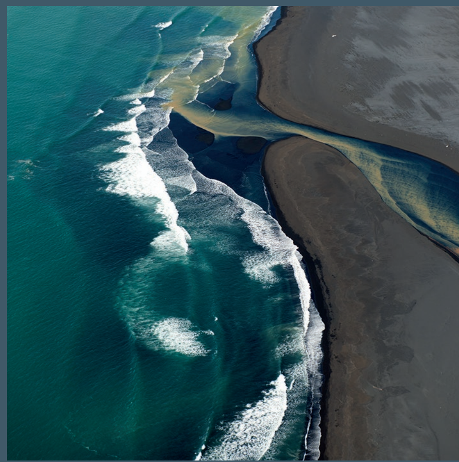
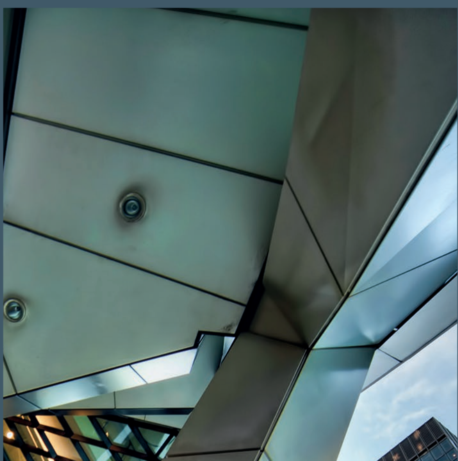
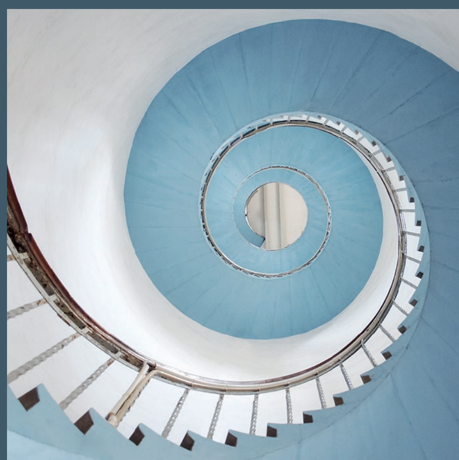
THE SCOTTISH AMERICAN INVESTMENT COMPANY P.L.C.

SAINTS

Income again and again







Annual Report and Financial Statements
31 December 2017

BAILLIE GIFFORD

Contents

Investor Disclosure Document

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

Notes

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

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

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

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

If you have sold or otherwise transferred all of your ordinary shares in The Scottish American Investment Company P.L.C., please forward this document and the accompanying form of proxy as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was or is being effected for delivery to the purchaser or transferee.

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

Year to 31 December 2017	Dividend 11.10p	Yield 3.0%

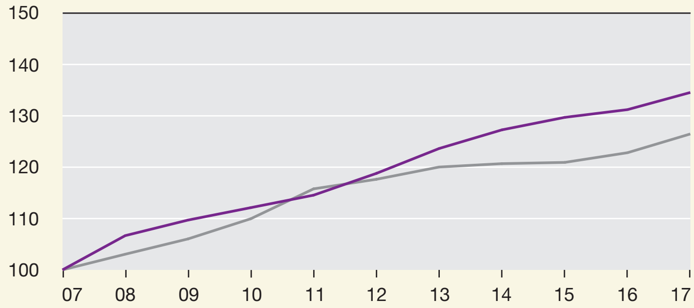
Ten Year Summary

Dividend versus Inflation

(figures rebased to 100 at 31 December 2007)

SAINTS dividend

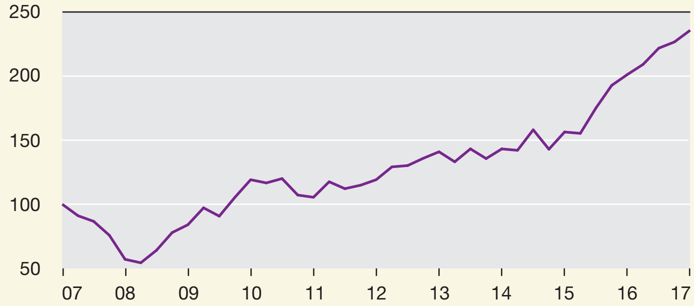
CPI



Share Price

(figures rebased to 100 at 31 December 2007)

Share price total return*

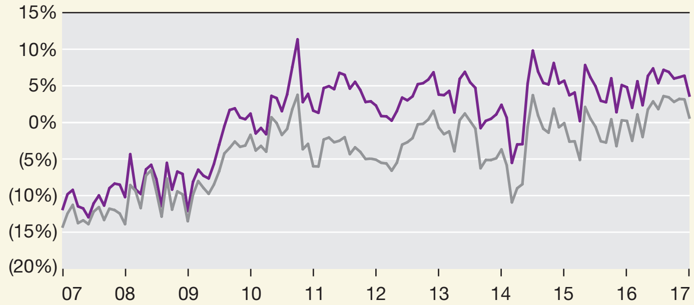


Premium/(Discount)*

(plotted as at month end dates)

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

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



Source: Thomson Reuters/Baillie Gifford and relevant underlying index providers. See disclaimer on page 60.

* See Glossary of Terms on page 61.

Past performance is not a guide to future performance.

Strategic Report

This Strategic Report, which includes pages 2 to 19 and incorporates the Chairman's Statement, has been prepared in accordance with the Companies Act 2006.

Chairman's Statement

Peter Moon, Chairman

The Company's objective is to deliver real dividend growth by increasing capital and growing income. An increased dividend of 11.1p (2016 – 10.825p) will extend the Company's record of raising its dividend to thirty eight consecutive years.

Overview

Markets made further strong progress during the year, helped by continued and accelerating economic growth in both developed markets and elsewhere. 'Elsewhere' of course has been an important part of the mix, as emerging markets' share of the global economy continued to grow and many markets including China regained their momentum. This positive backdrop helped companies grow their earnings, and the happy combination of economic and earnings growth improved market sentiment.

There have of course been serious concerns in the background, notably geopolitical risk relating to Korea, itself linked to the unpredictability of US policy. Less dramatically, as in recent years two principal concerns have continued to bubble away in the background. The first is what happens when all this growth triggers further interest rate rises. The second is whether ten years of quantitative easing has stretched valuations to the point where a correction is likely to occur.

For investors based in the UK, the continued uncertainties around Brexit have also been prominent, although less so in the context of global markets. It is important to stress the international nature of SAINTS' equity portfolio, both in terms of listing but also economic focus. SAINTS' global approach provides the widest access to opportunities in equity markets and earlier sales of stocks with a domestic UK focus have been helpful.

The principal protection against the broader market concerns lies in the Manager's stock-driven approach which emphasises the importance of both income dependability and real growth. Dependability and quality of income should prove their worth if rising interest rates or an economic wild card cause problems for more indebted companies with less resilient cashflows. Growing cashflows on the other hand facilitate growing distributions, both from the companies which we own and to you in turn as shareholders of SAINTS.

The Company's investment in property has again made a significant contribution to both income and to overall returns. Within the property portfolio there has been carefully planned progress in reducing exposure to any falls in UK consumer spending.

Total Return Performance

Your Company's investments have performed well over the year. SAINTS' net asset value total return (capital and income) for the year was 18.8% and the share price total return was 17.2%. The total return from the global equity market was 13.8%. Whilst it is encouraging that returns have exceeded the very strong returns of equities generally over the year, both the Managers and your Board have a long-term perspective and so we do not believe that it is generally helpful to dwell on the comparison of performance against any equity index over short periods. As stressed last year, 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 the Company to deliver a high and growing yield and service its borrowings.

Nonetheless it is worth observing that the equity portfolio has outperformed in a period when other approaches with a different balance between current income and future growth have struggled. As in previous years, returns have been helped by the sound operational performance of the companies in which the portfolio is invested. It is also notable that the Company's equity, property and bond investments all contributed to growth in both income and capital. 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 on page 11.

Revenues

Earnings per share have increased by 8% to 11.33p and investment income has risen to £20.5m. Income has been helped by earnings and dividend progression from the Company's equity investments and also by increased revenues from both property and bonds where attractive new opportunities have been identified. In addition roughly half of the Company's earnings come from overseas and in 2017 currency movements boosted the sterling value of these earnings. Both managers (Baillie Gifford and, for the Company's property investments, OLIM Property Limited) continue at the Board's request to emphasise supporting the dependability and the future growth of the Company's dividend in line with its objective.

For a definition of terms see Glossary of Terms on page 61.
See disclaimer on page 60.
Past performance is not a guide to future performance.

Dividend and Inflation

A final dividend of 2.825p is recommended which will take the full year dividend to 11.1p per share, 2.5% higher than the 2016 dividend of 10.825p.

The recommended dividend is fully covered by this year's earnings. The Company has built up revenue reserves in the past and the Board has deemed it prudent to modestly augment those reserves this year, whilst also recommending a dividend which reinforces its progressive dividend policy. The ability to smooth dividend progression is a key advantage of investment trusts and, whilst the Board has great confidence in the long term prospects of the Company's investments, we also believe that a measured approach is appropriate, particularly given uncertainties around exchange rates and the path of the UK economy.

This year's increase, whilst slightly below the annual rate of inflation of 3% as measured by CPI, extends the Company's record of annual dividend increases to thirty eight years. Over the last ten year period the Company's dividends have increased at well over the rate of inflation, as shown on the first chart on page 1.

Borrowings

SAINTS' borrowings take the form of a single £80m debenture which is due for repayment in April 2022. During 2017, the borrowings mainly funded a range of higher yielding commercial property and, to a much lesser extent, some fixed income investments.

The book value of the debenture is £83.4m which, at the year end, was equivalent to approximately 17% of shareholders' funds. The estimated market or fair value of the debenture was £97.8m, a decrease from the previous year's value of £103.2m. The market value of the Company's borrowings will continue to fall over the coming years as the redemption date approaches.

Outlook

Last year I suggested that the longer-term implications of both Brexit and President Trump's victory would take a while to emerge and that inflation was likely to pick up in the UK during 2017. Not particularly heroic predictions but as it happens correct thus far. Whether inflation persists at its current level is less clear, due to a combination of some weakness in the domestic economy and action by the Bank of England on the one hand and a strengthening oil price on the other. The likelihood of continued economic growth around the world seems strong, although the outlook for the UK economy is less positive. In addition the concerns relating to valuations and rising interest rates mentioned earlier make share price progress less than certain, as has been demonstrated recently.

The Board and the Managers remain alert to both potential opportunities and challenges. It is important that the Company's future income prospects depend principally on the cashflows of our equity investments and the strength of property covenants and length of leases, all of which are explained further in the Managers' report, rather than on the level of markets. As a Board, we remain of the view that an approach anchored in fundamental analysis of growth and dependability of income is a firm foundation for the future. Your Board is fully supportive of and confident in the Managers' approach, and this confidence has been strengthened by another year of encouraging operational performance. We continue to believe that the portfolio as a whole is well placed to support the growth of the Company's dividend over time.

Issuance

The Company has raised over £9 million from new issuance at a premium to Net Asset value in order to satisfy investor demand over the year. This indicates that the merits of the Company's approach are increasingly appreciated. It also serves the interests of current shareholders by reducing costs per share and helping to further improve liquidity.

The Board and the Managers

There have been no changes to the Board over the year and as Chairman I have been extremely pleased with the manner in which those Board members who have joined more recently have bedded in, combining well with the valued contribution of longer standing members.

As announced in the summer Dominic Neary has moved on from Baillie Gifford, and the Board would like to reiterate our warm thanks and appreciation to him for his considerable contribution to SAINTS in recent years. The Board is however very pleased to have James Dow and Toby Ross as joint managers of the Company and confident in their ability to continue the investment approach which they helped to develop. The joint appointment reflects Baillie Gifford's team-based approach and the Board looks forward to a continued fruitful and productive working relationship with the Managers.

AGM

The AGM will be held at 11am on Thursday 5 April 2018 at Baillie Gifford's offices at Calton Square, 1 Greenside Row, Edinburgh. The Managers will make a presentation on the investment portfolio and there will also be an opportunity to ask questions. The Directors and the Managers look forward to meeting you there.

Peter Moon
Chairman
15 February 2018

One Year Summary

The following information illustrates how SAINTS has performed over the year to 31 December 2017.

	31 December 2017	31 December 2016	% change
Total assets (before deduction of debenture)*#	£581.4m	£515.6m	
Debenture (book value)#	£83.4m	£84.1m	
Shareholders' funds	£498.0m	£431.5m	
Net asset value per ordinary share (debenture at fair value)#	355.6p	309.2p	15.0
Net asset value per ordinary share (debenture at book value)#	366.2p	323.5p	13.2
Share price	368.0p	324.0p	13.6
Benchmark†			11.1
Premium (debenture at fair value)#	3.5%	4.8%	
Premium/(discount) (debenture at book value)#	0.5%	0.2%	
Revenue earnings per ordinary share	11.33p	10.46p	8.3
Dividends paid and payable in respect of the year	11.10p	10.825p	2.5
Ongoing charges#	0.80%	0.87%	
Active share#	90%	89%	

Year to 31 December	2017	2016
Total returns (%)‡#		
Net asset value (debenture at fair value)	18.8%	29.8%
Net asset value (debenture at book value)	16.7%	28.2%
Share price	17.2%	28.7%
Benchmark†	13.8%	29.6%

Year to 31 December	2017	2017	2016	2016
Year's high and low#	**High**	**Low**	**High**	**Low**
Net asset value (debenture at fair value)	357.9p	309.2p	315.9p	227.5p
Net asset value (debenture at book value)	368.4p	323.5p	331.2p	244.0p
Share price	374.8p	315.3p	324.0p	230.0p
Premium/(discount) – debenture at fair value	6.6%	(0.3%)	8.2%	(2.3%)
Premium/(discount) – debenture at book value	3.0%	(4.5%)	2.3%	(7.4%)

	31 December 2017	31 December 2016
Net return per ordinary share		
Revenue	11.33p	10.46p
Capital	42.24p	62.16p
Total	53.57p	72.62p

* Net of current liabilities.
† The Company's benchmark is the FTSE All-World Index (in sterling terms).
# See Glossary of Terms on page 61.
‡ Source: Thomson Reuters/Baillie Gifford and relevant underlying data providers. See disclaimer on page 60.

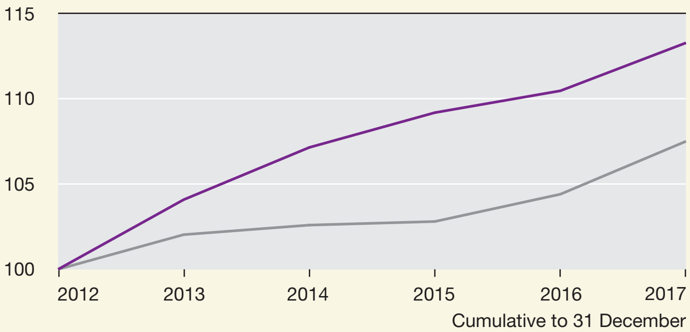
Past performance is not a guide to future performance.

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 2017.

Dividend versus Inflation

(figures rebased to 100 at 31 December 2012)

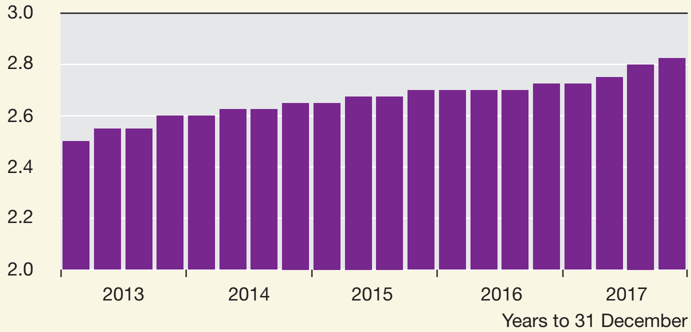


Source: Thomson Reuters and relevant underlying index providers†.

SAINTS dividend

CPI

Five Year Quarterly Dividends Paid (pence)

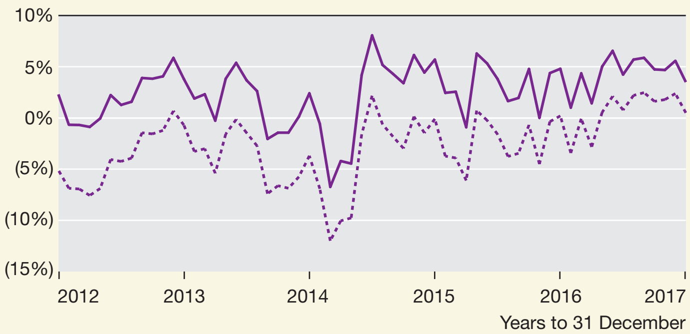


Source: Thomson Reuters/Baillie Gifford and relevant underlying index providers†.

SAINTS dividend (pence)

Premium/(discount) to Net Asset Value

(plotted on a monthly basis)



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

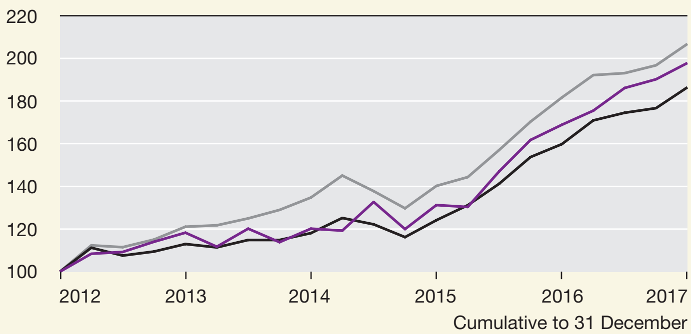
SAINTS premium/(discount) – fair value

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 2012)



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

Share price total return

Benchmark* total return

NAV total return (fair value)

* With effect from 1 January 2014, the portfolio benchmark against which performance has been measured is FTSE All-World Index (in sterling terms). For the earlier years covered by the graphs above, the Company's benchmark was 50% FTSE All-Share Index and 50% FTSE All-World Ex UK Index (in sterling terms). For the purposes of the graphs above, the returns on both benchmarks for their respective periods have been linked to form a single benchmark. See disclaimer on page 60.

\# See Glossary of Terms on page 61.

† See disclaimer on page 60.

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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 (AIF) for the purposes of the EU Alternative Investment Fund Managers Directive.

Objective and Policy

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

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

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

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

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

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

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

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

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

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

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

An overview by the Manager is given on pages 11 to 13 and a detailed analysis of the Company's investment portfolio held at the year end is set out on pages 14 to 18.

Board Oversight

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

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

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

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

Discount/Premium

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

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

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

During the year the Company issued 2,580,000 ordinary shares at a premium to net asset value (2016 – 235,000). No shares were bought back during the year.

Performance

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

Key Performance Indicators

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

— dividend per share;

— earnings per share;

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

— the movement in the share price;

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

— ongoing charges.

An explanation of these measures can be found in the Glossary of Terms on page 61.

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

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

Principal Risks

As explained on pages 25 and 26, there is an ongoing process for identifying, evaluating and managing the risks faced by the Company on a regular basis. The Directors have carried out a robust assessment of the principal risks facing the Company including those that would threaten its business model, future performance, solvency or liquidity. A description of these risks and how they are being managed or mitigated is set out below.

Financial Risk – the Company's assets consist mainly of listed securities and its principal risks are therefore market related and include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. An explanation of those risks and how they are managed is contained in note 17 to the Financial Statements on pages 47 to 51. To mitigate this risk at each Board meeting the Manager provides an investment policy paper which includes a detailed explanation of significant stock selection decisions and the overall rationale for holding the current portfolio. Consideration is given to portfolio movements and the top and bottom contributors to performance. The investment approach is considered in detail at the annual Strategy Meeting.

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

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

Custody and Depositary Risk – safe custody of the Company's assets may be compromised through control failures by the Depositary, including cyber security. To mitigate this risk, the Board receives six monthly reports from the Depositary confirming safe custody of the Company's assets held by the Custodian.

Cash and portfolio holdings are independently reconciled to the Custodian's records by the Managers. The Custodian's audited internal controls reports are reviewed by Baillie Gifford's Business Risk Department and a summary of the key points is reported to the Audit Committee and any concerns investigated. In addition, the existence of assets is subject to annual external audit by KPMG LLP.

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

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

Leverage Risk – the Company may borrow money for investment purposes (sometimes known as 'gearing' or 'leverage'). If the investments fall in value, any borrowings will magnify the 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. The majority of the Company's investments are in quoted securities that are readily realisable. Further information on leverage can be found on page 60 and the Glossary of Terms on page 61.

Political Risk – political developments will be closely monitored and considered by the Board and the Managers. The Board has noted the Government's intention that the UK should leave the European Union on 29 March 2019. Whilst there remains considerable uncertainty at present, the Board will continue to monitor developments as they occur and assess the potential consequences for the Company's future activities.

Viability Statement

In accordance with provision C2.2 of the UK Corporate Governance Code, the Directors have assessed the prospects of the Company over a minimum period of five years. The Directors continue to believe this 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 reasonably envisage any change in strategy or any events which would prevent the Company from operating over a minimum period of five years.

In considering the viability of the Company, the Directors have conducted a robust assessment of each of the principal risks and uncertainties detailed on pages 7 and 8 and in particular the impact of market risk where a significant fall in global equities markets would adversely impact the value of the investment portfolio. The Directors have also considered the Company's leverage comprising a fixed term Debenture which has a nominal value of £80m and is redeemable at par in 2022, its 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. Specific leverage and liquidity stress testing was conducted during the year. 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.

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

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.

Gender Representation

The Board comprises five Directors, four male and one female. The Company has no employees. The Board's policy on diversity is set out on pages 24 and 25.

Environmental, Social and Governance Policy

Details of the Company's policy on socially responsible investment can be found under Corporate Governance and Stewardship on page 26.

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

Future Developments of the Company

The outlook for the Company for the next 12 months is set out in the Chairman's Statement on pages 2 and 3 and the Managers' Review on pages 11 to 13.

Investment Approach

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

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

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

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

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

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 10. We have also used this categorisation to illustrate the portfolio, as at 31 December 2017.

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

Borrowed Funds

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

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

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

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

Summary

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

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

— Equity investments are complemented through the opportunistic investment of borrowed funds:

- A high-yielding directly-held UK property portfolio offering a dependable and growing rental income stream;
- Tactical investments in fixed income instruments.

— A robust dividend in even the most challenging of investment environments:

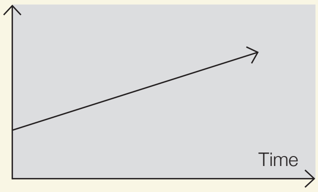
- Underlying investments are selected for dependability of income alongside growth;
- The board and management team are committed to delivering real dividend growth sustainably into the future;
- Significant revenue reserves to support the smooth progression of dividends.

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

Drivers of Free Cash Flow Growth

Compounding Machines

Free Cash Flow Growth Expectations
Free cash

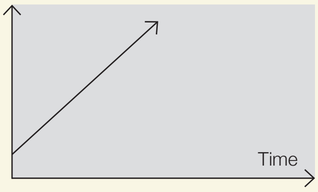


Characteristics
- Enduring competitive positions
- Strong balance sheets
- Proven management

Expected Outcome
Consistent above-average cash flow and dividend growth

Exceptional Revenue Opportunity

Free Cash Flow Growth Expectations
Free cash

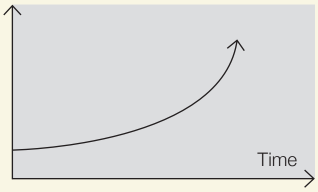


Characteristics
- Market leaders
- Pricing power
- Strong volume growth

Expected Outcome
Exceptional growth in earnings and cash flow

Profitability Transformation

Free Cash Flow Growth Expectations
Free cash

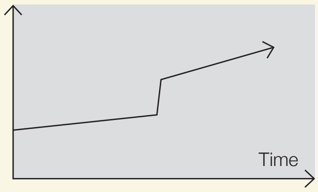


Characteristics
- Margins below potential
- Catalyst for change identified
- Strong management and clear strategy

Expected Outcome
Exceptional cash flow and dividend growth

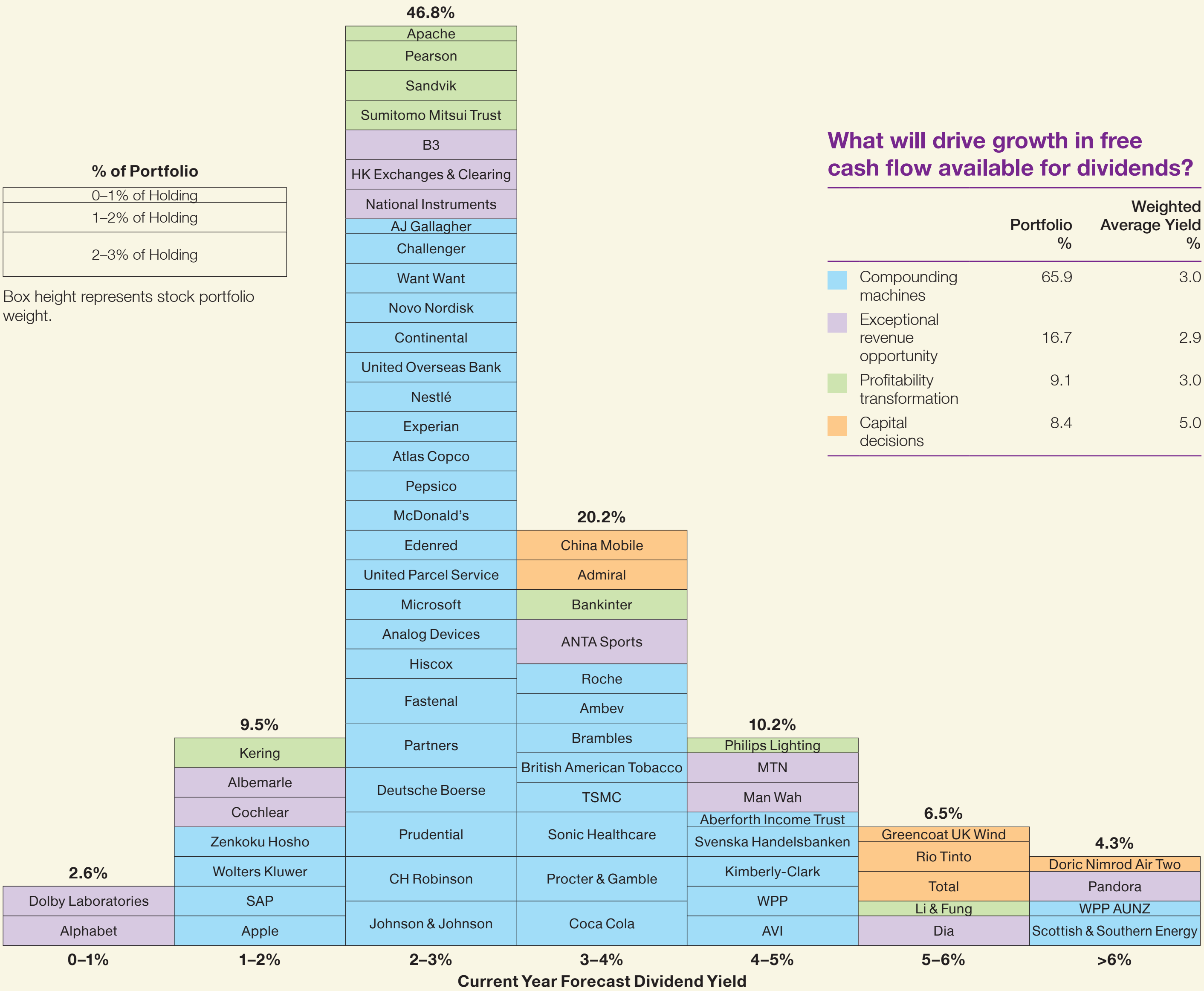
Capital Decisions

Free Cash Flow Growth Expectations
Free cash



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	65.9	3.0
Exceptional revenue opportunity	16.7	2.9
Profitability transformation	9.1	3.0
Capital decisions	8.4	5.0

Figure 1: Graphical representation of SAINTS' equity portfolio holdings as at 31 December 2017, ordered by dividend yield and colour coded by the categorisation of what will drive growth in free cash flow available for dividends.

Source: IBES, Bloomberg, Baillie Gifford. Holding sizes and forecast yields are as at 31 December 2017. Yields are based on market consensus and Baillie Gifford estimates of ordinary dividends, on a 12 month forward basis, gross of withholding taxes. Excludes cash, weights have been rebalanced to 100%. Totals may not sum due to rounding. See disclaimer on page 60.

Managers' Review

As detailed in the Investment Approach section, SAINTS aims to deliver real growth in both income and capital to its shareholders over the long term. In this section we provide a review of:

- the progress the Company has made towards these long-term goals during 2017;
- how the portfolio has changed over the year, and some context for these changes; and
- our outlook as Managers for the Company.

Progress During 2017

2017 has been a strong year for SAINTS, with income and capital growth delivered by every part of the portfolio – equities, property and fixed income. The Company's NAV at fair value produced a total return of 18.8% during the year and total income from investments was £20.5m, a 10% increase on the prior year.

The biggest driver of returns during the year was strong growth from the equity portfolio. As explained in the Investment Approach section on page 9, we aim to invest the bulk of the Company's net assets in equities, as history tells us this is the best asset class for delivering real income and capital growth over the long term. In 2017, global equity markets rose healthily, returning 13.8%, and the Company's equity portfolio also performed strongly, returning 15.5%.

We believe that the key driver of both capital and dividend growth from shares is each company's ability to grow its profits. It is therefore no surprise that the stocks that had the biggest impact on the Company's returns over recent years have been companies which delivered the most impressive profit growth. For instance Partners Group, the Swiss alternative asset manager, has seen its operating profits more than double over the last three years, which has allowed its dividend to grow by a similar amount. This is a helpful reminder of the importance of growth for a long-term income investor – and it is for this reason that one of the first questions we ask of any potential investment is how much earnings growth we think the business can deliver over the long term.

The five companies whose returns had the biggest impact in 2017 were an eclectic group. As well as Partners Group, the list includes French luxury goods conglomerate Kering, Taiwanese semiconductor foundry TSMC, Chinese footwear business Anta Sports, and British insurer Hiscox. These businesses all operate in very different industries, are listed on different stock exchanges, and the drivers of their growth are diverse. However, one thing that unites them is that they all have management teams with long tenure, who take a long-term approach towards the businesses they run. All of them saw strong growth in 2017, and raised their dividends by 12% or more as a result. The overall dividend income from the equity portfolio grew by 3%. Local currency dividend growth was robust, and the portfolio's exposure to non-sterling dividend payers was an additional tailwind as the pound depreciated during the year. These factors more than offset the impact of modest net sales of equities (discussed below).

The property portfolio also had a positive year, generating income of £5.1m, and a total return of 13.7%. The directly-held property portfolio is managed on SAINTS' behalf by OLIM Property Limited. The wider UK commercial property market delivered healthy returns in 2017, but SAINTS' portfolio of smaller commercial properties performed particularly well. Indeed, all but two of the properties in the portfolio increased in value during the year. The biggest contributor was the caravan park in New Romney, a long-standing holding whose value increased by 15% during the year. Overall rental income grew by 27%, reflecting the effect of net purchases during the year, inflation-linked rent increases across much of the portfolio, and some changes to the portfolio's mix.

The Company's fixed income portfolio also delivered good returns during the year, due to three specific assets. The Alibaba Convertible which was purchased in 2016 rose in value along with Alibaba's share price, as Chinese businesses and consumers used its platform to transact an ever-wider range of goods and services. The Brazilian inflation-linked bond benefitted as the economy started to recover from a recession. Lastly, many of the credit assets owned by the Athena Debt Opportunities Fund saw their value increase during the year, in a buoyant credit market. For the fixed income portfolio as a whole, interest income was £1.4m, and the total return was 30.1%.

How The Portfolio Has Changed

Equity Portfolio

The overall shape of the equity portfolio is very similar to that at the end of last year. The full portfolio is shown on page 10. The most striking feature is that its core continues to be the 'compounding machines', which remain around two-thirds of the equity portfolio. These are typically businesses whose competitive position is strong, and where our investment case is based on steady growth through exploiting this advantage. We believe that having a large weighting in these well-established, cash-generative franchises makes a lot of sense for underpinning the dependable, growing income stream we seek to deliver.

Many of the names that make up this income stream have been held for 5–10 years, but some have changed. For example, this year we bought new holdings in AJ Gallagher, the insurance broker, and Wolters Kluwer, the specialist information provider. These are people and information businesses, and as such, they can grow organically without significant capital investment. This means that alongside their opportunities to grow profits there is plenty of cash available for dividends, together with bolt-on acquisitions which help to steadily expand their franchises.

Some companies have left this bucket as competitors recognised their value and acquired them. Reynolds American, which has made a significant contribution to the Company's capital and income stream over recent years, was bought by British American Tobacco (which we also hold), while agricultural chemicals business Syngenta was acquired by Sinochem. In a few cases we felt our investment case had weakened. We sold Capita in May, faced with growing questions about management effectiveness which made us doubt both the long-term growth outlook and the security of the dividend.

The story in our 'profitability transformation' bucket is very similar. These are businesses where we expect growth will come from a significant improvement in margins and returns. Such companies have accounted for around 10% of the equity portfolio over recent years, though this is an outcome of the team's flow of ideas rather than a deliberate intention. During the year we bought new holdings such as Philips Lighting, a pioneer in LED lighting systems, which was spun out of Dutch industrial conglomerate Royal Philips in 2016; and Li & Fung, the world's largest sourcing agent, where we are backing the management team's new strategy to help customers by speeding up their sourcing processes. We sold German food equipment business GEA Group, where execution had fallen short of our expectations. In the cases of British insurer Aviva and Taiwanese electronics manufacturer Asustek, we exited after reviewing the investment cases and concluding that their longer-term growth prospects were not strong enough to justify a place in the portfolio.

The portfolio's weighting in 'exceptional revenue opportunities' increased quite significantly during 2017. This is partly due to strong capital growth from holdings such as National Instruments, Anta Sports, Cochlear and Alphabet. We have identified several new ideas where we expect both strong revenue growth and a meaningful income contribution. These purchases included Albemarle, the lithium producer and processor, which has established a dominant position in a market that is growing rapidly with the growth of electric vehicles. Another is Man Wah, the leading Chinese furniture manufacturer and retailer. We did not sell any holdings from this part of the portfolio during the year.

The 'capital decisions' bucket tends to feature businesses which we view as exceptional operators in industries where there is some natural capital intensity. For instance, the mining industry is by its nature a capital intensive business but Rio Tinto's operating philosophy has been transformed over recent years, and it is now much more focused on generating cash than growing volumes for their own sake. This change in philosophy has attractive implications for its dividend growth. Admiral, the car insurance company, is another case in point. We view it as one of the best capital allocators in the insurance industry. We believe both businesses will grow significantly over time by investing their capital more thoughtfully and effectively than their peers.

For many capital-intensive businesses there is a constant trade-off between dividends and growth, and so we tend to hold the management teams of such businesses to a particularly high standard. During the year our confidence dropped in the capital allocation strategy at both SK Telecom and New York Community Bancorp. As a result we sold the shares. This leaves the portfolio with less invested in capital-intensive businesses than we have had in recent years.

In summary, the stock-picking philosophy behind the portfolio has not changed. We continue to find new opportunities and challenge our existing holdings, but portfolio turnover of around 20% is consistent with our 5+ year investment time horizon. Equities still represent the bulk of SAINTS' total investment portfolio. The proportion has reduced slightly during the year from 83% to 79%, as we used equities to fund some new property purchases during the year.

Property Portfolio

At the end of 2017 the portfolio consisted of 20 commercial properties across the United Kingdom and was valued at £85m, with a yield of 6.3%. This represents 14.6% of the total investment portfolio – a modest increase from the prior year as net investments were made into the portfolio. The properties are chosen by OLIM Property Limited for their ability to generate a dependable stream of income, with a goal of matching inflation over the long run.

There was a greater level of turnover in the portfolio than in the previous year, with four properties purchased, partly funded by the sales of six holdings. The largest of the purchases was a data centre in Milton Keynes for £15.2m. The property is leased to TalkTalk until December 2047 and, as is typical for the properties that SAINTS invests in, the 6.4% income stream has RPI-linked rental increases. SAINTS also bought a warehouse leased to Bookers in Southend in July (for £8.3m), and an Aldi supermarket in Denbigh (with two adjoining properties, for £5.8m). The prices realised for properties sold in 2017 were in aggregate 14% higher than the valuations they were carried at for the end of 2016.

One notable change in the portfolio is that the exposure to pubs and restaurants has been reduced from 34% to 22% of the value of the property element of the portfolio, as OLIM Property Limited have taken advantage of healthy valuations of some properties, and have become more cautious on the outlook for certain tenants in the sector. The manager believes that the overall effect of the new purchases and sales has been to make SAINTS' property portfolio more resilient, particularly if British consumers come under more pressure in the coming years.

Fixed Income Portfolio

The fixed income portfolio remains small at around 6% of SAINTS' total investment portfolio. There were two new purchases. Aryzta is a Swiss manufacturer and distributor of frozen baked goods, where we were able to buy the perpetual debt at an attractive yield of 8%. We expect this bond to be called by the company at some point in the next few years. We also bought a small position in a 2026 Argentine government bond, taking the view that moderating inflation and economic reform in Argentina should lead to strong real returns from this bond. These purchases were partly funded by a reduction to the holding in the Alibaba convertible bought last year, which has performed extremely well as discussed above.

Looking Forward

We began this report by repeating SAINTS' objectives, and we end by stating our confidence that the investments are well-positioned to meet these in future. The equity portfolio generates over two-thirds of the Company's income, and we continue to invest in businesses which we expect to deliver both real capital growth *and* dependable dividends. We were impressed this year by the operating performance of many of the companies in the portfolio, and we remain optimistic about their longer-term prospects.

We deliberately construct the equity portfolio to benefit from a wide range of company-specific growth drivers, rather than a small number of macro-economic themes. We think this diversity helps to build a resilient income stream that should grow in a wide range of different scenarios, even if it makes it hard for us to generalise about the outlook. We are encouraged by the continued flow of new ideas we are seeing for the equity portfolio. One of the great benefits of an unconstrained global universe is that, even though there are areas of the stock market where valuations arguably look stretched, we have been able to continue finding attractive new opportunities.

The property portfolio now has a weighted average unexpired lease length of over 17 years, with almost 80% of the income stream benefiting from either RPI-linked or fixed rental increases. This makes it well-placed to continue providing a dependable stream of income that grows in line with inflation. UK interest rates are now starting to rise gently, and we would expect the future returns from the property portfolio to be dominated by the income stream, rather than real capital growth. We believe the potential returns from the specific fixed income investments that the portfolio holds remain compelling.

In short, we believe that the investments across all parts of the portfolio are the right ones to support SAINTS' long-term aims.

James Dow
Toby Ross
Baillie Gifford & Co
15 February 2018

Investment Changes

	Valuation at 31 December 2016 £'000	Net acquisitions/ (disposals) £'000	Appreciation/ (depreciation) £'000	Valuation at 31 December 2017 £'000
United Kingdom Equities	93,370	(17,481)	8,346	84,235
Overseas Equities	333,430	3,133	42,075	378,638
Total Equities	426,800	(14,348)	50,421	462,873
Direct Property	61,000	19,105	4,845	84,950
Bonds	25,754	1,248	5,770	32,772
Total Investments	**513,554**	**6,005**	**61,036**	**580,595**
Net Liquid Assets	2,068	(1,386)	89	771
Total Assets	**515,622**	**4,619**	**61,125**	**581,366**

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

Performance Attribution for the year to 31 December 2017

Portfolio breakdown	Average allocation SAINTS %	Average allocation benchmark %	Total return# SAINTS %	Total return benchmark %
Global Equities	93.2	100.0	15.5	13.8
Bonds	6.8		30.1	
Direct Property	16.3		13.7	
Deposits	1.6		–	
Debenture at book value	(17.8)		6.8	
Portfolio Total Return (debenture at book value)			**17.6**	**13.8**
Other items*			(0.8)	
Fund Total Return (debenture at book value)			**16.8**	**13.8**
Adjustment for change in fair value of debenture			2.0	
Fund Total Return (debenture at fair value)			**18.8**	**13.8**

Past performance is not a guide to future performance.

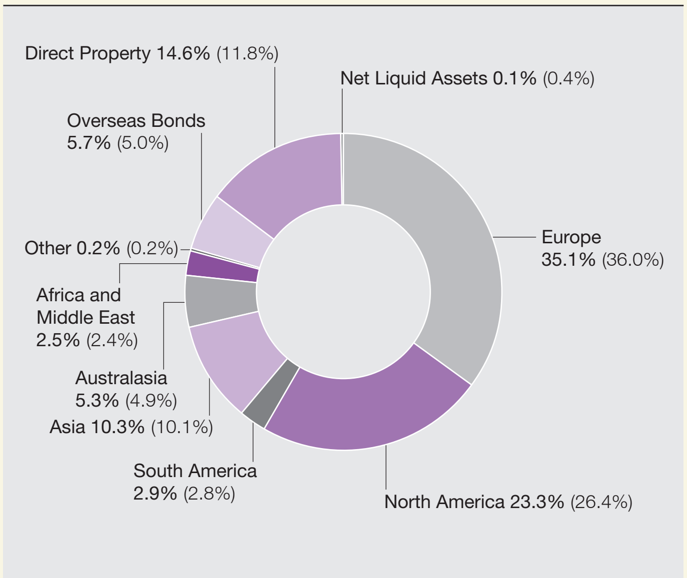
Source: Baillie Gifford.

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

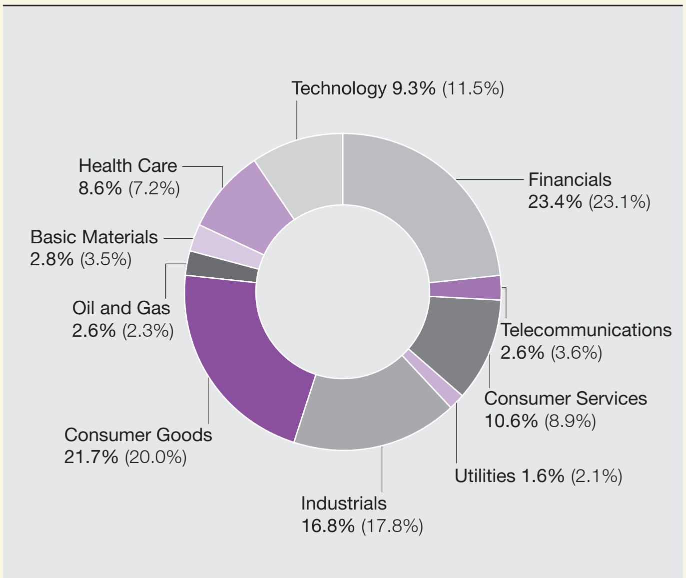
* Includes Baillie Gifford and OLIM Property Limited management fees.

Distribution of Portfolio

Geographical as at 31 December 2017 (2016)



Equities by Sector as at 31 December 2017 (2016)



Classification of Investments

Classification Equities:	UK %	Overseas %	2017 Total %	2016 Total %
Oil and gas producers	–	2.1	2.1	1.9
Oil and Gas	**–**	**2.1**	**2.1**	**1.9**
Chemicals	–	0.9	0.9	1.0
Mining	1.3	–	1.3	1.9
Basic Materials	**1.3**	**0.9**	**2.2**	**2.9**
Electronic and electrical equipment	–	1.9	1.9	1.1
General Industrials	–	1.0	1.0	1.3
Industrial engineering	–	2.2	2.2	3.4
Industrial transportation	0.6	3.3	3.9	3.9
Support services	1.3	3.1	4.4	5.0
Industrials	**1.9**	**11.5**	**13.4**	**14.7**
Automobiles and parts	–	1.0	1.0	–
Food producers	–	8.1	8.1	8.4
Household goods and home construction	–	2.7	2.7	1.9
Personal goods	–	4.3	4.3	2.8
Tobacco	1.2	–	1.2	3.5
Consumer Goods	**1.2**	**16.1**	**17.3**	**16.6**
Health care equipment and services	–	3.0	3.0	2.6
Pharmaceuticals and biotechnology	–	3.8	3.8	3.4
Health Care	**–**	**6.8**	**6.8**	**6.0**
Food and drug retailers	–	2.6	2.6	2.2
General retailers	–	1.3	1.3	1.1
Media	2.2	2.3	4.5	4.1
Consumer Services	**2.2**	**6.2**	**8.4**	**7.4**
Mobile telecommunications	–	2.1	2.1	3.0
Telecommunications	**–**	**2.1**	**2.1**	**3.0**
Electricity	1.3	–	1.3	1.7
Utilities	**1.3**	**–**	**1.3**	**1.7**
Banks	–	4.0	4.0	5.7
Non-life insurance	3.1	0.8	3.9	2.5
Life insurance	1.9	0.8	2.7	3.6
Real estate	–	0.2	0.2	–
Financial services	–	6.2	6.2	4.8
Equity investment instruments	1.6	–	1.6	2.3
Real estate investment and services	–	–	–	0.2
Financials	**6.6**	**12.0**	**18.6**	**19.1**
Software and computer services	–	3.4	3.4	3.4
Technology hardware and equipment	–	4.0	4.0	6.1
Technology	**–**	**7.4**	**7.4**	**9.5**
Total Equities	**14.5**	**65.1**	**79.6**	
Total Equities – 2016	18.1	64.7		**82.8**
Direct Property	**14.6**	**–**	**14.6**	**11.8**
Bonds	**–**	**5.7**	**5.7**	**5.0**
Net Liquid Assets	**–**	**0.1**	**0.1**	**0.4**
Total Assets	**29.1**	**70.9**	**100.0**	
Total Assets – 2016	32.1	67.9		**100.0**
Debenture	**(14.4)**	**–**	**(14.4)**	**(16.3)**
Equity Shareholders' Funds	**14.7**	**70.9**	**85.6**	
Equity Shareholders' Funds – 2016	15.8	67.9		**83.7**
Number of equity investments	**14**	**57**	**71**	**71**

List of Investments at 31 December 2017

Name	Business	Value £'000	% of total assets
Coca Cola	Beverage manufacturer	11,968	2.1
Johnson and Johnson	Pharmaceuticals and healthcare products	11,946	2.1
Prudential	Life insurer	10,874	1.9
CH Robinson	Delivery and logistics	10,850	1.9
Deutsche Boerse	Securities exchange owner/operator	10,563	1.8
Procter & Gamble	Household product manufacturer	10,511	1.8
Partners Group	Asset management	10,319	1.8
Fastenal	Distribution and sales of industrial supplies	9,942	1.7
Sonic Healthcare	Laboratory testing	9,475	1.6
Anta Sports Products	Sportswear manufacturer and retailer	9,378	1.6
Hiscox	Property and casualty insurance	9,239	1.6
AVI	Staple foods manufacturer	8,995	1.5
Admiral	Car insurance	8,625	1.5
Analog Devices	Integrated circuits	8,620	1.5
Cochlear	Hearing aids	8,357	1.4
Pepsico	Snack and beverage manufacturer	8,354	1.4
Microsoft	Computer software	8,289	1.4
McDonald's	Fast food restaurants	8,222	1.4
Edenred	Voucher programme outsourcer	8,150	1.4
Total	Integrated oil company	8,101	1.4
Taiwan Semiconductor Manufacturing	Semiconductor manufacturer	8,014	1.4
United Parcel Service	Courier services	7,868	1.4
Experian	Credit scoring and marketing services	7,614	1.3
Scottish & Southern Energy	Electricity utility	7,603	1.3
WPP	Advertising agency	7,547	1.3
Kering	Luxury brand conglomerate	7,441	1.3
Rio Tinto	Mining	7,321	1.3
British American Tobacco	Cigarette manufacturer	7,299	1.3
Atlas Copco	Engineering	7,241	1.2
China Mobile	Mobile telecommunication services	7,075	1.2
Nestlé	Food producer	6,940	1.2
National Instruments	Electronic test and measurement systems	6,885	1.2
Dia	Discount supermarkets	6,844	1.2
Apple	Computer technology	6,547	1.1
Kimberly-Clarke de México	Paper-based household products	6,403	1.1
Bankinter	Corporate and retail bank	6,211	1.1
Pandora	Manufactures handmade jewellery	6,075	1.0
Alphabet Class A	Online search engine	5,984	1.0
United Overseas Bank	Commercial banking	5,980	1.0
Dolby Laboratories	Multimedia software	5,696	1.0
Sumitomo Mitsui Trust Holdings	Trust bank and investment manager	5,692	1.0
Brambles	Pallet pool operator	5,685	1.0
Continental	Tyres and automotive parts manufacturer	5,635	1.0
Sandvik	Engineering	5,632	1.0
Want Want	Snacks and milk-based products	5,548	1.0
SAP	Business software developer	5,496	0.9
Novo Nordisk	Pharmaceutical company	5,487	0.9
Wolters Kluwer	Information services and solutions provider	5,466	0.9
Svenska Handelsbanken	Banking	5,435	0.9
B3 S.A.	Securities exchange owner/operator	5,313	0.9

Name	Business	Value £'000	% of total assets
Hong Kong Exchanges and Clearing	Securities exchange owner/operator	5,299	0.9
MTN Group	South African wireless telecom company	5,286	0.9
Albemarle	Producer of speciality and fine chemicals	5,244	0.9
Man Wah	Sofa designer and manufacturer	5,182	0.9
Ambev	Brewing	5,157	0.9
Pearson	Educational publisher	5,065	0.9
Roche Holdings	Pharmaceuticals	4,806	0.8
Zenkoku Hosho	Speciality finance	4,782	0.8
Challenger	Investment management company	4,677	0.8
Greencoat UK Wind	UK wind farms	4,548	0.8
Aberforth Split Level Income Trust	UK small-cap equities fund	4,434	0.8
Arthur J Gallagher	Insurance broker	4,428	0.8
Apache	Oil exploration and production	4,157	0.7
Philips Lighting	Light manufacturing company	4,041	0.7
Doric Nimrod Air Two	Aircraft leasing	3,801	0.6
Li & Fung	Supply chain management services company	3,237	0.6
WPP Aunz	Advertising agency	2,562	0.4
Cambium Global Timberland	Forestry investment fund	1,146	0.2
Terra Catalyst Fund*	Fund of European property funds	265	–
D Carnegie	Swedish housing developer	1	–
Total Equities		**462,873**	**79.6**
Direct Property			
Direct Property	See table on page 18.	**84,950**	**14.6**
Bonds			
Euro denominated	Aryzta Finance 4.5% 2019 Perpetual	**4,731**	**0.8**
US dollar denominated	Alibaba Convertible 5.75% 2019	6,963	
	Athena Debt Opportunities Fund	12,130	
		19,093	**3.3**
Argentinian peso denominated	Argentina 15.5% 17/10/2026	**1,556**	**0.3**
Brazilian real denominated	Brazil CPI Linked 15/05/2045	**7,392**	**1.3**
Total Bonds		**32,772**	**5.7**
Total Investments		**580,595**	**99.9**
Net Liquid Assets		771	0.1
Total Assets (before deduction of debenture)		**581,366**	**100.0**

* Delisted.

Property Portfolio

Location	Type	Tenant	2017 Value £'000	2017 % of total assets	2016 Value £'000
Basingstoke	Warehouse	G4S Cash Solutions (UK) Ltd	3,450	0.6	3,300
Beccles†	Restaurant	Prezzo Limited	–	–	1,300
Biggleswade	Warehouse	Quest Automotive Products UK Limited	4,800	0.8	4,400
Bishop's Stortford	Restaurant	Prezzo Limited	1,250	0.2	1,500
Blandford Forum†	Restaurant	Prezzo Limited	–	–	1,100
Cleethorpes	Public House	Stonegate Pub Company Limited	900	0.2	750
Crawley	Petrol Station and Convenience Store	Co-operative Food Stores Limited	3,750	0.6	3,600
Denbigh*	Supermarket	Aldi Stores Limited Peacocks Stores Limited Poundland Retail Limited	5,900	1.0	–
Dundee	Public House	JD Wetherspoon Plc	1,300	0.2	1,250
Earley	Public House	Spirit Pub Company (Managed) Limited	3,250	0.6	3,000
Inverness†	Warehouse	Brake Brothers Limited	–	–	2,750
Kenilworth	Nursing Home	Care UK Community Partnerships Limited	7,200	1.2	6,800
Leicester†	Car Showroom	Sytner Properties Limited	–	–	3,450
Luton	Public House	Stonegate Pub Company Limited	3,150	0.5	2,500
Milton Keynes*	Data Centre	TalkTalk Communications Limited	16,000	2.8	–
New Romney	Holiday Village	Park Resorts Ltd	11,500	2.0	10,000
Newport Pagnell	Car Showroom	Pendragon Plc	4,000	0.7	4,150
Otford	Public House	Spirit Pub Company (Managed) Limited	2,250	0.4	2,100
Pagham*	Convenience Store	Co-operative Food Stores Limited	1,300	0.2	–
Portsmouth	Public House	JD Wetherspoon Plc	2,600	0.5	2,500
Prestatyn	Public House	Stonegate Pub Company Limited	1,600	0.3	1,450
Redditch†	Warehouse	Weston Body Hardware Ltd	–	–	1,500
Sale	Public House	Stonegate Pub Company Limited	750	0.1	650
Southend-on-Sea*	Warehouse	Giant Booker Limited	8,600	1.5	–
Torquay	Public House	Mitchells & Butlers Retail Limited	1,400	0.2	1,350
Winchester†	Public House	Fuller Smith & Turner Plc	–	–	1,600
			84,950	**14.6**	**61,000**

* Property purchased during the year.
† Property sold during the year.

The Strategic Report, which includes pages 2 to 19, was approved by the Board on 15 February 2018.

Peter Moon
Chairman

Ten Year Record*

Revenue

Year to 31 December	Gross revenue £'000	Available for ordinary shareholders £'000	Earnings per ordinary share † p	Dividend per ordinary share (net) p	Ongoing charges # %
2007	17,751	11,345	8.56	8.25	0.80
2008	20,901	13,905	10.50	8.80	0.84
2009	17,194	11,989	9.05	9.05	1.02
2010	16,379	11,271	8.51	9.25	0.90
2011	17,316	12,346	9.32	9.45	0.89
2012	18,556	13,564	10.22	9.80	0.94
2013	18,421	13,541	10.21	10.20	0.90
2014	18,782	13,940	10.51	10.50	0.90
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**

Gearing Ratios

Year to 31 December	Equity gearing ‡ %	Potential gearing ¶ %
2007	5	24
2008	0	44
2009	(3)	32
2010	(4)	26
2011	(1)	30
2012	(2)	27
2013	4	25
2014	1	25
2015	2	24
2016	0	19
2017	**(6)**	**17**

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

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

‡ Total assets (including all debt used for investment purposes) less cash, bonds (ex convertibles) and property divided by shareholders' funds.

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

Capital

At 31 December	Total assets £'000	Debenture stocks and loans £'000	Shareholders' funds £'000	Net asset value per share (book) § p	Net asset value per share (fair) § p	Share price p	Premium/ (discount) ^ (book) %	Premium/ (discount) ^ (fair) %
2007	460,094	88,708	371,386	280.3	272.7	240.0	(14.4)	(12.0)
2008	289,087	88,312	200,775	151.5	145.3	130.5	(13.9)	(10.2)
2009	365,067	87,892	277,175	209.2	206.0	181.0	(13.5)	(12.1)
2010	418,269	87,446	330,823	249.7	242.5	245.5	(1.7)	1.2
2011	381,166	86,972	294,194	221.7	205.3	208.5	(6.0)	1.6
2012	401,780	86,467	315,313	237.7	220.5	225.5	(5.1)	2.3
2013	428,313	85,931	342,382	258.1	247.0	256.3	(0.7)	3.8
2014	429,167	85,361	343,806	259.1	243.7	249.6	(3.7)	2.4
2015	433,209	84,756	348,453	261.7	247.5	261.5	(0.1)	5.7
2016	515,622	84,112	431,510	323.5	309.2	324.0	0.2	4.8
2017	**581,366**	**83,428**	**497,938**	**366.2**	**355.6**	**368.0**	**0.5**	**3.5**

§ Net asset value per ordinary share has been calculated after deducting the debenture at either book value or fair value. See Glossary of Terms on page 61.

^ Premium/(discount) is the difference between SAINTS' quoted share price and its underlying net asset value at either book value or fair value. See Glossary of Terms on page 61.

Cumulative Performance (taking 2007 as 100)

At 31 December	Net asset value per share	Net asset value total return	Share price	Share price total return	Benchmark	Benchmark total return	Earnings per ordinary share	Dividends per ordinary share (net)	Consumer price index
2007	100	100	100	100	100	100	100	100	100
2008	54	56	54	57	77	74	123	107	103
2009	75	82	75	84	81	93	106	110	106
2010	89	102	102	119	80	107	99	112	110
2011	79	94	87	105	82	102	109	115	116
2012	85	105	94	119	82	114	119	119	118
2013	92	119	107	141	82	138	119	124	120
2014	92	125	104	143	89	154	123	127	121
2015	93	131	109	156	91	160	122	130	121
2016	115	168	135	201	114	207	122	131	123
2017	**131**	**197**	**153**	**236**	**127**	**236**	**132**	**135**	**126**
Compound annual returns									
5 year	9.0%	13.4%	10.3%	14.7%	9.2%	15.6%	2.1%	2.6%	1.3%
10 year	2.7%	7.0%	4.4%	9.0%	2.4%	9.0%	2.8%	3.1%	2.3%

On 1 January 2004 the Company changed its benchmark from 65% FTSE All-Share Index and 35% FTSE World Ex UK Index to 70% FTSE All-Share Index and 30% FTSE World Ex UK Index and with effect from 1 January 2009, the Company's benchmark became 50% FTSE All-Share Index and 50% FTSE All-World ex UK Index. With effect from 1 January 2014, the Company's benchmark became 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: Thomson Reuters/Baillie Gifford and relevant underlying index providers. See disclaimer on page 60.

* See Glossary of Terms on page 61.

Past performance is not a guide to future performance.

Directors and Management

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

Directors

Peter Moon

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

Bronwyn Curtis, OBE

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

Eric Hagman, CBE, CA

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

Lord Kerr of Kinlochard, GCMG

Lord Kerr joined the Board in 2002 and was appointed Senior Independent Director in 2012. He was Ambassador to the US and the EU, and Foreign Office Permanent Under-Secretary. He is currently deputy chairman of Scottish Power, and chairman of the Centre for European Reform. He was formerly deputy chairman of Royal Dutch Shell plc, a director of Rio Tinto plc, chairman of Imperial College London and a trustee of the National Gallery.

Lord Macpherson of Earl's Court, GCB

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

All Directors are members of the Nomination and Audit Committees.

From left to right: Bronwyn Curtis, Lord Macpherson of Earl's Court, Peter Moon, Lord Kerr of Kinlochard, Eric Hagman.

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

Baillie Gifford is one of the largest investment trust managers in the UK and currently manages seven investment trusts. Baillie Gifford also manage unit trusts and open ended investment companies, together with investment portfolios on behalf of pension funds, charities and other institutional clients, both in the UK and overseas. Funds under the management or advice of Baillie Gifford total around £181 billion. Based in Edinburgh, it is one of the leading privately owned investment management firms in the UK, with 43 partners and a staff of around 1,000.

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 2017.

Corporate Governance

The Corporate Governance Report is set out on pages 24 to 26 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. The management of the property portfolio has been delegated to OLIM Property Limited.

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

The Property Management Agreement sets out the matters over which OLIM Property Limited has discretion and those matters which require Board approval. The Property Management Agreement is terminable on three months' notice. The annual fee is 0.5% of the 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 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 Directive, the AIFM must appoint a Depositary to the Company. It is anticipated that, on or around 3 April 2018, the Depositary will change from BNY Mellon Trust & Depositary (UK) Limited to The Bank of New York Mellon (International) Limited following an internal reorganisation at The Bank of New York.

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. Following the internal reorganisation at The Bank of New York, scheduled for 3 April 2018, the custody function will be undertaken by The Bank of New York Mellon (International) Limited ('the Custodian') (having previously been delegated to The Bank of New York Mellon SA/NV).

Directors

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

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

Director Indemnification and Insurance

The Company has entered into qualifying third party deeds of indemnity in favour of each of its Directors. The deeds, which were in force during the year to 31 December 2017 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 2.825p per ordinary share which, together with the interim dividends already paid, makes a total of 11.10p for the year. If approved, the recommended final dividend on the ordinary shares will be paid on 12 April 2018 to shareholders on the register at the close of business on 9 March 2018. The ex-dividend date is 8 March 2018. The Company's Registrar offers a Dividend Reinvestment Plan (see page 56) and the final date for the receipt of elections for reinvestment of this dividend is 20 March 2018.

Share Capital

Capital Structure

The Company's capital structure consists of 135,975,943 ordinary shares of 25p each (2016 – 133,395,943 ordinary shares). There are no restrictions concerning the holding or transfer of the Company's ordinary shares and there are no special rights attaching to any of the shares.

Dividends

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

Capital Entitlement

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

Voting

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

Information on the deadlines for proxy appointments can be found on page 58.

Major Interests in the Company's Shares

Name	No. of ordinary 25p shares held at 31 December 2017	% of issue
Brewin Dolphin Limited	6,623,973	4.9
DC Thomson & Co Ltd	4,100,000	3.0

There have been no changes to the major interests in the Company's shares disclosed between 31 December 2017 and 14 February 2018.

Annual General Meeting

Share Issuance Authority

Resolution 11 in the Notice of Annual General Meeting seeks to renew the Directors' general authority to issue shares up to an aggregate nominal amount of £11,339,662. This amount represents 33.33% of the Company's total ordinary share capital currently in issue and meets institutional guidelines. No issue of ordinary shares will be made pursuant to the authorisation in Resolution 11 which would effectively alter the control of the Company without the prior approval of shareholders in general meeting.

Resolution 12, which is proposed as a special resolution, seeks to renew the Directors' authority to issue shares or sell shares held in treasury on a non-pre-emptive basis (i.e. without first offering such shares to existing shareholders pro-rata to their existing holdings) for cash up to an aggregate nominal amount of £3,401,898 (representing 10% of the issued ordinary share capital of the Company as at 14 February 2018). The authorities sought in Resolutions 11 and 12 will continue until the conclusion of the Annual General Meeting to be held in 2019 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 2017, the Company issued at a premium to net asset value on 21 separate occasions a total amount of 2,580,000 shares at an average price of 358.8p per share, raising proceeds of £9,258,000. Between 1 January and 14 February 2018, the Company issued a further 100,000 shares at a premium to net asset value raising proceeds of £379,000. No shares were held in treasury as at 14 February 2018.

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 13 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 6 April 2017 in respect of 19,996,051 shares of 25p each (equivalent to 14.99% of its then issued share capital). No shares were bought back during the year under review and no shares are held in treasury.

The principal reasons for share buy-backs are:

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

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

The Directors are seeking shareholders' approval at the Annual General Meeting to renew the authority to make market purchases of up to 20,397,783 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 2019. 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 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 14 in the Notice of Annual General Meeting.

Financial Instruments

The Company's financial instruments comprise its investment portfolio, cash balances, borrowings and debtors and creditors that arise directly from its operations such as sales and purchases awaiting settlement and accrued income. The financial risk management objectives and policies arising from its financial instruments and the exposure of the Company to risk are disclosed in note 17 to the Financial Statements.

Articles of Association

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

Disclosure of Information to Auditors

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

Independent Auditor

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

Post Balance Sheet Events

The Directors confirm that there have been no post Balance Sheet events up to 14 February 2018 that require disclosure in the financial statements.

Greenhouse Gas Emissions

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

Bribery Act

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

Criminal Finances Act 2017

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

Recommendation

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

On behalf of the Board
Peter Moon
15 February 2018

Corporate Governance Report

The Board is committed to achieving and demonstrating high standards of Corporate Governance. This statement outlines how the principles of the 2016 UK Corporate Governance Code (the ‘Code’), which can be found at www.frc.org.uk and the principles of the Association of Investment Companies (AIC) Code of Corporate Governance were applied throughout the financial year. The AIC Code provides a framework of best practice for investment companies and can be found at www.theaic.co.uk.

Compliance

The Board confirms that the Company has complied throughout the year under review with the relevant provisions of the Code and the recommendations of the AIC Code. The Code includes provisions relating to the role of the chief executive, executive directors’ remuneration and the need for an internal audit function. Given that the Company is an externally managed investment trust, the Board considers these provisions are not relevant to the Company (the need for an internal audit function specific to the Company has been addressed on page 27).

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 Lord Kerr of Kinlochard.

The Directors believe that the Board has a balance of skills and experience which enables it to provide effective strategic leadership and proper governance of the Company. Information about the Directors, including their relevant experience, can be found on page 20.

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

Appointments

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

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

Independence of Directors

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

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

Meetings

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

Directors’ Attendance at Meetings

	Board	Audit Committee	Nomination Committee
Number of meetings	**5**	**2**	**1**
Peter Moon	5	2	1
Bronwyn Curtis	5	2	1
Eric Hagman	5	2	1
Lord Kerr of Kinlochard	5	2	1
Lord Macpherson of Earl’s Court	5	2	1

Nomination Committee

The Nomination Committee consists of the whole Board and the Chairman of the Board is Chairman of the Committee. The Committee meets on an annual basis and at such other times as may be required. The Committee has written terms of reference which include reviewing the Board composition, Board appraisal, succession planning, training and identifying and nominating new candidates for appointment to the Board. The Committee also considers whether Directors should be recommended for re-election by shareholders. The Committee is responsible for considering Directors’ potential conflicts of interest and for making recommendations to the Board on whether or not the potential conflicts should be authorised. Appointments to the Board are made on merit with due regard for the benefits of diversity including gender. The priority in appointing new Directors is to identify the candidate with the best range of skills and experience to complement existing Directors. The Board therefore does not consider it appropriate to set diversity targets or apply a diversity policy.

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

Performance Evaluation

An appraisal of the Chairman, each Director, and a performance evaluation and review of the Board as a whole and its Committees was carried out during the year. The Chairman and each Director completed a performance evaluation questionnaire and each Director had an interview with the Chairman. The appraisal of the Chairman was led by Lord Kerr of Kinlochard. The appraisals and evaluations considered, amongst other criteria, the balance of skills of the Board, training and development requirements, the contribution of individual Directors and the overall effectiveness of the Board and its Committees. Following this process it was concluded that there was a diverse range of skills within the Board, and the performance of each Director, the Chairman, the Board and its Committees continues to be effective and the Directors remain committed to the Company. A review of the Chairman's and other Directors' commitments was carried out and the Nomination Committee is satisfied that they are capable of devoting sufficient time to the Company. There were no significant changes to the Chairman's other commitments during the year.

Induction and Training

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

Remuneration

As all the Directors are non-executive, there is no requirement for a separate Remuneration Committee. Directors' fees are considered by the Board as a whole within the limits approved by shareholders. The Company's policy on remuneration is set out in the Directors' Remuneration Report on pages 29 and 30.

Audit Committee

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

Internal Controls and Risk Management

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

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

Following the internal reorganisation at The Bank of New York, scheduled for 3 April 2018, the custody function will be undertaken by The Bank of New York Mellon (International) Limited (previously this was delegated to The Bank of New York Mellon SA/NV London Branch).

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

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

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

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

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

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

To comply with the Alternative Investment Fund Managers Directive BNY Mellon Trust & Depositary (UK) acts as the Company's Depositary, and Baillie Gifford & Co Limited as AIFM. With effect from 3 April 2018, The Bank of New York Mellon (International) Limited will be 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 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 Custodian prepares a report on its key controls and safeguards which is independently reviewed by BNYM's auditor KPMG LLP. The reports are reviewed by Baillie Gifford's Business Risk Department and a summary of the key points is reported to the Audit Committee and any concerns investigated.

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

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

The risk limits, which are set by the AIFM and approved by the Board, take into account the objectives, strategy and risk profile of the portfolio. These limits, including leverage (see page 60), are monitored and the sensitivity of the portfolio to key risks is undertaken periodically as appropriate to ascertain the impact of changes in key variables in the portfolio. Exceptions from limits monitoring and stress testing undertaken by Baillie Gifford's Business Risk Department are escalated to the AIFM and reported to the Board along with any remedial measures being taken.

Going Concern

In accordance with The Financial Reporting Council's guidance on going concern and liquidity risk, the Directors have undertaken a rigorous review of the Company's ability to continue as a going concern. The Company's principal risks are market related and include market risk, liquidity risk and credit risk. An explanation of these risks and how they are managed is contained in note 17 to the Financial Statements. The Company's assets, the majority of which are investments in quoted securities which are readily realisable, exceed its liabilities significantly. All borrowings require the prior approval of the Board. Gearing levels and compliance with borrowing covenants are reviewed by the Board on a regular basis. The Company has no short term borrowings and the redemption date for the Company's debenture is April 2022. Accordingly, the Financial Statements have been prepared on the going concern basis as it is the Directors' opinion, having assessed the principal risks and other matters set out in the Viability Statement on page 8, that the Company will continue in operational existence for at least 12 months from the date of approval of these Financial Statements.

Relations with Shareholders

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

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

Corporate Governance and Stewardship

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

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

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

On behalf of the Board
Peter Moon
15 February 2018

Audit Committee Report

The Audit Committee consists of all independent Directors. The members of the Committee consider that they have the requisite financial skills and experience to fulfil the responsibilities of the Committee. Mr E Hagman, Chairman of the Committee, is a Chartered Accountant. The Committee's authority and duties are clearly defined within its written terms of reference which are available at www.saints-it.com. The terms of reference are reviewed annually.

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

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

Main Activities of the Committee

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

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

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

Internal Audit

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

Financial Reporting

The Committee considers that the most significant issue likely to affect the Financial Statements is the existence, valuation and legal title of investments and property as they represent 99.9% of total assets.

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

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

The Auditor confirmed to the Committee that the external valuer's report is prepared in accordance with the stated accounting policy, the value of all the investments had been agreed to the external valuer's report and the portfolio holdings agreed to confirmations from an independent custodian.

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

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.

Internal Controls and Risk Management

The Committee reviewed the effectiveness of the Company's risk management and internal controls systems as described on pages 25 and 26. No significant weaknesses were identified in the year under review.

External Auditor

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

- 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 extent of non-audit services provided by the external Auditor. Non-audit fees for the year to 31 December 2017 were £950 and related to the certification of financial information for the debenture trustee. The Committee does not believe that this has impaired the Auditor's independence.

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

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

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

— The Auditor's engagement letter;

— The Auditor's proposed audit strategy;

— The audit fee; and

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

Although KPMG LLP has been Auditor for 13 years, the audit partners responsible for the audit are rotated at least every five years in accordance with professional and regulatory standards in order to protect independence and objectivity and to provide fresh challenge to the business. Mr Waterson, the current partner, was appointed during the year and will continue as partner only until the conclusion of the 2021 audit.

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

Having carried out the review and tender process as described above, the Committee is satisfied that the Auditor remains independent and effective.

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

Accountability and Audit

The respective responsibilities of the Directors and the Auditor in connection with the Financial Statements are set out on pages 31 to 35.

On behalf of the Board
Eric Hagman
Audit Committee Chairman
15 February 2018

Directors' Remuneration Report

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

Statement by the Chairman

The Directors' Remuneration Policy is subject to shareholder approval every three years or sooner if an alteration to the policy is proposed. The Remuneration Policy which is set out below was last approved at the Annual General Meeting in April 2017 and no changes are proposed.

The Board reviewed the level of fees during the year and concluded that there would be no need to change the fees. The fees were last increased with effect from 1 January 2017.

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

The basic and additional fees payable to Directors in respect of the year ended 31 December 2017 and the fees payable in respect of the year ending 31 December 2018 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 2018 £	Fees for year ended 31 Dec 2017 £
Non-executive Director fee	22,000	22,000
Additional fee for Chairman	16,500	16,500
Additional fee for Chairman of the Audit Committee	5,000	5,000

Annual Report on Remuneration

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

The law requires the Company's Auditor to audit certain of the disclosures provided in this report. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is included in their report on pages 32 to 35.

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	2017 Fees £	2017 Taxable benefits * £	2017 Total £	2016 Fees £	2016 Taxable benefits * £	2016 Total £
Peter Moon (Chairman)	38,500	2,086	**40,586**	31,192	4,886	**36,078**
Bronwyn Curtis	22,000	2,383	**24,383**	20,000	3,936	**23,936**
Eric Hagman	27,000	1,940	**28,940**	23,000	2,483	**25,483**
Lord Kerr of Kinlochard	22,000	3,245	**25,245**	20,000	6,026	**26,026**
Lord Macpherson of Earl's Court (appointed 15 September 2016)	22,000	2,322	**24,322**	5,923	922	**6,845**
Sir Brian Ivory (retired 4 April 2016)	–	–	–	9,019	278	**9,297**
	131,500	**11,976**	**143,476**	**109,134**	**18,531**	**127,665**

* Comprises travel and subsistence expenses incurred by or on behalf of Directors in the course of travel to attend Board and Committee meetings held at the Company's registered office in Edinburgh. These amounts have been grossed up for income tax.

Directors' Interests (audited)

Name	Nature of interest	Ordinary 25p shares held at 31 December 2017	Ordinary 25p shares held at 31 December 2016
Peter Moon	Beneficial	15,000	10,000
Bronwyn Curtis	Beneficial	3,000	3,000
Eric Hagman	Beneficial	2,000	2,000
Lord Kerr of Kinlochard	Beneficial	149,314	141,417
Lord Macpherson of Earl's Court	Beneficial	10,000	2,500

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 14 February 2018.

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, 96.5% were in favour, 2.4% were against and votes withheld were 1.1% and of the proxy votes received in respect of the Directors' Remuneration Policy, 95.5% were in favour, 3.1% were against and votes withheld were 1.4%.

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.

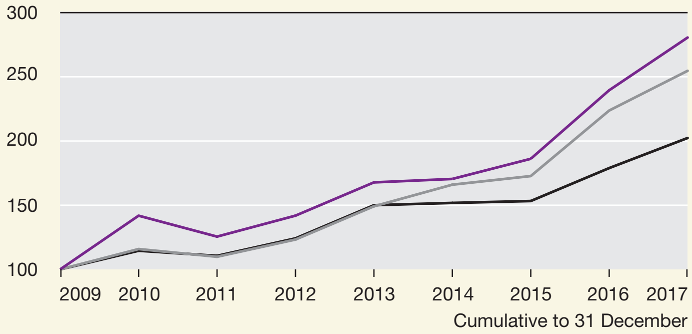
	2017 £000	2016 £000	Change %
Directors' Remuneration	143	128	11.7
Dividends paid to shareholders	14,778	14,397	2.6

Company Performance

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

Performance Graph

(figures rebased to 100 at 31 December 2009)



Source: Thomson Reuters/Baillie Gifford and relevant underlying index providers. See disclaimer on page 60.

SAINTS share price

Benchmark*

FTSE All-Share

All figures are total return (see Glossary of Terms on page 61).

* 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 60.

Past performance is not a guide to future performance.

Approval

The Directors' Remuneration Report on pages 29 and 30 was approved by the Board of Directors and signed on its behalf on 15 February 2018.

Peter Moon
Chairman

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

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

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law they are required to prepare the Financial Statements in accordance with UK 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 UK 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; and

— 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.

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

On behalf of the Board
Peter Moon
15 February 2018

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.

KPMG

Independent auditor's report

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

1. Our opinion is unmodified

We have audited the financial statements of The Scottish American Investment Company P.L.C. ("the Company") for the year ended 31 December 2017 which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

— give a true and fair view of the state of Company's affairs as at 31 December 2017 and of its profit for the year then ended;

— have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and

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

Basis for opinion

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

We were appointed as auditor by the directors on the 16th October 2004. The period of total uninterrupted engagement is for the 14 financial years ended 31 December 2017. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality: financial statements as a whole	£5.8m (2016:£5.2m) 1% (2016: 1%) of Total Assets	
Risks of material misstatement		**vs 2016**
Recurring risks	Valuation of investment properties	▲
	Carrying value of quoted investments	◀▶

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

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters (unchanged from 2016), in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Valuation of investment properties (£85.0 million; 2016: £61.0 million) *Refer to page 27 (Audit Committee Report), page 40 (accounting policy) and page 45 (financial disclosures)*	**Subjective valuation:** 14.6% of the Company's total assets (by value) are held in investment properties. Investment properties are held at fair value in the financial statements. These are externally valued by a qualified independent valuer. The fair value of each property requires significant judgement and estimation, in particular over the key assumptions of the estimated rental value and the yield. There is a significant risk over the valuation of these investment properties.	Our procedures included: — **Assessing valuer's credentials:** Using our own chartered surveyors, we evaluated the competence, experience and independence of the external valuers; — **Tests of Detail:** We compared the information provided by the Company to its external property valuer for a sample, such as lease data and rental income to supporting documents including lease and purchase agreements; — **Methodology choice:** We held discussions with the Company's external property valuer to determine the valuation methodology used. We included our own property valuation specialist to assist us in critically assessing the results of the valuer's report by checking that the valuations were in accordance with the RICS Valuation professional Standards 'the Red Book' and FRS 102 and that the methodology adopted was appropriate by reference to acceptable valuation practice; — **Benchmarking Assumptions:** With the assistance of our own property valuation specialist, we held discussions with the Company's external property valuer to obtain an explanation for the movements in property values. For a sample of properties, we assessed the reasonableness of the valuations by gaining an understanding of the nature of the property and how tenancy and income changes over the year may have affected the valuation. We also considered valuation changes over the year against the MSCI capital value data; and — **Assessing transparency:** We also considered the adequacy of the Company's disclosures about the degree of estimation and sensitivity to key assumptions made when valuing the investment properties. **Our results** — We found the Company's valuation of investment properties to be acceptable (2016: acceptable).
Carrying Value of Quoted Investments (£483.3 million; 2016: £442.0 million) *Refer to page 27 (Audit Committee Report), page 40 (accounting policy) and page 45 (financial disclosures)*	**Low risk, high value:** The Company's portfolio of quoted investments makes up 82.6% of the Company's total assets (by value) and is one of the key drivers of results. We do not consider these investments to be at a high risk of significant misstatement, or to be subject to a significant level of judgement because they comprise liquid, quoted investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be one of the areas which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.	Our procedures included: — **Control design:** Documenting and assessing the processes in place to record investment transactions and to value the portfolio; — **Tests of Detail:** Agreeing the valuation of 100 per cent of investments in the portfolio to externally quoted prices; and — **Enquiry of custodians:** Agreeing 100 per cent of investment holdings in the portfolio to independently received third party confirmations from investment custodians.. **Our results** — We found the carrying amount of quoted investments to be acceptable (2016: acceptable).

KPMG

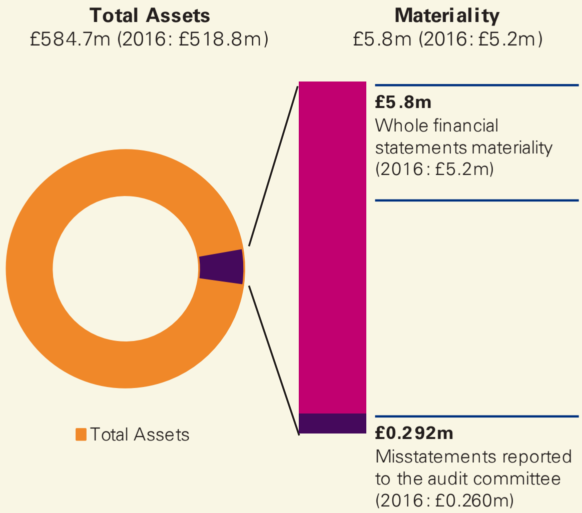
3. Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements as a whole was set at £5,8m (2016: £5.2m), determined with reference to a benchmark of total assets, of which it represents 1% (2016: 1%).

In addition, we applied materiality of £825,000 (2016: £750,000) to income from investments, rental income, investment management fees and borrowing costs, for which we believe misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the Company's members' assessment of the financial performance of the Company.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £292,000 (2016: £260,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above and was all performed at Baillie Gifford & Co's office in Edinburgh.



4. We have nothing to report on going concern

We are required to report to you if:

— we have anything material to add or draw attention to in relation to the directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or

— if the related statement under the Listing Rules set out on page 26 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

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

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

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

Strategic report and directors' report

Based solely on our work on the other information:

— we have not identified material misstatements in the strategic report and the directors' report;

— in our opinion the information given in those reports for the financial year is consistent with the financial statements; and

— in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

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

Disclosures of principal risks and longer-term viability

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

— the directors' confirmation within the Viability Statement on page 8 that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity;

— the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and

— the directors' explanation in the Viability Statement of how they have assessed the prospects of the Company, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

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

Corporate governance disclosures

We are required to report to you if:

— we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy; or

— the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

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

We have nothing to report in these respects.

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

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

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

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

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

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

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 31, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud, other irregularities, or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The risk of not detecting a material misstatement resulting from fraud or other irregularities is higher than for one resulting from error, as they may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control and may involve any area of law and regulation not just those directly affecting the financial statements.

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

Irregularities – ability to detect

Our audit aimed to detect non-compliance with relevant laws and regulations (irregularities) that could have a material effect on the financial statements. In planning and performing our audit, we considered the effect of laws and regulations in respect of the Company's qualification as an Investment Trust under UK tax legislation, any breach of which could lead to the Company losing various deductions and exemptions from UK corporation tax. We identified these areas through our sector experience and discussion with the directors, the manager and the administrator (as required by auditing standards). In addition we had regard to laws and regulations in other areas including such as financial reporting and company legislation.

We considered the extent of compliance with those laws and regulations that directly affect the financial statements, being the Company's qualification as an Investment Trust for tax purposes and financial reporting (including related company legislation), as part of our procedures on the related financial statement items. For the remaining laws and regulations, we made enquiries of directors, the manager and the administrator (as required by auditing standards).

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

As with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

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

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.

John Waterson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

15 February 2018

Income Statement

For the year ended 31 December

	Notes	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000
Net gains on investments – securities	9	–	56,191	**56,191**	–	87,566	**87,566**
Net gains on investments – property	9	–	4,845	**4,845**	–	1,265	**1,265**
Currency gains/(losses)	14	–	558	**558**	–	(1,084)	**(1,084)**
Income	2	20,484	–	**20,484**	18,630	–	**18,630**
Management fees	3	(893)	(1,659)	**(2,552)**	(775)	(1,440)	**(2,215)**
Other administrative expenses	4	(1,086)	–	**(1,086)**	(968)	–	**(968)**
Net return before finance costs and taxation		18,505	59,935	**78,440**	16,887	86,307	**103,194**
Finance costs of borrowings	5	(2,001)	(3,715)	**(5,716)**	(2,015)	(3,741)	**(5,756)**
Net return on ordinary activities before taxation		16,504	56,220	**72,724**	14,872	82,566	**97,438**
Tax on ordinary activities	6	(1,291)	515	**(776)**	(933)	293	**(640)**
Net return on ordinary activities after taxation		**15,213**	**56,735**	**71,948**	**13,939**	**82,859**	**96,798**
Net return per ordinary share	7	**11.33p**	**42.24p**	**53.57p**	**10.46p**	**62.16p**	**72.62p**

A final dividend for the year of 2.825p is proposed (2016 – 2.725p), making a total dividend for the year of 11.10p (2016 – 10.825p). More information on dividend distributions can be found in note 8 on page 43.

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 40 to 51 are an integral part of this statement.

Balance Sheet

As at 31 December

	Notes	2017 £'000	2017 £'000	2016 £'000	2016 £'000
Fixed assets					
Investments – securities	9	495,645		452,554	
Investments – property	9	84,950		61,000	
			580,595		513,554
Current assets					
Debtors	10	1,222		1,116	
Cash and cash equivalents	17	2,894		4,174	
		4,116		5,290	
Creditors					
Amounts falling due within one year	11	(3,345)		(3,222)	
Net current assets			771		2,068
Total assets less current liabilities			581,366		515,622
Creditors					
Amounts falling due after more than one year	12		(83,428)		(84,112)
Net assets			**497,938**		**431,510**
Capital and reserves					
Share capital	13		33,994		33,349
Share premium account	14		10,744		2,131
Capital redemption reserve	14		22,781		22,781
Capital reserve	14		413,632		356,897
Revenue reserve	14		16,787		16,352
Shareholders' funds			**497,938**		**431,510**
Net asset value per ordinary share (Debenture at fair value)*	15		**355.6p**		**309.2p**
Net asset value per ordinary share (Debenture at book value)*	15		**366.2p**		**323.5p**

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 15 February 2018.

Peter Moon
Chairman

The accompanying notes on pages 40 to 51 are an integral part of this statement.

* See Glossary of Terms on page 61.

Statement of Changes in Equity

For the year ended 31 December 2017

	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 2017		33,349	2,131	22,781	356,897	16,352	**431,510**
Shares issued	13	645	8,613	–	–	–	**9,258**
Net return on ordinary activities after taxation	7	–	–	–	56,735	15,213	**71,948**
Dividends paid in the year	8	–	–	–	–	(14,778)	**(14,778)**
Shareholders' funds at 31 December 2017		**33,994**	**10,744**	**22,781**	**413,632**	**16,787**	**497,938**

For the year ended 31 December 2016

	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 2016		33,290	1,534	22,781	274,038	16,810	**348,453**
Shares issued	13	59	597	–	–	–	**656**
Net return on ordinary activities after taxation	7	–	–	–	82,859	13,939	**96,798**
Dividends paid in the year	8	–	–	–	–	(14,397)	**(14,397)**
Shareholders' funds at 31 December 2016		**33,349**	**2,131**	**22,781**	**356,897**	**16,352**	**431,510**

The accompanying notes on pages 40 to 51 are an integral part of this statement.

Cash Flow Statement

For the year ended 31 December

	Notes	2017 £'000	2017 £'000	2016 £'000	2016 £'000
Cash flows from operating activities					
Net return on ordinary activities before taxation		72,724		97,438	
Net gains on investments – securities		(56,191)		(87,566)	
Net gains on investments – property		(4,845)		(1,265)	
Currency (gains)/losses		(558)		1,084	
Finance costs of borrowings		5,716		5,756	
Overseas withholding tax		(810)		(625)	
Changes in debtors and creditors		51		233	
Other non-cash changes		(25)		(65)	
Cash from operations			16,062		14,990
Interest paid			(6,400)		(6,400)
Net cash inflow from operating activities			9,662		8,590
Cash flows from investing activities					
Acquisitions of investments		(129,531)		(83,824)	
Disposals of investments		123,551		91,034	
Forward currency contracts		469		(1,691)	
Net cash (outflow)/inflow from investing activities			(5,511)		5,519
Cash flows from financing activities					
Equity dividends paid	8	(14,778)		(14,397)	
Shares issued	13	9,258		656	
Net cash outflow from financing activities			(5,520)		(13,741)
(Decrease)/increase in cash and cash equivalents			(1,369)		368
Exchange movements			89		407
Cash and cash equivalents at 1 January			4,174		3,399
Cash and cash equivalents at 31 December*			**2,894**		**4,174**

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

The accompanying notes on pages 40 to 51 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 2017 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 Financial Statements have been prepared in accordance with the Companies Act, applicable UK accounting standards and with the AIC's Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued in November 2014 and updated in January 2017 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.

(b) Investments

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

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

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

(c) Cash and cash equivalents

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

(d) Income

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

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

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

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

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

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

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

(e) Expenses

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

(i) where they relate directly to the acquisition or disposal of an investment, in which case they are recognised as capital; and

(ii) where they are connected with the maintenance or enhancement of the value of investments. In this respect investment and property management fees are allocated 35% to revenue and 65% to capital, in line with the Board's expectation of returns from the Company's investments over the long term in the form of revenue and capital respectively.

(f) Long Term Borrowings and Finance Costs

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

(g) Taxation

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

(h) Foreign Currencies

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

(i) Capital Reserve

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

(j) Accounting Estimates and Judgements

The preparation of the Financial Statements requires the use of estimates and judgements that affect the reported amounts of assets and liabilities at the reporting date. However, uncertainty about those estimates and judgements could result in an actual outcome which may differ from these estimates. The most significant estimation and uncertainty relates to the valuation of the property portfolio. External, independent professional valuers 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.

2 Income

	2017 £'000	2016 £'000
Income from investments		
UK dividends	3,243	3,176
UK interest	–	157
Overseas dividends	10,648	10,316
Overseas interest	1,426	873
	15,317	**14,522**
Other income		
Deposit interest	10	64
Rental income	5,120	4,021
Other income	37	23
	5,167	**4,108**
Total income	**20,484**	**18,630**
Total income comprises		
Dividends from financial assets designated at fair value through profit or loss	13,891	13,492
Interest from financial assets designated at fair value through profit or loss	1,426	1,030
Interest from financial assets not at fair value through profit or loss	10	64
Other income not from financial assets	5,157	4,044
	20,484	**18,630**

3 Management Fees

	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000
Investment management fee	755	1,403	**2,158**	672	1,247	**1,919**
Property management fee	138	256	**394**	103	193	**296**
	893	**1,659**	**2,552**	**775**	**1,440**	**2,215**

Details of the Investment Management Agreement and Property Management Agreement are disclosed on page 21. Baillie Gifford & Co Limited's annual management fee is 0.45% of total assets less current liabilities, excluding the property portfolio, calculated on a quarterly basis. 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

	2017 £'000	2016 £'000
General administrative expenses	775	714
Custodian/depositary fees	156	125
Auditor's remuneration for audit services	22	19
Auditor's remuneration for non-audit services – reporting on debenture covenants	1	1
Directors' fees (see Directors' Remuneration Report on page 29)	132	109
	1,086	**968**

5 Finance Costs of Borrowings

	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000
Financial liabilities not at fair value through profit or loss						
Debenture interest	**2,001**	**3,715**	**5,716**	**2,015**	**3,741**	**5,756**

6 Tax on Ordinary Activities

	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000
UK corporation tax	538	(538)	**–**	314	(314)	**–**
Overseas taxation	776	–	**776**	640	–	**640**
Double taxation relief	(23)	23	**–**	(21)	21	**–**
	1,291	**(515)**	**776**	**933**	**(293)**	**640**

	2017 £'000	2016 £'000
The tax charge for the year is lower than the standard rate of corporation tax in the UK of 19.25% (2016 – 20%)		
The differences are explained below:		
Net return on ordinary activities before taxation	72,724	97,438
Net return on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK of 19.25% (2016 – 20%)	13,999	19,488
Capital returns not taxable	(11,857)	(17,550)
Income not taxable	(2,638)	(2,660)
Taxable loss not utilised	496	722
Overseas tax	776	640
Total tax charge for the year	**776**	**640**

At 31 December 2017 the Company had a potential deferred tax asset of £4,556,000 (2016 – £3,726,000) in respect of taxable losses which are available to be carried forward and offset against future taxable profits. A deferred tax asset has not been recognised on these losses as it is considered unlikely that the Company will make suitable taxable revenue profits in excess of deductible expenses in future periods. The potential deferred tax asset has been calculated using a corporation tax rate of 17% (2016 – 17%).

7 Net Return per Ordinary Share

	2017 Revenue	2017 Capital	2017 Total	2016 Revenue	2016 Capital	2016 Total
Net return per ordinary share	**11.33p**	**42.24p**	**53.57p**	**10.46p**	**62.16p**	**72.62p**

Revenue return per ordinary share is based on the net revenue on ordinary activities after taxation of £15,213,000 (2016 – £13,939,000) and on 134,296,614 (2016 – 133,291,026) ordinary shares of 25p, being the weighted average number of ordinary shares in issue during the year.

Capital return per ordinary share is based on the net capital gain for the financial year of £56,735,000 (2016 – net capital gain of £82,859,000), and on 134,296,614 (2016 – 133,291,026) 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

	2017	2016	2017 £'000	2016 £'000
Amounts recognised as distributions in the year:				
Previous year's final (paid 12 April 2017)	2.725p	2.70p	3,635	3,595
First interim (paid 23 June 2017)	2.725p	2.70p	3,644	3,598
Second interim (paid 22 September 2017)	2.75p	2.70p	3,694	3,602
Third interim (paid 18 December 2017)	2.80p	2.70p	3,805	3,602
	11.00p	**10.80p**	**14,778**	**14,397**

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 £15,213,000 (2016 – £13,939,000).

	2017	2016	2017 £'000	2016 £'000
Dividends paid and payable in respect of the year:				
First interim (paid 23 June 2017)	2.725p	2.70p	3,644	3,598
Second interim (paid 22 September 2017)	2.75p	2.70p	3,694	3,602
Third interim (paid 18 December 2017)	2.80p	2.70p	3,805	3,602
Current year's proposed final dividend (payable 12 April 2018)	2.825p	2.725p	3,841	3,635
	11.10p	**10.825p**	**14,984**	**14,437**

9 Investments

As at 31 December 2017	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Securities				
Listed equities/funds	462,608	–	265	**462,873**
Bonds	–	20,642	12,130	**32,772**
Property				
Freehold	–	–	84,950	**84,950**
Total financial asset investments	**462,608**	**20,642**	**97,345**	**580,595**

As at 31 December 2016	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Securities				
Listed equities/funds	424,881	1,919	–	**426,800**
Bonds	–	15,190	10,564	**25,754**
Property				
Freehold	–	–	61,000	**61,000**
Total financial asset investments	**424,881**	**17,109**	**71,564**	**513,554**

Investments in securities are financial assets designated at fair value through profit or loss on initial recognition. In accordance with FRS 102 the tables above provide an analysis of these investments based on the fair value hierarchy described below which reflects the reliability and significance of the information used to measure their fair value. Property investments are not financial assets and therefore the fair value hierarchy does not apply to these assets.

Fair Value Hierarchy

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

Level 1 – 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 2016	326,042	15,169	44,313	**385,524**
Investment holding gains at 31 December 2016	100,758	10,585	16,687	**128,030**
Value of investments at 31 December 2016	426,800	25,754	61,000	**513,554**
Movements in year:				
Purchases	90,444	6,795	32,292	**129,531**
Sales – proceeds	(104,792)	(5,572)	(13,187)	**(123,551)**
– gains on sales	35,591	2,905	3,109	**41,605**
Amortisation of fixed income book cost	–	25	–	**25**
Changes in investment holding gains	14,830	2,865	1,736	**19,431**
Value of investments at 31 December 2017	**462,873**	**32,772**	**84,950**	**580,595**
Cost of investments at 31 December 2017	347,285	19,322	66,527	**433,134**
Investment holding gains at 31 December 2017	115,588	13,450	18,423	**147,461**
Value of investments at 31 December 2017	**462,873**	**32,772**	**84,950**	**580,595**

* Includes funds.

The purchases and sales proceeds figures above include transaction costs of £2,027,000 (2016 – £390,000) and £254,000 (2016 – £47,000) respectively. Of the gains on sales during the year of £41,605,000 (2016 – gains of £14,487,000) a net gain of £24,861,000 (2016 – gain of £10,037,000) was included in investment holding gains at the previous year end.

The property was valued on an open market basis by Savills as at 31 December 2017.

	2017 £'000	2016 £'000
Net gains/(losses) on investments		
Securities:		
Gains on sales	38,496	14,487
Changes in investment holding gains	17,695	73,079
	56,191	**87,566**
Property:		
Gains on sales	3,109	–
Changes in investment holding gains	1,736	1,265
	4,845	**1,265**
	61,036	**88,831**

10 Debtors

	2017 £'000	2016 £'000
Amounts falling due within one year:		
Accrued income and prepaid expenses	808	831
Taxation recoverable	414	285
	1,222	**1,116**

11 Creditors – amounts falling due within one year

	2017 £'000	2016 £'000
Interest payable	1,438	1,438
Rental income prepaid	696	669
Other creditors and accruals	1,211	1,115
	3,345	**3,222**

Included in other creditors is £558,000 (2016 – £512,000) in respect of the management fees.

12 Creditors – amounts falling due after more than one year

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

The carrying value of the 8% Debenture Stock, which is measured at amortised cost (see note 1(f) on page 40), has been calculated as follows:

	2017 £'000	2016 £'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	(6,897)	(6,253)
Net amortisation during the year	(684)	(644)
Carrying value of 8% Debenture Stock at end of year	**83,428**	**84,112**

13 Share Capital

	2017 Number	2017 £'000	2016 Number	2016 £'000
Allotted, called up and fully paid ordinary shares of 25p each	**135,975,943**	**33,994**	**133,395,943**	**33,349**

During the year, 2,580,000 (2016 – 235,000) shares were issued at a premium to net asset value raising proceeds of £9,258,000 (2016 – £656,000). At 31 December 2017 the Company had authority to buy back 19,996,051 ordinary shares and to allot 10,759,592 ordinary shares without application of pre-emption rights in accordance with the authorities granted at the AGM in April 2017. 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 2017	33,349	2,131	22,781	356,897	16,352	**431,510**
Gains on investments – securities	–	–	–	56,191	–	**56,191**
Gains on investments – property	–	–	–	4,845	–	**4,845**
Shares issued	645	8,613	–	–	–	**9,258**
Management fees charged to capital	–	–	–	(1,659)	–	**(1,659)**
Finance costs charged to capital	–	–	–	(3,715)	–	**(3,715)**
Taxation credit to capital	–	–	–	515	–	**515**
Exchange differences on forward currency contracts	–	–	–	469	–	**469**
Other exchange differences	–	–	–	89	–	**89**
Revenue return on ordinary activities after taxation	–	–	–	–	15,213	**15,213**
Dividends paid in the year	–	–	–	–	(14,778)	**(14,778)**
At 31 December 2017	**33,994**	**10,744**	**22,781**	**413,632**	**16,787**	**497,938**

The Capital Reserve includes investment holding gains of £147,461,000 (2016 – gains of £128,030,000) 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:

	2017	2016	2017 £'000	2016 £'000
Ordinary shares of 25p	**366.2p**	**323.5p**	**497,938**	**431,510**

Net asset value per ordinary share is based on the net assets as shown above and on 135,975,943 (2016 – 133,395,943) ordinary shares, being the number of ordinary shares in issue at the year end.

Deducting borrowings at fair value would have the effect of reducing net asset value per ordinary share from 366.2p to 355.6p. Taking the market price of the ordinary shares at 31 December 2017 of 368.0p, this would have given a premium to net asset value of 3.5% as against a premium of 0.5% on a traditional basis. At 31 December 2016 the effect would have been to reduce net asset value per ordinary share from 323.5p to 309.2p. Taking the market price of the ordinary shares at 31 December 2016 of 324.0p, this would have given a premium to net asset value of 4.8% as against a discount of 0.2% on a traditional basis.

16 Related Party Transactions

The Directors' fees for the year are detailed in the Directors' Remuneration Report on page 29.

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.

17 Financial Instruments

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

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

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

17 Financial Instruments (continued)

Market Risk

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

Details of the Company's investment portfolio are shown in note 9. Details of derivative financial instruments outstanding at the Balance Sheet date are shown on page 51.

Currency Risk

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

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

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

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

At 31 December 2017	Investments £'000	Cash and cash equivalents £'000	Debentures £'000	Other debtors and creditors* £'000	Net exposure £'000
US dollar	156,097	48	–	85	**156,230**
Euro	72,679	39	–	583	**73,301**
Hong Kong dollar	35,718	–	–	–	**35,718**
Australian dollar	30,756	–	–	–	**30,756**
Swiss franc	22,065	–	–	–	**22,065**
Other overseas currencies	94,441	–	–	214	**94,655**
Total exposure to currency risk	**411,756**	**87**	–	**882**	**412,725**
Sterling	168,839	2,807	(83,428)	(3,005)	**85,213**
	580,595	**2,894**	**(83,428)**	**(2,123)**	**497,938**

* Includes net non-monetary assets of £30,000.

At 31 December 2016	Investments £'000	Cash and cash equivalents £'000	Forward currency contracts £'000	Debentures £'000	Other debtors and creditors * £'000	Net exposure £'000
US dollar	154,625	38	(7,600)	–	223	**147,286**
Euro	48,847	35	(2,520)	–	406	**46,768**
Hong Kong dollar	25,626	–	–	–	–	**25,626**
Australian dollar	25,113	–	–	–	–	**25,113**
Swiss franc	23,169	–	–	–	–	**23,169**
Other overseas currencies	80,959	–	–	–	274	**81,233**
Total exposure to currency risk	**358,339**	**73**	**(10,120)**	**–**	**903**	**349,195**
Sterling	155,215	4,101	10,120	(84,112)	(3,009)	**82,315**
	513,554	**4,174**	**–**	**(84,112)**	**(2,106)**	**431,510**

* Includes net non-monetary assets of £27,000.

17 Financial Instruments (continued)

Currency Risk Sensitivity

At 31 December 2017, 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 2016.

	2017 £'000	2016 £'000
US dollar	7,811	7,364
Euro	3,665	2,338
Hong Kong dollar	1,786	1,281
Australian dollar	1,538	1,256
Swiss franc	1,103	1,159
Other overseas currencies	4,733	4,062
	20,636	**17,460**

Interest Rate Risk

Interest rate movements may affect directly:

— the fair value of the investments in fixed interest rate securities;

— the level of income receivable on cash deposits;

— the fair value of the Company's fixed-rate borrowings; and

— the interest payable on any variable rate borrowings which the Company may take out.

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

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

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

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

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

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

Financial Assets

	2017 Fair value £'000	2017 Weighted average interest rate	2017 Weighted average fixed rate period *	2016 Fair value £'000	2016 Weighted average interest rate	2016 Weighted average fixed rate period *
Fixed rate:						
Argentinian peso denominated bonds	1,556	15.20%	9 years	–	–	–
Euro denominated bonds	4,731	5.75%	1 year	–	–	–
US dollar denominated bonds	6,963	5.75%	1 year	7,622	5.75%	2 years
Floating rate:						
Brazilian bonds (interest rate linked to Brazilian CPI)	7,392	9.98%	27 years	7,568	10.4%	28 years
Fixed Interest Collective Investment Funds:						
US dollar denominated fund	12,130	3.1%	n/a	10,564	2.3%	n/a
Cash and short term deposits:						
Other overseas currencies	87	–	n/a	73	–	n/a
Sterling	2,807	0.1%	n/a	4,101	0.2%	n/a

* Based on expected maturity/redemption date.

17 Financial Instruments (continued)

Financial Liabilities

	2017 £'000	2016 £'000
The interest rate risk profile of the Company's financial liabilities at 31 December was:		
Fixed rate – sterling	**83,428**	**84,112**
The maturity profile of the Company's financial liabilities at 31 December was:		
In more than two years, but not more than five years	**83,428**	**–**
In more than five years	**–**	**84,112**

Interest Rate Risk Sensitivity

An increase of 100 basis points in bond yields as at 31 December 2017 would have decreased total net assets and total return on ordinary activities by £1,121,000 (2016 – £1,006,000) and would have increased the net asset value per share (with debenture at fair value) by 1.8p (2016 – 2.6p). A decrease of 100 basis points would have had an equal but opposite effect.

Other Price Risk

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

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

Other Price Risk Sensitivity

A full list of the Company's investments is shown on pages 16 to 18. In addition, various analyses of the portfolio by asset class and industrial sector are contained in the Strategic Report.

92.9% of the Company's net assets are invested in quoted equities. A 5% increase in quoted equity valuations at 31 December 2017 would have increased total assets and total return on ordinary activities by £23,130,000 (2016 – £21,244,000). A decrease of 5% would have had an equal but opposite effect. 17.1% of the Company's net assets are invested in direct property. A 5% increase in direct property valuations at 31 December 2017 would have increased total assets and total return on ordinary activities by £4,248,000 (2016 – £3,050,000). A decrease of 5% would have had an equal but opposite effect.

Liquidity Risk

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

Liquidity risk is not significant as the majority of the Company's assets are investments in quoted securities that are readily realisable. The Company's holdings in direct property and unlisted investments, which are not considered to be readily realisable, amount to 17.1% of net assets at 31 December 2017 (2016 – 14.6%). The Company has the power to take out borrowings, which give it access to additional funding when required.

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

Credit Risk

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

- where the Investment Manager makes an investment in a bond or other security with credit risk, that credit risk is assessed and then compared to the prospective investment return of the security in question;
- the Board regularly receives information from the Investment Manager on the credit ratings of those bonds and other securities in which the Company has invested;
- the Depositary is liable for the loss of financial instruments held in custody. The Depositary will ensure that any delegate segregates the assets of the Company. The Depositary has delegated the custody function to Bank of New York Mellon SA/NV London Branch. Following the internal reorganisation at The Bank of New York, scheduled for 3 April 2018, the custody function will be undertaken by 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;

17 Financial Instruments (continued))

Credit Risk (continued)

— 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:

	2017 £'000	2016 £'000
Bonds	32,772	25,754
Cash and short term deposits	2,894	4,174
Debtors and prepayments	1,222	1,116
	36,888	**31,044**

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

Fair Value of Financial Assets and Financial Liabilities

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

	2017 Nominal £'000	2017 Book £'000	2017 Fair £'000	2016 Nominal £'000	2016 Book £'000	2016 Fair £'000
8% debenture stock 2022	**80,000**	**83,428**	**97,832**	**80,000**	**84,112**	**103,200**

Gains and Losses on Hedges

There were no forward currency contracts open at 31 December 2017. The following forward currency contracts were open at 31 December 2016:

Currency sold	Currency amount sold	Currency bought	Currency amount bought	Settlement date	Fair value £'000
US dollar	$9,400,000	Sterling	£7,599,892	8/2/17	11
Euro	€2,950,000	Sterling	£2,520,543	8/2/17	(11)
					–

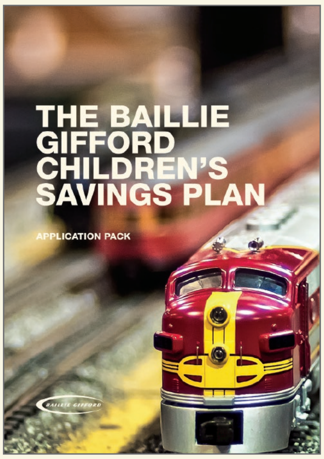
Realised currency gains/(losses) are taken to the capital reserve and are not reflected in the revenue account unless they are of a revenue nature.

Capital Management

The capital of the Company is its share capital and reserves as set out in notes 13 and 14 together with its borrowings (see note 12). The objective of the Company is to deliver real dividend growth by increasing capital and growing income. The Company's investment policy is set out on page 6. In pursuit of the Company's objective, the Board has a responsibility for ensuring the Company's ability to continue as a going concern and details of the related risks and how they are managed are set out on pages 7 and 8 and on pages 25 and 26. The Company has the authority to issue and buy back its shares (see pages 22 and 23) and changes to the share capital during the year are set out in notes 13 and 14. The Company does not have any externally imposed capital requirements other than the covenants on its debenture which are detailed in note 12.

Cost-effective Ways to Buy and Hold Shares in SAINTS

The Baillie Gifford Investment Trust Share Plan
available at **www.saints-it.com**



The Baillie Gifford Children's Savings Plan
available at **www.saints-it.com**

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

The Baillie Gifford Investment Trust Share Plan

— No initial charge

— No annual wrapper charge

— Normally cheaper than dealing through a stockbroker

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

— No maximum investment limits

— Stop and start saving at any time with no charge

— Twice weekly dealing (usually Tuesday and Friday)

— A withdrawal charge of just £22

The Baillie Gifford Investment Trust ISA

— Tax-efficient investment

— No set-up charge

— Flat rate annual management charge of £32.50 + VAT

— Lump sum investment from £2,000 up to a maximum of £20,000 each year

— Invest monthly from £100

— A withdrawal charge of just £22

ISA Transfers

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

— Consolidate your plans into a managed global investment

— Minimum transfer value £2,000

The Baillie Gifford Children's Savings Plan

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

— No initial charge

— No annual wrapper charge

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

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

— A withdrawal charge of just £22

Online Management Service

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

— obtain current valuations;

— make lump sum investments, except where there is more than one holder;

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

— sell part or all of your holdings, except where there is more than one holder; and

— update certain personal details e.g. address and telephone number.

*Please note that a bare trust cannot be opened via OMS. A bare trust application form must be completed. Certain restrictions apply for accounts where there is more than one holder.

Further information

If you would like more information on any of the plans described above, please contact the Baillie Gifford Client Relations Team (see contact details on page 54).

Risks

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

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

The favourable tax treatment of ISAs may change.

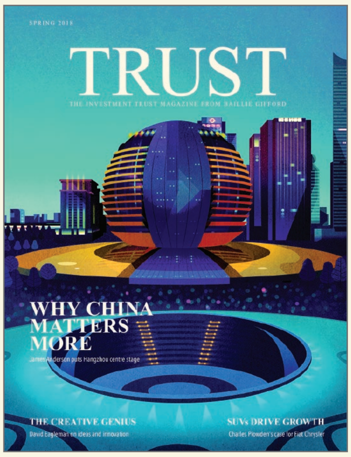
The Company is listed on the London Stock Exchange and is not authorised or regulated by the Financial Conduct Authority.

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

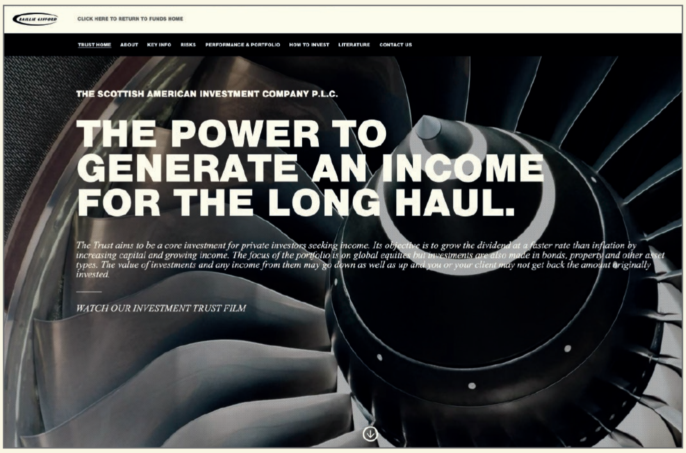
Further details of the risks associated with investing in the Company, including how charges are applied, can be found at **www.saints-it.com**, or by calling Baillie Gifford on 0800 917 2112.

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

Communicating with Shareholders



Trust Magazine



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

Promoting SAINTS

Baillie Gifford carries out extensive marketing activity to promote SAINTS to institutional, intermediary and direct investors. The Board warmly supports the promotion of the plans described on page 52 in order to bring the merits of SAINTS to as wide an audience as possible.

Trust Magazine

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

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

SAINTS on the Web

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

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

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

Suggestions and Questions

Any suggestions on how communications with shareholders can be improved are welcomed, so please contact the Baillie Gifford Client Relations Team (see contact details below) and give them your suggestions. They will also be very happy to answer questions that you may have, either about SAINTS or the plans described on page 52.

Literature in Alternative Formats

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

Client Relations Team Contact Details

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

Email: trustenquiries@bailliegifford.com
Website: www.bailliegifford.com
Fax: 0131 275 3955

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

SAINTS specific queries

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

Please note that Baillie Gifford is not permitted to give financial advice. If you would like advice or if you have any questions about the suitability of any of these plans for you, please ask an authorised intermediary.

Further Shareholder Information

How to Invest

The Company's shares are traded on the London Stock Exchange. They can be bought by placing an order with a stockbroker, by asking a professional adviser to do so, or through the Baillie Gifford savings vehicles (see page 52). If you are interested in investing directly in SAINTS you can do so online. There are a number of companies offering real time online dealing services – find out more by visiting the investment trust pages at www.bailliegifford.com.

Sources of Further Information on the Company

The price of shares is quoted daily in the Financial Times and can also be found on SAINTS' page of the Baillie Gifford website at www.saints-it.com, Trustnet at www.trustnet.co.uk and on other financial websites. Company factsheets are also available on the Baillie Gifford website and are updated monthly. These are available from Baillie Gifford on request.

SAINTS Share Identifiers

ISIN GB0007873697

Sedol 0787369

Ticker SCAM

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 56 for more details) for that dividend.

Dividend Dates for 2018

	Final 2017	First interim *	Second interim *	Third interim *
Dividend announced	9/2/18	16/5/18	26/7/18	14/11/18
Ex-dividend date	8/3/18	24/5/18	16/8/18	22/11/18
Record date	9/3/18	25/5/18	17/8/18	23/11/18
DRIP election date	20/3/18	1/6/18	31/8/18	27/11/18
Dividend paid	12/4/18	22/6/18	21/9/18	19/12/18

* Anticipated dates.

Interest

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

Announcement of Results and Reports

SAINTS' results for the half year to 30 June will be announced in July and the results for the year to 31 December will be announced in mid February. The Interim Report will be posted to shareholders in August and the Annual Report in early March. The 2018 AGM is being held on 5 April 2018.

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 2017, the individual annual tax free allowance is £2,000 across all dividend income, above which there is a tax liability. Dividends received should be declared on your Tax Return. For further information, please visit the hmrc.gov.uk website.

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

Share Register Enquiries

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

— hear the latest share price;

— confirm your current share holding balance;

— confirm your payment history; and

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

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

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

— view your share portfolio and see the latest market price of your shares;

— calculate the total market price of each shareholding;

— view price histories and trading graphs;

— register to receive communications from the Company, including the Annual Report, in electronic format;

— update bank mandates and change address details;

— use online dealing services; and

— pay dividends directly into your overseas bank account in your chosen local currency.

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

Dividend Reinvestment Plan

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

Electronic Proxy Voting

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

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

CREST Proxy Voting

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

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

— participation in a diversified portfolio of shares;

— constant supervision by experienced professional managers; and

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

Analysis of Shareholders at 31 December

	2017 Number of shares held	2017 %	2016 Number of shares held	2016 %
Institutions	16,668,900	12.3	18,219,252	13.6
Intermediaries	74,244,255	54.6	71,865,322	53.9
Individuals	14,616,089	10.7	14,635,975	11.0
Baillie Gifford Share Plan/ISA	30,340,327	22.3	28,505,025	21.4
Marketmakers	106,372	0.1	170,369	0.1
	135,975,943	**100.0**	**133,395,943**	**100.0**

Automatic Exchange of Information

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

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

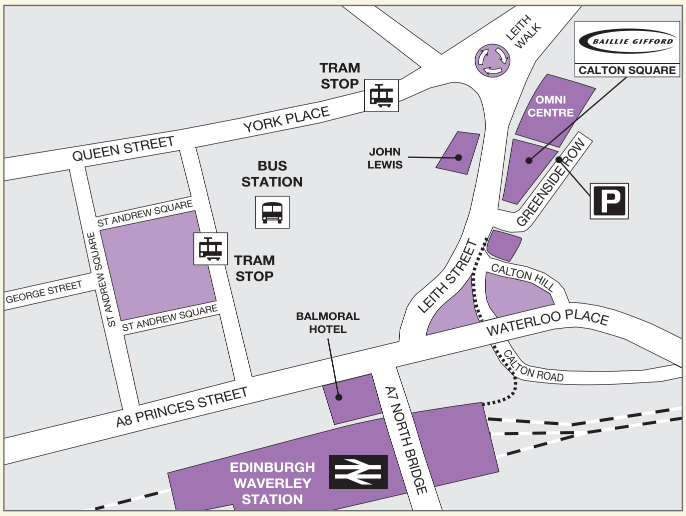
Shareholders, excluding those whose shares are held in CREST, who come on to the share register will be sent a certification form for the purposes of collecting this information.

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

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

Baillie Gifford Savings Management Limited (BGSM) is the ISA Manager of the Baillie Gifford Investment Trust ISA and the Manager of the Baillie Gifford Investment Trust Share Plan and Children's Savings Plan. BGSM is wholly owned by Baillie Gifford & Co. Both are authorised and regulated by the Financial Conduct Authority. Baillie Gifford only provides information about its products and does not provide investment advice. The staff of Baillie Gifford and SAINTS' Directors may hold shares in SAINTS and may buy or sell such shares from time to time.

Notice of Annual General Meeting



The Annual General Meeting of the Company will be held at the offices of Baillie Gifford & Co, Calton Square, 1 Greenside Row, Edinburgh EH1 3AN, on Thursday, 5 April 2018 at 11am.

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

Baillie Gifford may record your call.

By Rail:
Edinburgh Waverley – approximately a 5 minute walk away

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

By Tram:
Stops at St Andrew Square and York Place

.... Access to Waverley Train Station on foot

Notice is hereby given that the one hundred and forty fifth Annual General Meeting of The Scottish American Investment Company P.L.C. will be held at the Registered Office of the Company, Calton Square, 1 Greenside Row, Edinburgh EH1 3AN on Thursday, 5 April 2018 at 11am. Coffee will be available after the meeting and 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 2017 with the Reports of the Directors and of the Independent Auditor thereon.
2. To approve the Directors' Annual Report on Remuneration for the year to 31 December 2017.
3. To declare a final dividend.
4. To re-elect Peter Moon as a Director.
5. To re-elect Eric Hagman as a Director.
6. To re-elect Lord Kerr of Kinlochard as a Director.
7. To re-elect Bronwyn Curtis as a Director.
8. To re-elect Lord Macpherson of Earl's Court as a Director.
9. To re-appoint KPMG LLP as Independent Auditor of the Company to hold office until the conclusion of the next Annual General Meeting at which the Financial Statements are laid before the Company.
10. To authorise the Directors to determine the remuneration of the Independent Auditor of the Company.
11. That, in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date hereof, the Directors of the Company be and they are hereby generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the 'Act') to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company ('Securities') provided that such authority shall be limited to the allotment of shares and the grant of rights in respect of shares with an aggregate nominal value of up to £11,339,662 (representing approximately 33 per cent of the nominal value of the issued share capital as at 14 February 2018), 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 12 as a special resolution:

12. That, subject to the passing of resolution 11 above, and in substitution for any existing power but without prejudice to the exercise of any such power prior to the date hereof, the Directors of the Company be and they are hereby generally empowered, pursuant to 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 11 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 £3,401,898 being approximately 10% of the nominal value of the issued share capital of the Company, as at 14 February 2018.

To consider and, if thought fit, to pass resolution 13 as an ordinary resolution:

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

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

14. 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 20,397,783, 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 2018, save that the Company may, prior to such expiry, enter into a contract to purchase ordinary shares under such authority which will or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of ordinary shares pursuant to any such contract.

By order of the Board
Baillie Gifford & Co Limited
Company Secretary
1 March 2018

Notes

1. As a member you are entitled to appoint a proxy or proxies to exercise all or any of your rights to attend, speak and vote at the AGM. A proxy need not be a member of the Company but must attend the AGM to represent you. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You can only appoint a proxy using the procedure set out in these notes and the notes to the proxy form. You may not use any electronic address provided either in this notice or any related documents (including the Financial Statements and proxy form) to communicate with the Company for any purpose other than those expressly stated.
2. To be valid any proxy form or other instrument appointing a proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, must be received by post or (during normal business hours only) by hand at the Registrars of the Company at Computershare Investor Services PLC, PO Box 82, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY or **www.eproxyappointment.com** no later than 2 days (excluding non-working days) before the time of the meeting or any adjourned meeting.
3. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual and/or by logging on to the website **www.euroclear.com/CREST**. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
4. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's registrar (ID 3RA50) no later than 2 days (excluding non-working days) before the time of the meeting or any adjournment. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

5. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST service by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
6. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
7. The return of a completed proxy form or other instrument of proxy will not prevent you attending the AGM and voting in person if you wish.
8. Shareholders participating in the Baillie Gifford Investment Trust Share Plan, Children's Savings Plan or the Baillie Gifford Investment Trust ISA who wish to vote and/or attend the meeting must complete and return the enclosed reply-paid Form of Direction.
9. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 and section 311 of the Companies Act 2006 the Company specifies that to be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company no later than 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.
10. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
11. The statement of the rights of shareholders in relation to the appointment of proxies in Notes 1 and 2 above does not apply to Nominated Persons. The rights described in those Notes can only be exercised by shareholders of the Company.
12. The members of the Company may require the Company to publish, on its website, (without payment) a statement (which is also passed to the Auditor) setting out any matter relating to the audit of the Company's accounts, including the Auditor's report and the conduct of the audit. The Company will be required to do so once it has received such requests from either members representing at least 5% of the total voting rights of the Company or at least 100 members who have a relevant right to vote and hold shares in the Company on which there has been paid up an average sum per member of at least £100. Such requests must be made in writing and must state your full name and address and be sent to the Company at Calton Square, 1 Greenside Row, Edinburgh, EH1 3AN.
13. Information regarding the Annual General Meeting, including information required by section 311A of the Companies Act 2006, is available from the Company's page of the Managers' website at www.saints-it.com.
14. Members have the right to ask questions at the meeting in accordance with section 319A of the Companies Act 2006.
15. As at 14 February 2018 (being the last practicable date prior to the publication of this notice) the Company's issued share capital consisted of 136,075,943 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 14 February 2018 were 136,075,943 votes.
16. Any person holding 3% or more of the total voting rights of the Company who appoints a person other than the Chairman of the meeting as his/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.
17. No Director has a contract of service with the Company.

Alternative Investment Fund Managers (AIFM) Directive

In accordance with the AIFM Directive, information in relation to the Company's leverage and the remuneration of the Company's AIFM, Baillie Gifford & Co Limited, is required to be made available to investors. In accordance with the Directive, the AIFM remuneration policy is available at www.bailliegifford.com or on request (see contact details on the back cover) and the numerical remuneration disclosures in respect of the AIFM's first relevant reporting period (year ended 31 March 2017) are available at www.bailliegifford.com.

The Company's maximum and actual leverage levels (see Glossary of Terms on page 61) at 31 December 2017 are shown below:

Leverage

	Gross method	Commitment method
Maximum limit	3.00:1	2.00:1
Actual	1.20:1	1.16:1

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, judgments, 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

FTSE International Limited ('FTSE') © FTSE 2017. 'FTSE®' is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under licence. All rights in the FTSE indices and/or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and/or FTSE ratings or underlying data and no party may rely on any FTSE indices, ratings and/or data underlying data contained in this communication. No further distribution of FTSE Data is permitted without FTSE's express written consent. FTSE does not promote, sponsor or endorse the content of this communication.

Glossary of Terms

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

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

Net Asset Value (Debenture at Fair Value)
Borrowings are valued at an estimate of their market worth.

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

	31 December 2017	31 December 2016
Shareholders' funds (debenture at book value)	£497,938	£431,510
Add: book value of debenture	£83,428	£84,112
Less: fair value of debenture	(£97,832)	(£103,200)
Shareholders' funds (debenture at fair value)	£483,534	£412,422
Shares in issue at year end	135,975,943	133,395,943
Net Asset Value per ordinary share (debenture at fair value)	355.6p	309.2p

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

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

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

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

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

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

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

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

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

Directors

Chairman:

Peter Moon

Bronwyn Curtis, OBE

Eric Hagman, CBE, CA

Lord Kerr of Kinlochard, GCMG

Lord Macpherson of Earl's Court, GCB

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Depositary

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Company Registration
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Further Information

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