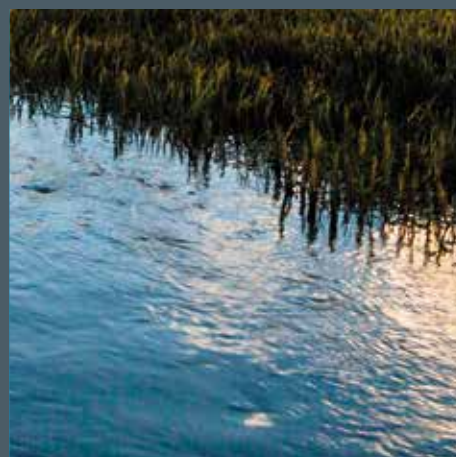


# THE SCOTTISH AMERICAN INVESTMENT COMPANY P.L.C.

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SAINTS

Income again and again



Annual Report and Financial Statements  
31 December 2021



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## Investor Disclosure Document

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

### Notes

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

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

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

### THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

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

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

Year to 31 December 2021

Dividend 12.675p

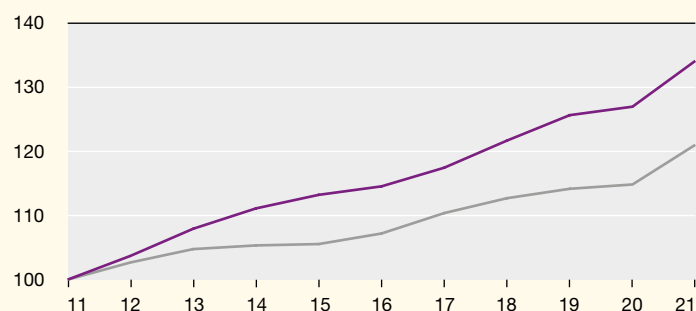
Yield 2.3%

### Ten Year Summary

#### Dividend versus Inflation

(figures rebased to 100 at 31 December 2011)

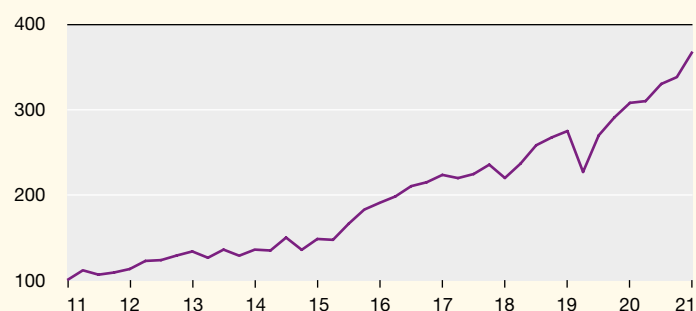
— SAINTS dividend  
— CPI



#### Share Price

(figures rebased to 100 at 31 December 2011)

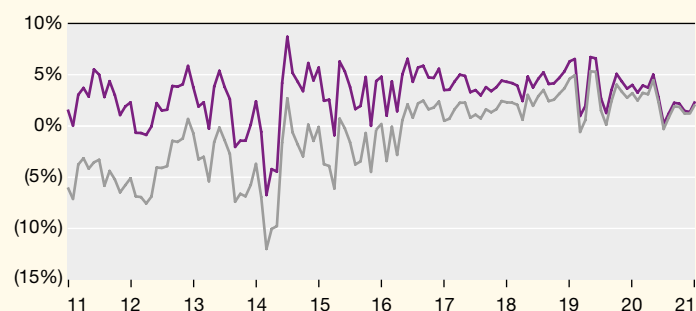
— Share price  
total return\*



#### Premium/(Discount)\*

(plotted as at month end dates)

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



Source: Refinitiv/Baillie Gifford and relevant underlying index providers. See disclaimer on page 69.

\* Alternative performance measure, see Glossary of Terms and Alternative Performance Measures on pages 70 and 71.

Past performance is not a guide to future performance.

## Strategic Report

This Strategic Report, which includes pages 2 to 23 and incorporates the Chairman's Statement, has been prepared in accordance with the Companies Act 2006.

### Chairman's Statement



Peter Moon, Chairman

SAINTS' objective is to deliver real dividend growth by increasing capital and growing income. The Company continues to meet its objective, and total dividends for the year of 12.675p (2020 – 12.00p) will extend the Company's record of raising its dividend to forty eight consecutive years.

#### Overview

2021 has been an immensely challenging year for the world, one in which people, companies and economies have borne up to continued shockwaves from the Covid-19 pandemic. Economic recovery has generally been strong, due in no small part to the efforts of medical staff, scientists, vaccine manufacturers and countless others, and the spectre of inflation has returned. Although the mood of the market has vacillated, economically sensitive sectors have generally led the market's continued progress. The importance of climate change was highlighted by the COP 26 summit and, even if concrete progress was limited, we may come to look back on the year as one in which momentum shifted and the need for significant action to limit global warming was generally recognised.

Having weathered last year's storm well, your Company has had another notably successful year in 2021. It is perhaps unsurprising, given Baillie Gifford's focus on dependable, growing streams of income, that the performance of SAINTS' holdings has again been strong. SAINTS' revenues have grown healthily in 2021, following a year of remarkable resilience in 2020.

The managers have maintained their focus on long term growth and have not been tempted to invest in lower quality companies whose short-term prospects have improved of late. Given this self-discipline, it is pleasing that over the year SAINTS' NAV total return (with borrowings at fair) has once again exceeded that of the market and the peer group, helped by operational progress and the strong performance of the property portfolio. More importantly, the Company has also delivered strong absolute and relative performance over longer periods – and NAV total returns remain at the top of our Global Equity Income peer group over the past five years. These healthy returns, together with continued issuance, are reflected in the growth in the Company's total assets, which exceeded £1billion by the end of the year.

#### Dividend and Inflation

A final dividend of 3.375p is recommended which will take the full year dividend to 12.675p per share, 5.6% higher than the 2020 dividend of 12.00p.

The strong growth in SAINTS' revenues over the past year means that the Board has been able to grow the dividend faster than inflation compared to the annual rate of inflation of 5.4% (as measured by CPI), and that the dividend is fully covered by current year earnings.

Over the last ten years the Company's dividends have increased well above the rate of inflation.

The Board aims to grow the dividend ahead of inflation over the long term, and ideally also over shorter periods such as calendar years. This is the forty-eighth year in a row that we have increased the dividend and our aim will be to do that again in the year ahead and beyond. We would emphasise, however, that we do not necessarily expect to exceed or match the level of the previous quarter's dividend in each successive quarter. It is quite possible, therefore, that not all dividends next year will match or exceed this year's final dividend.

#### Revenues

Earnings per share have risen to 12.79p over the year, an increase of 12.1%, and investment income has risen to £28m. Income from equities has been helped by operational progress at many of the Company's investments and by increases in their dividends. The sale of a property led to a reduction in rental income, whilst additional investments have been made in other income producing assets such as infrastructure equity investments.

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

#### Total Return Performance

Over the year your investment in SAINTS delivered a share price total return of 19.5% and the net asset value total return (capital and income with borrowings at fair) was 21.5%. The Net Asset Value return once again exceeded that from global equities which rose 20.0% over 2021, and the unweighted average Net Asset Value return of SAINTS' peer group in the Global Equity Income sector which was 18.6%.

As always, we would caution against reading too much into short-term relative performance. The Managers and your Board have a long-term perspective and the Company's portfolio of investments differs markedly from the make-up of the global equity index against which performance is often compared. This differentiated portfolio is necessary and appropriate in order for SAINTS to deliver a high and growing income stream, as well as growth in the Company's assets. Nonetheless, it is worth highlighting that the Company's equity portfolio outperformed the global equity market, which is notable in a year of recovery when many economically sensitive but less reliable assets which the Company chooses not to own were strong performers. SAINTS' returns from equities were helped by the generally encouraging operational performance delivered by the individual companies in which the portfolio is invested.

In addition, the Company's property investments delivered a very strong return of over 25% for the year, some 9% ahead of the MSCI UK Quarterly Property Index. Performance was helped by the property manager's emphasis on strength of covenant. It was also supported by growth in demand for the longer length, inflation



protected and quality assets on which SAINTS' portfolio has been concentrated, and by the sale of a significant asset at well above the most recent valuation.

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

## Borrowings and Debt Refinancing

At the start of 2021 SAINTS' borrowings took the form of a single £80m debenture. These arrangements dated from a time when the prevailing interest rates were much higher than today, and those borrowings bear a coupon of 8%. During the year, a further £15m of borrowings were added. Over 2021, SAINTS' borrowings were used to fund a range of higher yielding commercial property and, to a lesser extent, some fixed income and infrastructure equity investments.

The book value of the total borrowings is £95.2m which, at the year end, was equivalent to approximately 10.2% of shareholders' funds. The estimated market or fair value of the borrowings was £97.4m, an increase from the previous year's value of £86.9m due to the additional borrowings. However, the book value of the original £80m debenture fell from £81.1m to £80.2m over the period.

The existing debenture will mature in April 2022, and the market value of the Company's original borrowings will fall modestly over the first part of the year as the redemption date approaches. This will enhance returns. Thereafter, as previously announced, the Company has agreed to issue £80m of long-term private placement debt to refinance our long-term borrowings. At this time, the overall cost of the Company's borrowings, including the additional £15m raised last year, will fall just below 3% per annum.

## Environmental, Social and Governance (ESG)

The Board of SAINTS recognises the importance of considering Environmental, Social and Governance (ESG) factors when making investments, and in acting as a responsible steward of capital. We consider that Board oversight of such matters is an important part of our responsibility to shareholders, and the Board has adopted an ESG Policy which is available to view on the Company's website ([saints-it.com](https://saints-it.com)).

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

## Issuance and Fees

Over the year the Company has raised over £63m from new share issuance, at a premium to net asset value prevailing from time to time, in order to satisfy investor demand. Issuance serves the interests of existing shareholders by enhancing net asset value, reducing costs per share and helping further to improve liquidity.

Last year the Board and Baillie Gifford agreed a reduction in the fees the Company pays to Baillie Gifford on relevant assets above £500m. As the Company's assets have grown significantly it is already benefitting from this change to a considerable extent, and further issuance is enhancing the benefit from the new fee arrangements.

For a definition of terms see Glossary of Terms and Alternative Performance Measures on pages 70 and 71.

Source: Refinitiv/Morningstar/Baillie Gifford and relevant underlying index providers. See disclaimer on page 69.

Past performance is not a guide to future performance.

## The Board

As planned, Eric Hagman stepped down from the Board at the conclusion of last year's AGM. We once again thank him for his many years of invaluable service, both as a Director and as Chair of the Audit Committee.

As previously announced, I will be stepping down as Chairman of SAINTS, and from the Board, at the conclusion of the Company's AGM in April and the Board have chosen Lord Macpherson of Earl's Court, GCB to take over as Chairman. Lord Macpherson joined the Board in 2016 and was appointed Senior Independent Director in 2019. Lord Macpherson was Permanent Secretary to the Treasury from 2005 to 2016. I am pleased to say that Bronwyn Curtis OBE has agreed to take over Lord Macpherson's current role as Senior Independent Director.

It has been my privilege to serve the Company and its shareholders and I wish you all the very best for the future.

## Outlook

In the world of investment, it is always important to distinguish between the short-term prospects for economies and share prices, and the long-term prospects for companies. This is especially the case now, at a time when economic revival has been helping to float almost all boats, but when we are also in an age of change: an age where the world faces considerable challenges, such as inflation and climate change, where supportive monetary policy is likely to be withdrawn, where exchange rates may well fluctuate and where the tectonic plates of geopolitics are shifting, but an age where opportunities abound.

As a Board, we remain of the view that a long-term approach based on investing globally for sustainable growth is the best route to achieving SAINTS' aim of growing the dividend ahead of inflation over time. We have great confidence in the managers' approach, and this confidence has been further strengthened by the experiences of the past year.

## AGM

The AGM will be held at 12.30pm on Tuesday 5 April 2022 at Baillie Gifford's offices at Calton Square, 1 Greenside Row, Edinburgh. Our current expectation is that a physical meeting will be possible: the meeting will be followed by a presentation from the managers and all shareholders are invited to attend. Should regulations relating to the Covid-19 pandemic change the intention to hold a physical meeting will be reviewed and, if necessary, an announcement will be made on the Company's website.

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

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

Peter Moon  
Chairman  
10 February 2022

## One Year Summary\*

The following information illustrates how SAINTS has performed over the year to 31 December 2021.

	31 December 2021	31 December 2020	% change
Total assets (before deduction of borrowings)*	£1,025.3m	£812.3m	
Borrowings (book value)	£95.2m	£81.1m	
Shareholders' funds	£930.2m	£731.2m	
Net asset value per ordinary share (borrowings at fair value)†	528.4p	446.1p	18.4
Net asset value per ordinary share (borrowings at book value)	529.7p	449.7p	17.8
Share price	541.0p	464.0p	16.6
Benchmark#			17.7
Premium (borrowings at fair value)†	2.4%	4.0%	
Premium† (borrowings at book value)	2.1%	3.2%	
Revenue earnings per ordinary share	12.79p	11.41p	12.1
Dividends paid and payable in respect of the year	12.675p	12.00p	5.6
Ongoing charges†	0.62%	0.70%	
Active share†	89%	90%	

Year to 31 December	2021	2020
<b>Total returns (%)††</b>		
Net asset value (borrowings at fair value)	21.5	14.5
Net asset value (borrowings at book value)	20.8	13.7
Share price	19.5	12.0
Benchmark#	20.0	13.0

Year to 31 December	2021	2021	2020	2020
<b>Year's high and low</b>	<b>High</b>	<b>Low</b>	<b>High</b>	<b>Low</b>
Net asset value (borrowings at fair value)†	531.7p	427.6p	451.2p	321.1p
Net asset value (borrowings at book value)	532.7p	430.7p	454.8p	326.0p
Share price	541.0p	435.0p	473.0p	272.0p
Premium/(discount) – borrowings at fair value†	5.4%	(0.2%)	10.4%	(17.9%)
Premium/(discount)† – borrowings at book value	4.8%	(0.5%)	8.9%	(19.2%)

	31 December 2021	31 December 2020
<b>Net return per ordinary share</b>		
Revenue	12.79p	11.41p
Capital	79.20p	44.04p
Total	91.99p	55.45p

\* For a definition of terms see Glossary of Terms and Alternative Performance Measures on pages 70 and 71.

† Alternative performance measure, see Glossary of Terms and Alternative Performance Measures on pages 70 and 71.

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

‡ Source: Refinitiv/Baillie Gifford and relevant underlying data providers. See disclaimer on page 69.

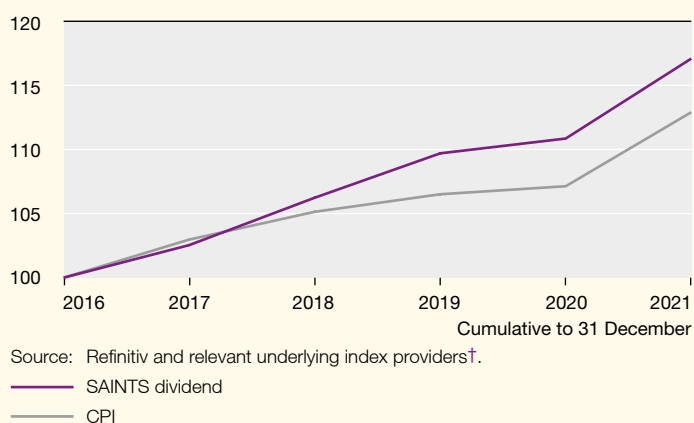
Past performance is not a guide to future performance.

## Five Year Summary

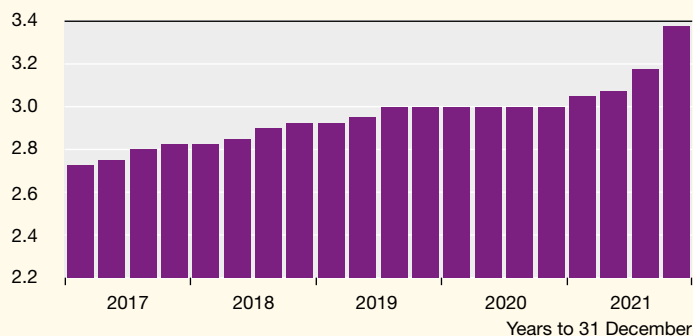
The following charts provide a comparison of SAINTS' dividends to inflation, dividend growth and performance relative to the benchmark index over the five year period to 31 December 2021.

### Dividend versus Inflation

(figures rebased to 100 at 31 December 2016)

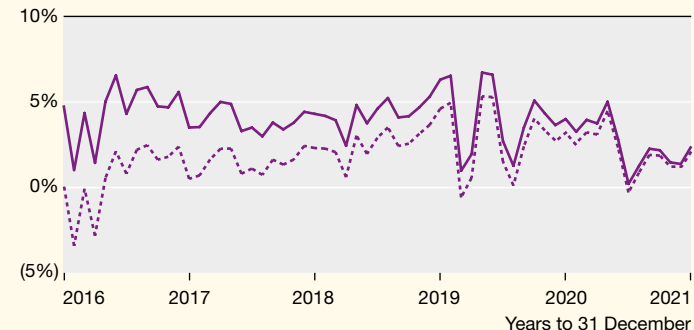


### Five Year Quarterly Dividends Paid (pence)



### Premium/(Discount)‡ to Net Asset Value

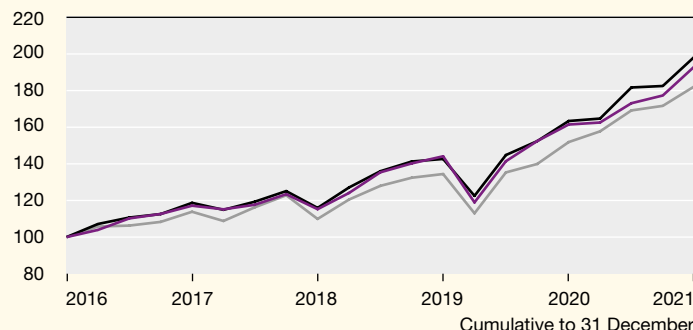
(plotted on a monthly basis)



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 2016)



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

† See disclaimer on page 69.

‡ Alternative performance measure, see Glossary of Terms and Alternative Performance Measures on pages 70 and 71.

Past performance is not a guide to future performance.

## Business Review

### Business Model

#### Business and Status

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

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

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

#### Objective and Policy

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

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

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

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

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

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

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

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

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

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

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

An overview by the Manager is given on pages 13 to 17 and a detailed analysis of the Company's investment portfolio held at the year end is set out on pages 18 to 22.

#### 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 13,005,000 ordinary shares at a premium to net asset value (2020 – 15,075,000). No shares were bought back during the year.

### Performance

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

#### Key Performance Indicators

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

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

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

An explanation of these measures can be found in the Glossary of Terms and Alternative Performance Measures on pages 70 and 71.

The one, five and ten year records of the KPIs are shown on pages 4, 5 and 23.

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

### Principal and Emerging Risks

As explained on pages 31 and 32, there is an ongoing process for identifying, evaluating and managing the risks faced by the Company on a regular basis. The Directors have carried out a robust assessment of the principal and emerging risks facing the Company including those that would threaten its business model, future performance, regulatory compliance, solvency or liquidity. There have been no significant changes to the principal risks during the year. A description of these risks and how they are being managed or mitigated is set out below.

The Board considers the ongoing Covid-19 pandemic and Brexit to be factors which exacerbate existing areas of risk as categorised and further explained below.

**Financial Risk** – the Company's assets consist mainly of listed securities and its principal and emerging risks are therefore market related and include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. An explanation of those risks and how they are managed is contained in note 18 to the Financial Statements on pages 57 to 61. The Board has, in particular, considered the impact of heightened market volatility since the Covid-19 pandemic. To mitigate this risk at each Board meeting the Manager provides an investment policy paper which includes a detailed explanation of significant stock selection decisions and the overall rationale for holding the current portfolio. Consideration is given to portfolio movements and the top and bottom contributors to performance. The investment approach is considered in detail at the annual Strategy Meeting. The Board has considered the potential impact on sterling from the remaining Brexit related uncertainties. The value of the Company's investment portfolio and its income stream would be affected by any currency movements, but the Board believes the nature and diversification of the Company's equity portfolio moderates such risks.

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

**Climate and Governance Risk** – as investors place increased emphasis on Environmental, Social and Governance (ESG) issues, perceived problems on ESG matters in an investee company could lead to that company's shares being less attractive to investors, adversely affecting its share price, in addition to potential valuation issues arising from any direct impact of the failure to address the ESG weakness on the operations or management of the investee company (for example in the event of an industrial accident or spillage). Environmental factors are also of significant importance in relation to the property investments as, for example, flood risk or the use of deleterious materials could reduce the attractiveness of a property and potentially its valuation and rental income prospects. Repeated failure by the Investment Manager and Property Manager to identify ESG weaknesses in investee companies or property investments, could lead to the Company's own shares being less attractive to investors, adversely affecting its own share price. This is mitigated by the Investment Managers' strong ESG stewardship and engagement policies, and the Board's own ESG policy, which is available to view on the Managers' website: [saints-it.com](https://saints-it.com), both of which have been adopted by the Company, and which are fully integrated into the investment process as well as the extensive up-front and ongoing due diligence which the Investment Manager undertakes on each investee company. The due diligence conducted by the Investment Manager and Property Manager includes assessment of the risks inherent in climate change (see page 33).

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

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

**Operational Risk** – failure of Baillie Gifford's systems or those of other third party service providers could lead to an inability to provide accurate reporting and monitoring or a misappropriation of assets. To mitigate this risk, Baillie Gifford has a comprehensive business continuity plan which facilitates continued operation of

the business in the event of a service disruption (including any disruption resulting from the Covid-19 pandemic) or major disaster. Baillie Gifford has continued to operate on a business as usual basis throughout the Covid-19 pandemic. Following the relaxation of Covid-19 restrictions by the Scottish and UK Governments, Baillie Gifford has begun to see a gradual increase in office attendance. A hybrid model is now operating, with staff determining the most appropriate split between working from home and working in the office. 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. In the year under review, the other key third party service providers have not experienced significant operational difficulties affecting their respective services to the Company.

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

**Leverage Risk** – the Company may borrow money for investment purposes (sometimes known as 'gearing' or 'leverage'). If the investments fall in value, any borrowings will magnify the extent of this loss. If borrowing facilities are not renewed, the Company may have to sell investments to repay borrowings. The Company can also make use of derivative contracts. To mitigate this risk, all borrowings require the prior approval of the Board and leverage levels are discussed by the Board and Managers at every meeting. Details of the Company's current borrowings can be found in notes 11 and 12 on page 55. The majority of the Company's investments are in quoted securities that are readily realisable. Further information on leverage can be found on page 69 and the Glossary of Terms and Alternative Performance Measures on pages 70 and 71.

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

**Emerging Risks** – as explained on pages 31 and 32, the Board has regular discussions on principal risks and uncertainties, including any risks which are not an immediate threat but could arise in the longer term. The Board considers that the key emerging risks arise from three areas: from the global reach of the investment portfolio and its exposure to external and emerging threats such as cyber risk, coronavirus variants or similar public health threats and inflation (and governmental policy response to it). This is mitigated by the Investment Manager's close links to the investee companies and their ability to ask questions on contingency plans. The Investment Manager believes the impact of such events may be to slow growth rather than to invalidate the investment rationale.

## Viability Statement

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

In considering the viability of the Company, the Directors have conducted a robust assessment of each of the principal and emerging risks and uncertainties detailed on pages 7 and 8 and in particular the impact of market risk where a significant fall in global equities markets would adversely impact the value of the investment portfolio. The Directors have also considered the Company's income and expenses and dividend policy having undertaken a review of revenue projections over a five year period and its liquidity in the context of the majority of its investments being listed equities which are readily realisable and so capable of being sold to provide funding if required. Leverage comprising a fixed term Debenture which has a nominal value of £80m, redeemable at par on 10 April 2022 and £15m private placement debt issued in June 2021, repayable in 2036, have also been considered with specific leverage and liquidity stress testing conducted during the year, including consideration of the risk of further market deterioration resulting from the Covid-19 pandemic. The stress testing did not indicate any matters of concern. Terms have been agreed to replace the Debenture at maturity on 10 April 2022 with £80m of long-term private placement debt at a fixed coupon of 3.12%, £40m maturing in 2045 and £40m maturing in 2049. The Company's primary third party suppliers including its Managers and Secretaries, Depositary and Custodian, Registrar, Auditor and Broker are not experiencing significant operational difficulties affecting their respective services to the Company. In addition, all of the key operations required by the Company are outsourced to third party service providers and it is reasonably considered that alternative providers could be engaged at relatively short notice. The Board has specifically considered the UK's departure from the European Union and can see no scenario that it believes would affect the going concern status or viability of the Company.

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

## Promoting the Success of the Company (Section 172 Statement)

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

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

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

Great importance is placed by the Board on communication with shareholders and the Annual General Meeting provides the key forum for the Board and Managers to present to shareholders on the performance of SAINTS and on the future plans/prospects for the Company. It also allows shareholders the opportunity to meet with the Board and Managers and to raise questions and concerns. The Chairman is available to meet with shareholders as appropriate and the Managers meet regularly with shareholders and their respective representatives, reporting back on views to the Board. Shareholders may also communicate with the Board at any time by writing to them at the Company's registered office or to the Company's broker and by emailing the Managers at [trustenquiries@bailliegifford.com](mailto:trustenquiries@bailliegifford.com). These communication opportunities help inform the Board when considering how best to promote the success of the Company for the benefit of all shareholders over the long term. Shareholders can find further detail on this in the Managers' Review on pages 13 to 17.

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

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

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

- the raising of over £63 million from new share issuance, at a premium to net asset value prevailing from time to time, in order to satisfy investor demand over the year and which serves the interests of current shareholders by reducing costs per share and helping to further improve liquidity; and
- the raising of £15 million of long term, fixed rate, secured loan notes at an attractive rate of interest to augment existing borrowings with the intention of enhancing shareholder returns and income over the long term.

## Employees, Human Rights and Community Issues

The Board recognises the requirement to provide information about employees, human rights and community issues. As the Company has no employees, all its Directors are non-executive and all its functions are outsourced, there are no disclosures to be made in respect of employees, human rights and community issues. Further information on the Company's approach to environmental, social and governance (ESG) matters are provided on page 33.

## Gender Representation

As at 31 December 2021, and the date of this report, the Board comprises five Directors, two male and three female. The Company has no employees. The Board's policy on diversity is set out on page 31.

## 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 33.

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 [baillieghifford.com](https://baillieghifford.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 13 to 17.



## Investment Approach

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

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

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

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

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

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

To identify the businesses we are looking for, we employ a disciplined research process that focuses on the dependability of a company's dividend and the growth potential of its earnings and cash flow. The opportunities for growth vary widely, but they can be broadly described as falling into one of four categories described on page 12. We have also used this categorisation to illustrate the portfolio, as at 31 December 2021.

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

## Borrowed Funds

Although the equity portfolio accounts for the majority of the Company's investments, we also invest in portfolios of property, infrastructure equities and bonds. As an investment company, SAINTS benefits from the ability to use borrowings, up to a prudent amount. By investing these borrowings in the property 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 and long-term secured privately placed notes. The borrowed money is invested with the intention of beating the cost of these borrowings. Our asset allocation decisions aim to strike a balance between income contribution, income dependability and growth at the whole portfolio level.

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

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

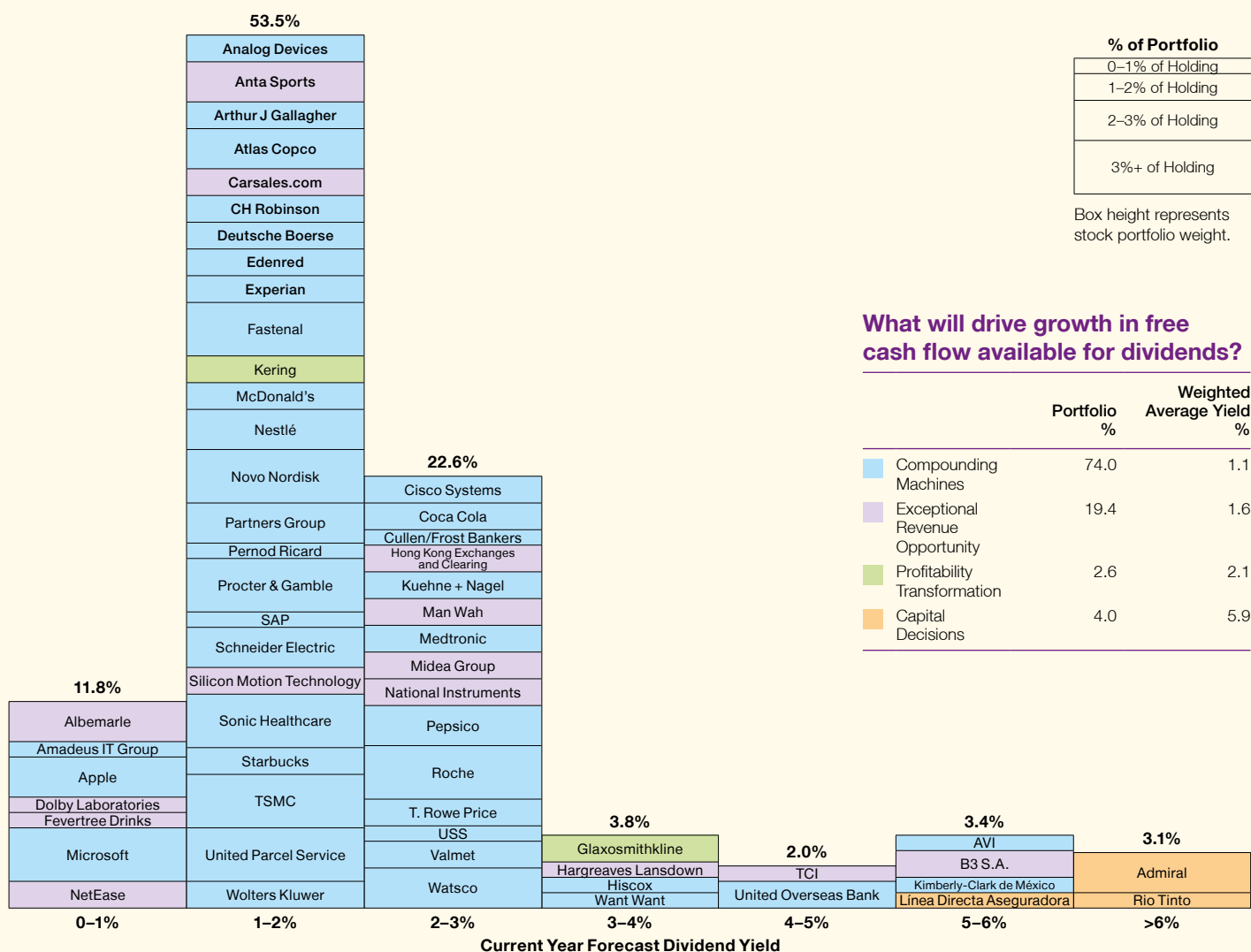
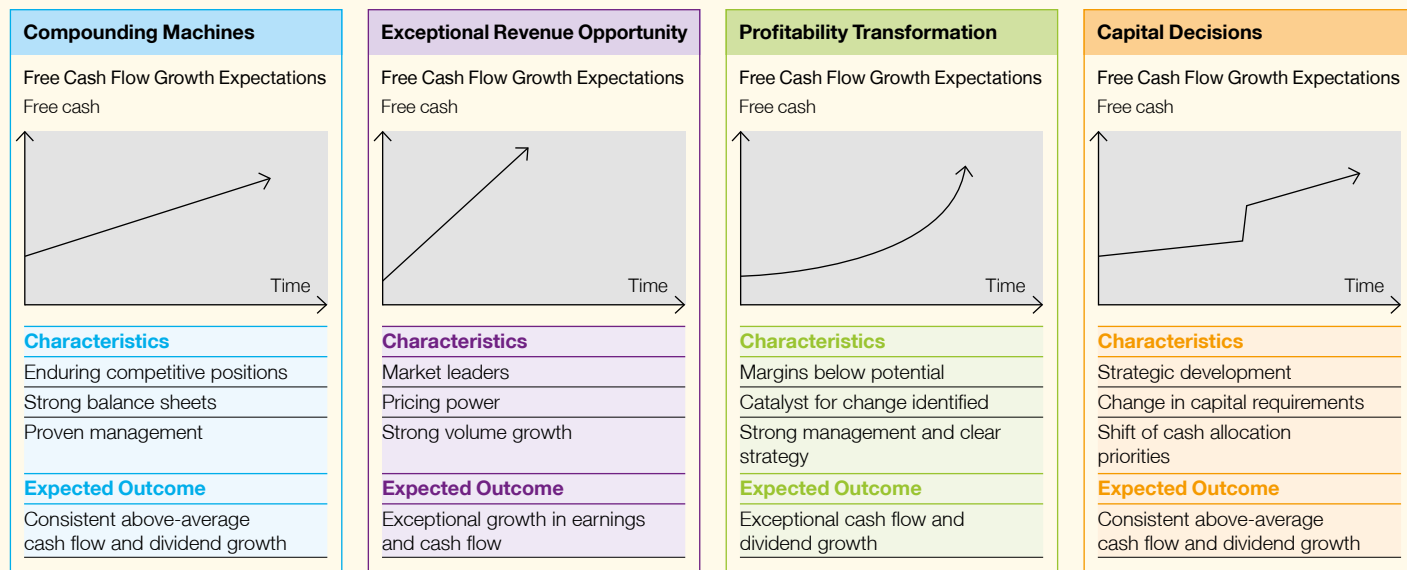


Figure 1: Graphical representation of SAINTS' equity portfolio holdings as at 31 December 2021, ordered by dividend yield and colour coded by the categorisation of what will drive growth in free cash flow available for dividends. This excludes holdings in infrastructure equities (Assura, BBGI Global Infrastructure, Terna, Greencoat UK Wind and Jiangsu Expressway) which are considered to be a separate asset class, alongside the company's direct property and fixed income holdings.

Source: IBES, Bloomberg, Baillie Gifford. Holding sizes and forecast yields are as at 31 December 2021. 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 69.

## Managers' Review

This year's review has two parts. The first part reviews the Company's progress during the course of 2021, and some of the changes to the portfolio over the course of the year. The second looks forward, and outlines some of the questions that we are debating as we head into 2022 – and to make them memorable we'll call them Ambition, Borrowings, and Climate.

### Progress during 2021

Last year in this review we discussed the importance of adaptability in the companies that we invest in on SAINTS' behalf. That adaptability has been on display again during this year: overall the results were strong, but that hides a huge amount of work by the management teams we invest alongside, navigating an unpredictable and volatile operating environment.

Over the year the Company's NAV per share (borrowings at fair value) rose by 21.5% on a total return basis, which was driven by healthy returns from both the equity and property portfolios. The income stream also saw strong growth, with earnings per share growing by around 12%, to 12.79p. When we have been considering the operational performance of our holdings this year, we have tended to compare them to the pre-pandemic results, to get a better sense of whether one year's success is showing us a rebound, or a business that is emerging from the crisis in stronger shape than it entered it. SAINTS' earnings per share in 2021 were around 8% higher than the 11.87p earned in 2019.

### Equity portfolio

The equity portfolio continues to dominate these results, given that it represented on average 94.1% of the Company's net asset value. Over the course of the year our equity portfolio delivered 21.0%, which was slightly ahead of global equity markets (20.0%). The global economic recovery was in full swing throughout the year, leading to growing bottle-necks in supply chains as companies struggled to respond to a recovery in consumer demand. Stock markets in the US and Europe performed more strongly than those in Asia and Emerging Markets over the course of the year, which partly reflects the recovery in economic confidence in the West, and partly the struggles that some developing countries have had with managing successive waves of the pandemic. However, our performance continued to be driven by the idiosyncratic opportunities at our companies, whether that is insulin maker Novo Nordisk's success in developing novel treatments for obesity, or Silicon Motion's success in taking share in the controllers for flash memory storage in the semiconductor industry. In other words, it's been the success of individual companies' management teams in executing on their opportunities rather than clever top-down calls that have delivered solid returns over the year – which tends to be how we like it.

Dividend growth from the equity portfolio across the year was robust, with dividend income growing by 6.5% per share. The majority of our holdings posted healthy dividend growth, as they gained confidence in the robustness of their businesses. In addition, readers may remember that a handful of our holdings reduced dividends in 2020, and most of these rebounded in 2021.

On top of these factors, holdings such as Rio Tinto, T. Rowe Price and Admiral delivered not just strong dividend growth but paid large special dividends. Set against that, the strength of sterling against currencies like the US dollar and euro was a headwind to income growth.

There is, though, another factor which affected our dividend growth, which is less visible from the outside. Our strong belief is that income investors will get the best results if they focus on long-term income, not short-term yield. By this, we mean that we would rather invest in a company where we have real confidence that the dividend will be resilient and the growth strong over five or ten years, than take a chance with a company with a high near-term yield, but where we believe there are serious doubts over either the growth or the sustainability of that income stream. Some people call our approach 'quality', but we tend to think of it more as another dimension of being 'long-term'.

In practical terms, that means we are constantly challenging our investments, and asking ourselves whether the growth is good enough to justify a place in the portfolio. Where there are names in the portfolio where the attraction leans too much on 'income today', and not enough on what that income might be over the next 5 or 10 years, we try to be disciplined about them. Selling a potential income trap, and investing the proceeds in a great growing franchise which pays dividends as it grows, may lead to a slight reduction in this year's income. But in our experience it has usually been the right thing to do in the long-term, both for the capital growth it enables, and the *future* income performance of the fund. And it is almost always better for your wealth than the reverse of this process, selling good businesses in order to buy some near-term income from a business whose long-term prospects are poor. This is one reason why in the portfolio diagram on page 12, readers will see comparatively few names on the right-hand side of the income distribution today. Bringing this to life, towards the end of the year we made an investment in Starbucks, the global coffee chain, and sold British American Tobacco ('BAT'). It is clear to us that the long-term volume growth prospects of Starbucks are likely to be far stronger – the store base could easily grow at mid single digits for a decade, and there is ample room to improve the throughput of their stores (especially developing more 'drive-thru' locations). The company has strong values, terrific brand equity, and a record of robust pricing. It is run by people who are thoughtful about its long-term success. It currently pays a dividend yield slightly below 2%, but we are confident that this will grow strongly over the coming decade. BAT's growth, meanwhile, looks to us increasingly challenged, and we suspect that they will struggle to grow an already high dividend.

We took holdings in five new companies during the year, including Starbucks. As in recent years, the opportunities were eclectic, and spanned the globe. A common thread is that we are investing in companies we think are likely to be the market leader, and alongside management teams that we rate very highly, and where we expect dividends in five or ten years time to be substantially

higher than today. In some cases this is because we expect the markets they serve to grow quickly. For instance, Taiwanese company TCI Bio is a leader in nutritional ingredients, that go into nutritional drinks and skincare products. Unlike their peers, they have invested heavily in research, and the ability to manufacture at scale – and we hope they will replicate their strong position in China in other large markets.

That ambition is echoed in Midea Group, the first Shanghai-listed company SAINTS has invested in. They have grown into one of the largest air conditioning and home appliance manufacturers in China, with a distinctive direct distribution model. Our Shanghai-based research team view them as one of China's best-managed companies. Midea have plans to grow their operations overseas, but also apply their skills to industries like robotics and elevators – ambition in action. We expect to find other such opportunities over the coming years. Closer to home, Línea Directa is the leading direct motor insurer in Spain, and enjoys the same large cost advantage over its traditional competitors that Admiral has had in the UK. Like Admiral, we expect them to steadily take share of its market, expand into different types of insurance such as home and health. They have a tremendously cash generative business model which should support dividend growth. Finally, Valmet sells capital equipment and services to the pulp and paper industry. Pulp and paper companies are rarely good businesses, partly because they have to invest enormous amounts in equipment. As Warren Buffett famously found with the textile industry, the benefits of those investments have tended to accrue to their customers, and their suppliers (like Valmet). We think that growth for Valmet will be especially strong over the coming decade, as mill owners are forced to invest to mitigate their impact on the climate and environment more broadly.

We funded these through sales of China Mobile and Sumitomo Mitsui Trust Holdings, as well as BAT. In each case, we had lower conviction in their being a good fit with our aim of delivering a resilient, growing income stream over the long-term – both because of the capital intensity of the business, and the ambitions of the management team. We also sold our small holding in the Aberforth Split Level Income Trust, a fund which invests in smaller UK dividend-paying companies.

### Other income-generating assets

As explained in the Investment Approach, alongside the equity portfolio we invest in other income-generating assets, with an aim of delivering a spread above our long-term cost of borrowing. We also expect these holdings to support the resilience of SAINTS' earnings, because their distributions typically have a relatively low correlation with our equity dividends. During the year

we established a small infrastructure equities portfolio as part of this. Our aim here is to find companies which we believe will deliver income and capital growth modestly ahead of inflation. Besides our existing holding in Greencoat UK Wind, we took small holdings in Italian grid operator Terna, Chinese toll-road operator Jiangsu Expressway, medical practice owner Assura, and infrastructure operator BBGI Infrastructure. This allocation delivered £0.9m of income during the year. The average yield of these holdings is over 4%, whereas SAINTS' average cost of borrowing will this year fall just below 3%.

The property portfolio delivered a 25.7% total return over the year. Credit for this terrific performance belongs to OLIM Property, who have managed the portfolio since 1996. OLIM's investment strategy remains focused on identifying long-term inflation-linked leases, backed by good covenants, in less well-trodden parts of the UK property market. The strong returns delivered by SAINTS' portfolio in 2021 partly reflects a healthy market for UK commercial property in 2020, where values rebounded after a challenging experience in the pandemic: a total return of 16.5% was delivered by the MSCI UK Quarterly Property Index. However, SAINTS' returns were significantly boosted by the sale of the Data Centre in Milton Keynes that was leased to Talk Talk, which was our largest single investment. The sale price of £23.9m represents a 45.9% premium to its valuation in December 2020, which shows how strong the appetite is for data centres today. This means that this investment has delivered an excellent return 17.3% per annum since purchase in 2017. The sale of this property meant that rental income for the year was around 10% lower, at £4.9m, but the underlying income performance of our properties was robust, with inflation-linked rental increases across most of our properties. Despite strong capital growth, the sale also meant the property portfolio ended the year at £74.9m, around £10m smaller than at the end of 2020, or 8.1% of the Company's net assets. In early January 2022, £7.75m of the Milton Keynes proceeds were used to purchase a Premier Inn in Holyhead.

Our fixed income portfolio delivered a modest positive return of 0.8% over the year. Income of £2.6m was increased over the prior year (£1.1m), partly offset by a 5% capital loss. That loss was the result of growing concerns around inflation, which pushed interest rate expectations higher over the course of the year, as well as the strength of sterling compared to the US dollar and other currencies. The only notable change in our holdings during the year was the purchase of a small number of emerging market sovereign bonds. At year end, fixed income represented 5.3% of net assets, split between corporate bonds, and emerging market sovereign debt.



## Looking forwards

When we read letters from a company's management team, one thing we are often trying to understand is: what are the trickiest questions that a company is grappling with today? This is often more useful than either vague or falsely precise predictions of the future. With that in mind, here are three issues that we are actively debating as we head into 2022, both with each other and with the Board.

### Ambition: delivering faster growth

Over the last year there have been many headlines about inflation. Consumer demand has rapidly recovered after the pandemic, and yet many supply chains have been struggling to operate at full capacity. Some of our logistics holdings, such as freight forwarder Kuehne + Nagel, have benefited from helping customers navigate this disruption, with profits expected to double year on year – but the knock-on impact has been costs going up, for businesses and consumers. At the same time, a common refrain from companies we've spoken to has been that finding skilled labour is increasingly a challenge. Wage expectations in many parts of the economy are rising, as are interest rate expectations.

One school of thought about how to respond to this says: now is the time to go for stocks on low earnings multiples, because their share prices will be less affected if stock markets discount earnings more aggressively. At the end of 2021, such stocks were definitely in vogue, and the textbooks say there's a mathematical method to this.

We don't tend to believe in shuffling the portfolio to try keeping time with the macro music. Our experience has been that the best results come from finding companies that can adapt to different rhythms, and trust them to do the dancing.

In any case, we aren't sure that pivoting to stocks just because of low multiples will serve the long-term income investor well. When we examined the impact of inflation across our companies last Spring, it struck us that two things were very important for protecting and growing earnings. Firstly, genuine pricing power. Often people conflate pricing power with proxies like 'having a known brand'. However, if you talk to any company about how you pass through higher costs in the real world, then the answer is more often "we find a way to give more value to the consumer, and that enables us to charge a bit more for a better product". In other words, they *innovate*. To our mind real pricing power comes from those companies which are constantly innovating, and solving new needs for customers. It's because of this that Microsoft did not struggle to put through a 10% price increase this year, and neither did chip-maker TSMC.

The second is the importance of having large volume growth opportunities. It is much easier for a business to absorb 5% cost inflation and still grow its earnings if its volumes are growing healthily, and it is in the process of opening up big new markets. It is much harder if it is mature, and struggling to find the next customer. In such businesses, cost pressures are more likely to fall through

to the bottom line and, in time, this will fall through to dividends too. We see this in our portfolio, too – the companies that have found inflation most challenging have typically been those that have been struggling to deliver meaningful volume growth even in better times (Kimberly-Clark de México being one example).

So we think the better question to ask is not about just the PE multiple, but about the extent to which the business is in control of its destiny, and the scale of its growth opportunity – ie is it large enough that we can be confident of it *significantly* outpacing inflation, even if inflation is higher for longer? Indeed, these factors may well become even more important and valuable if the world in the next few years experiences a period of persistently higher inflation.

Of course, the focus on execution and growth isn't just about inflation. One reflection we've had when looking at our most successful investments over recent years is that they've typically been businesses which delivered very robust earnings and dividend growth over a sustained period. In each case the scale of their opportunity was very large, whether that was in providing access to private investment markets for Partners Group, or the growing Chinese sportswear market for Anta Sports.

The best way, then, to ensure that SAINTS delivers really attractive dividend growth over the next five to ten years is more likely to be by us, as managers, continuing to challenge ourselves on whether we have enough real growth coming through from our holdings. There's no short-cut for delivering this. It means continuing to be demanding when deciding which companies we own; reflecting on lessons we've learned about what makes company cultures succeed and fail; thinking hard about the next industry-wide changes that will open up opportunities for companies; and, when it comes to new idea generation, looking at many frogs in our search for the rare princes.

### Borrowings: making the most of the new opportunity

2022 is a water-shed year for SAINTS. The £80m debenture that was taken out in 1997, with a coupon of 8%, will mature; and we will draw down on our new long-term borrowings, with a coupon of 3.12%. When combined with the £15m of additional borrowings we drew down this year, the Company's effective interest cost will more than halve, to a touch under 3.0%.

As we describe in the Investment Approach, the potential benefit of SAINTS having some long-term borrowing is that there is an opportunity for us to invest in assets that deliver additional income for shareholders, with a spread above the cost of borrowing, as well as the potential for capital growth. Unfortunately, over recent years the actual benefit of this strategy has been modest, certainly for income, given the high cost of the Company's borrowing – and it has also required SAINTS to invest in some higher yielding assets. The key one has been the property portfolio, which has delivered terrific returns under OLIM's stewardship over the last 25 years, and handsomely beaten that cost of borrowing.

The good news is that with a lower cost of borrowing, the benefit to shareholders of having this borrowing in the capital structure should be greater than it has been in the past, and the opportunity set of investible assets should be broader. The question that we and the board have discussed at length over the last two years is: what are the best assets to hold against this for the long-term?

Our initial conclusions are:

- We and the Board continue to believe that the property portfolio remains a good fit for SAINTS' aim of delivering a resilient income stream that out-paces inflation: 78% of income is either RPI-linked or subject to fixed increases, and it has proven to be impressively resilient through periods of stress.
- We think that some high quality infrastructure assets should share several of these attractive characteristics. Additionally, they should have rather less economic sensitivity than either our equity or property portfolios, which over time should be helpful in delivering a resilient income stream. This is why we have started to build a portfolio of these names with the help of Baillie Gifford's infrastructure analysts, as detailed above. This initiative is in its early days, and we would hope to uncover some additional interesting opportunities here over the coming years: we have much to learn about the space.
- Fixed income on the other hand doesn't offer inflation protection, but what it *does* offer is contractual certainty, and a significant degree of diversification from our other sources of income. Both have value – and again, we benefit from in-house stock-pickers who we think can help us find a small number of the best credits for our aims.

The right balance between these three broad buckets is something we debate, and will no doubt evolve over time, as will the income streams of income on offer. But we think that careful individual stock selection within these three very broad asset classes should help us ensure that the income stream is meaningfully higher than it would be from a pure equity portfolio – and that the diversification they offer should also make it more resilient.

### **Climate – or SAINTS and Sustainability (with apologies to Jane Austen)**

We have said several times that we are investing for the best *long-term* income, rather than just next year's dividend. Hopefully it strikes most of our readers as common sense that this requires us to think hard about the sustainability of the sources of both income and growth in a broader sense. We think it's rarely the case that companies that are behaving irresponsibly or harming society at large will provide genuinely sustainable sources of income: they tend to get found out. Conversely, we tend to find companies that share our long-term time horizon are thoughtful about their impact on society at large, and want that impact to be broadly beneficial. Hopefully it also seems common sense that any long-term investor would want to work hard to help their companies improve their performance, as this would make it more likely that the growth opportunities got realised.

Sharp-eyed shareholders will have spotted a number of developments at SAINTS over recent years, that are in tune with this. The Board formally adopted an ESG policy in 2020, setting out their expectations of us as managers. We have talked in previous letters about the framework we have developed for considering companies' sustainability, which focuses on the impact of their products and ambitions, their level of ambition to further or address this, and how far we can trust them. Our team has a dedicated analyst focusing solely on Environmental, Social and Governance issues that might be relevant to our holdings. Last year we published our second annual Stewardship Report, setting out how we have been engaging with our holdings on your behalf, to improve how they manage the sustainability of their operations. The portfolio has also been steadily evolving. For example, today we have no investments in fossil fuel producers, tobacco companies, or armament companies – because we don't think these traditional yield stocks offer sustainable sources of income and growth over the long-term. As a result, our portfolio looks increasingly different, in many cases quite dramatically different, from other UK and global equity income trusts.

This has all been driven by investment considerations. However, we think that there may be strong grounds for going further down this path, and being more explicit about our expectations of our holdings. To take one example that is front of mind at the moment: climate change, and the need to decarbonise the economy. This has recently been graphically highlighted by both extreme weather events, and COP26 in Glasgow. We tend to avoid the most polluting companies, which is why our portfolio's carbon footprint is 76% lower than that of the market (compared to the MSCI All Countries World (ACWI) Index as we discussed in the Stewardship Report which was prepared for the year to March 2021). Looking forward, we think it's increasingly unlikely that by the end of the decade a company will be permitted to have a material impact on the climate, without a clear plan to address this. And we very much doubt that we would view such a business as a sustainable source of income and growth. Similarly, we expect that the expectations of SAINTS' shareholders will also increase, as will those of our regulators. Our belief is that the best way to make a real difference is by helping our companies to be more ambitious, and we are therefore planning to engage with all our holdings which *do* have a material impact on the climate over the coming years to ensure that they are playing a responsible part in the climate transition, with clear plans that align with a scenario where global warming is kept to 1.5 degrees (often referred to as 'Net Zero').

## Conclusion

These three questions are ones that help define SAINTS' strategy. As for the tactics: markets ended 2021 and started 2022 with a jolt, with sharp adjustments in share prices of some of the high growth companies that have performed so strongly over recent years. Your portfolio's focus on resilient companies that pay dividends as they grow has seen it hold up reasonably well in this environment. Indeed, we tend to view these periods of adjustment as a chance to keep upgrading the portfolio's long-run growth potential: any time the opportunity set gets shaken up is an exciting one for a long-term stock picker.

James Dow  
Toby Ross  
Baillie Gifford & Co  
10 February 2022

## Investment Changes

	Valuation at 31 December 2020 £'000	Net acquisitions/ (disposals) £'000	Appreciation/ (depreciation) £'000	Valuation at 31 December 2021 £'000
United Kingdom Equities	81,590	(908)	5,467	86,149
Overseas Equities	596,279	82,375	124,604	803,258
Total Equities	677,869	81,467	130,071	889,407
Direct Property	84,900	(23,679)	13,679	74,900
Bonds	40,775	10,273	(2,098)	48,950
<b>Total Investments</b>	<b>803,544</b>	<b>68,061</b>	<b>141,652</b>	<b>1,013,257</b>
Net Liquid Assets*	8,726	3,384	(21)	12,089
<b>Total Assets</b>	<b>812,270</b>	<b>71,445</b>	<b>141,631</b>	<b>1,025,346</b>

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

\* This includes deferred expenses.

## Performance Attribution for the year to 31 December 2021

Portfolio breakdown	Average allocation SAINTS %	Average allocation benchmark %	Total return* SAINTS %	Total return benchmark %
Global Equities	94.1	100.0	21.0	20.0
Bonds	6.0		0.8	
Direct Property	9.2		25.7	
Deposits	1.3		–	
Borrowings at book value	(10.6)		6.5	
<b>Portfolio Total Return (borrowings at book value)</b>			<b>21.1</b>	<b>20.0</b>
Other items†			(0.3)	
<b>Fund Total Return (borrowings at book value)</b>			<b>20.8</b>	<b>20.0</b>
Adjustment for change in fair value of borrowings			0.7	
<b>Fund Total Return (borrowings at fair value)</b>			<b>21.5</b>	<b>20.0</b>

Past performance is not a guide to future performance.

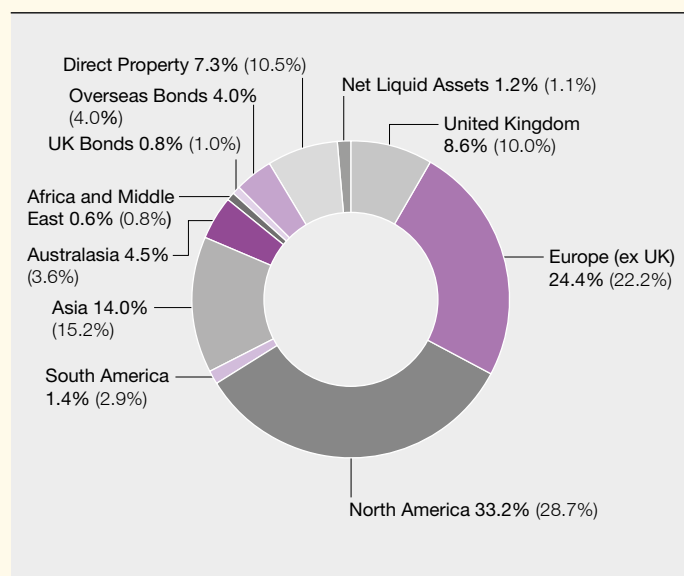
Source: Baillie Gifford and relevant underlying index providers. See disclaimer on page 69.

\* Alternative performance measure, see Glossary of Terms and Alternative Performance Measures on pages 70 and 71.

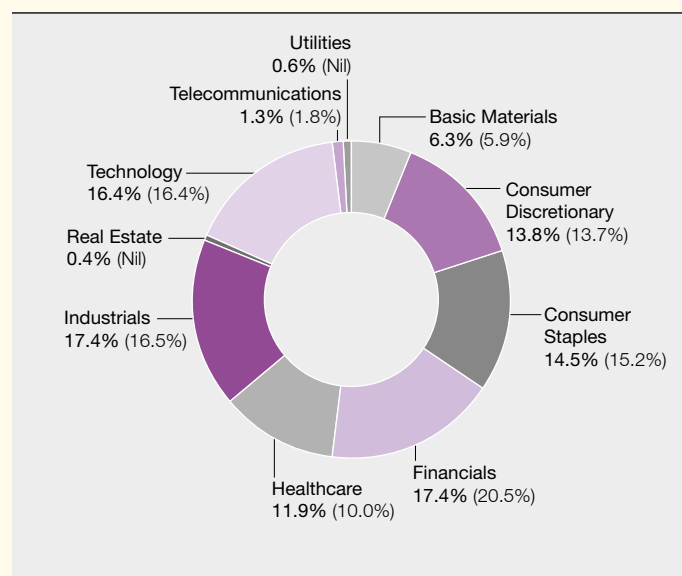
† Includes Baillie Gifford and OLIM Property Limited management fees.

## Distribution of Portfolio

### Geographical as at 31 December 2021 (2020)



### Equities by Sector as at 31 December 2021 (2020)





## Classification of Investments

Classification	UK %	Overseas %	2021 Total %	2020 Total %
<b>Equities:</b>				
Chemicals	–	1.9	1.9	1.4
Industrial metals and mining	0.8	2.8	3.6	3.5
<b>Basic Materials</b>	<b>0.8</b>	<b>4.7</b>	<b>5.5</b>	<b>4.9</b>
Leisure goods	–	1.0	1.0	0.9
Media	–	3.1	3.1	2.6
Personal goods	–	2.9	2.9	3.5
Retailers	–	0.6	0.6	0.8
Household goods and home construction	–	2.0	2.0	2.3
Travel and leisure	–	2.4	2.4	1.3
<b>Consumer Discretionary</b>	<b>–</b>	<b>12.0</b>	<b>12.0</b>	<b>11.4</b>
Beverages	0.8	4.3	5.1	4.7
Food producers	–	4.3	4.3	3.7
Personal care, drug and grocery stores	–	3.2	3.2	3.4
Tobacco	–	–	–	0.9
<b>Consumer Staples</b>	<b>0.8</b>	<b>11.8</b>	<b>12.6</b>	<b>12.7</b>
Banks	–	1.8	1.8	2.5
Closed end investments	0.8	–	0.8	1.4
Investment banking and brokerage services	0.7	7.3	8.0	9.4
Non-life insurance	2.4	2.1	4.5	3.8
<b>Financials</b>	<b>3.9</b>	<b>11.2</b>	<b>15.1</b>	<b>17.1</b>
Medical equipment and services	–	0.9	0.9	0.8
Pharmaceuticals and biotechnology	1.1	5.5	6.6	5.2
Healthcare providers	–	2.8	2.8	2.3
<b>Healthcare</b>	<b>1.1</b>	<b>9.2</b>	<b>10.3</b>	<b>8.3</b>
Industrial engineering	–	2.7	2.7	1.7
Industrial support services	1.4	1.1	2.5	3.3
Industrial transportation	–	6.1	6.1	5.6
Electronic and electrical equipment	–	2.0	2.0	1.7
Construction and materials	–	1.8	1.8	1.5
<b>Industrials</b>	<b>1.4</b>	<b>13.7</b>	<b>15.1</b>	<b>13.8</b>
Real estate investment trusts	0.3	–	0.3	–
<b>Real Estate</b>	<b>0.3</b>	<b>–</b>	<b>0.3</b>	<b>–</b>
Software and computer services	–	4.7	4.7	4.4
Technology hardware and equipment	–	9.5	9.5	9.3
<b>Technology</b>	<b>–</b>	<b>14.2</b>	<b>14.2</b>	<b>13.7</b>
Telecommunications equipment	–	1.1	1.1	0.9
Telecommunications service providers	–	–	–	0.6
<b>Telecommunications</b>	<b>–</b>	<b>1.1</b>	<b>1.1</b>	<b>1.5</b>
Electricity	–	0.5	0.5	–
<b>Utilities</b>	<b>–</b>	<b>0.5</b>	<b>0.5</b>	<b>–</b>
<b>Total Equities</b>	<b>8.3</b>	<b>78.4</b>	<b>86.7</b>	
Total Equities – 2020	10.0	73.4		83.4
<b>Direct Property</b>	<b>7.3</b>	<b>–</b>	<b>7.3</b>	<b>10.5</b>
<b>Bonds</b>	<b>0.8</b>	<b>4.0</b>	<b>4.8</b>	<b>5.0</b>
<b>Net Liquid Assets</b>	<b>0.9</b>	<b>0.3</b>	<b>1.2</b>	<b>1.1</b>
<b>Total Assets</b>	<b>17.3</b>	<b>82.7</b>	<b>100.0</b>	
Total Assets – 2020	22.4	77.6		100.0
<b>Debt</b>	<b>(8.5)</b>	<b>–</b>	<b>(8.5)</b>	<b>(10.0)</b>
<b>Equity Shareholders' Funds</b>	<b>8.8</b>	<b>82.7</b>	<b>91.5</b>	
Equity Shareholders' Funds – 2020	12.4	77.6		90.0
<b>Number of equity investments</b>	<b>10</b>	<b>55</b>	<b>65</b>	<b>60</b>

## List of Investments at 31 December 2021

Name	Business	Value £'000	% of total assets
United Parcel Service	Courier services	30,979	3.0
Microsoft	Computer software	29,920	2.9
Novo Nordisk	Pharmaceutical company	29,525	2.9
Taiwan Semiconductor Manufacturing	Semiconductor manufacturer	29,245	2.9
Fastenal	Distribution and sales of industrial supplies	29,042	2.8
Sonic Healthcare	Laboratory testing	28,207	2.8
Procter & Gamble	Household product manufacturer	26,486	2.6
Roche	Pharmaceuticals and diagnostics	26,338	2.6
Partners Group	Asset management	25,675	2.5
Nestlé	Food producer	23,028	2.2
Pepsico	Snack and beverage company	21,281	2.1
Schneider Electric	Electrical power products	20,534	2.0
Apple	Consumer technology	20,322	2.0
Albemarle	Producer of speciality and fine chemicals	19,331	1.9
Watsco	Distributes air conditioning, heating and refrigeration equipment	18,907	1.8
Atlas Copco	Engineering	18,442	1.8
Anta Sports	Sportswear manufacturer and retailer	18,410	1.8
Admiral	Car insurance	18,295	1.8
Carsales.com	Online marketplace for classified car advertisements	17,231	1.7
Deutsche Boerse	Securities exchange owner/operator	17,187	1.7
Silicon Motion Technology	Semiconductor company	17,151	1.7
Analog Devices	Integrated circuits	16,976	1.7
CH Robinson	Delivery and logistics	16,302	1.6
Coca Cola	Beverage company	15,762	1.5
Wolters Kluwer	Information services and solutions provider	14,701	1.4
Experian	Credit scoring and marketing services	14,403	1.4
McDonald's	Fast food restaurants	13,980	1.4
Kuehne + Nagel	Worldwide freight forwarder	12,670	1.2
National Instruments	Electronic test and measurement systems	12,207	1.2
Hong Kong Exchanges and Clearing	Securities exchange owner/operator	12,019	1.2
Cisco Systems	Data networking equipment	11,599	1.1
Kering	Luxury brand conglomerate	11,486	1.1
GlaxoSmithKline	Pharmaceuticals, vaccines and consumer healthcare	11,177	1.1
Edenred	Voucher programme outsourcer	11,034	1.1
T. Rowe Price	Fund manager	10,851	1.1
NetEase	Online gaming company	10,755	1.0
Man Wah	Sofa designer and manufacturer	10,630	1.0
Midea Group	Appliance manufacturer	10,357	1.0
Starbucks	Coffee retailer	10,111	1.0
Arthur J Gallagher	Insurance broker	10,111	1.0
United Overseas Bank	Commercial banking	9,964	1.0
Valmet	Manufacturer of pulp and paper machinery	9,634	0.9
Medtronic	Medical devices company	8,786	0.9
B3 S.A.	Securities exchange owner/operator	8,765	0.8
Greencoat UK Wind	UK wind farms	8,661	0.8
Fevertree Drinks	Producer of premium mixer drinks	8,334	0.8
Cullen/Frost Bankers	Provides banking services throughout the state of Texas	8,332	0.8
Dolby Laboratories	Multimedia software	8,257	0.8
Línea Directa Aseguradora	Car and home insurance provider	8,131	0.8
Rio Tinto	Mining	8,122	0.8
Want Want	Snacks and milk-based products	7,890	0.8
Pernod Ricard	Global spirits manufacturer	7,715	0.7
Hargreaves Lansdown	UK retail savings and investment platform	7,619	0.7

Name	Business	Value £'000	% of total assets
TCI	Producer of health-food products	7,139	0.7
AVI	Staple foods manufacturer	6,315	0.6
Kimberly-Clark de México	Paper-based household products	6,266	0.6
Hiscox	Property and casualty insurance	5,946	0.6
USS	Second-hand car auctioneer	5,836	0.6
Terna	Electricity grid operator	5,485	0.5
SAP	Business software developer	5,027	0.5
Amadeus IT Group	Technology provider for the travel industry	4,768	0.5
Assura	Primary healthcare property group	3,327	0.3
Jiangsu Expressway	Tollroad operator	3,153	0.3
BBGI Global Infrastructure	PFI/PPP fund	3,003	0.3
Terra Catalyst Fund*	Fund of European property funds	265	–
<b>Total Equities</b>		<b>889,407</b>	<b>86.7</b>
<b>Direct Property</b>			
Direct Property	See table on page 22.	<b>74,900</b>	<b>7.3</b>
<b>Bonds</b>			
Sterling denominated	Paymentsense 8% 2025	<b>3,038</b>	<b>0.3</b>
Euro denominated	Cogent Communications 4.375% 2024	4,010	0.4
	Ivory Coast 6.625% 2048	1,718	0.2
		<b>5,728</b>	<b>0.6</b>
US dollar denominated	Netflix 5.375% 2029	6,234	0.6
	Tesco 6.15% 2037	5,038	0.5
	Catalent 5% 2027	3,153	0.3
	First Quantum Minerals 7.25% 2023	2,603	0.2
	Brazil 7.125% 20/01/2037	1,942	0.2
	Dominican Republic 5.875% 30/01/2060	1,932	0.2
	Mexico 5.75% 12/10/2110	1,930	0.2
	First Quantum Minerals 7.5% 2025	1,815	0.2
		<b>24,647</b>	<b>2.4</b>
Brazilian real denominated	Brazil CPI Linked 15/05/2045	<b>4,248</b>	<b>0.4</b>
Dominican peso denominated	Dominican Republic 8.9% 15/02/2023	1,694	0.2
	Dominican Republic 9.75% 05/06/2026	776	0.1
		<b>2,470</b>	<b>0.3</b>
Indonesian rupiah denominated	Indonesia 9% 15/03/2029	2,412	0.2
	Indonesia 7.375% 15/05/2048	2,050	0.2
		<b>4,462</b>	<b>0.4</b>
Mexican peso denominated	Mexico IL 4% 15/11/2040	<b>2,501</b>	<b>0.2</b>
Peruvian sol denominated	Peru 6.15% 12/08/2032	<b>1,856</b>	<b>0.2</b>
<b>Total Bonds</b>		<b>48,950</b>	<b>4.8</b>
<b>Total Investments</b>		<b>1,013,257</b>	<b>98.8</b>
Net Liquid Assets (including deferred expenses)		12,089	1.2
<b>Total Assets</b> (before deduction of borrowings)		<b>1,025,346</b>	<b>100.0</b>

\* Delisted.

## Property Portfolio

Location	Type	Tenant	2021 Value £'000	2021 % of total assets	2020 Value £'000
Basingstoke	Warehouse	Sherwin-Williams UK Limited	3,000	0.3	3,000
Biggleswade	Warehouse	Sherwin-Williams Diversified Brands Limited	7,650	0.7	5,800
Cleethorpes	Public House	Stonegate Pub Company Limited	750	0.1	700
Crawley	Petrol Station and Convenience Store	Co-operative Group Food Limited	3,800	0.4	3,750
Denbigh	Supermarket	Aldi Stores Limited	5,750	0.6	5,350
Earley	Public House	Spirit Pub Company (Managed) Limited	2,800	0.3	2,700
Kenilworth	Nursing Home	Care UK Community Partnerships Limited	6,200	0.6	6,750
Luton	Public House	Stonegate Pub Company Limited	2,700	0.3	2,700
Milton Keynes*	Data Centre	TalkTalk Communications Limited	–	–	16,400
New Romney	Holiday Village	Park Resorts Limited	19,000	1.8	17,150
Newport Pagnell	Car Showroom	Pendragon Plc	3,300	0.3	3,000
Otford	Public House	Spirit Pub Company (Managed) Limited	1,850	0.2	1,800
Pagham	Convenience Store	Co-operative Group Food Limited	1,350	0.1	1,250
Prestatyn	Public House	Stonegate Pub Company Limited	1,100	0.1	1,100
Southend-on-Sea	Warehouse	Booker Limited	11,200	1.1	9,000
Taunton	Bowling Alley	Mitchells & Butlers Retail (No.2) Limited	4,450	0.4	4,450
			<b>74,900</b>	<b>7.3</b>	<b>84,900</b>

\* Sold during the year.

The Strategic Report, which includes pages 2 to 23, was approved by the Board on 10 February 2022.

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 # %
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
2018	21,743	16,230	11.75	11.50	0.76
2019	22,950	17,096	11.87	11.875	0.77
2020	23,568	17,519	11.41	12.00	0.70
<b>2021</b>	<b>27,980</b>	<b>21,820</b>	<b>12.79</b>	<b>12.675</b>	<b>0.62</b>

### Gearing Ratios

Equity gearing ‡ %	Potential gearing ¶ %
(1)	30
(2)	27
4	25
1	25
2	24
0	19
(6)	17
(6)	17
(3)	14
(7)	11
<b>(4)</b>	<b>10</b>

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

‡ Borrowings at book value less cash, bonds (ex convertibles) and property divided by shareholders' funds. Alternative performance measure, see Glossary of Terms and Alternative Performance Measures on pages 70 and 71.

¶ Borrowings at book value divided by shareholders' funds. Alternative performance measure, see Glossary of Terms and Alternative Performance Measures on pages 70 and 71.

### 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) # %
2011	381,166	86,972	294,194	221.7	205.3	208.5	(6.0)	1.6
2012	401,780	86,467	315,313	237.7	220.5	225.5	(5.1)	2.3
2013	428,313	85,931	342,382	258.1	247.0	256.3	(0.7)	3.8
2014	429,167	85,361	343,806	259.1	243.7	249.6	(3.7)	2.4
2015	433,209	84,756	348,453	261.7	247.5	261.5	(0.1)	5.7
2016	515,622	84,112	431,510	323.5	309.2	324.0	0.2	4.8
2017	581,366	83,428	497,938	366.2	355.6	368.0	0.5	3.5
2018	566,154	82,701	483,453	343.0	336.4	351.0	2.3	4.3
2019	682,418	81,930	600,488	407.1	400.9	426.0	4.6	6.3
2020	812,270	81,108	731,162	449.7	446.1	464.0	3.2	4.0
<b>2021</b>	<b>1,025,346</b>	<b>95,161</b>	<b>930,185</b>	<b>529.7</b>	<b>528.4</b>	<b>541.0</b>	<b>2.1</b>	<b>2.4</b>

\$ Net asset value per ordinary share has been calculated after deducting borrowings at either book value or fair value. See Glossary of Terms and Alternative Performance Measures on pages 70 and 71.

^ Premium/(discount) is an Alternative Performance Measure and is the difference between SAINTS' quoted share price and its underlying net asset value at either book value or fair value. See Glossary of Terms and Alternative Performance Measures on pages 70 and 71.

### Cumulative Performance (taking 2011 as 100)

At 31 December	Net asset value per share (fair) #	Net asset value (fair) total return #	Share price	Share price total return #	Benchmark	Benchmark total return #	Earnings per ordinary share	Dividends per ordinary share (net)	Consumer price index
2011	100	100	100	100	100	100	100	100	100
2012	107	112	108	113	109	112	110	104	103
2013	120	131	123	134	128	136	110	108	105
2014	119	135	120	136	138	151	113	111	105
2015	121	143	125	148	141	157	112	113	106
2016	151	186	155	191	177	204	112	115	107
2017	173	220	176	224	197	232	122	117	110
2018	164	215	168	220	186	224	126	122	113
2019	195	265	204	275	221	274	127	126	114
2020	217	303	223	308	245	309	122	127	115
<b>2021</b>	<b>257</b>	<b>368</b>	<b>259</b>	<b>368</b>	<b>288</b>	<b>371</b>	<b>137</b>	<b>134</b>	<b>121</b>

#### Compound annual returns

5 year	11.3%	14.6%	10.8%	14.0%	10.2%	12.8%	4.1%	3.1%	2.5%
10 year	9.9%	13.9%	10.0%	13.9%	11.2%	14.0%	3.2%	3.0%	1.9%

On 1 January 2014, the Company changed its benchmark from 50% FTSE All-Share Index and 50% FTSE All-World ex UK Index to 100% FTSE All-World Index. For the purposes of the above tables the returns on these benchmarks for their respective periods have been linked to form a single benchmark. Source: Refinitiv/Baillie Gifford and relevant underlying index providers. See disclaimer on page 69.

\* For a definition of terms, see Glossary of Terms and Alternative Performance Measures on pages 70 and 71.

# Alternative performance measure, see Glossary of Terms and Alternative Performance Measures on pages 70 and 71.

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 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 Asia Growth and Income plc and First Property plc. He is an investment adviser of Teeside Pension Fund, a former chairman of Arden Partners plc, a former director of MBNA Europe and a former member of the National Association of Pension Funds Investment Committee.



**Karyn Lamont, CA joined the Board in 2019 and became Chairman of the Audit Committee in 2020.**

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



**Bronwyn Curtis, OBE 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 Asia Growth and Income plc.



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



**Lord Macpherson of Earl's Court, GCB joined the Board in 2016 and was appointed Senior Independent Director in 2019.** He was Permanent Secretary to the Treasury from 2005 to 2016, leading the department through the global economic and financial crisis. Prior to that, he held a number of senior posts at the Treasury, including Principal Private Secretary to Ken Clarke and Gordon Brown. An economist by training, he worked for Peat Marwick consulting and the CBI before joining the Treasury. Lord Macpherson is currently chairman of C Hoare and Co, a director of British Land plc, and is a visiting Professor at King's College, London.

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

## Managers and Secretaries

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

Baillie Gifford is one of the largest investment trust managers in the UK and currently manages twelve investment trusts. Baillie Gifford also manage a listed investment company, unit trusts and open ended investment companies, together with investment portfolios on behalf of pension funds, charities and other institutional clients, both in the UK and overseas. Funds under the management or advice of Baillie Gifford total around £294 billion. Based in Edinburgh, it is one of the leading privately owned investment management firms in the UK, with 47 partners and a staff of around 1,500.

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 2021.

### Corporate Governance

The Corporate Governance Report is set out on pages 30 to 33 and forms part of this Report.

### Manager and Company Secretaries

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

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

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

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

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

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

### Depositary

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

### Directors

Information about the Directors, including their relevant experience, can be found on pages 24 and 25.

All Directors will retire at the Annual General Meeting and offer themselves for re-election, with the exception of Peter Moon who will stand down at the conclusion of the Annual General Meeting on 5 April 2022. Following formal performance evaluation, the Chairman confirms the Directors' performance continues to be effective and each remains committed to the Company. Their contribution to the Board is greatly valued and the Board recommends their re-election to shareholders.

The Board also considers that Mr Moon remains independent notwithstanding having served on the Board for more than nine years, as explained on page 30.

### 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 2021 and up to the date of approval of this Report, cover any liabilities that may arise to a third party, other than the Company, for negligence, default or breach of trust or duty. The Directors are not indemnified in respect of liabilities to the Company, any regulatory or criminal fines, any costs incurred in connection with criminal proceedings in which the Director is convicted or civil proceedings brought by the Company in which judgement is given against him/her. In addition, the indemnity does not apply to any liability to the extent that it is recovered from another person.

The Company maintains Directors' and Officers' Liability Insurance.

## Conflicts of Interest

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

## Dividends

The Board recommends a final dividend of 3.375p per ordinary share which, together with the interim dividends already paid, makes a total of 12.675p for the year. If approved, the recommended final dividend on the ordinary shares will be paid on 8 April 2022 to shareholders on the register at the close of business on 4 March 2022. The ex-dividend date is 3 March 2022.

The Company's Registrar offers a Dividend Reinvestment Plan (see page 65) and the final date for the receipt of elections for reinvestment of this dividend is 18 March 2022.

## Share Capital

### Capital Structure

The Company's capital structure consists of 175,600,943 ordinary shares of 25p each (2020 – 162,595,943 ordinary shares). There are no restrictions concerning the holding or transfer of the Company's ordinary shares and there are no special rights attaching to any of the shares.

### Dividends

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

### Capital Entitlement

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

### Voting

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

Information on the deadlines for proxy appointments can be found on pages 67 and 68.

## Major Interests in the Company's Shares

Name	No. of ordinary 25p shares held at 31 December 2021	% of issue
Rathbone Investment Management Ltd	9,116,733	5.2
Brewin Dolphin Limited	6,623,973	3.8

Holdings above are stated as per the most recent notification to a Regulatory Information Service. There have been no changes to the major interests in the Company's shares disclosed between 31 December 2021 and 9 February 2022.

## Annual General Meeting

### Share Issuance Authority

Resolution 10 in the Notice of Annual General Meeting seeks to renew the Directors' general authority to issue shares up to an aggregate nominal amount of £14,656,946.00. This amount represents approximately 33% of the Company's total ordinary share capital currently in issue and meets institutional guidelines. No issue of ordinary shares will be made pursuant to the authorisation in Resolution 10 which would effectively alter the control of the Company without the prior approval of shareholders in general meeting.

Resolution 11, which is proposed as a special resolution, seeks to renew the Directors' authority to issue shares or sell shares held in treasury on a non pre-emptive basis (i.e. without first offering such shares to existing shareholders pro-rata to their existing holdings) for cash up to an aggregate nominal amount of £4,397,523.50 (representing approximately 10% of the issued ordinary share capital of the Company as at 9 February 2022). The authorities sought in Resolutions 10 and 11 will continue until the conclusion of the Annual General Meeting to be held in 2023 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 2021, the Company issued at a premium to net asset value on 96 separate occasions a total amount of 13,005,000 shares at an average price of 486.2p per share, raising proceeds of £63,076,000. Between 1 January and 9 February 2022, the Company issued a further 300,000 shares at a premium to net asset value raising proceeds of £1,606,000. No shares were held in treasury as at 9 February 2022.

### 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 12 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 1 April 2021 in respect of 24,594,234 shares of 25p each (equivalent to 14.99% of its then issued share capital). No shares were bought back during the year under review and no shares are held in treasury.

The principal reasons for share buy-backs are:

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

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

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

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

The Directors are seeking shareholders' approval at the Annual General Meeting to renew the authority to make market purchases of up to 26,367,551 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 2023. Such purchases will only be made through the market for cash at prices below the most recently calculated net asset value per ordinary share, which will result in an increase in value of the remaining ordinary shares. Any such shares purchased shall either be held in treasury or cancelled. In accordance with the Listing Rules of the UK Listing Authority, the maximum price (excluding expenses) that may be paid on the exercise of the authority must not exceed the higher of:

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

The minimum price (exclusive of expenses) that may be paid will be 25p per share. Purchases of shares will be made within guidelines established, from time to time, by the Board. The Company does not have any warrants or options in issue. Your attention is drawn to Resolution 13 in the Notice of Annual General Meeting.

### **Financial Instruments**

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

The Company has agreed terms to issue £80m of long-term private placement debt to refinance its long-term borrowings when the existing debenture matures on 10 April through the issuance of two series: a 23 year note for £40m to be repaid in 2045 and a 27 year note for £40m to be repaid in 2049.

The replacement debt will be secured, unlisted and denominated in sterling bearing a coupon of 3.12%.

### **Articles of Association**

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

### **Disclosure of Information to Auditor**

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

### **Independent Auditor**

Following the conclusion of a formal tender process led by the Company's Audit Committee, the Board has approved the proposed appointment of Ernst & Young LLP as Auditor for the financial year commencing 1 January 2022. Ernst & Young LLP has expressed its willingness to be appointed Auditor to the Company. The appointment is subject to shareholder approval at the Annual General Meeting scheduled to be held on 5 April 2022 and resolutions concerning Ernst & Young LLP's appointment and remuneration will be submitted to the Annual General Meeting. The Board extends its appreciation to KPMG LLP for its services as Auditor and confirms that there are no matters in connection with KPMG LLP ceasing to hold office as Auditor following the 2021 audit which need to be brought to the attention of shareholders.

### **Post Balance Sheet Events**

Terms were agreed to purchase an additional property, a hotel, in late December 2021 with the transaction completing on 14 January 2022. The cost was £7.75m and was funded through the sale of equities in the portfolio.

The Directors confirm that there have been no other significant post Balance Sheet events up to 9 February 2022 that require disclosure in the Financial Statements.

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

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

### **Bribery Act**

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

### **Criminal Finances Act 2017**

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

### **Recommendation**

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

On behalf of the Board  
Peter Moon  
10 February 2022

## Corporate Governance Report

The Board is committed to achieving and demonstrating high standards of Corporate Governance. This statement outlines how the principles of the 2018 UK Corporate Governance Code (the 'Code'), which can be found at [frc.org.uk](https://www.frc.org.uk) and the relevant principles of the Association of Investment Companies (AIC) Code of Corporate Governance were applied throughout the financial year. The AIC Code provides a framework of best practice for investment companies and can be found at [theaic.co.uk](https://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 34). Details of the Board's view on Directors who have served on the Board for more than nine years can be found under the Independence of Directors section of this Report.

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

### The Board

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

The Board currently comprises five Directors all of whom are non-executive. The Chairman is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda. The executive responsibility for investment management has been delegated to the Company's Alternative Investment Fund Manager ('AIFM'), Baillie Gifford & Co Limited, and, in the context of a Board comprising entirely non-executive Directors, there is no chief executive officer. The Senior Independent Director is Lord Macpherson of Earl's Court. Bronwyn Curtis will become the Senior Independent Director when Lord Macpherson of Earl's Court becomes Chairman of the Board at the conclusion of the Annual General Meeting.

The Directors believe that the Board has a balance of skills and experience which enables it to provide effective strategic leadership and proper governance of the Company. Information about the Directors, including their relevant experience, can be found on pages 24 and 25.

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 has served on the Board for more than nine years and will be retiring from the Board in April 2022. The Directors recognise the importance of succession planning for company boards and review the Board composition annually. The Board is of the view that length of service will not necessarily compromise the independence or contribution of Directors of an investment trust company, where continuity and experience can be a benefit to the Board. Following a formal performance evaluation, the Board has concluded that, notwithstanding his length of service, Mr Moon remains independent. His actions and decisions have confirmed his independence and the Directors believe his 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.

### Directors' Attendance at Meetings

	Board	Audit Committee	Nomination Committee
<b>Number of meetings</b>	<b>5</b>	<b>2</b>	<b>1</b>
Peter Moon*	5	–	1
Bronwyn Curtis	5	2	1
Eric Hagman†	2	1	–
Karyn Lamont#	4	2	1
Dame Mariot Leslie	5	2	1
Lord Macpherson of Earl's Court	5	2	1

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

† Eric Hagman retired on 1 April 2021.

# Karyn Lamont was absent from one Board meeting due to illness.

## Nomination Committee

The Nomination Committee consists of the whole Board due to the ongoing small size of the Board and the Chairman of the Board is Chairman of the Committee. The Committee meets on an annual basis and at such other times as may be required. The Committee has written terms of reference which include reviewing the Board composition, Board appraisal, succession planning, training and identifying and nominating new candidates for appointment to the Board. The Committee also considers whether Directors should be recommended for re-election by shareholders. The Committee is responsible for considering Directors' potential conflicts of interest and for making recommendations to the Board on whether or not the potential conflicts should be authorised. Appointments to the Board are made on merit and based on objective criteria, including the promotion of diversity of gender, social and ethnic backgrounds, and cognitive and personal strengths. The priority in succession planning and appointing new Directors is to identify candidates with the best range of skills and experience to complement those of the existing Directors, with a view to ensuring that the Board remains well placed to help the Company achieve its investment and governance objectives.

Following the announcement that Peter Moon will step down from the Board at the conclusion of the Annual General Meeting on 5 April 2022, the Committee has commissioned a search to find a new Director using the services of Trust Associates, an executive search firm which has no other connection with the Company or its Directors. The Directors have drawn up a specification for the appointment and, following conclusion of the interview process, will announce the successful candidate who will stand for election at the AGM in 2023.

## Policy on Chairman's Tenure

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

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

## Performance Evaluation

An appraisal of the Chairman, each Director, and a performance evaluation and review of the Board as a whole and its Committees was carried out during the year. The Chairman and each Director completed a performance evaluation questionnaire and each Director had an interview with the Chairman. The appraisal of the Chairman was led by Lord Macpherson of Earl's Court. The appraisals and

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

The Company is a FTSE 350 company and as such, the Board is required to appoint an independent company to assist with the design and execution of board evaluations every three years. It is intended that the Board will undertake this external evaluation during the year to 31 December 2022.

## Induction and Training

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

## Remuneration Committee

As all the Directors are non-executive, there is no requirement for a separate Remuneration Committee. Directors' fees are considered by the Board as a whole within the limits approved by shareholders. The Company's policy on remuneration is set out in the Directors' Remuneration Report on pages 36 and 37.

## Management Engagement Committee

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

## Audit Committee

The report of the Audit Committee is set out on pages 34 and 35.

## Internal Controls and Risk Management

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

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

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

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

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

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

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

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

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

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

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

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

The risk limits, which are set by the AIFM and approved by the Board, take into account the objectives, strategy and risk profile of the portfolio. These limits, including leverage (see page 69), 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, including its Covid-19 guidance, the Directors have undertaken a rigorous review of the Company's ability to continue as a going concern and specifically in the context of the Covid-19 pandemic. The Company's principal and emerging risks are market related and include market risk, liquidity risk and credit risk. An explanation of these risks and how they are managed is contained in note 18 to the Financial Statements. The Board has, in particular, considered the impact of heightened market volatility, since the Covid-19 pandemic and specific leverage and liquidity stress testing but does not believe the Company's going concern status is affected. The Company's assets, the majority of which are investments in quoted securities which are readily realisable, exceed its liabilities significantly. All borrowings require the prior approval of the Board. Gearing levels and compliance with borrowing covenants are reviewed by the Board on a regular basis. The Company has no short term borrowings. The redemption date for the Company's debenture is 10 April 2022 and terms have been agreed to refinance the debenture with £80 million of long term private placement debt. Additional long term private placement debt of £15 million was entered into during the year to be repaid in 2036. The Company has continued to comply with the investment trust status requirements of section 1158 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) Regulations 2011.

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

Accordingly, the Financial Statements have been prepared on the going concern basis as it is the Directors' opinion, having assessed the principal and emerging risks and other matters, including the impact of the Covid-19 pandemic set out in the Viability Statement on page 9 which assesses the prospects of the Company over a period of five years, that the Company will continue in operational existence for at least 12 months from the date of approval of these Financial Statements.



## Relations with Shareholders

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

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

## Corporate Governance and Stewardship

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

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

Baillie Gifford & Co, the Managers, has considered the Sustainable Finance Disclosures Regulation (SFDR) and further details can be found on page 72.

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

## Climate Change

The Board recognises that climate change poses a serious threat to our environment, our society and to economies and companies around the globe. Addressing the underlying causes is likely to result in companies that are high emitters of carbon facing greater societal and regulatory scrutiny and higher costs to account for the true environmental impact of their activities. The Manager has engaged an external provider to map the carbon footprint of the equity portfolio using the information to prioritise engagement and understand what higher emitting companies are doing to manage climate risk better. The carbon intensity of The Scottish American Investment Company's portfolio is 73.1% lower than the Company's benchmark (FTSE All-World). This analysis estimate is based on 97.5% of the value of the Company's equity portfolio which reports on carbon emissions and other carbon related characteristics.

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

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

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

On behalf of the Board  
Peter Moon  
10 February 2022

## Audit Committee Report

The Audit Committee consists of all independent Directors for the year to 31 December 2021 with the exception of the Chairman of the Board, Mr Moon, who stepped down from the Audit Committee in November 2018. The members of the Committee consider that they have the requisite financial skills and experience to fulfil the responsibilities of the Committee. Ms Lamont, the Chairman of the Committee, is a Chartered Accountant. The Committee's authority and duties are clearly defined within its written terms of reference which are available at [saints-it.com](https://www.saints-it.com). The terms of reference are reviewed annually.

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

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

### Main Activities of the Committee

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

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

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

### Internal Audit

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

### Financial Reporting

The Committee considers that the most significant issue likely to affect the Financial Statements is the valuation of the property investments which represent 7.3% of total assets. Other key issues are the existence and legal title of the property as well as the valuation, existence and legal title of the equity and bond investments which represent 91.5% of total assets.

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

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

The Committee considered the factors, including the impact of Covid-19, that might affect the Company's viability over a period of five years and its ability to continue as a going concern for at least twelve months from the date of signing of the Financial Statements, together with the reports from the Managers on the cash position and cash flow projections of the Company, the liquidity of the investment portfolio, compliance with debt covenants and the Company's ability to meet its obligations as they fall due. The Committee also reviewed the Viability Statement on page 9 and the statement on Going Concern on page 32 including the potential impact of Covid-19. Following this assessment, the Committee recommended to the Board the appropriateness of the Going Concern basis in preparing the Financial Statements and confirmed the accuracy of the Viability Statement and statement on Going Concern.

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

### Audit Tender

During the year the Company tendered its external audit. Invitations to tender were issued to 4 audit firms, resulting in comprehensive proposals of a very high standard being submitted by 3 firms, who were invited to present their approach in more detail to the Audit Committee. In evaluating the firms, the focus was on the understanding and experience of the business and industry, the experience of the team and their cultural fit with the Company, the audit quality and approach, in particular the audit of the property portfolio and the transition from KPMG, and independence.

Following a robust and transparent review process, where the audit firms were subjected to scrutiny and appropriate challenge, the Board unanimously decided to propose Ernst & Young LLP for appointment as Auditor and a resolution to this effect will be proposed at the Annual General Meeting. In recognition of underlying audit rotation requirements, the Committee currently intends that a further tender process should be undertaken not later than 31 December 2031 to cover the financial years ending 31 December 2032 onwards.

### Internal Controls and Risk Management

The Committee reviewed the effectiveness of the Company's risk management and internal controls systems as described on pages 31 and 32. No significant weaknesses were identified in the year under review.

### External Auditor

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

- The audit plan for the current year;
- A report from the Auditor describing their arrangements to manage auditor independence and received confirmation of their independence; and
- The proposed audit fee and the extent of non-audit services provided by the external Auditor. For the year to 31 December 2021 the audit fee was £65,000 and the non-audit fee which related to the annual certification of financial information for the debenture trustee was £2,000. A further non-audit fee of £3,000 related to the certification of financial information for the debenture trustee in the relation to drawdown of additional loan notes during the year. The Committee does not believe this non-audit work 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 since 2004, the audit partners responsible for the audit are rotated at least every five years in accordance with professional and regulatory standards in order to protect independence and objectivity and to provide fresh challenge to the business. Mr Waterson, the current partner, was appointed in 2017 and will continue as partner only until the conclusion of the audit for the year ending 31 December 2021.

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

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

During its tenure as Auditor, KPMG LLP has provided a quality service and has demonstrated a high level of professionalism. The statement of reasons in connection with KPMG LLP ceasing to hold office as Auditor is on page 73.

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 39 to 44.

On behalf of the Board  
Karyn Lamont  
Audit Committee Chairman  
10 February 2022

## 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 June 2020 and no changes are proposed to the policy at the Annual General Meeting to be held in 2022.

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 2020.

### Directors' Remuneration Policy

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

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

### 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	2021 Fees £	2021 Taxable benefits * £	2021 Total £	2020 Fees £	2020 Taxable benefits * £	2020 Total £
Peter Moon (Chairman)	42,000	522	<b>42,522</b>	42,000	442	<b>42,442</b>
Bronwyn Curtis	25,000	510	<b>25,510</b>	25,000	885	<b>25,885</b>
Eric Hagman (retired 1 April 2021)†	6,346	–	<b>6,346</b>	27,365	1,167	<b>28,532</b>
Karyn Lamont†	30,000	–	<b>30,000</b>	27,705	–	<b>27,705</b>
Dame Mariot Leslie	25,000	–	<b>25,000</b>	25,000	–	<b>25,000</b>
Lord Macpherson of Earl's Court	25,000	413	<b>25,413</b>	25,000	601	<b>25,601</b>
	<b>153,346</b>	<b>1,445</b>	<b>154,791</b>	<b>172,070</b>	<b>3,095</b>	<b>175,165</b>

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

† Karyn Lamont became Chairman of the Audit Committee following the conclusion of the Annual General Meeting on 17 June 2020. Eric Hagman was Chairman of the Audit Committee up to 17 June 2020.

There were no payments to third parties included in the fees referred to in the table above. There are no further fees to disclose as the Company has no employees, chief executive or executive directors.

### 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 2021 and the fees payable in respect of the year ending 31 December 2022 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 2022 £	Fees for year ended 31 Dec 2021 £
Non-executive Director fee	25,000	25,000
Additional fee for Chairman	17,000	17,000
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 39 to 44.

### Annual Percentage Change in Remuneration

This represents the annual percentage change in the entire remuneration paid to the Directors.

	% from 2020 to 2021	% from 2019 to 2020
Peter Moon (Chairman)	0.2	3.8
Bronwyn Curtis	(1.4)	7.8
Eric Hagman (retired 1 April 2021)	(77.8)	(2.8)
Karyn Lamont (appointed 4 April 2019)	8.3	70.2
Dame Mariot Leslie	–	13.6
Lord Macpherson of Earl's Court	(0.7)	8.7

### Directors' Interests (audited)

Name	Nature of interest	Ordinary 25p shares held at 31 December 2021	Ordinary 25p shares held at 31 December 2020
Peter Moon	Beneficial	15,000	15,000
Bronwyn Curtis	Beneficial	3,000	3,000
Karyn Lamont	Beneficial	2,000	2,000
Dame Mariot Leslie	Beneficial	8,000	8,000
Lord Macpherson of Earl's Court	Beneficial	72,000	57,500

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 9 February 2022.

### 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, 97.5% were in favour, 2.1% were against and votes withheld were 0.4%. At the last Annual General Meeting at which the Directors' Remuneration Policy was considered (June 2020), 98.7% were in favour, 0.8% against and votes withheld were 0.5%.

### Relative Importance of Spend on Pay

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

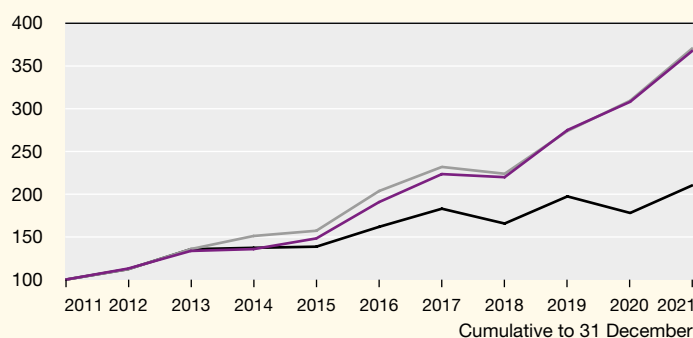
	2021 £'000	2020 £'000	Change %
Directors' Remuneration	155	175	(11.4)
Dividends paid to shareholders	21,038	18,456	14.0

### 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 2011)



Source: Refinitiv and relevant underlying index providers.  
See disclaimer on page 69.

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

All figures are total return (see Glossary of Terms and Alternative Performance Measures on pages 70 and 71).

\* 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 69.

Past performance is not a guide to future performance.

### Approval

The Directors' Remuneration Report on pages 36 and 37 was approved by the Board of Directors and signed on its behalf on 10 February 2022.

Peter Moon  
Chairman



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

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

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

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

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

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

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

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

We confirm that to the best of our knowledge:

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

On behalf of the Board  
Peter Moon  
10 February 2022



# 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 2021 which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its return for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

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

We were first appointed as auditor by the Directors on 16 October 2004. The period of total uninterrupted engagement is for the 18 financial years ended 31 December 2021. 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:** £10.2m (2020:£8.0m)  
Financial statements as a whole 1% (2020: 1%) of Total Assets

#### Key audit matters

vs 2020

Recurring risks	Valuation of investment properties	◀▶
	Carrying amount of quoted investments	◀▶

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

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

	The risk	Our response
<b>Valuation of investment properties</b> (£74.9 million; 2020: £84.9 million)  <i>Refer to page 34 (Audit Committee Report), page 49 (accounting policy) and note 9 on page 53 and note 18 on page 60 (financial disclosures).</i>	<b>Subjective valuation:</b> 7.3% (2020: 10.4%) of the Company's total assets (by value) are held in investment properties.  The fair value of each property requires significant estimation, in particular with regard to yield assumptions.  The effect of these matters is that, as part of our risk assessment for audit planning purposes, we determined that the valuation of investment properties had a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. In conducting our final audit work, we reassessed the degree of estimation uncertainty to be less than materiality. The financial statements (note 18 ) disclose the sensitivity estimated by the Company.	<p>We performed the detailed tests below rather than seeking to rely on any of the Company's controls, because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described below.</p> <p>Our procedures included:</p> <ul style="list-style-type: none"> <li>— <b>Historical comparisons:</b> Assessment of investment realisations in the period, comparing actual sales proceeds to prior year end valuations to understand the reasons for significant variances and determine whether they are indicative of bias or error in the Company's approach to valuations;</li> <li>— <b>Assessing valuer's credentials:</b> Using our own property valuation specialist, we evaluated the competence, experience and independence of the external valuer;</li> <li>— <b>Tests of Detail:</b> for a sample of properties, we compared the information provided by the Company to its external property valuer, such as rental income and tenancy data to supporting documents including lease and purchase agreements;</li> <li>— <b>Methodology choice:</b> We critically assessed, with the assistance of our own property valuation specialists, the valuation methodology used by the external valuer, by assessing whether the valuations were in accordance with the RICS Valuation Professional Standards 'the Red Book' and FRS 102;</li> <li>— <b>Benchmarking assumptions:</b> With the assistance of our own property valuation specialist, we held discussions with the Company's external property valuer to understand movements in property values. For a sample of properties, we assessed the key assumptions used by the valuer upon which the valuations are based, including those relating to yield, by making a comparison to our own understanding of the market and to industry benchmarks; and</li> <li>— <b>Assessing transparency:</b> 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.</li> </ul> <p><b>Our results:</b></p> <ul style="list-style-type: none"> <li>— We found the Company's valuation of investment properties to be balanced (2020: balanced) and the related disclosures to be proportionate (2020: proportionate).</li> </ul>

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

	The risk	Our response
<b>Carrying amount of quoted investments</b> (£901.1 million; 2020: £677.6 million)  <i>Refer to page 34 (Audit Committee Report), page 49 (accounting policy) and note 9 on page 53 (financial disclosures).</i>	<b>Low risk, high value:</b>  The Company's portfolio of quoted level 1 investments makes up 87.6% (2020: 83.1%) 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.	We performed the detailed tests below rather than seeking to rely on any of the Company's controls, because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described below.  Our procedures included: <ul style="list-style-type: none"> <li>— <b>Test of detail:</b> Agreeing the valuation of 100% of level 1 quoted investments in the portfolio to externally quoted prices; and</li> <li>— <b>Enquiry of custodians:</b> Agreeing 100% of level 1 quoted investment holdings in the portfolio to independently received third party confirmations from investment custodians.</li> </ul> <b>Our results</b> <ul style="list-style-type: none"> <li>— We found no differences (2020: no differences) from the third party holdings confirmations nor from the externally quoted prices of a size to require reporting to the audit committee.</li> </ul>

## 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 £10.2m (2020: £8.0m), determined with reference to a benchmark of total assets, of which it represents 1% (2020: 1%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole. Performance materiality was set at 75% (2020: 75%) of materiality for the financial statements as a whole, which equates to £7.7m (2020: £6.0m). We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

In addition, we applied materiality of £1.22m (2020: £0.96m) and performance materiality of £0.92m (2020: £0.72m) to income (as disclosed in note 2), for which we believe misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the Company's members' assessment of the financial performance of the Company.

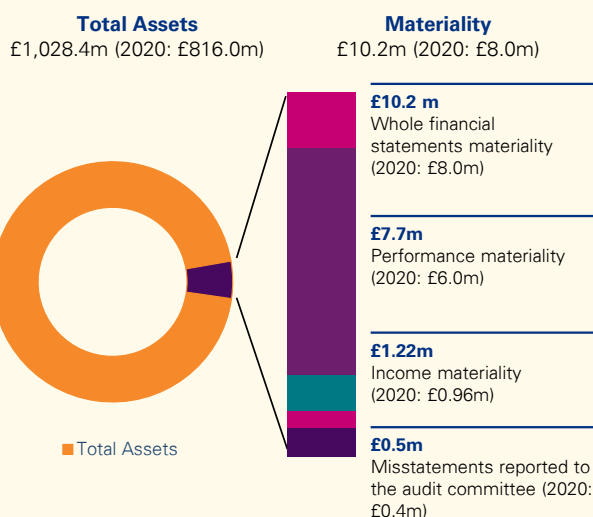
We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.5m (2020: £0.4m) or £0.12m in relation to income (2020: £0.1m) in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above and was performed by a single audit team.

The scope of the audit work performed was fully substantive as we did not rely upon the Company's internal control over financial reporting.

## 4. The impact of climate risk on our audit

In planning our audit we have considered the potential impacts of climate change on the Company's financial statements.



We have performed a risk assessment of how the impact of climate change may affect the financial statements and our audit. Level 1 quoted investments make up 87.6% of the Company's total assets, for which fair value is determined as the quoted market price. Therefore, we assessed that the financial statement estimate that is primarily exposed to climate risk is the investment property portfolio, for which the valuation assumptions and estimates may be impacted by physical and policy or legal climate risks, such as flooding or an increase in climate related compliance expenditure. We made enquiries of the property manager and the external valuer to understand the extent of the potential impact of physical and policy or legal climate change risk on the investment property portfolio. We also held discussions with our own climate change professionals to challenge our risk assessment.

We assessed that, whilst climate change posed a risk to the determination of investment property valuations in the current year, this risk was not significant when considering both the nature and domicile of the properties and the tenure of unexpired leases. Therefore there was no significant impact of this on our key audit matters.

We have read the disclosure of climate related narrative in the front half of the financial statements and considered consistency with the financial statements and our audit knowledge.

## 5. Going concern

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

We used our knowledge of the Company, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Company's available financial resources and its ability to operate over this period were:

- The impact of a significant reduction in the valuation of investments and the implications for the Company's debt covenants;
- The liquidity of the investment portfolio and its ability to meet the liabilities of the Company as and when they fall due; and
- The operational resilience of key service organisations.

We considered whether these risks could plausibly affect the liquidity in the going concern period by assessing the degree of downside assumption that, individually and collectively, could result in a liquidity issue, taking into account the Company's current and projected cash and liquid investment position (a reverse stress test).

We considered whether the going concern disclosure in note 1(a) to the financial statements gives a full and accurate description of the Directors' assessment of going concern.

Our conclusions based on this work:

- We consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- We have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period;
- We have nothing material to add or draw attention to in relation to the Directors' statement in note 1(a) 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 the going concern period, and we found the going concern disclosure in note 1(a) to be acceptable; and
- The related statement under the Listing Rules set out on page 32 is materially consistent with the financial statements and our audit knowledge.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

## 6. Fraud and breaches of laws and regulations – ability to detect

### Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of Directors as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud;
- Assessing the segregation of duties in place between the Directors, the Administrator and the Company's Investment Manager; and
- Reading Board and Audit Committee minutes.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular to the risk that management may be in a position to make inappropriate accounting entries. We evaluated the design and implementation of the controls over journal entries and other adjustments and made inquiries of the Administrator about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. We substantively tested all material post-closing entries and, based on the results of our risk assessment procedures and understanding of the process, including the segregation of duties between the Directors and the Administrator, no further high-risk journal entries or other adjustments were identified.

On this audit we do not believe there is a fraud risk related to revenue recognition because the revenue is non-judgemental and straightforward, with limited opportunity for manipulation. We did not identify any significant unusual transactions or additional fraud risks.

### Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the Directors, the Investment Manager and the Administrator (as required by auditing standards) and discussed with the Directors the policies and procedures regarding compliance with laws and regulations. As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

The potential effect of these laws and regulations on the financial statements varies considerably.

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



## 6. Fraud and breaches of laws and regulations – ability to detect (continued)

### Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations (continued)

We assessed the legality of the distributions made by the Company in the period based on comparing the dividends paid to the distributable reserves prior to each distribution, including consideration of interim accounts filed during the year.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: money laundering, data protection, bribery and corruption legislation and certain aspects of company legislation recognising the financial and regulated nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and the Administrator and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

### Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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

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

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

### Strategic report and Directors' report

Based solely on our work on the other information:

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

### Directors' remuneration report

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

### Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the Viability Statement on page 9 that they have carried out a robust assessment of the emerging and principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal and Emerging Risks disclosures describing these risks and how emerging risks are identified, 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.

We are also required to review the Viability Statement, set out on page 9 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

## 7. We have nothing to report on the other information in the Annual Report (continued)

### Disclosures of emerging and principal risks and longer-term viability (continued)

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

### Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- 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;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the audit committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Company's risk management and internal control systems.

We are required to review the part of Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

## 8. 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.

## 9. Respective responsibilities

### Directors' responsibilities

As explained more fully in their statement set out on page 38, 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 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 or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at:

[www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

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

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

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

Saltire Court  
20 Castle Terrace  
Edinburgh  
EH1 2EG

10 February 2022

## Income Statement

For the year ended 31 December

	Notes	2021 Revenue £'000	2021 Capital £'000	2021 Total £'000	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000
Gains on investments – securities	9	–	127,973	<b>127,973</b>	–	73,114	<b>73,114</b>
Gains on investments – property	9	–	13,679	<b>13,679</b>	–	42	<b>42</b>
Currency losses	14	–	(21)	<b>(21)</b>	–	(291)	<b>(291)</b>
Income	2	27,980	–	<b>27,980</b>	23,568	–	<b>23,568</b>
Management fees	3	(973)	(2,920)	<b>(3,893)</b>	(1,097)	(2,037)	<b>(3,134)</b>
Other administrative expenses	4	(1,252)	–	<b>(1,252)</b>	(1,221)	–	<b>(1,221)</b>
<b>Net return before finance costs and taxation</b>		<b>25,755</b>	<b>138,711</b>	<b>164,466</b>	<b>21,250</b>	<b>70,828</b>	<b>92,078</b>
Finance costs of borrowings	5	(1,426)	(4,278)	<b>(5,704)</b>	(1,952)	(3,626)	<b>(5,578)</b>
<b>Net return on ordinary activities before taxation</b>		<b>24,329</b>	<b>134,433</b>	<b>158,762</b>	<b>19,298</b>	<b>67,202</b>	<b>86,500</b>
Tax on ordinary activities	6	(2,509)	732	<b>(1,777)</b>	(1,779)	424	<b>(1,355)</b>
<b>Net return on ordinary activities after taxation</b>		<b>21,820</b>	<b>135,165</b>	<b>156,985</b>	<b>17,519</b>	<b>67,626</b>	<b>85,145</b>
<b>Net return per ordinary share</b>	7	<b>12.79p</b>	<b>79.20p</b>	<b>91.99p</b>	<b>11.41p</b>	<b>44.04p</b>	<b>55.45p</b>

A final dividend for the year of 3.375p is proposed (2020 – 3.00p), making a total dividend for the year of 12.675p (2020 – 12.00p). More information on dividend distributions can be found in note 8 on page 52.

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 49 to 61 are an integral part of this statement.

## Balance Sheet

### As at 31 December

	Notes	2021 £'000	2021 £'000	2020 £'000	2020 £'000
<b>Non-current assets</b>					
Investments – securities	9	938,357		718,644	
Investments – property	9	74,900		84,900	
Deferred expenses		207		207	
			1,013,464		803,751
<b>Current assets</b>					
Debtors	10	3,710		2,531	
Cash and cash equivalents	18	11,263		9,701	
			14,973		12,232
<b>Creditors</b>					
Amounts falling due within one year	11	(83,327)		(3,713)	
<b>Net current (liabilities)/assets</b>			(68,354)		8,519
<b>Total assets less current liabilities</b>			945,110		812,270
<b>Creditors</b>					
Amounts falling due after more than one year	12		(14,925)		(81,108)
<b>Net assets</b>			<b>930,185</b>		<b>731,162</b>
<b>Capital and reserves</b>					
Share capital	13		43,900		40,649
Share premium account	14		172,576		112,751
Capital redemption reserve	14		22,781		22,781
Capital reserve	14		673,740		538,575
Revenue reserve	14		17,188		16,406
<b>Shareholders' funds</b>			<b>930,185</b>		<b>731,162</b>
<b>Net asset value per ordinary share*</b>	15		<b>529.7p</b>		<b>449.7p</b>

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 10 February 2022.

Peter Moon  
Chairman

The accompanying notes on pages 49 to 61 are an integral part of this statement.

\* See Glossary of Terms and Alternative Performance Measures on pages 70 and 71.

## Statement of Changes in Equity

### For the year ended 31 December 2021

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

### For the year ended 31 December 2020

	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 2020		36,880	52,535	22,781	470,949	17,343	<b>600,488</b>
Shares issued	13	3,769	60,216	–	–	–	<b>63,985</b>
Net return on ordinary activities after taxation	7	–	–	–	67,626	17,519	<b>85,145</b>
Dividends paid in the year	8	–	–	–	–	(18,456)	<b>(18,456)</b>
<b>Shareholders' funds at 31 December 2020</b>		<b>40,649</b>	<b>112,751</b>	<b>22,781</b>	<b>538,575</b>	<b>16,406</b>	<b>731,162</b>

The accompanying notes on pages 49 to 61 are an integral part of this statement.



## Cash Flow Statement

For the year ended 31 December

	Notes	2021 £'000	2021 £'000	2020 £'000	2020 £'000
<b>Cash flows from operating activities</b>					
Net return on ordinary activities before taxation		158,762		86,500	
Gains on investments – securities		(127,973)		(73,114)	
Gains on investments – property		(13,679)		(42)	
Currency losses		21		291	
Finance costs of borrowings		5,704		5,578	
Overseas withholding tax		(1,764)		(1,357)	
Changes in debtors and creditors		(1,890)		(526)	
Other non-cash changes		227		69	
<b>Cash from operations</b>			19,408		17,399
Interest paid			(6,498)		(6,400)
<b>Net cash inflow from operating activities</b>			12,910		10,999
<b>Cash flows from investing activities</b>					
Acquisitions of investments		(168,238)		(121,913)	
Disposals of investments		99,950		67,920	
<b>Net cash outflow from investing activities</b>			(68,288)		(53,993)
<b>Cash flows from financing activities</b>					
Equity dividends paid	8	(21,038)		(18,456)	
Shares issued	13	63,076		63,985	
Loans notes drawn down		15,000		–	
Costs of issuance of loan notes		(77)		–	
<b>Net cash inflow from financing activities</b>			56,961		45,529
Increase in cash and cash equivalents			1,583		2,535
Exchange movements			(21)		(291)
Cash and cash equivalents at 1 January	17		9,701		7,457
<b>Cash and cash equivalents at 31 December</b>	17		<b>11,263</b>		<b>9,701</b>

The accompanying notes on pages 49 to 61 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 2021 have been prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and on the basis of the accounting policies set out below which are unchanged from the prior year and have been applied consistently.

### (a) Basis of Accounting

All of the Company's operations are of a continuing nature and the Financial Statements are prepared on a going concern basis under the historical cost convention, modified to include the revaluation of fixed asset investments, and on the assumption that approval as an investment trust under section 1158 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) (Tax) Regulations 2011 will be retained. The Board has, in particular, considered the impact of heightened market volatility since the Covid-19 pandemic but does not believe the Company's going concern status is affected. The Company's assets, the majority of which are investments in quoted securities which are readily realisable, exceed its liabilities significantly.

All borrowings require the prior approval of the Board. Gearing levels and compliance with borrowing covenants are reviewed by the Board on a regular basis. The Company has a net current liability of £68.4m and terms have been agreed to replace the Debenture at maturity in April 2022 with £80m of long-term private placement debt at a fixed coupon of 3.12%, £40m maturing in 2045 and £40m maturing in 2049. The Company has continued to comply with the investment trust status requirements of section 1158 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) (Tax) Regulations 2011. The Company's primary third party suppliers, including its Managers and Secretaries, Depositary and Custodian, Registrar, Auditor and Broker, are not experiencing significant operational difficulties affecting their respective services to the Company. Accordingly, the Financial Statements have been prepared on the going concern basis as it is the Directors' opinion having assessed the principal and emerging risks and other matters including the impact of Covid-19 set out in the Viability Statement on page 9 which assesses the prospects of the Company over a period of five years, that the Company will continue in operational existence for a period of at least twelve months from the date of approval of these Financial Statements.

The Financial Statements have been prepared in accordance with the Companies Act, applicable United Kingdom accounting standards and with the AIC's Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued in November 2014 and updated in April 2021 with consequential amendments. In order to reflect better the activities of the Company and in accordance with guidance issued by the AIC, supplementary information which analyses the profit and loss account between items of a revenue and capital nature has been presented in the Income Statement.

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

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

### (b) Investments

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

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

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

### (c) Cash and cash equivalents

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

### (d) Income

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

### (e) Expenses

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

- (i) where they relate directly to the acquisition or disposal of an investment, in which case they are recognised as capital; and
- (ii) where they are connected with the maintenance or enhancement of the value of investments. In this respect investment and property management fees are allocated 25% to revenue and 75% to capital, in line with the Board's expectation of returns from the Company's investments over the long term in the form of revenue and capital respectively. Prior to 31 December 2020, the allocation was 35% to revenue and 65% to capital.

**(f) Long Term Borrowings and Finance Costs**

Long term borrowings are carried in the Balance Sheet at amortised cost, representing the cumulative amount of net proceeds on issue plus accrued finance costs. The finance costs of such borrowings are allocated 25% to revenue and 75% to capital, in line with the Board's expectation of returns from the Company's investments over the long term in the form of revenue and capital respectively. Prior to 31 December 2020, the allocation was 35% to revenue and 65% to capital. 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. 75% of management fees and finance costs are allocated to the capital reserve in accordance with the Company's objective of combining capital and income growth.

**(j) Significant Estimates and Judgements**

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

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

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

**2 Income**

	2021 £'000	2020 £'000
<b>Income from investments</b>		
UK dividends	4,499	3,616
UK interest	381	121
Overseas dividends	16,004	13,355
Overseas interest	2,175	985
	<b>23,059</b>	<b>18,077</b>
<b>Other income</b>		
Deposit interest	2	5
Rental income	4,905	5,456
Other income	14	30
	<b>4,921</b>	<b>5,491</b>
<b>Total income</b>	<b>27,980</b>	<b>23,568</b>
<b>Total income comprises</b>		
Dividends from financial assets designated at fair value through profit or loss	20,503	16,971
Interest from financial assets designated at fair value through profit or loss	2,556	1,106
Interest from financial assets not at fair value through profit or loss	2	5
Other income not from financial assets	4,919	5,486
	<b>27,980</b>	<b>23,568</b>

### 3 Management Fees

	2021 Revenue £'000	2021 Capital £'000	2021 Total £'000	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000
Investment management fee	880	2,640	<b>3,520</b>	950	1,764	<b>2,714</b>
Property management fee	93	280	<b>373</b>	147	273	<b>420</b>
	<b>973</b>	<b>2,920</b>	<b>3,893</b>	<b>1,097</b>	<b>2,037</b>	<b>3,134</b>

Details of the Investment Management Agreement and Property Management Agreement are disclosed on page 26. Baillie Gifford & Co Limited's annual management fee is 0.45% of the first £500 million of total assets and 0.35% of the remaining total assets, total assets being the value of all assets held (excluding the property portfolio) less all liabilities, other than any liability in the form of debt intended for investment purposes, calculated on a quarterly basis. Prior to 1 April 2020, the annual management fee was 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

	2021 £'000	2020 £'000
General administrative expenses	772	818
Custodian/depositary fees	257	178
Auditor's remuneration for audit services	65	51*
Auditor's remuneration for non-audit services – reporting on debenture covenants	5	2
Directors' fees (see Directors' Remuneration Report on page 36)	153	172
	<b>1,252</b>	<b>1,221</b>

\* The Auditor's remuneration for audit services for 2020 was £47,500, the remainder relates to fees incurred during the 2019 audit but charged after the 31 December 2019 year end.

### 5 Finance Costs of Borrowings

	2021 Revenue £'000	2021 Capital £'000	2021 Total £'000	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000
<b>Financial liabilities not at fair value through profit or loss</b>						
Debenture interest	1,382	4,146	<b>5,528</b>	1,952	3,626	<b>5,578</b>
Loan notes interest	44	132	<b>176</b>	–	–	–
	<b>1,426</b>	<b>4,278</b>	<b>5,704</b>	<b>1,952</b>	<b>3,626</b>	<b>5,578</b>

### 6 Tax on Ordinary Activities

	2021 Revenue £'000	2021 Capital £'000	2021 Total £'000	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000
UK corporation tax	753	(753)	–	474	(474)	–
Overseas taxation	1,777	–	<b>1,777</b>	1,355	–	<b>1,355</b>
Double taxation relief	(21)	21	–	(50)	50	–
	<b>2,509</b>	<b>(732)</b>	<b>1,777</b>	<b>1,779</b>	<b>(424)</b>	<b>1,355</b>

## 6 Tax on Ordinary Activities (continued)

	2021 £'000	2020 £'000
The tax charge for the year is lower than the standard rate of corporation tax in the UK of 19% (2020 – 19%)		
The differences are explained below:		
Net return on ordinary activities before taxation	158,762	86,500
Net return on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2020 – 19%)	30,165	16,435
Capital returns not taxable	(26,910)	(13,844)
Income not taxable	(3,870)	(3,191)
Taxable loss not utilised	615	600
Overseas tax	1,777	1,355
Total tax charge for the year	<b>1,777</b>	<b>1,355</b>

As at 31 December 2021 the Company had a potential deferred tax asset of £9,840,000 (2020 – £6,859,000) in respect of tax losses and disallowed interest which are available to be carried forward and offset against future taxable profits. A deferred tax asset has not been recognised on these amounts as it is considered unlikely that the Company will make suitable taxable profits in excess of deductible expenses in future periods. The unrecognised deferred tax asset has been calculated using a corporation tax rate of 25% (2020 – 19%). On 3 March 2021, the UK Government announced its intention to increase the rate of UK corporation tax from 19% to 25% from 1 April 2023 and this was subsequently substantively enacted on 24 May 2021.

## 7 Net Return per Ordinary Share

	2021 Revenue	2021 Capital	2021 Total	2020 Revenue	2020 Capital	2020 Total
Net return per ordinary share	<b>12.79p</b>	<b>79.20p</b>	<b>91.99p</b>	<b>11.41p</b>	<b>44.04p</b>	<b>55.45p</b>

Revenue return per ordinary share is based on the net revenue on ordinary activities after taxation of £21,820,000 (2020 – £17,519,000) and on 170,652,354 (2020 – 153,553,731) 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 £135,165,000 (2020 – net capital gain of £67,626,000), and on 170,652,354 (2020 – 153,553,731) 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

	2021	2020	2021 £'000	2020 £'000
<b>Amounts recognised as distributions in the year:</b>				
Previous year's final (paid 9 April 2021)	3.00p	3.00p	4,965	4,447
First interim (paid 23 June 2021)	3.05p	3.00p	5,204	4,538
Second interim (paid 20 September 2021)	3.075p	3.00p	5,308	4,666
Third interim (paid 17 December 2021)	3.175p	3.00p	5,561	4,805
	<b>12.30p</b>	<b>12.00p</b>	<b>21,038</b>	<b>18,456</b>

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 £21,820,000 (2020 – £17,519,000).

	2021	2020	2021 £'000	2020 £'000
<b>Dividends paid and payable in respect of the year:</b>				
First interim (paid 23 June 2021)	3.05p	3.00p	5,204	4,538
Second interim (paid 20 September 2021)	3.075p	3.00p	5,308	4,666
Third interim (paid 17 December 2021)	3.175p	3.00p	5,561	4,805
Current year's proposed final dividend (payable 8 April 2022)	3.375p	3.00p	5,927	4,965
	<b>12.675p</b>	<b>12.00p</b>	<b>22,000</b>	<b>18,974</b>



## 9 Investments

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

As at 31 December 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Securities</b>				
Listed equities/funds	677,604	–	265	<b>677,869</b>
Bonds	–	40,775	–	<b>40,775</b>
<b>Property</b>				
Freehold	–	–	84,900	<b>84,900</b>
Total financial asset investments	<b>677,604</b>	<b>40,775</b>	<b>85,165</b>	<b>803,544</b>

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

### Fair Value Hierarchy

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

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

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

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

## 9 Investments (continued)

	Equities * £'000	Bonds £'000	Property £'000	Total £'000
Cost of investments at 31 December 2020	422,310	39,365	65,436	<b>527,111</b>
Investment holding gains at 31 December 2020	255,559	1,410	19,464	<b>276,433</b>
Value of investments at 31 December 2020	<b>677,869</b>	<b>40,775</b>	<b>84,900</b>	<b>803,544</b>
Analysis of transactions during the year:				
Purchases at cost	155,959	12,038	241	<b>168,238</b>
Sales proceeds received	(74,492)	(1,538)	(23,920)	<b>(99,950)</b>
Amortisation of fixed income book cost	–	(227)	–	<b>(227)</b>
Gains/(losses) on investments	130,071	(2,098)	13,679	<b>141,652</b>
Value of investments at 31 December 2021	<b>889,407</b>	<b>48,950</b>	<b>74,900</b>	<b>1,013,257</b>
Cost of investments at 31 December 2021	534,285	49,617	49,176	<b>633,078</b>
Investment holding gains/(losses) at 31 December 2021	355,122	(667)	25,724	<b>380,179</b>
Value of investments at 31 December 2021	<b>889,407</b>	<b>48,950</b>	<b>74,900</b>	<b>1,013,257</b>

\* Includes funds.

The company received £99,950,000 (2020 – £67,920,000) from investments sold in the year. The book cost of these investments when they were purchased was £62,044,000 (2020 – £77,371,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

The purchases and sales proceeds figures above include transaction costs of £113,000 (2020 – £105,000) and £290,000 (2020 – £40,000) respectively.

The property was valued on an open market basis by Savills as at 31 December 2021.

	2021 £'000	2020 £'000
<b>Gains/(losses) on investments</b>		
<b>Securities:</b>		
Gains/(losses) on sales	30,487	(9,451)
Changes in investment holding gains	97,486	82,565
	<b>127,973</b>	<b>73,114</b>
<b>Property:</b>		
Gains on sales	7,419	–
Changes in investment holding gains	6,260	42
	<b>13,679</b>	<b>42</b>
	<b>141,652</b>	<b>73,156</b>

Of the gains on sales during the year of £37,906,000 (2020 – losses of £9,451,000) a net gain of £14,491,000 (2020 – net gain of £3,456,000) was included in investment holding gains at the previous year end.

## 10 Debtors

	2021 £'000	20209 £'000
<b>Amounts falling due within one year:</b>		
Accrued income and prepaid expenses	2,370	1,717
Taxation recoverable	1,340	814
	<b>3,710</b>	<b>2,531</b>

## 11 Creditors – amounts falling due within one year

	2021 £'000	2020 £'000
Interest payable	1,513	1,438
Rental income prepaid	136	974
Other creditors and accruals	1,442	1,301
8% Debenture Stock	80,236	–
	<b>83,327</b>	<b>3,713</b>

Included in other creditors and accruals is £957,000 (2020 – £761,000) in respect of the management fees.

### Debenture stock

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 50, has been calculated as follows:

	2021 £'000	2020 £'000
Nominal value of 8% Debenture Stock	80,000	80,000
Premium less issue expenses	11,009	11,009
	<b>91,009</b>	<b>91,009</b>
Net amortisation in prior years	(9,901)	(9,079)
Net amortisation during the year	(872)	(822)
Carrying value of 8% Debenture Stock at end of year	<b>80,236</b>	<b>81,108</b>

## 12 Creditors – amounts falling due after more than one year

	2021 £'000	2020 £'000
£15m Series C 2.23% 25 June 2036	14,925	–
8% Debenture Stock	–	81,108
	<b>14,925</b>	<b>81,108</b>

During the year, the Company issued £15 million of long-term secured privately placed notes ('loan notes') with a fixed coupon of 2.23% and a repayment date of 25 June 2036.

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

## 13 Share Capital

	2021 Number	2021 £'000	2020 Number	2020 £'000
Allotted, called up and fully paid ordinary shares of 25p each	<b>175,600,943</b>	<b>43,900</b>	<b>162,595,943</b>	<b>40,649</b>

During the year, 13,005,000 (2020 – 15,075,000) shares were issued at a premium to net asset value raising proceeds of £63,076,000 (2020 – £63,985,000). At 31 December 2021 the Company had authority to buy back 24,594,234 ordinary shares and to allot 6,054,189 ordinary shares without application of pre-emption rights in accordance with the authorities granted at the AGM in April 2021. 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 2021	40,649	112,751	22,781	538,575	16,406	<b>731,162</b>
Gains on investments – securities	–	–	–	127,973	–	<b>127,973</b>
Gains on investments – property	–	–	–	13,679	–	<b>13,679</b>
Shares issued	3,251	59,825	–	–	–	<b>63,076</b>
Management fees charged to capital	–	–	–	(2,920)	–	<b>(2,920)</b>
Finance costs charged to capital	–	–	–	(4,278)	–	<b>(4,278)</b>
Taxation credit to capital	–	–	–	732	–	<b>732</b>
Other exchange differences	–	–	–	(21)	–	<b>(21)</b>
Revenue return on ordinary activities after taxation	–	–	–	–	21,820	<b>21,820</b>
Dividends paid in the year	–	–	–	–	(21,038)	<b>(21,038)</b>
At 31 December 2021	<b>43,900</b>	<b>172,576</b>	<b>22,781</b>	<b>673,740</b>	<b>17,188</b>	<b>930,185</b>

The Capital Reserve includes unrealised investment holding gains of £380,179,000 (2020 – gains of £276,433,000) 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:

	2021	2020	2021 £'000	2020 £'000
Ordinary shares of 25p	<b>529.7p</b>	<b>449.7p</b>	<b>930,185</b>	<b>731,162</b>

Net asset value per ordinary share is based on the net assets as shown above and on 175,600,943 (2020 – 162,595,943) ordinary shares, being the number of ordinary shares in issue at the year end.

## 16 Related Party Transactions

The Directors' fees for the year and interests in the Company's shares at the end of the year are detailed in the Directors' Remuneration Report on pages 36 and 37.

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

The management fee due to Baillie Gifford and Co Limited is set out in note 3 on page 51 and the amount accrued at 31 December 2021 is set out in note 11 on page 55. Details of the Investment Management Agreement are set out on page 26.

## 17 Analysis of Change in Net Debt

	1 January 2021 £'000	Cash Flows £'000	Exchange Movement £'000	Cost of issuance £'000	Other non-cash changes £'000	31 December 2021 £'000
Cash and cash equivalents	9,701	1,583	(21)	–	–	11,263
Debenture Stock due in less than one year	–	–	–	–	(80,236)	(80,236)
Debenture Stock due in more than one year	(81,108)	–	–	–	81,108	–
Loan notes due in more than one year	–	(15,000)	–	77	(2)	(14,925)
Total	<b>(71,407)</b>	<b>(13,417)</b>	<b>(21)</b>	<b>77</b>	<b>870</b>	<b>(83,898)</b>

## 18 Financial Instruments

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

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

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

### Market Risk

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

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

### Currency Risk

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

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

Forward currency contracts are used periodically to limit the Company's exposure to anticipated future changes in exchange rates which might otherwise adversely affect the value of the portfolio of investments. Where appropriate, they are used also to achieve the portfolio characteristics that assist the Company in meeting its investment objectives. The Company had no foreign currency contracts in place during the years to 31 December 2021 or 2020. 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.

	Investments £'000	Cash and cash equivalents £'000	Debentures and loan notes £'000	Other debtors and creditors * £'000	Net exposure £'000
<b>At 31 December 2021</b>					
US dollar	381,340	51	–	611	<b>382,002</b>
Euro	121,430	86	–	248	<b>121,764</b>
Swiss franc	87,711	–	–	1,015	<b>88,726</b>
Hong Kong dollar	62,857	–	–	71	<b>62,928</b>
Australian dollar	45,437	–	–	–	<b>45,437</b>
Taiwan dollar	36,384	–	–	105	<b>36,489</b>
Danish krone	29,525	–	–	110	<b>29,635</b>
Swedish krona	18,442	–	–	–	<b>18,442</b>
Brazilian real	13,013	–	–	149	<b>13,162</b>
Chinese yuan	10,357	–	–	–	<b>10,357</b>
Japanese yen	5,836	–	–	–	<b>5,836</b>
Other overseas currencies	33,835	–	–	181	<b>34,016</b>
Total exposure to currency risk	<b>846,167</b>	<b>137</b>	<b>–</b>	<b>2,490</b>	<b>848,794</b>
Sterling	167,090	11,126	(95,161)	(1,664)	<b>81,391</b>
	<b>1,013,257</b>	<b>11,263</b>	<b>(95,161)</b>	<b>826</b>	<b>930,185</b>

\* Includes net non-monetary assets of £169,000.



## 18 Financial Instruments (continued)

At 31 December 2020	Investments £'000	Cash and cash equivalents £'000	Debentures £'000	Other debtors and creditors *	Net exposure £'000
US dollar	298,021	37	–	525	<b>298,583</b>
Euro	89,097	98	–	16	<b>89,211</b>
Hong Kong dollar	65,532	–	–	–	<b>65,532</b>
Swiss franc	62,273	–	–	686	<b>62,959</b>
Australian dollar	29,207	–	–	–	<b>29,207</b>
Brazilian real	21,221	–	–	28	<b>21,249</b>
Swedish krona	13,612	–	–	–	<b>13,612</b>
Danish krone	13,349	–	–	66	<b>13,415</b>
Japanese yen	12,973	–	–	–	<b>12,973</b>
Taiwan dollar	–	–	–	5	<b>5</b>
Chinese yuan	–	–	–	–	–
Other overseas currencies	31,300	–	–	311	<b>31,611</b>
Total exposure to currency risk	<b>636,585</b>	<b>135</b>	–	<b>1,637</b>	<b>638,357</b>
Sterling	166,959	9,566	(81,108)	(2,612)	<b>92,805</b>
	<b>803,544</b>	<b>9,701</b>	<b>(81,108)</b>	<b>(975)</b>	<b>731,162</b>

\* Includes net non-monetary assets of £73,000.

## Currency Risk Sensitivity

At 31 December 2021, 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 2020.

	2021 £'000	2020 £'000
US dollar	19,100	14,929
Euro	6,088	4,461
Swiss franc	4,436	3,148
Hong Kong dollar	3,146	3,277
Australian dollar	2,272	1,460
Taiwan dollar	1,825	–
Danish krone	1,482	671
Swedish krona	922	681
Brazilian real	658	1,062
Chinese yuan	518	–
Japanese yen	292	649
Other overseas currencies	1,701	1,580
	<b>42,440</b>	<b>31,918</b>

## 18 Financial Instruments (continued)

### 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

	2021 Fair value £'000	2021 Weighted average interest rate	2021 Weighted average fixed rate period *	2020 Fair value £'000	2020 Weighted average interest rate	2020 Weighted average fixed rate period *
<b>Fixed rate:</b>						
Sterling denominated bonds	3,038	6.31%	4 years	3,142	5.08%	5 years
Euro denominated bonds	5,728	4.47%	10 years	4,282	3.67%	3 years
US dollar denominated bonds	24,647	4.09%	17 years	18,379	3.82%	9 years
Dominican peso denominated bonds	2,470	6.02%	2 years	2,384	7.35%	3 years
Indonesian rupiah denominated bonds	4,462	6.63%	16 years	2,500	6.05%	8 years
Peruvian sol denominated bonds	1,856	6.08%	11 years	2,458	3.81%	12 years
<b>Floating rate:</b>						
Brazilian bonds (interest rate linked to Brazilian CPI)	4,248	9.36%	23 years	5,107	7.79%	24 years
Mexican bonds (interest rate linked to Mexican CPI)	2,501	7.29%	19 years	2,523	6.86%	20 years
<b>Cash and short term deposits:</b>						
Other overseas currencies	137	—	n/a	135	—	n/a
Sterling	11,126	—	n/a	9,566	0.08%	n/a

\* Based on expected maturity/redemption date.

### Financial Liabilities

	2021 £'000	2020 £'000
The interest rate risk profile of the Company's financial liabilities at 31 December was:		
Fixed rate – sterling	95,161	81,108
The maturity profile of the Company's financial liabilities at 31 December was:		
In less than one year	80,236	—
In more than one year, but not more than two years	—	81,108
In more than five years	14,925	—

### Interest Rate Risk Sensitivity

An increase of 100 basis points in bond yields as at 31 December 2021 would have decreased total net assets and total return on ordinary activities by £1,227,000 (2020 – £2,807,000) and would have decreased the net asset value per share (with borrowings at fair value) by 0.7p (2020 – decrease of 1.1p). A decrease of 100 basis points would have had an equal but opposite effect.

## 18 Financial Instruments (continued)

### Other Price Risk

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

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

### Other Price Risk Sensitivity

A full list of the Company's investments is shown on pages 20 to 22. In addition, various analyses of the portfolio by asset class and industrial sector are contained in the Strategic Report.

95.6% of the Company's net assets are invested in quoted equities. A 5% increase in quoted equity valuations at 31 December 2021 would have increased total assets and total return on ordinary activities by £44,470,000 (2020 – £33,880,000). A decrease of 5% would have had an equal but opposite effect. 8.1% of the Company's net assets are invested in direct property.

### Property Sensitivity Analysis

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

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

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

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

\* The property in the Office category was sold during the year to 31 December 2021.

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

Estimated movement in fair value of investment properties at 31 December 2020 arising from:	Retail and leisure £'000	Office £'000	Industrial £'000	Other £'000	Total £'000
Increase in rental value by 5%	150	200	450	–	<b>800</b>
Decrease in rental value by 5%	(150)	(150)	(450)	–	<b>(750)</b>
Increase in yield by 0.5%	3,500	1,100	1,650	550	<b>6,800</b>
Decrease in yield by 0.5%	(3,150)	(1,050)	(1,350)	(450)	<b>(6,000)</b>

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

In arriving at the valuations for 31 December 2021, Savills considered the calibre and diversity of the tenants, length of lease term and whether tenants had been adversely impacted as a result of Covid-19 and concluded that the valuations reflected prevailing market conditions.

### Liquidity Risk

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

Liquidity risk is 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 8.1% of net assets at 31 December 2021 (2020 – 11.6%). 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.

## 18 Financial Instruments (continued)

### Credit Risk

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

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

### Credit Risk Exposure

The exposure to credit risk at 31 December was:

	2021 £'000	2020 £'000
Bonds	48,950	40,775
Cash and short term deposits	11,263	9,701
Debtors and prepayments	3,710	2,531
Deferred expenses	207	207
	<b>64,130</b>	<b>53,214</b>

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.

	2021 Nominal £'000	2021 Book £'000	2021 Fair £'000	2020 Nominal £'000	2020 Book £'000	2020 Fair £'000
8% debenture stock 2022	80,000	80,236	82,500	80,000	81,108	86,928
2.23% Series C loan notes 2036	15,000	14,925	14,922	—	—	—
	<b>95,000</b>	<b>95,161</b>	<b>97,422</b>	<b>80,000</b>	<b>81,108</b>	<b>86,928</b>

### Capital Management

The capital of the Company is its share capital and reserves as set out in notes 13 and 14 together with its borrowings (see notes 11 and 12). The objective of the Company is to deliver real dividend growth by increasing capital and growing income. The Company's investment policy 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 31 and 32. The Company has the authority to issue and buy back its shares (see pages 27 and 28) and changes to the share capital during the year are set out in notes 13 and 14. The Company does not have any externally imposed capital requirements other than the covenants on its borrowings which are detailed in notes 11 and 12.

## 19 Subsequent Events

The purchase of an additional property, a hotel, was completed by the Company on 14 January 2022. The cost of the purchase was £7.75m and was funded through the sale of equities in the portfolio.

## Cost-effective Ways to Buy and Hold Shares in SAINTS

Information on how to invest in SAINTS can be found at [saints-it.com](https://saints-it.com).

### Risks

- Past performance is not a guide to future performance.
- SAINTS is a listed UK Company. The value of its shares and any income from them can fall as well as rise and investors may not get back the amount invested.
- SAINTS has borrowed money to make further investments (sometimes known as 'gearing' or 'leverage'). The risk is that when this money is repaid by the Company, the value of these investments may not be enough to cover the borrowing and interest costs, and the Company will make a loss. If the Company's investments fall in value, any gearing will increase the amount of this loss.
- SAINTS can buy back its own shares. The risks from borrowing, referred to above, are increased when a company buys back its own shares.
- SAINTS invests in overseas securities. Changes in the rates of exchange may also cause the value of your investment (and any income it may pay) to go down or up.
- SAINTS invests in emerging markets where difficulties in dealing, settlement and custody could arise, resulting in a negative impact on the value of your investment.
- SAINTS invests in corporate bonds which are generally perceived to carry a greater possibility of capital loss than investment in, for example, higher rated UK government bonds. Bonds issued by companies and governments may be adversely affected by changes in interest rates and expectations of inflation.
- Share prices may either be below (at a discount) or above (at a premium) the net asset value (NAV). The Company may issue new shares when the price is at a premium which will reduce the share price. Shares bought at a premium can therefore quickly lose value.
- 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 on its performance.
- SAINTS has some direct property investments which may be difficult to sell. Valuations of property are only estimates based on the valuer's opinion. These estimates may not be achieved when the property is sold.
- SAINTS charges 75% of its investment management fee, borrowing costs and property management fee to capital, which reduces the capital value. Also, where income is low, the remaining expenses may be greater than the total income received, meaning the Company may not pay a dividend and the capital value could be further reduced.

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

The favourable tax treatment of ISAs may change.

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

Further details of the risks associated with investing in the Company, including how charges are applied, can be found at [saints-it.com](https://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 [saints-it.com](http://saints-it.com)

### Promoting SAINTS

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

#### Trust Magazine

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

An online version of *Trust* can be found at [bailliegifford.com/trust](http://bailliegifford.com/trust).

#### SAINTS on the Web

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

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

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

### Suggestions and Questions

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

#### Client Relations Team Contact Details

**Telephone:** 0800 917 2112

Your call may be recorded for training or monitoring purposes.

**Email:** [trutenquiries@bailliegifford.com](mailto:trutenquiries@bailliegifford.com)

**Website:** [bailliegifford.com](http://bailliegifford.com)

#### Client Relations Team

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

#### SAINTS specific queries

Please use the following contact details:

**Email:** [saints@bailliegifford.com](mailto:saints@bailliegifford.com)

**Website:** [saints-it.com](http://saints-it.com)

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

## Further Shareholder Information

### How to Invest

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

### Sources of Further Information on the Company

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

### SAINTS Share Identifiers

ISIN GB0007873697

Sedol 0787369

Ticker SAIN

Legal Entity Identifier 549300NF03XVC5IFB447

### AIC

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

### Dividend Dates

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

The ex-dividend date is the date on which entitlement to receive the net dividend is established. The record date is the date on which shares must be registered following purchase to receive the dividend direct. Otherwise you will have to claim it from the agent through whom you purchased your shares. The DRIP election date is the final date for electing to participate in the Dividend Reinvestment Plan (see page 65 for more details) for that dividend.

### Dividend Dates for 2022

	Final 2021	First interim *	Second interim *	Third interim *
Dividend announced	11/2/22	19/5/22	28/7/22	2/11/22
Ex-dividend date	3/3/22	26/5/22	11/8/22	17/11/22
Record date	4/3/22	27/5/22	12/8/22	18/11/22
DRIP election date	18/3/22	1/6/22	30/8/22	25/11/22
Dividend paid	8/4/22	22/6/22	20/9/22	16/11/22

\* 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 2022 AGM is being held on 5 April.

### How You are Taxed

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

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

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

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

### Share Register Enquiries

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

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

By quoting the reference number on your share certificate you can check your holding on the Registrar's website at [investorcentre.co.uk](http://investorcentre.co.uk).

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

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

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

## Dividend Reinvestment Plan

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

## Electronic Proxy Voting

If you hold stock in your own name you can choose to vote by returning proxies electronically at [eproxyappointment.com](https://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

	2021 Number of shares held	2021 %	2020 Number of shares held	2020 %
Institutions	22,007,437	12.5	22,319,029	13.7
Intermediaries	140,032,299	79.7	126,135,827	77.6
Individuals	13,105,440	7.5	13,683,336	8.4
Marketmakers	455,767	0.3	457,751	0.3
	<b>175,600,943</b>	<b>100.0</b>	<b>162,595,943</b>	<b>100.0</b>

## Data Protection

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

## Automatic Exchange of Information

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

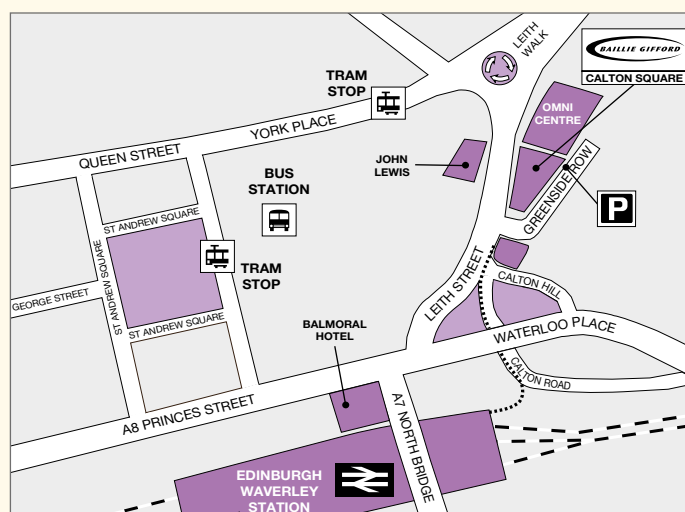
The legislation requires investment trust companies to provide personal information to HMRC on certain investors who purchase shares in investment trusts. Accordingly, The Scottish American Investment Company P.L.C. will have to provide information annually to the local tax authority on the tax residencies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

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

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

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

## Notice of Annual General Meeting



The Annual General Meeting of the Company will be held at the offices of Baillie Gifford & Co, Calton Square, 1 Greenside Row, Edinburgh EH1 3AN, on Tuesday, 5 April 2022 at 12:30pm.

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 ninth Annual General Meeting of The Scottish American Investment Company P.L.C. ('SAINTS') will be held at the Registered Office of the Company, Calton Square, 1 Greenside Row, Edinburgh, EH1 3AN on Tuesday 5 April 2022 at 12.30pm. The current intention is that the Portfolio Managers responsible for SAINTS will give a short presentation on the investment outlook.

### Covid-19 – Important note regarding potential arrangements for the Annual General Meeting (AGM)

Following the recent relaxation of Government restrictions in relation to Covid-19, the Board expects to be able to welcome shareholders to the meeting. However, should public health advice and Government measures change, arrangements will be made by the Company to ensure that the minimum number of shareholders required to form a quorum will attend the meeting in order that the meeting may proceed and the business be concluded. In this event, there will not be a presentation from the Managers. The Board will monitor developments and any changes will be updated on the Company's website. In the meantime, the Board encourages all shareholders to submit proxy voting forms as soon as possible and, in any event, by no later than 12.30pm on 1 April 2022. We would encourage shareholders to monitor the Company's website at [saints-it.com](https://saints-it.com). Should shareholders have questions for the Board or the Managers or any queries as to how to vote, they are welcome as always to submit them by email to [trustenquiries@bailliegifford.com](mailto:trustenquiries@bailliegifford.com) or call 0800 917 2112. Baillie Gifford may record your call.

### 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 2021 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 2021.
3. To declare a final dividend.

4. To re-elect Bronwyn Curtis as a Director.
5. To re-elect Lord Macpherson of Earl's Court as a Director.
6. To re-elect Dame Mariot Leslie as a Director.
7. To re-elect Karyn Lamont as a Director.
8. To appoint Ernst & Young 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.
9. To authorise the Directors to determine the remuneration of the Independent Auditor of the Company.
10. That, in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date hereof, the Directors of the Company be and they are hereby generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the 'Act') to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company ('Securities') provided that such authority shall be limited to the allotment of shares and the grant of rights in respect of shares with an aggregate nominal value of up to £14,656,946.00 (representing approximately 33 per cent. of the nominal value of the issued share capital as at 9 February 2022), 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 11 as a special resolution:

11. That, subject to the passing of resolution 10 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 10 above and by the sale of treasury shares as if section 561(1) of the Act did not apply to any such allotment of equity securities, provided that this power:

- (a) expires at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on the expiry of 15 months from the passing of this resolution, whichever is the earlier, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred hereby had not expired; and
- (b) shall be limited to the allotment of equity securities up to an aggregate nominal value of £4,397,523.50 being approximately 10% of the nominal value of the issued share capital of the Company, as at 9 February 2022.

To consider and, if thought fit, to pass resolution 12 as an ordinary resolution:

12. 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 13 as a special resolution:

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

- (a) the maximum aggregate number of ordinary shares hereby authorised to be purchased is 26,367,551, 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 2022, 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  
3 March 2022

## Notes

1. As a member you are entitled to appoint a proxy or proxies to exercise all or any of your rights to attend, speak and vote at the AGM. A proxy need not be a member of the Company but must attend the AGM to represent you. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You can only appoint a proxy using the procedure set out in these notes and the notes to the proxy form. You may not use any electronic address provided either in this notice or any related documents (including the Financial Statements and proxy form) to communicate with the Company for any purpose other than those expressly stated.
2. To be valid any proxy form or other instrument appointing a proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, must be received by post or (during normal business hours only) by hand at the Registrars of the Company at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY or **eproxyappointment.com** no later than two days (excluding non-working days) before the time of the meeting or any adjourned meeting.
3. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual and/or by logging on to the website **euroclear.com/CREST**. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.



4. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's registrar (ID 3RA50) no later than 2 days (excluding non-working days) before the time of the meeting or any adjournment. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
5. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his/her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST service by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
6. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
7. The return of a completed proxy form or other instrument of proxy will not prevent you attending the AGM and voting in person if you wish.
8. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 and section 311 of the Companies Act 2006 the Company specifies that to be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company no later than 2 days (excluding non-working days) prior to the commencement of the AGM or any adjourned meeting. Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
9. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
10. The statement of the rights of shareholders in relation to the appointment of proxies in Notes 1 and 2 above does not apply to Nominated Persons. The rights described in those Notes can only be exercised by shareholders of the Company.
11. The members of the Company may require the Company to publish, on its website, (without payment) a statement (which is also passed to the Auditor) setting out any matter relating to the audit of the Company's accounts, including the Auditor's report and the conduct of the audit. The Company will be required to do so once it has received such requests from either members representing at least 5% of the total voting rights of the Company or at least 100 members who have a relevant right to vote and hold shares in the Company on which there has been paid up an average sum per member of at least £100. Such requests must be made in writing and must state your full name and address and be sent to the Company at Calton Square, 1 Greenside Row, Edinburgh, EH1 3AN.
12. Information regarding the Annual General Meeting, including information required by section 311A of the Companies Act 2006, is available from the Company's page of the Managers' website at [saints-it.com](https://www.saints-it.com).
13. Members have the right to ask questions at the meeting in accordance with section 319A of the Companies Act 2006.
14. As at 9 February 2022 (being the last practicable date prior to the publication of this notice) the Company's issued share capital consisted of 175,900,943 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 9 February 2022 were 175,900,943 votes.
15. Any person holding 3% or more of the total voting rights of the Company who appoints a person other than the Chairman of the meeting as his/her proxy will need to ensure that both he/she and his/her proxy complies with their respective disclosure obligations under the UK Disclosure and Transparency Rules.
16. No Director has a contract of service with the Company.

## Alternative Investment Fund Managers (AIFM) Regulations

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

The Company's maximum and actual leverage levels (see Glossary of Terms and Alternative Performance Measures on pages 70 and 71) at 31 December 2021 are shown below:

### Leverage

	Gross method	Commitment method
Maximum limit	3.00:1	2.00:1
Actual	1.09:1	1.10:1

## Third Party Data Provider Disclaimer

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## FTSE Index Data

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## Glossary of Terms and Alternative Performance Measures (APM)

### Total Assets

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

### Net Asset Value

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

### Net Asset Value (Borrowings at Book Value)

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

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

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

	31 December 2021	31 December 2020
Shareholders' funds (borrowings at book value)	£930,185,000	£731,162,000
Add: book value of borrowings	£95,161,000	£81,108,000
Less: fair value of borrowings	(£97,422,000)	(£86,928,000)
<b>Shareholders' funds (borrowings at fair value)</b>	<b>£927,924,000</b>	<b>£725,342,000</b>
Shares in issue at year end	175,600,943	162,595,943
<b>Net Asset Value per ordinary share (borrowings at fair value)</b>	<b>528.4p</b>	<b>446.1p</b>

### Discount/Premium (APM)

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

	2021 NAV (book)	2021 NAV (fair)	2020 NAV (book)	2020 NAV (fair)
Closing NAV per share	529.7p	528.4p	449.7p	446.1p
Closing share price	541.0p	541.0p	464.0p	464.0p
<b>Premium</b>	<b>2.1%</b>	<b>2.4%</b>	<b>3.2%</b>	<b>4.0%</b>

### Ongoing Charges (APM)

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

A reconciliation from the expenses detailed in the Income Statement on page 45 is provided below.

	31 December 2021	31 December 2020
Investment management fee	£3,893,000	£3,134,000
Other administrative expenses	£1,252,000	£1,221,000
<b>Total expenses (a)</b>	<b>£5,145,000</b>	<b>£4,355,000</b>
Average daily cum-income net asset value (with borrowings at fair value) (b)	£826,357,000	£621,179,000
<b>Ongoing charges (a) ÷ (b) (expressed as a percentage)</b>	<b>0.62%</b>	<b>0.70%</b>

### Total Return (APM)

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

		2021 NAV (book)	2021 NAV (fair)	2021 Share price	2020 NAV (book)	2020 NAV (fair)	2020 Share price
Opening NAV per share/share price	(a)	449.7p	446.1p	464.0p	407.1p	400.9p	426.0p
Closing NAV per share/share price	(b)	529.7p	528.4p	541.0p	449.7p	446.1p	464.0p
Dividend adjustment factor*	(c)	1.025486	1.025738	1.024954	1.029353	1.028917	1.028233
Adjusted closing NAV per share/share price	(d = b x c)	543.2p	542.0p	554.5p	462.9p	459.0p	477.1p
<b>Total return</b>	(d ÷ a) - 1	<b>20.8%</b>	<b>21.5%</b>	<b>19.5%</b>	<b>13.7%</b>	<b>14.5%</b>	<b>12.0%</b>

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

### Gearing (APM)

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

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

	31 December 2021	31 December 2020
Borrowings at book value	£95,161,000	£81,108,000
Shareholders' funds	£930,185,000	£731,162,000
<b>Potential gearing</b>	<b>10%</b>	<b>11%</b>

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

	31 December 2021	31 December 2020
Borrowings at book value	£95,161,000	£81,108,000
Less: cash and cash equivalents	(£11,263,000)	(£9,701,000)
Less: bond investments	(£48,950,000)	(£40,775,000)
Less: direct property investments	(£74,900,000)	(£84,900,000)
Adjusted borrowings	(£39,952,000)	(£54,268,000)
Shareholders' funds	£930,185,000	£731,162,000
<b>Equity gearing</b>	<b>(4%)</b>	<b>(7%)</b>

### Leverage (APM)

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

### Active Share (APM)

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

## Sustainable Finance Disclosure Regulation ('SFDR')

### Sustainable Finance Disclosure Regulation ('SFDR')

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

Baillie Gifford & Co believes that a company cannot be financially sustainable in the long run if its approach to business is fundamentally out of line with changing societal expectations. It defines 'sustainability' as a deliberately broad concept which encapsulates a company's purpose, values, business model, culture, and operating practices.

Baillie Gifford & Co's approach to investment is based on identifying and holding high quality growth businesses that enjoy sustainable competitive advantages in their marketplace. To do this it looks beyond current financial performance, undertaking proprietary research to build up an in-depth knowledge of an individual company and a view on its long-term prospects. This includes the consideration of sustainability factors (environmental, social and/or governance matters) which it believes will positively or negatively influence the financial returns of an investment. The likely impact on the return of the portfolio from a potential or actual material decline in the value of investment due to the occurrence of an environmental, social or governance event or condition will vary and will depend on several factors including but not limited to the type, extent, complexity and duration of an event or condition, prevailing market conditions and existence of any mitigating factors.

Whilst consideration is given to sustainability matters, there are no restrictions on the investment universe of the Company, unless otherwise stated within in its Objective and Policy. Baillie Gifford & Co can invest in any companies it believes could create beneficial long-term returns for investors. However, this might result in investments being made in companies that ultimately cause a negative outcome for the environment or society.

More detail on the Investment Manager's approach to sustainability can be found in the Governance and Sustainability Principles and Guidelines document, available publicly on the Baillie Gifford website ([bailliegifford.com/en/uk/about-us/literature-library/corporate-governance/governance-sustainability-principles-and-guidelines/](https://bailliegifford.com/en/uk/about-us/literature-library/corporate-governance/governance-sustainability-principles-and-guidelines/)).

### Taxonomy Regulation

The Taxonomy Regulation establishes an EU-wide framework or criteria for environmentally sustainable economic activities in respect of six environmental objectives. It builds on the disclosure requirements under the EU Sustainable Finance Disclosure Regulation ('SFDR') by introducing additional disclosure obligations in respect of AIFs that invest in an economic activity that contributes to an environmental objective. These AIFs are required to disclose (a) information on the environmental objective to which the investments underlying the AIF contribute (b) a description of how and to what extent the underlying investments of the AIF are in economic activities that qualify as environmentally sustainable and are aligned with the Taxonomy Regulation (c) the proportion, as a percentage of the AIF's portfolio, of investments in environmentally sustainable economic activities which are aligned with the Taxonomy Regulation (including the proportion, as a percentage of the AIF's portfolio, of enabling and transitional activities, as described in the Taxonomy Regulation). These disclosure obligations are being phased-in – from 1 January 2022 in respect to the first two environmental objectives (climate change mitigation and climate change adaptation) and from 1 January 2023 in respect of the remaining four environmental objectives.

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



## Statement of Reasons



**KPMG LLP**  
**Audit**  
Financial services  
Saltire Court  
20 Castle Terrace  
Edinburgh  
EH1 2EG

Tel +44 (0) 131 222 2000  
Fax +44 (0) 131 527 6709

### **Private & confidential**

The Directors  
The Scottish American Investment  
Company P.L.C.  
Calton Square  
1 Greenside Row  
Edinburgh  
EH1 3AN

Our ref **jw/fs/wq**

Contact **John Waterson**

18 February 2022

Dear Directors

### **Statement to Scottish American Investment Company P.L.C. (no. SC000489) on ceasing to hold office as auditors pursuant to section 519 of the Companies Act 2006**

The reason connected with our ceasing to hold office is the holding of a competitive tender for the audit, in which we were not invited to participate due to upcoming mandatory auditor rotation requirements.

Yours faithfully

*KPMG LLP*

KPMG LLP

Audit registration number: 9188307

Audit registration address:

15 Canada Square  
Canary Wharf  
London E14 5GL

KPMG LLP, a UK limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Registered in England No OC301540  
Registered office: 15 Canada Square, London, E14 5GL  
For full details of our professional regulation please refer to 'Regulatory Information' under 'About/About KPMG' at [www.kpmg.com/uk](http://www.kpmg.com/uk)

**Document Classification - KPMG Confidential**



## Directors

Chairman:  
Peter Moon

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

## Alternative Investment Fund Managers, Secretaries and Registered Office

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

## Registrar

Computershare  
Investor Services PLC  
The Pavilions  
Bridgwater Road  
Bristol  
BS99 6ZZ  
Tel: 0370 707 1282

## Company Broker

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

## Independent Auditor

KPMG LLP  
Saltire Court  
20 Castle Terrace  
Edinburgh  
EH1 2EG

## Depository

The Bank of New York Mellon  
(International) Limited  
1 Canada Square  
London  
E14 5AL

## Company Details

saints-it.com  
Company Registration  
No. SC000489  
ISIN GB0007873697  
Sedol 0787369  
Ticker SAIN  
  
Legal Entity Identifier:  
549300NF03XVC5IFB447

## Further Information

Client Relations Team  
Calton Square  
1 Greenside Row  
Edinburgh EH1 3AN  
Tel: 0800 917 2112  
Email:  
trustenquiries@bailliegifford.com