THE SCOTTISH AMERICAN INVESTMENT COMPANY P.L.C.

SAINTS
Income again and again

THE SCOTTISH AMERICAN
150 YEARS 1873 – 2023
INVESTMENT COMPANY P.L.C.

Annual Report and Financial Statements
31 December 2022

BAILLIE GIFFORD

Contents

Investor Disclosure Document

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

Notes

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

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

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

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

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

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

Year to 31 December 2022	Dividend 13.82p	Yield 2.7%

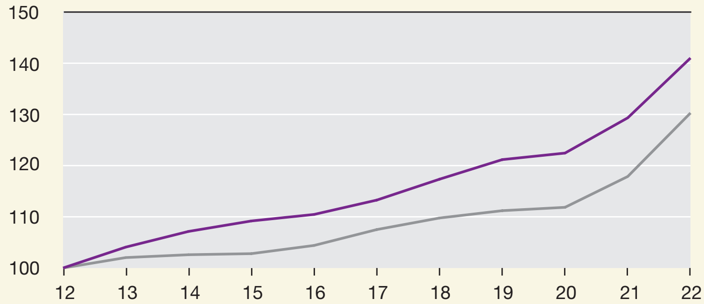
Ten Year Summary

Dividend versus Inflation

(figures rebased to 100 at 31 December 2012)

SAINTS dividend

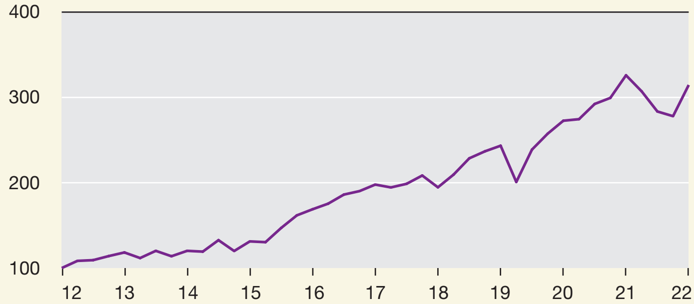
CPI



Share Price Total Return

(figures rebased to 100 at 31 December 2012)

Share price total return*

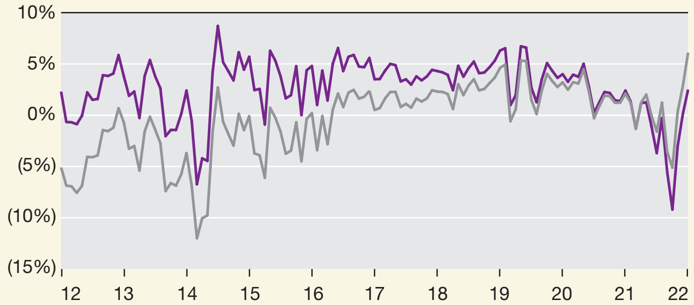


Premium/(Discount)*

(plotted as at month end dates)

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

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



Source: Refinitiv/Baillie Gifford and relevant underlying index providers. See disclaimer on page 74.

* Alternative performance measure, see Glossary of Terms and Alternative Performance Measures on pages 75 and 76.

Past performance is not a guide to future performance.

Strategic Report

This Strategic Report, which includes pages 2 to 24 and incorporates the Chairman's Statement, has been prepared in accordance with the Companies Act 2006.

Chairman's Statement

Lord Macpherson of Earl's Court, Chairman

SAINTS' objective is to deliver real dividend growth by increasing capital and growing income. The Board is recommending a final dividend which will bring the total dividends for the year to 13.82p per share, an increase of 9% over the previous year. The Company continues to meet its objective of growing dividends ahead of inflation over the long term, and the recommended dividend will also extend the Company's record of raising its dividend to forty nine consecutive years.

Overview

2022 has been another difficult year for the world, a period in which equity, bond and property markets have all been weak. As the challenges from Covid-19 receded those arising from the Russian invasion of Ukraine increased. The economic recovery from the worst of the pandemic has been more tentative than expected, in large part due to resurgent inflation. With hindsight, central banks were too sanguine about inflationary pressures in 2021, and the energy price shock arising from the Russian invasion pushed inflation to levels not seen in 40 years. As a result, central banks have had to raise interest rates much higher than expected a year ago. The retreat from globalisation has continued, with trade barriers increasing as countries seek to protect their supply chains in the face of greater geopolitical risks. Closer to home, political missteps eroded confidence though as the year drew to a close there were signs of greater calm and stability.

On the positive side, industrialised economies have shown extraordinary adaptability in the face of the energy shock. Oil and gas prices have fallen recently, creating a more benign outlook for inflation. And the world economy is set to grow in 2023.

Against this background, I am pleased to report that SAINTS has continued to perform well. The refinancing of the Company's long term debt at a rate pre-arranged two years earlier has significantly reduced borrowing costs, and the Company's earnings per share have risen at a rate which has enabled the Board to recommend a very significant increase in the dividend. Furthermore, SAINTS' NAV total return (with borrowings at fair) has exceeded that of the global equity market, despite the managers deliberately eschewing many companies such as those in the energy sector which have been short term beneficiaries of the war in Ukraine, but which they do not believe will support the achievement of SAINTS' objective over time.

More importantly however, given the long-term nature of the Company's objectives, it is worth emphasising both SAINTS' successful record of raising its dividend ahead of inflation over the long term, and the strong total returns it has delivered.

SAINTS' 150th Anniversary

This year, SAINTS reaches the one hundred and fiftieth anniversary of its formation in 1873. And, consistent with the Company's focus on the long term, it is perhaps useful to provide some historical perspective. In that year, for example, the Emperors of Russia, Austro-Hungary and Germany formed an alliance to stand against radical thinking. It might be easier to list what remains constant rather than what has changed since then, but amongst other things those three Empires and those of Britain and Japan have passed into history, as have the Third Reich and the USSR. There have been two world wars, a cold war, hyperinflation, a depression and numerous financial crashes, and immeasurable human suffering, much of it arising from conflict, famine and disease.

Yet over these one hundred and fifty years the world has made immense progress, in everything from the advent and spread of modern democracy, to a dramatic increase in life expectancy and the many benefits of human and technological progress. The US has grown to be the world's most powerful country, and it and almost every other country have industrialised. Of course, progress brings its own challenges, some of which relate to global and other inequalities and some to our planet and its climate. But we should hang on to the fact that economies generally grow. And the key point for SAINTS is that throughout its history it has been able to take advantage of opportunities to invest globally in order to support and benefit from the tailwinds of economic, technological and even societal progress, and from geopolitical change, and to weather each storm and setback which has arisen.

It is also worth emphasising that SAINTS is particularly well equipped to navigate stormy seas, both because of its structure and also because of its managers' focus on selecting individual investments to provide dependability and growth. We very much hope that SAINTS' 150th anniversary year will also be its 50th successive year of dividend growth. Indeed, the dividend has not been reduced year-on-year since 1938. The prudent use of revenue reserves has been an important part of this success, but so too has investing in companies and other assets which provide an income which is resilient in tough times and grows above inflation over the long term.

To mark SAINTS' 150th anniversary, and to help provide the benefit of perspective which I mentioned above, the Board and Baillie Gifford have commissioned a short history of SAINTS. We expect this to be available, in both electronic and hard copy form, by late May/early June. If you would like to receive a copy, either by email or in physical form, please request a copy using the following link: bailliegifford.com/SAINTS150.

Dividend and Inflation

The Board recommends a final dividend of 3.67p which will take the full year dividend to 13.82p per share, 9% higher than the 2021 dividend of 12.675p.

The strong growth in SAINTS' revenues over the past year has enabled this greatly increased dividend to be covered by earnings. Whilst significant, the rate of increase does not match the annual rate of inflation of 10.5% as measured by CPI. It remains the Company's objective to deliver real dividend growth over the long term, and over the last ten years the Company's dividends have in the round increased at a rate (3.5% per annum) which has been well above the rate of inflation (2.7% per annum).

We would mention also that the Board does not necessarily expect to exceed or match the level of the previous quarter's dividend in each successive quarter. It is quite possible, therefore, that not all dividends next year will match or exceed this year's final dividend.

Revenues

Earnings per share have risen to 13.82p over the year, an increase of 8.1%, and investment income has risen to £30m. Income from equities has been helped by operational progress at many of the Company's investments and by increases in their dividends, as well as by movements in exchange rates. The sale of four properties and the purchase of one led to a reduction in rental income.

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

Total Return Performance

In a challenging year your investment in SAINTS delivered a share price total return of negative 3.5% and the net asset value total return (capital and income with borrowing at fair) was negative 3.7%. Although a positive return would have been preferable, in the circumstances this is a creditable result. Although as always we would caution against reading too much into short term performance, it is worth noting a number of positive features over the year. Firstly, the share price and net asset value returns once again exceeded that from global equities which was negative 7.3% over 2022. And secondly, the performance of SAINTS' investments in equity, property, infrastructure, and fixed income investments all compared favourably with that of their respective asset classes.

The Managers and your Board have a long-term perspective and the Company's portfolio of investments differs markedly from the make-up of the global equity index against which performance is often compared. This differentiated portfolio is necessary and appropriate in order for SAINTS to deliver a high and growing income stream, as well as growth in the Company's assets. We would therefore encourage shareholders to assess your Company's performance over the long term. SAINTS remains at the top of its sector in terms of share price total returns over the past five years and has also outperformed equities as measured by its global equity benchmark over the past three, five and ten years.

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

Borrowings and Debt Refinancing

During the course of 2022, the larger part of the Company's borrowings were refinanced at a rate agreed some two years earlier and so, in an environment when interest rates have been rising, the cost of the Company's borrowings has fallen very significantly.

At the start of the year SAINTS' borrowings took the form of a single £80m debenture, and a further £15m of borrowing which had been added in 2021. The debenture dated from a time when the prevailing interest rates were much higher than today, and bore a coupon of 8%. The £80m debenture matured in April 2022 and, as previously announced, the Company issued £80m of long-term private placement debt to refinance its long-term borrowings. At this time, the overall cost of the Company's borrowings, including the additional £15m raised in 2021, fell to just below 3% per annum. The refinancing of the Company's long-term debt appears well timed and, in the Board's judgement, the Company is now well placed to use its borrowings to enhance returns and support its dividend.

The book value of the total borrowings is £94.7m which, at the year end, was equivalent to approximately 11.2% of shareholders' funds. The estimated market or fair value of the borrowings was £65.5m, a decrease from the previous year's value of £97.4m due to the general increase in interest rates and bond yields.

Environmental, Social and Governance (ESG)

I have already alluded to some of the challenges which the world is facing and, in this context, it is important to emphasise that the Board of SAINTS recognises the importance of considering Environmental, Social and Governance (ESG) factors when making investments, and in acting as a responsible steward of capital. We consider that Board oversight of such matters is an important part of our responsibility to shareholders, and the Board has recently reviewed and strengthened its ESG Policy which is available to view on the Company's website (**saints-it.com**).

The Board has been strongly supportive of the Managers' approach, and of their constructive engagement with the companies you own over the course of the pandemic, and in their engagement with holdings and potential holdings in relation to other areas including climate change. I would encourage shareholders to read SAINTS' annual Stewardship Report which can also be accessed on the Company's website (**saints-it.com**). There is also further detail in the Managers' Review, which includes a section on investing sustainably.

Issuance and Buybacks

Over the year the Company has raised £5.9m from new share issuance, at a premium to net asset value prevailing from time to time in order to satisfy investor demand. This is the eighth year in a row when the Company has been able to issue shares. Such issuance serves the interests of existing shareholders by enhancing net asset value, reducing costs per share and helping further to improve liquidity. No shares were bought back during the year.

The Board

As planned, Peter Moon stepped down from the Board at the conclusion of last year's AGM. We once again thank him for his many years of invaluable service, both as a Director and as Chairman. As previously announced, Bronwyn Curtis took over as Senior Independent Director when I became Chairman, and Christine Montgomery joined the Board on 6 April 2022.

Outlook

Equity and bond markets were weak last year, and other markets including property have also experienced difficulties. As 2023 gets underway, there are tentative signs of hope triggered by lower energy prices and reduced interest rate expectations. It is too soon to know whether the worst is behind us: government finances remain under pressure and many companies will struggle to grow their earnings and protect their balance sheets in the face of slow economic growth. However, with asset prices adjusting, there will be buying opportunities, and maintaining a focus on the strength and resilience of individual investments remains as important as ever.

As a Board, we believe a long-term approach based on investing globally for sustainable growth is the best route to achieving SAINTS' aim of growing the dividend ahead of inflation over time. In addition, we are encouraged that, as is outlined further in the Managers' Review, they have continued to find new and attractive opportunities amidst the recent turmoil. We retain great confidence in the Managers' approach, and this confidence has been further strengthened by the experiences of the past year.

Proposed Change to Articles of Association

Your Board is proposing certain changes to the Company's Articles of Association which, amongst other things, will permit SAINTS to hold virtual or electronic Annual and Extraordinary General Meetings, as well as physical and hybrid meetings, in the future. Thankfully the worst of the current pandemic seems to be behind us, but we believe it would be sensible to ensure that in similar circumstances the Company would be able to use modern technology to carry out meetings in a timely fashion, whilst also allowing shareholders and others who could not attend in person to take part. A summary of these proposed changes, together with other changes being proposed as part of an overall update to the Company's constitutional documents, is set out in more detail in the AGM section of the Directors' Report. For the avoidance of doubt, the Board's preference will always be to hold physical general meetings where it is possible to do so.

AGM, Presentation and Drinks

The AGM will be held at 11.30am on Thursday 6 April 2023 at Baillie Gifford's offices at Calton Square, 1 Greenside Row, Edinburgh. The meeting will be followed by a presentation from the managers. Shareholders are cordially invited to attend the meeting and presentation, and also to join the Board and the Managers for drinks afterwards in celebration of the Company's first one hundred and fifty years.

I would remind shareholders that they are able to submit proxy voting forms before the applicable deadline and also to direct any questions or comments for the Board in advance of the meeting through the Company's Managers, either by emailing **trustenquiries@bailliegifford.com** or calling 0800 917 2112 (Baillie Gifford may record your call).

Finally, my fellow Directors and I send you all our very best wishes for your health and happiness in the year ahead.

Lord Macpherson of Earl's Court
Chairman
9 February 2023

For a definition of terms see Glossary of Terms and Alternative Performance Measures on pages 75 and 76.

Source: Refinitiv/Morningstar/Baillie Gifford and relevant underlying index providers. See disclaimer on page 74.

Past performance is not a guide to future performance.

One Year Summary*

The following information illustrates how SAINTS has performed over the year to 31 December 2022.

	31 December 2022	31 December 2021	% change
Total assets (before deduction of borrowings)*	£941.4m	£1,025.3m	
Borrowings (book value)	£94.7m	£95.2m	
Shareholders' funds	£846.7m	£930.2m	
Net asset value per ordinary share (borrowings at fair value)†	495.5p	528.4p	(6.2)
Net asset value per ordinary share (borrowings at book value)	479.0p	529.7p	(9.6)
Share price	508.0p	541.0p	(6.1)
Benchmark#			(9.4)
Premium (borrowings at fair value)†	2.5%	2.4%	
Premium† (borrowings at book value)	6.1%	2.1%	
Revenue earnings per ordinary share	13.82p	12.79p	8.1
Dividends paid and payable in respect of the year	13.82p	12.675p	9.0
Ongoing charges†	0.59%	0.62%	
Active share†	89%	89%	

Year to 31 December	2022	2021
Total returns (%)†‡		
Net asset value (borrowings at fair value)	(3.7)	21.5
Net asset value (borrowings at book value)	(7.1)	20.8
Share price	(3.5)	19.5
Benchmark#	(7.3)	20.0

Year to 31 December	2022	2022	2021	2021
Year's high and low	**High**	**Low**	**High**	**Low**
Net asset value (borrowings at fair value)†	529.6p	461.6p	531.7p	427.6p
Net asset value (borrowings at book value)	530.9p	454.3p	532.7p	430.7p
Share price	543.0p	440.0p	541.0p	435.0p
Premium/(discount) – borrowings at fair value†	3.4%	(13.0%)	5.4%	(0.2%)
Premium/(discount)† – borrowings at book value	6.2%	(9.2%)	4.8%	(0.5%)

	31 December 2022	31 December 2021
Net return per ordinary share		
Revenue	13.82p	12.79p
Capital	(51.04p)	79.20p
Total	(37.22p)	91.99p

* For a definition of terms see Glossary of Terms and Alternative Performance Measures on pages 75 and 76.
† Alternative performance measure, see Glossary of Terms and Alternative Performance Measures on pages 75 and 76.
# The Company's benchmark is the FTSE All-World Index (in sterling terms).
‡ Source: Refinitiv/Baillie Gifford and relevant underlying data providers. See disclaimer on page 74.

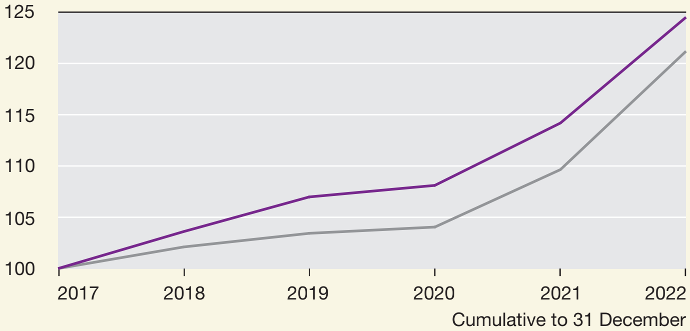
Past performance is not a guide to future performance.

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 2022.

Dividend versus Inflation

(figures rebased to 100 at 31 December 2017)

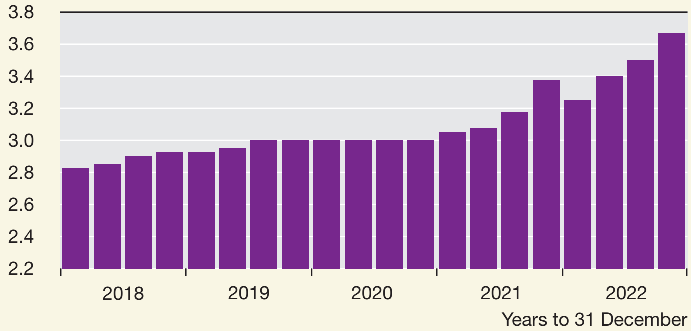


Source: Refinitiv and relevant underlying index providers†.

SAINTS dividend

CPI

Five Year Quarterly Dividends Paid (pence)

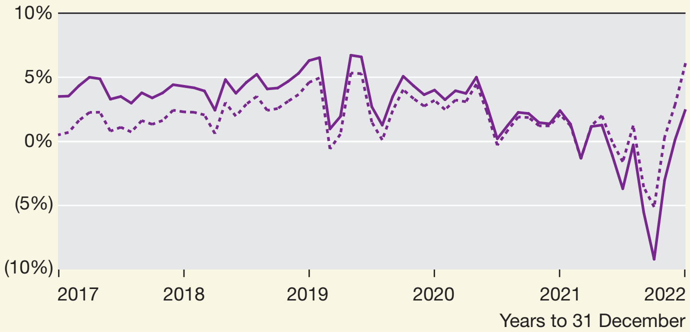


Source: Refinitiv/Baillie Gifford and relevant underlying index providers†.

SAINTS dividend (pence)

Premium/(Discount)‡ to Net Asset Value

(plotted on a monthly basis)



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

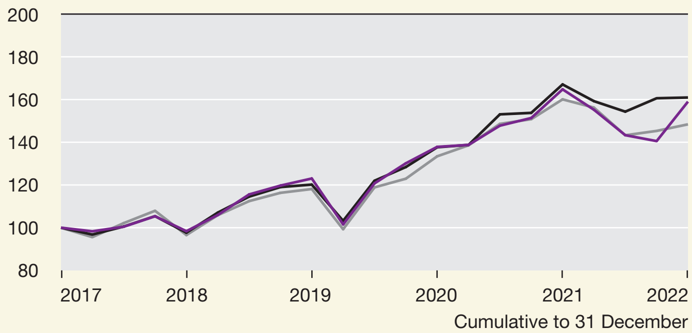
SAINTS premium/(discount) – fair value‡

SAINTS premium/(discount) – book value

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

Five Year Total Return‡ Performance

(figures rebased to 100 at 31 December 2017)



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

NAV total return (fair value)

Share price total return

Benchmark* total return

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

† See disclaimer on page 74.

‡ Alternative performance measure, see Glossary of Terms and Alternative Performance Measures on pages 75 and 76.

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Business Review

Business Model

Business and Status

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

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

The Company is an Alternative Investment Fund for the purposes of the UK Alternative Investment Fund Managers Regulations.

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 14 to 18 and a detailed analysis of the Company's investment portfolio held at the year end is set out on pages 19 to 23.

Board Oversight

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

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

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

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

OLIM Property Limited provide the Board with quarterly updates and meet with the Board at least once a year or otherwise when required. Annually, the Board receive a report from Baillie Gifford & Co Limited detailing its review of OLIM's asset allocation policy, business continuity plan and any breaches, errors or complaints recorded.

Discount/Premium

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

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

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

During the year the Company issued 1,150,000 ordinary shares at a premium to net asset value (2021 – 13,005,000). No shares were bought back during the year.

Performance

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

Key Performance Indicators

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

— dividend per share;

— earnings per share;

— the movement in net asset value per ordinary share (after deducting borrowings at fair value) compared to the benchmark;

— the movement in the share price;

— the premium/discount (after deducting borrowings at fair value); and

— ongoing charges.

An explanation of these measures can be found in the Glossary of Terms and Alternative Performance Measures on pages 75 and 76.

The one, five and ten year records of the KPIs are shown on pages 5, 6 and 24.

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

Borrowings

As at 31 December 2022, the Company had £95m of long-term secured privately placed loan notes as detailed on page 57.

Principal and Emerging Risks

As explained on pages 32 and 33, there is an ongoing process for identifying, evaluating and managing the risks faced by the Company on a regular basis. The Directors have carried out a robust assessment of the principal and emerging risks facing the Company including those that would threaten its business model, future performance, regulatory compliance, solvency or liquidity. There have been no significant changes to the principal risks during the year other than to move cyber security risk from emerging to principal risks. A description of these risks and how they are being managed or mitigated is set out below.

The Board considers the ongoing Covid-19 pandemic implications, geopolitical tensions, such as those arising from the Russian invasion of Ukraine, tensions between the USA and China, the re-emergence of inflation and the impact of Brexit to be factors which exacerbate existing areas of risk as categorised and further explained below.

Financial Risk – the Company's assets consist mainly of listed securities and its principal and emerging 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 59 to 64. The Board has, in particular, considered the impact of heightened market volatility since the Covid-19 pandemic, macroeconomic and geopolitical concerns and high inflation. To mitigate this risk at each Board meeting the Manager provides an investment policy paper which includes a detailed explanation of significant stock selection decisions and the overall rationale for holding the current portfolio. Consideration is given to portfolio movements and the top and bottom contributors to performance. The investment approach is considered in detail at the annual Strategy Meeting. The Board has considered the potential impact on sterling from the remaining Brexit related uncertainties. The value of the Company's investment portfolio and its income stream would be affected by any currency movements, but the Board believes the nature and diversification of the Company's equity portfolio moderates such risks.

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

Climate and Governance Risk – as investors place increased emphasis on Environmental, Social and Governance (ESG) issues, perceived problems on ESG matters in an investee company could lead to that company's shares being less attractive to investors, adversely affecting its share price, in addition to potential valuation issues arising from any direct impact of the failure to address the ESG weakness on the operations or management of the investee company (for example in the event of an industrial accident or spillage). Environmental factors are also of significant importance in relation to the property investments as, for example, flood risk or the use of deleterious materials could reduce the attractiveness of a property and potentially its valuation and rental income prospects. Repeated failure by the Investment Manager and Property Manager to identify ESG weaknesses in investee companies or property investments, could lead to the Company's own shares being less attractive to investors, adversely affecting its own share price. This is mitigated by the Investment Managers' strong ESG stewardship and engagement policies, and the Board's own ESG policy, which is available to view on the Managers' website: **saints-it.com**, both of which have been adopted by the Company, and which are fully integrated into the investment process as well as the extensive up-front and ongoing due diligence which the Investment Manager undertakes on each investee company. The due diligence conducted by the Investment Manager and Property Manager includes assessment of the risks inherent in climate change (see page 34).

Regulatory Risk – failure to comply with applicable legal and regulatory requirements such as the tax rules for investment companies, the FCA Listing Rules and the Companies Act could lead to suspension of the Company's Stock Exchange listing, financial penalties, a qualified audit report or the Company being subject to tax on capital gains. To mitigate this risk, Baillie Gifford's Business Risk, Internal Audit and Compliance Departments provide regular reports to the Audit Committee on Baillie Gifford's monitoring programmes. Major regulatory change could impose disproportionate compliance burdens on the Company. In such circumstances representation is made to ensure that the special circumstances of investment trusts are recognised. Shareholder documents and announcements, including the Company's published Interim and Annual Report and Financial Statements, are subject to stringent review processes, and procedures are in place to ensure adherence to the Transparency Directive and the Market Abuse Directive with reference to inside information.

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

Operational Risk – failure of Baillie Gifford's systems or those of other third party service providers could lead to an inability to provide accurate reporting and monitoring or a misappropriation of assets. To mitigate this risk, Baillie Gifford has a comprehensive business continuity plan which facilitates continued operation of the business in the event of a service disruption or major disaster. The Audit Committee 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 and a summary of the key points is reported to the Audit Committee and any concerns investigated. In the year under review, the other key third party service providers have not experienced significant operational difficulties affecting their respective services to the Company.

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

Leverage Risk – the Company may borrow money for investment purposes (sometimes known as 'gearing' or 'leverage'). If the investments fall in value, any borrowings will magnify the 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. To mitigate this risk, all borrowings require the prior approval of the Board and leverage levels are discussed by the Board and Managers at every meeting. Details of the Company's current borrowings can be found in notes 11 and 12 on page 57. The majority of the Company's investments are in quoted securities that are readily realisable. Further information on leverage can be found on page 74 and the Glossary of Terms and Alternative Performance Measures on pages 75 and 76.

Political Risk – political developments will be closely monitored and considered by the Board and Managers. Following the departure of the UK from the European Union and the subsequent trade agreement between the UK and the European Union, the Board continues to assess the potential consequences for the Company's future activities including those which may arise from further constitutional change. The Board also remains watchful of broader geopolitical tensions and the associated potential for armed conflict. The Board considers the nature and diversification of the Company's investments provides a good degree of protection against such political risks.

Cyber Security Risk – a cyber attack on Baillie Gifford's network or that of a third party service provider could impact the confidentiality, integrity or availability of data and systems. To mitigate this risk, the Audit Committee reviews Reports on Internal Controls published by Baillie Gifford and other third party service providers. Baillie Gifford's Business Risk Department report to the Audit Committee on the effectiveness of information security controls in place at Baillie Gifford and its business continuity framework. Cyber security due diligence is performed by Baillie Gifford on third party service providers which includes a review of crisis management and business continuity frameworks.

Emerging Risks – as explained on pages 32 and 33, the Board has regular discussions on principal risks and uncertainties, including any risks which are not an immediate threat but could arise in the longer term. The Board considers that the key emerging risks arise from three areas: from the global reach of the investment portfolio and its exposure to external and emerging threats such as the Russia-Ukraine military conflict, ongoing tensions between the USA and China and new coronavirus variants or similar public health threats. This is mitigated by the Investment Manager's close links to the investee companies and their ability to ask questions on contingency plans. The Investment Manager believes the impact of such events may be to slow growth rather than to invalidate the investment rationale.

Viability Statement

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

In considering the viability of the Company, the Directors have conducted a robust assessment of each of the principal and emerging risks and uncertainties, including climate change, detailed on pages 8 to 10 and in particular the impact of market risk where a significant fall in global equity markets would adversely impact the value of the investment portfolio. The Directors have also considered the Company's income and expenses and dividend policy having undertaken a review of revenue projections over a five year period and its liquidity in the context of the majority of its investments being listed equities which are readily realisable and so capable of being sold to provide funding if required. Leverage comprising private placement debt totalling £95m: £80m issued in April 2022 to refinance the £80m Debenture, £40m repayable in April 2045 and £40m repayable in April 2049, in addition to the £15m private placement debt issued in June 2021, repayable in 2036, have also been considered with specific leverage and liquidity stress testing conducted during the year, including consideration of the risk of further market deterioration resulting from a pandemic such as Covid-19 and increasing geopolitical tensions. The stress testing did not indicate any matters of concern. The Company's primary third party suppliers including its Managers and Secretaries, Depositary and Custodian, Registrar, Auditor and Broker are not experiencing significant operational difficulties affecting their respective services to the Company. In addition, all of the key operations required by the Company are outsourced to third party service providers and it is reasonably considered that alternative providers could be engaged at relatively short notice. The Board has specifically considered the UK's departure from the European Union and can see no scenario that it believes would affect the going concern status or viability of the Company.

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

Promoting the Success of the Company (Section 172 Statement)

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

a) the likely consequences of any decision in the long term;

b) the interests of the company's employees;

c) the need to foster the company's business relationships with suppliers, customers and others;

d) the impact of the company's operations on the community and the environment;

e) the desirability of the company maintaining a reputation for high standards of business conduct; and

f) the need to act fairly as between members of the company.

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

Great importance is placed by the Board on communication with shareholders and the Annual General Meeting provides the key forum for the Board and Managers to present to shareholders on the performance of SAINTS and on the future plans/prospects for the Company. It also allows shareholders the opportunity to meet with the Board and Managers and to raise questions and concerns. The Chairman is available to meet with shareholders as appropriate and the Managers meet regularly with shareholders and their respective representatives, reporting back on views to the Board. Shareholders may also communicate with the Board at any time by writing to them at the Company's registered office or to the Company's broker and by emailing the Managers at **trustenquiries@bailliegifford.com**. These communication opportunities help inform the Board when considering how best to promote the success of the Company for the benefit of all shareholders over the long term. Shareholders can find further detail on this in the Managers' Review on pages 14 to 18.

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

Whilst the Company's operations are limited (with all substantive operations being conducted by the Company's third party service providers), the Board is keenly aware of the need to consider the impact of the Company's investment strategy and policy on wider society and the environment. The Board considers that its oversight of environmental, social and governance (ESG) matters is an important part of its responsibility to all stakeholders and that proper consideration of ESG factors sits naturally with SAINTS' longstanding aim of providing shareholders with a dependable source of income, together with growth in income and capital that exceeds inflation over time. The Board monitors the Managers' response to the current and anticipated global impact of climate change on its investment strategy. Further details on the Managers' engagement on these matters can be found in its annual Stewardship Report which is available on the Managers' website: **saints-it.com**.

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

— the raising of over £5 million from new share issuance, at a premium to net asset value prevailing from time to time, in order to satisfy investor demand over the year and which serves the interests of current shareholders by reducing costs per share and helping to further improve liquidity;

— the Company issued £80 million of long-term private placement debt to refinance the £80 million debenture which matured in April 2022. The overall cost of the Company's borrowings, including the additional £15 million raised in June 2021, has fallen to just below 3% per annum; and

— as part of the Board's succession planning, the completion of the recruitment process and the subsequent appointment of Christine Montgomery on 6 April 2022 (see page 32). This appointment is consistent with the AIC Corporate Governance Code principle that 'a successful company is led by an effective board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society'.

Employees, Human Rights and Community Issues

The Board recognises the requirement to provide information about employees, human rights and community issues. As the Company has no employees, all its Directors are non-executive and all its functions are outsourced, there are no disclosures to be made in respect of employees, human rights and community issues. Further information on the Company's approach to environmental, social and governance (ESG) matters are provided on page 34.

Gender Representation

As at 31 December 2022, and the date of this report, the Board comprises five Directors, one male and four female. The Company has no employees. The Board's policy on diversity is set out on page 32.

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 34.

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

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 to 4 and the Managers' Review on pages 14 to 18.

The Strategic Report, which includes pages 2 to 24, was approved by the Board on 9 February 2023.

Lord Macpherson of Earl's Court
Chairman

Investment Approach

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

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

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

Companies with the prospect of both dependable dividends and attractive profit growth are not common. However, we make full use of the global equity universe available to the Company, which consists of several thousand stocks. This allows us to construct a diversified portfolio of investments which meet our requirements. Typically the portfolio consists of around 50–80 companies. We believe this range strikes the right balance between diversification and focus.

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

We are also only interested in truly sustainable income streams, which ultimately come from companies that are managed in a responsible way. Our approach therefore gives careful consideration to environmental, social and governance factors; and we seek to engage constructively with the companies in which we invest in order to help promote their continued long-term success. Shareholders can read more about our efforts here in our Annual Stewardship Report, available on the Company's website saints-it.com.

To identify the businesses we are looking for, we employ a disciplined research process that focuses on the dependability of a company's dividend and the growth potential of its earnings and cash flow. The opportunities for growth vary widely, but they can be broadly described as falling into one of four categories described on page 13. We have also used this categorisation to illustrate the portfolio, as at 31 December 2022.

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

Borrowed Funds

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

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

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

Similarly, SAINTS' global portfolio of infrastructure equities offer the prospect of dependable real income and capital growth over time. We hold fixed income investments where we view the income as being resistant, and where the level of income significantly exceeds the cost of borrowing.

Summary

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

— This aim is underpinned for the long-term by investment in a portfolio of equities selected for their real income and capital growth potential.

— Equity investments are complemented through the opportunistic investment of borrowed funds:
- A high-yielding directly-held UK property portfolio offering a dependable and growing rental income stream;
- A global portfolio of infrastructure equities to provide real growth in income and capital;
- Fixed income investments to enhance resources.

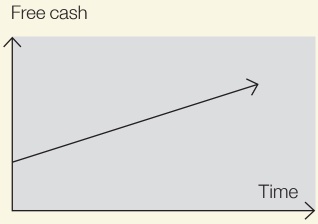
— A robust dividend in even the most challenging of investment environments:
- Underlying investments are selected for dependability of income alongside growth;
- The Board and management team are committed to delivering real dividend growth sustainably into the future;
- Significant revenue reserves to support the smooth progression of dividends.

Outcome: An investment for the long term which can generate a dependable income stream, with significant growth potential in both capital and income.

Drivers of Free Cash Flow Growth

Compounding Machines

Free Cash Flow Growth Expectations



Characteristics

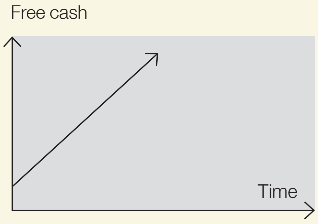
- Enduring competitive positions
- Strong balance sheets
- Proven management

Expected Outcome

Consistent above-average cash flow and dividend growth

Exceptional Revenue Opportunity

Free Cash Flow Growth Expectations



Characteristics

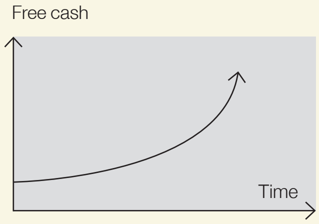
- Market leaders
- Pricing power
- Strong volume growth

Expected Outcome

Exceptional growth in earnings and cash flow

Management Acceleration

Free Cash Flow Growth Expectations



Characteristics

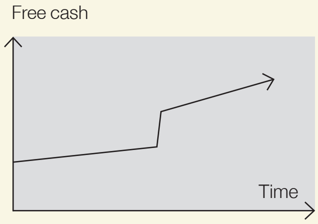
- Margins below potential
- Catalyst for change identified
- Strong management and clear strategy

Expected Outcome

Exceptional cash flow and dividend growth

Long-Cycle Returns

Free Cash Flow Growth Expectations

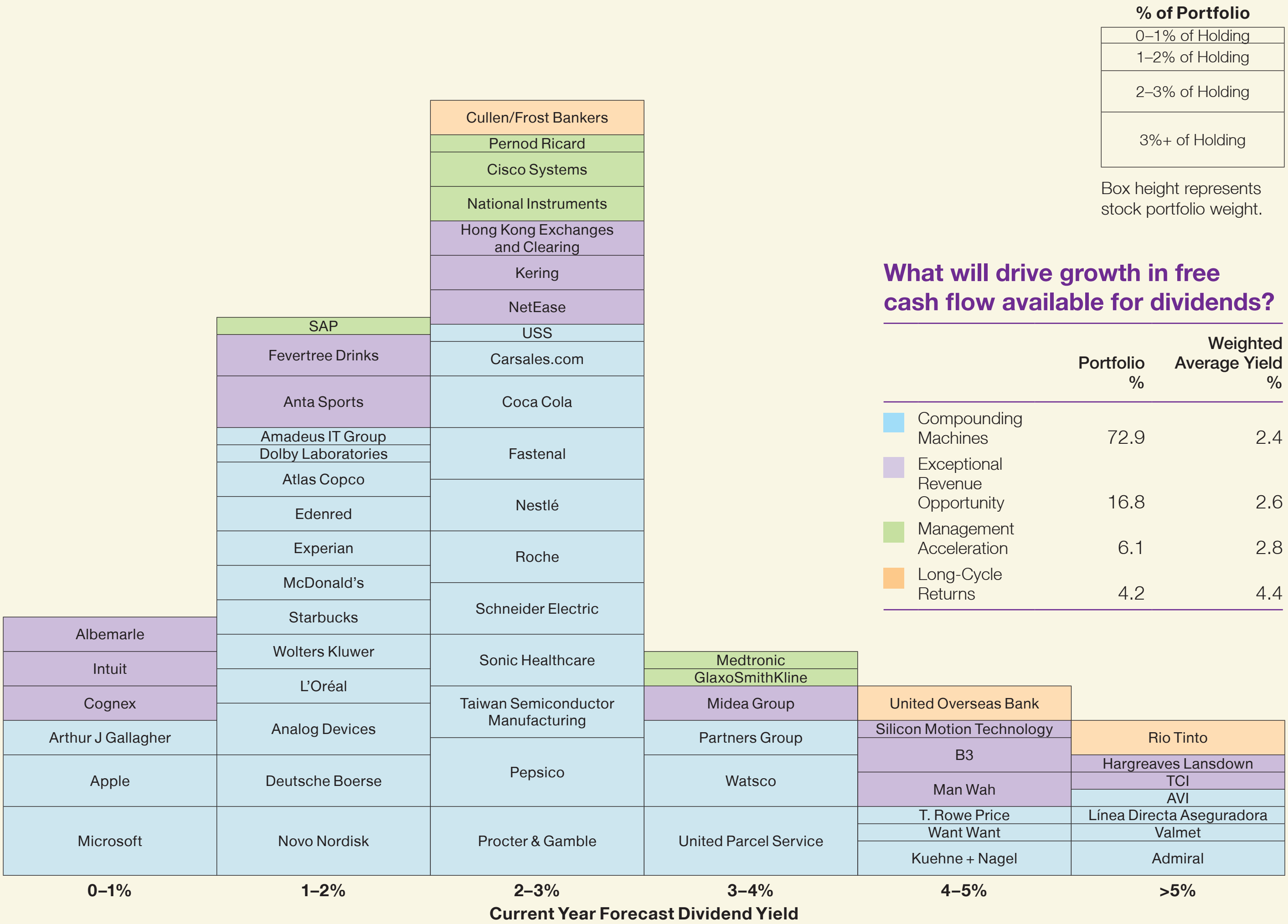


Characteristics

- Strategic development
- Change in capital requirements
- Shift of cash allocation priorities

Expected Outcome

Consistent above-average cash flow and dividend growth



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

	Portfolio %	Weighted Average Yield %
Compounding Machines	72.9	2.4
Exceptional Revenue Opportunity	16.8	2.6
Management Acceleration	6.1	2.8
Long-Cycle Returns	4.2	4.4

Source: IBES, Bloomberg, Baillie Gifford & Co. Holding sizes and forecast yields are as at 31 December 2022. Totals may not sum due to rounding.

Yields are based on market consensus and Baillie Gifford estimates of ordinary dividends, on a 12 month forward basis, net of withholding taxes. Excludes cash, weights have been rebalanced to 100%.

The following holdings are classified as infrastructure investments, and therefore are not included in the chart: Assura, BBGI, Greencoat UK Wind, Jiangsu Expressway, Terna.

Managers' Review

In 2022 the per share earnings of The Scottish American Investment Company increased by a little over 8%, while the per share net asset value (NAV total return with borrowings at fair value) decreased by 3.7%. Since the start of 2004, which is to say when the present managers were appointed by the Board, the NAV has compounded at 5.4% per annum, growing shareholders' capital from 181.9p to 495.5p.* Over the same period the NAV total return of the Company, meaning the capital gain with dividends reinvested, has been 8.4% per annum.* Dividend growth in 2022 was 9.0%, taking the compound increase since 2004 to 4.8% per annum, ahead of inflation† over the same period of 2.7%.

In what follows below, we reflect on how SAINTS' portfolio coped with a slew of shocks during 2022: war in Europe, soaring prices worldwide, and a sharp rotation in equity markets away from 'growth' towards 'value'. We shed light on some of the individual holdings that delivered notable positive and negative performance, and we elaborate on the new investments (and dis-investments) that we made during the year.

A brief update is also included on our progress in diversifying the Company's non-equity investments, which took place as SAINTS' borrowings were refinanced to a lower rate of interest. We then offer some comments under the broad heading of 'investing sustainably', something we believe is vital for the long-term compounding that we seek to deliver in shareholders' capital and dividends. We finish with our outlook for 2023 and beyond.

For those who would prefer to cut to the chase, the abbreviated version goes like this: although 2022 felt rather like sailing through a storm, with waves crashing left and right and visibility poor, SAINTS' portfolio proved pleasingly robust and charted a relatively steady course. The strong companies that constitute the backbone of the portfolio delivered, for the most part, admirably solid compounding in their revenues and profits. The portfolio also generated dividend growth that broadly kept pace with inflation, ensuring shareholders' real income was largely maintained.

The Company's property, infrastructure and fixed income investments also held up relatively well. SAINTS has been able to refinance its borrowings, and the Company's overall borrowing cost has now fallen to 3%, having previously been 8%, which will be a substantial saving going forward.

Credit for this steady performance should perhaps go more to the seaworthiness of the ship than the skill of its captains: the quality of the holdings shone through rather than any change of course by its managers, given that we made only three new equity investments during the year. But the bottom line is that SAINTS' shareholders own a portfolio that proved its mettle in 2022 and appears well set for the future. The outlook for the global economy is showing tentative signs of improvement, and as managers we remain optimistic about delivering steady growth in earnings and dividends in 2023 and beyond.

Coping with the shocks of 2022

It seems fair to say that the 2020s, as decades go, have so far proved a little… challenging. It is chastening to recall that as this decade dawned, many hoped the world was on the cusp of another "Roaring 20s": repeating the same decade a century earlier when peace reigned, prosperity boomed, and investments soared in value. That scenario has not, to put it politely, quite transpired. Each of the past three years has brought huge challenges to citizens around the world, including investors seeking capital growth with dividends. The year 2022 was no exception, thanks to a senseless war in Europe, the return of double-digit inflation triggering rapid rises in interest rates, and a stock market that turned its nose up at growth-oriented companies.

As managers of SAINTS it is our job to build a portfolio that can thrive through thick and thin, whatever storms it may encounter. If economic activity is collapsing because of the first global pandemic in living memory, or if the Chinese economy is slumping while global energy prices are spiking to extraordinary levels, it is our job to ensure the Company's portfolio contains investments that can navigate those adversities successfully.

Happily, this is indeed how the portfolio and most of its underlying investments performed last year. At the time of writing we are still receiving the final results for 2022 from the circa 60 holdings in the equity portfolio that form the backbone of the Company's NAV, but broadly-speaking we can say that it was a year of solid earnings and dividend growth. The decline in the Company's NAV was attributable largely to a broad decline in listed equity valuations, as markets adjusted to higher-than-expected future interest rates. But fundamentally, the vast majority of SAINTS' holdings continued to perform well operationally, and this is why they delivered steady earnings and dividend growth.

Growth-oriented companies in general bore the brunt of an adjustment in the stock market last year to higher interest rates, with a huge rotation taking place in favour of so-called 'value' companies. These are companies which typically trade on low multiples of price to earnings, reflecting their poor long-term growth prospects, but over short periods they can come into favour. A good example is the oil & gas business, where SAINTS has no capital invested. In 2022 many oil & gas companies saw their share prices marked up significantly, as the war in Ukraine prompted sanctions on Russian exports, in turn causing energy prices to spike and profits at oil & gas companies to balloon. In the long-term, we believe these companies are likely to prove poor sources of capital and dividend growth for shareholders, because they are likely to see demand for their products shrink quite considerably as energy users around the world make stringent efforts to de-carbonise their operations. Last year, however, many oil & gas companies saw their share prices increase.

Meanwhile, many companies with attractive long-term growth prospects fell out of favour. An example is the soft drinks company Fevertree Drinks, which is a holding in SAINTS' portfolio. As managers we believe that Fevertree's earnings outside the UK have a strong chance of growing enormously over the next 5 to 10 years. But in the past 12 months the price of gas has dramatically increased the costs of the company's glass bottles, and expenses have soared too for the containers it uses to ship its products around the globe while it is still building local facilities in countries like the US. Its profit margins have therefore fallen and the stock market has punished its share price.

This is the kind of headwind that a number of SAINTS' holdings had to deal with in 2022. Our investments in Chinese companies are another example where we saw short-term pain: COVID lockdowns hurt the earnings of companies such as Anta Sports

* NAV per share with borrowings at fair value. Source: Baillie Gifford and Refinitiv.

† CPI.

(the footwear maker) and Man Wah (the furniture maker) in 2022, and their share prices fell significantly as the market's risk-aversion increased and time horizon shrank.

When we look through the list of holdings whose prices have been marked down by the stock market, however, our belief is that the vast majority have been impacted by challenges that are likely to prove short-term. We have already seen energy prices fall in the past few months, to the point that, remarkably, the European gas price has now declined below its level before the invasion of Ukraine. China has started "unlocking" and its government has begun a stimulus programme.

We would much rather invest shareholders' capital in companies with good long-term growth prospects, and wait for these storms to pass, than invest in the likes of oil & gas companies where, to the best of our judgement, the long-term outlook for growth in their earnings and dividends is very poor. In the medium-term we expect interest rates and equity valuations to stabilise, while the portfolio's earnings should continue to compound higher. Ultimately this should drive growth in SAINTS' NAV and dividends in the years to come.

While a small number of holdings had a difficult 2022, it is important to put these in context. As managers we have been struck more by how, faced with crashing waves and howling winds, the vast majority of the companies in SAINTS' portfolio have continued to deliver solid earnings and dividend growth. Particular mention should be made of a few.

Notable positive performers

SAINTS' standout performer last year was Novo Nordisk, the Denmark-based manufacturer of insulin for diabetics which has also begun making, more recently, appetite suppressants for patients who are battling obesity. This has been a very successful investment for shareholders over the past several years. Revenues have compounded steadily upwards, driven in part by continued growth in the number of patients diagnosed with diabetes, a condition which remains under-treated but where happily detection is increasing over time. We remain optimistic about seeing continued progress worldwide in the years ahead. Meanwhile, novel formulations of the company's insulin products have made life significantly easier for many of those living with diabetes: for example the company's oral formulations which spare patients from the burden of constant injections. This innovation has been rewarded by higher prices, which again has driven revenue growth.

More recently, the use of the company's *semaglutide* molecule as an appetite suppressant has been hailed as a breakthrough treatment for patients battling obesity. Future earnings growth from this innovation could be considerable, and shares in the company have risen accordingly. We are mindful of the higher valuation of the shares following this strong period of performance, but believe we are still early in the multi-year opportunity for Novo Nordisk to change people's lives for the better, while growing the company's earnings and dividends. In the meantime, we continue to liaise with the management team to ensure that, despite rocketing demand for the company's treatments, it is pricing its products honourably (not gouging) and that it is working as hard as possible to add safe new capacity to meet patient demand.

Our several investments in consumer staples companies, such as Pepsico and Coca-Cola, also by-and-large performed well during 2022. Over the past several years these companies have delivered solid growth but, candidly, the rate of growth has not always been particularly inspiring. However in 2022, with input costs rising sharply, for example due to transportation costs, and with considerable ongoing investments to reduce their packaging impact and improve their nutritional impact, these companies have been able to pass on cost inflation to consumers seeking improved products. Earnings and dividends have continued to compound higher and their share prices have risen, as the outlook for profit growth has brightened.

The performance of these holdings illustrates a wider point about SAINTS' portfolio, that is perhaps under-appreciated. As managers, we make conscious efforts to ensure that we achieve true diversification when investing shareholders' capital. Not just by investing in different countries and industries, but also in terms of different types of growth case, and business model, and assorted exposures to different macro factors.

We do all this in pursuit of dividend resilience and steady compounding. We try hard to ensure that we are not "betting the portfolio" on a narrow range of businesses or styles. We are far from perfect in this respect – earnings correlations have a nasty habit of rising toward 100% whenever severe shocks occur – but it does mean that in highly volatile years such as 2022, SAINTS portfolio by design includes names which may perform unusually well while others are slowing. Our consumer staples holdings just-mentioned, and our two bank holdings United Overseas Bank and Cullen/Frost Bankers, together with esoteric names such as Edenred (the vouchers business), Arthur J Gallagher (the insurance broker), USS (the Japanese car auctions business), and Deutsche Boerse (the German derivatives exchange) are all testament to this approach. Many featured in our top 10 performers list for 2022.

New equity investments and dis-investments

During the course of 2022 we made three new equity investments: Intuit, L'Oréal and Cognex. On the other side of the ledger we made four dis-investments: Kimberly-Clark de México, Hiscox, Haleon and CH Robinson.

Intuit makes software for small businesses and consumers. It is an investment idea that came to us through positive reports we heard from other companies, who rate the management team highly. On investigation we too became enthused. The company's core products are software for small business accounting and consumer tax filing in the US. Profit growth in the years ahead could be substantial as the company builds out its product range into areas such as marketing, payroll, HR, and other adjacencies, giving small business owners a one-stop shop for managing their affairs. It has a similar strategy to broaden its consumer offering. We are backing the management team's vision, their track record of execution, the attractive financial characteristics of the business, and the company's commitment to paying a progressive dividend. The share price fell precipitously in the first half of 2022 and we took this as a cue to make an initial investment.

L'Oréal makes beauty products. We have long admired the company's entrepreneurial culture and its commitment to seizing every new opportunity for innovation. Time and again the management team have made good strategic calls and executed on them, moving early into digital marketing and investing in local R&D in China many years ago. The stable hand of the Bettencourt family and a commitment to progressive dividend growth, together with an exemplary balance sheet, also attract us. Again this was a growth company that fell sharply in the first half of 2022, and we took this as an opportunity to make an investment.

Cognex makes machine vision products. We are enthused by the company's growth potential in the decade to come, as organisations around the world try to automate repetitive, costly tasks such as checking labels in logistics, and scanning for faults in manufacturing. Cognex is a pioneer in cameras and software which can do this work at a fraction of the cost of humans, often with higher accuracy. We see the potential for very strong demand in the years ahead as its software gets ever-smarter and becomes capable of checking an ever-wider assortment of items, in turn growing the company's customer base. Growth does not require much capital and the company is committed to growing its dividend alongside earnings. The management team and entrepreneurial culture again appear excellent.

All three of these companies fit strongly with SAINTS' objective of long-term compounding in earnings and dividends, combined with resilience along the way. The dis-investments we made fell short of these criteria.

CH Robinson is a long-standing holding where the passage of time has raised serious concerns about its future growth prospects. Its core business is broking truck transportation in the US: matching shippers with truckers. Our investment case had been predicated on strong customer and shipment growth as its software platform went from strength-to-strength, displacing a long tail of smaller competitors who would struggle to keep investing in the technology needed to provide real-time tracking information, pricing and other services to customers. What we did not foresee is that a wave of Silicon Valley start-ups would enter the industry with cheap financing, writing business at low prices to gain customers while worrying about profitability later. CH Robinson lost market share, and an activist investor then gained seats on its board, pushing a particular agenda. We visited the company in Minnesota last November but failed to gain conviction that the management's strategy to out-compete the disruptors would ultimately restore the company to good rates of growth.

Kimberly-Clark de México is the leading manufacturer of nappies, tissues and other sanitary products in Mexico. Our investment case was based on the assumption that rising household incomes in Mexico would drive growth in spending on the company's products, both in volume terms and through increased pricing power. In practice, however, the company has struggled to grow its earnings due to sustained pressure on its input costs, limited success in gaining market share and the depreciation of the Mexican currency. With little prospect that these headwinds will reverse and better opportunities elsewhere in the portfolio, we dis-invested.

Haleon is a maker of over-the-counter medicines, and came to us through a demerger from our holding in GSK. Our view is that the company, whilst not without merits, owns a series of brands whose market position is not particularly strong, and whose volume growth is unlikely to be particularly inspiring.

Hiscox is a provider of insurance for businesses and households. It has been a longstanding holding, but twice in the past 20 years it has stopped paying a dividend when there has been a global shock: in 2001 and again in 2020. After reviewing the company last year and considering our ongoing conversations with management, we came to the conclusion that it did not meet the criteria SAINTS sets in terms of dividend resilience, particularly in times of economic crises. Arguably it should have dawned on your managers earlier that a company which insures its customers against losses in extreme events is unlikely to be a resilient distributor of dividends whenever those events transpire! We will put that learning to work as we move forward.

It is, we have to say, a little surprising to us that during the course of 2022 we made only three new investments. We are not short of ideas. Growth stocks have fallen out of favour, and we might have expected to acquire, opportunistically, more stocks whose price/earnings multiples have been de-rated. But many of the biggest fallers would not suit SAINTS, either because they do not pay dividends or because their prospects are too uncertain. In some other cases, where the fit for SAINTS is better, valuations still don't look attractive enough for us to bite. We have tried to remain disciplined in the face of market turmoil, and only bought new holdings where we see an excellent fit, and long-term returns that we believe are firmly skewed in shareholders' favour. Intuit, L'Oréal and Cognex all fall into that category.

Refinancing of borrowings and non-equity investments

Most long-standing shareholders will be aware that SAINTS has for many years endeavoured to enhance its income and returns through the use of prudent long-dated borrowings. By taking advantage of the Company's permanent capital base, structured as an investment trust, the Board is able to take on modest levels of debt. The proceeds are then invested in a mixture of non-equity assets, such as directly-held property and bonds, with yields above the cost of borrowing. In many cases there is also the potential for real capital growth, funded by these nominal borrowings. Typically these investments constitute 10–15% of total assets, broadly matching the level of gearing.

Until 2022, SAINTS' borrowings chiefly took the form of a single debenture which was arranged in the 1990s. Its coupon was fixed at 8%. This debenture matured in April 2022, but before this transpired, and before interest rates began their recent climb, the Board had propitiously arranged replacement debt with a blended average coupon of around 3%.

Conscious of the value of diversification, the Board also took a decision at its annual Strategy Day in 2020 which has since proven well-founded. The Directors instructed the managers to review and recommend asset classes that could diversify the Company's non-equity portfolio. Out of that discussion came the agreement that, alongside the directly-held property and corporate credit investments, which remain fundamental to the Company's approach, the managers would also seek diversification by investing prudently in Emerging Market sovereign bonds and Infrastructure-related equities. In both asset classes, assuming careful stock selection, the risk of default should be low and the prospective returns higher than the cost of borrowing. Additionally the income from these two asset classes, perhaps even more so than property and corporate bonds, are likely to prove uncorrelated with the Company's income from equities, thereby improving the portfolio's resilience.

In 2022 this strategy proved its worth, as equity and property valuations came under pressure from rising interest rates, as did the prices of corporate bonds. Over the course of the year the Emerging Market sovereign bond and infrastructure investments turned out to deliver the best-performance of any asset class in SAINTS portfolio. Both delivered positive total returns.

The sovereign bonds followed a very different path from most of SAINTS' holdings. Essentially this transpired because emerging market central banks began hiking interest rates well before Europe and the US. This underpinned strong emerging market currency appreciation during 2022, in countries such as Brazil and Mexico, particularly against Sterling. SAINTS' income from these investments grew healthily in Sterling terms, and capital values in Sterling also increased.

The infrastructure investments also had a good year. These are typically held in the form of equities, but their underlying cashflows are fundamentally linked to infrastructure revenues. As managers we take care to ensure these revenues are not economically sensitive, or at least are likely to remain uncorrelated with the wider SAINTS' portfolio. Examples include the wind farm owner Greencoat UK Wind, the Italian national grid owner Terna, and the Chinese tollroad owner Jiangsu Expressway. Across this portfolio of infrastructure names, cashflows were generally very robust in 2022, share prices were relatively stable, and dividends were either flat or growing. Several of these investments, like the emerging market bonds, showed the benefit of investing outside the UK as there was a further benefit boost to income from Sterling depreciation.

The Company's long-standing directly held property portfolio faced a more challenging environment. Underlying performance remained good, with the portfolio fully-let, but rising interest rates adversely affected valuations. The portfolio retains a strong focus on inflation-linked and increasing rents, and this has rarely seemed more valuable: as a reminder, 57% of SAINTS' rental income is linked to RPI or CPI, with a further 25% on fixed increases and 18% on upward-only rent reviews. The portfolio also benefited from some well-judged decisions by the manager, OLIM, to dis-invest from a number of properties at valuations above book value. The portfolio's total return over the course of 2022 was -1.7%, ahead of comparable property indices.

In the long-term, we expect the rate of compounding in earnings, dividends and capital to be significantly stronger in the Company's equity portfolio than in its non-equity portfolio. But there are solid returns available from our non-equity holdings, alongside the benefits to income and capital from diversification. With these investments now financed from borrowings at an average cost of just below 3%, and bearing in mind that SAINTS' debt is nominal and will therefore be heavily eroded by inflation by the time the borrowings are due to mature in the 2040s, we share the Board's view that this is an attractive way for SAINTS to make use of the investment trust structure and enhance returns for shareholders. The results in 2022 demonstrated these benefits.

Investing sustainably

There is a debate raging at the moment. On one side are those who argue that fund managers should stop messing about by pontificating on environmental, societal and governance issues that may or may not surround their investments, and instead focus on the core task they have been given by their shareholders: to deliver investment returns. On the other side are those who argue that fund managers have a duty as asset owners to ensure their investments are not harming the environment or society, or failing to adhere to good standards of governance, and indeed must be prepared to divest when those standards are not met. The acronym 'ESG' is being tossed left and right, torn between those who would promote it and those who would bin it.

As managers of SAINTS, we are very much of the same opinion as the Board on this matter. Our duty is to pursue the long-term goals set out and agreed with shareholders in the Company's investment policy. We are long-term investors, seeking to deliver income and capital growth ahead of inflation over multi-year periods. That long-term focus has been foundational to SAINTS' success since it was established in 1873, and instrumental to the Company's track record of keeping its dividend at least flat and most often growing in every year since 1938.

If we were short-term managers, trading in and out of shares every few months, perhaps we would hold our noses and invest in companies that are deeply harmful to the environment, or society, or which exhibit gross failings of governance. We could play the roulette wheel and gamble that, over such a short holding period, the chances of getting caught out were low.

But we are not short-term speculators, we are long-term investors. And over the investment period we pursue, with an average holding period of 8 years and many of our investments held for over a decade, it is our responsibility to give careful scrutiny to our holdings' environmental, societal and governance opportunities and risks.

Some examples might be helpful to illustrate the point: investments whose ESG failures would have damaged SAINTS' long-term NAV and dividend growth but which, thankfully, we steered well clear of.

In the US, in the early 2000s, it was popular to proclaim a renaissance in coal mining and to invest in companies such as Peabody and Arch Coal. But America turned its back on sulphur and the numerous other air pollutants in coal, pivoting to natural gas as soon as the opportunity presented itself with the shale boom of the late 2000s. By 2011, numerous US coal companies had gone bankrupt, with their shareholders suffering a permanent loss of capital.

Just as environmental harms skew the odds against sustainable long-term profits and dividends, so the odds have often been stacked against companies with deep social harms: such as tobacco companies, many of which have struggled for years to deliver attractive growth in earnings and dividends. As for governance, examples abound of companies that have transgressed and subsequently failed. In just the past few months we have seen the implosion of the cryptocurrency exchange FTX, where investigators have already alleged gross failings of governance inside the company, precipitating bankruptcy and the permanent impairment of shareholder value.

All of this informs our strong belief (in which we are very much aligned with SAINTS' Board) that sustainability analysis is absolutely vital to meeting the Company's investment objectives over the long-term. This is why, for every SAINTS' holding, your managers complete a thorough analysis of ESG opportunities and risks. We monitor all of our holdings carefully, and engage proactively on numerous topics to ensure the long-term compounding that we seek on behalf of shareholders has every chance of being delivered. The Board has also adopted and published a clear ESG policy for us to follow.

We have yet to find any company that is perfect. But we will not invest in any company where we see significant harms that are not being addressed ambitiously by the management, or where we do not trust them to deliver. And we *far* prefer to invest in companies where there is strong alignment between the company's products and operations and its wider stakeholders: such as employees, society and the planet. For example, we have invested SAINTS' capital in Albemarle, the leading lithium producer, for several years now. We believe the market for green metals will continue to expand dramatically over the decade ahead. We expect the environmental benefits that lithium enables will lead to strong growth in capital and dividends.

We try hard to make sure that all of our holdings are perpetually improving. SAINTS' latest Annual Stewardship Report contains many examples of our engagements with holdings over the course of the past year. To highlight a couple briefly: we have encouraged Apple, Microsoft and other software holdings to continue pushing towards best practice in cybersecurity, privacy, and supply chain management. And we have voiced our desire for UPS to lean into electrification and emissions reduction from its transport fleet.

This is all part-and-parcel of our responsibility as managers to ensure, wherever possible, the likelihood of continued compounding in capital value and dividends on behalf of SAINTS' shareholders. As long-term investors, there is no other sustainable path.

Outlook for 2023 and beyond

Few predictions cast at the end of 2019 foresaw the advent of COVID in early 2020. Few of those who forecast continued economic despair during the ongoing lockdowns at the end of 2020 foresaw the enormous rally in equity markets in 2021. And few who prognosticated at the end of 2021 predicted the war in Ukraine at the start of 2022, with inflation reaching double-digits and interest rates spiking higher. As we begin 2023, we remain humble about our (or indeed anyone's) ability to foresee what is just around the corner.

What we can say with confidence is that SAINTS owns a portfolio of assets which has proved itself resilient to some extreme tests over the past few years. Earnings have grown steadily, as has the Company's NAV and, despite the shock of a global pandemic which caused many income-generating investments to stop or slash their distributions, the recommended final dividend will extend SAINTS' track record of increases to 49 consecutive years. In 2022, the Company's earnings and dividend broadly kept pace with inflation, despite price indices surging higher.

Similarly, as we look to the future, we believe that your portfolio is well placed to cope with whatever the coming year holds, be it inflation, recession or recovery. This is because it is populated by a broadly diversified mix of growth companies: including companies with strong brands that should enjoy pricing power in an inflationary environment, such as Apple, and others that are well placed to benefit from innovation and a growing competitive advantage, such as Atlas Copco, and still others that are relatively recession proof, such as Sonic Healthcare.

We made a number of new investments in 2022 which we believe upgraded the resilience and growth potential of the Company. Whatever happens in the world at large, we as managers will continue our search for steady long-term compounding in earnings and dividends. We believe the portfolio is in good shape, with strong underlying holdings. The cost of borrowing has fallen, and the Company's non-equity investments have been diversified further for enhanced returns and future resilience.

There are no certainties in investing. There can be no guarantee that SAINTS' capital value and dividends will continue to compound higher in the decade to come as they have in the decade past. But we do believe that, whatever winds may blow, and as far as we are able to ensure as managers, the odds remain skewed strongly in favour of long-term capital appreciation and dividend growth in the years ahead for SAINTS' shareholders.

James Dow
Toby Ross
Baillie Gifford & Co
9 February 2023

Investment Changes

	Valuation at 31 December 2021 £'000	Net acquisitions/ (disposals) £'000	Appreciation/ (depreciation) £'000	Valuation at 31 December 2022 £'000
United Kingdom Equities	74,161	(1,812)	(18,104)	54,245
Overseas Equities	791,617	17,204	(60,848)	747,973
Infrastructure Equities	23,629	771	(221)	24,179
Total Equities	889,407	16,163	(79,173)	826,397
Direct Property	74,900	(3,036)	(5,114)	66,750
Bonds	48,950	(4,592)*	(918)	43,440
Total Investments	**1,013,257**	**8,535**	**(85,205)**	**936,587**
Net Liquid Assets	12,089	(7,480)	192	4,801
Total Assets	**1,025,346**	**1,055**	**(85,013)**	**941,388**

The figures above for total assets are made up of total net assets before deduction of borrowings.
* This includes amortisation of fixed income book cost.

Performance Attribution for the year to 31 December 2022

Portfolio breakdown	Average allocation SAINTS %	Average allocation benchmark %	Total return* SAINTS %	Total return benchmark %
Global Equities	93.0	100.0	(6.8)	(7.3)
Infrastructure Equities	2.8		3.9	
Bonds	5.3		4.2	
Direct Property	9.2		(1.7)	
Deposits	0.7		–	
Borrowings at book value	(11.0)		5.0	
Portfolio Total Return (borrowings at book value)			**(6.7)**	
Other items†			(0.4)	
Fund Total Return (borrowings at book value)			**(7.1)**	
Adjustment for change in fair value of borrowings			3.4	
Fund Total Return (borrowings at fair value)			**(3.7)**	

Past performance is not a guide to future performance.

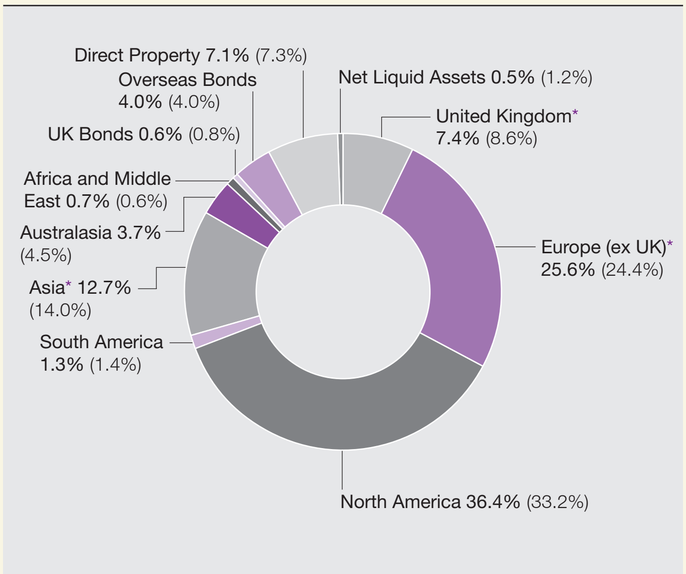
Source: Baillie Gifford and relevant underlying index providers. See disclaimer on page 74.

* Alternative performance measure, see Glossary of Terms and Alternative Performance Measures on pages 75 and 76.

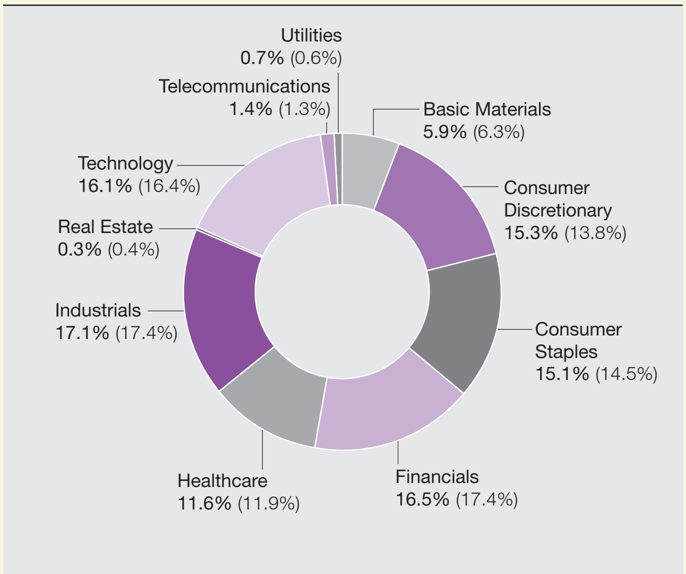
† Includes Baillie Gifford and OLIM Property Limited management fees.

Distribution of Portfolio

Geographical as at 31 December 2022 (2021)



Equities* by Sector as at 31 December 2022 (2021)



* Comprises global and infrastructure equities.

List of Investments at 31 December 2022

Name	Business	Value £'000	% of total assets
Global Equities			
Novo Nordisk	Pharmaceutical company	40,137	4.3
United Parcel Service	Courier services	28,734	3.1
Procter & Gamble	Household product manufacturer	28,431	3.0
Pepsico	Snack and beverage company	25,908	2.8
Microsoft	Computer software	25,182	2.7
Fastenal	Distribution and sales of industrial supplies	24,739	2.6
Watsco	Distributes air conditioning, heating and refrigeration equipment	22,763	2.4
Roche	Pharmaceuticals and diagnostics	22,619	2.4
Taiwan Semiconductor Manufacturing	Semiconductor manufacturer	21,884	2.3
Nestlé	Food producer	20,423	2.2
Deutsche Boerse	Securities exchange owner/operator	20,191	2.1
Coca Cola	Beverage company	19,924	2.1
Sonic Healthcare	Laboratory testing	19,409	2.1
Analog Devices	Integrated circuits	19,216	2.0
Anta Sports	Sportswear manufacturer and retailer	18,409	2.0
Apple	Consumer technology	17,819	1.9
Schneider Electric	Electrical power products	16,657	1.8
Experian	Credit scoring and marketing services	16,287	1.7
McDonald's	Fast food restaurants	15,574	1.7
Partners Group	Asset management	15,373	1.6
Albemarle	Producer of speciality and fine chemicals	15,110	1.6
Atlas Copco	Engineering	15,062	1.6
Carsales.com	Online marketplace for classified car advertisements	14,974	1.6
Edenred	Voucher programme outsourcer	14,905	1.6
Wolters Kluwer	Information services and solutions provider	14,742	1.6
Arthur J Gallagher	Insurance broker	13,264	1.4
United Overseas Bank	Commercial banking	13,168	1.4
Admiral	Car insurance	12,642	1.3
B3 S.A.	Securities exchange owner/operator	12,358	1.3
National Instruments	Electronic test and measurement systems	12,263	1.3
Intuit	Software	11,555	1.2
Cisco Systems	Data networking equipment	10,795	1.2
Cullen/Frost Bankers	Provides banking services throughout the state of Texas	10,444	1.1
Starbucks	Coffee retailer	10,126	1.1
Hong Kong Exchanges and Clearing	Securities exchange owner/operator	10,004	1.1
Man Wah	Sofa designer and manufacturer	9,877	1.1
Rio Tinto	Mining	9,626	1.0
Kering	Luxury brand conglomerate	8,825	0.9
NetEase	Online gaming company	8,787	0.9
L'Oréal	Cosmetics	8,752	0.9
Kuehne + Nagel	Worldwide freight forwarder	8,582	0.9
Midea Group	Appliance manufacturer	8,388	0.9
Cognex	Industrial automation	8,303	0.9
Medtronic	Medical devices company	7,879	0.8
SAP	Business software developer	7,438	0.8
Dolby Laboratories	Multimedia software	7,063	0.8
T. Rowe Price	Fund manager	7,029	0.7
USS	Second-hand car auctioneer	7,014	0.7
Valmet	Manufacturer of pulp and paper machinery	6,837	0.7
AVI	Staple foods manufacturer	6,777	0.7
Silicon Motion Technology	Semiconductor company	6,614	0.7
Want Want	Snacks and milk-based products	6,454	0.7

Name	Business	Value £'000	% of total assets
TCI	Producer of health-food products	5,917	0.6
Fevertree Drinks	Producer of premium mixer drinks	5,666	0.6
Pernod Ricard	Global spirits manufacturer	5,635	0.6
Línea Directa Aseguradora	Car and home insurance provider	5,537	0.6
GlaxoSmithKline	Pharmaceuticals, vaccines and consumer healthcare	5,210	0.6
Hargreaves Lansdown	UK retail savings and investment platform	4,814	0.5
Amadeus IT Group	Technology provider for the travel industry	4,103	0.4
Total Global Equities		**802,218**	**85.2**
Infrastructure Equities			
Greencoat UK Wind	UK wind farms	9,937	1.1
Terna	Electricity grid operator	5,622	0.6
Jiangsu Expressway	Tollroad operator	3,159	0.3
Assura	Primary healthcare property group	2,783	0.3
BBGI Global Infrastructure	PFI/PPP fund	2,678	0.3
Total Infrastructure Equities		**24,179**	**2.6**
Direct Property			
	See table on page 22.	**66,750**	**7.1**
Bonds			
Sterling denominated	Paymentsense 8% 2025	**2,537**	**0.3**
Euro denominated	Ivory Coast 6.625% 2048	**1,285**	**0.1**
US dollar denominated	Netflix 5.375% 2029	5,787	0.6
	Catalent 5% 2027	3,180	0.3
	Tesco 6.15% 2037	2,997	0.3
	First Quantum Minerals 6.875% 2026	1,939	0.2
	First Quantum Minerals 7.5% 2025	1,933	0.2
	Brazil 7.125% 20/01/2037	1,892	0.2
	Dominican Republic 5.875% 30/01/2060	1,653	0.2
	Mexico 5.75% 12/10/2110	1,588	0.2
	Mercadolibre 3.125% 2031	940	0.1
		21,909	**2.3**
Brazilian real denominated	Brazil CPI Linked 15/05/2045	**4,896**	**0.5**
Dominican peso denominated	Dominican Republic 8.9% 15/02/23	1,877	0.2
	Dominican Republic 9.75% 05/06/26	772	0.1
		2,649	**0.3**
Indonesian rupiah denominated	Indonesia 9% 15/03/2029	3,338	0.4
	Indonesia 7.375% 15/05/2048	2,066	0.2
		5,404	**0.6**
Mexican peso denominated	Mexico IL 4% 15/11/2040	**2,849**	**0.3**
Peruvian sol denominated	Peru 6.15% 12/08/2032	**1,911**	**0.2**
Total Bonds		**43,440**	**4.6**
Total Investments		**936,587**	**99.5**
Net Liquid Assets		4,801	0.5
Total Assets (before deduction of borrowings)		**941,388**	**100.0**

Property Portfolio

Location	Type	Tenant	2022 Value £'000	2022 % of total assets	2021 Value £'000
Basingstoke*	Warehouse	G4S Cash Solutions (UK) Limited	–	–	3,000
Biggleswade	Warehouse	Sherwin-Williams UK Limited	6,500	0.7	7,650
Cleethorpes*	Public House	Stonegate Pub Company Limited	–	–	750
Crawley	Petrol Station and Convenience Store	Co-operative Group Holdings (2011) Ltd	3,300	0.4	3,800
Denbigh	Supermarket	Aldi Stores Limited	5,300	0.6	5,750
Earley	Public House	Spirit Pub Company (Managed) Limited	2,700	0.3	2,800
Holyhead†	Hotel	Premier Inn Hotels Limited	6,900	0.7	–
Kenilworth	Nursing Home	Care UK Community Partnerships Limited	5,000	0.5	6,200
Luton*	Public House	Stonegate Pub Company Limited	–	–	2,700
New Romney	Holiday Village	Park Resorts Limited	19,250	2.0	19,000
Newport Pagnell*	Car Showroom	Pendragon Plc	–	–	3,300
Otford	Public House	Spirit Pub Company (Managed) Limited	1,750	0.2	1,850
Pagham	Convenience Store	Co-operative Group Food Limited	1,150	0.1	1,350
Prestatyn	Public House	Stonegate Pub Company Limited	1,100	0.1	1,100
Southend-on-Sea	Warehouse	Booker Limited	9,400	1.0	11,200
Taunton	Bowling Alley	Mitchells & Butlers Retail (No.2) Limited	4,400	0.5	4,450
			66,750	**7.1**	**74,900**

† Purchased during the year.
* Sold during the year.

Classification of Investments

Classification Global and Infrastructure Equities:	UK %	Overseas %	2022 Total %	2021 Total %
Chemicals	–	1.6	1.6	1.9
Industrial metals and mining	1.0	2.6	3.6	3.6
Basic Materials	**1.0**	**4.2**	**5.2**	**5.5**
Leisure goods	–	0.9	0.9	1.0
Media	–	3.2	3.2	3.1
Personal goods	–	3.8	3.8	2.9
Retailers	–	–	–	0.6
Household goods and home construction	–	2.0	2.0	2.0
Travel and leisure	–	2.8	2.8	2.4
Consumer services	–	0.7	0.7	–
Consumer Discretionary	**–**	**13.4**	**13.4**	**12.0**
Beverages	0.6	5.5	6.1	5.1
Food producers	–	4.2	4.2	4.3
Personal care, drug and grocery stores	–	3.0	3.0	3.2
Consumer Staples	**0.6**	**12.7**	**13.3**	**12.6**
Banks	–	2.5	2.5	1.8
Closed end investments	1.4	–	1.4	0.8
Investment banking and brokerage services	0.5	6.8	7.3	8.0
Non–life insurance	1.3	2.0	3.3	4.5
Financials	**3.2**	**11.3**	**14.5**	**15.1**
Medical equipment and services	–	0.8	0.8	0.9
Pharmaceuticals and biotechnology	0.6	6.7	7.3	6.6
Healthcare providers	–	2.1	2.1	2.8
Healthcare	**0.6**	**9.6**	**10.2**	**10.3**
Industrial engineering	–	2.3	2.3	2.7
Industrial support services	1.7	1.6	3.3	2.5
Industrial transportation	–	4.3	4.3	6.1
Electronic and electrical equipment	–	2.7	2.7	2.0
Construction and materials	–	2.4	2.4	1.8
Industrials	**1.7**	**13.3**	**15.0**	**15.1**
Real estate investment trusts	0.3	–	0.3	0.3
Real Estate	**0.3**	**–**	**0.3**	**0.3**
Software and computer services	–	5.9	5.9	4.7
Technology hardware and equipment	–	8.2	8.2	9.5
Technology	**–**	**14.1**	**14.1**	**14.2**
Telecommunications equipment	–	1.2	1.2	1.1
Telecommunications	**–**	**1.2**	**1.2**	**1.1**
Electricity	–	0.6	0.6	0.5
Utilities	**–**	**0.6**	**0.6**	**0.5**
Total Global and Infrastructure Equities	**7.4**	**80.4**	**87.8**	
Total Equities – 2021	8.3	78.4		**86.7**
Direct Property	**7.1**	**–**	7.1	**7.3**
Bonds	**0.6**	**4.0**	4.6	**4.8**
Net Liquid Assets	**0.2**	**0.3**	0.5	**1.2**
Total Assets	**15.3**	**84.7**	**100.0**	
Total Assets – 2021	17.3	82.7		**100.0**
Debt	**(10.1)**	**–**	(10.1)	**(9.3)**
Equity Shareholders' Funds	**5.2**	**84.7**	**89.9**	
Equity Shareholders' Funds – 2021	8.0	82.7		**90.7**
Number of equity investments	**9**	**55**	**64**	**65**

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 # %
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
2015	18,626	13,913	10.47	10.70	0.93
2016	18,630	13,939	10.46	10.825	0.87
2017	20,484	15,213	11.33	11.10	0.80
2018	21,743	16,230	11.75	11.50	0.76
2019	22,950	17,096	11.87	11.875	0.77
2020	23,568	17,519	11.41	12.00	0.70
2021	27,980	21,820	12.79	12.675	0.62
2022	**30,043**	**24,345**	**13.82**	**13.82**	**0.59**

Gearing Ratios

Year to 31 December	Equity gearing ‡ %	Potential gearing ¶ %
2012	(2)	27
2013	4	25
2014	1	25
2015	2	24
2016	0	19
2017	(6)	17
2018	(6)	17
2019	(3)	14
2020	(7)	11
2021	(4)	10
2022	**(2)**	**11**

† 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.

‡ Borrowings at book value less cash, bonds (ex convertibles) and property divided by shareholders' funds. Alternative performance measure, see Glossary of Terms and Alternative Performance Measures on pages 75 and 76.

¶ Borrowings at book value divided by shareholders' funds. Alternative performance measure, see Glossary of Terms and Alternative Performance Measures on pages 75 and 76.

Capital

At 31 December	Total assets £'000	Debenture stocks and loans £'000	Shareholders' funds £'000	Net asset value per share (nominal/par) p	Net asset value per share § (book) p	Net asset value per share §# (fair) p	Share price p	Premium/ (discount) ^ (book) %	Premium/ (discount) ^# (fair) %
2012	401,780	86,467	315,313	242.5	237.7	220.5	225.5	(5.1)	2.3
2013	428,313	85,931	342,382	262.5	258.1	247.0	256.3	(0.7)	3.8
2014	429,167	85,361	343,806	263.2	259.1	243.7	249.6	(3.7)	2.4
2015	433,209	84,756	348,453	265.2	261.7	247.5	261.5	(0.1)	5.7
2016	515,622	84,112	431,510	326.6	323.5	309.2	324.0	0.2	4.8
2017	581,366	83,428	497,938	368.7	366.2	355.6	368.0	0.5	3.5
2018	566,154	82,701	483,453	345.0	343.0	336.4	351.0	2.3	4.3
2019	682,418	81,930	600,488	408.4	407.1	400.9	426.0	4.6	6.3
2020	812,270	81,108	731,162	450.4	449.7	446.1	464.0	3.2	4.0
2021	1,025,346	95,161	930,185	529.8	529.7	528.4	541.0	2.1	2.4
2022	**941,388**	**94,714**	**846,674**	**478.9**	**479.0**	**495.5**	**508.0**	**6.1**	**2.5**

§ Net asset value per ordinary share has been calculated after deducting borrowings at either book value or fair value. See Glossary of Terms and Alternative Performance Measures on pages 75 and 76.

^ Premium/(discount) is an Alternative Performance Measure and is the difference between SAINTS' quoted share price and its underlying net asset value at either book value or fair value. See Glossary of Terms and Alternative Performance Measures on pages 75 and 76.

Cumulative Performance (taking 2012 as 100)

At 31 December	Net asset value per share (fair) #	Net asset value (fair) total return #	Share price	Share price total return #	Benchmark	Benchmark total return #	Earnings per ordinary share	Dividends per ordinary share (net)	Consumer price index
2012	100	100	100	100	100	100	100	100	100
2013	112	117	114	118	117	121	100	104	102
2014	111	120	111	120	127	135	103	107	103
2015	112	127	116	131	129	140	102	109	103
2016	140	166	144	169	163	182	102	110	104
2017	161	197	163	198	181	207	111	113	108
2018	153	192	156	195	171	200	115	117	110
2019	182	236	189	243	204	244	116	121	111
2020	202	271	206	273	225	276	112	122	112
2021	240	328	240	326	265	331	125	129	118
2022	**225**	**316**	**225**	**315**	**240**	**307**	**135**	**141**	**130**
Compound annual returns									
5 year	6.9%	9.9%	6.7%	9.7%	5.8%	8.2%	4.0%	4.5%	3.8%
10 year	8.4%	12.2%	8.5%	12.2%	9.2%	11.9%	3.0%	3.5%	2.7%

On 1 January 2014, the Company changed its benchmark from 50% FTSE All-Share Index and 50% FTSE All-World ex UK Index to 100% FTSE All-World Index. For the purposes of the above tables the returns on these benchmarks for their respective periods have been linked to form a single benchmark. Source: Refinitiv/Baillie Gifford and relevant underlying index providers. See disclaimer on page 74.

* For a definition of terms, see Glossary of Terms and Alternative Performance Measures on pages 75 and 76.

Alternative performance measure, see Glossary of Terms and Alternative Performance Measures on pages 75 and 76.

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

Lord Macpherson of Earl's Court, GCB joined the Board in 2016 and was appointed Chairman on 5 April 2022. He was Permanent Secretary to the Treasury from 2005 to 2016, leading the department through the global economic and financial crisis. He is currently chairman of C Hoare and Co, a member of the Advisory Council of Arcus Infrastructure Partners LLP, a Visiting Professor at King's College, London and was a non-executive director of British Land plc.

Karyn Lamont, CA joined the Board in 2019 and became Chairman of the Audit Committee in 2020.
Karyn is a chartered accountant and former audit partner at PricewaterhouseCoopers. She has over 25 years experience providing audit and other services to a range of clients across the UK's financial services sector, including a number of investment trusts. Karyn is audit committee chairman of The North American Income Trust plc, The Scottish Building Society, Iomart Group and Ediston Property Investment Company plc.

Bronwyn Curtis, OBE joined the Board in 2014 and was appointed Senior Independent Director on 5 April 2022. An economist, she was Head of Global Research and Senior Adviser to the Head of Global Banking and Markets at HSBC Bank plc. Her previous positions included Head of European Broadcast at Bloomberg LP, Chief Economist for Nomura International and Global Head of Foreign Exchange and Fixed Income Strategy at Deutsche Bank. She is chairman of JP Morgan Asia Growth and Income plc and TwentyFour Income Fund Limited.

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

Christine Montgomery joined the Board on 6 April 2022. She has over 30 years of investment management experience, most recently as Head of Global Equities for Australian Super in Melbourne from 2016 to 2019 and previously held senior global equity roles at Fidelity Worldwide Investments, Frankin Templeton Investments and Aegon. Christine is a non-executive director of Dunedin Income and Growth Investment Trust.

All Directors are members of the Nomination Committee and all Directors, with the exception of Lord Macpherson of Earl's Court, are members of the Audit Committee. Lord Macpherson stepped down from the Audit Committee in July 2022.

Managers and Secretaries

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

Baillie Gifford is one of the largest investment trust managers in the UK and currently manages twelve investment trusts. Baillie Gifford also manage a listed investment company, 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 £246 billion as at 9 February 2023. Based in Edinburgh, it is one of the leading privately owned investment management firms in the UK, with 51 partners and a staff of around 1,800.

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

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

Directors' Report

The Directors present their Report together with the Financial Statements of the Company for the year to 31 December 2022.

Corporate Governance

The Corporate Governance Report is set out on pages 31 to 34 and forms part of this Report.

Manager and Company Secretaries

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

The Investment Management Agreement between the AIFM and the Company sets out the matters over which the Managers have authority in accordance with the policies and directions of, and subject to restrictions imposed by, the Board. The Investment Management Agreement is terminable on not less than six months' notice. Compensation fees would only be payable in respect of the notice period if termination were to occur within a shorter notice period. The annual management fee is 0.45% of the first £500 million of total assets and 0.35% of the remaining total assets, total assets being the value of all assets held (excluding the property portfolio) less all liabilities, other than any liability in the form of debt intended for investment purposes, calculated on a quarterly basis. The Board is of the view that calculating the fee with reference to performance would be unlikely to exert a positive influence on performance.

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

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

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

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

Depositary

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

Directors

Information about the Directors, including their relevant experience, can be found on pages 25 and 26.

Christine Montgomery was appointed to the Board on 6 April 2022 and is required to seek election by shareholders at the Annual General Meeting. All other Directors will retire at the Annual General Meeting and offer themselves for re-election.

Following formal performance evaluation, this year facilitated by external consultants, the Board concluded that the performance of each of the Directors continues to be effective and each remains committed to the Company. Their contribution to the Board is greatly valued and the Board recommends their re-election to shareholders.

Director Indemnification and Insurance

The Company has entered into qualifying third party deeds of indemnity in favour of each of its Directors. The deeds, which were in force during the year to 31 December 2022 and up to the date of approval of this Report, cover any liabilities that may arise to a third party, other than the Company, for negligence, default or breach of trust or duty. The Directors are not indemnified in respect of liabilities to the Company, any regulatory or criminal fines, any costs incurred in connection with criminal proceedings in which the Director is convicted or civil proceedings brought by the Company in which judgement is given against him/her. In addition, the indemnity does not apply to any liability to the extent that it is recovered from another person.

The Company maintains Directors' and Officers' Liability Insurance.

Conflicts of Interest

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

Dividends

The Board recommends a final dividend of 3.67p per ordinary share which, together with the interim dividends already paid, makes a total of 13.82p for the year. If approved, the recommended final dividend on the ordinary shares will be paid on 13 April 2023 to shareholders on the register at the close of business on 3 March 2023. The ex-dividend date is 2 March 2023.

The Company's Registrar offers a Dividend Reinvestment Plan (see page 68) and the final date for the receipt of elections for reinvestment of this dividend is 21 March 2023.

Share Capital

Capital Structure

The Company's capital structure consists of 176,750,943 ordinary shares of 25p each (2021 – 175,600,943 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 pages 70 and 71.

Major Interests in the Company's Shares

Name	No. of ordinary 25p shares held at 31 December 2022	% of issue
Rathbone Investment Management Ltd	9,116,733	5.2
Brewin Dolphin Limited	6,623,973	3.7

Holdings above are stated as per the most recent notification to a Regulatory Information Service. There have been no changes to the major interests in the Company's shares disclosed between 31 December 2022 and 8 February 2023.

Annual General Meeting

Share Issuance Authority

Resolution 12 in the Notice of Annual General Meeting seeks to renew the Directors' general authority to issue shares up to an aggregate nominal amount of £14,727,772.25. This amount represents approximately 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 12 which would effectively alter the control of the Company without the prior approval of shareholders in general meeting.

Resolution 13, which is proposed as a special resolution, seeks to renew the Directors' authority to issue shares or sell shares held in treasury on a non pre-emptive basis (i.e. without first offering such shares to existing shareholders pro-rata to their existing holdings) for cash up to an aggregate nominal amount of £4,418,773.50 (representing approximately 10% of the issued ordinary share capital of the Company as at 8 February 2023). The authorities sought in Resolutions 12 and 13 will continue until the conclusion of the Annual General Meeting to be held in 2024 or on the expiry of 15 months from the passing of this resolution, if earlier.

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

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

During the year to 31 December 2022, the Company issued at a premium to net asset value on 11 separate occasions a total amount of 1,150,000 shares at an average price of 512.89p per share, raising proceeds of £5,901,000. No shares were issued between 1 January and 8 February 2023. No shares were held in treasury as at 8 February 2023.

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

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

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

Resolution 14 is being proposed, therefore, solely for this technical purpose and specifically in the context of the Directors' continued intention only to issue shares on a basis which protects or enhances shareholder value.

Market Purchase of Own Shares

The Company's buy-back authority was last renewed at the AGM on 5 April 2022 in respect of 26,367,551 shares of 25p each (equivalent to 14.99% of its then issued share capital). No shares were bought back during the year under review and no shares are held in treasury.

The principal reasons for share buy-backs are:

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

(ii) to address any imbalance between the supply of and demand for SAINTS' shares that results in a discount of the quoted market price to the published net asset value per share.

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

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

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

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

The Directors are seeking shareholders' approval at the Annual General Meeting to renew the authority to make market purchases of up to 26,494,966 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 2024. Such purchases will only be made through the market for cash at prices below the most recently calculated net asset value per ordinary share, which will result in an increase in value of the remaining ordinary shares. Any such shares purchased shall either be held in treasury or cancelled. In accordance with the Listing Rules of the UK Listing Authority, the maximum price (excluding expenses) that may be paid on the exercise of the authority must not exceed the higher of:

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

(ii) the higher of the price of the last independent trade and the highest current independent bid as stipulated by Article 5(1) of Commission Regulation (EC) 22 December 2003 implementing the Market Abuse Directive as regards exemptions for any buy back programmes and stabilisation of financial instruments (No. 2273/2003).

The minimum price (exclusive of expenses) that may be paid will be 25p per share. Purchases of shares will be made within guidelines established, from time to time, by the Board. The Company does not have any warrants or options in issue. Your attention is drawn to Resolution 15 in the Notice of Annual General Meeting.

Adoption of New Articles of Association

Resolution 16, which will be proposed as a special resolution, seeks shareholder approval to adopt new Articles of Association (the 'New Articles') in order to update the Company's current Articles of Association (the 'Existing Articles'). The proposed amendments being introduced in the New Articles primarily relate to changes in law and regulation and developments in market practice since the Existing Articles were adopted, and principally include:

(i) provisions enabling the Company to hold virtual shareholder meetings using electronic means (as well as physical shareholder meetings or hybrid meetings);

(ii) amendments in response to the introduction of international tax regimes (notably to take into account the broader obligations under the Common Reporting Standard) requiring the exchange of information; and

(iii) changes to provisions in relation to Directors remuneration in order that, going forward, the New Articles will provide for an aggregate limit of £250,000 on the fees that may be paid to all of the Directors per annum as opposed to having a limit on the fees that may be paid to each individual Director per annum.

A summary of the principal amendments being introduced in the New Articles which the Board considers will be of most interest to shareholders is set out in the appendix to the AGM Notice (on pages 72 and 73). Other amendments, which are of a minor, technical or clarifying nature, have not been summarised in the appendix.

While the New Articles (if adopted) would permit shareholder meetings to be conducted using electronic means, the Directors have no present intention of holding a virtual-only meeting. These provisions will only be used where the Directors consider it is in the best interests of shareholders for a hybrid or virtual-only meeting to be held. Nothing in the New Articles will prevent the Company from holding physical shareholder meetings.

A copy of the New Articles, together with a copy showing all of the proposed changes to the Existing Articles, will be available for inspection on the Company's website, saints-it.com from the date of the AGM Notice until the close of the AGM, and will also be available for inspection at the offices of Baillie Gifford & Co, Calton Square, 1 Greenside Row, Edinburgh, EH1 3AN which is also the venue of the AGM, from 15 minutes before and during the AGM.

Articles of Association

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

Financial Instruments

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

Disclosure of Information to Auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

Independent Auditor

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

Post Balance Sheet Events

The Directors confirm that there have been no significant post Balance Sheet events up to 8 February 2023 that require disclosure in the Financial Statements.

Greenhouse Gas Emissions and Streamlined Energy and Carbon Report ('SECR')

All of the Company's activities are outsourced to third parties. The Company therefore has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. For the same reasons as set out above, the Company considers itself to be a low energy user under the SECR regulations and therefore is not required to disclose energy and carbon information.

Bribery Act

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

Criminal Finances Act 2017

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

Recommendation

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

On behalf of the Board
Lord Macpherson of Earl's Court
9 February 2023

Corporate Governance Report

The Board is committed to achieving and demonstrating high standards of Corporate Governance. This statement outlines how the principles of the 2018 UK Corporate Governance Code (the 'Code'), which can be found at frc.org.uk and the relevant 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 theaic.co.uk.

Compliance

The Board confirms that the Company has complied throughout the year under review with the relevant provisions of the Code and the recommendations of the AIC Code. The Code includes provisions relating to the role of the chief executive, executive directors' remuneration and the need for an internal audit function. Given that the Company is an externally managed investment trust, the Board considers these provisions are not relevant to the Company (the need for an internal audit function specific to the Company has been addressed on page 35). Details of the Board's view on Directors who have served on the Board for more than nine years can be found under the Independence of Directors section of this Report.

The FRC has confirmed that AIC member companies who report against the AIC Code will be meeting their obligations in relation to the UK Code (the AIC Code can be found at theaic.co.uk).

The Board

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

The Board currently comprises 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 Bronwyn Curtis.

The Directors believe that the Board has a balance of skills and experience which enables it to provide effective strategic leadership and proper governance of the Company. Information about the Directors, including their relevant experience, can be found on pages 25 and 26.

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.

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.

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.

Directors' Attendance at Meetings

	Board	Audit Committee	Nomination Committee
Number of meetings	**5**	**2**	**1**
Lord Macpherson of Earl's Court*	5	1	1
Bronwyn Curtis	5	2	1
Karyn Lamont	5	2	1
Dame Mariot Leslie	5	2	1
Christine Montgomery†	3	1	1

* Lord Macpherson of Earl's Court ceased to be a member of the Audit Committee when he became Chairman of the Board on 5 April 2022.

† Christine Montgomery joined the Board on 6 April 2022.

Nomination Committee

The Nomination Committee consists of the whole Board due to the ongoing small size of the Board and the Chairman of the Board is Chairman of the Committee. The Committee meets on an annual basis and at such other times as may be required. The Committee has written terms of reference which include reviewing the Board composition, Board appraisal, succession planning, training and identifying and nominating new candidates for appointment to the Board. The Committee also considers whether Directors should be recommended for re-election by shareholders. The Committee is responsible for considering Directors' potential conflicts of interest and for making recommendations to the Board on whether or not the potential conflicts should be authorised.

As reported last year, the Committee engaged an external search consultancy, Trust Associates, to recruit a new Director to join the Board following the retirement of Peter Moon at the AGM in April 2022. Christine Montgomery was identified as the preferred candidate and appointed to the Board on 6 April 2022. The Committee believes that Ms Montgomery's knowledge and experience will be of great benefit to the Company. Trust Associates, who has no other connection with the Company or any of the Directors, was specifically tasked with considering the promotion of diversity on the Board as an integral part of the recruitment process, having regard to the skills, experience and knowledge of each of the current Directors.

Board Diversity

Appointments to the Board are made on merit and based on objective criteria, including the promotion of diversity of gender, social and ethnic backgrounds, and cognitive and personal strengths. The priority in succession planning and appointing new Directors is to identify candidates with the best range of skills and experience to complement those of the existing Directors, with a view to ensuring that the Board remains well placed to help the Company achieve its investment and governance objectives.

The Board comfortably meets the FCA Listing Rules target relating to gender diversity, as four out of five directors are women and two senior roles (Senior Independent Director and Audit Committee chair*) are currently held by women. The Company has not yet met the ethnic background target for the Board set by the FCA which will come into effect for the financial year ending 31 December 2023. The Board intends to take account of this target at the time of the next appointment, whilst also adhering to its priority in succession planning as set out above.

*As an externally managed investment company with no chief executive officer (CEO) or chief financial officer (CFO, the Board considers the Chair of the Audit Committee to be a senior role in addition to the roles of Senior Independent Director and Board Chair identified as such by the FCA.

Policy on Chairman's and Directors' Tenure

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

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

Performance Evaluation

During the year, the Board appointed Lintstock Ltd, a firm which assists companies with the design and execution of board evaluations, to facilitate the performance evaluation of the Chairman, each Director, the Board as a whole and its Committees. Lintstock provided questionnaires which were tailored to the specific needs of the Company. The questionnaires addressed, amongst other issues:

— Board and Committee composition and expertise;

— quality of Board documentation, administration and third party relationships;

— trust oversight and priorities for change; and

— personal development

Each Director and the Chair completed the questionnaires and the Chair discussed feedback with each Director. The results were considered by the Nomination Committee. Lintstock reviewed the output for the evaluation process and judged the Company's Board, Committees and Directors to be operating effectively.

Following this process it was concluded that there was a diverse range of skills within the Board, and the performance of each Director, the Chairman, the Board and its Committees continues to be effective and the Directors remain committed to the Company. A review of the Chairman's and other Directors' commitments was carried out and the Nomination Committee is satisfied that they are capable of devoting sufficient time to the Company. There were no significant changes to the Chairman's other commitments during the year.

External facilitation will next be considered for Board evaluations in 2025.

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 Committee

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 37 to 39.

Management Engagement Committee

The Directors have considered that a separate Management Engagement Committee is not required given the small size of the Board.

Audit Committee

The report of the Audit Committee is set out on pages 35 and 36.

Internal Controls and Risk Management

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

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

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

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

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

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

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

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

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

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

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

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

The risk limits, which are set by the AIFM and approved by the Board, take into account the objectives, strategy and risk profile of the portfolio. These limits, including leverage (see page 74), are monitored and the sensitivity of the portfolio to key risks is undertaken periodically as appropriate to ascertain the impact of changes in key variables in the portfolio. Exceptions from limits monitoring and stress testing undertaken by Baillie Gifford's Business Risk Department are escalated to the AIFM and reported to the Board along with any remedial measures being taken.

Going Concern

In accordance with The Financial Reporting Council's guidance on going concern and liquidity risk, the Directors have undertaken a rigorous review of the Company's ability to continue as a going concern. The Company's principal and emerging risks are market related and include market risk, liquidity risk and credit risk. An explanation of these risks and how they are managed is contained on pages 59 to 64 and in note 18 to the Financial Statements. The Board has, in particular, considered recent macroeconomic and geopolitical concerns, including the Russia-Ukraine conflict, rising inflation and interest rates alongside specific leverage and liquidity stress testing, but does not believe the Company's going concern status is affected. 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. During the year, the Company's £80m debenture matured and was refinanced by the issue of £80m of long-term secured privately placed loan notes at a fixed coupon of 3.12%, £40m repayable in April 2045 and £40m repayable in April 2049. The Company has continued to comply with the investment trust status requirements of section 1158 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) Regulations 2011.

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

Accordingly, the Financial Statements have been prepared on the going concern basis as it is the Directors' opinion, having assessed the principal and emerging risks and other matters, as set out in the Viability Statement on page 10 and revenue estimates prepared to 31 December 2024, that the Company will continue in operational existence for at least 12 months from the date of approval of these Financial Statements.

Relations with Shareholders

The Board places great importance on communication with shareholders. The Managers meet regularly with shareholders and their representatives and report shareholders' views to the Board. The Chairman is available to meet with shareholders as appropriate. Shareholders wishing to communicate with any members of the Board may do so by writing to them at the Company's registered office or through the Company's broker, Winterflood (see contact details on the back cover).

The Company's Annual General Meeting provides a forum for communication with all shareholders. The level of proxies lodged for each resolution is announced at the meeting and published at saints-it.com subsequent to the meeting. The notice period for the Annual General Meeting is at least twenty working days. Shareholders and potential investors may obtain up-to-date information on the Company at saints-it.com.

Corporate Governance and Stewardship

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

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

Baillie Gifford & Co, the Managers, has considered the Sustainable Finance Disclosures Regulation (SFDR) and further details can be found on page 77.

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

Climate Change

The Board recognises that climate change poses a serious threat to our environment, our society and to economies and companies around the globe. Addressing the underlying causes is likely to result in companies that are high emitters of carbon facing greater societal and regulatory scrutiny and higher costs to account for the true environmental impact of their activities. The Manager has engaged an external provider to map the carbon footprint of the equity portfolio using the information to prioritise engagement and understand what higher emitting companies are doing to manage climate risk better. The carbon intensity of The Scottish American Investment Company's portfolio is 82.8% lower than the Company's benchmark (FTSE All-World). This analysis estimate is based on 97.7% of the value of the Company's equity portfolio which reports on carbon emissions and other carbon related characteristics and is measured using data from MSCI via the Factset platform. Carbon intensity measures the carbon efficiency of the portfolio per unit of output and assesses the portfolio's exposure to carbon-intensive companies.

In evaluating property investments, OLIM, the property manager, reviews environmental and flood risk reports, surveys of sustainable transport links, energy performance certificates and proactively encourages green initiatives such as installing electric vehicle charging points, solar panels or other upgrades to improve energy performance ratings. The provision of property valuations is carried out by Savills, an external valuer, and environmental and flooding risk considerations are taken into account when arriving at the property valuations.

Baillie Gifford's Task Force on Climate-Related Financial Disclosures ('TCFD') Climate Report is available on the Managers' Website at bailliegifford.com. Baillie Gifford will provide a TCFD climate report for SAINTS which is expected to be available during 2023.

The Managers, Baillie Gifford & Co, are signatories to the Carbon Disclosure Project.

On behalf of the Board
Lord Macpherson of Earl's Court
9 February 2023

Audit Committee Report

The Audit Committee consists of all independent Directors for the year to 31 December 2022 with the exception of the Chairman of the Board, Lord Macpherson of Earl's Court, who stepped down from the Audit Committee in July 2022. The members of the Committee consider that they have the requisite financial skills and experience to fulfil the responsibilities of the Committee. Ms Lamont, the 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 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. KPMG LLP, the previous external Auditor, attended the 2021 final accounts meeting. Ernst & Young LLP, the current external Auditor, attended the 2022 interim accounts meeting in July 2022 and the final accounts meeting in February 2023. Baillie Gifford & Co's Internal Audit and Compliance Departments and the AIFM's permanent risk function provided reports on their monitoring programmes for these meetings.

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

- The preliminary results announcement and the Annual and Interim Reports;
- The Company's accounting policies and practices;
- The regulatory changes impacting the Company;
- The fairness, balance and understandability of the Annual Report and Financial Statements and whether it provided the information necessary for shareholders to assess the Company's performance, business model and strategy;
- The effectiveness of the Company's internal control environment;
- Appointment/re-appointment, remuneration and engagement letter of the external Auditor;
- Whether the audit services contract should be put out to tender;
- The policy on the engagement of the external Auditor to supply non-audit services;
- The independence, objectivity and effectiveness of the external Auditor;
- The need for the Company to have its own internal audit function;
- Internal controls reports received from the Managers and other service providers; and
- The arrangements in place within Baillie Gifford & Co whereby their staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

Internal Audit

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

Financial Reporting

The Committee considers that the most significant issue likely to affect the Financial Statements is the valuation of the property investments which represent 7.1% of total assets. Other key issues are the existence and legal title of the property as well as the valuation, existence and legal title of the equity and bond investments which represent 92.4% 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 reconciliation of investment holdings to third party data and the accurate recording of investment income.

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

The Committee considered the factors, including the impact of Covid-19 and increasing geopolitical tensions, that might affect the Company's viability over a period of five years and its ability to continue as a going concern for at least twelve months from the date of signing of the Financial Statements, together with the reports from the Managers on the cash position and cash flow projections of the Company, the liquidity of the investment portfolio, compliance with debt covenants and the Company's ability to meet its obligations as they fall due. The Committee also reviewed the Viability Statement on page 10 and the statement on Going Concern on page 33 including the impact of increasing geopolitical tensions. Following this assessment, the Committee recommended to the Board the appropriateness of the Going Concern basis in preparing the Financial Statements and confirmed the accuracy of the Viability Statement and statement on Going Concern.

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

Audit Tender

Following a competitive tender process, Ernst & Young LLP were appointed as the Company's Auditor at the Annual General Meeting held on 5 April 2022. In recognition of underlying audit rotation requirements, the Committee currently intends that a further tender process should be undertaken not later than 31 December 2031 to cover the financial years ending 31 December 2032 onwards.

Internal Controls and Risk Management

The Committee reviewed the effectiveness of the Company's risk management and internal controls systems as described on pages 32 and 33. No significant weaknesses were identified in the year under review.

External Auditor

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

— The audit plan for the current year;

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

— The proposed audit fee and the extent of non-audit services provided by the external Auditor. For the year to 31 December 2022 the audit fee was £70,000 and there were no non-audit fees.

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

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

— Feedback from the Secretaries on the performance of the audit team;

— The Audit Quality Inspection Report from the FRC; and

— Detailed discussion with audit personnel to challenge audit processes and deliverables.

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

— The Auditor's engagement letter;

— The Auditor's proposed audit strategy;

— The audit fee; and

— A report from the Auditor on the conclusion of the audit.

The audit partner responsible for the audit will be 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 Caroline Mercer, the current partner, has held this role for one year and will continue as audit partner until the conclusion of the 2026 audit.

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

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

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

Accountability and Audit

The respective responsibilities of the Directors and the Auditor in connection with the Financial Statements are set out on pages 40 to 46.

On behalf of the Board
Karyn Lamont
Audit Committee Chairman
9 February 2023

Directors' Remuneration Report

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

Statement by the Chairman

The Directors' Remuneration Policy is subject to shareholder approval every three years or sooner if an alteration to the policy is proposed. As the Remuneration Policy was last approved by shareholders at the Annual General Meeting in June 2020, shareholders' approval of the policy is being sought at the forthcoming Annual General Meeting. Your attention is drawn to Resolution 2 in the Notice of Annual General Meeting on page 69. The policy for which approval is being sought is set out below and is unchanged from that currently in force.

The Board reviewed the level of fees during the year and concluded that, with effect from 1 January 2023, the Chairman's fee would increase from £42,000 per annum to £46,000 per annum and the Directors' fees would increase from £25,000 per annum to £28,000 per annum. It is proposed that the additional fee paid to the Audit Committee Chairman would increase from £5,000 per annum to £6,000 per annum to properly reflect the time and commitment involved but as this increase would take the total fee for the Audit Committee Chairman to £34,000 which is above the £30,000 per annum limit set out in the Articles of Association, this increase will not be made until after Resolution 16 has been passed by shareholders at the Annual General Meeting to be held on 6 April 2023. Once passed, the Audit Committee Chairman's revised fee of £34,000 per annum will be backdated to take effect from 1 January 2023. The fees were last increased with effect from 1 January 2020.

Directors' Remuneration Policy

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

The Board's policy is that the remuneration of Directors should be set at a reasonable level that is commensurate with the duties and responsibilities of the role and consistent with the requirement to attract and retain Directors of the appropriate quality and experience. The Board believes that the fees paid to the Directors should reflect the experience of the Board as a whole, be fair and should take account of the level of fees paid by comparable investment trusts. Baillie Gifford & Co Limited, the Company Secretaries, provides comparative information when the Board considers the level of Directors' fees. Any views expressed by shareholders on the fees being paid to Directors will be taken into consideration by the Board when reviewing the Board's policy on remuneration. Non-executive Directors are not eligible for any other remuneration or benefits apart from the reimbursement of allowable expenses. There are no performance conditions relating to Directors' fees and there are no long term incentive schemes or pension schemes. No compensation is payable on loss of office.

Limits on Directors' Remuneration

The fees for the Directors are payable monthly in arrears and are determined within the limits set out in the Company's Articles of Association. Currently, Directors' remuneration shall not exceed £30,000 per annum per Director with a maximum additional remuneration of £25,000 per annum for the Chairman. As part of the wider refreshment of the Articles of Association, the Board proposes to amend the provisions in order that, going forward, the New Articles provide an aggregate limit on the fees that may be paid to all of the Directors per annum as opposed to the current limits on the fees that may be paid to each individual Director per annum. It is proposed that the limit is set at £250,000 per annum in aggregate to allow headroom for recruitment and refreshment including service overlap, and, as shareholder approval is required to adopt this limit, a resolution will be put to shareholders at the forthcoming Annual General Meeting. Any change to this limit requires shareholder approval.

The basic and additional fees payable to Directors in respect of the year ended 31 December 2022 and the fees payable in respect of the year ending 31 December 2023 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 2023 £	Fees for year ended 31 Dec 2022 £
Non-executive Director fee	28,000	25,000
Additional fee for Chairman	18,000	17,000
Additional fee for Chairman of the Audit Committee	6,000	5,000

Annual Report on Remuneration

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

The law requires the Company's Auditor to audit certain of the disclosures provided in this report. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is included in their report on pages 41 to 46.

Directors' Remuneration for the Year (audited)

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

Name	2022 Fees £	2022 Taxable benefits* £	2022 Total £	2021 Fees £	2021 Taxable benefits* £	2021 Total £
Lord Macpherson of Earl's Court (Chairman)	37,510	2,156	**39,666**	25,000	413	**25,413**
Bronwyn Curtis	25,000	2,732	**27,732**	25,000	510	**25,510**
Karyn Lamont	30,000	–	**30,000**	30,000	–	**30,000**
Dame Mariot Leslie	25,000	–	**25,000**	25,000	–	**25,000**
Christine Montgomery (appointed 6 April 2022)	18,397	290	**18,687**	–	–	**–**
Peter Moon (retired 5 April 2022)	10,985	1,451	**12,436**	42,000	522	**42,522**
Eric Hagman (retired 1 April 2021)	–	–	**–**	6,346	–	**6,346**
	146,892	**6,629**	**153,521**	**153,346**	**1,445**	**154,791**

* Comprises travel and subsistence expenses incurred by Directors in the course of travel to attend Board and Committee meetings.

Annual Percentage Change in Directors' Remuneration

The following table sets out the annual percentage change in Directors' fees for the past 3 years from 1 January 2020 to 31 December 2022.

	Year ended 31 Dec 2022 %	Year ending 31 Dec 2021 %	Year ending 31 Dec 2020 %
Lord Macpherson of Earl's Court (Chairman)	56.1	(0.7)	8.7
Bronwyn Curtis	8.7	(1.4)	7.8
Karyn Lamont	–	8.3	70.2
Dame Mariot Leslie	–	–	13.6
Christine Montgomery (appointed 6 April 2022)	n/a	n/a	n/a
Peter Moon (retired 5 April 2022)	(70.8)	0.2	3.8

Directors' Interests (audited)

Name	Nature of interest	Ordinary 25p shares held at 31 December 2022	Ordinary 25p shares held at 31 December 2021
Lord Macpherson of Earl's Court	Beneficial	100,000	72,000
Bronwyn Curtis	Beneficial	7,084	3,000
Karyn Lamont	Beneficial	2,000	2,000
Dame Mariot Leslie	Beneficial	8,000	8,000
Christine Montgomery	Beneficial	5,000	–

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

The Directors at the year end, and their interests in the Company at 31 December, were as shown above. There have been no changes intimated in the Directors' interests up to 8 February 2023.

Statement of Voting at Annual General Meeting

At the last Annual General Meeting, of the proxy votes received in respect of the Directors' Remuneration Report, 98.8% were in favour, 0.6% were against and votes withheld were 0.6%. At the last Annual General Meeting at which the Directors' Remuneration Policy was considered (June 2020), 98.7% were in favour, 0.8% against and votes withheld were 0.5%.

Relative Importance of Spend on Pay

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

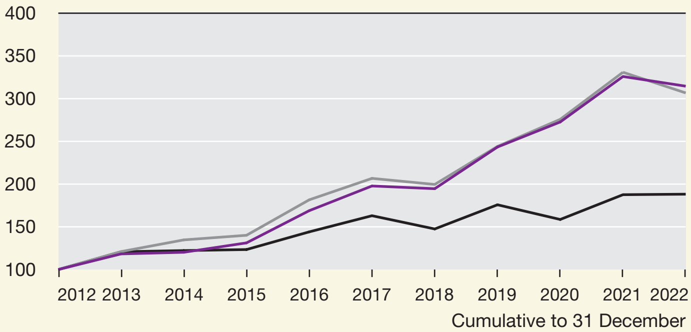
	2022 £'000	2021 £'000	Change %
Directors' Remuneration	154	155	(0.6)
Dividends paid to shareholders	23,831	21,038	13.3

Company Performance

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

Performance Graph

(figures rebased to 100 at 31 December 2012)



Source: Refinitiv and relevant underlying index providers. See disclaimer on page 74.

SAINTS share price

Benchmark*

FTSE All-Share

All figures are total return (see Glossary of Terms and Alternative Performance Measures on pages 75 and 76).

* With effect from 1 January 2014, the portfolio benchmark against which performance has been measured is FTSE All-World Index (in sterling terms). For earlier years covered by the above graph, the Company's benchmark was 50% FTSE All-Share Index and 50% FTSE All-World Ex UK Index (in sterling terms). For the purposes of the above graph the returns on both benchmarks for their respective periods have been linked to form a single benchmark. See disclaimer on page 74.

Past performance is not a guide to future performance.

Approval

The Directors' Remuneration Report on pages 37 to 39 was approved by the Board of Directors and signed on its behalf on 9 February 2023.

Lord Macpherson of Earl's Court
Chairman

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

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

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

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

— select suitable accounting policies and then apply them consistently;

— make judgements and accounting estimates that are reasonable and prudent;

— state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;

— assess the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern; and

— use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

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

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

We confirm that to the best of our knowledge:

— the Financial Statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;

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

— the Annual Report and Financial Statements taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

On behalf of the Board
Lord Macpherson of Earl's Court
9 February 2023

Notes

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

— The maintenance and integrity of the Baillie Gifford & Co website is the responsibility of Baillie Gifford & Co; the work carried out by the 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 Scottish American Investment Company P.L.C.

Opinion

We have audited the financial statements of The Scottish American Investment Company P.L.C. ('the Company') for the year ended 31 December 2022 which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and the related notes 1 to 19, including the principal accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

— give a true and fair view of the Company's affairs as at 31 December 2022 and of its loss for the year then ended;

— have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

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

Basis for opinion

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

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.

Conclusions relating to going concern

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

— Confirming our understanding of the Company's going concern assessment process by engaging with the Directors and the Company Secretary to determine if all key factors were considered in their assessment.

— Inspecting the Directors' assessment of going concern, including the revenue forecast, for the period to 31 December 2024 which is 22 months from the date of approval of these financial statements on 9 February 2023. The Company has concluded that it is able to continue to meet its ongoing costs as they fall due.

— Inspecting the Directors' assessment of the risk of breaching the debt covenants as a result of a reduction in the value of the Company's portfolio. Considering the mitigating factors included in the going concern assessment, including a review of the Company's assessment of the liquidity of the investments held and evaluating the Company's ability to sell investments in order to repay borrowings or cover the working capital requirements of the Company.

— Reviewing the Company's reverse stress test scenario and identifying the factors that could lead to the Company breaching financial covenants.

— Reviewing the Company's going concern disclosures included in the annual report in order to assess whether the disclosures were appropriate and in conformity with the reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the period to 31 December 2024 which is 22 months from the approval of these financial statements on 9 February 2023.

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

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Overview of our audit approach

Key audit matters	— Incorrect valuation or ownership of the investment portfolio — The risk of incomplete or inaccurate revenue recognition including the recognition of rental income and the classification of special dividends as revenue or capital items in the income statement
Materiality	— Overall materiality of £8.5m which represents 1% of shareholders' funds.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team and our property valuation specialists.

Climate change

There has been increasing interest from stakeholders as to how climate change will impact companies. The Company has determined that the impact of climate change may impact investee company or property valuations and in turn the Company's own share price. This is explained on pages 8 to 10 in the principal and emerging risks section, which form part of the 'Other information', rather than the audited financial statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially consistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

Our audit effort in considering climate change was focused on the adequacy of the Company's disclosures in the financial statements as set out in note 1(a) and concluded that there was no further impact of climate change to be taken into account other than investment property valuations as the quoted investments are valued based on market pricing as required by FRS102. Investment properties are valued by an independent valuer in accordance with RICS Valuation Standards. The valuation standards require sustainability, including physical risks such as flooding, to be assessed for fair value implications. Our audit procedures over property valuations are set out in the Key audit matters section of this audit report. We also challenged the Directors' considerations of climate change in their assessment of viability and associated disclosures.

Key audit matters

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

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Incorrect valuation or ownership of the investment portfolio (as described on page 35 in the Report of the Audit Committee and as per the accounting policy set out on page 51). The valuation of the investment portfolio at 31 December 2022 was £936.6m (2021: £1,013.3m) consisting of quoted investments with an aggregate value of £869.8m (2021: £938.4m), and investment property with an aggregate value of £66.8m (2021: £74.9m). The valuation of the assets held in the investment portfolio is the key driver of the Company's net asset value and total return. Incorrect investment pricing, or a failure to maintain proper legal title to the investments held by the Company could have a significant impact on the portfolio valuation and the return generated for shareholders. The fair value of quoted investments is determined by reference to bid value or the last traded price depending on the convention of the exchange on which the investment is quoted. Investments in property are held at fair value. Fair value of the property investments is estimated by an independent professional valuer (Savills) on an open market basis. The valuation of the property investments, and the resultant impact on the unrealised gains/(losses), is the area requiring the most significant judgment and estimation in the preparation of the financial statements, and has been classified as an area of fraud risk.	**We performed the following procedures:** We obtained an understanding of Baillie Gifford's processes and controls surrounding legal title and pricing of the investment portfolio by performing walkthrough procedures in which we evaluated the design and implementation of controls. **Listed equity and bond portfolio procedures ('the quoted investments')** For all quoted investments in the portfolio, we compared the market prices and exchange rates applied to an independent pricing vendor and recalculated the investment valuations at the year end. We inspected the stale pricing reports produced by Baillie Gifford and performed an independent review to identify prices that have not changed within one or more business days and verified whether the quoted price is a valid fair value. **Investment Property procedures** We agreed the value of all the properties in the investment portfolio held at the year end to the open market valuations included in the valuation report provided by Savills. We agreed a sample of inputs used in the valuations to source data. We reviewed and challenged the valuation movements on investment properties with reference to the applicable regional and sectoral real estate index. We engaged our property valuation specialist team to undertake a review of the valuations for a sample of properties including the calculation of a reasonable range. This specialist reviewed the assumptions used by Savills in undertaking their valuation and an assessed the valuation methodology adopted. The specialist also held discussions with Savills which included an overview of each property's characteristics including the covenant strength of the tenants, occupancy and rent cover.	The results of our procedures identified no material misstatement in relation to the risk of incorrect valuation or ownership of the investment portfolio.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
	All Investments For all purchases and sales of property investments and a sample of quoted investments in the period, we obtained supporting documents from Baillie Gifford and OLIM Property Limited (the Investment Property Manager') and have agreed these to the purchase cost or sales proceeds per the accounting records and to the bank statements. We recalculated the unrealised gains/losses on all investments as at the year end using the book-cost reconciliation. We compared the Company's investment holdings as at 31 December 2022 to independent confirmations received directly from the Company's Depositary or Company Solicitor.	
Incomplete or inaccurate revenue recognition including the recognition of rental income and the classification of special dividends as revenue or capital items in the income statement (per the Audit Committee report set out on page 35 and the accounting policy set out on page 51). The total revenue for the year to 31 December 2022 was £30.0m (2021: £28.0m). This revenue was made up of: — Dividend income from quoted equities totalling £22.8m (2021: £20.5m) — Interest income from bonds totalling £2.7m (2021: £2.6m) — Rental income from investment properties totalling £4.5m (2021: £4.9m) There is a risk of incomplete or inaccurate recognition of revenue through the failure to recognise proper income entitlements or to apply an appropriate accounting treatment. In respect of rental income, manual calculations are required with reference to the clauses included within rental contracts. The Directors may be required to exercise judgment in determining whether income receivable in the form of special dividends should be classified as 'revenue' or 'capital' in the Income Statement.	We obtained an understanding of Baillie Gifford's and OLIM Property Limited's processes and controls surrounding revenue recognition including the classification of special dividends and the recognition of rental income by performing walkthrough procedures. We recalculated the interest and dividend income by multiplying the investment holdings at the coupon or ex-dividend date, traced from the accounting records, by the coupon rate or dividend per share, which was agreed to an independent data vendor. We agreed a sample to bank statements and, where applicable, we also agreed the exchange rates to an external source. To test completeness of recorded income, we tested that dividends and interest had been recorded for all investee companies with reference to investee company announcements obtained from an independent data vendor. For all interest and dividends accrued at the year end, we recalculated interest income accrued or reviewed the investee company announcements to assess whether the dividend obligation arose prior to 31 December 2022. We agreed the coupon and dividend rate to corresponding announcements, recalculated the interest and dividend amount receivable, and we will confirm this is consistent with cash received as shown on post year end bank statements, where paid before our results report date. For all investments held during the year, we compared the type of dividends paid with reference to an external data source to identify those which were 'special'. We confirmed 7 special dividends, amounting to £1.5m, were received during the year of which £1m was classified as revenue and £0.5m as capital. We tested the special dividends, by assessing the appropriateness of classification as revenue and capital by reviewing the underlying rationale of the distribution. For the rental income recognised in the period, we verified 100% of the rental rates to lease agreements while performing an independent rental revenue recalculation and agreed all rental receipts to bank statements. Where applicable, we recalculated amounts recorded as prepayments in advance. We tested that all of the expected rent receipts had been recorded with reference to executed lease agreements to ensure completeness.	The results of our procedures identified no material misstatement in relation to the risk of incomplete or inaccurate revenue recognition including the recognition of rental income and the classification of special dividends as revenue or capital items in the income statement.

In the prior year, the predecessor auditor's report included key audit matters in relation to the valuation of investment properties and the carrying amount of quoted investments. In the current year these matters were included in our key audit matter in relation to the incorrect valuation or ownership of the investment portfolio. We also included an additional key audit matter in relation to the incomplete or inaccurate revenue recognition including the recognition of rental income and the classification of special dividends as revenue or capital items in the income statement.

As this was our first year as the auditor, we performed procedures on opening balances and reviewed the workpapers of the predecessor.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be £8.5 million, (2021 predecessor: £10.2m), which is 1% of shareholders' funds. (2021 predecessor: 1% of total assets). We believe that shareholders' funds provides us with a materiality aligned to the key measure of the Company's performance.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2021 predecessor: 75%) of our planning materiality, namely £6.4m (2021 predecessor: £7.7m). We have set performance materiality at this percentage due to our past experience of auditing investment trusts managed and administered by Baillie Gifford that indicates a lower risk of misstatements, both corrected and uncorrected.

Given the importance of the distinction between revenue and capital for investment trusts, we have applied a separate testing threshold for the revenue column of the Statement of Comprehensive Income of £1.3m (2021 predecessor: £0.9m).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.4m (2021 predecessor: £0.5m) which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

— the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

— the strategic report and Directors' reports have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

— adequate accounting records have not been kept, 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.

Corporate Governance Statement

We have reviewed the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 33;
- Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 10;
- Directors' statement on whether it has a reasonable expectation that the group will be able to continue in operation and meets its liabilities set out on page 33;
- Directors' statement on fair, balanced and understandable set out on page 40;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 8 to 10;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 32 and 33; and;
- The section describing the work of the audit committee set out on page 35.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 40, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and management.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are United Kingdom Generally Accepted Accounting Practice, the Companies Act 2006, the Association of Investment Companies Code of Corporate Governance, The Association of Investment Companies Statement of Recommended Practice, the Listing Rules, the UK Corporate Governance Code, Section 1158 of the Corporation Tax Act 2010 and The Companies (Miscellaneous Reporting) Regulations 2018.
- We understood how the Company is complying with those frameworks through discussions with the Audit Committee and Company Secretary and review of meeting papers and Board minutes.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements. We identified fraud risks with respect to the incomplete or inaccurate recognition of rental income, the incomplete or inaccurate revenue recognition through incorrect classification of special dividends as revenue or capital items in the income statement, and the incorrect valuation of investment properties and the resulting impact on unrealised gains and losses. Further discussion of our approach is set out in the section on key audit matters above.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the Directors by the Manager with respect to the application of the documented policies and procedures and review of the financial statements to ensure compliance with the reporting requirements of the Company.

  A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

Following the recommendation from the Audit Committee, we were appointed by the Company at its Annual General Meeting on 5 April 2022 to audit the financial statements for the year ending 31 December 2022 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments is 1 year, covering the year ended 31 December 2022.

The audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

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

Caroline Mercer (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Edinburgh
9 February 2023

Income Statement

For the year ended 31 December

	Notes	2022 Revenue £'000	2022 Capital £'000	2022 Total £'000	2021 Revenue £'000	2021 Capital £'000	2021 Total £'000
(Losses)/gains on investments – securities	9	–	(80,091)	**(80,091)**	–	127,973	**127,973**
(Losses)/gains on investments – property	9	–	(5,114)	**(5,114)**	–	13,679	**13,679**
Currency gains/(losses)	14	–	192	**192**	–	(21)	**(21)**
Income	2	30,043	–	**30,043**	27,980	–	**27,980**
Management fees	3	(980)	(2,940)	**(3,920)**	(973)	(2,920)	**(3,893)**
Other administrative expenses	4	(1,257)	–	**(1,257)**	(1,252)	–	**(1,252)**
Net return before finance costs and taxation		27,806	(87,953)	**(60,147)**	25,755	138,711	**164,466**
Finance costs of borrowings	5	(921)	(2,763)	**(3,684)**	(1,426)	(4,278)	**(5,704)**
Net return on ordinary activities before taxation		26,885	(90,716)	**(63,831)**	24,329	134,433	**158,762**
Tax on ordinary activities	6	(2,540)	790	**(1,750)**	(2,509)	732	**(1,777)**
Net return on ordinary activities after taxation		**24,345**	**(89,926)**	**(65,581)**	**21,820**	**135,165**	**156,985**
Net return per ordinary share	7	**13.82p**	**(51.04p)**	**(37.22p)**	**12.79p**	**79.20p**	**91.99p**

A final dividend for the year of 3.67p is proposed (2021 – 3.375p), making a total dividend for the year of 13.82p (2021 – 12.675p). More information on dividend distributions can be found in note 8 on page 55.

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

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

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

The accompanying notes on pages 51 to 64 are an integral part of this statement.

Balance Sheet

As at 31 December

	Notes	2022 £'000	2022 £'000	2021 £'000	2021 £'000
Non-current assets					
Investments – securities	9	869,837		938,357	
Investments – property	9	66,750		74,900	
Deferred expenses		–		207	
			936,587		1,013,464
Current assets					
Debtors	10	3,213		3,710	
Cash and cash equivalents	18	4,184		11,263	
		7,397		14,973	
Creditors					
Amounts falling due within one year	11	(2,596)		(83,327)	
Net current assets/(liabilities)			4,801		(68,354)
Total assets less current liabilities			941,388		945,110
Creditors					
Amounts falling due after more than one year	12		(94,714)		(14,925)
Net assets			**846,674**		**930,185**
Capital and reserves					
Share capital	13		44,188		43,900
Share premium account	14		178,189		172,576
Capital redemption reserve	14		22,781		22,781
Capital reserve	14		583,814		673,740
Revenue reserve	14		17,702		17,188
Shareholders' funds			**846,674**		**930,185**
Net asset value per ordinary share*	15		**479.0p**		**529.7p**

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 9 February 2023.

Lord Macpherson of Earl's Court
Chairman

The accompanying notes on pages 51 to 64 are an integral part of this statement.

* See Glossary of Terms and Alternative Performance Measures on pages 75 and 76.

Statement of Changes in Equity

For the year ended 31 December 2022

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 January 2022		43,900	172,576	22,781	673,740	17,188	**930,185**
Shares issued	13	288	5,613	–	–	–	**5,901**
Net return on ordinary activities after taxation	7	–	–	–	(89,926)	24,345	**(65,581)**
Dividends paid in the year	8	–	–	–	–	(23,831)	**(23,831)**
Shareholders' funds at 31 December 2022		**44,188**	**178,189**	**22,781**	**583,814**	**17,702**	**846,674**

For the year ended 31 December 2021

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 January 2021		40,649	112,751	22,781	538,575	16,406	**731,162**
Shares issued	13	3,251	59,825	–	–	–	**63,076**
Net return on ordinary activities after taxation	7	–	–	–	135,165	21,820	**156,985**
Dividends paid in the year	8	–	–	–	–	(21,038)	**(21,038)**
Shareholders' funds at 31 December 2021		**43,900**	**172,576**	**22,781**	**673,740**	**17,188**	**930,185**

The accompanying notes on pages 51 to 64 are an integral part of this statement.

Cash Flow Statement

For the year ended 31 December

	Notes	2022 £'000	2022 £'000	2021 £'000	2021 £'000
Cash flows from operating activities					
Net return on ordinary activities before taxation		(63,831)		158,762	
Losses/(gains) on investments – securities		80,091		(127,973)	
Losses/(gains) on investments – property		5,114		(13,679)	
Currency (gains)/losses		(192)		21	
Finance costs of borrowings		3,684		5,704	
Overseas withholding tax		(1,761)		(1,764)	
Changes in debtors		507		(1,192)	
Changes in creditors		382		(698)	
Other non-cash changes		239		227	
Cash from operations			24,233		19,408
Interest paid			(4,784)		(6,498)
Net cash inflow from operating activities			19,449		12,910
Cash flows from investing activities					
Acquisitions of investments – securities		(74,593)		(167,997)	
Acquisitions of investments – property		(8,239)		(241)	
Disposals of investments – securities		62,783		76,030	
Disposals of investments – property		11,275		23,920	
Net cash outflow from investing activities			(8,774)		(68,288)
Cash flows from financing activities					
Equity dividends		(23,831)		(21,038)	
Shares issued	13	5,901		63,076	
Loans notes drawn down		80,000		15,000	
Debenture stock repaid		(80,000)		–	
Costs of issuance of loan notes		(16)		(77)	
Net cash (outflow)/inflow from financing activities			(17,946)		56,961
(Decrease)/increase in cash and cash equivalents			(7,271)		1,583
Exchange movements			192		(21)
Cash and cash equivalents at 1 January	17		11,263		9,701
Cash and cash equivalents at 31 December	17		**4,184**		**11,263**

The accompanying notes on pages 51 to 64 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 2022 have been prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and on the basis of the accounting policies set out below which are unchanged from the prior year and have been applied consistently.

(a) Basis of Accounting

All of the Company's operations are of a continuing nature and the Financial Statements are prepared on a going concern basis under the historical cost convention, modified to include the revaluation of fixed asset investments, and on the assumption that approval as an investment trust under section 1158 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) (Tax) Regulations 2011 will be retained. The Board has, in particular, considered the impact of heightened market volatility since the Covid-19 pandemic and over recent months due to macroeconomic and geopolitical concerns, including rising inflation and interest rates and the Russia-Ukraine conflict, but does not believe the Company's going concern status is affected. 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. During the year, the Company's £80m debenture matured and was refinanced by the issue of £80m of long-term private placement debt at a fixed coupon of 3.12%, £40m repayable in April 2045 and £40m repayable in April 2049. The Company has continued to comply with the investment trust status requirements of section 1158 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) (Tax) Regulations 2011. The Company's primary third party suppliers, including its Managers and Secretaries, Depositary and Custodian, Registrar, Auditor and Broker, are not experiencing significant operational difficulties affecting their respective services to the Company. Accordingly, the Financial Statements have been prepared on the going concern basis as it is the Directors' opinion having assessed the principal and emerging risks and other matters including the impact of Covid-19 set out in the Viability Statement on page 10 which assesses the prospects of the Company over a period of five years, that the Company will continue in operational existence until 31 December 2024, which is for a period of at least twelve months from the date of approval of these Financial Statements.

The Financial Statements have been prepared in accordance with the Companies Act, applicable United Kingdom accounting standards and with the AIC's Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued in November 2014 and updated in July 2022 with consequential amendments. In order to reflect better the activities of the Company and in accordance with guidance issued by the AIC, supplementary information which analyses the profit and loss account between items of a revenue and capital nature has been presented in the Income Statement.

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

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

The Company has only one material segment being that of an investment trust company investing in a portfolio of long term investments.

(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 held, managed and performance evaluated at 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 holdings on certain recognised overseas exchanges, last traded prices. The fair value of other listed security investments and unlisted security investments uses valuation techniques, determined by the Directors, based upon latest dealing prices, stockbroker valuations, net asset values and other information, as appropriate. Changes in the fair value of investments in securities and gains and losses on disposal are recognised as capital items in the Income Statement.

Investments in property are initially recognised at cost, being the fair value of the consideration given, including associated transaction costs. After initial recognition, properties are measured at fair value. Changes in fair value and gains and losses on disposal are recognised as capital items in the Income Statement. The fair value of the property investments held at the year end has been estimated by independent professional valuers in accordance with the RICS appraisal and valuation manual.

In preparing these Financial Statements the Directors have considered the impact of climate change risk as a principal risk as set out on page 9 In line with FRS 102 investments are valued at fair value, being primarily quoted prices for investments in active markets at the balance sheet date, and therefore reflect market participants view of climate change risk. Investment property is valued by an independent valuer in accordance with RICS Valuation Standards. The valuation standards require sustainability, including physical risk such as flooding, to be assessed for fair value implications.

(c) Cash and cash equivalents

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

(d) Income

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

(ii) Income from debt securities is recognised on an effective interest rate basis. Where income returns are for a non-fixed amount, the impact of these returns on the effective interest rate is recognised once such returns are known. If it is not probable that a return will be received, its recognition is deferred until that doubt is removed.

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

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

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

(vi) Rental income, excluding VAT, arising on investment properties, is accounted for on a straight line basis over the lease term.

(e) Expenses

All expenses except for finance costs 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 25% to revenue and 75% 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 25% to revenue and 75% 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 and costs of issuance which are written off on an effective interest rate basis over the life of the borrowings. Gains and losses on the repurchase or early settlement of debt is wholly charged to capital.

(g) Taxation

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

(h) Foreign Currencies

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

(i) Capital Reserve

Gains and losses on disposal of investments, changes in fair value of investments held, exchange differences of a capital nature and the amounts by which other financial assets and liabilities valued at fair value differ from their book value are dealt with in this reserve. Purchases of the Company's own shares and issuance proceeds are both recognised in this reserve. 75% of management fees and finance costs are allocated to the capital reserve in accordance with the Company's objective of combining capital and income growth.

(j) Significant Estimates and Judgements

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

The Directors believe that the most significant estimation and uncertainty relates to the valuation of the property portfolio. External, independent professional valuers who hold a recognised and relevant professional qualification and have recent experience in the location and class of the investment property being valued, are used to determine the property fair values which are based on recent, comparable market transactions on an arm's length basis. Other factors including the condition and location of the property, rental yields within the market and the length and value of rental agreements in place, are considered. As valuation outcomes may differ from the fair value estimates a sensitivity analysis is provided in Property Sensitivity Analysis in Note 18 on page 63 to illustrate the effect on the Financial Statements of an over or under estimation of fair values.

2 Income

	2022 £'000	2021 £'000
Income from investments		
UK dividends	3,285	4,499
UK interest	360	381
Overseas dividends	19,487	16,004
Overseas interest	2,356	2,175
	25,488	**23,059**
Other income		
Deposit interest	49	2
Rental income	4,475	4,905
Other income	31	14
	4,555	**4,921**
Total income	**30,043**	**27,980**
Total income comprises		
Dividends from financial assets classified at fair value through profit or loss	22,772	20,503
Interest from financial assets designated at fair value through profit or loss	2,716	2,556
Interest from financial assets not at fair value through profit or loss	49	2
Other income not from financial assets	4,506	4,919
	30,043	**27,980**

3 Management Fees

	2022 Revenue £'000	2022 Capital £'000	2022 Total £'000	2021 Revenue £'000	2021 Capital £'000	2021 Total £'000
Investment management fee	884	2,651	**3,535**	880	2,640	**3,520**
Property management fee	96	289	**385**	93	280	**373**
	980	**2,940**	**3,920**	**973**	**2,920**	**3,893**

Details of the Investment Management Agreement and Property Management Agreement are disclosed on page 27. Baillie Gifford & Co Limited's annual management fee is 0.45% of the first £500 million of total assets and 0.35% of the remaining total assets, total assets being the value of all assets held (excluding the property portfolio) less all liabilities, other than any liability in the form of debt intended for investment purposes, calculated on a quarterly basis. No secretarial fee is payable. OLIM Property Limited receives an annual fee of 0.5% of the value of the property portfolio, subject to a minimum quarterly fee of £6,250.

4 Other Administrative Expenses – all charged to revenue

	2022 £'000	2021 £'000
General administrative expenses	784	772
Custodian/depositary fees	251	257
Auditor's remuneration for audit services (exclusive of VAT)	75*	65
Auditor's remuneration for non-audit services – reporting on debenture covenants (exclusive of VAT)	–	5
Directors' fees (see Directors' Remuneration Report on page 37)	147	153
	1,257	**1,252**

* The Auditor's remuneration for audit services for 2022 was £70,000. The remainder relates to fees incurred during the 2021 audit but charged after the 31 December 2021 year end.

5 Finance Costs of Borrowings

	2022 Revenue £'000	2022 Capital £'000	2022 Total £'000	2021 Revenue £'000	2021 Capital £'000	2021 Total £'000
Financial liabilities not at fair value through profit or loss						
Debenture interest	382	1,145	**1,527**	1,382	4,146	**5,528**
Loan notes interest	539	1,618	**2,157**	44	132	**176**
	921	**2,763**	**3,684**	**1,426**	**4,278**	**5,704**

6 Tax on Ordinary Activities

	2022 Revenue £'000	2022 Capital £'000	2022 Total £'000	2021 Revenue £'000	2021 Capital £'000	2021 Total £'000
UK corporation tax	820	(820)	**–**	753	(753)	**–**
Overseas taxation	1,750	–	**1,750**	1,777	–	**1,777**
Double taxation relief	(30)	30	**–**	(21)	21	**–**
	2,540	**(790)**	**1,750**	**2,509**	**(732)**	**1,777**

	2022 £'000	2021 £'000
The tax charge for the year is lower than the standard rate of corporation tax in the UK of 19% (2021 – 19%)		
The differences are explained below:		
Net return on ordinary activities before taxation	(63,831)	158,762
Net return on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2021 – 19%)	(12,128)	30,165
Capital returns not taxable	16,152	(26,910)
Income not taxable	(4,289)	(3,870)
Taxable loss not utilised	265	615
Overseas tax	1,750	1,777
Total tax charge for the year	**1,750**	**1,777**

As at 31 December 2022 the Company had a potential deferred tax asset of £10,177,000 (2021 – £9,840,000) in respect of tax losses and disallowed interest which are available to be carried forward and offset against future taxable profits. A deferred tax asset has not been recognised on these amounts as it is considered unlikely that the Company will make suitable taxable profits in excess of deductible expenses in future periods. The unrecognised deferred tax asset has been calculated using a corporation tax rate of 25% (2021 – 25%).

7 Net Return per Ordinary Share

	2022 Revenue	2022 Capital	2022 Total	2021 Revenue	2021 Capital	2021 Total
Net return per ordinary share	**13.82p**	**(51.04p)**	**(37.22p)**	**12.79p**	**79.20p**	**91.99p**

Revenue return per ordinary share is based on the net revenue on ordinary activities after taxation of £24,345,000 (2021 – £21,820,000) and on 176,207,530 (2021 – 170,652,354) ordinary shares of 25p, being the weighted average number of ordinary shares in issue during the year.

Capital return per ordinary share is based on the net capital loss for the financial year of £89,926,000 (2021 – net capital gain of £135,165,000), and on 176,207,530 (2021 – 170,652,354) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

There are no dilutive or potentially dilutive shares in issue.

8 Ordinary Dividends

	2022	2021	2022 £'000	2021 £'000
Amounts recognised as distributions in the year:				
Previous year's final (paid 8 April 2022)	3.375p	3.00p	5,937	4,965
First interim (paid 22 June 2022)	3.25p	3.05p	5,730	5,204
Second interim (paid 20 September 2022)	3.40p	3.075p	5,994	5,308
Third interim (paid 16 December 2022)	3.50p	3.175p	6,170	5,561
	13.525p	**12.30p**	**23,831**	**21,038**

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 £24,345,000 (2021 – £21,820,000).

	2022	2021	2022 £'000	2021 £'000
Dividends paid and payable in respect of the year:				
First interim (paid 22 June 2022)	3.25p	3.05p	5,730	5,204
Second interim (paid 20 September 2022)	3.40p	3.075p	5,994	5,308
Third interim (paid 16 December 2022)	3.50p	3.175p	6,170	5,561
Current year's proposed final dividend (payable 13 April 2023)	3.67p	3.375p	6,487	5,937
	13.82p	**12.675p**	**24,381**	**22,010**

9 Investments

As at 31 December 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Securities				
Listed equities/funds	826,397	–	–	**826,397**
Bonds	–	43,440	–	**43,440**
Property				
Freehold	–	–	66,750	**66,750**
Total financial asset investments	**826,397**	**43,440**	**66,750**	**936,587**

As at 31 December 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Securities				
Listed equities/funds	889,142	–	265	**889,407**
Bonds	11,984	36,966	–	**48,950**
Property				
Freehold	–	–	74,900	**74,900**
Total financial asset investments	**901,126**	**36,966**	**75,165**	**1,013,257**

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

Fair Value Hierarchy

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

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

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

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

9 Investments (continued)

	Equities * £'000	Bonds £'000	Property £'000	Total £'000
Cost of investments at 31 December 2021	534,285	49,617	49,176	**633,078**
Investment holding gains/(losses) at 31 December 2021	355,122	(667)	25,724	**380,179**
Value of investments at 31 December 2021	**889,407**	**48,950**	**74,900**	**1,013,257**
Analysis of transactions during the year:				
Purchases at cost	70,754	3,839	8,239	**82,832**
Sales proceeds received	(54,591)	(8,192)	(11,275)	**(74,058)**
Amortisation of fixed income book cost	–	(239)	–	**(239)**
Losses on investments	(79,173)	(918)	(5,114)	**(85,205)**
Value of investments at 31 December 2022	**826,397**	**43,440**	**66,750**	**936,587**
Cost of investments at 31 December 2022	562,863	44,810	48,182	**655,855**
Investment holding gains/(losses) at 31 December 2022	263,534	(1,370)	18,568	**280,732**
Value of investments at 31 December 2022	**826,397**	**43,440**	**66,750**	**936,587**

* Includes funds.

The company received £74,058,000 (2021 – £99,950,000) from investments sold in the year. The book cost of these investments when they were purchased was £59,816,000 (2021 – £62,044,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

Transaction costs of £551,000 (2021 – £113,000) and £174,000 (2021 – £290,000) were suffered on purchases and sales in the year respectively.

The property was valued on an open market basis by Savills as at 31 December 2022.

	2022 £'000	2021 £'000
Gains/(losses) on investments		
Securities:		
Gains on sales	12,200	30,487
Changes in investment holding gains	(92,291)	97,486
	(80,091)	**127,973**
Property:		
Gains on sales	2,042	7,419
Changes in investment holding gains	(7,156)	6,260
	(5,114)	**13,679**
	(85,205)	**141,652**

Of the gains on sales during the year of £14,242,000 (2021 – gains of £37,906,000) a net gain of £12,258,000 (2021 – net gain of £14,491,000) was included in investment holding gains at the previous year end.

10 Debtors

	2022 £'000	2021 £'000
Amounts falling due within one year:		
Accrued income and prepaid expenses	1,682	2,370
Taxation recoverable	1,531	1,340
	3,213	**3,710**

11 Creditors – amounts falling due within one year

	2022 £'000	2021 £'000
Interest payable	637	1,513
Rental income prepaid	587	136
Other creditors and accruals	1,372	1,442
8% Debenture Stock	–	80,236
	2,596	**83,327**

Included in other creditors and accruals is £890,000 (2021 – £957,000) in respect of the management fees due to Baillie Gifford and Co Limited and £83,000 in respect of management fees due to OLIM Property Limited.

Debenture stock

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

The carrying value of the 8% Debenture Stock, which was measured at amortised cost (see note 1(f) on page 52), was calculated as follows:

	2022 £'000	2021 £'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	(10,773)	(9,901)
Net amortisation to redemption date, 10 April 2022	(236)	(872)
Redemption at par	(80,000)	–
Carrying value of 8% Debenture Stock at end of year	**–**	**80,236**

12 Creditors – amounts falling due after more than one year

	2022 £'000	2021 £'000
£15m Series C 2.23% 25 June 2036	14,931	14,925
£40m Series A 3.12% 11 April 2045	39,892	–
£40m Series B 3.12% 11 April 2049	39,891	–
	94,714	**14,925**

During the year, the Company issued £80 million of long-term secured privately placed notes ('loan notes') in two tranches of £40 million both with a fixed coupon of 3.12% and repayment dates of 11 April 2045 and 11 April 2049.

The main covenants which are tested monthly are that net tangible assets shall not fall below £120,000,000 and gross borrowings shall not exceed 40% of the Company's adjusted assets.

13 Share Capital

	2022 Number	2022 £'000	2021 Number	2021 £'000
Allotted, called up and fully paid ordinary shares of 25p each	**176,750,943**	**44,188**	**175,600,943**	**43,900**

During the year, 1,150,000 (2021 – 13,005,000) shares were issued at a premium to net asset value raising proceeds of £5,901,000 (2021 – £63,076,000). At 31 December 2022 the Company had authority to buy back 26,367,551 ordinary shares and to allot 16,740,094 ordinary shares without application of pre-emption rights in accordance with the authorities granted at the AGM in April 2022. 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 2022	43,900	172,576	22,781	673,740	17,188	**930,185**
Losses on investments – securities	–	–	–	(80,091)	–	**(80,091)**
Losses on investments – property	–	–	–	(5,114)	–	**(5,114)**
Shares issued	288	5,613	–	–	–	**5,901**
Management fees charged to capital	–	–	–	(2,940)	–	**(2,940)**
Finance costs charged to capital	–	–	–	(2,763)	–	**(2,763)**
Taxation credit to capital	–	–	–	790	–	**790**
Other exchange differences	–	–	–	192	–	**192**
Revenue return on ordinary activities after taxation	–	–	–	–	24,345	**24,345**
Dividends paid in the year	–	–	–	–	(23,831)	**(23,831)**
At 31 December 2022	**44,188**	**178,189**	**22,781**	**583,814**	**17,702**	**846,674**

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
At 1 January 2021	40,649	112,751	22,781	538,575	16,406	**731,162**
Gains on investments – securities	–	–	–	127,973	–	**127,973**
Gains on investments – property	–	–	–	13,679	–	**13,679**
Shares issued	3,251	59,825	–	–	–	**63,076**
Management fees charged to capital	–	–	–	(2,920)	–	**(2,920)**
Finance costs charged to capital	–	–	–	(4,278)	–	**(4,278)**
Taxation credit to capital	–	–	–	732	–	**732**
Other exchange differences	–	–	–	(21)	–	**(21)**
Revenue return on ordinary activities after taxation	–	–	–	–	21,820	**21,820**
Dividends paid in the year	–	–	–	–	(21,038)	**(21,038)**
At 31 December 2021	**43,900**	**172,576**	**22,781**	**673,740**	**17,188**	**930,185**

The capital reserve includes unrealised investment holding gains of £280,732,000 (2021 – gains of £380,179,000) as detailed in note 9. The revenue reserve and the capital reserve (to the extent it constitutes realised profits) are distributable.

15 Net Asset Value per Ordinary Share

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

	2022	2021	2022 £'000	2021 £'000
Ordinary shares of 25p	**479.0p**	**529.7p**	**846,674**	**930,185**

Net asset value per ordinary share is based on the net assets as shown above and on 176,750,943 (2021 – 175,600,943) ordinary shares, being the number of ordinary shares in issue at the year end.

16 Transactions with the Managers and Related Parties

The Directors' fees for the year and interests in the Company's shares at the end of the year are detailed in the Directors' Remuneration Report on pages 37 to 39.

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

The management fee due to Baillie Gifford and Co Limited is set out in note 3 on page 53 and the amount accrued at 31 December 2022 is set out in note 11 on page 57. Details of the Investment Management Agreement are set out on page 27.

The management fee due to OLIM Property Limited is set out in note 3 on page 53 and the amount accrued at 31 December 2022 is set out in note 11 on page 57. Details of the Property Management Agreement are set out on page 27.

17 Analysis of Change in Net Debt

	1 January 2022 £'000	Cash flows £'000	Exchange movement £'000	Cost of issuance * £'000	Other non-cash changes £'000	31 December 2022 £'000
Cash and cash equivalents	11,263	(7,271)	192	–	–	4,184
Debenture Stock due in less than one year	(80,236)	80,000	–	–	236	–
Loan notes due in more than one year	(14,925)	(80,000)	–	223	(12)	(94,714)
Total	**(83,898)**	**(7,271)**	**192**	**223**	**224**	**(90,530)**

* Cost of issuance includes carried forward deferred expenses of £207,000.

18 Financial Instruments and Property

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

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

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

Market Risk

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

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

Currency Risk

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

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

Forward currency contracts are used periodically to limit the Company's exposure to anticipated future changes in exchange rates which might otherwise adversely affect the value of the portfolio of investments. Where appropriate, they are used also to achieve the portfolio characteristics that assist the Company in meeting its investment objectives. The Company had no foreign currency contracts in place during the years to 31 December 2022 or 2021. Cash amounts received in foreign currencies are converted to sterling on a regular basis.

18 Financial Instruments and Property (continued)

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 2022	Investments £'000	Cash and cash equivalents £'000	Debentures and loan notes £'000	Other debtors and creditors £'000	Net exposure £'000
US dollar	370,646	64	–	657	**371,367**
Euro	120,528	–	–	356	**120,884**
Swiss franc	66,998	–	–	1,087	**68,085**
Hong Kong dollar	56,690	–	–	111	**56,801**
Danish krone	40,137	–	–	164	**40,301**
Australian dollar	34,383	–	–	–	**34,383**
Taiwan dollar	27,801	–	–	121	**27,922**
Brazilian real	17,254	–	–	60	**17,314**
Swedish krona	15,062	–	–	–	**15,062**
Singapore dollar	13,168	–	–	–	**13,168**
Chinese yuan	8,387	–	–	–	**8,387**
Japanese yen	7,014	–	–	–	**7,014**
Other overseas currencies	19,589	–	–	224	**19,813**
Total exposure to currency risk	**797,657**	**64**	**–**	**2,780**	**800,501**
Sterling	138,930	4,120	(94,714)	(2,163)	**46,173**
	936,587	**4,184**	**(94,714)**	**617**	**846,674**

At 31 December 2021	Investments £'000	Cash and cash equivalents £'000	Debentures and loan notes £'000	Other debtors and creditors £'000	Net exposure £'000
US dollar	381,340	51	–	611	**382,002**
Euro	121,430	86	–	248	**121,764**
Swiss franc	87,711	–	–	1,015	**88,726**
Hong Kong dollar	62,857	–	–	71	**62,928**
Australian dollar	45,437	–	–	–	**45,437**
Taiwan dollar	36,384	–	–	105	**36,489**
Danish krone	29,525	–	–	110	**29,635**
Swedish krona	18,442	–	–	–	**18,442**
Brazilian real	13,013	–	–	149	**13,162**
Chinese yuan	10,357	–	–	–	**10,357**
Singapore dollar	9,964	–	–	–	**9,964**
Japanese yen	5,836	–	–	–	**5,836**
Other overseas currencies	23,871	–	–	181	**24,052**
Total exposure to currency risk	**846,167**	**137**	**–**	**2,490**	**848,794**
Sterling	167,090	11,126	(95,161)	(1,664)	**81,391**
	1,013,257	**11,263**	**(95,161)**	**826**	**930,185**

18 Financial Instruments and Property (continued)

Currency Risk Sensitivity

At 31 December 2022, 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 2021.

	2022 £'000	2021 £'000
US dollar	18,568	19,100
Euro	6,044	6,088
Swiss franc	3,404	4,436
Hong Kong dollar	2,840	3,146
Danish krone	2,015	1,482
Australian dollar	1,719	2,272
Taiwan dollar	1,396	1,825
Brazilian real	866	658
Swedish krona	753	922
Singapore dollar	659	498
Chinese yuan	419	518
Japanese yen	351	292
Other overseas currencies	991	1,203
	40,025	**42,440**

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 and Property (continued)

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

Financial Assets

	2022 Fair value £'000	2022 Weighted average interest rate	2022 Weighted average fixed rate period *	2021 Fair value £'000	2021 Weighted average interest rate	2021 Weighted average fixed rate period *
Fixed rate:						
Sterling denominated bonds	2,537	12.57%	3 years	3,038	6.31%	4 years
Euro denominated bonds	1,285	9.80%	25 years	5,728	4.47%	10 years
US dollar denominated bonds	21,909	6.89%	16 years	24,647	4.09%	17 years
Dominican peso denominated bonds	2,649	11.47%	1 year	2,470	6.02%	2 years
Indonesian rupiah denominated bonds	5,404	6.93%	14 years	4,462	6.63%	16 years
Peruvian sol denominated bonds	1,911	7.97%	10 years	1,856	6.08%	11 years
Floating rate:						
Brazilian bonds (interest rate linked to Brazilian CPI)	4,896	15.50%	22 years	4,248	9.36%	23 years
Mexican bonds (interest rate linked to Mexican CPI)	2,849	12.21%	18 years	2,501	7.29%	19 years
Cash and short term deposits:						
Other overseas currencies	64	–	n/a	137	–	n/a
Sterling	4,120	1.10%	n/a	11,126	–	n/a

* Based on expected maturity/redemption date.

Financial Liabilities

	2022 £'000	2021 £'000
The interest rate risk profile of the Company's financial liabilities at 31 December was:		
Fixed rate – sterling	**94,714**	**95,161**
The maturity profile of the Company's financial liabilities at 31 December was:		
In less than one year	**–**	**80,236**
In more than five years	**94,714**	**14,925**

Interest Rate Risk Sensitivity

An increase of 100 basis points in bond yields as at 31 December 2022 would have decreased total net assets and total return on ordinary activities by £3,129,000 (2021 – decrease of £1,227,000) and would have decreased the net asset value per share (with borrowings at book value) by 1.8p (2021 – decrease of 0.7p). A decrease of 100 basis points would have had an equal but opposite effect.

Maturity Profile

The maturity profile of the Company's financial liabilities at 31 December was:

	2022 Within 1 year £'000	2022 Between 1 and 5 years £'000	2022 More than 5 years £'000	2021 Within 1 year £'000	2021 Between 1 and 5 years £'000	2021 More than 5 years £'000
Repayment of loan notes and debentures	–	–	95,000	80,000	-	15,000
Accumulated interest on loan notes and debentures	2,831	11,322	51,515	3,534	1,338	3,118
Cash and short term deposits	**2,831**	**11,322**	**146,515**	**83,534**	**1,338**	**18,118**

18 Financial Instruments and Property (continued)

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 20 to 22. In addition, various analyses of the portfolio by asset class and industrial sector are contained in the Strategic Report.

97.6% of the Company's net assets are invested in quoted equities. A 5% increase in quoted equity valuations at 31 December 2022 would have increased total assets and total return on ordinary activities by £41,320,000 (2021 – £44,470,000). A decrease of 5% would have had an equal but opposite effect. 7.9% of the Company's net assets are invested in direct property.

Property Sensitivity Analysis

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

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

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

Estimated movement in fair value of investment properties at 31 December 2022 arising from:	Retail and leisure £'000	Industrial £'000	Other £'000	Total £'000
Increase in rental value*	1,000	600	200	**1,800**
Decrease in rental value*	(1,150)	(600)	(50)	**(1,800)**
Increase in yield by 0.5%	4,200	1,400	350	**5,950**
Decrease in yield by 0.5%	(3,425)	(1,225)	(150)	**(4,800)**

Estimated movement in fair value of investment properties at 31 December 2021 arising from:	Retail and leisure £'000	Industrial £'000	Other £'000	Total £'000
Increase in rental value†	150	750	–	**900**
Decrease in rental value†	(150)	(750)	–	**(900)**
Increase in yield by 0.5%	4,300	2,450	350	**7,100**
Decrease in yield by 0.5%	(3,600)	(1,950)	(425)	**(5,975)**

* An increase of 5% and a decrease of 5% in rental value was applied to all properties.

† An increase of 5% and a decrease of 5% in rental value was applied to all properties with the exception of New Romney where an increase of 10% and a decrease of 7% in rental value was applied.

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

In arriving at the valuations for 31 December 2022, Savills considered the calibre and diversity of the tenants, length of lease term and financial market instability and concluded that the valuations reflected prevailing market conditions.

Liquidity Risk

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

Liquidity risk is mitigated 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 7.9% of net assets at 31 December 2022 (2021 – 8.1%). 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 7). The Board also sets parameters for the degree to which the Company's net assets are invested in quoted equities.

18 Financial Instruments and Property (continued)

Credit Risk

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

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

Credit Risk Exposure

The exposure to credit risk at 31 December was:

	2022 £'000	2021 £'000
Bonds	43,440	48,950
Cash and short term deposits	4,184	11,263
Debtors and prepayments	3,213	3,710
Deferred expenses	–	207
	50,837	**64,130**

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

Fair Value of Financial Assets and Financial Liabilities

The Directors are of the opinion that the financial assets and liabilities of the Company are stated at fair value in the Balance Sheet with the exception of the long term borrowings which are stated at amortised cost. The fair value of the loan notes is calculated with reference to debt instruments of comparable maturity and yield.

	2022 Par/Nominal £'000	2022 Book £'000	2022 Fair £'000	2021 Par/Nominal £'000	2021 Book £'000	2021 Fair £'000
8% debenture stock 2022	–	–	–	80,000	80,236	82,500
2.23% Series C loan notes 2036	15,000	14,931	10,530	15,000	14,925	14,922
3.12% Series A loan notes 2045	40,000	39,892	27,882	–	–	–
3.12% Series B loan notes 2049	40,000	39,891	27,137	–	–	–
	95,000	**94,714**	**65,549**	**95,000**	**95,161**	**97,422**

19 Capital Management

The capital of the Company is its share capital and reserves as set out in notes 13 and 14 together with its borrowings (see notes 11 and 12). The objective of the Company is to deliver real dividend growth by increasing capital and growing income. The Company's investment policy, including the how the Board discusses and monitors gearing levels, is set out on page 7. In pursuit of the Company's objective, the Board has a responsibility for ensuring the Company's ability to continue as a going concern and details of the related risks and how they are managed are set out on pages 8 to 10 and on pages 32 and 33. The Company has the authority to issue and buy back its shares (see pages 28 and 29) and changes to the share capital during the year are set out in notes 13 and 14. The Company does not have any externally imposed capital requirements other than the covenants on its borrowings which are detailed in notes 11 and 12.

Cost-effective Ways to Buy and Hold Shares in SAINTS

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

Risks

— Past performance is not a guide to future performance.

— SAINTS is a listed UK Company. The value of its shares and any income from them can fall as well as rise and investors may not get back the amount invested.

— SAINTS has borrowed money to make further investments (sometimes known as 'gearing' or 'leverage'). The risk is that when this money is repaid by the Company, the value of these investments may not be enough to cover the borrowing and interest costs, and the Company will make a loss. If the Company's investments fall in value, any gearing will increase the amount of this loss.

— SAINTS can buy back its own shares. The risks from borrowing, referred to above, are increased when a company buys back its own shares.

— SAINTS invests in overseas securities. Changes in the rates of exchange may also cause the value of your investment (and any income it may pay) to go down or up.

— SAINTS invests in emerging markets where difficulties in dealing, settlement and custody could arise, resulting in a negative impact on the value of your investment.

— SAINTS invests in corporate bonds which are generally perceived to carry a greater possibility of capital loss than investment in, for example, higher rated UK government bonds. Bonds issued by companies and governments may be adversely affected by changes in interest rates and expectations of inflation.

— Share prices may either be below (at a discount) or above (at a premium) the net asset value (NAV). The Company may issue new shares when the price is at a premium which may reduce the share price. Shares bought at a premium may have a greater risk of loss than those bought at a discount.

— 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 which may impact on its 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 75% of its investment management fee, borrowing costs and property management fee to capital, which reduces the capital value. Also, where income is low, the remaining expenses may be greater than the total income received, meaning the Company may not pay a dividend and the capital value could be further reduced.

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

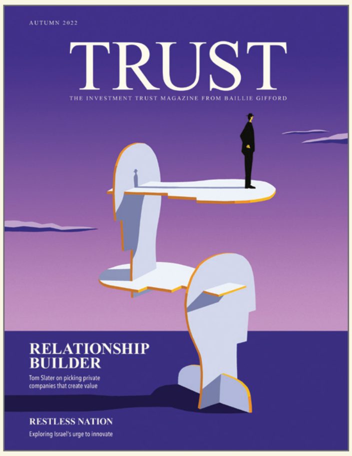
The favourable tax treatment of ISAs may change.

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

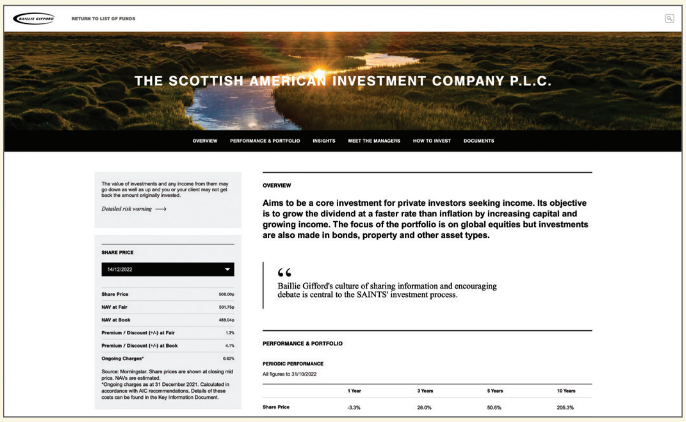
Further details of the risks associated with investing in the Company, including how charges are applied, can be found at saints-it.com, or by calling Baillie Gifford on 0800 917 2112. Your call may be recorded for training or monitoring purposes.

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 saints-it.com

Promoting SAINTS

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

Trust Magazine

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

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

SAINTS on the Web

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

Client Relations Team Contact Details

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

Email: trustenquiries@bailliegifford.com
Website: bailliegifford.com

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

SAINTS specific queries

Please use the following contact details:
Email: saints@bailliegifford.com
Website: saints-it.com

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

Further Shareholder Information

How to Invest

The Company's shares are traded on the London Stock Exchange. They can be bought by placing an order with a stockbroker or by asking a professional adviser to do so. If you are interested in investing directly in SAINTS you can do so online. There are a number of companies offering real time online dealing services – find out more by visiting the investment trust pages at 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 saints-it.com, Trustnet at trustnet.com and on other financial websites. Company factsheets are also available on the Baillie Gifford website and are updated monthly. These are available from Baillie Gifford on request.

SAINTS Share Identifiers

ISIN GB0007873697

Sedol 0787369

Ticker SAIN

Legal Entity Identifier 549300NF03XVC5IFB447

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 68 for more details) for that dividend.

Dividend Dates for 2023

	Final 2022	First interim *	Second interim *	Third interim *
Dividend announced	10/2/23	18/5/23	28/7/23	8/11/23
Ex-dividend date	2/3/23	25/5/23	10/8/23	23/11/23
Record date	3/3/23	26/5/23	11/8/23	24/11/23
DRIP election date	21/3/23	1/6/23	30/8/23	24/11/23
Dividend paid	13/4/23	22/6/23	20/9/23	15/12/23

* Anticipated dates.

Announcement of Results and Reports

SAINTS' results for the half year to 30 June will be announced in July and the results for the year to 31 December will be announced in mid February. The Interim Report will be posted to shareholders in August and the Annual Report in early March. The 2023 AGM is being held on 6 April.

How You are Taxed

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

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

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

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

Share Register Enquiries

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

— hear the latest share price;

— confirm your current share holding balance;

— confirm your payment history; and

— order Change of Address, Dividend Bank Mandate and Stock Transfer forms.

By quoting the reference number on your share certificate you can check your holding on the Registrar's website at 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 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 investorcentre.co.uk and follow the instructions or telephone 0370 707 1694.

Electronic Proxy Voting

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

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

CREST Proxy Voting

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

SAINTS is an Investment Trust. Investment Trusts Offer Investors the Following:

— participation in a diversified portfolio of shares;

— constant supervision by experienced professional managers; and

— the Company is free from capital gains tax on capital profits realised within its portfolio.

Analysis of Shareholders at 31 December

	2022 Number of shares held	2022 %	2021 Number of shares held	2021 %
Institutions	20,714,409	11.7	22,007,437	12.5
Intermediaries	144,773,005	81.9	140,032,299	79.7
Individuals	10,884,096	6.2	13,105,440	7.5
Marketmakers	379,433	0.2	455,767	0.3
	176,750,943	**100.0**	**175,600,943**	**100.0**

Data Protection

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

Automatic Exchange of Information

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

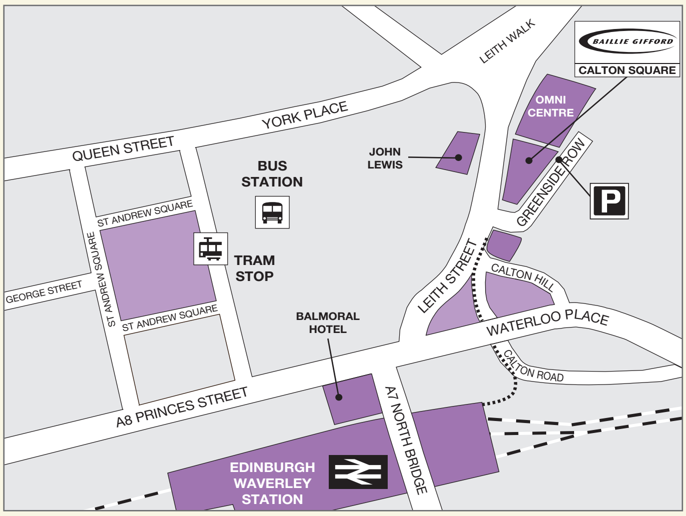
The legislation requires investment trust companies to provide personal information to HMRC on certain investors who purchase shares in investment trusts. Accordingly, The Scottish American Investment Company P.L.C. will have to provide information annually to the local tax authority on the tax residencies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

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

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

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

Notice of Annual General Meeting



The Annual General Meeting of the Company will be held at the offices of Baillie Gifford & Co, Calton Square, 1 Greenside Row, Edinburgh EH1 3AN, on Thursday, 6 April 2023 at 11.30am.

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, 16, 22, 25, 34

By Tram:
Stops at St Andrew Square

.... Access to Waverley Train Station on foot

Notice is hereby given that the one hundred and fiftieth Annual General Meeting of The Scottish American Investment Company P.L.C. ('SAINTS') will be held at the Registered Office of the Company, Calton Square, 1 Greenside Row, Edinburgh, EH1 3AN on Thursday, 6 April 2023 at 11.30am. The Portfolio Managers responsible for SAINTS will give a short presentation on the investment outlook. The following resolutions will be proposed at the AGM:

Ordinary Business

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

1. To receive and adopt the Financial Statements of the Company for the year to 31 December 2022 with the Reports of the Directors and of the Independent Auditor thereon.
2. To approve the Directors' Remuneration Policy.
3. To approve the Directors' Annual Report on Remuneration for the year to 31 December 2022.
4. To declare a final dividend.
5. To re-elect Lord Macpherson of Earl's Court as a Director.
6. To re-elect Bronwyn Curtis as a Director.
7. To re-elect Dame Mariot Leslie as a Director.
8. To re-elect Karyn Lamont as a Director.
9. To elect Christine Montgomery as a Director.
10. To re-appoint Ernst & Young 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.
11. To authorise the Directors to determine the remuneration of the Independent Auditor of the Company.
12. 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 £14,727,772.25 (representing approximately 33 per cent of the nominal value of the issued share capital as at 8 February 2023), such authority to expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on the expiry of 15 months from the passing of this resolution, whichever is the earlier, unless previously revoked, varied or extended by the Company in a general meeting, save that the Company may at any time prior to the expiry of this authority make an offer or enter into an agreement which would or might require Securities to be allotted or granted after the expiry of such authority and the Directors shall be entitled to allot or grant Securities in pursuance of such an offer or agreement as if such authority had not expired.

To consider and, if thought fit, to pass resolution 13 as a special resolution:

13. That, subject to the passing of resolution 12 above, and in substitution for any existing power but without prejudice to the exercise of any such power prior to the date hereof, the Directors of the Company be and they are hereby generally empowered, pursuant to sections 570 and 573 of the Companies Act 2006 (the 'Act'), to allot equity securities (within the meaning of section 560(1) of the Act), for cash pursuant to the authority given by resolution 12 above and by the sale of treasury shares as if section 561(1) of the Act did not apply to any such allotment of equity securities, provided that this power:
    (a) expires at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on the expiry of 15 months from the passing of this resolution, whichever is the earlier, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred hereby had not expired; and
    (b) shall be limited to the allotment of equity securities up to an aggregate nominal value of £4,418,773.50 being approximately 10% of the nominal value of the issued share capital of the Company, as at 8 February 2023.

To consider and, if thought fit, to pass resolution 14 as an ordinary resolution:

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

To consider and, if thought fit, to pass resolutions 15 and 16 as special resolutions:

15. That, in substitution for any existing authority but without prejudice to the exercise of any such authority prior to the date hereof, the Company be and is hereby generally and unconditionally authorised, pursuant to and in accordance with section 701 of the Companies Act 2006 (the 'Act') to make market purchases (within the meaning of section 693(4) of the Act) of fully paid ordinary shares of 25 pence each in the capital of the Company ('ordinary shares') (either for retention as treasury shares or for cancellation), provided that:
    (a) the maximum aggregate number of ordinary shares hereby authorised to be purchased is 26,494,966, or, if less, the number representing approximately 14.99% of the issued ordinary share capital of the Company as at the date of the passing of this resolution;
    (b) the minimum price (excluding expenses) which may be paid for each ordinary share is 25 pence;
    (c) the maximum price (excluding expenses) which may be paid for each ordinary share shall not be more than the higher of:
        (i) 5 per cent. above the average closing price on the London Stock Exchange of an ordinary share over the five business days immediately preceding the date of purchase; and
        (ii) the higher of the last independent trade and the highest current independent bid as stipulated by Article 5(1) of Commission Regulation (EC) 22 December 2003 implementing the Market Abuse Directive as regards exemptions for buy back programmes and stabilisation of financial instruments (No. 2273/2003); and
    (d) unless previously varied, revoked or renewed by the Company in a general meeting, the authority hereby conferred shall expire at the conclusion of the Company's Annual General Meeting to be held in respect of the financial year ending 31 December 2023, 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.

Special Business

16. That the Articles of Association produced to the meeting and signed by the Chairman of the meeting for the purposes of identification be approved and adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association with effect from the conclusion of the meeting.

By order of the Board
Baillie Gifford & Co Limited
Company Secretary
3 March 2023

Notes

1. As a member you are entitled to appoint a proxy or proxies to exercise all or any of your rights to attend, speak and vote at the AGM. A proxy need not be a member of the Company but must attend the AGM to represent you. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You can only appoint a proxy using the procedure set out in these notes and the notes to the proxy form. You may not use any electronic address provided either in this notice or any related documents (including the Financial Statements and proxy form) to communicate with the Company for any purpose other than those expressly stated.
2. To be valid any proxy form or other instrument appointing a proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, must be received by post or (during normal business hours only) by hand at the Registrars of the Company at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY or eproxyappointment.com no later than two days (excluding non-working days) before the time of the meeting or any adjourned meeting.
3. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual and/or by logging on to the website 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/her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST service by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
6. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
7. The return of a completed proxy form or other instrument of proxy will not prevent you attending the AGM and voting in person if you wish.
8. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 and section 311 of the Companies Act 2006 the Company specifies that to be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company no later than 2 days (excluding non-working days) prior to the commencement of the AGM or any adjourned meeting. Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
9. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
10. The statement of the rights of shareholders in relation to the appointment of proxies in Notes 1 and 2 above does not apply to Nominated Persons. The rights described in those Notes can only be exercised by shareholders of the Company.
11. The members of the Company may require the Company to publish, on its website, (without payment) a statement (which is also passed to the Auditor) setting out any matter relating to the audit of the Company's accounts, including the Auditor's report and the conduct of the audit. The Company will be required to do so once it has received such requests from either members representing at least 5% of the total voting rights of the Company or at least 100 members who have a relevant right to vote and hold shares in the Company on which there has been paid up an average sum per member of at least £100. Such requests must be made in writing and must state your full name and address and be sent to the Company at Calton Square, 1 Greenside Row, Edinburgh, EH1 3AN.
12. Information regarding the Annual General Meeting, including information required by section 311A of the Companies Act 2006, is available from the Company's page of the Managers' website at saints-it.com.
13. Members have the right to ask questions at the meeting in accordance with section 319A of the Companies Act 2006.
14. As at 8 February 2023 (being the last practicable date prior to the publication of this notice) the Company's issued share capital consisted of 176,750,943 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 8 February 2023 were 176,750,943 votes.
15. Any person holding 3% or more of the total voting rights of the Company who appoints a person other than the Chairman of the meeting as his/her proxy will need to ensure that both he/she and his/her proxy complies with their respective disclosure obligations under the UK Disclosure and Transparency Rules.
16. No Director has a contract of service with the Company.
17. A copy of the proposed new Articles of Association of the Company, together with a copy showing all of the proposed changes to the existing Articles of Association, will be available for inspection on the Company's website saints-it.com, and at the offices of Baillie Gifford & Co, Calton Square, 1 Greenside Row, Edinburgh, EH1 3AN which is also the venue of the AGM from 15 minutes before and during the AGM.

Appendix

Summary of the Principal Amendments to the Company's Articles of Association

Set out below is a summary of the principal amendments which will be made to the Company's Existing Articles through the adoption of the New Articles if Resolution 16 to be proposed at the AGM is approved by shareholders. This summary is intended only to highlight the principal amendments which are likely to be of interest to all shareholders. It is not intended to be comprehensive and cannot be relied upon to identify amendments or issues which may be of interest to all shareholders. This summary is not a substitute for reviewing the full terms of the New Articles which will be available for inspection on the Company's website, saints-it.com from the date of the AGM Notice until the close of the AGM, and will also be available for inspection at the offices of Baillie Gifford & Co, Calton Square, 1 Greenside Row, Edinburgh, EH1 3AN, which is also the venue of the AGM, from 15 minutes before and during the AGM.

Hybrid/Virtual-Only Shareholder Meetings

The New Articles permit the Company to hold shareholder meetings on a virtual basis, whereby shareholders are not required to attend the meeting in person at a physical location but may instead attend and participate using electronic means. A shareholder meeting may be virtual-only if attendees participate only by way of electronic means, or may be held on a hybrid basis whereby some attendees attend in person at a physical location and others attend remotely using electronic means. This should make it easier for the Company's shareholders to attend shareholder meetings if the Board elects to conduct meetings using electronic means. Amendments have been made throughout the New Articles to facilitate the holding of hybrid or virtual-only shareholder meetings.

While the New Articles (if adopted) would permit shareholder meetings to be conducted using electronic means, the Directors have no present intention of holding a virtual-only meeting. These provisions will only be used where the Directors consider it is in the best interests of shareholders for a hybrid or virtual-only meeting to be held. Nothing in the New Articles will prevent the Company from holding physical shareholder meetings.

Director's Remuneration

The Existing Articles provide that each Director may not receive fees exceeding £30,000 per annum with a maximum additional remuneration of £25,000 per annum for the Chairman. Further details of the remuneration paid to each of the Directors for the year ended 31 December 2022 and the proposed fees to be paid in this upcoming year are set out on page 37 of this document. Following careful consideration, and in line with modern practice, the Board proposes an amendment to the provisions in relation to Directors' remuneration in order that, going forward, the New Articles provide an aggregate limit on the fees that may be paid to all of the Director's of £250,000 per annum as opposed to the current Articles which impose a limit on the fees that may be paid to each individual Director per annum. This amendment will assist the Board with its succession planning, better allowing for recruitment and potential overlap as they allow potentially less experienced Directors time to bed in on the Board before others stand down. Any such payment of fees to Directors will be in accordance with the remuneration policy of the Company.

International Tax Regimes Requiring the Exchange of Information

The Hiring Incentives to Restore Employment Act 2010 of the United States of America (commonly known as the Foreign Account Tax Compliance Act) and all associated regulations and official guidance ('FATCA') imposes a system of information reporting on certain entities including foreign financial institutions such as the Company following the enactment of the UK International Tax Compliance (United States of America) Regulations 2013 on 1 September 2013 (as replaced by the International Tax Compliance Regulations 2015 (the 'Regulations').

The New Articles will contain provisions which provide the Company with the ability to require shareholders to co-operate with it so that the Company is able to comply with its obligations under the Regulations in order to avoid being deemed to be a 'Nonparticipating Financial Institution' for the purposes of FATCA (and consequently having to pay withholding tax to the US Internal Revenue Service).

The Board is also proposing to make further amendments to ensure that:

(i) the Company will not be liable for any monies that become subject to a deduction or withholding relating to FATCA, as such liability would be to the detriment of shareholders as a whole: and

(ii) the Company has the ability to require shareholders to co-operate and provide further information in respect of the broader obligations under the OECD (Organisation for Economic Co-operation and Development) Common Reporting Standard for Automatic Exchange of Financial Account Information.

Minor Amendments

The Board is also taking the opportunity to make some additional minor or technical amendments to the Existing Articles, including:

(i) providing the chair of a shareholder meeting with the ability to adjourn the meeting in the event that the health, safety or wellbeing of those entitled to attend would be put at risk by their attendance at the meeting;

(ii) amending the current provisions relating to the periodic retirement of Directors so that they expressly require all Directors to retire at each AGM in line with the recommended corporate governance practice in the UK and inserting provisions dealing with the event an insufficient number of Directors are re-elected at an Annual General Meeting of the Company;

(iii) modernising the provisions regarding the service of notice and other information to shareholders;

(iv) reducing the quorum requirements for general meetings in order that a quorum of two qualifying persons present in person, by proxy or corporate representative, will be required going forward in order to facilitate the convening and organising of general meetings;

(v) including enabling provisions in response to the requirements of the Alternative Investment Fund Managers Directive (2011/61/EU) (as adopted into UK law by virtue of the European Union (Withdrawal) Act 2018); and

(vi) allowing the Company to pay dividends exclusively through bank transfers or other electronic payment methods instead of by way of cheques with the further ability to retain cash payments where bank details are not provided by a shareholder.

These changes reflect modern best practice and are intended to relieve certain administrative burdens on the Company.

Alternative Investment Fund Managers (AIFM) Regulations

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

The Company's maximum and actual leverage levels (see Glossary of Terms and Alternative Performance Measures on pages 75 and 76) at 31 December 2022 are shown below:

Leverage

	Gross method	Commitment method
Maximum limit	3.00:1	2.00:1
Actual	1.11:1	1.11:1

Third Party Data Provider Disclaimer

No third party data provider ('Provider') makes any warranty, express or implied, as to the accuracy, completeness or timeliness of the data contained herewith nor as to the results to be obtained by recipients of the data. No Provider shall in any way be liable to any recipient of the data for any inaccuracies, errors or omissions in the index data included in this document, regardless of cause, or for any damages (whether direct or indirect) resulting therefrom.

No Provider has any obligation to update, modify or amend the data or to otherwise notify a recipient thereof in the event that any matter stated herein changes or subsequently becomes inaccurate.

Without limiting the foregoing, no Provider shall have any liability whatsoever to you, whether in contract (including under an indemnity), in tort (including negligence), under a warranty, under statute or otherwise, in respect of any loss or damage suffered by you as a result of or in connection with any opinions, recommendations, forecasts, judgements, or any other conclusions, or any course of action determined, by you or any third party, whether or not based on the content, information or materials contained herein.

FTSE Index Data

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Glossary of Terms and Alternative Performance Measures (APM)

An alternative performance measure is a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework.

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 (Borrowings at Book Value)

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

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

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

	31 December 2022	31 December 2021
Shareholders' funds (borrowings at book value)	£846,674,000	£930,185,000
Add: book value of borrowings	£94,714,000	£95,161,000
Less: fair value of borrowings	(£65,549,000)	(£97,422,000)
Shareholders' funds (borrowings at fair value)	**£875,839,000**	**£927,924,000**
Shares in issue at year end	176,750,943	175,600,943
Net Asset Value per ordinary share (borrowings at fair value)	**495.5p**	**528.4p**

Premium/(Discount) (APM)

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

	2022 NAV (book)	2022 NAV (fair)	2021 NAV (book)	2021 NAV (fair)
Closing NAV per share	479.0p	495.5p	529.7p	528.4p
Closing share price	508.0p	508.0p	541.0p	541.0p
Premium	**6.1%**	**2.5%**	**2.1%**	**2.4%**

Ongoing Charges (APM)

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

A reconciliation from the expenses detailed in the Income Statement on page 47 is provided below.

	31 December 2022	31 December 2021
Investment management fee	£3,920,000	£3,893,000
Other administrative expenses	£1,257,000	£1,252,000
Total expenses (a)	**£5,177,000**	**£5,145,000**
Average daily cum-income net asset value (with borrowings at fair value) (b)	£877,093,000	£826,357,000
Ongoing charges (a) ÷ (b) (expressed as a percentage)	**0.59%**	**0.62%**

Total Return (APM)

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

		2022 NAV (book)	2022 NAV (fair)	2022 Share price	2021 NAV (book)	2021 NAV (fair)	2021 Share price
Opening NAV per share/share price	(a)	529.7p	528.4p	541.0p	449.7p	446.1p	464.0p
Closing NAV per share/share price	(b)	479.0p	495.5p	508.0p	529.7p	528.4p	541.0p
Dividend adjustment factor*	(c)	1.027330	1.026941	1.027687	1.025486	1.025738	1.024954
Adjusted closing NAV per share/share price	(d = b x c)	492.1p	508.8p	522.1p	543.2p	542.0p	554.5p
Total return	(d ÷ a)-1	**(7.1%)**	**(3.7%)**	**(3.5%)**	**20.8%**	**21.5%**	**19.5%**

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

Gearing (APM)

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

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

	31 December 2022	31 December 2021
Borrowings at book value	£94,714,000	£95,161,000
Shareholders' funds	£846,674,000	£930,185,000
Potential gearing	**11%**	**10%**

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

	31 December 2022	31 December 2021
Borrowings at book value	£94,714,000	£95,161,000
Less: cash and cash equivalents	(£4,184,000)	(£11,263,000)
Less: bond investments	(£43,440,000)	(£48,950,000)
Less: direct property investments	(£66,750,000)	(£74,900,000)
Adjusted borrowings	(£19,660,000)	(£39,952,000)
Shareholders' funds	£846,674,000	£930,185,000
Equity gearing	**(2%)**	**(4%)**

Leverage (APM)

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

Active Share (APM)

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

Sustainable Finance Disclosure Regulation ('SFDR')

Sustainable Finance Disclosure Regulation ('SFDR')

The EU Sustainable Finance Disclosure Regulation ('SFDR') does not have a direct impact in the UK due to Brexit, however, it applies to third-country products marketed in the EU. As The Scottish American Investment Company P.L.C. is marketed in the EU by the AIFM, BG & Co, via the National Private Placement Regime 'NPPR' the following disclosures have been provided to comply with the high-level requirements of SFDR.

The AIFM has adopted Baillie Gifford & Co's Governance and Sustainable Principles and Guidelines as its policy on integration of sustainability risks in investment decisions.

Baillie Gifford & Co's approach to investment is based on identifying and holding high quality growth businesses that enjoy sustainable competitive advantages in their marketplace. To do this it looks beyond current financial performance, undertaking proprietary research to build an in-depth knowledge of an individual company and a view on its long-term prospects. This includes the consideration of sustainability factors (environmental, social and/or governance matters) which it believes will positively or negatively influence the financial returns of an investment.

More detail on the Managers' approach to sustainability can be found in the Governance and Sustainability Principles and Guidelines document, available publicly on the Baillie Gifford website (**bailliegifford.com**).

Taxonomy Regulation

The Taxonomy Regulation establishes an EU-wide framework of criteria for environmentally sustainable economic activities in respect of six environmental objectives. It builds on the disclosure requirements under SFDR by introducing additional disclosure obligations in respect of alternative investment funds that invest in an economic activity that contributes to an environmental objective.

The Company does not commit to make sustainable investments as defined under SFDR. As such, the underlying investments do not take into account the EU criteria for environmentally sustainable economic activities.

Directors

Chairman:

Lord Macpherson of Earl's Court, GCB

Bronwyn Curtis, OBE

Karyn Lamont, CA

Dame Mariot Leslie

Christine Montgomery

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Further Information

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