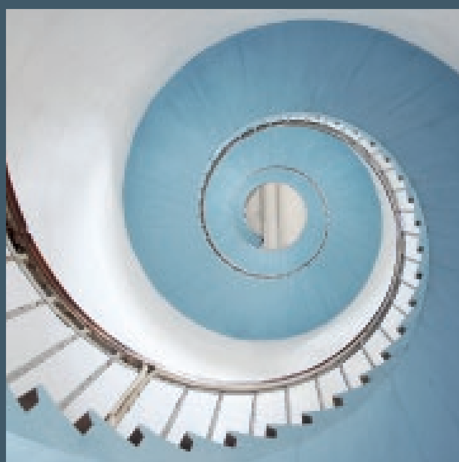
THE SCOTTISH AMERICAN INVESTMENT COMPANY P.L.C.

SAINTS

Income again and again

THE SCOTTISH AMERICAN
FOUNDED 1873
INVESTMENT COMPANY P.L.C.



Annual Report and Financial Statements
31 December 2014

BAILLIE GIFFORD

Contents

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 and the accompanying 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.

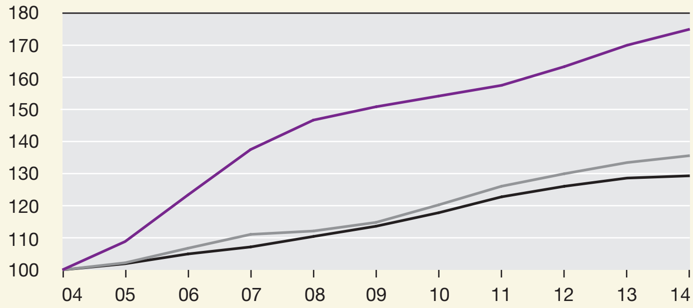
Year to 31 December 2014	Dividend 10.50p	Yield 4.2%

Ten Year Summary

Dividend versus Inflation

(figures rebased to 100 at 31 December 2004)

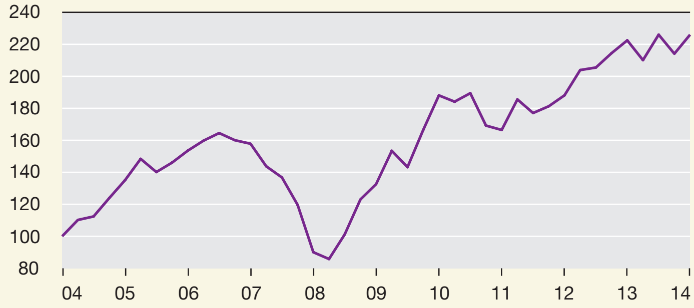
SAINTS dividend
RPI
CPI



Share Price

(figures rebased to 100 at 31 December 2004)

Share price total return

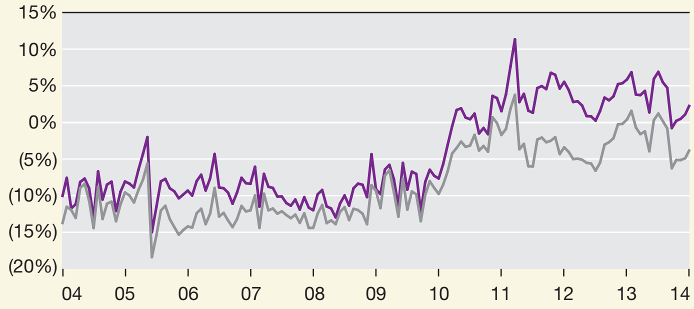


Premium/(Discount)

(plotted as at month end dates)

Discount (after deducting borrowings at fair value)

Discount (after deducting borrowings at book value)



Source: Thomson Reuters Datastream/Baillie Gifford.

Past performance is not a guide to future performance.

Investor Disclosure Document

The EU Alternative 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**.

Strategic Report

This Strategic Report, which includes pages 2 to 19 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 10.5p will maintain the Company's long record of growing dividends in real terms over time.

Overview

2014 has been a year of further progress for global equity markets despite mixed economic news. Progress has not been uniform or universal however: the standout performer has been the US, helped by a strengthening economy and, for sterling investors, by gains in the Dollar. However, markets have been troubled from time to time by the prospect of reduced support from central banks and the perceived dangers of disappointing growth in Europe and China. Other crises have also erupted or worsened, notably in Crimea and the rest of the Ukraine and in the Middle East. The most dramatic market development of the year however was the recent collapse in the oil price, and this may prove to be both a blessing and a curse – stimulating parts of the global economy whilst bringing deflationary dangers elsewhere and heightening problems for certain companies, countries and lending institutions.

Against this mixed background, many companies continue to perform well operationally, increasing profits and raising dividends. Continued progress at the corporate level has helped equities, and these remain at the core of SAINTS' portfolio. Whilst their market value will fluctuate, and total returns will accordingly vary, the Board remains confident that their income producing power will continue to progress over time. The Company's other investments in property and fixed income have fulfilled their roles too, in particular delivering a high income and defraying borrowing costs.

Management arrangements

Dominic Neary took over as Manager of SAINTS at the start of the year. With the Board's encouragement the equity portfolio has continued to evolve, with an even greater emphasis being placed on supporting the dependability and progression of the Company's dividend, in line with its objective.

Revenues

Investment income and earnings per share were higher than last year, at £18.8m and 10.51p per share respectively. The bond investments have been reduced further, continuing the direction of recent years, and the 3% increase in earnings masks a marked reduction in the contribution from fixed income. This has been outweighed by an increase in income from equities and rents. The proportionate increase in income arising from real assets, which are able to benefit from economic progress over time, bodes well for future dividend growth.

Dividend and Inflation

A final dividend of 2.65p is recommended which will take the full year dividend to 10.5p per share, 2.9% higher than the 2013 dividend of 10.2p and also ahead of inflation as measured by both the Consumer Prices Index (CPI, 0.5%) and Retail Prices Index (RPI, 1.6%). The recommended dividend would be fully covered by earnings.

In previous years we have shown dividend progression against RPI. This year, we are also showing CPI, which is now the UK Government's official measure of inflation. Further information on both measures is included within the Managers' report. On either measure, the Company has increased its dividend ahead of inflation over the last ten years.

Total Return Performance

The Company's net asset value (NAV) total return (capital and income) for the year was 2.9% and the share price total return was 1.6%.

Net asset value (NAV) per share, on the fair value measure, fell by 1.3% to 243.7p. The explanation for this slight drop in NAV at fair value, despite an increase in the value of the Company's investments, was a greater increase in the current market value of the Company's debenture borrowings.

In order to achieve its objectives, deliver a higher yield than global equities and service its borrowings, the Company's investments necessarily differ markedly from the global equity index against which total return performance is now shown. Performance is therefore likely to differ markedly from that index.

Over the year, the NAV total return lagged the total return from the global equity market of 11.3%. In addition to the adverse effect from the change in the current value of the debenture, equity performance was held back in relative terms by modest exposure (relative to index weightings) to the low yielding US market, and significant exposure to the UK: nevertheless, the return was positive. This positioning increases the level and dependability of the Company's sterling income, but has been unhelpful in capital terms over the year.

Borrowings

SAINTS' borrowings take the form of a single £80m debenture which is due for repayment in April 2022. During 2014, the borrowings mainly funded a range of higher yielding commercial property and bond investments.

The book value of the debenture is £85.4m which, at the year end, was equivalent to approximately 25% of shareholders' funds. The estimated market or fair value of the debenture was £105.9m, an increase from the previous year's value of £100.6m.

However, over the coming years we expect declines in both the debenture's book and market values as it approaches its final redemption value of £80m, and this will boost total returns.

Regulation

In last year's report, I informed you that in order to comply with the Alternative Investment Fund Managers Directive, a major piece of EU legislation, the Company would be required to appoint a single Alternative Investment Fund Manager (AIFM) as well as a Depositary. Accordingly, as envisaged last year, the Company has now amended its contractual arrangements with our managers, the partnership of Baillie Gifford & Co and OLIM Property Ltd. Our contractual counterparty is now Baillie Gifford & Co Limited, a wholly owned subsidiary of the Baillie Gifford partnership. In turn Baillie Gifford & Co Limited has delegated investment management to Baillie Gifford & Co and also to OLIM Property Ltd. SAINTS has appointed BNY Mellon as Depositary.

Outlook

The global economy faces many challenges, and markets are unlikely to rise smoothly from here. In addition, the General Election may mean that political uncertainties in the UK will remain in the short term. However, the prospects for dividends remain encouraging, bolstered by the nature of the Managers' global approach and supported by the Company's strong revenue and capital reserves. The Company therefore remains well placed to meet its objective over time.

The Board and AGM

Since my last statement one director, Rachel Lomax, has retired from the Board of the Company. Rachel's economic insights and broader contribution have been very much appreciated by the rest of the Board, and she stepped down with our heartfelt thanks.

In November I was delighted to announce the appointment of Bronwyn Curtis to the Board. An economist by background, Bronwyn has many years of financial services experience, latterly at HSBC Bank plc where she held senior positions including Head of Global Research and Senior Adviser to the Head of Global Banking and Markets. Her appointment as a Director is subject to the approval of shareholders, and accordingly such approval will be sought at the forthcoming AGM. I am confident that, subject to that approval, Bronwyn's considerable experience and knowledge will augment that of the current Directors and enhance the Board.

The AGM will be held at 11am on Thursday 2 April at Baillie Gifford's offices at Calton Square, 1 Greenside Row, Edinburgh (see map on page 56). The Managers will make a presentation on the investment portfolio, and there will also be an opportunity to ask questions. The Directors and Manager look forward to meeting you there.

Sir Brian Ivory, CBE
Chairman
19 February 2015

One Year Summary

The following information illustrates how SAINTS has performed over the year to 31 December 2014.

	31 December 2014	31 December 2013	% change
Total assets (before deduction of debenture)*	£429.2m	£428.3m	
Debenture (book value)	£85.4m	£85.9m	
Shareholders' funds	£343.8m	£342.4m	
Net asset value per ordinary share (debenture at fair value)	243.7p	247.0p	(1.3)
Net asset value per ordinary share (debenture at book value)	259.1p	258.1p	0.4
Share price	249.6p	256.3p	(2.6)
Benchmark†			8.5
Premium (debenture at fair value)	2.4%	3.8%	
Discount (debenture at book value)	(3.7%)	(0.7%)	
Revenue earnings per ordinary share	10.51p	10.21p	2.9
Dividends paid and payable in respect of the year	10.50p	10.20p	2.9
Ongoing charges	0.90%	0.90%	

Year to 31 December	2014	2013
Total returns (%)#		
Net asset value (debenture at fair value)	2.9%	16.6%
Net asset value (debenture at book value)	4.5%	12.8%
Share price	1.6%	18.3%
Benchmark†	11.3%	21.1%

Year to 31 December	2014	2014	2013	2013
Year's high and low	**High**	**Low**	**High**	**Low**
Net asset value (debenture at fair value)	254.2p	230.9p	258.3p	220.9p
Net asset value (debenture at book value)	268.2p	243.5p	275.0p	238.1p
Share price	257.5p	222.3p	263.5p	225.5p
Premium/(discount) – debenture at fair value	5.4%	(4.4%)	5.9%	(2.8%)
Premium/(discount) – debenture at book value	0.3%	(10.4%)	0.7%	(8.7%)

	31 December 2014	31 December 2013
Net return per ordinary share		
Revenue	10.51p	10.21p
Capital	(0.72p)	19.58p
Total	9.79p	29.79p

* Net of current liabilities.
† The Company's benchmark is the FTSE All-World Index (in sterling terms).
# Source: Thomson Reuters Datastream/Baillie Gifford.

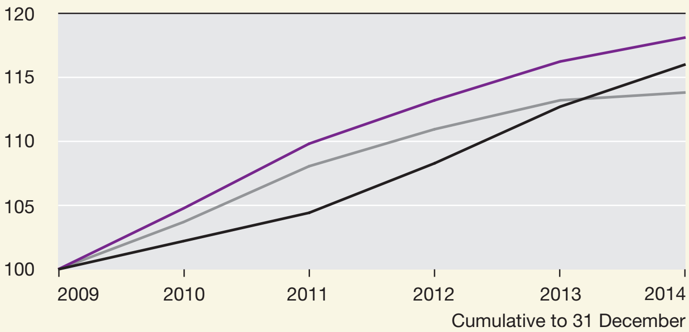
Past performance is not a guide to future performance.

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 2014.

Dividend versus Inflation

(figures rebased to 100 at 31 December 2009)



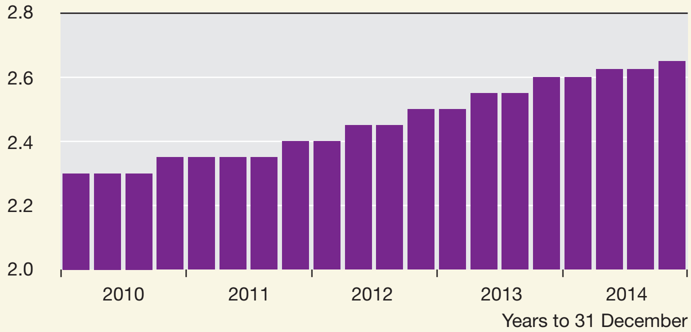
Source: Thomson Reuters Datastream.

RPI

SAINTS dividend

CPI

Five Year Quarterly Dividends Paid

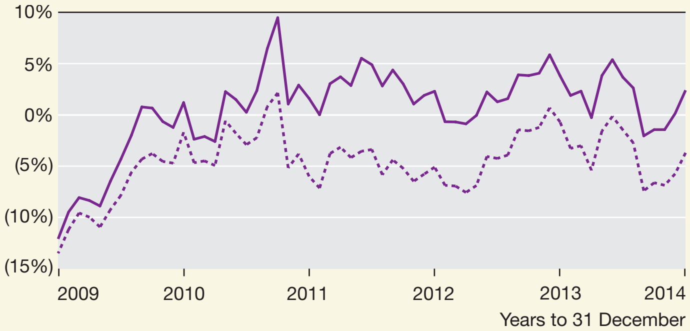


Source: Thomson Reuters Datastream/Baillie Gifford.

SAINTS dividend (pence)

Premium/(discount) to Net Asset Value

(plotted on a monthly basis)



Source: Thomson Reuters Datastream/Baillie Gifford.

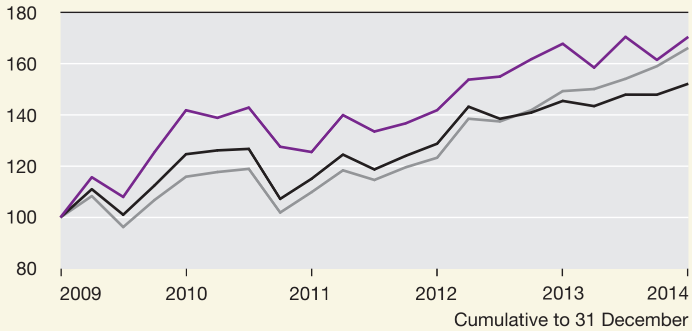
SAINTS premium/(discount) – fair value

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 2009)



Source: Thomson Reuters Datastream/Baillie Gifford.

Share price total return

Benchmark* total return

NAV total return (fair value)

* With effect from 1 January 2014, the portfolio benchmark against which performance has been measured is FTSE All-World Index (in sterling terms). For the earlier years covered by the graphs above 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 graphs above the returns on both benchmarks for their respective periods have been linked to form a single benchmark.

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 approval sought annually, it may purchase its own shares or issue shares. The price of the Company's shares is determined, like other listed shares, by supply and demand.

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

The Company is an Alternative Investment Fund (AIF) for the purposes of the EU Alternative 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 9 to 11 and a detailed analysis of the Company's investment portfolio held at the year end is set out on pages 12 to 18.

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 the benchmark total return. The Board believes it is appropriate to make this assessment over a medium to long term timeframe, at least three to 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 has 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 is 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 no ordinary shares, and no shares were bought back.

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;

The one, five and ten year records of the KPI's are shown on pages 4, 5 and 19.

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

Principal Risks

As explained on pages 25 and 26 there is an ongoing process for identifying, evaluating and managing the risks faced by the Company. The principal risks associated with the Company are as follows:

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 46 to 50.

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. 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.

Operational Risk – failure of Baillie Gifford's accounting 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. Baillie Gifford have 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.

Premium/Discount Volatility – the premium/discount at which the Company's shares trade can change. The Board monitors the level of premium/discount and the Company has authority to issue new shares and to buy back its existing shares when deemed to be in the best interest of all shareholders.

Leverage Risk – the Company may borrow money for investment purposes. If the investments fall in value, any borrowings will magnify the extent of this loss. If borrowing facilities are not renewed, the Company may have to sell investments to repay borrowings. The Company can also make use of derivative contracts.

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 in Note 19 on page 50 and the Glossary of Terms on page 59.

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, these requirements do not apply to the Company.

Gender Representation

The Board comprises five Directors, four male and one female. The Company has no employees. The Board's policy on diversity is set out on page 24.

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 26.

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' Report on pages 9 to 11.

Managers' Review

Overview

SAINTS' total return for 2014 of 2.9% was reasonable in absolute terms, but it lagged the 11.3% total return of the FTSE All World comparative index. Total income for the year was £18.8m leading to earnings per share of 10.51p, which compare to £18.4m and 10.21p for 2013 respectively. The NAV per share fell modestly from 247.0p to 243.7p on the fair value measure.

SAINTS aims to provide an above-average, dependable and growing income stream to shareholders, and therefore the portfolio is very different from its comparative index by necessity and design. As a result we expect performance to deviate significantly from the performance of the index over the medium term, both positively and negatively, however we strongly believe that the Company's asset allocation policy and the characteristics which we seek in its underlying investments will serve relative total returns very well over a full investment cycle. The comparative index should therefore be considered as a guide to our expectations for long-term performance rather than a benchmark for short-term comparisons.

The economic backdrop to 2014 was mixed. The United States economy gained momentum and growth in China, while slower than previous years, remained at enviable levels. However, other regions fared less well, notably Europe which was bedevilled by slow growth and a growing threat of deflation. This divergence in economic performance is reflected in different courses being charted for monetary policy around the world. In the United States, the Federal Reserve has wound down its quantitative easing programme and may soon embark on a journey towards higher interest rates. Conversely Japan increased its money-printing efforts and the European Central Bank announced a program of quantitative easing. We should also mention the precipitous decline in the price of crude oil, from over $100 per barrel to below $60 per barrel at the end of 2014. In time this should boost the world economy but its immediate effect has been to reduce inflation rates.

The portfolio was fully invested through the year with the major part being invested in shares of companies listed on world stockmarkets. The income contribution from equities was strong relative to 2013, augmented by special dividends received early in the year, and the total return reasonable in absolute terms. However, the geographic positioning of the equity portfolio was the major influence on SAINTS' investment returns relative to the comparative index, and is discussed in detail below.

As well as the performance of the assets, the fair value NAV is affected by any changes in the market value of SAINTS' debenture borrowings. In 2014 this rose, leading to a negative impact of 1.6% on the Company's NAV. The rise in the value of the debenture reflects the rally in the gilt market on recent deflationary concerns in the UK, and an expectation that interest rates will rise later than had previously been expected. The debenture borrowings effectively fund the property portfolio and various bond investments which both performed well in 2014. Full detail on the performance of the portfolio is provided below.

The last few years have been a period of transition for SAINTS as the bond portfolio, which served the Company so well subsequent to the global financial crisis in both income and capital terms, has been reduced in favour of equities and the real long-term growth that such exposure provides. The shift from the high-yielding bond portfolio to relatively lower-yielding equities has been a headwind for income growth. However, we believe that through increased equity exposure, and the refinement of our approach, the long-term potential for growth of both income and capital for SAINTS' shareholders has been enhanced.

Equities

Over the year an average of 81.5% of the portfolio was invested in equities. Expressed as a percentage of shareholders' funds the figure was 101.8%. The total return on equity investments for the year was 4.3%.

Despite the unsettling backdrop of 2014, including significant oil price volatility and unrest in both the Ukraine and the Middle East, global equity markets in aggregate made solid progress in 2014, with the FTSE All World index posting a total return of 11.3%. Behind this headline figure however were notably divergent performances from equity markets around the world. Signs of continued economic improvement in the United States drove local indices to new highs, with leadership from the technology sector, significantly outperforming the rest of the world. In contrast the UK, continental Europe, and developed Asia markets remained broadly unchanged albeit for contrasting reasons. In the UK encouraging signs of economic growth were offset by challenges in key sectors of oil and gas, retail and pharmaceuticals, while in Europe and Japan a persistent failure to reignite growth and inflation hindered stockmarket progress. The performance of Emerging Markets indices varied widely, but in aggregate they posted solid returns, driven in part by low valuations relative to the rest of the world.

There was a larger number of equity transactions in 2014 than in recent years as we have sought to increase the level and dependability of the equity portfolio's income stream while also improving the capital return potential. To this end we have focused on increasing the portfolio's exposure to stocks which offer an attractive and dependable yield and solid growth prospects; a powerful combination of characteristics which directly supports SAINTS' objective of real growth in the dividend. At the same time we have de-emphasized high-yielding but lower growth stocks, and have placed greater demands, in terms of growth and capital return potential, on stocks which offer a lower income stream to the portfolio.

During 2014 we purchased 17 new holdings for the equity portfolio. A number of the new holdings are from the consumer sector, and are stocks that offer an attractive and dependable yield today along with attractive growth prospects. We bought into Coca-Cola attracted by its capital-light operating model, growth opportunities around the world, and its exemplary dividend growth record. We also purchased shares in Pepsico whose dominant market share in snacks and strong free cash flows should underpin steady long-term earnings growth. In the tobacco sector we took positions in Reynolds American, the US tobacco company, which is successfully focusing on a smaller number of key brands to drive profitability, and British American Tobacco, for its global portfolio and positioning in smoking substitution products. We also made investments in the shares of less well-known companies in the consumer sector such as Dia, a leading discount store operator in emerging markets, AVI, a leading South African staple foods company which has a rapidly-growing shoe retail business, and Kimberley Clark de Mexico, the dominant Mexican supplier of nappies, tissues, and other paper-based personal hygiene products. All of these stocks offer dependable yields well above that of the global market average and have strong cash flow growth outlooks.

In the Chinese consumer sector we purchased shares in Anta Sports, the leading domestic sportswear company, and Want Want, a major manufacturer of rice crackers and flavoured milks to the domestic market. Both of these companies benefit from family ownership, high market shares, and strong growth prospects, and also offer above-average yields despite their exciting prospective growth profiles. These purchases in China were funded by the complete sale of the Baillie Gifford Greater China Fund which has offered SAINTS broad exposure to the Chinese economy, but is not managed towards any income target.

Outside of the consumer sector we made investments in a number of growing companies with capital-light businesses which consequently generate exceptional cash flows which we believe will lead to strong dividend growth and dependability. We bought shares in WPP, the global advertising agency, as we are impressed by its leading positioning in digital media. We took a position in Deutsche Börse, the European stock exchange, as we expect it to benefit from increasing volumes of exchange-traded derivatives. Edenred, the French-listed global provider of voucher solutions to governments and businesses, was purchased for its cash flow characteristics and growth potential in several markets around the world. We also took a small position in Herbalife, the global nutrition company.

Sandvik, the Swedish engineering company, was purchased for the portfolio as we are optimistic that the new management team will be successful in raising the company's profitability and cash flows towards those of its peer Atlas Copco, also held by SAINTS. We took a position in Sonic Healthcare, the leading Australian medical testing company which has interesting international expansion opportunities as well as a robust and cash-generative domestic business. Finally, we purchased shares of the Bank of China Hong Kong, attracted by its strong position in the Hong Kong market, attractive Asian trade-driven growth prospects and undemanding valuation.

In addition to the sale of the Baillie Gifford Greater China Fund noted above, 20 equity holdings were disposed of over the course of the year. As a result of a review of the lower-yielding stocks in the portfolio we disposed of the positions in Monsanto, Baidu, Solera, Moody's and eBay. In the first half of the year we sold a number of holdings in the oil and gas sector, namely Penn West Exploration, Seadrill and Lukoil. In the insurance sector we disposed of Catco and Lancashire Holdings. The pricing in Catco's reinsurance markets continues to be pressured by competing capital flows and therefore after receiving a large special dividend in the early part of the year we decided to sell. Lancashire Holdings was sold after the resignation of the founder, whose underwriting track record and leadership were key components of our investment case. In China we sold the positions in the two expressway companies held by the Trust, Sichuan Expressway and Zhejiang Expressway, the former on concerns regarding the capital intensity of its growth plans, and the latter on limited potential for future growth. In Japan we disposed of Mitsui, Hikari Tsushin and Nippon Prologis, all on valuation grounds. Imperial Tobacco was sold following the announcement it was to acquire brands that we consider to be weak in the US market. Jeronimo Martins was sold as competitive pressure in its eastern European business has intensified. We exited the position in Ecofin Water and Power opportunities on a review of the Company's investment portfolio which showed less diversification, and greater concentration in the oil and gas sector, than we had hoped for at purchase.

Finally, we disposed of two holdings that entered the portfolio as a result of corporate actions: Verizon, which was received as a result of our holding in Vodafone when the company sold its stake in Verizon Wireless; and Akastor, a spin out from Aker Solutions, which contained the lower-quality businesses of the parent company, and which we had been keen for them to dispose of in order to increase profitability. We also have continued to work with the board of Cambium Global Timberland to bring about an orderly wind-up of that fund.

These transactions left the portfolio with 89 equity holdings at the year end, providing diversified exposure to a broad range of industries and countries. The most notable change in our allocation to industrial sectors over the course of the year was a reduction to the portfolio's oil and gas position, while the portfolio's exposure to the consumer goods sector was increased as we continued to find stocks that offer growth, income and dependability in this area. At the regional level our exposures to Developed Asia and Europe were increased modestly, funded by reductions to investment in the UK, emerging markets and Japan.

In 2014 the investment returns of the equity portfolio of 4.3% lagged the performance of the comparative index, primarily because of the below-index exposure to the low-yielding US market and therefore also the US dollar, in favour of the UK and sterling income-paying assets. The exposure to the Eurozone was also unhelpful due to the weakness of the Euro relative to sterling. The portfolio's exposures to Developed Asia and Emerging Markets contributed positively to relative performance. Looking at the sectors and industries in which we invested, the portfolio benefited particularly from its telecommunications exposure, but lost ground in financials and consumer services where our focus on dependable growth caused us to underperform the broader sectors. Indeed, more generally the increased appetite for risk across global markets, particularly in the US, has led many higher-yielding consistent growth stocks to perform less well than lower-yielding growth areas of the markets.

At the stock level the range of returns across the portfolio was broad. The strongest contributors to relative performance were Provident Financial, the UK lender, TSMC, the Taiwanese semiconductor foundry, Norsk Hydro, the Norwegian aluminium company and new holding AVI, the South African food manufacturer. Conversely Jeronimo Martins, Brasil Insurance, Cambium Global Timberland, Rio Tinto and Aker Solutions detracted most from returns, albeit several of these made healthy contributions to the portfolio's income stream for the year. Generally across the portfolio dividend growth has been reliable, and a number of the portfolio companies such as Hiscox, Progressive and Catco returned excess cash to shareholders as special dividends over the course of the year.

Bonds

Our bond investments performed well in aggregate over the course of 2014, posting a total return of 10%. At the end of the year the portfolio consisted of three holdings: the Athena Debt Opportunities Fund, a portfolio of structured debt instruments managed by investment firm Prytania; an index-linked bond issued by the government of Brazil; and Semper Finance, a floating rate note linked to the rental income on a portfolio of German residential and social housing units which we expect to be redeemed at par in the first quarter of 2015. During the year we sold the small position in Venezuelan government bonds and reduced the Athena Debt Opportunities Fund position. As a result of market movements and these sales the bond portfolio represented 5.8% of the total portfolio at the end of 2014, compared to 6.7% at the end of 2013.

Direct Property

The direct property investments are managed by OLIM Property Limited, a specialist property manager. The portfolio consists of 18 commercial properties in a variety of locations across the United Kingdom. The total return was 13.6%.

Rental income from the property portfolio was £3.7m which was approximately 16% more than the amount received in 2013 as a result of both portfolio additions and rental income growth. Four properties were purchased during the year, and two sold. These transactions, along with a capital gain on the properties held throughout the year, took the capital value of the property portfolio to £47.9m by the year end, representing approximately 11% of the total portfolio. We intend to make further investments in 2015 if suitable properties can be found.

Despite property's strong performance in 2014, we and OLIM believe that commercial property valuations are attractive. The average yield on the properties that SAINTS owns is 7.4% and we expect this rental income to grow broadly in line with inflation over the medium to long term.

Outlook

We are encouraged by the economic progress made by the US, UK and certain other markets in 2014. However, such progress brings closer the prospect of tightening monetary conditions including the withdrawal of quantitative easing, which is likely to hinder significant acceleration in economic growth. The recent drop in the oil price, if sustained, may stimulate consumer demand but will of course challenge the earnings and capital expansion plans of oil and gas companies globally, as well as reflationary efforts of governments around the world.

Against such a backdrop, whilst it seems likely that while economic activity may continue to grow at a modest but accelerating rate, we are unlikely to enjoy rapid nominal GDP or earnings growth in the near future. Valuations, while perhaps sustainable, are not low and therefore financial market returns are likely to be positive but not exceptional. We believe that SAINTS is positioned well for such an environment, and believe that our focus on investment in strong companies which can grow cash flows and dividends sustainably will serve the progression of the Company's dividends and capital well. We also believe that SAINTS portfolio should prove resilient if economic or political challenges were to intensify.

Finally, you will note that this year the consumer price index (CPI) has been shown alongside the retail price index (RPI) for comparison with the dividend. The primary difference between RPI and CPI is the calculation methodology of the two measures; RPI is calculated using an arithmetic mean, while CPI uses a geometric mean which more accurately reflects price increases experienced by consumers. Basket composition and weightings also play a small role; for example RPI includes mortgage costs. As a result of these differences RPI is structurally higher than CPI and is more volatile. While RPI was the principal measure of inflation for many years, CPI replaced RPI as the UK's official inflation measure in 2003, and the Office for National Statistics no longer classifies RPI as a National Statistic. We therefore believe that it is CPI against which SAINTS' success in achieving its objective of real growth in the dividend should be measured. Over the past decade, SAINTS' dividend has grown in real terms against both RPI and CPI.

Dominic Neary
Baillie Gifford & Co
19 February 2015

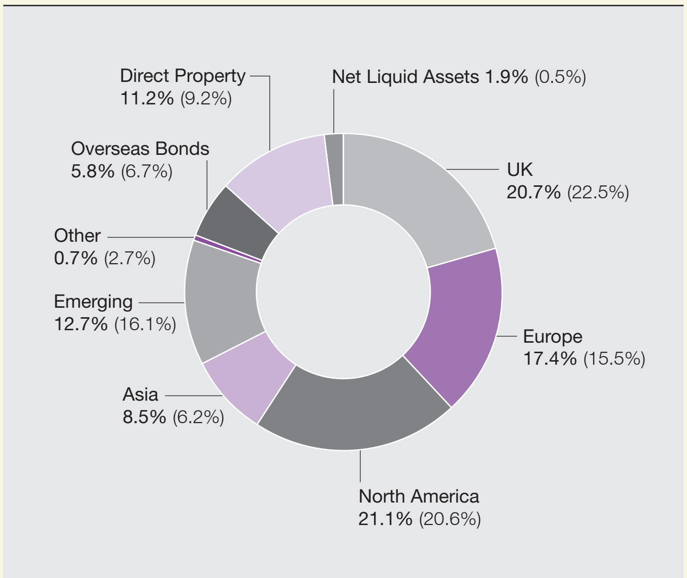
Performance Attribution for the year to 31 December 2014

Portfolio breakdown	Average allocation SAINTS %	Average allocation benchmark %	Total return SAINTS %	Total return benchmark %
Global Equities	101.8	100.0	4.3	11.3
Bonds	7.8		10.0	
Direct Property	13.6		13.6	
Deposits	1.7		–	
Debenture at book value	(24.9)		6.8	
Portfolio Total Return (debenture at book value)			**5.2**	**11.3**
Other items*			(0.7)	
Fund Total Return (debenture at book value)			**4.5**	**11.3**
Adjustment for change in fair value of debenture			(1.6)	
Fund Total Return (debenture at fair value)			**2.9**	**11.3**

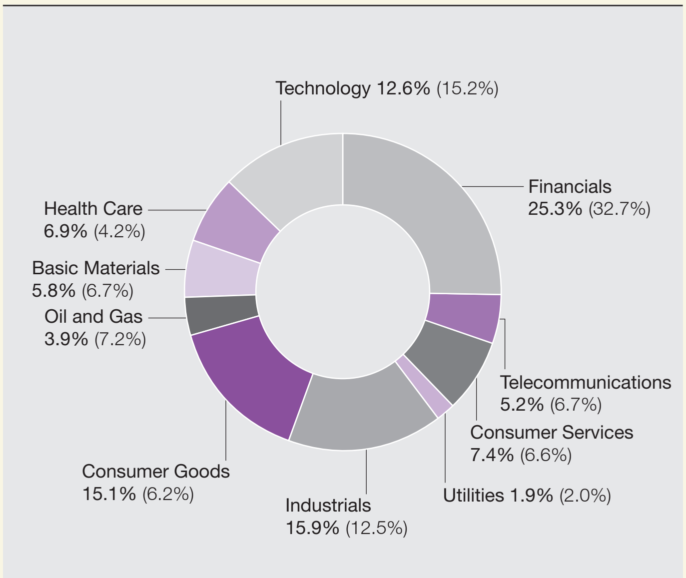
The above returns are calculated on a total returns basis with net income reinvested.
Past performance is not a guide to future performance.
Source: Baillie Gifford.
* Includes Baillie Gifford and OLIM management fees.

Distribution of Portfolio

Geographical as at 31 December 2014 (2013)



Equities by Sector as at 31 December 2014 (2013)



Thirty Largest Equity Holdings

Name	Business	2014 Value £'000	2014 % of total assets	2013 Value £'000
Rio Tinto	Mining	8,817	2.1	10,012
Taiwan Semiconductor Manufacturing	Semiconductor manufacturer	8,010	1.9	7,454
Total	Integrated oil company	7,885	1.8	8,854
Hiscox	Property and casualty insurance	7,423	1.7	5,610
Coca Cola	Beverage manufacturer	7,126	1.7	–
Roche Holdings	Pharmaceuticals	6,781	1.6	4,780
Analog Devices	Integrated circuits	6,588	1.5	5,688
AVI	Staple foods manufacturer	6,571	1.5	–
SK Telecom	Mobile telecommunication services	6,301	1.5	5,291
Deutsche Boerse	Securities exchange owner/operator	6,275	1.5	–
Pepsico	Snack and beverage manufacturer	6,062	1.4	–
Provident Financial	Loans and credit cards	5,825	1.4	3,839
Johnson and Johnson	Pharmaceuticals and healthcare products	5,698	1.3	3,649
Want Want	Snacks and milk-based products	5,583	1.3	–
Aviva	Investment and life assurance	5,363	1.2	2,473
United Parcel Service	Courier services	5,357	1.2	4,767
Amlin	Property and casualty insurance	5,344	1.2	11,165
China Mobile	Mobile telecommunication services	5,273	1.2	4,393
Partners Group	Asset management	5,089	1.2	3,521
McDonald's	Fast food restaurants	5,055	1.2	4,221
Capita	Business process outsourcing	5,041	1.2	3,884
Japan Residential Investment Company	Japanese residential property fund	5,016	1.2	5,625
Edenred	Voucher programme outsourcer	4,963	1.2	–
Svenska Handelsbanken	Banking	4,917	1.1	4,861
Linear Technology	Integrated circuits	4,913	1.1	4,619
M6-Metropole TV	Television broadcasting	4,804	1.1	5,525
Brambles	Pallet pool operator	4,765	1.1	2,602
Kraft Foods Group	Branded food and beverages	4,712	1.1	3,817
New York Community Bankcorp	Banking	4,659	1.1	4,619
Sumitomo	Trading conglomerate	4,554	1.1	2,908
		174,770	**40.7**	**124,177**

Investment Changes

	Valuation at 31 December 2013 £'000	Net acquisitions/ (disposals) £'000	Appreciation/ (depreciation) £'000	Valuation at 31 December 2014 £'000
United Kingdom Equities	96,289	(3,713)	(3,907)	88,669
Overseas Equities	261,542	(8,295)	6,152	259,399
Total Equities	357,831	(12,008)	2,245	348,068
Direct Property	39,600	6,032	2,293	47,925
Bonds	28,617	(5,134)	1,561	25,044
Total Investments	**426,048**	**(11,110)**	**6,099**	**421,037**
Net Liquid Assets	2,265	5,834	31	8,130
Total Assets	**428,313**	**(5,276)**	**6,130**	**429,167**

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

Classification of Investments

Classification Equities:	UK %	Overseas %	2014 Total %	2013 Total %
Oil and gas producers	0.8	1.8	2.6	4.5
Oil equipment, services and distribution	–	0.5	0.5	1.5
Oil and Gas	**0.8**	**2.3**	**3.1**	**6.0**
Chemicals	–	–	–	0.5
Industrial metals and mining	–	0.8	0.8	1.1
Mining	3.0	0.9	3.9	4.0
Basic Materials	**3.0**	**1.7**	**4.7**	**5.6**
Construction and materials	–	0.6	0.6	0.6
Electronic and electrical equipment	–	0.2	0.2	0.5
General Industrials	0.9	2.4	3.3	3.6
Industrial engineering	–	1.6	1.6	0.8
Industrial transportation	–	1.3	1.3	2.0
Support services	3.2	2.8	6.0	3.0
Industrials	**4.1**	**8.9**	**13.0**	**10.5**
Automobiles and parts	–	1.0	1.0	1.0
Food producers	–	7.8	7.8	1.6
Household goods and home construction	–	0.1	0.1	–
Leisure goods	–	0.7	0.7	0.8
Tobacco	0.8	1.8	2.6	1.8
Consumer Goods	**0.8**	**11.4**	**12.2**	**5.2**
Health care equipment and services	–	1.5	1.5	0.5
Pharmaceuticals and biotechnology	–	4.1	4.1	3.0
Health Care	**–**	**5.6**	**5.6**	**3.5**
Food and drug retailers	–	1.9	1.9	2.9
General retailers	–	2.1	2.1	1.3
Media	0.9	1.1	2.0	1.3
Consumer Services	**0.9**	**5.1**	**6.0**	**5.5**
Mobile telecommunications	0.9	3.3	4.2	5.6
Telecommunications	**0.9**	**3.3**	**4.2**	**5.6**
Electricity	0.9	0.7	1.6	1.7
Utilities	**0.9**	**0.7**	**1.6**	**1.7**
Banks	0.9	3.5	4.4	3.3
Non-life insurance	2.9	0.9	3.8	7.1
Life insurance	1.3	–	1.3	0.6
Real estate	0.2	2.8	3.0	4.9
Financial services	1.4	3.9	5.3	4.1
Equity investment instruments	2.6	–	2.6	7.3
Financials	**9.3**	**11.1**	**20.4**	**27.3**
Software and computer services	–	5.7	5.7	7.6
Technology hardware and equipment	–	4.6	4.6	5.1
Technology	**–**	**10.3**	**10.3**	**12.7**
Total Equities	**20.7**	**60.4**	**81.1**	
Total Equities – 2013	22.5	61.1		**83.6**
Direct Property	**11.2**	**–**	**11.2**	**9.2**
Bonds	**–**	**5.8**	**5.8**	**6.7**
Net Liquid Assets	**1.7**	**0.2**	**1.9**	**0.5**
Total Assets	**33.6**	**66.4**	**100.0**	
Total Assets – 2013	31.9	68.1		**100.0**
Debenture	**(19.9)**	**–**	**(19.9)**	**(20.1)**
Equity Shareholders' Funds	**13.7**	**66.4**	**80.1**	
Equity Shareholders' Funds – 2013	11.8	68.1		**79.9**
Number of equity investments	**21**	**68**	**89**	**96**

List of Investments at 31 December 2014

Classification	Name	Fair value £'000	% of total assets
United Kingdom Equities			
Oil and gas producers	BG Group	**3,356**	**0.8**
Mining	BHP Billiton	3,963	
	Rio Tinto	8,817	
		12,780	**3.0**
General Industrials	Rexam	**3,815**	**0.9**
Support services	Capita	5,041	
	Experian	4,439	
	Hays	4,237	
		13,717	**3.2**
Tobacco	British American Tobacco	**3,566**	**0.8**
Media	WPP	**3,812**	**0.9**
Mobile telecommunications	Vodafone	**3,886**	**0.9**
Electricity	Scottish & Southern Energy	**3,731**	**0.9**
Banks	HSBC	**3,850**	**0.9**
Non-life insurance	Amlin	5,344	
	Hiscox	7,423	
		12,767	**2.9**
Life insurance	Aviva	**5,363**	**1.3**
Real estate	Terra Catalyst Fund	**918**	**0.2**
Financial services	Provident Financial	**5,825**	**1.4**
Equity investment instruments	Aberforth Geared Income Trust	4,427	
	Doric Nimrod Air Two	4,340	
	International Oil and Gas Technology Fund	672	
	Level E Maya Fund*	1,844	
		11,283	**2.6**
Total United Kingdom Equities		**88,669**	**20.7**

* Unlisted.

Classification	Name	Fair value £'000	% of total assets
Overseas Equities			
Oil and gas producers	Total	**7,885**	**1.8**
Oil equipment, services and distribution	Aker Solutions	**2,196**	**0.5**
Industrial metals and mining	Norsk Hydro	**3,519**	**0.8**
Mining	China Shenhua Energy	**3,857**	**0.9**
Construction and materials	Quanta Services	**2,496**	**0.6**
Electronic and electrical equipment	Elswedy Electric	**921**	**0.2**
General Industrials	General Cable	1,875	
	Konecranes	3,978	
	Sumitomo	4,554	
		10,407	**2.4**
Industrial engineering	Atlas Copco	3,877	
	Sandvik	2,855	
		6,732	**1.6**
Industrial transportation	United Parcel Service	**5,357**	**1.3**
Support services	Brambles	4,765	
	Edenred	4,963	
	IHS Inc	2,056	
		11,784	**2.8**
Automobiles and parts	Harley-Davidson	**4,263**	**1.0**
Food Producers	AVI	6,571	
	Coca Cola	7,126	
	Kraft Foods Group	4,712	
	Nestlé	3,581	
	Pepsico	6,062	
	Want Want	5,583	
		33,635	**7.8**
Household goods and home construction	Kimberly-Clarke De Mexico	**154**	**0.1**
Leisure goods	Nintendo	**3,000**	**0.7**
Tobacco	Philip Morris International	3,664	
	Reynolds American	4,390	
		8,054	**1.8**
Health care equipment and services	Cochlear	2,650	
	Sonic Healthcare	3,661	
		6,311	**1.5**
Pharmaceuticals and biotechnology	Johnson and Johnson	5,698	
	Novozymes	2,586	
	Roche Holdings	6,781	
	Teva Pharmaceuticals	2,557	
		17,622	**4.1**
Food and drug retailers	China Resources Enterprise	2,074	
	Herbalife	1,030	
	McDonald's	5,055	
		8,159	**1.9**
General retailers	Amazon.com	2,388	
	Anta Sports Products	3,088	
	Dia	3,507	
		8,983	**2.1**
Media	M6-Metropole TV	**4,804**	**1.1**

Classification	Name	Fair value £'000	% of total assets
Overseas Equities (continued)			
Mobile telecommunications	China Mobile	5,273	
	SK Telecom	6,301	
	Total Access Communications	2,781	
		14,355	**3.3**
Electricity	AES Tiete	**2,982**	**0.7**
Banks	BOC Hong Kong	4,071	
	Itau Unibanco	1,366	
	New York Community Bankcorp	4,659	
	Svenska Handelsbanken	4,917	
		15,013	**3.5**
Non-life insurance	Progressive	**3,853**	**0.9**
Real estate	Cambium Global Timberland	3,150	
	Industrial & Infrastructure Fund	3,812	
	Invista European Real Estate Trust†	130	
	Japan Residential Investment Company	5,016	
		12,108	**2.8**
Financial services	BM&F Bovespa	3,001	
	Brasil Insurance Participacoes e Administracao	478	
	Deutsche Boerse	6,275	
	Hong Kong Exchanges and Clearing	2,092	
	Partners Group	5,089	
		16,935	**3.9**
Software and computer services	Dolby Laboratories	4,200	
	Exact	1,074	
	Google	2,711	
	Microsoft	4,051	
	SAP	4,241	
	Taiwan Semiconductor Manufacturing	8,010	
		24,287	**5.7**
Technology hardware and equipment	Analog Devices	6,588	
	Apple	3,308	
	Asustek Computer	1,463	
	Linear Technology	4,913	
	Samsung Electronics	3,455	
		19,727	**4.6**
Total Overseas Equities		**259,399**	**60.4**
Total Equities		**348,068**	**81.1**

† Includes a holding in preference shares.

Classification	Name	Fair value £'000	% of total assets
Direct Property			
Direct Property	See table below.	**47,925**	**11.2**
Bonds			
Euro denominated	Semper Finance FRN SLP 2015*	**3,198**	**0.7**
US dollar denominated	Athena Debt Opportunities Fund	**11,661**	**2.7**
Brazilian real denominated	Brazil CPI Linked 15/05/2045	**10,185**	**2.4**
		25,044	**5.8**
Total Investments		**421,037**	**98.1**
Net Liquid Assets		8,130	1.9
Total Assets (before deduction of debenture)		**429,167**	**100.0**

* Unlisted.

Property Portfolio

Location	Type	Tenant	2014 Value £'000	2014 % of total assets	2013 Value £'000
Biggleswade	Warehouse	Quest Automotive Products UK Limited	4,250	1.0	–
Dundee	Public House	J D Wetherspoon Plc	1,150	0.3	950
Dunfermline	Shop	W H Smith Retail Holdings Ltd	1,550	0.4	1,650
Earley	Public House	Spirit Pub Company (Managed) Limited	2,750	0.6	2,250
Inverness	Warehouse	Brake Brothers	2,650	0.6	–
Kenilworth	Nursing Home	Care UK Community Partnership Limited	6,400	1.5	5,900
Leicester	Car Showroom	Syntner Group Limited	3,600	0.8	–
Market Deeping	Warehouse	Metalrax plc	–	–	750
Newport Pagnell	Car Showroom	Reg Vardy (Property Management) Limited	3,850	0.9	3,500
New Romney	Holiday Village	Park Resorts Ltd	9,100	2.1	8,600
Oban	Shop	W H Smith Retail Holdings Ltd	1,150	0.3	1,300
Otford	Public House	Spirit Pub Company (Managed) Limited	1,900	0.4	1,800
Perth	Bank	Bank of Scotland	1,750	0.4	2,050
Portsmouth	Public House	J D Wetherspoon Plc	2,200	0.5	2,100
Reading	Restaurant	Bella Italia Restaurants Ltd	950	0.2	1,100
Redditch	Warehouse	Metalrax plc	1,400	0.3	1,350
Sale	Public House	Stonegate Pub Company Limited	675	0.2	–
Sunderland	Office and Leisure	Various	–	–	3,850
Torquay	Public House	Mitchells & Butler Retail Ltd	1,300	0.3	1,250
Winchester	Public House	Fuller Smith & Turner Plc	1,300	0.3	1,200
			47,925	**11.2**	**39,600**

The Strategic Report which includes pages 2 to 19 was approved by the Board on 19 February 2015.

Sir Brian Ivory
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 ‡ %
2004	13,707	8,379	6.30	6.00	0.96
2005	13,986	9,000	6.80	6.53	0.80
2006	15,326	10,002	7.55	7.40	0.78
2007	17,751	11,345	8.56	8.25	0.80
2008	20,901	13,905	10.50	8.80	0.84
2009	17,194	11,989	9.05	9.05	1.02
2010	16,379	11,271	8.51	9.25	0.90
2011	17,316	12,346	9.32	9.45	0.89
2012	18,556	13,564	10.22	9.80	0.94
2013	18,421	13,541	10.21	10.20	0.90
2014	**18,782**	**13,940**	**10.51**	**10.50**	**0.90**

Gearing Ratios

Year to 31 December	Equity gearing ¶ %	Potential gearing § %
2004	6	33
2005	10	27
2006	5	24
2007	5	24
2008	0	44
2009	(3)	32
2010	(4)	26
2011	(1)	30
2012	(2)	27
2013	4	25
2014	**1**	**25**

\# 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.

§ Total assets (including all debt used for investment purposes) divided by shareholders' funds.

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) %
2004	361,691	89,760	271,931	205.3	197.1	167.5	(18.4)	(15.0)
2005	426,021	89,430	336,591	254.1	241.2	218.8	(13.9)	(9.3)
2006	462,673	89,079	373,594	282.0	272.6	241.3	(14.4)	(11.5)
2007	460,094	88,708	371,386	280.3	272.7	240.0	(14.4)	(12.0)
2008	289,087	88,312	200,775	151.5	145.3	130.5	(13.9)	(10.2)
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**

* Net asset value per ordinary share has been calculated after deducting the debenture at either book value or fair value.

† Premium/(discount) is the difference between SAINTS' quoted share price and its underlying net asset value at either book value or fair value.

Cumulative Performance (taking 2004 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)	Retail price index	Consumer price index
2004	100	100	100	100	100	100	100	100	100	100
2005	124	127	131	135	113	123	108	109	102	102
2006	137	144	144	154	127	139	120	123	107	105
2007	137	148	143	158	139	149	136	138	111	107
2008	74	83	78	90	141	110	167	147	112	110
2009	102	121	108	133	118	138	144	151	115	114
2010	122	151	147	188	142	160	135	154	120	118
2011	108	139	124	166	160	151	148	158	126	123
2012	116	155	135	188	148	170	162	163	130	126
2013	126	176	153	222	160	205	162	170	133	129
2014	**126**	**184**	**149**	**226**	**174**	**229**	**167**	**175**	**136**	**129**
Compound annual returns										
5 year	4.4%	8.7%	6.6%	11.2%	8.2%	10.7%	3.0%	3.0%	3.4%	2.5%
10 year	2.4%	6.3%	4.1%	8.5%	5.7%	8.6%	5.3%	5.8%	3.1%	2.6%

On 1 January 2004 the Company changed its benchmark from 65% FTSE All-Share Index and 35% FTSE World Ex UK Index to 70% FTSE All-Share Index and 30% FTSE World Ex UK Index and with effect from 1 January 2009, the Company's benchmark became 50% FTSE All-Share Index and 50% FTSE All-World ex UK Index. With effect from 1 January 2014, the Company's benchmark became the 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.

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

Sir Brian Ivory, CBE, CA

Sir Brian joined the Board in 2000 and was appointed Chairman in 2001. He is also the Chairman of the Nomination Committee. He is a director of Insight Investment Management Ltd and is chairman of Marathon Asset Management (Services) Ltd and Arcus European Infrastructure Fund GP LLP and deputy chairman of Shawbrook Bank Limited. He was formerly chairman of Highland Distillers Plc and of the Trustees of the National Galleries of Scotland and a director of HBOS Plc.

Bronwyn Curtis, OBE

Ms Curtis joined the Board on 17 November 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 a director of JP Morgan Asian Investment Trust plc.

Eric Hagman, CBE, CA

Mr Hagman joined the Board in 2005 and became the 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.

Lord Kerr of Kinlochard, GCMG

Lord Kerr joined the Board in 2002 and was appointed senior independent director in 2012. He was Ambassador to the US and the EU, and Foreign Office Permanent Under-Secretary. He then became Deputy Chairman of Royal Dutch Shell plc, Chairman of Imperial College London and a Trustee of the National Gallery. He is now Deputy Chairman of Scottish Power, a director of Rio Tinto plc and Chairman of the Centre for European Reform.

Peter Moon

Mr Moon joined the Board in 2005. He was chief investment officer of the Universities Superannuation Scheme Limited fund from 1992 until August 2009. He is chairman of Bell Potter (UK) Limited and Arden Partners plc and is a director of First Property plc and Gresham House plc. He is a former director of MBNA Europe and a former Member of the National Association of Pension Funds Investment Committee. Prior to joining Universities Superannuation Scheme, Mr Moon managed investments at the British Airways Pension Fund and the National Provident Institution, which he joined in 1978.

All Directors are members of the Nomination and Audit Committees.

From left to right: Sir Brian Ivory, Eric Hagman, Bronwyn Curtis, Lord Kerr of Kinlochard, Peter Moon.

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 portfolio management services to Baillie Gifford & Co. Baillie Gifford & Co is an investment management firm formed in 1927 out of the legal firm Baillie & Gifford, WS, which had been involved in investment management since 1908.

Baillie Gifford is one of the largest investment trust managers in the UK and currently manages seven 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 £118 billion. Based in Edinburgh, it is one of the leading privately owned investment management firms in the UK, with 40 partners and a staff of around 840.

The manager of SAINTS is Dominic Neary. Dominic is Head of the Global Income Growth Team and is responsible for SAINTS' equity investments. He works 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 2014.

Corporate Governance

The Corporate Governance Report is set out on pages 24 to 26 and forms part of this Report.

Manager and Company Secretaries

In order to comply with the Alternative Investment Fund Managers Directive ('AIFMD'), the Company has appointed Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, as its Alternative Investment Fund Manager ('AIFM') with effect from 1 July 2014. Baillie Gifford & Co Limited was also appointed Company Secretary with effect from the same date. The Investment Management Agreement with Baillie Gifford & Co has been terminated and the Company has entered into a new agreement with Baillie Gifford & Co Limited. The management fee and notice period are unchanged under these new arrangements. Baillie Gifford & Co Limited has delegated investment management services to Baillie Gifford & Co; therefore the Company's portfolio continues to be managed by Baillie Gifford & Co. 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 sooner. 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 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;

— 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;

— 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 and the delegation of the management of the property portfolio to OLIM Property Limited, on the terms agreed, is in the interests of shareholders as a whole.

Depositary

In accordance with the AIFMD, the Company appointed BNY Mellon & Trust Depositary (UK) Limited as its Depositary with effect from 1 July 2014.

The Depositary Agreement replaced the custody agreement with the Bank of New York Mellon SA/NV. 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 has delegated the custody function to The Bank of New York Mellon SA/NV ('the Custodian').

Directors

Information about the Directors, including their relevant experience, can be found on page 20.

Ms Bronwyn Curtis, having been appointed to the board on 17 November 2014, is required to seek election by shareholders at the Annual General Meeting. The Directors believe her considerable experience and knowledge will enhance the Board.

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

Director Indemnification and Insurance

The Company has entered into deeds of indemnity in favour of each of its Directors. The deeds 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 2.65p per ordinary share which, together with the interim dividends already paid, makes a total of 10.50p for the year. If approved, the recommended final dividend on the ordinary shares will be paid on 10 April 2015 to shareholders on the register at the close of business on 6 March 2015. The ex-dividend date is 5 March 2015. The Company's Registrar offers a Dividend Reinvestment Plan (see page 55) and the final date for the receipt of elections for reinvestment of this dividend is 18 March 2015.

Share Capital

Capital Structure

The Company's capital structure consists of 132,675,943 ordinary shares of 25p each (2013 – 132,675,943 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 57.

Major Interests in the Company's Shares

Name	No. of ordinary 25p shares held at 31 December 2014	% of issue
Brewin Dolphin Limited	6,623,973	5.0
DC Thomson & Co Ltd	4,100,000	3.1

There have been no changes to the major interests in the Company's shares intimated up to 18 February 2015.

Annual General Meeting

Market Purchase of Own Shares

The Company's buy-back authority was last renewed at the AGM on 3 April 2014 in respect of 19,888,123 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 Directors are seeking shareholders' approval at the Annual General Meeting to renew the authority to make market purchases of up to 19,888,123 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 2016. 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 cancelled or held in treasury. 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 on the London Stock Exchange.

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 13 in the Notice of Annual General Meeting.

Share Issuance Authority

Resolution 11 in the Notice of Annual General Meeting seeks to renew the Directors' general authority to issue shares up to an aggregate nominal amount of £11,055,222. 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 11 which would effectively alter the control of the Company without the prior approval of shareholders in general meeting.

Resolution 12, 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 for cash (i.e. without first offering such shares to existing shareholders pro-rata to their existing holdings) up to an aggregate nominal amount of £3,316,898 (representing 10% of the issued ordinary share capital of the Company as at 18 February 2015). The authorities sought in Resolutions 11 and 12 will continue until the conclusion of the Annual General Meeting to be held in 2016 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 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.

The Directors consider that the authority to issue/sell shares is advantageous should the shares trade at a premium to the net asset value and natural liquidity is unable to meet demand.

No shares were issued during the year to 31 December 2014 and no shares were held in treasury as at 18 February 2015.

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 Auditors

The Directors confirm that so far as each of the Directors is aware there is no relevant audit information of which the Company's auditors are 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 auditors are aware of that information.

Independent Auditors

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

Post Balance Sheets Events

The Directors confirm that there have been no post Balance Sheet events up to 18 February 2015.

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.

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.

By order of the Board
Sir Brian Ivory
19 February 2015

Corporate Governance Report

The Board is committed to achieving and demonstrating high standards of Corporate Governance. This statement outlines how the principles of the 2012 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 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. 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 five 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 Kerr of Kinlochard.

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 20.

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.

Sir Brian Ivory, Lord Kerr of Kinlochard, Mr Hagman and Mr Moon 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. The Board concurs with the view expressed in the AIC Code that long serving Directors should not be prevented from being considered independent. Following a formal performance evaluation, the Board has concluded that, notwithstanding their length of service, Sir Brian Ivory, Lord Kerr of Kinlochard, Mr Hagman and Mr Moon 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	**6**	**2**	**2**
Sir Brian Ivory	6	2	2
Bronwyn Curtis (appointed 17 November 2014)	–	–	–
Eric Hagman	6	2	2
Lord Kerr of Kinlochard	6	2	2
Peter Moon	6	2	2
The Rt Hon Sir Menzies Campbell (retired 3 April 2014)	2	1	–
Rachel Lomax (retired 3 April 2014)	2	1	–

Nomination Committee

The Nomination Committee consists of the whole 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. The Board therefore does not consider it appropriate to set diversity targets.

Following the retiral of Sir Menzies Campbell and the resignation of Ms Rachel Lomax during the year, the Board agreed to appoint a new Director. The Committee identified the skills and experience that would be required, having due regard for the benefits of diversity on the Board. MacDonald Kinnaird were engaged to advise on suitable candidates. MacDonald Kinnaird has no other connection with the Company or Directors. The Committee considered several candidates and Ms Bronwyn Curtis was identified as the preferred candidate due to her extensive financial services experience. She was appointed to the Board with effect from 17 November 2014.

The Committee's terms of reference are available on request from the Company and from 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 Kerr of Kinlochard. 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 each Director and the Chairman remains 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 29 and 30.

Audit Committee

The report of the Audit Committee is set out on pages 27 and 28.

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 'Internal Control: Revised Guidance for Directors on the Combined Code'.

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, with effect from 1 July 2014, 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 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.

With effect from 1 July 2014, the Company entered into arrangements to comply with the Alternative Fund Managers Directive. The Company appointed BNY Mellon Trust & Depositary (UK) Limited as its Depositary and Baillie Gifford & Co Limited as its AIFM.

The Depositary's responsibilities include cash monitoring, safe keeping of the Company's financial instruments, verifying ownership and maintaining a record of other assets and monitoring the Company's compliance with investment limits and leverage requirements. The Depositary is liable for the loss of financial instruments held in custody. The 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 SA/NV London Branch. The Custodian prepares a report on its key controls and safeguards which is independently reviewed by KPMG LLP.

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 note 19 on page 50), 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 are escalated to the AIFM and reported to the Board along with 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 that the Company will continue in operational existence for the foreseeable future.

Relations with Shareholders

The Board places great importance on communication with shareholders. The Company's 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.

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**. 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.

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 are signatories to the United Nations Principles for Responsible Investment and the Carbon Disclosure Project.

By order of the Board
Sir Brian Ivory
19 February 2015

Audit Committee Report

The Audit Committee consists of all independent Directors. The members of the Committee consider that they have the requisite financial skills and experience to fulfil the responsibilities of the Committee. Mr E Hagman, Chairman of the Committee, is a Chartered Accountant. 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 half-yearly 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 custodian;

— 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 existence and valuation of investments and property as they represent 98.1% 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.

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

The Auditor confirmed to the Committee that the investments had been valued in accordance with the stated accounting policies and that the value of all the investments had been agreed to external price sources and the portfolio holdings agreed to confirmations from the Company's custodian.

The Auditor also confirmed that title to properties had been agreed to confirmations from the Company's solicitors and valuations to the report provided by Jones Lang LaSalle.

The Managers and Auditor confirmed to the Committee that they were not aware of any material misstatements in the context of the financial statements as a whole.

Internal Controls and Risk Management

The Committee reviewed the effectiveness of the Company's risk management and internal controls systems as described on pages 25 and 26. 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:

— A report from the Auditor describing their arrangements to manage auditor independence and received confirmation of their independence; and

— The extent of non-audit services provided by the external auditor. Non-audit fees for the year to 31 December 2014 were £900 and related to the certification of financial information for the debenture trustee. The Committee does not believe that this has impaired the Auditor's independence.

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

— The Auditor's fulfilment of the agreed audit plan;

— Responses to the ICAS Annual Audit Assessment questionnaire;

— 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 10 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. Ms Burnet, the current partner, was appointed over two years' ago and will continue as partner until the conclusion of the 2016 audit.

KPMG 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. KPMG also act as auditor to the Manager and Ms Burnet took on the lead relationship partner role with Baillie Gifford during 2013. A separate audit director is responsible for the Baillie Gifford audit and KPMG have outlined the procedures that would be put in place in the unlikely event that a conflict of interest should arise. The Committee is satisfied with the Auditor's independence.

Having carried out the review described above, the Committee is satisfied that the Auditor remains independent and effective and as such, has not considered it necessary to conduct a tender process for the appointment of its Auditor at this stage.

The Committee intends to undertake a tender process during 2016 to coincide with the five year rotation cycle of the current partner Ms Burnet.

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 31 to 33.

By order of the Board
Eric Hagman
Audit Committee Chairman
19 February 2015

Directors' Remuneration Report

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

Statement by the Chairman

The Directors' Remuneration Policy is subject to shareholder approval every three years or sooner if an alteration to the policy is proposed. The Remuneration Policy which is set out below was approved at the Annual General Meeting in April 2014 and no changes are proposed.

The Board reviewed the level of fees during the year and it was agreed that there would be no change to fees. The fees were last increased on 1 January 2013.

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. Baillie Gifford & Co Limted, the Company Secretaries, provides comparative information when the Board considers the level of Directors' fees.

The Board's policy is that the remuneration of Directors should be set at a reasonable level that is commensurate with the duties and responsibilities of the role and consistent with the requirement to attract and retain Directors of the appropriate quality and experience. 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. 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.

The fees for the non-executive Directors are payable quarterly in arrears and are determined by the Company, from time to time, in general meeting. Currently, Directors' remuneration shall not exceed £25,000 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. Non-executive Directors are not eligible for any other remuneration or benefits apart from the reimbursement of allowable expenses. 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.

The basic and additional fees payable to Directors in respect of the year ended 31 December 2014 and the fees payable in respect of the year ending 31 December 2015 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 2015 £	Fees for year ending 31 Dec 2014 £
Non-executive Director fee	20,000	20,000
Additional fee for Chairman	15,000	15,000
Additional fee for Chairman of the Audit Committee	3,000	3,000

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 32 and 33.

Directors' Remuneration for the Year (audited)

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

Name	2014 £	2013 £
Directors who served during the year:		
Sir Brian Ivory (Chairman)	35,000	35,000
The Rt Hon Sir Menzies Campbell (retired 3 April 2014)	5,231	20,000
Bronwyn Curtis (appointed 17 November 2014)	2,436	–
Eric Hagman	23,000	23,000
Lord Kerr of Kinlochard	20,000	20,000
Rachel Lomax (retired 3 April 2014)	5,231	20,000
Peter Moon	20,000	20,000
	110,898	**138,000**

Sums Paid to Third Parties (audited)

A sum of £30,500 (2013 – £30,500) was paid to Enitar Ltd in respect of Sir Brian Ivory's Director's fees. These payments were for making his services available as a Director of the Company.

Directors' Interests (audited)

Name	Nature of interest	Ordinary 25p shares held at 31 December 2014	Ordinary 25p shares held at 31 December 2013
Sir Brian Ivory	Beneficial	31,000	31,000
Bronwyn Curtis		–	–
Eric Hagman	Beneficial	2,000	2,000
Lord Kerr of Kinlochard	Beneficial	125,571	117,656
Peter Moon	Beneficial	10,000	10,000

Under the Articles of Association, the Directors are required to hold 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. Ms Curtis purchased 3,000 shares on 9 January 2015. On 28 January 2015, Sir Brian Ivory's holding became 23,000 shares as a result of 8,000 shares no longer being deemed to be held by a connected party. There have been no other changes intimated in the Directors' interests up to 18 February 2015.

Statement of Voting at Annual General Meeting

At the last Annual General Meeting, of the proxy votes received in respect of the Directors' Remuneration Policy, 96.5% were in favour, 2.2% were against and votes withheld were 1.3% and in respect of the Directors' Remuneration Report, 97.1% were in favour, 2.1% were against and votes withheld were 0.8%.

Relative Importance of Spend on Pay

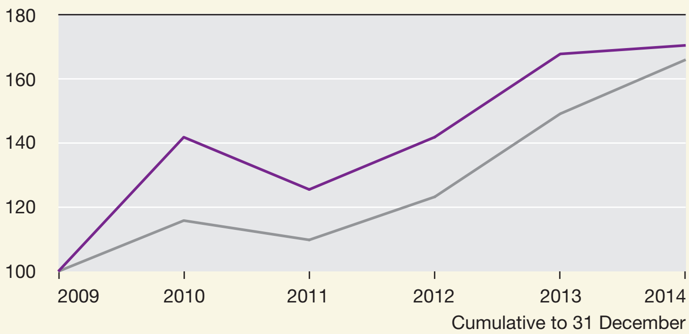
As the Company has no employees, the Directors do not consider it appropriate to present a table comparing remuneration paid to employees with distributions to shareholders.

Company Performance

The graph below 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 benchmark index. This index was chosen for comparison purposes, as it is the index against which the Company has measured its performance over the period covered by the graph.

Performance Graph

(figures rebased to 100 at 31 December 2009)



Source: Thomson Reuters Datastream/Baillie Gifford.

SAINTS share price

Benchmark*

All figures are total return (assuming net dividends reinvested).

* 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.

Past performance is not a guide to future performance.

Approval

The Directors' Remuneration Report on pages 29 and 30 was approved by the Board of Directors and signed on its behalf on 19 February 2015.

Sir Brian Ivory
Chairman

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

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration 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 have elected to prepare the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice). 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 the profit or loss of the Company 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

— prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of 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.

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.

Each of the Directors, whose names and functions are listed within the Directors and Management section, confirm that, to the best of their knowledge:

— the financial statements, which have been prepared in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), give a true and fair view of the assets, liabilities, financial position and net return of the Company;

— 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 performance, business model and strategy; and

— the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

By order of the Board
Sir Brian Ivory
19 February 2015

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.

Independent Auditor's Report

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

Opinions and conclusions arising from our audit

Our opinion on the financial statements is unmodified

We have audited the financial statements of The Scottish American Investment Company P.L.C. for the year ended 31 December 2014 set out on pages 34 to 50. In our opinion the financial statements:

— give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its net return for the year then ended;

— have been properly prepared in accordance with UK Accounting Standards; and

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

Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit were as follows:

Carrying amount of listed equity and fund investments (£348.1m)

Refer to page 27 (Audit Committee Report), page 38 (accounting policy) and pages 41 to 43 (financial disclosures).

— ***The risk:*** The Company's portfolio of listed equity and fund investments makes up 80.6% of the Company's total assets (by value) and is considered to be the key driver of operations and performance results. We do not consider these investments to be at 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.

— ***Our response:*** Our procedures over the completeness, valuation and existence of the Company's quoted investment portfolio included, but were not limited to:

  — documenting and assessing the processes in place to record investment transactions and to value the portfolio;

  — agreeing the valuation of 100 per cent of investments in the portfolio to externally quoted prices; and

  — agreeing 100 per cent of investment holdings in the portfolio to independently received third party confirmations.

Valuation of Property Investments (£47.9m)

Refer to page 27 (Audit Committee Report), page 38 (accounting policy) and pages 41 to 43 (financial disclosures).

— ***The risk:*** The Company's property investments make up 11.2% of total assets (by value). Due to the uncertainty prevalent within the property market and the subjective nature of property valuations, we consider the valuation of properties to be at risk of significant misstatement.

— ***Our response:*** We performed the following procedures, among others, over the valuation of the Company's property investment portfolio:

  — We agreed the value of each property to the valuation report prepared for the Company by an independent firm of property specialists;

  With the assistance of our own valuation specialist, we:

  — checked whether the valuation was stated as having been performed in accordance with the RICS Professional Standards;

  — considered the general portfolio value changes over the year against the IPD Index of capital growth to benchmark valuation movements;

  — for a sample of valuations, based on our experience of the property market, we assessed the reasonableness of the valuations by gaining an understanding of the nature of the property and how tenancy and income changes over the year may have affected the valuation; and

  — calculated the implied Net Initial Yield and considered the reasonableness of the implied Net Initial Yield for a sample of properties based on our knowledge of the property market and by comparison with available market evidence and CBRE's 2014 benchmark yield indices for pubs, care homes and other commercial property sectors.

  We assessed the adequacy of the Company's disclosures in relation to the valuation of property investments by reference to the requirements of relevant accounting standards.

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

The materiality for the financial statements as a whole was set at £6.48m, determined with reference to a benchmark of total assets (of which it represents 1.5%).

In addition, we applied materiality of £0.7m 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 be reasonably expected to influence the Company's members' assessment of the financial performance of the Company.

We report to the Audit Committee any corrected and uncorrected identified misstatements exceeding £0.3m, 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 all performed at the Baillie Gifford & Co head office in Edinburgh.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

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

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

We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

— we have identified material inconsistencies between the knowledge we acquired during our 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 performance, business model and strategy; or

— the Audit Committee Report does not appropriately address matters communicated by us to the Audit Committee.

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

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

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

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

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

Under the Listing Rules we are required to review:

— the Directors' statement, set out on page 26, in relation to going concern; and

— the part of the Corporate Governance Statement on pages 24 to 26 relating to the Company's compliance with the 10 provisions of the 2012 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 31, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at **www.frc.org.uk/auditscopeukprivate**. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at **www.kpmg.com/uk/auditscopeukco2014a**, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Catherine Burnet (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG
19 February 2015

Income Statement

For the year ended 31 December

	Notes	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000
Net gains on investments – securities	9	–	3,806	**3,806**	–	30,858	**30,858**
Currency gains/(losses)	14	–	17	**17**	–	(266)	**(266)**
Income	2	18,782	–	**18,782**	18,421	–	**18,421**
Management fees	3	(680)	(1,262)	**(1,942)**	(678)	(1,259)	**(1,937)**
Other administrative expenses	4	(949)	–	**(949)**	(958)	–	**(958)**
Net return before finance costs and taxation		17,153	2,561	**19,714**	16,785	29,333	**46,118**
Finance costs of borrowings	5	(2,041)	(3,790)	**(5,831)**	(2,052)	(3,812)	**(5,864)**
Net return on ordinary activities before taxation		15,112	(1,229)	**13,883**	14,733	25,521	**40,254**
Tax on ordinary activities	6	(1,172)	286	**(886)**	(1,192)	457	**(735)**
Net return on ordinary activities after taxation		**13,940**	**(943)**	**12,997**	**13,541**	**25,978**	**39,519**
Net return per ordinary share	7	**10.51p**	**(0.72p)**	**9.79p**	**10.21p**	**19.58p**	**29.79p**

Statement of Total Recognised Gains and Losses

For the year ended 31 December

	Notes	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000
Net return on ordinary activities after taxation		13,940	(943)	**12,997**	13,541	25,978	**39,519**
Net gains on investments – property	9	–	2,293	**2,293**	–	950	**950**
Total recognised gains and losses for the year		**13,940**	**1,350**	**15,290**	**13,541**	**26,928**	**40,469**
Total recognised gains and losses per ordinary share	7	**10.51p**	**1.02p**	**11.53p**	**10.21p**	**20.29p**	**30.50p**

A final dividend for the year of 2.65p is proposed (2013 – 2.60p), making a total dividend for the year of 10.50p (2013 – 10.20p). More information on dividend distributions can be found in note 8 on page 41.

The total column of the Income Statement is the profit and loss account of the Company.
All revenue and capital items in these statements derive from continuing operations.
The accompanying notes on pages 38 to 50 are an integral part of this statement.

Balance Sheet

As at 31 December

	Notes	2014 £'000	2014 £'000	2013 £'000	2013 £'000
Fixed assets					
Investments – securities	9	373,112		386,448	
Investments – property	9	47,925		39,600	
			421,037		426,048
Current assets					
Debtors	10	1,063		1,158	
Cash and deposits	18	9,977		3,956	
		11,040		5,114	
Creditors					
Amounts falling due within one year	11	(2,910)		(2,849)	
Net current assets			8,130		2,265
Total assets less current liabilities			429,167		428,313
Creditors					
Amounts falling due after more than one year	12		(85,361)		(85,931)
Net assets			**343,806**		**342,382**
Capital and reserves					
Called up share capital	13		33,169		33,169
Share premium	14		357		357
Capital redemption reserve	14		22,781		22,781
Capital reserve	14		270,452		269,102
Revenue reserve	14		17,047		16,973
Shareholders' funds			**343,806**		**342,382**
Net asset value per ordinary share (Debenture at fair value)	15		**243.7p**		**247.0p**
Net asset value per ordinary share (Debenture at book value)	15		**259.1p**		**258.1p**

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 19 February 2015.

Sir Brian Ivory
Chairman

The accompanying notes on pages 38 to 50 are an integral part of this statement.

Reconciliation of Movements in Shareholders' Funds

For the year ended 31 December 2014

	Notes	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 January 2014		33,169	357	22,781	269,102	16,973	**342,382**
Total recognised gains and losses	14	–	–	–	1,350	13,940	**15,290**
Dividends paid in the year	8	–	–	–	–	(13,866)	**(13,866)**
Shareholders' funds at 31 December 2014		**33,169**	**357**	**22,781**	**270,452**	**17,047**	**343,806**

For the year ended 31 December 2013

	Notes	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 January 2013		33,169	357	22,781	242,174	16,832	**315,313**
Total recognised gains and losses		–	–	–	26,928	13,541	**40,469**
Dividends paid in the year	8	–	–	–	–	(13,400)	**(13,400)**
Shareholders' funds at 31 December 2013		**33,169**	**357**	**22,781**	**269,102**	**16,973**	**342,382**

The accompanying notes on pages 38 to 50 are an integral part of this statement.

Cash Flow Statement

For the year ended 31 December

	Notes	2014 £'000	2014 £'000	2013 £'000	2013 £'000
Net cash inflow from operating activities	16		15,957		15,644
Servicing of finance					
Interest paid		(6,400)		(6,400)	
Net cash outflow from servicing of finance			(6,400)		(6,400)
Taxation					
Overseas tax incurred		(857)		(735)	
Total tax paid			(857)		(735)
Financial investment					
Acquisitions of investments		(108,090)		(76,212)	
Disposals of investments		119,232		83,240	
Forward currency contracts		14		(35)	
Net cash inflow from financial investment			11,156		6,993
Equity dividends paid	8		(13,866)		(13,400)
Net cash inflow before financing			5,990		2,102
Increase in cash	17		**5,990**		**2,102**

	Notes	2014 £'000	2014 £'000	2013 £'000	2013 £'000
Reconciliation of net cash flow to movement in net debt	17				
Increase in cash			5,990		2,102
Translation difference			31		(166)
Other non-cash changes			570		536
Movement in net debt in the year			6,591		2,472
Net debt at 1 January			(81,975)		(84,447)
Net debt at 31 December			**(75,384)**		**(81,975)**

The accompanying notes on pages 38 to 50 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 2014 have been prepared 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 will be retained.

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

The financial statements have been prepared in accordance with the Companies Act, applicable UK accounting standards and with the AIC's Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued in January 2009. 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.

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 securities 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 valued at fair value and changes in fair value and gains and losses on disposal are recognised as capital items through the Statement of Total Recognised Gains and Losses. The valuation of property held at the year end has been estimated by professional valuers in accordance with the RICS appraisal and valuation manual.

(c) Cash

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 there is reasonable doubt that a return will be received, its recognition is deferred until that doubt is removed.

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

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

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

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

(vii) Rental income is recognised on an accruals basis.

(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 for cancellation are also funded from 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.

2 Income

	2014 £'000	2013 £'000
Income from investments		
Franked investment income	3,295	3,554
UK unfranked investment income	4	472
Overseas dividends	10,627	9,445
Overseas interest	1,089	1,700
	15,015	**15,171**
Other income		
Deposit interest	17	12
Rental income	3,713	3,198
Other income	37	40
	3,767	**3,250**
Total income	**18,782**	**18,421**
Total income comprises		
Dividends from financial assets designated at fair value through profit or loss	13,922	12,999
Interest from financial assets designated at fair value through profit or loss	1,093	2,172
Interest from financial assets not at fair value through profit or loss	17	12
Other income not from financial assets	3,750	3,238
	18,782	**18,421**

3 Management Fees

	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000
Investment management fee	596	1,107	**1,703**	610	1,133	**1,743**
Property management fee	84	155	**239**	68	126	**194**
	680	**1,262**	**1,942**	**678**	**1,259**	**1,937**

Details of the Investment Management Agreement and Property Management Agreement are disclosed on page 21. 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. Although holdings in collective investment schemes (OEICs) managed by Baillie Gifford & Co are subject to this fee the OEIC share class held by the Company does not itself attract a fee, thereby avoiding any duplication of fees. 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

	2014 £'000	2013 £'000
General administrative expenses	716	729
Custodian/depositary fees	103	72
Auditor's remuneration for audit services	18	18
Auditor's remuneration for non-audit services – reporting on debenture covenants	1	1
Directors' fees (see Directors' Remuneration Report on page 29)	111	138
	949	**958**

5 Finance Costs of Borrowings

	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000
Financial liabilities not at fair value through profit or loss						
Debenture interest	**2,041**	**3,790**	**5,831**	**2,052**	**3,812**	**5,864**

6 Tax on Ordinary Activities

	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000
UK corporation tax	333	(333)	**–**	512	(512)	**–**
Overseas taxation	886	–	**886**	735	–	**735**
Double taxation relief	(47)	47	**–**	(55)	55	**–**
	1,172	**(286)**	**886**	**1,192**	**(457)**	**735**

	2014 £'000	2013 £'000
The tax charge for the year is lower than the standard rate of corporation tax in the UK of 21.49% (2013 – 23.25%)		
The differences are explained below:		
Net return on ordinary activities before taxation	13,883	40,254
Net return on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK of 21.49% (2013 – 23.25%)	2,983	9,359
Capital returns not taxable	(821)	(7,112)
Income not taxable	(2,912)	(2,912)
Taxable loss not utilised	750	665
Overseas tax	886	735
Current tax charge for the year	**886**	**735**

At 31 December 2014 the Company had a potential deferred tax asset of £2,996,000 (2013 – £2,221,000) 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 provided 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 21% (2013 – 21%).

7 Returns per Ordinary Share

	2014 Revenue	2014 Capital	2014 Total	2013 Revenue	2013 Capital	2013 Total
Net return per ordinary share (Income Statement)	**10.51p**	**(0.72p)**	**9.79p**	**10.21p**	**19.58p**	**29.79p**
Total recognised gains and losses per ordinary share	**10.51p**	**1.02p**	**11.53p**	**10.21p**	**20.29p**	**30.50p**

Net return per ordinary share is based on the return on ordinary activities after taxation figures in the Income Statement and on 132,675,943 (2013 – 132,675,943) ordinary shares of 25p, being the number of ordinary shares in issue during each year. Total recognised gains and losses per ordinary share is based on the total recognised gains and losses for the year in the Statement of Total Recognised Gains and Losses and on 132,675,943 (2013 – 132,675,943) ordinary shares of 25p, being the number of ordinary shares in issue during each year. There are no dilutive or potentially dilutive shares in issue.

8 Ordinary Dividends

	2014	2013	2014 £'000	2013 £'000
Amounts recognised as distributions in the year:				
Previous year's final (paid 11 April 2014)	2.60p	2.50p	3,450	3,317
First interim (paid 27 June 2014)	2.60p	2.50p	3,450	3,317
Second interim (paid 26 September 2014)	2.625p	2.55p	3,483	3,383
Third interim (paid 19 December 2014)	2.625p	2.55p	3,483	3,383
	10.45p	**10.10p**	**13,866**	**13,400**

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 £13,940,000 (2013 – £13,541,000).

	2014	2013	2014 £'000	2013 £'000
Dividends paid and payable in respect of the year:				
First interim (paid 27 June 2014)	2.60p	2.50p	3,450	3,317
Second interim (paid 26 September 2014)	2.625p	2.55p	3,483	3,383
Third interim (paid 19 December 2014)	2.625p	2.55p	3,483	3,383
Current year's proposed final dividend (payable 10 April 2015)	2.65p	2.60p	3,516	3,450
	10.50p	**10.20p**	**13,932**	**13,533**

9 Investments

As at 31 December 2014	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Securities				
Listed equities/funds	346,224	1,844	–	**348,068**
Bonds	–	10,185	14,859	**25,044**
Total financial asset investments	**346,224**	**12,029**	**14,859**	**373,112**
Property				
Freehold				47,925
				47,925
Total investments				**421,037**

As at 31 December 2013	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Securities				
Listed equities/funds	356,042	1,746	–	**357,788**
Bonds	2,065	9,696	16,856	**28,617**
Unlisted equities	–	–	43	**43**
Total financial asset investments	**358,107**	**11,442**	**16,899**	**386,448**
Property				
Freehold				39,600
				39,600
Total investments				**426,048**

9 Investments (continued)

Investments in securities are financial assets designated at fair value through profit or loss on initial recognition. In accordance with Financial Reporting Standard 29 'Financial Instruments: Disclosures', the tables on page 41 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. Property investments are not financial assets and therefore the fair value hierarchy does not apply to these assets.

Fair Value Hierarchy

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

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

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

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

	Equities * £'000	Bonds £'000	Property £'000	Total £'000
Cost of investments at 31 December 2013	305,553	21,305	30,251	**357,109**
Investment holding gains at 31 December 2013	52,278	7,312	9,349	**68,939**
Value of investments at 31 December 2013	357,831	28,617	39,600	**426,048**
Movements in year:				
Purchases	97,375	–	10,715	**108,090**
Sales – proceeds	(109,383)	(5,166)	(4,683)	**(119,232)**
– gains on sales/(losses)	20,327	487	(434)	**20,380**
Amortisation of fixed income book cost	–	32	–	**32**
Changes in investment holding gains	(18,082)	1,074	2,727	**(14,281)**
Value of investments at 31 December 2014	**348,068**	**25,044**	**47,925**	**421,037**
Cost of investments at 31 December 2014	313,872	16,658	35,849	**366,379**
Investment holding gains at 31 December 2014	34,196	8,386	12,076	**54,658**
Value of investments at 31 December 2014	**348,068**	**25,044**	**47,925**	**421,037**

* Includes funds.

The purchases and sales proceeds figures above include transaction costs of £442,000 (2013 – £131,000) and £114,000 (2013 – £33,000) respectively. Of the gains on sales during the year of £20,380,000 (2013 – gains of £18,269,000) a net gain of £20,895,000 (2013 – gain of £12,707,000) was included in investment holding gains at the previous year end.

The property was valued on an open market basis by Jones Lang LaSalle as at 31 December 2014.

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

For the year to 31 December 2014	Value at 31 December 2013 £'000	Purchases/ amortisation * £'000	Sales proceeds £'000	Gains on sales £'000	Holding gains/ (losses) £'000	Value at 31 December 2014 £'000
Bonds	16,856	32	(3,122)	1,284	(191)	**14,859**
Equities	43	–	–	–	(43)	**–**
	16,899	**32**	**(3,122)**	**1,284**	**(234)**	**14,859**

* Purchases/amortisation includes amortisation of fixed income securities of £32,000.

9 Investments (continued)

For the year to 31 December 2013	Value at 31 December 2012 £'000	Purchases/ amortisation * £'000	Sales proceeds £'000	Gains on sales £'000	Holding gains/ (losses) £'000	Value at 31 December 2013 £'000
Bonds	24,174	443	(11,586)	2,574	1,251	**16,856**
Equities	87	–	(43)	43	(44)	**43**
	24,261	**443**	**(11,629)**	**2,617**	**1,207**	**16,899**

* Purchases/amortisation includes amortisation of fixed income securities of £443,000.

The gains and losses included in the above tables have all been recognised in the Income Statement on page 34. The Company believes that other reasonably possible alternative valuations for its Level 3 holdings would not be significantly different from those included in the financial statements.

	2014 £'000	2013 £'000
Net gains/(losses) on investments		
Securities:		
Gains on sales	20,814	18,269
Changes in investment holding gains	(17,008)	12,589
	3,806	**30,858**
Property:		
Losses on sales	(434)	–
Changes in investment holding gains	2,727	950
	2,293	**950**
	6,099	**31,808**

10 Debtors

	2014 £'000	2013 £'000
Amounts falling due within one year:		
Accrued income and prepaid expenses	760	903
Taxation recoverable	194	118
Gains on forward currency contracts	109	137
	1,063	**1,158**

With the exception of the gain on the forward currency contracts, none of the above debtors are financial assets designated at fair value through profit or loss. The carrying amount of debtors is a reasonable approximation of fair value. The gain on forward currency contracts is classified as Level 2 in the fair value hierarchy described on page 42.

11 Creditors – amounts falling due within one year

	2014 £'000	2013 £'000
Interest payable	1,438	1,438
Rental income prepaid	588	518
Other creditors and accruals	884	893
	2,910	**2,849**

None of the above creditors are financial liabilities designated at fair value through profit or loss. Included in other creditors is £429,000 (2013 – £487,000) 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 38), has been calculated as follows:

	2014 £'000	2013 £'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	(5,078)	(4,542)
Net amortisation during the year	(570)	(536)
Carrying value of 8% Debenture Stock at end of year	**85,361**	**85,931**

13 Called Up Share Capital

	2014 Number	2014 £'000	2013 Number	2013 £'000
Allotted, called up and fully paid ordinary shares of 25p each	**132,675,943**	**33,169**	**132,675,943**	**33,169**

The Company allotted no ordinary shares in the year to 31 December 2014 (2013 – allotted no ordinary shares). At 31 December 2014 the Company had authority to buy back 19,888,123 ordinary shares and to allot 13,267,592 ordinary shares without application of pre-emption rights in accordance with the authorities granted at the AGM in April 2014. 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 2014	33,169	357	22,781	269,102	16,973	**342,382**
Gains on investments – securities	–	–	–	3,806	–	**3,806**
Gains on investments – property	–	–	–	2,293	–	**2,293**
Management fees charged to capital	–	–	–	(1,262)	–	**(1,262)**
Finance costs charged to capital	–	–	–	(3,790)	–	**(3,790)**
Taxation credit to capital	–	–	–	286	–	**286**
Currency losses on forward currency contracts	–	–	–	(14)	–	**(14)**
Other currency losses	–	–	–	31	–	**31**
Revenue return on ordinary activities after taxation	–	–	–	–	13,940	**13,940**
Dividends paid in the year	–	–	–	–	(13,866)	**(13,866)**
At 31 December 2014	**33,169**	**357**	**22,781**	**270,452**	**17,047**	**343,806**

The Capital Reserve includes investment holding gains of £54,658,000 (2013 – gains of £68,939,000) as detailed in note 9.

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:

	2014	2013	2014 £'000	2013 £'000
Ordinary shares of 25p	**259.1p**	**258.1p**	**343,806**	**342,382**

Net asset value per ordinary share is based on the net assets as shown above and on 132,675,943 (2013 – 132,675,943) 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 259.1p to 243.7p. Taking the market price of the ordinary shares at 31 December 2014 of 249.6p, this would have given a premium to net asset value of 2.4% as against a discount of 3.7% on a traditional basis. At 31 December 2013 the effect would have been to reduce net asset value per ordinary share from 258.1p to 247.0p. Taking the market price of the ordinary shares at 31 December 2013 of 256.3p, this would have given a premium to net asset value of 3.8% as against a discount of 0.7% on a traditional basis.

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

	2014 £'000	2013 £'000
Net return before finance costs and taxation	19,714	46,118
Gains on investments – securities	(3,806)	(30,858)
Currency (gains)/losses	(17)	266
Decrease in accrued income and prepaid expenses	107	354
Increase in other debtors	(70)	(17)
Increase in creditors and prepaid income	61	220
Other non-cash changes	(32)	(439)
Net cash inflow from operating activities	**15,957**	**15,644**

17 Analysis of Change in Net Debt

	At 1 January 2014 £'000	Cash flows £'000	Translation difference £'000	Other non-cash changes £'000	At 31 December 2014 £'000
Cash at bank and in hand	3,956	5,990	31	–	**9,977**
Debenture stock	(85,931)	–	–	570	**(85,361)**
	(81,975)	**5,990**	**31**	**570**	**(75,384)**

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. Details of derivative financial instruments outstanding at the balance sheet date are shown on page 50.

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 2014	Investments £'000	Cash and deposits £'000	Forward currency contracts £'000	Debentures £'000	Other debtors and creditors * £'000	Net exposure £'000
US dollar	127,689	–	(10,262)	–	168	**117,595**
Euro	39,925	65	(4,813)	–	365	**35,542**
Hong Kong dollar	26,037	–	–	–	–	**26,037**
Swiss franc	15,451	–	–	–	–	**15,451**
Other overseas currencies	67,045	–	–	–	165	**67,210**
Total exposure to currency risk	**276,147**	**65**	**(15,075)**	**–**	**698**	**261,835**
Sterling	144,890	9,912	15,184	(85,361)	(2,654)	**81,971**
	421,037	**9,977**	**109**	**(85,361)**	**(1,956)**	**343,806**

* Includes net non-monetary assets of £26,000.

18 Financial Instruments (continued)

Currency Risk (continued)

At 31 December 2013	Investments £'000	Cash and deposits £'000	Forward currency contracts £'000	Debentures £'000	Other debtors and creditors * £'000	Net exposure £'000
US dollar	131,762	–	(9,661)	–	197	**122,298**
Euro	34,497	71	(5,824)	–	121	**28,865**
Brazilian real	18,692	725	–	–	89	**19,506**
Japanese yen	17,541	–	–	–	116	**17,657**
Other overseas currencies	72,706	–	–	–	61	**72,767**
Total exposure to currency risk	**275,198**	**796**	**(15,485)**	**–**	**584**	**261,093**
Sterling	150,850	3,160	15,622	(85,931)	(2,412)	**81,289**
	426,048	**3,956**	**137**	**(85,931)**	**(1,828)**	**342,382**

* Includes net non-monetary assets of £33,000.

Currency Risk Sensitivity

At 31 December 2014, 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 2013.

	2014 £'000	2013 £'000
US dollar	5,880	6,115
Euro	1,777	1,443
Hong Kong dollar	1,302	794
Swiss franc	773	557
Other overseas currencies	3,360	4,145
	13,092	**13,054**

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.

18 Financial Instruments (continued)

Interest Rate Risk (continued)

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

Financial Assets

	2014 Fair value £'000	2014 Weighted average interest rate	2014 Weighted average fixed rate period	2013 Fair value £'000	2013 Weighted average interest rate	2013 Weighted average fixed rate period
Fixed rate:						
US bonds	–	–	–	2,065	14.1%	15 years
Floating rate:						
Brazilian bonds (interest rate linked to Brazilian CPI)	10,184	10.7%	n/a	9,696	11.0%	n/a
Euro bonds (interest rate linked to Euribor)	3,198	6.0%	n/a	3,070	17.4%	n/a
Fixed Interest Collective Investment Funds:						
US dollar denominated fund	11,661	0.5%	n/a	13,786	0.4%	n/a

Financial Liabilities

	2014 £'000	2013 £'000
The interest rate risk profile of the Company's financial liabilities at 31 December was:		
Fixed rate – sterling	**85,361**	**85,931**
The maturity profile of the Company's financial liabilities at 31 December was:		
In more than five years – 8 years (2013 – 9 years)	**85,361**	**85,931**

Interest Rate Risk Sensitivity

An increase of 100 basis points in bond yields as at 31 December 2014 would have decreased total net assets and total return on ordinary activities by £1,354,000 (2013 – £1,397,000) and would have increased the net asset value per share (with debenture at fair value) by 3.6p (2013 – 3.7p). 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 15 to 18. In addition, a list of the 30 largest equity holdings together with various analyses of the portfolio by asset class and industrial sector are contained in the Strategic Report.

101.2% of the Company's net assets are invested in quoted equities. A 5% increase in quoted equity valuations at 31 December 2014 would have increased total assets and total return on ordinary activities by £17,306,000 (2013 – £17,797,000). A decrease of 5% would have had an equal but opposite effect.

18 Financial Instruments (continued)

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 12.3% of total assets at 31 December 2014 (2013 – 10.4%). 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 Bank of New York Mellon SA/NV London Branch. 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.

Credit Risk Exposure

The exposure to credit risk at 31 December was:

	2014 £'000	2013 £'000
Bonds	25,044	28,617
Cash and short term deposits	9,977	3,956
Debtors and prepayments	1,063	1,158
	36,084	**33,731**

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

18 Financial Instruments (continued)

Fair Value of Financial Assets and Financial Liabilities

The Directors are of the opinion that the financial assets and liabilities of the Company are stated at fair value in the balance sheet with the exception of the long term borrowings which are stated at amortised cost in accordance with FRS 26. The fair value (determined as the asking price as traded on an active market) of the debenture stock is shown below.

	2014 Nominal £'000	2014 Book £'000	2014 Fair £'000	2013 Nominal £'000	2013 Book £'000	2013 Fair £'000
8% debenture stock 2022	**80,000**	**85,361**	**105,888**	**80,000**	**85,931**	**100,632**

Gains and Losses on Hedges

The following forward currency contracts were open at 31 December:

At 31 December 2014 Currency sold	Currency amount sold	Currency bought	Currency amount bought	Settlement date	Fair value £'000
US dollar	$16,000,000	Sterling	£10,262,187	14/01/15	82
Euro	€6,200,000	Sterling	£4,812,612	14/01/15	27
					109

At 31 December 2013 Currency sold	Currency amount sold	Currency bought	Currency amount bought	Settlement date	Fair value £'000
US dollar	$16,000,000	Sterling	£9,765,000	15/01/14	104
Euro	€7,000,000	Sterling	£5,857,000	15/01/14	33
					137

Realised currency gains/(losses) are taken to the capital reserve and are not reflected in the revenue account unless they are of a revenue nature.

Capital Management

The Company does not have any externally imposed capital requirements. The capital of the Company is the ordinary share capital (see note 13) which is managed in accordance with its investment policy in pursuit of its investment objective, both of which are detailed on page 6. Shares may be issued and/or repurchased as explained on pages 22 and 23.

19 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 from Baillie Gifford & Co Limited 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 2016) will be made available in due course.

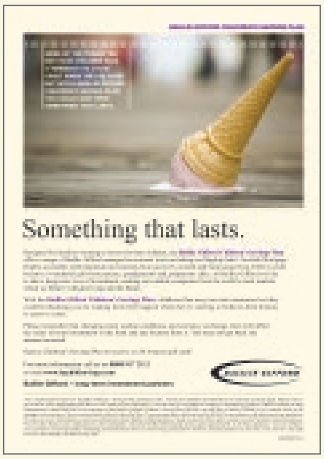
The Company's maximum and actual leverage levels (see Glossary of Terms on page 59) at 31 December 2014 are shown below:

Leverage

	Gross method	Commitment method
Maximum limit	3.00:1	2.00:1
Actual	1.31:1	1.25:1

Cost-effective Ways to Buy and Hold Shares in SAINTS

The Share Plan and ISA brochure available at **www.saints-it.com**



Press advertisement for the Baillie Gifford Children's Savings Plan

Baillie Gifford Savings Management Ltd offers a number of plans that enable you to buy and hold shares of SAINTS cost-efficiently. Purchases and sales are normally subject to a dealing price spread and Government stamp duty of 0.5% is payable on purchases.

The Baillie Gifford Investment Trust Share Plan

— No initial charge

— No annual wrapper charge

— Normally cheaper than dealing through a stockbroker

— Invest a lump sum from £250 or monthly from just £30

— No maximum investment limits

— Stop and start saving at any time with no charge

— Twice weekly dealing (usually Tuesday and Friday)

— A withdrawal charge of just £22

The Baillie Gifford Investment Trust ISA

— Tax-efficient investment

— No set-up charge

— Flat rate annual management charge of £32.50 + VAT

— Lump sum investment from £2,000 up to a maximum of £15,000 each year

— Save monthly from £100

— A withdrawal charge of just £22

ISA Transfers

— Transfer existing ISAs from other plan managers into the Baillie Gifford ISA

— Consolidate your plans into a managed global investment

— Minimum transfer value £2,000

The Baillie Gifford Children's Savings Plan

— An excellent way for parents, grandparents or other adults to invest for a child

— No initial charge

— No annual wrapper charge

— The option of a designated account or a bare trust in favour of the child

— Flexible investment options: lump sum from £100 or monthly saving from just £25

— A withdrawal charge of just £22

Online Management Service

You can also 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**. 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;

— switch between investment trusts, except where there is more than one holder;

— sell part or all of your holdings, 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. Certain restrictions apply for accounts where there is more than one holder.

Further information

If you would like more information on any of the plans described above, please contact the Baillie Gifford Client Relations Team (see contact details on page 53).

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). 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.

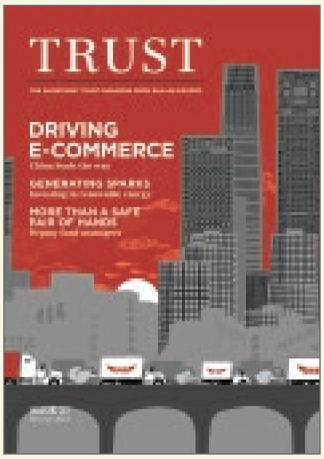
The Company is listed on the London Stock Exchange and is not authorised or regulated by the Financial Conduct Authority.

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

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

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

Promoting SAINTS

Baillie Gifford carries out extensive marketing activity to promote SAINTS to institutional, intermediary and direct investors. The Board warmly supports the promotion of the plans described on page 51 in order to bring the merits of SAINTS to as wide an audience as possible.

Trust Magazine

Trust is the Baillie Gifford investment trust magazine which is published three times 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. *Trust* plays an important role in helping to explain our products so that readers can really understand them. For a copy of *Trust*, please contact the Baillie Gifford Client Relations Team.

An online version of *Trust* can be found at **www.bgtrustonline.com**.

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**.

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, either about SAINTS or the plans described on page 51.

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 Savings Management Limited
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 or if you have any questions about the suitability of any of these plans for you, 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, by asking a professional adviser to do so, or through the Baillie Gifford savings vehicles (see page 51). 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	SCAM

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 55 for more details) for that dividend.

Dividend Dates for 2015

	Final 2014	First interim *	Second interim *	Third interim *
Dividend announced	12/2/15	19/5/15	24/7/15	19/11/15
Ex-dividend date	5/3/15	28/5/15	20/8/15	26/11/15
Record date	6/3/15	29/5/15	21/8/15	27/11/15
DRIP election date	18/3/15	5/6/15	4/9/15	1/12/15
Dividend paid	10/4/15	26/6/15	25/9/15	18/12/15

* 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 Half-Yearly Report will be posted to shareholders in August and the Annual Report in early March. The 2015 AGM is being held on 2 April 2015.

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. If you pay tax at the basic (20%) rate you will have no further liability to tax. If you pay tax at a higher rate, you will be liable to a further amount of tax. Dividends received, including the relevant tax credits, should be declared on your Tax Return.

  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 0870 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 0870 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 0870 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.

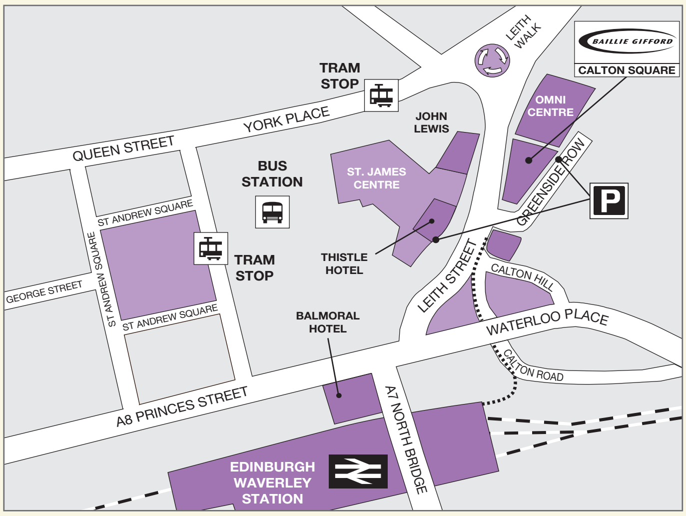
Analysis of Shareholders at 31 December

	2014 Number of shares held	2014 %	2013 Number of shares held	2013 %
Institutions	19,760,345	14.9	20,437,990	15.4
Intermediaries	67,209,877	50.7	67,445,839	50.8
Individuals	19,626,002	14.8	20,699,864	15.6
Baillie Gifford Share Plan/ISA	25,622,457	19.3	23,720,258	17.9
Marketmakers	457,262	0.3	371,992	0.3
	132,675,943	**100.0**	**132,675,943**	**100.0**

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

Baillie Gifford Savings Management Limited (BGSM) is the ISA Manager of the Baillie Gifford Investment Trust ISA and the Manager of the Baillie Gifford Investment Trust 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. The staff of Baillie Gifford and SAINTS' Directors may hold shares in SAINTS and may buy or sell such shares from time to time.

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 2015 at 11.00am.

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 second Annual General Meeting of The Scottish American Investment Company P.L.C. will be held within the Registered Office of the Company, Calton Square, 1 Greenside Row, Edinburgh EH1 3AN on Thursday, 2 April 2015 at 11.00am. Coffee will be available after the meeting and the Portfolio Manager 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 2014 with the Reports of the Directors and of the Independent Auditor thereon.
2. To approve the Directors' Annual Report on Remuneration for the year to 31 December 2014.
3. To declare a final dividend.
4. To re-elect Sir Brian Ivory as a Director.
5. To re-elect Eric Hagman as a Director.
6. To re-elect Lord Kerr of Kinlochard as a Director.
7. To re-elect Peter Moon as a Director.
8. To elect Bronwyn Curtis as a Director.
9. To 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.
10. To authorise the Directors to determine the remuneration of the Independent Auditor of the Company.
11. 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 £11,055,222, such authority to expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on the expiry of 15 months from the passing of this resolution, whichever is the earlier, unless previously revoked, varied or extended by the Company in a general meeting, save that the Company may at any time prior to the expiry of this authority make an offer or enter into an agreement which would or might require Securities to be allotted or granted after the expiry of such authority and the Directors shall be entitled to allot or grant Securities in pursuance of such an offer or agreement as if such authority had not expired.

To consider and, if thought fit, to pass resolutions 12 and 13 as special resolutions:

12. That, subject to the passing of resolution 11 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 Section 570 of the Companies Act 2006 (the 'Act'), to allot equity securities (as defined in Section 560 of the Act), including the grant of rights to subscribe for, or to convert securities into ordinary shares held by the Company as treasury shares (as defined in Section 724 of the Act) for cash pursuant to the authority given by resolution 11 above 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
    (b) shall be limited to the allotment of equity securities up to an aggregate nominal value of £3,316,898 being approximately 10% of the nominal value of the issued share capital of the Company, as at 18 February 2015.

13. 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 for future reissue, resale, transfer or cancellation), provided that:

    (a) the maximum aggregate number of ordinary shares hereby authorised to be purchased is 19,888,123 being 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 on the London Stock Exchange; and

    (d) unless previously varied, revoked or renewed by the Company in a general meeting, the authority hereby conferred shall expire at the conclusion of the Company's Annual General Meeting to be held in respect of the financial year ending 31 December 2015, 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.

By order of the Board

Baillie Gifford & Co Limited
Company Secretary
2 March 2015

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, PO Box 82, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY or **www.eproxyappointment.com** no later than 2 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.

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 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. Shareholders participating in the Baillie Gifford Investment Trust Share Plan, Children's Savings Plan or the Baillie Gifford Investment Trust ISA who wish to vote and/or attend the meeting must complete and return the enclosed reply-paid Form of Direction.
9. 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 48 hours (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.
10. 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.
11. 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.
12. 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.
13. 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**.
14. Members have the right to ask questions at the meeting in accordance with Section 319A of the Companies Act 2006.
15. As at 18 February 2015 (being the last practicable date prior to the publication of this notice) the Company's issued share capital consisted of 132,675,943 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 18 February 2015 were 132,675,943 votes.
16. 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 proxy will need to ensure that both he and his proxy complies with their respective disclosure obligations under the UK Disclosure and Transparency Rules.
17. No Director has a contract of service with the Company.

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 at Fair
Borrowings are valued at an estimate of their market worth.

Net Asset Value at Book
Borrowings are valued at adjusted net issue proceeds.

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 xd.

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).

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.

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.

Directors

Chairman:
Sir Brian Ivory, CBE, CA

Bronwyn Curtis, OBE
Eric Hagman, CBE, CA
Lord Kerr of Kinlochard, GCMG
Peter Moon

Managers, Secretaries and Registered Office

Baillie Gifford & Co Limited
Calton Square
1 Greenside Row
Edinburgh
EH1 3AN
Tel: 0131 275 2000
www.bailliegifford.com

Registrar

Computershare
Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ
Tel: 0870 707 1282

Company Broker

Winterflood Investment Trusts
The Atrium Building
Cannon Bridge
25 Dowgate Hill
London
EC4R 2GA

Independent Auditor

KPMG LLP
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

Depositary

BNY Mellon Trust & Depositary (UK) Limited
BNY Mellon Centre
160 Queen Victoria Street
London
EC4V 4LA

www.saints-it.com
Company Registration
No. SC000489