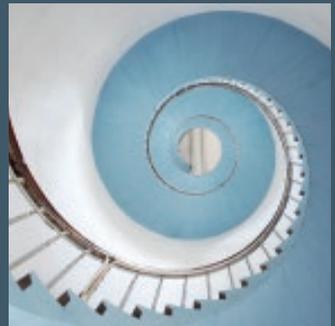
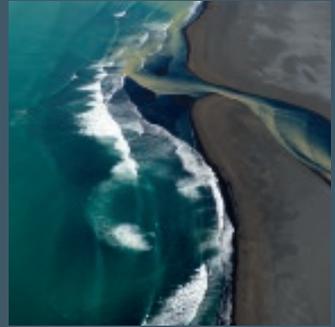


# THE SCOTTISH AMERICAN INVESTMENT COMPANY P.L.C.

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SAINTS

Income again and again



Interim Financial Report  
30 June 2018





## Objective

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

## Investment Policy

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.

## Benchmark

The portfolio benchmark against which performance has been measured is the FTSE All-World Index (in sterling terms).

In comparing NAV performance to the benchmark, the Company's assets and liabilities are measured at fair value.

## Principal Risks and Uncertainties

The principal risks facing the Company are financial risk, investment strategy risk, regulatory risk, custody and depositary risk, operational risk, discount risk, leverage risk and political risk. An explanation of these risks and how they are managed is set out on pages 7 and 8 of the Company's Annual Report and Financial Statements for the year to 31 December 2017 which is available on the Company's website:

[www.saints-it.com](http://www.saints-it.com). The principal risks and uncertainties have not changed since the date of that report.

## Responsibility Statement

We confirm that to the best of our knowledge:

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

By order of the Board  
Peter Moon  
Chairman  
25 July 2018

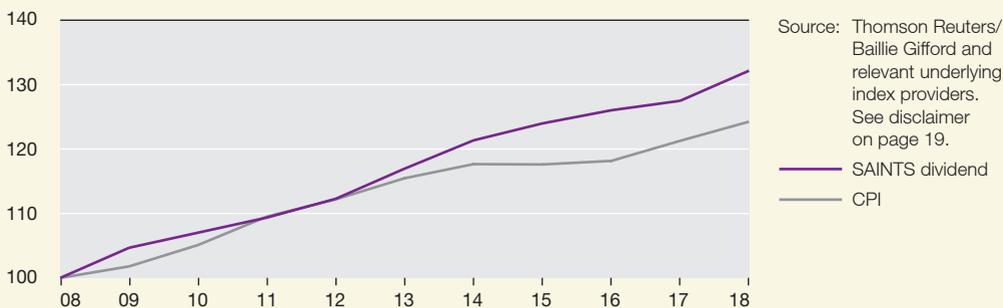
## Summary of Unaudited Results

|   | 30 June<br>2018 | 31 December<br>2017<br>(audited) | % change |
|---|-----------------|----------------------------------|----------|
| Shareholders' funds   | £498.5m         | £498.0m                          |          |
| Net asset value per ordinary share (debenture at fair value)* | 351.7p          | 355.6p                           | (1.1)    |
| Net asset value per ordinary share (debenture at book value)* | 360.2p          | 366.2p                           | (1.6)    |
| Share price   | 364.0p          | 368.0p                           | (1.1)    |
| FTSE All-World Index (in sterling terms)†                     |                 |                                  | 0.7      |
| Premium/(discount) – debenture at fair value*                 | 3.5%            | 3.5%                             |          |
| Premium/(discount) – debenture at book value*                 | 1.1%            | 0.5%                             |          |
| Active share*   | 90%             | 90%                              |          |

|   | Six months to<br>30 June<br>2018 | Six months to<br>30 June<br>2017 | % change |
|---|----------------------------------|----------------------------------|----------|
| Revenue earnings per share                          | 6.55p                            | 6.22p                            | 5.3      |
| Dividends paid and payable in respect of the period | 5.675p                           | 5.475p                           | 3.7      |

### Dividend versus Inflation

Ten Year Cumulative to 30 June 2018 (figures rebased to 100 at 30 June 2008)



|   | Six months to<br>30 June<br>2018 | Year to<br>31 December<br>2017 |
|---|----------------------------------|--------------------------------|
| <b>Total return performance**†</b>        |                                  |                                |
| Net asset value (debenture at fair value) | 0.5%                             | 18.8%                          |
| Net asset value (debenture at book value) | (0.1%)                           | 16.7%                          |
| Share price                               | 0.5%                             | 17.2%                          |
| FTSE All-World Index (in sterling terms)  | 2.1%                             | 13.8%                          |

\* See Glossary of Terms on pages 17 and 18.

† Source: Thomson Reuters/Baillie Gifford and relevant underlying data providers. See disclaimer on page 19.

Past performance is not a guide to future performance.

# Interim Management Report

The net asset value total return for the first six months of 2018 was 0.5% and the share price total return was 0.5%. The total return on global equities, as measured by the FTSE All World Index in sterling\*, was 2.1%. Political and macro-economic concerns have had an impact on emerging market valuations during the period, and this held back the portfolio's total return.

Despite this volatility, earnings per share for the six months rose to 6.55p compared to 6.22p in the same period last year. All of SAINTS' primary asset classes contributed to the growth in earnings per share. The key driver of growth was the equity portfolio, which delivered strong growth in dividends. The bond portfolio produced a smaller increase in income, while the property portfolio delivered another period of robust rental growth.

A first interim dividend of 2.825p was paid at the end of May and a second interim dividend of 2.85p is payable at the end of August. The total amount of these dividends, 5.675p, is 3.7% higher than the amount paid for the corresponding period in 2017. Inflation, as measured by CPI, was 2.4% over the year to end June 2018.

Over the six month period 2,420,000 shares (representing just over 1.8% of issued share capital at 1 January 2018) were issued at a premium to net asset value, with SAINTS' share price ending the period modestly above net asset value.

Operational updates from SAINTS' equity holdings have been generally encouraging. Particularly strong share price performance was delivered by Cochlear, the Australian hearing implant manufacturer, Pearson, the education company, and Kering, the owner of Gucci and other luxury goods brands, all of which generated total returns of over 25% during the six month period.

The Company remained fully invested over the period, during which modest net reductions were made to the property and fixed income portfolios and re-invested in equities. Annualised turnover during the period was around 14%, implying an average holding period of approximately seven years. This is consistent with our long-term, low turnover, stock-driven approach.

The Company's primary objective is to deliver real dividend growth over time, as it has done over the past. We remain confident of achieving this objective, given the solid growth prospects we see for the assets held across the portfolio.

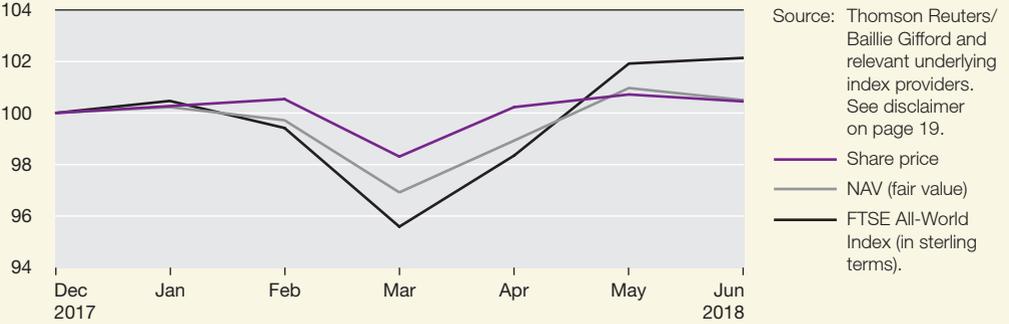
The principal risks and uncertainties facing the Company are set out on the inside front cover of this report. Related party transaction disclosures are set out in note 10.

\* See disclaimer on page 19.

Past performance is not a guide to future performance.

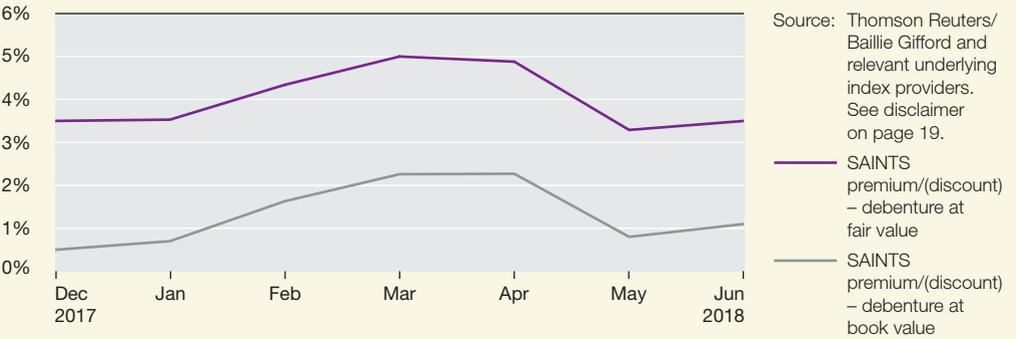
## Six Months Total Return Performance

(figures plotted on a monthly basis and rebased to 100 at 31 December 2017)



## Premium/(discount) to Net Asset Value

(figures plotted on a monthly basis)



Past performance is not a guide to future performance.

## Performance Attribution for the Six Months to 30 June 2018

| Portfolio breakdown                                     | Average allocation |                  | Total return |                  |
|---|--------------------|------------------|--------------|------------------|
|   | SAINTS<br>%        | Benchmark †<br>% | SAINTS<br>%  | Benchmark †<br>% |
| Global Equities   | 92.8               | 100.0            | 0.0          | 2.1              |
| Bonds   | 5.8                |                  | (4.2)        |                  |
| Direct Property   | 16.8               |                  | 6.2          |                  |
| Deposits  | 1.4                |                  | 0.0          |                  |
| Debenture at book value                                 | (16.8)             |                  | 3.4          |                  |
| <b>Portfolio Total Return</b> (debenture at book value) |                    |                  | <b>0.1</b>   | <b>2.1</b>       |
| Other items*  |                    |                  | (0.2)        |                  |
| <b>Fund Total Return</b> (debenture at book value)      |                    |                  | <b>(0.1)</b> |                  |
| Adjustment for change in fair value of debenture        |                    |                  | 0.6          |                  |
| <b>Fund Total Return</b> (debenture at fair value)      |                    |                  | <b>0.5</b>   | <b>2.1</b>       |

The above returns are calculated on a total returns basis with net income reinvested. Source: Baillie Gifford and relevant underlying index providers.

\* Includes Baillie Gifford and OLIM management fees. † See disclaimer on page 19.

Past performance is not a guide to future performance.

## Twenty Largest Equity Holdings at 30 June 2018

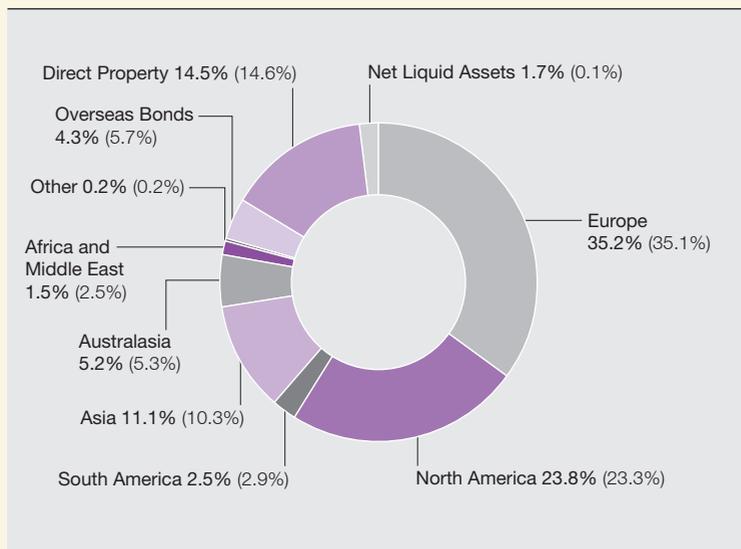
| Name                 | Business                                      | Value<br>£'000 | % of total<br>assets * |
|----------------------|---|----------------|------------------------|
| Deutsche Boerse      | Securities exchange owner/operator            | 12,868         | 2.2                    |
| Coca Cola            | Beverage manufacturer                         | 12,176         | 2.1                    |
| Anta Sports Products | Sportswear manufacturer and retailer          | 11,615         | 2.0                    |
| Johnson and Johnson  | Pharmaceuticals and healthcare products       | 11,042         | 1.9                    |
| Prudential           | Life insurer                                  | 10,615         | 1.8                    |
| CH Robinson          | Delivery and logistics                        | 10,543         | 1.8                    |
| Sonic Healthcare     | Laboratory testing                            | 10,189         | 1.8                    |
| Microsoft            | Computer software                             | 10,182         | 1.8                    |
| Hiscox               | Property and casualty insurance               | 10,029         | 1.7                    |
| Analog Devices       | Integrated circuits                           | 9,899          | 1.7                    |
| Procter & Gamble     | Household product manufacturer                | 9,494          | 1.6                    |
| Edenred              | Voucher programme outsourcer                  | 9,321          | 1.6                    |
| Fastenal             | Distribution and sales of industrial supplies | 9,285          | 1.6                    |
| Total                | Integrated oil company                        | 9,230          | 1.6                    |
| Experian             | Credit scoring and marketing services         | 9,077          | 1.6                    |
| Wolters Kluwer       | Information services and solutions provider   | 9,017          | 1.5                    |
| Partners Group       | Asset management                              | 8,896          | 1.5                    |
| AVI                  | Staple foods manufacturer                     | 8,768          | 1.5                    |
| Admiral              | Car insurance                                 | 8,520          | 1.5                    |
| Cochlear             | Hearing aids                                  | 8,499          | 1.5                    |
|                      |   | <b>199,265</b> | <b>34.3</b>            |

\* Before deduction of debenture.

## Distribution of Portfolio

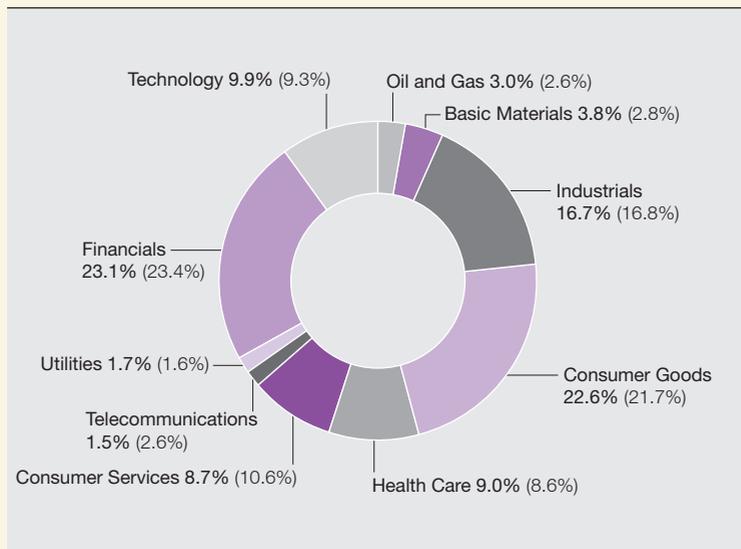
### Geographical at 30 June 2018

(31 December 2017)



### Equities by Sector at 30 June 2018

(31 December 2017)



## Income Statement (unaudited)

|   | For the six months ended 30 June 2018 |                  |                 | For the six months ended 30 June 2017 |                  |                | For the year ended 31 December 2017 (audited) |                  |                |
|---|---------------------------------------|------------------|-----------------|---------------------------------------|------------------|----------------|---|------------------|----------------|
|   | Revenue<br>£'000                      | Capital<br>£'000 | Total<br>£'000  | Revenue<br>£'000                      | Capital<br>£'000 | Total<br>£'000 | Revenue<br>£'000                              | Capital<br>£'000 | Total<br>£'000 |
| Gains on sales of investments – securities                    | –                                     | 10,722           | <b>10,722</b>   | –                                     | 15,355           | <b>15,355</b>  | –   | 38,496           | <b>38,496</b>  |
| (Losses)/gains on sales of investments – property             | –                                     | (63)             | <b>(63)</b>     | –                                     | 147              | <b>147</b>     | –   | 3,109            | <b>3,109</b>   |
| Changes in fair value of investments – securities             | –                                     | (20,077)         | <b>(20,077)</b> | –                                     | 17,953           | <b>17,953</b>  | –   | 17,695           | <b>17,695</b>  |
| Changes in fair value of investments – property               | –                                     | 2,441            | <b>2,441</b>    | –                                     | 1,136            | <b>1,136</b>   | –   | 1,736            | <b>1,736</b>   |
| Currency (losses)/gains                                       | –                                     | (45)             | <b>(45)</b>     | –                                     | 430              | <b>430</b>     | –   | 558              | <b>558</b>     |
| Income – dividends and interest                               | 9,285                                 | –                | <b>9,285</b>    | 8,516                                 | –                | <b>8,516</b>   | 15,327  | –                | <b>15,327</b>  |
| Income – rent and other                                       | 2,617                                 | –                | <b>2,617</b>    | 2,488                                 | –                | <b>2,488</b>   | 5,157   | –                | <b>5,157</b>   |
| Management fees   | (458)                                 | (850)            | <b>(1,308)</b>  | (437)                                 | (812)            | <b>(1,249)</b> | (893)   | (1,659)          | <b>(2,552)</b> |
| Other administrative expenses                                 | (682)                                 | –                | <b>(682)</b>    | (563)                                 | –                | <b>(563)</b>   | (1,086)                                       | –                | <b>(1,086)</b> |
| <b>Net return before finance costs and taxation</b>           | <b>10,762</b>                         | <b>(7,872)</b>   | <b>2,890</b>    | <b>10,004</b>                         | <b>34,209</b>    | <b>44,213</b>  | <b>18,505</b>                                 | <b>59,935</b>    | <b>78,440</b>  |
| Finance costs of borrowings                                   | (993)                                 | (1,844)          | <b>(2,837)</b>  | (1,000)                               | (1,858)          | <b>(2,858)</b> | (2,001)                                       | (3,715)          | <b>(5,716)</b> |
| <b>Net return on ordinary activities before taxation</b>      | <b>9,769</b>                          | <b>(9,716)</b>   | <b>53</b>       | <b>9,004</b>                          | <b>32,351</b>    | <b>41,355</b>  | <b>16,504</b>                                 | <b>56,220</b>    | <b>72,724</b>  |
| Tax on ordinary activities                                    | (804)                                 | 218              | <b>(586)</b>    | (700)                                 | 216              | <b>(484)</b>   | (1,291)                                       | 515              | <b>(776)</b>   |
| <b>Net return on ordinary activities after taxation</b>       | <b>8,965</b>                          | <b>(9,498)</b>   | <b>(533)</b>    | <b>8,304</b>                          | <b>32,567</b>    | <b>40,871</b>  | <b>15,213</b>                                 | <b>56,735</b>    | <b>71,948</b>  |
| <b>Net return per ordinary share</b> (note 4)                 | <b>6.55p</b>                          | <b>(6.94p)</b>   | <b>(0.39p)</b>  | <b>6.22p</b>                          | <b>24.39p</b>    | <b>30.61p</b>  | <b>11.33p</b>                                 | <b>42.24p</b>    | <b>53.57p</b>  |
| Note:<br><b>Dividends paid and payable per share</b> (note 5) | <b>5.675p</b>                         |                  |                 | <b>5.475p</b>                         |                  |                | <b>11.10p</b>                                 |                  |                |

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

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

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

## Balance Sheet (unaudited)

|   | At 30 June<br>2018<br>£'000 | At 31<br>December<br>2017<br>(audited)<br>£'000 |
|---|-----------------------------|---|
| <b>Fixed assets</b>   |                             |   |
| Investments – securities  | 487,677                     | 495,645   |
| Investments – property  | 84,190                      | 84,950  |
|   | 571,867                     | 580,595   |
| <b>Current assets</b>   |                             |   |
| Debtors   | 1,883                       | 1,222   |
| Cash and deposits   | 11,293                      | 2,894   |
|   | 13,176                      | 4,116   |
| <b>Creditors</b>  |                             |   |
| Amounts falling due within one year   | (3,506)                     | (3,345)   |
| <b>Net current assets</b>   | 9,670                       | 771   |
| <b>Total assets less current liabilities</b>                                    | 581,537                     | 581,366   |
| <b>Creditors</b>  |                             |   |
| Debenture stock (note 7)  | (83,065)                    | (83,428)  |
| <b>Net assets</b>   | <b>498,472</b>              | <b>497,938</b>                                  |
| <b>Capital and reserves</b>   |                             |   |
| Share capital   | 34,599                      | 33,994  |
| Share premium   | 18,946                      | 10,744  |
| Capital redemption reserve  | 22,781                      | 22,781  |
| Capital reserve   | 404,134                     | 413,632   |
| Revenue reserve   | 18,012                      | 16,787  |
| <b>Shareholders' funds</b>  | <b>498,472</b>              | <b>497,938</b>                                  |
| <b>Net asset value per ordinary share</b><br>(Debenture at fair value) (note 7) | <b>351.7p</b>               | <b>355.6p</b>                                   |
| <b>Net asset value per ordinary share</b><br>(Debenture at book value)          | <b>360.2p</b>               | <b>366.2p</b>                                   |
| <b>Ordinary shares in issue</b> (note 8)  | <b>138,395,943</b>          | <b>135,975,943</b>                              |

## Statement of Changes in Equity (unaudited)

### For the six months ended 30 June 2018

|  | Share capital<br>£'000 | Share premium<br>£'000 | Capital redemption reserve<br>£'000 | Capital reserve*<br>£'000 | Revenue reserve<br>£'000 | Shareholders' funds<br>£'000 |
|--|------------------------|------------------------|-------------------------------------|---------------------------|--------------------------|------------------------------|
| Shareholders' funds at 1 January 2018            | 33,994                 | 10,744                 | 22,781                              | 413,632                   | 16,787                   | <b>497,938</b>               |
| Shares issued                                    | 605                    | 8,202                  | –                                   | –                         | –                        | <b>8,807</b>                 |
| Net return on ordinary activities after taxation | –                      | –                      | –                                   | (9,498)                   | 8,965                    | <b>(533)</b>                 |
| Dividends paid (note 5)                          | –                      | –                      | –                                   | –                         | (7,740)                  | <b>(7,740)</b>               |
| <b>Shareholders' funds at 30 June 2018</b>       | <b>34,599</b>          | <b>18,946</b>          | <b>22,781</b>                       | <b>404,134</b>            | <b>18,012</b>            | <b>498,472</b>               |

### For the six months ended 30 June 2017

|  | Share capital<br>£'000 | Share premium<br>£'000 | Capital redemption reserve<br>£'000 | Capital reserve*<br>£'000 | Revenue reserve<br>£'000 | Shareholders' funds<br>£'000 |
|--|------------------------|------------------------|-------------------------------------|---------------------------|--------------------------|------------------------------|
| Shareholders' funds at 1 January 2017            | 33,349                 | 2,131                  | 22,781                              | 356,897                   | 16,352                   | <b>431,510</b>               |
| Shares issued                                    | 181                    | 2,377                  | –                                   | –                         | –                        | <b>2,558</b>                 |
| Net return on ordinary activities after taxation | –                      | –                      | –                                   | 32,567                    | 8,304                    | <b>40,871</b>                |
| Dividends paid (note 5)                          | –                      | –                      | –                                   | –                         | (7,279)                  | <b>(7,279)</b>               |
| <b>Shareholders' funds at 30 June 2017</b>       | <b>33,530</b>          | <b>4,508</b>           | <b>22,781</b>                       | <b>389,464</b>            | <b>17,377</b>            | <b>467,660</b>               |

\* The Capital Reserve balance at 30 June 2018 includes investment holding gains of £129,825,000 (30 June 2017 – gains of £147,118,000).

## Condensed Cash Flow Statement (unaudited)

|  | Six months to<br>30 June<br>2018<br>£'000 | Six months to<br>30 June<br>2017<br>£'000 |
|--|---|---|
| <b>Cash flows from operating activities</b>                |   |   |
| Net return on ordinary activities before taxation          | 53  | 41,355                                    |
| Net losses/(gains) on investments – securities             | 9,355                                     | (33,308)                                  |
| Net gains on investments – property                        | (2,378)                                   | (1,283)                                   |
| Currency losses/(gains)                                    | 45  | (430)                                     |
| Finance costs of borrowings                                | 2,837                                     | 2,858                                     |
| Overseas withholding tax                                   | (586)                                     | (512)                                     |
| Changes in debtors and creditors                           | (500)                                     | (1,190)                                   |
| Other non-cash changes                                     | (63)                                      | 3   |
| <b>Cash from operations</b>                                | 8,763                                     | 7,493                                     |
| Interest paid  | (3,200)                                   | (3,200)                                   |
| <b>Net cash inflow from operating activities</b>           | 5,563                                     | 4,293                                     |
| <b>Cash flows from investing activities</b>                |   |   |
| Acquisitions of investments                                | (39,564)                                  | (49,620)                                  |
| Disposals of investments                                   | 41,378                                    | 53,752                                    |
| Forward currency contracts                                 | –   | 18  |
| <b>Net cash inflow from investing activities</b>           | 1,814                                     | 4,150                                     |
| Equity dividends paid                                      | (7,740)                                   | (7,279)                                   |
| Shares issued  | 8,807                                     | 2,558                                     |
| <b>Net cash inflow/(outflow) from financing activities</b> | 1,067                                     | (4,721)                                   |
| Increase in cash and cash equivalents                      | 8,444                                     | 3,722                                     |
| Exchange movements   | (45)                                      | 131                                       |
| Cash and cash equivalents at start of period*              | 2,894                                     | 4,174                                     |
| <b>Cash and cash equivalents at end of period*</b>         | <b>11,293</b>                             | <b>8,027</b>                              |

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

## Notes to the Condensed Financial Statements (unaudited)

- 1 The condensed Financial Statements for the six months to 30 June 2018 comprise the statements set out on the previous pages together with the related notes below. They have been prepared in accordance with FRS 104 'Interim Financial Reporting' and the AIC's Statement of Recommended Practice issued in November 2014 and updated in February 2018 with consequential amendments and have not been audited or reviewed by the Auditor pursuant to the Auditing Practices Board Guidance 'Review of Interim Financial Information'. The Financial Statements for the six months to 30 June 2018 have been prepared on the basis of the same accounting policies as set out in the Company's Annual Report and Financial Statements at 31 December 2017.

### Going Concern

Having considered the nature of the Company's principal risks and uncertainties, as set out on the inside front cover, together with its current position, investment objective and policy, its assets and liabilities and projected income and expenditure, together with the Company's dividend policy, it is the Directors' opinion that the Company has adequate resources to continue in operational existence for the foreseeable future. The 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 Directors consider it appropriate to adopt the going concern basis of accounting in preparing these Financial Statements and confirm that they are not aware of any material uncertainties which may affect the Company's ability to continue to do so over a period of at least twelve months from the date of approval of these Financial Statements.

- 2 The financial information contained within this Interim Financial Report does not constitute statutory accounts as defined in sections 434 to 436 of the Companies Act 2006. The financial information for the year ended 31 December 2017 has been extracted from the statutory accounts which have been filed with the Registrar of Companies. The Auditor's Report on those accounts was not qualified, and did not contain statements under sections 498(2) or (3) of the Companies Act 2006.
- 3 Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, has been appointed by the Company as its Alternative Investment Fund Manager (AIFM) and Company Secretary. The investment management function has been delegated to Baillie Gifford & Co. The management agreement can be terminated on six months' notice. The annual fee is 0.45% of total assets less current liabilities, excluding the property portfolio, calculated on a quarterly basis.

As AIFM, Baillie Gifford & Co Limited has delegated the management of the property portfolio to OLIM Property Limited. OLIM receives an annual fee of 0.5% of the value of the property portfolio, subject to a minimum quarterly fee of £6,250. The agreement can be terminated on three months' notice.

## Notes to the Condensed Financial Statements (unaudited)

|  | Six months<br>to 30 June<br>2018<br>£'000 | Six months<br>to 30 June<br>2017<br>£'000 |
|--|---|---|
| <b>4 Net return per ordinary share</b>                     |   |   |
| Revenue return on ordinary activities after taxation       | 8,965                                     | 8,304                                     |
| Capital return on ordinary activities after taxation       | (9,498)                                   | 32,567                                    |
| <b>Total net return</b>                                    | <b>(533)</b>                              | <b>40,871</b>                             |
| <b>Weighted average number of ordinary shares in issue</b> | <b>136,832,244</b>                        | <b>133,512,793</b>                        |

Net return per ordinary share is based on the above totals of revenue and capital and the weighted average number of ordinary shares in issue during each period.

There are no dilutive or potentially dilutive shares in issue.

|   | Six months<br>to 30 June<br>2018<br>£'000 | Six months<br>to 30 June<br>2017<br>£'000 |
|---|---|---|
| <b>5 Dividends</b>  |   |   |
| <b>Amounts recognised as distributions in the period:</b>           |   |   |
| Previous year's final of 2.825p (2017 – 2.725p), paid 12 April 2018 | 3,848                                     | 3,635                                     |
| First interim of 2.825p (2017 – 2.725p), paid 22 June 2018          | 3,892                                     | 3,644                                     |
|   | <b>7,740</b>                              | <b>7,279</b>                              |
| <b>Amounts paid and payable in respect of the period:</b>           |   |   |
| First interim of 2.825p (2017 – 2.725p), paid 22 June 2018          | 3,892                                     | 3,644                                     |
| Second interim of 2.85p (2017 – 2.75p)                              | 3,944                                     | 3,694                                     |
|   | <b>7,836</b>                              | <b>7,338</b>                              |

The second interim dividend was declared after the period end date and therefore has not been included as a liability in the Balance Sheet. It is payable on 21 September 2018 to shareholders on the register at the close of business on 17 August 2018. The ex-dividend date is 16 August 2018. The Company's Registrar offers a Dividend Reinvestment Plan and the final date for elections for this dividend is 31 August 2018.

## 6 Fair Value Hierarchy

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

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

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

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

An analysis of the Company's financial asset investments based on the fair value hierarchy described above is shown below.

| As at 30 June 2018                       | Level 1<br>£'000         | Level 2<br>£'000         | Level 3<br>£'000         | Total<br>£'000         |
|--|--------------------------|--------------------------|--------------------------|------------------------|
| <b>Securities</b>                        |                          |                          |                          |                        |
| Listed equities/funds                    | 462,164                  | –                        | 265                      | <b>462,429</b>         |
| Bonds                                    | –                        | 17,352                   | 7,896                    | <b>25,248</b>          |
| <b>Property</b>                          |                          |                          |                          |                        |
| Freehold                                 | –                        | –                        | 84,190                   | <b>84,190</b>          |
| <b>Total financial asset investments</b> | <b>462,164</b>           | <b>17,352</b>            | <b>92,351</b>            | <b>571,867</b>         |
| <b>As at 31 December 2017</b>            | <b>Level 1<br/>£'000</b> | <b>Level 2<br/>£'000</b> | <b>Level 3<br/>£'000</b> | <b>Total<br/>£'000</b> |
| <b>Securities</b>                        |                          |                          |                          |                        |
| Listed equities/funds                    | 462,608                  | –                        | 265                      | <b>462,873</b>         |
| Bonds                                    | –                        | 20,642                   | 12,130                   | <b>32,772</b>          |
| <b>Property</b>                          |                          |                          |                          |                        |
| Freehold                                 | –                        | –                        | 84,950                   | <b>84,950</b>          |
| <b>Total financial asset investments</b> | <b>462,608</b>           | <b>20,642</b>            | <b>97,345</b>            | <b>580,595</b>         |

There have been no transfers between levels of the fair value hierarchy during the period. The fair value of listed investments is bid value or, in the case of holdings on certain recognised overseas exchanges, last traded price. They are categorised as Level 1 if they trade in an active market and Level 2 if they are traded on a market which is not considered to be active. The fair value of unlisted investments is determined using valuation techniques, determined by the Directors, based upon observable and/or non-observable data such as latest dealing prices, stockbroker valuations, net asset values and other information, as appropriate. The Company's holdings in unlisted investments are categorised as Level 3 as the valuation techniques applied include the use of non-observable data.

## Notes to the Condensed Financial Statements (unaudited)

- 7** The market value of the 8% Debenture Stock 2022 at 30 June 2018 was £94.8m (31 December 2017 – £97.8m).
- 8** At 30 June 2018, the Company had the authority to buy back 20,397,783 ordinary shares and to issue 11,187,592 ordinary shares without application of pre-emption rights in accordance with the authorities granted at the AGM in April 2018. During the six months to 30 June 2018, 2,420,000 (31 December 2017 – 2,580,000) shares were issued at a premium to net asset value raising proceeds of £8,807,000 (31 December 2017 – £9,258,000). Between 1 July 2018 and 25 July 2018, the Company issued a further 160,000 shares at a premium to net asset value raising proceeds of £605,000. No shares were bought back (31 December 2017 – nil).
- 9** During the period, transaction costs on equity purchases amounted to £64,000 (30 June 2017 – £33,000) and on equity sales £15,000 (30 June 2017 – £15,000). Transaction costs on property purchases amounted to £51,000 (30 June 2017 – £1,101,000) and on property sales £57,000 (30 June 2017 – £57,000).

### **10 Related Party Transactions**

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

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

## Further Shareholder Information

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

### Baillie Gifford's Investment Trust Share Plan

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

### Baillie Gifford's Investment Trust ISA

You can invest in a tax efficient way by investing a minimum of £2,000 or from £100 per month or by transferring an ISA with a value of at least £2,000 from your existing manager.

### Baillie Gifford's Children's Savings Plan

A cost-effective plan tailored especially to meet the requirements to save for children. You can invest a minimum of £100 or from £25 per month.

### Online Management Service

You can open and manage your Share Plan, Children's Savings Plan\* and/or ISA online, through our secure Online Management Service (OMS) which can be accessed through the Baillie Gifford website at [www.bailliegifford.com/oms](http://www.bailliegifford.com/oms). As well as being able to view the details of your plan online, the service also allows you to:

- obtain current valuations;
- make lump sum investments, except where there is more than one holder;
- sell part or all of your holdings, except where there is more than one holder;
- switch between investment trusts, except where there is more than one holder;
- set up a direct debit to make regular investments, except where there is more than one holder; and
- update certain personal details e.g. address and telephone number.

\* Please note that a Bare Trust cannot be opened via OMS. A Bare Trust application form must be completed.

The information about the ISA, Share Plan and Children's Savings Plan has been approved by Baillie Gifford Savings Management Limited ('BGSM'). BGSM is the ISA Manager, the Manager of the Share Plan and Children's Savings Plan. BGSM is wholly owned by Baillie Gifford & Co. Both are authorised and regulated by the Financial Conduct Authority. Baillie Gifford only provides information about its products and does not provide investment advice.

### 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](http://www.investorcentre.co.uk) and follow the instructions or telephone 0870 707 1694.

### Automatic Exchange of Information

In order to fulfil its 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.

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

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

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

## Further Shareholder Information (continued)

### Risk Warnings

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 borrowings 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.

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

SAINTS can make use of derivatives which may impact upon its performance.

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.

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 would 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.

Details of other risks that apply to investments in the above savings vehicles are contained in the product brochures.

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

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

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

# Glossary of Terms

## 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 Fair Value)

Borrowings are valued at an estimate of their market worth.

## Net Asset Value (Debenture at Book Value)

Borrowings are valued at adjusted net issue proceeds.

|  | 30 June<br>2018 | 31 December<br>2017 |
|--|-----------------|---------------------|
| Shareholders' funds (debenture at book value)                | £498,472        | £497,938            |
| Add: book value of debenture                                 | £83,065         | £83,428             |
| Less: fair value of debenture                                | (£94,792)       | (£97,832)           |
| Shareholders' funds (debenture at fair value)                | £486,745        | £483,534            |
| Shares in issue at year end                                  | 138,395,943     | 135,975,943         |
| Net Asset Value per ordinary share (debenture at fair value) | 351.7p          | 355.6p              |

## Discount/Premium

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.

## Total Return

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

## Ongoing Charges

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.

## Gearing

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.

## Glossary of Terms (continued)

### Leverage

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

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.

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Peter Moon

Bronwyn Curtis, OBE  
Eric Hagman, CBE, CA  
Lord Kerr of Kinlochard, GCMG  
Lord Macpherson of Earl's  
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Ticker SCAM

Legal Entity Identifier:  
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