard would stand down from the Board at the Annual General Meeting in April 2019. As a result, the Board reviewed its structure and conducted a recruitment process to identify candidates with the skills and experience that would be required having due regard to the benefits of diversity on the Board. The Committee considered several candidates and identified Dame Mariot Leslie and Karyn Lamont as the preferred candidates. Dame Mariot Leslie was appointed to the Board on 1 January 2019 and Karyn Lamont on 4 April 2019. The Board believes their considerable knowledge and experience is of great benefit to the Company.

Policy on Chairman's Tenure

The Board of SAINTS considers that the tenure of its Chair should be driven by how shareholders' interests can best be served and, in particular, in a way which prioritises the effective functioning of the Board. It notes that as well as the effectiveness and independence of the Chair, the ongoing balance, experience and diversity of the whole Board are relevant factors. Whilst it recognises the need for regular Board refreshment, the Board also believes that continuity is vitally important. Consequently, the Board firmly believes it is helpful at any given time to have some longer serving members on the Board, and that it is entirely appropriate for the Chair to be one of these.

The Committee's terms of reference are available on request from the Company and from the SAINTS' page on the Managers' website: www.saints-it.com.

Performance Evaluation

An appraisal of the Chairman, each Director, and a performance evaluation and review of the Board as a whole and its Committees was carried out during the year. The Chairman and each Director completed a performance evaluation questionnaire and each Director had an interview with the Chairman. The appraisal of the Chairman was led by Lord Macpherson of Earl's Court. The appraisals and evaluations considered, amongst other criteria, the balance of skills of the Board, training and development requirements, the contribution of individual Directors and the overall effectiveness of the Board and its Committees. Following this process it was concluded that there was a diverse range of skills within the Board, and the performance of each Director, the Chairman, the Board and its Committees continues to be effective and the Directors 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.

Induction and Training

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

Remuneration

As all the Directors are non-executive, there is no requirement for a separate Remuneration Committee. 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.

Audit Committee

The report of the Audit Committee is set out on pages 29 and 30.

Internal Controls and Risk Management

The Directors acknowledge their responsibility for the Company's risk management and internal controls systems and for reviewing their effectiveness. The systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

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

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

The Board oversees the functions delegated to the Managers and Secretaries and the controls managed by the AIFM in accordance with the Alternative Investment Fund Managers Directive (as detailed below). Baillie Gifford & Co's Internal Audit and Compliance Departments and the AIFM's permanent risk function provide the Audit Committee with regular reports on their monitoring programmes. The reporting procedures for these departments are defined and formalised within a service level agreement. Baillie Gifford & Co conducts an annual review of its system of internal controls which is documented within an internal controls report which complies with ISAE 3402 and Technical Release AAF 01/06 – Assurance Reports on Internal Controls of Service Organisations made available to Third Parties. This report is independently reviewed by Baillie Gifford & Co's Auditor and a copy is submitted to the Audit Committee.

A report identifying the material risks faced by the Company and the key controls employed to manage these risks is reviewed by the Audit Committee.

These procedures ensure that consideration is given regularly to the nature and extent of risks facing the Company and that they are being actively monitored. Where changes in risk have been identified during the year they also provide a mechanism to assess whether further action is required to manage these risks.

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

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

To comply with the Alternative Investment Fund Managers Directive, The Bank of New York Mellon (International) Limited acts as the Company's Depositary, and Baillie Gifford & Co Limited as AIFM.

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

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

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

The risk limits, which are set by the AIFM and approved by the Board, take into account the objectives, strategy and risk profile of the portfolio. These limits, including leverage (see page 64), are monitored and the sensitivity of the portfolio to key risks is undertaken periodically as appropriate to ascertain the impact of changes in key variables in the portfolio. Exceptions from limits monitoring and stress testing undertaken by Baillie Gifford's Business Risk Department are escalated to the AIFM and reported to the Board along with any remedial measures being taken.

Going Concern

In accordance with The Financial Reporting Council's guidance on going concern and liquidity risk, the Directors have undertaken a rigorous review of the Company's ability to continue as a going concern. The Company's principal risks are market related and include market risk, liquidity risk and credit risk. An explanation of these risks and how they are managed is contained in note 18 to the Financial Statements. The Company's assets, the majority of which are investments in quoted securities which are readily realisable, exceed its liabilities significantly. All borrowings require the prior approval of the Board. Gearing levels and compliance with borrowing covenants are reviewed by the Board on a regular basis. The Company has no short term borrowings and the

redemption date for the Company's debenture is April 2022. Accordingly, the Financial Statements have been prepared on the going concern basis as it is the Directors' opinion, having assessed the principal risks and other matters set out in the Viability Statement on page 8, that the Company will continue in operational existence for at least 12 months from the date of approval of these Financial Statements.

Relations with Shareholders

The Board places great importance on communication with shareholders. The Managers meet regularly with shareholders and their representatives 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 Company's registered office or through the Company's broker, Winterflood (see contact details on the back cover).

The Company's Annual General Meeting provides a forum for communication with all shareholders. The level of proxies lodged for each resolution is announced at the meeting and published at www.saints-it.com subsequent to the meeting. 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 at www.saints-it.com.

Corporate Governance and Stewardship

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

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

The Managers, Baillie Gifford & Co, are signatories to the United Nations Principles for Responsible Investment and the Carbon Disclosure Project and are also members of the International Corporate Governance Network.

On behalf of the Board
Peter Moon
12 February 2020

Audit Committee Report

The Audit Committee consists of all independent Directors for the year to 31 December 2019 with the exception of the Chairman of the Board, Mr Moon, who stepped down from the Audit Committee in November 2018. The members of the Committee consider that they have the requisite financial skills and experience to fulfil the responsibilities of the Committee. Mr Hagman, the current Chairman of the Committee, is a Chartered Accountant as is Karyn Lamont who (as previously announced) will become Chairman of the Committee following the Annual General Meeting. The Committee's authority and duties are clearly defined within its written terms of reference which are available at www.saints-it.com. The terms of reference are reviewed annually.

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

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

Main Activities of the Committee

The Committee met twice during the year and KPMG LLP, the external Auditor, attended both meetings. Baillie Gifford & Co's Internal Audit and Compliance Departments and the AIFM's permanent risk function provided reports on their monitoring programmes for these meetings.

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

- The preliminary results announcement and the Annual and Interim Reports;
- The Company's accounting policies and practices;
- The regulatory changes impacting the Company;
- The fairness, balance and understandability of the Annual Report and Financial Statements and whether it provided the information necessary for shareholders to assess the Company's performance, business model and strategy;
- The effectiveness of the Company's internal control environment;
- Re-appointment, remuneration and engagement letter of the external Auditor;
- Whether the audit services contract should be put out to tender;
- The policy on the engagement of the external Auditor to supply non-audit services;
- The independence, objectivity and effectiveness of the external Auditor;
- The need for the Company to have its own internal audit function;
- Internal controls reports received from the Managers and other service providers; and
- 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.

Internal Audit

The Committee continues to believe that the compliance and internal controls 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 Company is therefore considered unnecessary.

Financial Reporting

The Committee considers that the most significant issue likely to affect the Financial Statements is the valuation of the property investments which represent 12.4% of total assets. Other key issues are the existence and legal title of the property as well as the valuation, existence and legal title of the equity and bond investments which represent 86.7% of total assets.

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

The properties are valued on an open market basis by Savills. The Committee approve the Valuation Report provided by Savills and review the property valuations twice a year.

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

Audit Tender

Following the audit tender process held in the year to 31 December 2016, the Board unanimously decided to re-appoint KPMG LLP, as Auditor.

In recognition of underlying audit rotation requirements, the Committee intends to undertake a further tender process before 31 December 2023.

Internal Controls and Risk Management

The Committee reviewed the effectiveness of the Company's risk management and internal controls systems as described on pages 27 and 28. No significant weaknesses were identified in the year under review.

External Auditor

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

- The audit plan for the current year;
- A report from the Auditor describing their arrangements to manage auditor independence and received confirmation of their independence; and
- The proposed audit fee and the extent of non-audit services provided by the external Auditor. For the year to 31 December 2019, the audit fee was £30,000 and the non-audit fee which related to the certification of financial information for the debenture trustee was £1,400. The Committee does not believe this non-audit work has impaired the Auditor's independence.

Governance Report

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

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

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

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

Although KPMG LLP has been Auditor for 15 years, the audit partners responsible for the audit are rotated at least every five years in accordance with professional and regulatory standards in order to protect independence and objectivity and to provide fresh challenge to the business. Mr Waterson, the current partner, was appointed in 2017 and will continue as partner only until the conclusion of the 2021 audit.

KPMG LLP have confirmed that they believe they are independent within the meaning of regulatory and professional requirements and that the objectivity of the audit partner and staff is not impaired.

Having carried out the review described above, the Committee is satisfied that the Auditor remains independent and effective for the purposes of this year's audit.

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

Accountability and Audit

The respective responsibilities of the Directors and the Auditor in connection with the Financial Statements are set out on pages 34 to 39.

On behalf of the Board
Eric Hagman
Audit Committee Chairman
12 February 2020

Directors' Remuneration Report

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

Statement by the Chairman

The Directors' Remuneration Policy is subject to shareholder approval every three years or sooner if an alteration to the policy is proposed. The Remuneration Policy which is set out below was last approved at the Annual General Meeting in April 2017 and so an ordinary resolution for the approval of the Remuneration Policy will be put to the members at the forthcoming Annual General Meeting on 2 April 2020. No changes are proposed to the Policy.

The Board reviewed the level of fees during the year and concluded that, with effect from 1 January 2020, the Chairman's fee would increase from £38,500 per annum to £42,000 per annum and the Directors' fees would increase from £22,000 per annum to £25,000 per annum. There would be no increase to the additional fee of £5,000 per annum paid to the Audit Committee Chairman. The fees were last increased with effect from 1 January 2017.

Directors' Remuneration Policy

The Board is composed wholly of non-executive Directors, none of whom has a service contract with the Company. There is no separate remuneration committee and the Board as a whole considers changes to Directors' fees from time to time.

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. The Board believes that the fees paid to the Directors should 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. Baillie Gifford & Co Limited, the Company Secretaries, provides comparative information when the Board considers the level of Directors' fees. Any views expressed by shareholders on the fees being paid to Directors will be taken into consideration by the Board when reviewing the Board's policy on remuneration. Non-executive Directors are not eligible for any other remuneration or benefits apart from the reimbursement of allowable expenses.

Directors' Remuneration for the Year (audited)

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

Name	2019 Fees £	2019 Taxable benefits* £	2019 Total £	2018 Fees £	2018 Taxable benefits* £	2018 Total £
Peter Moon (Chairman)	38,500	2,369	40,869	38,500	2,161	40,661
Bronwyn Curtis	22,000	2,002	24,002	22,000	3,022	25,022
Eric Hagman	27,000	2,356	29,356	27,000	1,965	28,965
Karyn Lamont (appointed 4 April 2019)	16,274	–	16,274	–	–	–
Dame Mariot Leslie (appointed 1 January 2019)	22,000	–	22,000	–	–	–
Lord Macpherson of Earl's Court	22,000	1,547	23,547	22,000	3,067	25,067
Lord Kerr of Kinlochard (retired 4 April 2019)	5,500	1,244	6,744	22,000	3,334	25,334
	153,274	9,518	162,792	131,500	13,549	145,049

* Comprises travel and subsistence expenses incurred by Directors in the course of travel to attend Board and Committee meetings held at the Company's registered office in Edinburgh.

There are no performance conditions relating to Directors' fees and there are no long term incentive schemes or pension schemes. No compensation is payable on loss of office.

Limits on Directors' Remuneration

The fees for the Directors are payable quarterly in arrears and are determined within the limits set out in the Company's Articles of Association. Currently, Directors' remuneration shall not exceed £30,000 per annum per Director with a maximum additional remuneration of £25,000 per annum for the Chairman. Any change to this limit requires shareholder approval.

The basic and additional fees payable to Directors in respect of the year ended 31 December 2019 and the fees payable in respect of the year ending 31 December 2020 are set out in the table below. The fees payable to the Directors in the subsequent financial periods will be determined following an annual review of the Directors' fees.

	Expected fees for year ending 31 Dec 2020 £	Fees for year ended 31 Dec 2019 £
Non-executive Director fee	25,000	22,000
Additional fee for Chairman	17,000	16,500
Additional fee for Chairman of the Audit Committee	5,000	5,000

Annual Report on Remuneration

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

The law requires the Company's Auditor to audit certain of the disclosures provided in this report. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is included in their report on pages 34 to 39.

Directors' Interests (audited)

Name	Nature of interest	Ordinary 25p shares held at 31 December 2019	Ordinary 25p shares held at 31 December 2018
Peter Moon	Beneficial	15,000	15,000
Bronwyn Curtis	Beneficial	3,000	3,000
Eric Hagman	Beneficial	2,000	2,000
Karyn Lamont	Beneficial	2,000	–
Dame Mariot Leslie	Beneficial	5,000	–
Lord Macpherson of Earl's Court	Beneficial	45,000	30,000

Under the Articles of Association, each Director is required to hold at least 2,000 shares in the Company.

The Directors at the year end, and their interests in the Company at 31 December, were as shown above. There have been no changes intimated in the Directors' interests up to 11 February 2020.

Statement of Voting at Annual General Meeting

At the last Annual General Meeting, of the proxy votes received in respect of the Directors' Remuneration Report, 94.4% were in favour, 4.1% were against and votes withheld were 1.5%.

Relative Importance of Spend on Pay

The table below shows the actual expenditure during the year in relation to Directors' remuneration and distributions to shareholders.

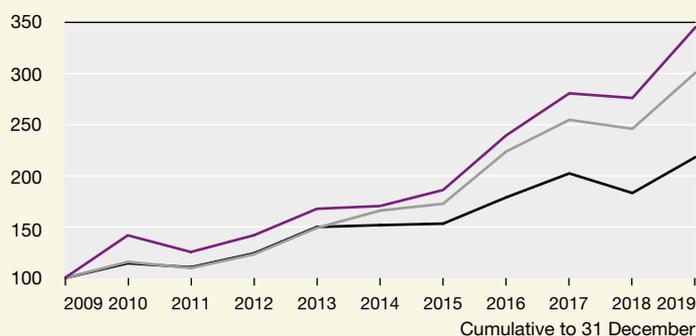
	2019 £'000	2018 £'000	Change %
Directors' Remuneration	163	145	12.4
Dividends paid to shareholders	17,006	15,764	7.9

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).

Performance Graph

(figures rebased to 100 at 31 December 2009)



Source: Refinitiv and relevant underlying index providers. See disclaimer on page 64.

— SAINTS share price
— Benchmark*
— FTSE All-Share

All figures are total return (see Glossary of Terms and Alternative Performance Measures on pages 65 and 66).

* With effect from 1 January 2014, the portfolio benchmark against which performance has been measured is FTSE All-World Index (in sterling terms). For earlier years covered by the above graph, the Company's benchmark was 50% FTSE All-Share Index and 50% FTSE All-World Ex UK Index (in sterling terms). For the purposes of the above graph the returns on both benchmarks for their respective periods have been linked to form a single benchmark. See disclaimer on page 64.

Past performance is not a guide to future performance.

Approval

The Directors' Remuneration Report on pages 31 and 32 was approved by the Board of Directors and signed on its behalf on 12 February 2020.

Peter Moon
Chairman

Statement of Directors' Responsibilities in Respect of the Annual Report and the Financial Statements

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

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law they are required to prepare the Financial Statements in accordance with United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of its profit or loss for that year. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- assess the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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. Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

Notes

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

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

The Directors have delegated responsibility to the Managers for the maintenance and integrity of the Company's page on the Managers' website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

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

We confirm that to the best of our knowledge:

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

On behalf of the Board
Peter Moon
12 February 2020



Independent auditor's report

to the members of The Scottish American Investment Company P.L.C.

1. Our opinion is unmodified

We have audited the financial statements of The Scottish American Investment Company P.L.C. ("the Company") for the year ended 31 December 2019 which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its return for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the directors on 16 October 2004. The period of total uninterrupted engagement is for the 16 financial years ended 31 December 2019. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality: £6.8m (2018:£5.6m)
 Financial statements as a whole 1% (2018: 1%) of Total Assets

Key audit matters vs 2018

Recurring risks		
The impact of uncertainties due to the UK exiting the European Union on our audit		◀▶
Valuation of investment properties		◀▶
Carrying amount of quoted investments		◀▶

2. Key audit matters: including our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters (unchanged from 2018), in arriving at our audit opinion above, together with our key audit procedures to address those matters and our findings from those procedures in order that the Company's members as a body may better understand the process by which we arrived at our audit opinion. These matters were addressed, and our findings are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
<p>The impact of uncertainties due to the UK exiting the European Union on our audit</p> <p><i>Refer to page 7 (principal risks), page 8 (viability statement), page 12 (Managers' review)</i></p>	<p>Unprecedented levels of uncertainty:</p> <p>All audits assess and challenge the reasonableness of estimates, in particular as described in valuation of investment properties below, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Company's future prospects and performance.</p> <p>In addition, we are required to consider the other information presented in the Annual Report including the principal risks disclosure and the viability statement and to consider the directors' statement that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.</p> <p>Brexit is one of the most significant economic events for the UK and its effects are subject to unprecedented levels of uncertainty of consequences, with the full range of possible effects unknown.</p>	<p>We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included:</p> <ul style="list-style-type: none"> — Our Brexit knowledge: We considered the directors' assessment of Brexit-related sources of risk for the Company's business and financial resources compared with our own understanding of the risks. We considered the directors' plans to take action to mitigate the risks. — Sensitivity analysis: When addressing valuation of investment properties, we compared the directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty. — Assessing transparency: As well as assessing individual disclosures as part of our procedures on valuation of investment properties we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks. <p>Our results</p> <ul style="list-style-type: none"> — As reported under valuation of investment properties, we found the resulting estimates in respect of investment properties to be balanced and the related disclosures to be proportionate. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company, and this is particularly the case in relation to Brexit.

2. Key audit matters: including our assessment of risks of material misstatement (continued)

	The risk	Our response
<p>Valuation of investment properties (£84.8 million; 2018: £83.5 million)</p> <p><i>Refer to page 29 (Audit Committee Report), page 44 (accounting policy) and note 9 on page 48 and note 18 on pages 52-56 (financial disclosures).</i></p>	<p>Subjective valuation: 12.4% (2018: 14.7%) of the Company's total assets (by value) are held in investment properties.</p> <p>The fair value of each property requires significant estimation, in particular over the key assumptions of the estimated rental value and the yield.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that the valuation of investment properties has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 18) disclose the sensitivity estimated by the Company.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> — Assessing valuer's credentials: Using our own property valuation specialist, we evaluated the competence, experience and independence of the external valuer; — Tests of detail: We compared the information provided by the Company to its external property valuer for a sample of properties, such as rental income and tenancy data to supporting documents including lease and purchase agreements; — Methodology choice: We held discussions with the Company's external property valuer to determine the valuation methodology used. We included our own property valuation specialist to assist us in critically assessing the results of the valuer's report by assessing whether the valuations were in accordance with the RICS Valuation Professional Standards 'the Red Book' and FRS 102 and that the methodology adopted was appropriate by reference to acceptable valuation practice; — Benchmarking assumptions: With the assistance of our own property valuation specialist, we held discussions with the Company's external property valuer to understand movements in property values. For a sample of properties, we assessed the key assumptions used by the valuer upon which the valuations are based, including those relating to estimated rental value and yield, by making a comparison to our own understanding of the market and to industry benchmarks; and — Assessing transparency: We also considered the adequacy of the Company's disclosures about the degree of estimation and sensitivity to key assumption made when valuing the investment properties. <p>Our results:</p> <ul style="list-style-type: none"> — We found the Company's valuation of investment properties to be balanced (2018: balanced) and the related disclosures to be proportionate (2018: proportionate).
<p>Carrying amount of quoted investments (£577.1 million; 2018: £451.9 million)</p> <p><i>Refer to page 29 (Audit Committee Report), page 44 (accounting policy) and note 9 on page 48 and note 18 on pages 52-56 (financial disclosures).</i></p>	<p>Low risk, high value: The Company's portfolio of quoted investments makes up 84.2% (2018: 79.3%) of the Company's total assets (by value) and is one of the key drivers of results. We do not consider these investments to be at a high risk of significant misstatement, or to be subject to a significant level of judgement because they comprise liquid, quoted investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be one of the areas which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> — Test of detail: We agreed the valuation of 100% of investments in the portfolio to externally quoted prices; and — Enquiry of custodians: We agreed 100% of investment holdings in the portfolio to independently received third party confirmations from investment custodians. <p>Our results</p> <ul style="list-style-type: none"> — We found no differences from the third party confirmations nor from the externally quoted prices of a size to require reporting to the audit committee (2018: no differences from the third party confirmations nor from the externally quoted prices of a size to require reporting to the audit committee).



3. Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements as a whole was set at £6.8m (2018: £5.6m), determined with reference to a benchmark of total assets of £685.6m (2018: £569.2m), of which it represents 1% (2018: 1%).

In addition, we applied materiality of £1.0m (2018: £0.9m) to income from investments and rental income, for which we believe misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the Company’s members’ assessment of the financial performance of the Company.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.34m (2018: £0.28m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above and was performed at the administrator, Baillie Gifford & Co, in Edinburgh and at our offices in Edinburgh.

4. We have nothing to report on going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company’s financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements (“the going concern period”).

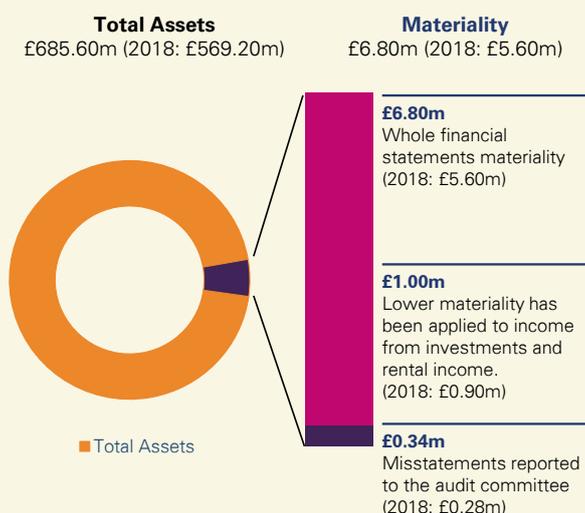
Our responsibility is to conclude on the appropriateness of the directors’ conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor’s report is not a guarantee that the Company will continue in operation.

In our evaluation of the directors’ conclusions, we considered the inherent risks to the Company’s business model, including the impact of Brexit, and analysed how those risks might affect the Company’s financial resources or ability to continue operations over the going concern period. We evaluated those risks and concluded that they were not significant enough to require us to perform additional audit procedures.

Based on this work, we are required to report to you if:

- we have anything material to add or draw attention to in relation to the directors’ statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company’s use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- the related statement under the Listing Rules set out on page 28 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.



5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

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

Disclosures of emerging and principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the Viability Statement on page 8 that they have carried out a robust assessment of the emerging and principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the Viability Statement of how they have assessed the prospects of the Company, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the Viability Statement. We have nothing to report in this respect.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Company's longer-term viability.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Report does not properly disclose a departure from the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

6. We have nothing to report on the other matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.



7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 33, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors, the manager and the administrator (as required by auditing standards), and discussed with the directors and the manager the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), and its qualification as an Investment Trust under UK tax legislation, any breach of which could lead to the Company losing various deductions and exemptions from UK corporation tax, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: the Listing Rules and certain aspects of company legislation recognising the financial and regulated nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. These limited procedures did not identify actual or suspected non-compliance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

8. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and the terms of our engagement by the Company. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report, and the further matters we are required to state to them in accordance with the terms agreed with the Company, 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.

John Waterson (Senior Statutory Auditor) for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

12 February 2020



Income Statement

For the year ended 31 December

	Notes	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000
Net gains/(losses) on investments – securities	9	–	95,135	95,135	–	(31,218)	(31,218)
Net gains on investments – property	9	–	619	619	–	3,181	3,181
Currency losses	14	–	(56)	(56)	–	(159)	(159)
Income	2	22,950	–	22,950	21,743	–	21,743
Management fees	3	(1,047)	(1,945)	(2,992)	(926)	(1,720)	(2,646)
Other administrative expenses	4	(1,247)	–	(1,247)	(1,073)	–	(1,073)
Net return before finance costs and taxation		20,656	93,753	114,409	19,744	(29,916)	(10,172)
Finance costs of borrowings	5	(1,970)	(3,659)	(5,629)	(1,986)	(3,688)	(5,674)
Net return on ordinary activities before taxation		18,686	90,094	108,780	17,758	(33,604)	(15,846)
Tax on ordinary activities	6	(1,590)	363	(1,227)	(1,528)	464	(1,064)
Net return on ordinary activities after taxation		17,096	90,457	107,553	16,230	(33,140)	(16,910)
Net return per ordinary share	7	11.87p	62.81p	74.68p	11.75p	(23.99p)	(12.24p)

A final dividend for the year of 3.00p is proposed (2018 – 2.925p), making a total dividend for the year of 11.875p (2018 – 11.50p). More information on dividend distributions can be found in note 8 on page 47.

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

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

A Statement of Comprehensive Income is not required as there is no other comprehensive income.

The accompanying notes on pages 44 to 56 are an integral part of this statement.

Balance Sheet

As at 31 December

	Notes	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Non-current assets					
Investments – securities	9	591,664		476,497	
Investments – property	9	84,800		83,500	
Deferred expenses		207		–	
			676,671		559,997
Current assets					
Debtors	10	1,501		1,739	
Cash and cash equivalents	18	7,457		7,464	
			8,958		9,203
Creditors					
Amounts falling due within one year	11	(3,211)		(3,046)	
			5,747		6,157
Net current assets					
			682,418		566,154
Creditors					
Amounts falling due after more than one year	12		(81,930)		(82,701)
Net assets					
			600,488		483,453
Capital and reserves					
Share capital	13		36,880		35,233
Share premium account	14		52,535		27,694
Capital redemption reserve	14		22,781		22,781
Capital reserve	14		470,949		380,492
Revenue reserve	14		17,343		17,253
Shareholders' funds					
			600,488		483,453
Net asset value per ordinary share*					
	15		407.1p		343.0p

The Financial Statements of The Scottish American Investment Company P.L.C. (company registration number SC000489) were approved and authorised for issue by the Board and were signed on 12 February 2020.

Peter Moon
Chairman

The accompanying notes on pages 44 to 56 are an integral part of this statement.

* See Glossary of Terms and Alternative Performance Measures on pages 65 and 66.

Statement of Changes in Equity

For the year ended 31 December 2019

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 January 2019		35,233	27,694	22,781	380,492	17,253	483,453
Shares issued	13	1,647	24,841	–	–	–	26,488
Net return on ordinary activities after taxation	7	–	–	–	90,457	17,096	107,553
Dividends paid in the year	8	–	–	–	–	(17,006)	(17,006)
Shareholders' funds at 31 December 2019		36,880	52,535	22,781	470,949	17,343	600,488

For the year ended 31 December 2018

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 January 2018		33,994	10,744	22,781	413,632	16,787	497,938
Shares issued	13	1,239	16,950	–	–	–	18,189
Net return on ordinary activities after taxation	7	–	–	–	(33,140)	16,230	(16,910)
Dividends paid in the year	8	–	–	–	–	(15,764)	(15,764)
Shareholders' funds at 31 December 2018		35,233	27,694	22,781	380,492	17,253	483,453

The accompanying notes on pages 44 to 56 are an integral part of this statement.

Cash Flow Statement

For the year ended 31 December

	Notes	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Cash flows from operating activities					
Net return on ordinary activities before taxation		108,780		(15,846)	
Net (gains)/losses on investments – securities		(95,135)		31,218	
Net gains on investments – property		(619)		(3,181)	
Currency losses		56		159	
Finance costs of borrowings		5,629		5,674	
Overseas withholding tax		(1,214)		(1,053)	
Changes in debtors and creditors		183		(828)	
Other non-cash changes		3		(83)	
Cash from operations			17,683		16,060
Interest paid			(6,400)		(6,400)
Net cash inflow from operating activities			11,283		9,660
Cash flows from investing activities					
Acquisitions of investments		(125,115)		(85,572)	
Disposals of investments		104,399		78,216	
Net cash outflow from investing activities			(20,716)		(7,356)
Cash flows from financing activities					
Equity dividends paid	8	(17,006)		(15,764)	
Shares issued	13	26,488		18,189	
Net cash inflow from financing activities			9,482		2,425
Increase in cash and cash equivalents			49		4,729
Exchange movements			(56)		(159)
Cash and cash equivalents at 1 January	17		7,464		2,894
Cash and cash equivalents at 31 December*	17		7,457		7,464

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

The accompanying notes on pages 44 to 56 are an integral part of this statement.

Notes to the Financial Statements

1 Principal Accounting Policies

The Financial Statements for the year to 31 December 2019 have been prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and on the basis of the accounting policies set out below which are unchanged from the prior year and have been applied consistently.

(a) Basis of Accounting

All of the Company's operations are of a continuing nature and the Financial Statements are prepared on a going concern basis under the historical cost convention, modified to include the revaluation of fixed asset investments, and on the assumption that approval as an investment trust under section 1158 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) (Tax) Regulations 2011 will be retained. It is the Directors' opinion, having assessed the principal risks and other matters set out in the Viability Statement on page 8, that the Company will continue in operational existence for at least 12 months from the date of approval of these Financial Statements. The Company's assets, the majority of which are investments in quoted securities which are readily realisable, exceed its liabilities significantly.

The Financial Statements have been prepared in accordance with the Companies Act, applicable United Kingdom accounting standards and with the AIC's Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued in November 2014 and updated in October 2019 with consequential amendments. In order to reflect better the activities of the Company and in accordance with guidance issued by the AIC, supplementary information which analyses the profit and loss account between items of a revenue and capital nature has been presented in the Income Statement.

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

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

(b) Investments

Purchases and sales of investments in securities are accounted for on a trade date basis. Purchases and sales of investments in property are accounted for on a completion date basis.

Investments in equity securities are held at fair value through profit or loss upon initial recognition. Investments in bonds are designated as fair value through profit or loss upon initial recognition. The fair value of listed security investments traded on an active market is bid value or, in the case of FTSE 100 constituents or holdings on certain recognised overseas exchanges, last traded prices. The fair value of other listed security investments and unlisted security investments uses valuation techniques, determined by the Directors, based upon latest dealing prices, stockbroker valuations, net asset values and other information, as appropriate. Changes in the fair value of investments in securities and gains and losses on disposal are recognised as capital items in the Income Statement.

Investments in property are initially recognised at cost, being the fair value of the consideration given, including associated transaction costs. After initial recognition, properties are measured

at fair value. Changes in fair value and gains and losses on disposal are recognised as capital items in the Income Statement. The fair value of the property investments held at the year end has been estimated by independent professional valuers in accordance with the RICS appraisal and valuation manual.

(c) Cash and cash equivalents

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

(d) Income

- (i) Income from equity investments is brought into account on the date on which the investments are quoted ex-dividend or, where no ex-dividend date is quoted, when the Company's right to receive payment is established.
- (ii) Income from debt securities is recognised on an effective interest rate basis. Where income returns are for a non-fixed amount, the impact of these returns on the effective interest rate is recognised once such returns are known. If it is not probable that a return will be received, its recognition is deferred until that doubt is removed.
- (iii) Unfranked investment income includes the taxes deducted at source.
- (iv) Interest receivable on deposits is recognised on an accruals basis.
- (v) If scrip is taken in lieu of dividends in cash, the net amount of the cash dividend declared is credited to the revenue account. Any excess in the value of the shares received over the amount of the cash dividend foregone is recognised as capital.
- (vi) Rental income, excluding VAT, arising on investment properties, is accounted for on a straight line basis over the lease term.

(e) Expenses

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

- (i) where they relate directly to the acquisition or disposal of an investment, in which case they are recognised as capital; and
- (ii) where they are connected with the maintenance or enhancement of the value of investments. In this respect investment and property management fees are allocated 35% to revenue and 65% to capital, in line with the Board's expectation of returns from the Company's investments over the long term in the form of revenue and capital respectively.

(f) Long Term Borrowings and Finance Costs

Long term borrowings are carried in the Balance Sheet at amortised cost, representing the cumulative amount of net proceeds on issue plus accrued finance costs. The finance costs of such borrowings are allocated 35% to revenue and 65% to capital, in line with the Board's expectation of returns from the Company's investments over the long term in the form of revenue and capital respectively. Finance costs include the difference between the repayable value on maturity and the proceeds received on issue which are written off on an effective interest rate basis over the life of the borrowings. Gains and losses on the repurchase or early settlement of debt is wholly charged to capital.

(g) Taxation

The tax effect of different items of income and expenditure is allocated between revenue and capital on the same basis as the particular item to which it relates, under the marginal method, using the Company's effective tax rate for the accounting period. Deferred taxation is provided on all timing differences, calculated at the current tax rate relevant to the benefit or liability. Deferred tax assets are recognised only to the extent that it will be more likely than not that there will be taxable profits from which underlying timing differences can be deducted.

(h) Foreign Currencies

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

(i) Capital Reserve

Gains and losses on disposal of investments, changes in fair value of investments held, exchange differences of a capital nature and the amounts by which other financial assets and liabilities valued at fair value differ from their book value are dealt with in this reserve. Purchases of the Company's own shares and issuance proceeds are both recognised in this reserve. 65% of management fees and finance costs are allocated to the capital reserve in accordance with the Company's objective of combining capital and income growth.

(j) Significant Estimates and Judgements

The preparation of the Financial Statements requires the use of estimates and judgements that affect the reported amounts of assets and liabilities at the reporting date. However, uncertainty about those estimates and judgements could result in an actual outcome which may differ from these estimates.

The most significant estimation and uncertainty relates to the valuation of the property portfolio. External, independent professional valuers who hold a recognised and relevant professional qualification and have recent experience in the location and class of the investment property being valued, are used to determine the property fair values which are based on recent, comparable market transactions on an arm's length basis. Other factors including the condition and location of the property, rental yields within the market and the length and value of rental agreements in place, are considered.

The Directors believe that there is one key judgement, being the functional currency of the Company. Although the Company invests in investments denominated in currencies other than sterling, it has been determined that the functional currency is sterling as the entity is listed on a sterling stock exchange in the UK, and its investment manager is also UK based. In addition, the Company's share capital, expenses and dividends paid are denominated in sterling.

2 Income

	2019 £'000	2018 £'000
Income from investments		
UK dividends	3,760	3,333
Overseas dividends	13,080	12,063
Overseas interest	736	1,170
	17,576	16,566
Other income		
Deposit interest	33	19
Rental income	5,310	5,133
Other income	31	25
	5,374	5,177
Total income	22,950	21,743
Total income comprises		
Dividends from financial assets designated at fair value through profit or loss	16,840	15,396
Interest from financial assets designated at fair value through profit or loss	736	1,170
Interest from financial assets not at fair value through profit or loss	33	19
Other income not from financial assets	5,341	5,158
	22,950	21,743

3 Management Fees

	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000
Investment management fee	900	1,672	2,572	780	1,449	2,229
Property management fee	147	273	420	146	271	417
	1,047	1,945	2,992	926	1,720	2,646

Details of the Investment Management Agreement and Property Management Agreement are disclosed on page 23. Baillie Gifford & Co Limited's annual management fee is 0.45% of total assets less current liabilities, excluding the property portfolio, calculated on a quarterly basis. No secretarial fee is payable. OLIM Property Limited receives an annual fee of 0.5% of the value of the property portfolio, subject to a minimum quarterly fee of £6,250.

4 Other Administrative Expenses – all charged to revenue

	2019 £'000	2018 £'000
General administrative expenses	889	758
Custodian/depositary fees	173	160
Auditor's remuneration for audit services	31	22
Auditor's remuneration for non-audit services – reporting on debenture covenants	1	1
Directors' fees (see Directors' Remuneration Report on page 31)	153	132
	1,247	1,073

5 Finance Costs of Borrowings

	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000
Financial liabilities not at fair value through profit or loss						
Debenture interest	1,970	3,659	5,629	1,986	3,688	5,674

6 Tax on Ordinary Activities

	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000
UK corporation tax	421	(421)	–	503	(503)	–
Overseas taxation	1,227	–	1,227	1,064	–	1,064
Double taxation relief	(58)	58	–	(39)	39	–
	1,590	(363)	1,227	1,528	(464)	1,064

6 Tax on Ordinary Activities (continued)

	2019 £'000	2018 £'000
The tax charge for the year is lower than the standard rate of corporation tax in the UK of 19.0% (2018 – 19.0%)		
The differences are explained below:		
Net return on ordinary activities before taxation	108,780	(15,846)
Net return on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK of 19.0% (2018 – 19.0%)	20,668	(3,011)
Capital returns not taxable	(18,183)	5,357
Income not taxable	(3,128)	(2,870)
Taxable loss not utilised	643	524
Overseas tax	1,227	1,064
Total tax charge for the year	1,227	1,064

At 31 December 2019 the Company had a potential deferred tax asset of £4,395,000 (2018 – £5,036,000) in respect of taxable losses which are available to be carried forward and offset against future taxable profits. A deferred tax asset has not been recognised on these losses as it is considered unlikely that the Company will make suitable taxable revenue profits in excess of deductible expenses in future periods. The potential deferred tax asset has been calculated using a corporation tax rate of 17% (2018 – 17%).

7 Net Return per Ordinary Share

	2019 Revenue	2019 Capital	2019 Total	2018 Revenue	2018 Capital	2018 Total
Net return per ordinary share	11.87p	62.81p	74.68p	11.75p	(23.99p)	(12.24p)

Revenue return per ordinary share is based on the net revenue on ordinary activities after taxation of £17,096,000 (2018 – £16,230,000) and on 144,027,109 (2018 – 138,152,888) ordinary shares of 25p, 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 £90,457,000 (2018 – net capital loss of £33,140,000), and on 144,027,109 (2018 – 138,152,888) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

There are no dilutive or potentially dilutive shares in issue.

8 Ordinary Dividends

	2019	2018	2019 £'000	2018 £'000
Amounts recognised as distributions in the year:				
Previous year's final (paid 11 April 2019)	2.925p	2.825p	4,132	3,848
First interim (paid 21 June 2019)	2.925p	2.825p	4,185	3,892
Second interim (paid 20 September 2019)	2.95p	2.85p	4,279	3,953
Third interim (paid 19 December 2019)	3.00p	2.90p	4,410	4,071
	11.80p	11.40p	17,006	15,764

We also set out below the total dividends paid and proposed in respect of the financial year, which is the basis on which the requirements of section 1159 of the Corporation Tax Act 2010 are considered. The revenue available for distribution out of current year profits by way of dividend for the year is £17,096,000 (2018 – £16,230,000).

	2019	2018	2019 £'000	2018 £'000
Dividends paid and payable in respect of the year:				
First interim (paid 21 June 2019)	2.925p	2.825p	4,185	3,892
Second interim (paid 20 September 2019)	2.95p	2.85p	4,279	3,953
Third interim (paid 19 December 2019)	3.00p	2.90p	4,410	4,071
Current year's proposed final dividend (payable 9 April 2020)	3.00p	2.925p	4,426	4,132
	11.875p	11.50p	17,300	16,048

9 Investments

As at 31 December 2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Securities				
Listed equities/funds	577,131	726	265	578,122
Bonds	–	13,542	–	13,542
Property				
Freehold	–	–	84,800	84,800
Total financial asset investments	577,131	14,268	85,065	676,464
As at 31 December 2018	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Securities				
Listed equities/funds	451,888	–	265	452,153
Bonds	–	16,362	7,982	24,344
Property				
Freehold	–	–	83,500	83,500
Total financial asset investments	451,888	16,362	91,747	559,997

Investments in securities are financial assets designated at fair value through profit or loss on initial recognition. In accordance with FRS 102 the tables above provide an analysis of these investments based on the fair value hierarchy described below which reflects the reliability and significance of the information used to measure their fair value.

Fair Value Hierarchy

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

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

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

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

9 Investments (continued)

	Equities* £'000	Bonds £'000	Property £'000	Total £'000
Cost of investments at 31 December 2018	371,234	14,419	62,642	448,295
Investment holding gains at 31 December 2018	80,919	9,925	20,858	111,702
Value of investments at 31 December 2018	452,153	24,344	83,500	559,997
Analysis of transactions during the year:				
Purchases at cost	113,575	6,498	5,042	125,115
Sales proceeds received	(81,014)	(19,024)	(4,361)	(104,399)
Amortisation of fixed income book cost	–	(3)	–	(3)
Gains on investments	93,408	1,727	619	95,754
Value of investments at 31 December 2019	578,122	13,542	84,800	676,464
Cost of investments at 31 December 2019	407,315	9,945	65,378	482,638
Investment holding gains at 31 December 2019	170,807	3,597	19,422	193,826
Value of investments at 31 December 2019	578,122	13,542	84,800	676,464

* Includes funds.

The company received £104,399,000 (2018 – £78,216,000) from investments sold in the year. The book cost of these investments when they were purchased was £90,769,000 (2018 – £70,494,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

The purchases and sales proceeds figures above include transaction costs of £392,000 (2018 – £193,000) and £82,000 (2018 – £204,000) respectively.

The property was valued on an open market basis by Savills as at 31 December 2019.

	2019 £'000	2018 £'000
Net (losses)/gains on investments		
Securities:		
Gains on sales	11,575	6,976
Changes in investment holding gains	83,560	(38,194)
	95,135	(31,218)
Property:		
Gains on sales	2,055	746
Changes in investment holding gains	(1,436)	2,435
	619	3,181
	95,754	(28,037)

Of the gains on sales during the year of £13,630,000 (2018 – gains of £7,722,000) a net gain of £13,943,000 (2018 – gain of £19,352,000) was included in investment holding gains at the previous year end.

10 Debtors

	2019 £'000	2018 £'000
Amounts falling due within one year:		
Accrued income and prepaid expenses	999	1,162
Taxation recoverable	502	577
	1,501	1,739

11 Creditors – amounts falling due within one year

	2019 £'000	2018 £'000
Interest payable	1,438	1,438
Rental income prepaid	660	677
Other creditors and accruals	1,113	931
	3,211	3,046

Included in other creditors is £672,000 (2018 – £543,000) in respect of the management fees.

12 Creditors – amounts falling due after more than one year

The 8% Debenture Stock 2022 is redeemable at par value on 10 April 2022. It is secured by a floating charge over the property of the Company. Under the terms of the Debenture Agreement, total borrowings should not exceed net assets and the Company cannot undertake share buy-backs if this would result in total borrowings exceeding 66.67%.

The carrying value of the 8% Debenture Stock, which is measured at amortised cost (see note 1(f) on page 44), has been calculated as follows:

	2019 £'000	2018 £'000
Nominal value of 8% Debenture Stock	80,000	80,000
Premium less issue expenses	11,009	11,009
	91,009	91,009
Net amortisation in prior years	(8,308)	(7,581)
Net amortisation during the year	(771)	(727)
Carrying value of 8% Debenture Stock at end of year	81,930	82,701

13 Share Capital

	2019 Number	2019 £'000	2018 Number	2018 £'000
Allotted, called up and fully paid ordinary shares of 25p each	147,520,943	36,880	140,930,943	35,233

During the year, 6,590,000 (2018 – 4,955,000) shares were issued at a premium to net asset value raising proceeds of £26,488,000 (2018 – £18,189,000). At 31 December 2019 the Company had authority to buy back 21,166,770 ordinary shares and to allot 8,640,592 ordinary shares without application of pre-emption rights in accordance with the authorities granted at the AGM in April 2019. No shares were bought back during the year.

14 Capital and Reserves

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
At 1 January 2019	35,233	27,694	22,781	380,492	17,253	483,453
Gains on investments – securities	–	–	–	95,135	–	95,135
Gains on investments – property	–	–	–	619	–	619
Shares issued	1,647	24,841	–	–	–	26,488
Management fees charged to capital	–	–	–	(1,945)	–	(1,945)
Finance costs charged to capital	–	–	–	(3,659)	–	(3,659)
Taxation credit to capital	–	–	–	363	–	363
Other exchange differences	–	–	–	(56)	–	(56)
Revenue return on ordinary activities after taxation	–	–	–	–	17,096	17,096
Dividends paid in the year	–	–	–	–	(17,006)	(17,006)
At 31 December 2019	36,880	52,535	22,781	470,949	17,343	600,488

The Capital Reserve includes unrealised investment holding gains of £193,826,000 (2018 – gains of £111,702,000) as detailed in note 9. The revenue reserve and the capital reserve (to the extent it constitutes realised profits) are distributable.

15 Net Asset Value per Ordinary Share

The net asset value per ordinary share and the net asset value attributable to the ordinary shareholders at the year end were as follows:

	2019	2018	2019 £'000	2018 £'000
Ordinary shares of 25p	407.1p	343.0p	600,488	483,453

Net asset value per ordinary share is based on the net assets as shown above and on 147,520,943 (2018 – 140,930,943) ordinary shares, being the number of ordinary shares in issue at the year end.

Deducting borrowings at fair value would have the effect of reducing net asset value per ordinary share from 407.1p to 400.9p*. Taking the market price of the ordinary shares at 31 December 2019 of 426.0p, this would have given a premium to net asset value of 6.3%* as against a premium of 4.6% on a book basis. At 31 December 2018 the effect would have been to reduce net asset value per ordinary share from 343.0p to 336.4p*. Taking the market price of the ordinary shares at 31 December 2018 of 351.0p, this would have given a premium to net asset value of 4.3%* as against a premium of 2.3% on a book basis.

*Alternative performance measure, see Glossary of Terms and Alternative Performance Measures on pages 65 and 66.

16 Related Party Transactions

The Directors' fees for the year and interests in the Company's shares at the end of the year are detailed in the Directors' Remuneration Report on pages 31 and 32.

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

The management fee due to Baillie Gifford and Co Limited is set out in note 3 on page 46 and the amount accrued at 31 December 2019 is set out in note 11 on page 50. Details of the Investment Management Agreement are set out on page 23.

17 Analysis of Change in Net Debt

	1 January 2019 £'000	Cash Flows £'000	Exchange Movement £'000	Other non-cash changes £'000	31 December 2019 £'000
Cash and cash equivalents	7,464	49	(56)	–	7,457
Debenture Stock due in more than one year	(82,701)	–	–	771	(81,930)
Total	(75,237)	49	(56)	771	(74,473)

18 Financial Instruments

As an investment trust, the Company invests in equities and makes other investments so as to secure its investment objective of increasing capital and growing income in order to deliver real dividend growth. The Company borrows money when the Board and Managers have sufficient conviction that the assets funded by borrowed monies will generate a return in excess of the cost of borrowing. In pursuing its investment objective, the Company is exposed to a variety of risks that cause short term variation in the Company's net assets and could result in either a reduction in the Company's net assets or a reduction in the profits available for dividend.

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

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

Market Risk

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

Details of the Company's investment portfolio are shown in note 9.

Currency Risk

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

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

Forward currency contracts are used periodically to limit the Company's exposure to anticipated future changes in exchange rates which might otherwise adversely affect the value of the portfolio of investments. Where appropriate, they are used also to achieve the portfolio characteristics that assist the Company in meeting its investment objectives. Cash amounts received in foreign currencies are converted to sterling on a regular basis.

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

At 31 December 2019	Investments £'000	Cash and cash equivalents £'000	Debentures £'000	Other debtors and creditors* £'000	Net exposure £'000
US dollar	194,538	67	–	366	194,971
Euro	90,680	–	–	502	91,182
Hong Kong dollar	35,788	47	–	–	35,835
Swiss franc	55,397	–	–	–	55,397
Australian dollar	30,964	–	–	–	30,964
Brazilian real	27,249	–	–	171	27,420
Swedish kroner	24,187	–	–	–	24,187
Other overseas currencies	47,115	–	–	–	47,115
Total exposure to currency risk	505,918	114	–	1,039	507,071
Sterling	170,546	7,343	(81,930)	(2,542)	93,417
	676,464	7,457	(81,930)	(1,503)	600,488

* Includes net non-monetary assets of £38,000.

18 Financial Instruments (continued)

At 31 December 2018	Investments £'000	Cash and cash equivalents £'000	Debentures £'000	Other debtors and creditors *	Net exposure £'000
US dollar	174,296	60	–	176	174,532
Euro	70,086	47	–	976	71,109
Hong Kong dollar	34,906	–	–	–	34,906
Swiss franc	24,941	–	–	–	24,941
Australian dollar	23,803	–	–	–	23,803
Brazilian real	19,605	–	–	183	19,788
Swedish kroner	17,138	–	–	–	17,138
Other overseas currencies	35,751	–	–	–	35,751
Total exposure to currency risk	400,526	107	–	1,335	401,968
Sterling	159,471	7,357	(82,701)	(2,642)	81,485
	559,997	7,464	(82,701)	(1,307)	483,453

* Includes net non-monetary assets of £32,000.

Currency Risk Sensitivity

At 31 December 2019, if sterling had strengthened by 5% in relation to all currencies, with all other variables held constant, total net assets and total return on ordinary activities would have decreased by the amounts shown below. A 5% weakening of sterling against all currencies, with all other variables held constant, would have had a similar but opposite effect on the financial statement amounts. The analysis is performed on the same basis for 2018.

	2019 £'000	2018 £'000
US dollar	9,749	8,727
Euro	4,559	3,555
Hong Kong dollar	1,792	1,745
Swiss franc	2,770	1,247
Australian dollar	1,548	1,190
Brazilian real	1,371	989
Swedish kroner	1,209	857
Other overseas currencies	2,356	1,788
	25,354	20,098

Interest Rate Risk

Interest rate movements may affect directly:

- the fair value of the investments in fixed interest rate securities;
- the level of income receivable on cash deposits;
- the fair value of the Company's fixed-rate borrowings; and
- the interest payable on any variable rate borrowings which the Company may take out.

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

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

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

The Company finances part of its activities through borrowings at approved levels. The amount of such borrowings and the approved levels are monitored and reviewed regularly by the Board.

Movements in interest rates, to the extent that they affect the fair value of the Company's fixed rate borrowings, may also affect the amount by which the Company's share price is at a discount or a premium to the net asset value.

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

18 Financial Instruments (continued)

Financial Assets

	2019 Fair value £'000	2019 Weighted average interest rate	2019 Weighted average fixed rate period *	2018 Fair value £'000	2018 Weighted average interest rate	2018 Weighted average fixed rate period *
Fixed rate:						
Euro denominated bonds	–	–	–	4,637	5.75%	2 years
US dollar denominated bonds	6,625	5.65%	7 years	5,855	5.75%	5 months
Floating rate:						
Brazilian bonds (interest rate linked to Brazilian CPI)	6,917	7.52%	25 years	5,870	9.54%	26 years
Fixed Interest Collective Investment Funds:						
US dollar denominated fund	–	–	–	7,982	2.5%	n/a
Cash and short term deposits:						
Other overseas currencies	114	–	n/a	107	–	n/a
Sterling	7,343	0.475%	n/a	7,357	0.3%	n/a

* Based on expected maturity/redemption date.

Financial Liabilities

	2019 £'000	2018 £'000
The interest rate risk profile of the Company's financial liabilities at 31 December was:		
Fixed rate – sterling	81,930	82,701
The maturity profile of the Company's financial liabilities at 31 December was:		
In more than two years, but not more than five years	81,930	82,701

Interest Rate Risk Sensitivity

An increase of 100 basis points in bond yields as at 31 December 2019 would have decreased total net assets and total return on ordinary activities by £1,387,000 (2018 – £799,000) and would have increased the net asset value per share (with debenture at fair value) by 0.3p (2018 – 1.3p). A decrease of 100 basis points would have had an equal but opposite effect.

Other Price Risk

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

The Board manages the market price risks inherent in the investment portfolio by ensuring full and timely access to relevant information from the Investment Manager. The Board meets regularly and at each meeting reviews investment performance, the investment portfolio and the rationale for the current investment positioning to ensure consistency with the Company's objectives and investment policies.

Other Price Risk Sensitivity

A full list of the Company's investments is shown on pages 18 to 20. In addition, various analyses of the portfolio by asset class and industrial sector are contained in the Strategic Report.

96.2% of the Company's net assets are invested in quoted equities. A 5% increase in quoted equity valuations at 31 December 2019 would have increased total assets and total return on ordinary activities by £28,893,000 (2018 – £22,594,000). A decrease of 5% would have had an equal but opposite effect. 14.2% of the Company's net assets are invested in direct property.

18 Financial Instruments (continued)

Property Sensitivity Analysis

The valuations of investment properties are sensitive to changes in the assumed significant unobservable inputs. A significant increase/ (decrease) in estimated rental values in isolation would result in a significantly higher/(lower) fair value of the properties. A significant increase/ (decrease) in the all risks yield in isolation would result in a significantly (lower)/higher fair value.

There are interrelationships between the yields and rental values as they are partially determined by market rate conditions.

The sensitivity of the valuation to changes in the most significant inputs per class of investment property are shown below:

Estimated movement in fair value of investment properties at 31 December 2019 arising from:	Retail and leisure £'000	Office £'000	Industrial £'000	Other £'000	Total £'000
Increase in rental value by 5%	150	150	500	–	800
Decrease in rental value by 5%	(200)	(150)	(500)	–	(850)
Increase in yield by 0.5%	3,750	1,100	1,500	600	6,950
Decrease in yield by 0.5%	(3,275)	(1,000)	(1,300)	(500)	(6,075)

Estimated movement in fair value of investment properties at 31 December 2018 arising from:	Retail and leisure £'000	Office £'000	Industrial £'000	Other £'000	Total £'000
Increase in rental value by 5%	200	150	850	–	1,200
Decrease in rental value by 5%	(70)	(175)	(250)	–	(495)
Increase in yield by 0.5%	3,695	1,300	1,700	600	7,295
Decrease in yield by 0.5%	(3,145)	(1,125)	(1,350)	(525)	(6,145)

This represents the best estimate of a reasonable possible shift in estimated rental values and yield, having regard to historical volatility of the value and yield.

Liquidity Risk

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

Liquidity risk is not significant as the majority of the Company's assets are investments in quoted securities that are readily realisable.

The Company's holdings in direct property and unlisted investments, which are not considered to be readily realisable, amount to 14.2% of net assets at 31 December 2019 (2018 – 17.3%). The Company has the power to take out borrowings, which give it access to additional funding when required.

The Board gives guidance to the Investment Managers as to the maximum amount of the Company's resources that should be invested in any one holding and to the maximum aggregate exposure to any one entity (see investment policy on page 6). The Board also sets parameters for the degree to which the Company's net assets are invested in quoted equities.

Credit Risk

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

- where the Investment Manager makes an investment in a bond or other security with credit risk, that credit risk is assessed and then compared to the prospective investment return of the security in question;
- the Board regularly receives information from the Investment Manager on the credit ratings of those bonds and other securities in which the Company has invested;
- the Depositary is liable for the loss of financial instruments held in custody. The Depositary will ensure that any delegate segregates the assets of the Company. The Depositary has delegated the custody function to The Bank of New York Mellon (International) Limited. Bankruptcy or insolvency of the custodian may cause the Company's rights with respect to securities held by the custodian to be delayed. The Investment Manager monitors the Company's risk by reviewing the custodian's internal control reports and reporting its findings to the Board;
- investment transactions are carried out with a large number of brokers whose creditworthiness is reviewed by the Investment Manager. Transactions are ordinarily undertaken on a delivery versus payment basis whereby the Company's custodian bank ensures that the counterparty to any transaction entered into by the Company has delivered on its obligations before any transfer of cash or securities away from the Company is completed;
- transactions involving derivatives, structured notes and other arrangements wherein the creditworthiness of the entity acting as broker or counterparty to the transaction is likely to be of sustained interest are subject to rigorous assessment by the Investment Manager of the creditworthiness of that counterparty. The Company's aggregate exposure to each such counterparty is monitored regularly by the Board; and
- cash is only held at banks that are regularly reviewed by the Managers.

18 Financial Instruments (continued)

Credit Risk Exposure

The exposure to credit risk at 31 December was:

	2019 £'000	2018 £'000
Bonds	13,542	24,344
Cash and short term deposits	7,457	7,464
Debtors and prepayments	1,501	1,739
Deferred expenses	207	–
	22,707	33,547

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

Fair Value of Financial Assets and Financial Liabilities

The Directors are of the opinion that the financial assets and liabilities of the Company are stated at fair value in the Balance Sheet with the exception of the long term borrowings which are stated at amortised cost. The fair value (determined as the asking price as traded on an active market) of the debenture stock is shown below.

	2019 Nominal £'000	2019 Book £'000	2019 Fair £'000	2018 Nominal £'000	2018 Book £'000	2018 Fair £'000
8% debenture stock 2022	80,000	81,930	91,024	80,000	82,701	92,000

Capital Management

The capital of the Company is its share capital and reserves as set out in notes 13 and 14 together with its borrowings (see note 12). The objective of the Company is to deliver real dividend growth by increasing capital and growing income. The Company's investment policy is set out on page 6. In pursuit of the Company's objective, the Board has a responsibility for ensuring the Company's ability to continue as a going concern and details of the related risks and how they are managed are set out on pages 7 and 8 and on pages 27 and 28. The Company has the authority to issue and buy back its shares (see pages 24 and 25) and changes to the share capital during the year are set out in notes 13 and 14. The Company does not have any externally imposed capital requirements other than the covenants on its debenture which are detailed in note 12.

Cost-effective Ways to Buy and Hold Shares in SAINTS

Information on how to invest in SAINTS can be found at www.saints-it.com.

Risks

- Past performance is not a guide to future performance.
- SAINTS is a listed UK Company. The value of its shares and any income from them can fall as well as rise and investors may not get back the amount invested.
- SAINTS has borrowed money to make further investments (sometimes known as ‘gearing’ or ‘leverage’). The risk is that when this money is repaid by the Company, the value of these investments may not be enough to cover the borrowing and interest costs, and the Company will make a loss. If the Company’s investments fall in value, any gearing will increase the amount of this loss.
- SAINTS can buy back its own shares. The risks from borrowing, referred to above, are increased when a company buys back its own shares.
- SAINTS invests in overseas securities. Changes in the rates of exchange may also cause the value of your investment (and any income it may pay) to go down or up.
- SAINTS invests in emerging markets where difficulties in dealing, settlement and custody could arise, resulting in a negative impact on the value of your investment.
- SAINTS invests in corporate bonds which are generally perceived to carry a greater possibility of capital loss than investment in, for example, higher rated UK government bonds. Bonds issued by companies and governments may be adversely affected by changes in interest rates and expectations of inflation.
- Market values for securities which have become difficult to trade may not be readily available, and there can be no assurance that any value assigned to such securities will accurately reflect the price that SAINTS might receive upon their sale.
- SAINTS can make use of derivatives. The use of derivatives may impact upon performance.
- SAINTS has some direct property investments which may be difficult to sell. Valuations of property are only estimates based on the valuer’s opinion. These estimates may not be achieved when the property is sold.
- SAINTS charges 65% of its investment management fee, borrowing costs and property management fee to capital, which reduces the capital value. Also, where income is low, the remaining expenses may be greater than the total income received, meaning the Company may not pay a dividend and the capital value could be further reduced.

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

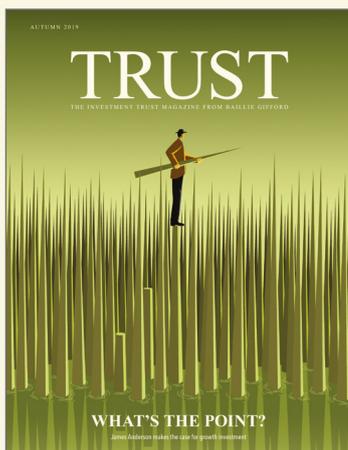
The favourable tax treatment of ISAs may change.

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

Further details of the risks associated with investing in the Company, including how charges are applied, can be found at www.saints-it.com, or by calling Baillie Gifford on 0800 917 2112.

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

Communicating with Shareholders



Trust Magazine

Promoting SAINTS

Baillie Gifford carries out extensive marketing activity to promote SAINTS to institutional, intermediary and direct investors.

Trust Magazine

Trust is the Baillie Gifford investment trust magazine which is published twice a year. It provides an insight to our investment approach by including interviews with our fund managers, as well as containing investment trust news, investment features and articles about the trusts managed by Baillie Gifford, including SAINTS. For a copy of Trust, please contact the Baillie Gifford Client Relations Team.

An online version of Trust can be found at www.bailliegifford.com/trust

SAINTS on the Web

Up-to-date information about SAINTS, including a monthly commentary, recent portfolio information and performance figures can be found on SAINTS' page of the Managers' website at www.saints-it.com.

You can also find a brief history of SAINTS, an explanation of the effects of gearing and a flexible performance reporting tool.

If you are interested in investing directly in SAINTS, you can do so online. There are a number of companies offering real time online dealing services – find out more on the Platforms section of the Managers' website: www.bailliegifford.com.



A SAINTS web page at www.saints-it.com

Suggestions and Questions

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

Literature in Alternative Formats

It is possible to provide copies of the literature in alternative formats, such as large print or on audio tape. Please contact the Baillie Gifford Client Relations Team for more information.

Client Relations Team Contact Details

Telephone: 0800 917 2112

Your call may be recorded for training or monitoring purposes.

Email: trustenquiries@bailliegifford.com

Website: www.bailliegifford.com

Fax: 0131 275 3955

Client Relations Team

Baillie Gifford Client Relations Team
Calton Square
1 Greenside Row
Edinburgh EH1 3AN

SAINTS specific queries

Please use the following contact details:

Email: saints@bailliegifford.com

Website: www.saints-it.com

Please note that Baillie Gifford is not permitted to give financial advice. If you would like advice please ask an authorised intermediary.

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 or by asking a professional adviser to do so. If you are interested in investing directly in SAINTS you can do so online. There are a number of companies offering real time online dealing services – find out more by visiting the investment trust pages at www.bailliegifford.com.

Sources of Further Information on the Company

The price of shares is quoted daily in the Financial Times and can also be found on SAINTS' page of the Baillie Gifford website at www.saints-it.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.

SAINTS Share Identifiers

ISIN GB0007873697

Sedol 0787369

Ticker SAIN

Legal Entity Identifier 549300NF03XVC51FB447

AIC

The Company is a member of the Association of Investment Companies.

Dividend Dates

The table below gives the actual and anticipated quarterly dividend dates.

The ex-dividend date is the date on which entitlement to receive the net dividend is established. The record date is the date on which shares must be registered following purchase to receive the dividend direct. Otherwise you will have to claim it from the agent through whom you purchased your shares. The DRIP election date is the final date for electing to participate in the Dividend Reinvestment Plan (see page 60 for more details) for that dividend.

Dividend Dates for 2020

	Final 2019	First interim *	Second interim *	Third interim *
Dividend announced	13/2/20	21/5/20	31/7/20	4/11/20
Ex-dividend date	5/3/20	28/5/20	13/8/20	19/11/20
Record date	6/3/20	29/5/20	14/8/20	20/11/20
DRIP election date	19/3/20	2/6/20	28/8/20	27/11/20
Dividend paid	9/4/20	23/6/20	18/9/20	18/12/20

* Anticipated dates.

Interest

Interest is paid on the 8% Debenture Stock in April and October.

Announcement of Results and Reports

SAINTS' results for the half year to 30 June will be announced in July and the results for the year to 31 December will be announced in mid February. The Interim Report will be posted to shareholders in August and the Annual Report in early March. The 2020 AGM is being held on 2 April.

How You are Taxed

– **Capital** As an investment trust, SAINTS pays no capital gains tax. This means that, while assets remain invested in SAINTS, they are managed free of such tax. However, should you decide to sell your SAINTS' shares, you may be subject to capital gains tax.

If you held SAINTS' shares on or before 31 March 1982 the market value of the ordinary shares (adjusted for present capital) on that date of 33.125p will be required for your capital gains tax computation.

– **Income** The dividends you receive from your SAINTS' shares are taxed as income. With effect from 6 April 2018, the individual annual tax free allowance is £2,000 across all dividend income, above which there is a tax liability. Dividends received should be declared on your Tax Return. For further information, please visit the hmrc.gov.uk website.

Shareholders are recommended to consult their professional adviser as to their tax position.

Share Register Enquiries

Computershare Investor Services PLC maintains the share register on behalf of the Company. In the event of queries regarding shares registered in your own name, please contact the Registrars on 0370 707 1282. This helpline also offers an automated self-service functionality (available 24 hours a day, 7 days a week) which allows you to:

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

By quoting the reference number on your share certificate you can check your holding on the Registrar's website at www.investorcentre.co.uk.

They also offer a free, secure share management website service which allows you to:

- view your share portfolio and see the latest market price of your shares;
- calculate the total market price of each shareholding;
- view price histories and trading graphs;
- register to receive communications from the Company, including the Annual Report, in electronic format;
- update bank mandates and change address details;
- use online dealing services; and
- pay dividends directly into your overseas bank account in your chosen local currency.

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

Dividend Reinvestment Plan

Computershare operate a Dividend Reinvestment Plan which can be used to buy additional shares instead of receiving your dividend via cheque or into your bank account. For further information log in to www.investorcentre.co.uk and follow the instructions or telephone 0370 707 1694.

Electronic Proxy Voting

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

If you have any questions about this service please contact Computershare on 0370 707 1282.

CREST Proxy Voting

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

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

- participation in a diversified portfolio of shares;
- constant supervision by experienced professional managers; and
- the Company is free from capital gains tax on capital profits realised within its portfolio.

Analysis of Shareholders at 31 December

	2019 Number of shares held	2019 %	2018 Number of shares held	2018 %
Institutions	18,903,120	12.8	16,692,344	11.8
Intermediaries	115,159,598	78.1	77,716,986	55.1
Individuals	13,154,873	8.9	13,796,113	9.8
Baillie Gifford Share Plan/ISA	–	–	32,647,030	23.2
Marketmakers	303,352	0.2	78,470	0.1
	147,520,943	100.0	140,930,943	100.0

Data Protection

The Company is committed to ensuring the confidentiality and security of any personal data provided to it. Further details on how personal data is held and processed on behalf of the Company can be found in the privacy policy available on the Company's website www.saints-it.com.

Automatic Exchange of Information

In order to fulfil its legal obligations under UK tax legislation relating to the automatic exchange of information, The Scottish American Investment Company P.L.C. is required to collect and report certain information about certain shareholders.

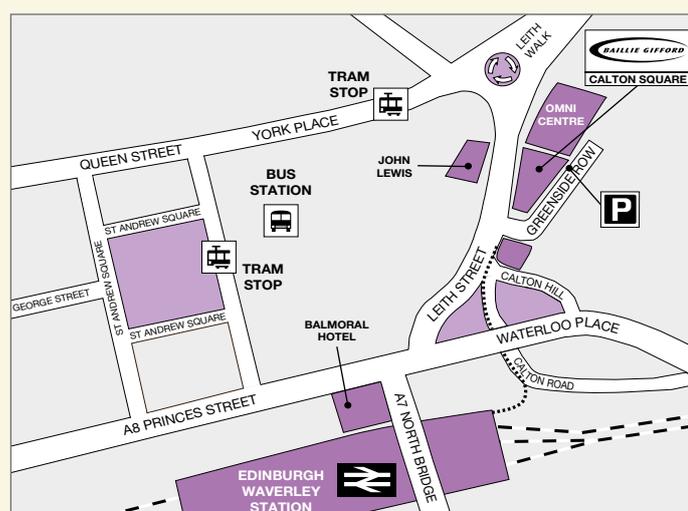
The legislation requires investment trust companies to provide personal information to HMRC on certain investors who purchase shares in investment trusts. Accordingly, The Scottish American Investment Company P.L.C. will have to provide information annually to the local tax authority on the tax residencies of a number of non-UK based certificated shareholders and corporate entities.

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

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

The Financial Statements have been approved by the Directors of The Scottish American Investment Company P.L.C.

Notice of Annual General Meeting



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, 2 April 2020 at 11am.

If you have any queries as to how to vote or how to attend the meeting, please call us on 0800 917 2112.

Baillie Gifford may record your call.



By Rail:

Edinburgh Waverley – approximately a 5 minute walk away



By Bus:

Lothian Buses local services include:
1, 5, 7, 8, 10, 12, 14, 15, 15A, 16, 22, 25, 34



By Tram:

Stops at St Andrew Square and York Place

..... Access to Waverley Train Station on foot

Notice is hereby given that the one hundred and forty seventh Annual General Meeting of The Scottish American Investment Company P.L.C. will be held at the Registered Office of the Company, Calton Square, 1 Greenside Row, Edinburgh EH1 3AN on Thursday, 2 April 2020 at 11am. The Portfolio Managers responsible for SAINTS will give a short presentation on the investment outlook. The following resolutions will be proposed at the AGM:

Ordinary Business

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

1. To receive and adopt the Financial Statements of the Company for the year to 31 December 2019 with the Reports of the Directors and of the Independent Auditor thereon.
2. To approve the Directors' Remuneration Policy.
3. To approve the Directors' Annual Report on Remuneration for the year to 31 December 2019.
4. To declare a final dividend.
5. To re-elect Peter Moon as a Director.
6. To re-elect Eric Hagman as a Director.
7. To re-elect Bronwyn Curtis as a Director.
8. To re-elect Lord Macpherson of Earl's Court as a Director.
9. To re-elect Dame Mariot Leslie as a Director.
10. To re-elect Karyn Lamont as a Director.
11. To re-appoint KPMG LLP as Independent Auditor of the Company to hold office until the conclusion of the next Annual General Meeting at which the Financial Statements are laid before the Company.
12. To authorise the Directors to determine the remuneration of the Independent Auditor of the Company.
13. That, in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date hereof, the Directors of the Company be and they are hereby generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the 'Act') to exercise all the powers of the Company to allot shares in the

Company and to grant rights to subscribe for or to convert any security into shares in the Company ('Securities') provided that such authority shall be limited to the allotment of shares and the grant of rights in respect of shares with an aggregate nominal value of up to £12,352,578 (representing approximately 33 per cent. of the nominal value of the issued share capital as at 11 February 2020), such authority to expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on the expiry of 15 months from the passing of this resolution, whichever is the earlier, unless previously revoked, varied or extended by the Company in a general meeting, save that the Company may at any time prior to the expiry of this authority make an offer or enter into an agreement which would or might require Securities to be allotted or granted after the expiry of such authority and the Directors shall be entitled to allot or grant Securities in pursuance of such an offer or agreement as if such authority had not expired.

To consider and, if thought fit, to pass resolution 14 as a special resolution:

14. That, subject to the passing of resolution 13 above, and in substitution for any existing power but without prejudice to the exercise of any such power prior to the date hereof, the Directors of the Company be and they are hereby generally empowered, pursuant to sections 570 and 573 of the Companies Act 2006 (the 'Act'), to allot equity securities (within the meaning of section 560(1) of the Act), for cash pursuant to the authority given by resolution 13 above and by the sale of treasury shares as if section 561(1) of the Act did not apply to any such allotment of equity securities, provided that this power:
 - (a) expires at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on the expiry of 15 months from the passing of this resolution, whichever is the earlier, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred hereby had not expired; and

Shareholder Information

- (b) shall be limited to the allotment of equity securities up to an aggregate nominal value of £3,705,773 being approximately 10% of the nominal value of the issued share capital of the Company, as at 11 February 2020.

To consider and, if thought fit, to pass resolution 15 as an ordinary resolution:

15. That the Directors be authorised, for the purposes of LR 15.4.11 of the Listing Rules of the UK Listing Authority, to issue further ordinary shares (including selling treasury shares) for cash at a price below the net asset value per share of those shares (with borrowings valued at book) without first offering those shares pro rata to existing shareholders.

To consider and, if thought fit, to pass resolution 16 as a special resolution:

16. That, in substitution for any existing authority but without prejudice to the exercise of any such authority prior to the date hereof, the Company be and is hereby generally and unconditionally authorised, pursuant to and in accordance with section 701 of the Companies Act 2006 (the 'Act') to make market purchases (within the meaning of section 693(4) of the Act) of fully paid ordinary shares of 25 pence each in the capital of the Company ('ordinary shares') (either for retention as treasury shares or for cancellation), provided that:

- (a) the maximum aggregate number of ordinary shares hereby authorised to be purchased is 22,219,818, or, if less, the number representing approximately 14.99% of the issued ordinary share capital of the Company as at the date of the passing of this resolution;
- (b) the minimum price (excluding expenses) which may be paid for each ordinary share is 25 pence;
- (c) the maximum price (excluding expenses) which may be paid for each ordinary share shall not be more than the higher of:
- (i) 5 per cent. above the average closing price on the London Stock Exchange of an ordinary share over the five business days immediately preceding the date of purchase; and
 - (ii) the higher of the last independent trade and the highest current independent bid as stipulated by Article 5(1) of Commission Regulation (EC) 22 December 2003 implementing the Market Abuse Directive as regards exemptions for buy back programmes and stabilisation of financial instruments (No. 2273/2003); and
- (d) unless previously varied, revoked or renewed by the Company in a general meeting, the authority hereby conferred shall expire at the conclusion of the Company's Annual General Meeting to be held in respect of the financial year ending 31 December 2020, save that the Company may, prior to such expiry, enter into a contract to purchase ordinary shares under such authority which will or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of ordinary shares pursuant to any such contract.

Notes

1. As a member you are entitled to appoint a proxy or proxies to exercise all or any of your rights to attend, speak and vote at the AGM. A proxy need not be a member of the Company but must attend the AGM to represent you. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You can only appoint a proxy using the procedure set out in these notes and the notes to the proxy form. You may not use any electronic address provided either in this notice or any related documents (including the Financial Statements and proxy form) to communicate with the Company for any purpose other than those expressly stated.
2. To be valid any proxy form or other instrument appointing a proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, must be received by post or (during normal business hours only) by hand at the Registrars of the Company at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY or www.eproxyappointment.com no later than two days (excluding non-working days) before the time of the meeting or any adjourned meeting.
3. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual and/or by logging on to the website www.euroclear.com/CREST. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
4. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's registrar (ID 3RA50) no later than 2 days (excluding non-working days) before the time of the meeting or any adjournment. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

By order of the Board
Baillie Gifford & Co Limited
Company Secretary
2 March 2020

5. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his/her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST service by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
6. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
7. The return of a completed proxy form or other instrument of proxy will not prevent you attending the AGM and voting in person if you wish.
8. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 and section 311 of the Companies Act 2006 the Company specifies that to be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company no later than 2 days (excluding non-working days) prior to the commencement of the AGM or any adjourned meeting. Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
9. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
10. The statement of the rights of shareholders in relation to the appointment of proxies in Notes 1 and 2 above does not apply to Nominated Persons. The rights described in those Notes can only be exercised by shareholders of the Company.
11. The members of the Company may require the Company to publish, on its website, (without payment) a statement (which is also passed to the Auditor) setting out any matter relating to the audit of the Company's accounts, including the Auditor's report and the conduct of the audit. The Company will be required to do so once it has received such requests from either members representing at least 5% of the total voting rights of the Company or at least 100 members who have a relevant right to vote and hold shares in the Company on which there has been paid up an average sum per member of at least £100. Such requests must be made in writing and must state your full name and address and be sent to the Company at Calton Square, 1 Greenside Row, Edinburgh, EH1 3AN.
12. Information regarding the Annual General Meeting, including information required by section 311A of the Companies Act 2006, is available from the Company's page of the Managers' website at www.saints-it.com.
13. Members have the right to ask questions at the meeting in accordance with section 319A of the Companies Act 2006.
14. As at 11 February 2020 (being the last practicable date prior to the publication of this notice) the Company's issued share capital consisted of 148,230,943 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 11 February 2020 were 148,230,943 votes.
15. Any person holding 3% or more of the total voting rights of the Company who appoints a person other than the Chairman of the meeting as his/her proxy will need to ensure that both he/she and his/her proxy complies with their respective disclosure obligations under the UK Disclosure and Transparency Rules.
16. No Director has a contract of service with the Company.

Alternative Investment Fund Managers (AIFM) Directive

In accordance with the AIFM Directive, information in relation to the Company's leverage and the remuneration of the Company's AIFM, Baillie Gifford & Co Limited, is required to be made available to investors. In accordance with the Directive, the AIFM remuneration policy is available at www.bailliegifford.com or on request (see contact details on the back cover) and the numerical remuneration disclosures in respect of the AIFM's first relevant reporting period (year ended 31 March 2019) are available at www.bailliegifford.com.

The Company's maximum and actual leverage levels (see Glossary of Terms and Alternative Performance Measures on pages 65 and 66) at 31 December 2019 are shown below:

Leverage

	Gross method	Commitment method
Maximum limit	3.00:1	2.00:1
Actual	1.13:1	1.14:1

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Glossary of Terms and Alternative Performance Measures (APM)

Total Assets

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

Net Asset Value

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

Net Asset Value (Debenture at Book Value)

Borrowings are valued at adjusted net issue proceeds. Book value approximates amortised cost.

Net Asset Value (Debenture at Fair Value) (APM)

Borrowings are valued at an estimate of their market worth. This indicates the cost to the Company of repaying its borrowings under current market conditions. It is a widely reported measure across the investment trust industry.

	31 December 2019	31 December 2018
Shareholders' funds (debenture at book value)	£600,488,000	£483,453,000
Add: book value of debenture	£81,930,000	£82,701,000
Less: fair value of debenture	(£91,024,000)	(£92,000,000)
Shareholders' funds (debenture at fair value)	£591,394,000	£474,154,000
Shares in issue at year end	147,520,943	140,930,943
Net Asset Value per ordinary share (debenture at fair value)	400.9p	336.4p

Discount/Premium (APM)

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

Ongoing Charges (APM)

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

A reconciliation from the expenses detailed in the Income Statement on page 40 is provided below.

	31 December 2019	31 December 2018
Investment management fee	£2,992,000	£2,646,000
Other administrative expenses	£1,247,000	£1,073,000
Total expenses (a)	£4,239,000	£3,719,000
Average daily cum-income net asset value (with debt at fair value) (b)	£549,105,000	£489,544,000
Ongoing charges (a)÷(b) (expressed as a percentage)	0.77%	0.76%

Performance Attribution (APM)

Analysis of how the Company achieved its performance relative to its benchmark.

Total Return (APM)

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

		2019 NAV (book)	2019 NAV (fair)	2019 Share price	2018 NAV (book)	2018 NAV (fair)	2018 Share price
Opening NAV per share/share price	(a)	343.0p	336.4p	351.0p	366.2p	355.6p	368.0p
Closing NAV per share/share price	(b)	407.1p	400.9p	426.0p	343.0p	336.4p	351.0p
Dividend adjustment factor*	(c)	1.030459	1.031180	1.030751	1.031195	1.031807	1.031624
Adjusted closing NAV per share/share price	(d = b x c)	419.5p	413.4p	439.1p	353.7p	347.1p	362.1p
Total return	(d ÷ a) - 1	22.3%	22.9%	25.1%	(3.4%)	(2.4%)	(1.6%)

* The dividend adjustment factor is calculated on the assumption that the dividends paid out by the Company are reinvested into the shares of the Company at the cum income NAV at the ex-dividend date.

Gearing (APM)

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

Gearing represents borrowings at book less cash and cash equivalents expressed as a percentage of shareholders' funds.

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

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

Leverage (APM)

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

Active Share (APM)

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

Directors

Chairman:
Peter Moon

Bronwyn Curtis, OBE
Eric Hagman, CBE, CA
Karyn Lamont, CA
Dame Mariot Leslie
Lord Macpherson of Earl's Court, GCB

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Company Details

www.saints-it.com

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Ticker SAIN

Legal Entity Identifier:
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