



SAINTS

For Income and Growth

Annual Report and Accounts
31 December 2008



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

Company data at 31 December 2008

Total assets†	Shareholders' funds	Market capitalisation
£289m	£201m	£173m

† Total net assets before deduction of debenture.

Company Summary

SAINTS aims to be a core investment for private investors seeking income. Its objective is to achieve capital and income growth in order to grow the dividend at a faster rate than inflation. The focus of the portfolio is on listed equities, both UK and overseas, but investments are also made in bonds, property and other asset types.

Objective

SAINTS' objective is to increase capital and grow income in order to deliver real dividend growth.

Investment Policy

SAINTS' policy is to invest flexibly and actively across a broad range of assets and markets. Listed equities, both UK and overseas, form the largest part of the portfolio. Investments are also made in bonds, property and other asset classes. Full details of the Company's investment policy are contained within the Business Review on pages 21 and 22.

Company History

SAINTS was founded in 1873. Around 80% of the Company's shares are held by private individuals.

Benchmark

The portfolio benchmark against which performance has been measured is 70% FTSE All-Share Index and 30% FTSE World Ex UK Index (in sterling terms). With effect from 1 January 2009, the Company's portfolio benchmark changed to 50% FTSE

All-Share Index and 50% FTSE All World Ex UK Index (in sterling terms).

In comparing NAV performance to the benchmark the Company's assets and liabilities will continue to be measured at fair value.

Management Details

Baillie Gifford & Co were appointed as Investment Managers and Secretaries to the Company with effect from 1 January 2004. The management contract can be terminated at six months' notice. The property portfolio is managed by OLIM Limited. The agreement can be terminated on three months' notice.

Management Fees

With effect from 1 January 2008, Baillie Gifford & Co's annual management fee is 0.45% of total assets less current liabilities, excluding the property portfolio, calculated on a quarterly basis. Prior to that, Baillie Gifford & Co received a fixed annual fee.

OLIM Limited receives an annual fee of 0.5% of the value of the property portfolio subject to a minimum quarterly fee of £6,250.

Capital Structure

At the year end the Company's share capital consisted of 132,485,943 ordinary shares of 25p each which were issued and fully paid. The Company has been granted the authority to buy back a limited number of its own shares. Long term gearing has been secured by £80 million (nominal value) of debenture stock, which was issued in three tranches between April 1997 and January 2001.

Saving Vehicles

SAINTS shares can be held through a variety of savings vehicles (see page 56 for details).

AIC

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

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 Services Authority.

Year's Summary

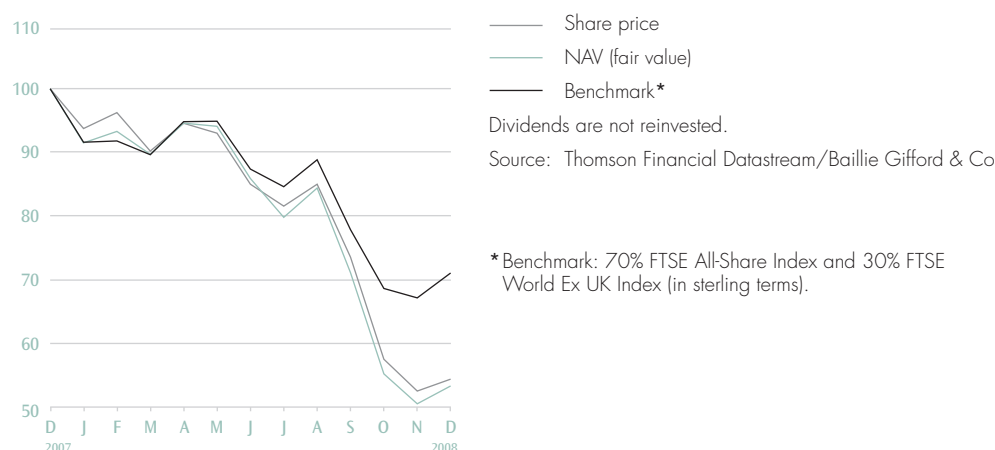
	31 December 2008	31 December 2007	% change
Total assets (before deduction of debenture)	£289.1m	£460.1m	
Debenture (book value)	£88.3m	£88.7m	
Equity shareholders' funds	£200.8m	£371.4m	
Net asset value per ordinary share (debenture at fair value)	145.3p	272.7p	(46.7)
Net asset value per ordinary share (debenture at book value)	151.5p	280.3p	(46.0)
Share price	130.5p	240.0p	(45.6)
FTSE All-Share Index	2,209.3	3,286.7	(32.8)
FTSE World Ex UK Index (in sterling terms)	271.8	337.2	(19.4)
Benchmark composite index*			(28.8)
Discount (debenture at fair value)	(10.2%)	(12.0%)	
Discount (debenture at book value)	(13.9%)	(14.4%)	
Revenue earnings per ordinary share	10.50p	8.56p	22.7
Dividends paid and proposed	8.80p	8.25p	6.7
Expense ratio	0.84%	0.80%	

Year's high and low	Year to 31 December 2008		Year to 31 December 2007	
	High	Low	High	Low
Net asset value (debenture at fair value)	272.7p	124.5p	295.6p	250.9p
Net asset value (debenture at book value)	280.3p	130.7p	301.1p	259.3p
Share price	240.0p	117.0p	264.3p	221.8p
Premium/(discount) (debenture at fair value)	1.7%	(15.5%)	(6.5%)	(13.1%)
Premium/(discount) (debenture at book value)	(2.5%)	(17.0%)	(8.8%)	(15.4%)

	Year to 31 December 2008	Year to 31 December 2007
Total return performance		
Net asset value (debenture at fair value)	(44.4%)	3.0%
Net asset value (debenture at book value)	(43.6%)	2.2%
Share price	(43.0%)	2.8%
Benchmark composite index*	(26.1%)	6.6%

One Year Performance

(figures plotted on a monthly basis rebased to 100 at 31 December 2007)



Past performance is not a guide to future performance.

Five Year Summary

5 Year Total Return Performance (figures rebased to 100 at 31 December 2003)



Source: Thomson Financial Datastream/
Baillie Gifford & Co

- Share price total return
- NAV total return (book value)
- Benchmark* total return

Relative Annual Net Asset Value and Share Price Total Returns (relative to the benchmark* total return)



Source: Thomson Financial Datastream/
Baillie Gifford & Co

- NAV total return (fair value) relative to benchmark* total return
- Share price total return relative to benchmark* total return

Discount to Net Asset Value (plotted on a monthly basis)

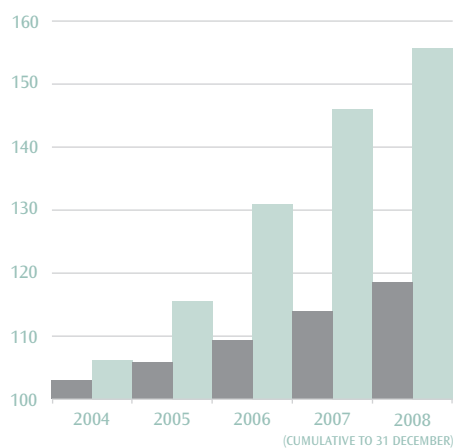


Source: Thomson Financial Datastream

- SAINTS discount (book value)
- - - SAINTS discount (fair value)

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

Dividend and RPI Growth Rate (figures rebased to 100 at 31 December 2003)



Source: Thomson Financial Datastream

- RPI
- SAINTS' dividend

Past performance is not a guide to future performance.

*The portfolio benchmark against which performance has been measured is 70% FTSE All-Share Index and 30% FTSE World Ex UK Index (in sterling terms).

Chairman's Statement

Overview

Financial markets and the global economy were struck by a grave crisis during 2008. The crisis had its origins in the excessive levels of debt that had become prevalent in many parts of the global financial system and amongst private households in some of the developed economies, notably the United States. Its impact, particularly from late September onwards, was severe – equity markets experienced steep declines, credit and interbank lending markets ceased to function properly, and economic activity slowed dramatically.

It is against this backdrop that we report a significant decline in net asset value per share from 272.7p at the start of the year to 145.3p at the year end. The share price reflected the decline in net asset value by falling from 240p to 130.5p.

In contrast to capital performance, investment income grew strongly and underpinned a 23% rise in earnings per share to 10.5p. The earnings per share number includes a re-imbusement from HM Treasury of previous VAT payments which is explained in more detail later. Nonetheless, it is a strong result and one which supports an increased dividend for 2008. We propose a final quarterly dividend of 2.25p which will mean a total dividend for 2008 of 8.8p, a rise of 6.7% on the previous year. 2008 was the fifth successive year in which dividend growth substantially outpaced inflation.

After the inclusion of dividends, the total return for the year was -44.4%. This compares to a total return on the benchmark index of -26.1%. Most of this underperformance occurred in the second

half of the year, when the financial crisis was at its worst. A full explanation of performance and how the portfolio was positioned is given in the *Managers' Overview and Managers' Portfolio Review*.

The severity of the financial crisis and its global nature are without precedent in the post-war period. We also know from previous banking crises that the contractions in economic activity that follow such episodes can be deep and prolonged. However, governments and central banks around the world are tackling current problems with great urgency and vigour. We believe these efforts will have a positive effect over time. Already there are some signs that interbank lending markets are operating more normally and risk premia in credit markets have reduced a little in the opening weeks of 2009.

Asset valuations are also at their lowest levels for many years and, although we cannot know with certainty how markets will behave in the short run, it is our view that long run returns from current levels will be strong.

Borrowings

SAINTS' borrowings take the form of a single debenture due for repayment in April 2022. The book value of these borrowed funds is £88.3m although the final repayment amount will be £80m, a function of the debenture having been issued at a premium to its par value.

We believe that over time, and in more normal market conditions than experienced during 2008, the use of gearing can, potentially, give rise to better returns to shareholders than would otherwise be possible. However, during periods when markets fall, this gearing can work in the opposite direction, as it did during 2008.

At the start of the year the book value of the debenture amounted to 23.9% of shareholders' funds but this had risen to 44.0% by the year end because of the decline in net asset value.

Change of Benchmark and Cost Allocation Policy

The portfolio now has a more international spread of investments. At the interim stage, we announced a change in the composite index that we use for performance comparisons. This change, from 70% FTSE All-Share and 30% FTSE World ex UK (in sterling terms) to 50% FTSE All-Share and 50% FTSE All World Ex UK (in sterling terms), took effect from 1 January 2009.

The Board believes that a more international portfolio has the potential to deliver better long term capital returns. This potential derives from the greater number of investment opportunities that are available

to the Manager and from the increased exposure to faster growing economies. Consequently, the Board has decided to change the basis of allocation whereby finance costs and management fees are charged to the revenue and capital accounts. Previously the costs had been allocated on a 50:50 basis but from 2009 onwards will be allocated 35% to revenue and 65% to capital, reflecting the Board's expected long term split of returns generated by the portfolio.

Buy-backs and Treasury Shares

The power to buy back shares was renewed at last year's Annual General Meeting and shareholders will have an opportunity to authorise its renewal at this year's AGM. The Board is mindful of the enhancement to net asset value that can accrue to shareholders through use of buy-backs and of the preference of shareholders to avoid undue volatility in the discount. However, with the



From left to right: David WJ Price, The Rt Hon Sir Menzies Campbell, Rachel Lomax, Sir Brian G Ivory, Eric Hagman, Peter G Moon, Lord Kerr of Kinlochard

discount narrowing in 2008 from 12% at the start of the year to 10.6% by year end, the Board did not exercise the buy-back powers.

VAT

In 2007, the European Court of Justice ruled that investment trust management fees should be exempt from VAT. This decision was accepted by HM Revenue and Customs and the Company sought to recover VAT incurred in previous years.

The Company recovered £880,000 of VAT and associated interest for the period 2004 to 2007 which was allocated to income and capital accounts in the proportions by which it had previously been charged. This benefited the revenue account by approximately 0.27p per share.

The claim for the period prior to Baillie Gifford's management has yet to be agreed between the previous manager and HM Revenue and Customs and as recovery remains uncertain there has been no accrual in this accounting year for VAT relating to periods prior to 2004.

The Board and the AGM

As indicated last year, Dr Morgan retired from the Board during the year after 16 years of service. I am very grateful for her valued support, full commitment and considerable contribution over that period. I am pleased to welcome Rachel Lomax as a Director. Ms Lomax served as Deputy Governor of the Bank of England between 2003 and 2008. Her previous appointments included being Permanent Secretary at several government departments, Chief of Staff to the President of the World Bank, Head of the Economic and Domestic Secretariat at the Cabinet Office and Principal Private Secretary to the Chancellor of the Exchequer and deputy Chief Economic Adviser. The Board believes that her considerable expertise will prove very beneficial to shareholders. Having been appointed during the year, Ms Lomax is required to seek election by shareholders at the forthcoming AGM.

Following the introduction of the Companies Act 2006, a number of changes to the Articles of Association are proposed. These are detailed in the Appendix to the Notice of Annual General Meeting on page 53, with further information shown in the Directors' Report on page 28.

All shareholders are invited to the AGM which will be held at Baillie Gifford's offices at Calton Square, 1 Greenside Row, Edinburgh on Thursday 9 April at 11.00am. There is a map with directions on page 50. Mr Edwardson will make a short presentation on the investment position and the Directors look forward to meeting you.

SIR BRIAN IVORY, CBE
Chairman
23 February 2009

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. Baillie Gifford & Co, a leading UK investment management firm established in 1908, have acted as Manager and Secretaries since 1 January 2004.

Directors

Sir Brian G Ivory, CBE, CA

Sir Brian joined the Board in 2000 and was appointed Chairman in 2001. He is also the chairman of the Nomination Committee. He is a director of Remy Cointreau SA and is chairman of Retec Digital plc and of the Trustees of the National Galleries of Scotland. He was formerly chairman of Highland Distillers Plc and a director of HBOS Plc.

The Rt Hon Sir Menzies Campbell, CBE, QC, MP

Sir Menzies joined the Board in December 2007. He was Leader of the Liberal Democrat party until October 2007. He was elected as an MP in 1987, and was Foreign Affairs Spokesman before becoming Deputy Leader of his party. He qualified as an advocate in Scotland, being admitted to the Faculty of Advocates in 1968 and becoming Queen's Counsel in 1982.

Eric Hagman, CBE, CA

Mr Hagman joined the Board in 2005. He joined Arthur Andersen in 1971 and became the managing partner in Scotland in 1982. He spent the last five years until 2002 in London as a managing partner on the UK Leadership Team. He is a director of British Polythene Industries plc and The Royal College of Art. He was formerly a trustee of the National Galleries of Scotland and a director of Glen Group plc, Scottish Financial Enterprise and Scottish Enterprise.

Lord Kerr of Kinlochard, GCMG

Lord Kerr joined the Board in 2002 and is chairman of the Audit Committee. He was Head of the Diplomatic Service from 1997 to 2002, having previously been Ambassador to the European Union and then to the United States. He is deputy chairman of Royal Dutch Shell plc, a director of Rio Tinto Plc, chairman of Imperial College London and a member of the advisory board of ScottishPower.

Rachel Lomax

Ms Rachel Lomax joined the Board on 1 October 2008. She served as Deputy Governor of the Bank of England between 2003 and 2008, having previously been Permanent Secretary at the Department for Transport, the Department for Work and Pensions and the Welsh Office. She was previously Chief of Staff to the President of the World Bank, and Head of the Economic and Domestic Secretariat at the Cabinet Office. She worked for many years at HM Treasury, where she was Principal Private Secretary to the Chancellor of the Exchequer and deputy Chief Economic Adviser. She is on the Board of the Royal National Theatre, is a director of HSBC and is President of the Institute of Fiscal Studies.

Peter Moon

Mr Moon joined the Board in 2005. He has been chief investment officer of the Universities Superannuation Scheme Limited fund since 1992. He is a former director of MBNA Europe and is a former Member of the National Association of Pension Funds Investment Committee. Prior to joining Universities Superannuation Scheme, Mr Moon managed investments at the British Airways Pension Fund and the National Provident Institution, which he joined in 1978.

David WJ Price

Mr Price joined the Board in 1997 and is the senior independent director. He is chairman of Aberdeen All Asia Investment Trust PLC and is a director of Melchior Japan Investment Trust plc and Stramongate Assets Plc. He was formerly deputy chairman of Mercury Asset Management Group plc and chairman of F&C Management Limited.

All Directors are members of the Nomination and Audit Committees.

Managers and Secretaries

SAINTS is managed by Baillie Gifford & Co, 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 & Co are one of the largest investment trust managers in the UK and currently manage eight investment trusts. Baillie Gifford & Co also manage unit trusts and Open Ended Investment Companies, together with investment portfolios on behalf of pension funds, charities and other institutional clients, both in the UK and overseas. Funds under the management or advice of Baillie Gifford & Co total around £40 billion. Based in Edinburgh, they are one of the leading privately owned investment management firms in the UK, with 33 partners and a staff of around 600.

The manager of SAINTS' portfolio is Patrick Edwardson, a partner of Baillie Gifford & Co. Patrick is responsible for SAINTS' equity investments, working closely with all of Baillie Gifford's equity investment teams. SAINTS' bond investments are managed by specialists in Baillie Gifford's fixed income team. The property investments are managed separately by OLIM Limited, a specialist property manager.

The firm of Baillie Gifford & Co is authorised and regulated by the Financial Services Authority.

Managers' Overview

At the start of 2008, investment markets were under considerable strain as a result of various liquidity issues that had emerged the previous year in credit and banking markets. We thought this would result in volatile market conditions and slowing economic growth during 2008. However, we felt that investment prospects were reasonable because many markets had already experienced falls and, we thought, discounted much of the bad news.

This assessment was too optimistic. It underestimated the severity of the financial crisis that subsequently engulfed markets during 2008 and the ensuing deterioration in the economic outlook. Consequently, the portfolio was not well positioned to withstand the significant market declines that occurred.

The magnitude of the financial crisis reflected the size of the imbalances which had built up within countries and across the global economy over the last two decades. Over that period, consumers in the US, the

UK and other developed economies took on ever higher levels of debt. At the same time, innovation in financial instruments, aspects of the regulatory framework and remuneration structures that emphasised short term profits over long term results encouraged higher gearing levels in the global financial system. This was sustainable as long as borrowers paid interest costs and met repayment obligations in a timely fashion and if lenders were confident and financially strong. However, the equilibrium did not hold. Instead, capital markets fell into a vicious circle in which fear of rising default rates caused credit to be withheld which in turn undermined growth and raised the likelihood of higher defaults. Moreover, heightened expectations of defaults and loan losses caused the market prices of many bonds and financial assets to fall, thus eroding the capital strength of banks and their ability to supply credit.

At various points during the first half of the year, it looked as if this cycle might

have been broken by action on the part of central banks and governments. However, the collapse of a number of US financial institutions during August and September, particularly the bankruptcy of investment bank Lehman Brothers, broke market confidence. Willingness to take risk disappeared and markets fell dramatically.

The gravity of the situation was recognised by governments which moved to shore up the banking system and stimulate activity by introducing various fiscal packages. At the same time, central banks cut interest rates and flooded inter-bank lending markets with liquidity. Collapse was avoided, but not before significant damage had been done to economic confidence.

Patrick Edwardson
Baillie Gifford & Co
23 February 2009

Performance Attribution for the year to 31 December 2008

Portfolio breakdown	Average allocation		Total return		Contribution to relative return %	Stock Selection %	Asset Allocation %
	SAINTS %	Benchmark %	SAINTS %	Benchmark %			
UK Quoted Equities*	44.6	70.0	(47.2)	(29.9)	(9.2)	(10.6)	1.5
Overseas Quoted Equities*	46.0	30.0	(26.1)	(17.1)	(3.4)	(5.7)	2.5
Total Quoted Equities*	90.6	100.0	(36.4)	(26.1)	(12.6)	(16.3)	4.0
Direct Property	9.8		(13.6)		0.9		0.9
Quoted Equity Property Investments	5.9		(70.3)		(4.2)		(4.2)
Quoted Equity Forestry Investments	5.1		(31.9)		(0.5)		(0.5)
Quoted Fixed Interest	16.0		2.8		3.6		3.6
Unquoted	0.6		42.5		0.4		0.4
Debenture at book value	(30.4)		(6.8)		(10.7)		(10.7)
Deposits and other items	2.4		-		(1.6)		(1.6)
Portfolio Total Return (debenture at book value)			(42.4)	(26.1)	(22.0)	(16.3)	(7.9)
Adjustment for change in fair value of debenture			(0.8)				
Portfolio Total Return (debenture at fair value)			(43.2)	(26.1)	(23.1)		
Expenses and other items			(1.2)				
Fund Total Return (debenture at fair value)			(44.4)				

The above returns are calculated on a total returns basis with net income reinvested. Contributions cannot be added together as they are calculated on a geometric basis.

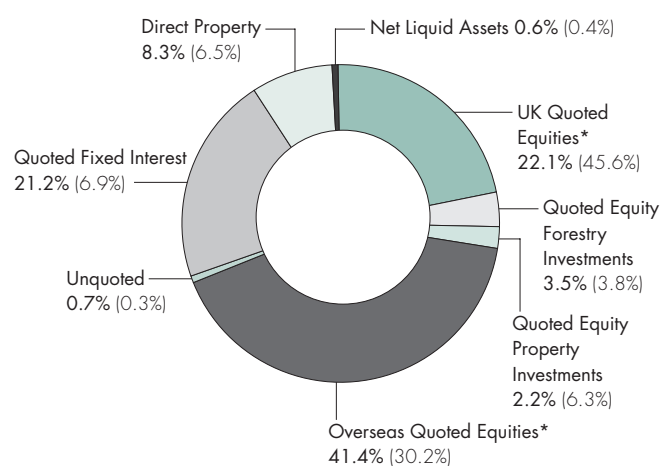
Past performance is not a guide to future performance.

Source: Baillie Gifford & Co.

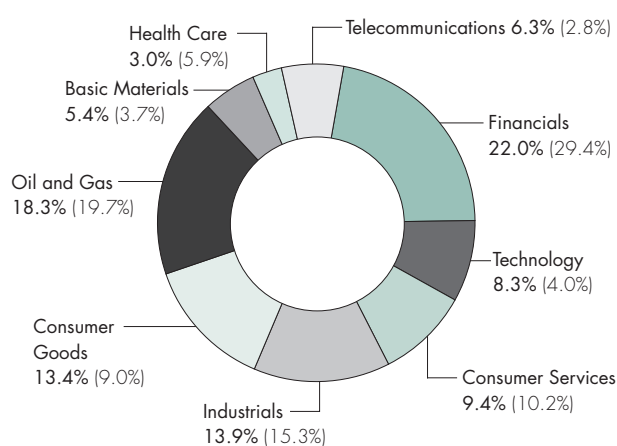
*Excludes quoted equity property and forestry investments.

Distribution of Portfolio

Asset Allocation as at 31 December 2008 (2007)



Quoted Equities* by Sector as at 31 December 2008 (2007)



*Excludes quoted equity property and forestry investments.

Thirty Largest Holdings

Name	Classification	Business	2008		2007
			Value £'000	% of total assets	Value £'000
Athena 2007 F/R 31/12/37	Fixed Interest	Debt opportunities fund	13,908	4.8	–
Brazil CPI Linked 15/05/2045	Fixed Interest	Brazilian government bond	10,190	3.5	16,699
Cambium Global Timberland	Quoted Equity Forestry Inv.	Forestry investment fund	10,050	3.5	15,750
Petrobras	Overseas	Integrated oil	9,641	3.3	24,581
Bay Haven FRNs 2009/10	Fixed Interest	Insurance-linked bonds	9,101	3.2	6,625
UBS and UBS 8% 2009†	Overseas	Banking	6,935	2.4	–
China Mobile	Overseas	Mobile telecommunication services	6,392	2.2	–
Baillie Gifford High Yield Bond Fund	Fixed Interest	High yield bond fund	6,310	2.2	–
Baillie Gifford Greater China Fund	Overseas	Investment fund	6,010	2.1	–
Amazon.com	Overseas	Online retailer	5,771	2.0	7,539
Quorum Oil and Gas	United Kingdom	Oil industry technology fund	5,565	1.9	5,024
British American Tobacco	United Kingdom	Cigarette manufacturer	5,435	1.9	11,299
Vodafone	United Kingdom	Mobile telecommunication services	5,294	1.8	9,511
Holiday Village in New Romney	Direct property	Holiday village	5,250	1.8	5,800
British Gas 7.25% 2008†	United Kingdom	Oil and gas producer	5,090	1.8	11,536
Imperial Tobacco	United Kingdom	Tobacco	5,027	1.7	–
Atlas Copco	Overseas	Engineering	4,750	1.6	6,052
Philip Morris International	Overseas	Cigarette manufacturer	4,511	1.6	–
Barclays Bank 14% 2019	Fixed Interest	Bank bond	4,261	1.5	–
Man Group 11% Perpetual	Fixed Interest	Financial bond	4,173	1.4	–
Deere	Overseas	Farm machinery	4,019	1.4	–
Nursing home in Kenilworth	Direct property	Nursing home	4,000	1.4	4,950
SAP	Overseas	Business Software developer	3,930	1.4	4,238
Harbourmaster Senior Loan Fund	Fixed Interest	Leveraged loan fund	3,816	1.3	–
CVRD	Overseas	Iron ore mining	3,774	1.3	7,233
Samsung Electronics	Overseas	Electrical component manufacturer	3,758	1.3	4,495
Teva Pharmaceuticals	Overseas	Pharmaceuticals	3,402	1.2	2,693
Fremantle FRNs 2008/10	Fixed Interest	Insurance-linked bonds	3,372	1.2	2,512
Rexam 6.75% 2017-67	Fixed Interest	Commercial bond	3,339	1.1	–
Public house/restaurant in Nottingham	Direct property	Public house/restaurant	3,300	1.1	4,750
Penn West Energy Trust	Overseas	Oil and natural gas income trust	3,275	1.1	5,649
			173,649	60.0	156,936

†These investments are structured notes, the capital performance of which are dependent upon the share prices of the respective companies.

Investment Changes

	Valuation at 31 Dec 2007 £'000	Net acquisitions/ (disposals) £'000	Appreciation/ (depreciation) £'000	Valuation at 31 Dec 2008 £'000
United Kingdom Quoted Equities*	208,984	(55,742)	(88,984)	64,258
Overseas Quoted Equities*	139,649	23,900	(44,335)	119,214
Total Quoted Equities*	348,633	(31,842)	(133,319)	183,472
Direct Property	29,825	–	(5,875)	23,950
Quoted Equity Property Investments	28,994	(4,843)	(17,680)	6,471
Quoted Equity Forestry Investments	17,624	(2,106)	(5,468)	10,050
Quoted Fixed Interest	31,546	34,747	(4,845)	61,448
Unquoted	1,632	(126)	494	2,000
Total Investments	458,254	(4,170)	(166,693)	287,391
Net Liquid Assets	1,840	5,121	(5,265)	1,696
Total Assets	460,094	951	(171,958)	289,087

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

*Excludes quoted equity property and forestry investments.

CLASSIFICATION OF INVESTMENTS

Classification	UK %	Overseas %	2008 Total %	2007 Total %
Quoted Equities*				
Oil and gas producers	1.8	6.0	7.8	12.6
Oil equipment, services and distribution	2.8	1.0	3.8	2.3
Oil and Gas	4.6	7.0	11.6	14.9
Chemicals	–	0.6	0.6	–
Mining	1.1	1.7	2.8	2.8
Basic Materials	1.1	2.3	3.4	2.8
Construction and materials	0.2	–	0.2	0.5
Electronic and electrical equipment	–	1.1	1.1	0.8
General industrials	–	–	–	1.0
Industrial engineering	0.1	3.8	3.9	2.9
Industrial transportation	–	0.7	0.7	0.9
Support services	2.0	0.9	2.9	5.5
Industrials	2.3	6.5	8.8	11.6
Automobiles and parts	–	1.7	1.7	1.5
Food producers	–	–	–	0.4
Leisure goods	–	0.4	0.4	0.2
Personal goods	–	0.7	0.7	1.0
Tobacco	3.6	2.1	5.7	3.7
Consumer Goods	3.6	4.9	8.5	6.8
Healthcare equipment and services	–	0.7	0.7	0.7
Pharmaceuticals and biotechnology	–	1.2	1.2	3.8
Health Care	–	1.9	1.9	4.5
Food and drug retailers	1.0	1.2	2.2	2.1
General retailers	–	3.4	3.4	3.8
Media	–	–	–	1.3
Travel and leisure	0.4	–	0.4	0.6
Consumer Services	1.4	4.6	6.0	7.8
Mobile telecommunications	1.8	2.2	4.0	2.1
Telecommunications	1.8	2.2	4.0	2.1
Banks	2.8	3.4	6.2	10.9
Nonlife insurance	–	0.8	0.8	4.1
Life insurance	2.2	–	2.2	3.7
Real estate	0.6	–	0.6	–
General financial	0.9	0.7	1.6	2.2
Equity investment instruments	–	2.6	2.6	1.4
Financials	6.5	7.5	14.0	22.3
Software and computer services	0.8	2.9	3.7	2.0
Technology hardware and equipment	–	1.6	1.6	1.0
Technology	0.8	4.5	5.3	3.0
Total Quoted Equities*	22.1	41.4	63.5	–
Total Quoted Equities – 2007*	45.6	30.2	–	75.8
Direct Property	8.3	–	8.3	6.5
Quoted Equity Property Investments	1.5	0.7	2.2	6.3
Quoted Equity Forestry Investments	3.5	–	3.5	3.8
Fixed Interest	4.1	17.1	21.2	6.9
Unquoted	–	0.7	0.7	0.3
Net Liquid Assets	–	0.6	0.6	0.4
Total Assets	39.5	60.5	100.0	100.0
Total Assets – 2007	62.8	37.2	–	100.0
Debenture	(30.5)	–	(30.5)	(19.4)
Equity Shareholders' Funds	9.0	60.5	69.5	–
Equity Shareholders' Funds – 2007	43.4	37.2	–	80.6
Number of equity investments	34	44	78	84

*Excludes quoted equity property and forestry investments.

Managers' Portfolio Review

This report details how each part of the portfolio performed during the year but, by way of a general comment, it would be fair to say we did not foresee the scale of the financial crisis nor its impact on the global economy. In particular, we did not expect the market turmoil that occurred during September and October. Consequently, we went in to that period with the portfolio fully invested and with too many holdings that proved sensitive to the deterioration in confidence and economic prospects.

Equities

On average during the year, 70% of the portfolio was invested in equities. As a percentage of shareholders' funds, the average figure was 91%.

The equity investments bore the full brunt of the economic and financial crisis. Market indices in every major market fell significantly but our portfolio incurred greater losses, returning -36% against the benchmark return of -26%.

Our stock picking during 2008 was poor. The most costly holdings were in UK banks, particularly Royal Bank of Scotland, HBOS and Barclays which suffered precipitous share price declines. We were braced for large falls in these banks' profits and persuaded ourselves this was discounted in their share prices. We did not anticipate that market confidence and liquidity would fall so far as to undermine the basic viability of these businesses nor, therefore, did we foresee the need for the Government's involvement in highly dilutive recapitalisations.

We also lost ground through our choice of oil stocks. We have not been enthused in recent years by the large oil majors listed in developed markets (the exception being BG). Instead we have preferred emerging market oil producers such as Brazilian company Petrobras which we believe can grow production volumes more quickly. However, in 2008, the market favoured the former because of their strong balance sheets and high dividend payouts.

Together, these two sectors account for the bulk of our underperformance in equities. Elsewhere in the portfolio, the large positions in tobacco manufacturing stocks were very helpful and we did well out of various positions in insurance companies and a preference for mobile telecoms over fixed line operators. However, these gains were offset by the absence of large pharmaceutical companies (whose share prices rose as defensive stocks came increasingly into favour), poor timing of transactions in the mining sector and investments in a number of other sectors and stocks which proved sensitive to the deterioration in economic prospects.

Looking at the geographic spread of the portfolio, a shift out of UK stocks and into overseas markets meant we benefited from the weakness in sterling. For the year as a whole, a little over half of the equity investments were listed outside of the UK but by year end two-thirds of the portfolio comprised overseas stocks. We believe this

1 China Mobile

Mobile telephone usage in China is surging and China Mobile, one of SAINTS' larger equity investments, is a prime beneficiary. Picture provided courtesy of China Mobile Ltd.

2 Tesco

Tesco's retains its dominant position in UK retailing and its overseas operations are growing rapidly. Picture provided courtesy of Tesco plc.

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shift will bring long run benefits. A greater portion of the portfolio invested globally will give us a broader range of stocks to choose from and greater exposure to faster growing markets.

Quoted Equity Forestry Investments

The quoted equity forestry investments are represented by a single, large holding in Cambium Global Timberland. This is an AIM listed investment fund with a diversified portfolio of forestry plantations in various locations around the world including Brazil, Australia and the US. The holding was on average 4% of the portfolio during 2008 which equates to 5% of shareholders' funds.

During 2008, the net asset value of the Cambium fund rose slightly. However, the fund's share price fell with equity markets. This was disappointing and it leaves the fund trading at a substantial discount to its asset value. We remain of the view that this investment will make a very worthwhile contribution to the portfolio over the medium to long term and the possibility that the discount might narrow adds an extra element to returns in the shorter term.

Quoted Equity Property Investments

The investments in quoted property funds proved very costly to performance. On average through 2008, the value of these holdings represented 4.5% of the portfolio, or a little under 6% of shareholders' funds. All of our holdings experienced steep declines in their market value.

All bar one of these funds are listed on the UK stock market but their investment portfolios are located in Europe, China and Japan where property valuations have generally held up better than in the UK, particularly when expressed in sterling terms. However, the share prices have slumped as the market has focused on the prospect of further valuation declines and gearing levels.

We also expect valuations to decline further but we believe the share price falls have already exceeded the likely falls in net asset value for these funds. Each individual holding will be subject to careful review but, in aggregate, we believe these investments to be valued by the market some way below their true worth.

Direct Property

The direct investments in UK commercial property are managed by OLIM Ltd, a specialist in property investment. On average in 2008 they represented 7.5% of the portfolio, or 10% of shareholders' funds.

Commercial property values in the UK fell significantly in 2008. SAINTS' investments were affected by this difficult environment but the falls in their valuations were less severe than the declines experienced by the broader market.

As in previous years, the properties are fully occupied and generating an attractive and growing level of income.

Fixed Interest

The investments in bond markets represented just over 12% of the portfolio on average during 2008, equivalent to 16% of shareholders' funds. They delivered a small positive return but this was mainly as a result of exchange gains. In local currency terms, the investments were less rewarding.

1 Amec

The strength of the oil price in recent years has benefited engineering companies but the rapid fall in prices in the second half of 2008 means near term prospects for the oil industry are more challenging. Picture provided by Amec plc.

2 Bay Haven and Fremantle

The 2008 hurricane season in the Gulf of Mexico produced several major storms. SAINTS' investments in insurance-linked bonds Bay Haven and Fremantle were unaffected but the insurance industry suffered significant losses. Picture provided by iStockphoto.

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The performance of bond markets in 2008 can be split between those securities issued by highly rated governments and most other types of bonds. Government bonds generally rose in price as the financial crisis gathered strength, partly in response to falling short term interest rates, partly a function of their appeal as a safe haven. In other bond markets, prices either fell or failed to keep up with the gains being recorded by government bonds. Consequently, credit spreads, which had been widening since the middle of 2007, rose to historically high levels.

This increase in the returns on offer from credit markets has encouraged us to invest a large portion of the portfolio in a range of higher yielding instruments. This move was made in stages through the year and some of the earlier investments saw price falls in the second half of the year. However, from current levels, we think these investments are capable of delivering substantial capital gains as well as providing very large income flows.

The single largest investment has been in the Athena Debt Opportunities Fund. This fund is managed by London based investment firm Prytannia and is invested in various forms of structured and securitised debt. We have also invested in two other open-ended funds. One is a loan fund managed by Dublin based Harbourmaster Capital Management. The other is the Baillie Gifford High Yield Bond Fund. Both give exposure to the debt of companies with relatively low credit ratings and relatively high levels of gearing. This sort of investment is not without its risks, but we believe the returns on offer outweigh the possibility of losses arising from defaults.

Alongside these pooled fund investments, we also have a number of directly held securities. Some of these are new investments made this year. Others, such as the Brazil index linked bond and the insurance linked notes issued by Bay Haven and Fremantle have been in the portfolio throughout the year.

Outlook

It is clear that the financial crisis has caused a very serious slowdown in the global economy. The developed world is likely to experience an outright contraction in economic activity. Growth rates in the emerging markets may remain positive but will be very significantly lower than in recent years, particularly in those countries where international trade plays an important role in their economies.

We still face a period, perhaps prolonged, of falling profits and rising default rates. It is also the case that the measures being taken to revive the global economy do not address the principal cause of the crisis, namely excessive debt. Households will still need to consume less and save more and the banking and financial system will continue working towards lower levels of leverage. Neither is supportive of a quick return to strong growth. Nonetheless, the nature and scale of the policy response are extraordinary. We expect financial markets to recover confidence at some point and for economic activity to recover.

1 Monsanto

Demand for more productive seed variants is helping Monsanto, the US seed company, which was a new investment in the portfolio in 2008. Picture provided by iStockphoto.

2 Deere

Higher food prices in recent years have benefited companies such as John Deere which supply machinery to the agricultural industry. Picture provided courtesy of Deere and Co.

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Financial markets have also moved a very long way in the last eighteen months. To a considerable degree, they already discount harsh economic conditions. We believe that equity markets are attractive at current levels with cyclically adjusted earnings yields back down to or below long run historic averages. Credit markets offer rich pickings with yields at levels that imply economic conditions as bad as those experienced in the early 1930s, an outcome we view as very unlikely given the magnitude of the fiscal and monetary response. Property yields are also now attractive, particularly when compared to government bond yields. Just as financial markets fell before the full effects of the credit crisis hit the real economy, so we expect them to recover in advance of any substantial improvement in the global economy.

Patrick Edwardson
Baillie Gifford & Co
23 February 2009

Classification	Name	Value £'000	%
United Kingdom Quoted Equities*			
Oil and gas producers	British Gas 7.25% 2008†	5,090	1.8
Oil equipment, services and distribution	Amec	955	
	Quorum Oil and Gas	5,565	
	Wellstream Holdings	605	
	Wood Group	1,122	
		<u>8,247</u>	2.8
Mining	Rio Tinto	1,626	
	Xstrata	1,396	
		<u>3,022</u>	1.1
Construction and materials	Low & Bonar	644	0.2
Industrial engineering	Lupus Capital	389	0.1
Support services	Capita	2,577	
	Dawson Holdings	1,609	
	Hays	1,752	
		<u>5,938</u>	2.0
Tobacco	British American Tobacco	5,435	
	Imperial Tobacco	5,027	
		<u>10,462</u>	3.6
Food and drug retailers	Tesco	2,904	1.0
Travel and leisure	William Hill	1,144	0.4
Mobile telecommunications	Vodafone	5,294	1.8
Banks	Barclays	2,421	
	HBOS	1,911	
	Lloyds TSB Group	1,585	
	Royal Bank of Scotland	2,234	
		<u>8,151</u>	2.8
Life insurance	Aviva	3,237	
	Prudential 8.5% 2008 31/12/09†	3,244	
		<u>6,481</u>	2.2
Real estate	Terra Catalyst Fund	1,638	0.6
General financial	Man Group	2,515	0.9
Software and computer services	Sage	2,339	0.8
Total United Kingdom Quoted Equities*		<u>64,258</u>	<u>22.1</u>
Overseas Quoted Equities*			
Oil and gas producers	Gazprom	2,300	
	Lukoil	2,170	
	Penn West Energy Trust	3,275	
	Petrobras	9,641	
		<u>17,386</u>	6.0
Oil equipment, services and distribution	Schlumberger 9.5% 2009†	2,999	1.0
Chemicals	Monsanto	1,755	0.6
Mining	CVRD	3,774	
	Impala Platinum	1,053	
		<u>4,827</u>	1.7

*Excludes quoted property and forestry investments.

†These investments are structured notes, the capital performance of which are dependent upon the share price of the named company.

Classification	Name	Value £'000	%
Overseas Quoted Equities cont.*			
Electronic and electrical equipment	Canon	3,146	1.1
Industrial engineering	Atlas Copco	4,750	
	Deere	4,019	
	Sandvik	2,220	
		10,989	3.8
Industrial transportation	Zhejiang Expressway	2,047	0.7
Support services	Iron Mountain	1,780	
	Meitec	887	
		2,667	0.9
Automobiles and parts	Hero Honda Motors	2,233	
	Porsche	2,598	
		4,831	1.7
Leisure goods	Pool	1,145	0.4
Personal goods	L'Oréal	2,132	0.7
Tobacco	Altria	1,561	
	Philip Morris International	4,511	
		6,072	2.1
Health care equipment and services	VCA Antech	2,014	0.7
Pharmaceuticals and biotechnology	Teva Pharmaceuticals	3,402	1.2
Food and drug retailers	Walgreen	2,909	
	Whole Foods Market	434	
		3,343	1.2
General retailers	Amazon.com	5,771	
	Duty Free Shops	1,231	
	eBay	2,806	
		9,808	3.4
Mobile telecommunications	China Mobile	6,392	2.2
Banks	DBS	2,751	
	UBS 8% 2009†	3,114	
	UBS	3,821	
		9,686	3.4
Nonlife insurance	Progressive	2,274	0.8
General financial	Moody's	1,948	0.7
Equity investment instruments	Baillie Gifford Greater China Fund	6,010	
	Partners Group	1,608	
		7,618	2.6
Software and computer services	Exact	1,360	
	Google	2,800	
	SAP	3,930	
		8,090	2.9
Technology hardware and equipment	Asustek Computer	885	
	Samsung Electronics	3,758	
		4,643	1.6
Total Overseas Quoted Equities*		119,214	41.4
Total Quoted Equities*		183,472	63.5

*Excludes quoted property and forestry investments.

†This investment is a structured note, the capital performance of which is dependent upon the share price of the named company.

Classification	Name	Value £'000	%
Direct Property			
Direct property	See table below	23,950	8.3
Quoted Equity Property Investments			
	China Real Estate Opportunities	1,107	
	Deutsche Land	293	
	Fukuoka REIT	1,939	
	Invista European Real Estate Trust	95	
	Japan Residential Investment Company	1,875	
	Kenmore European Industrial Fund	367	
	Rutley European Property	795	
Total Quoted Equity Property Investments		6,471	2.2
Quoted Equity Forestry Investments			
	Cambium Global Timberland	10,050	3.5
Quoted Fixed Interest			
Sterling denominated	Baillie Gifford High Yield Bond Fund	6,310	
	Barclays Bank 14% 2019	4,261	
	CQS Rig Finance Fund 'C'	569	
	Resolution 6.5864% 2016	700	
		11,840	4.1
Euro denominated	Harbourmaster Senior Loan Fund	3,816	
	Semper Finance FRN SLP 2015	1,709	
	Rexam 6.75% 2017-67	3,339	
		8,864	3.0
US dollar denominated	Athena 2007 F/R 31/12/37	13,908	
	Bay Haven B FRN 2009/10	4,264	
	Bay Haven C FRN 2009/10	4,837	
	Fremantle B FRN 2008/10	2,040	
	Fremantle C FRN 2008/10	1,332	
	Man Group 11% Perpetual	4,173	
		30,554	10.6
Brazilian real denominated	Brazil CPI Linked 15/05/2045	10,190	3.5
Total Quoted Fixed Interest		61,448	21.2
Unquoted		2,000	0.7
Net Liquid Assets		1,696	0.6
Total Assets		289,087	100.0

Property Portfolio

Location	Type	Tenant	2008		2007
			Value £'000	% of total assets	Value £'000
Dundee	Public House	J D Wetherspoon plc	1,100	0.4	1,450
Dunfermline	Shop	W H Smith Retail Holdings Ltd	2,150	0.7	2,700
Kenilworth	Nursing Home	Trinity Care Ltd	4,000	1.4	4,950
Kingston upon Hull	Public House	Greene King plc	700	0.2	1,050
New Romney	Holiday Village	Park Resorts Ltd	5,450	1.9	5,800
Notttingham	Public House/Restaurant	Greene King plc	3,300	1.1	4,750
Oban	Shop	W H Smith Retail Holdings Ltd	1,100	0.4	1,400
Portsmouth	Public House	J D Wetherspoon plc	2,200	0.8	2,850
Reading	Restaurant	Bella Italia Restaurants Ltd	1,100	0.4	1,450
Torquay	Public House	Mitchells & Butler Retail Ltd	1,050	0.4	1,300
Weybridge	Restaurant	City Centre Restaurants (UK) Ltd	700	0.2	925
Winchester	Public House	Fuller Smith & Turner Plc	1,100	0.4	1,200
			23,950	8.3	29,825

Capital

At 31 December	Total assets £'000	Debenture stocks and loans £'000	Equity shareholders' funds £'000	Net asset value per share (book) * p	Net asset value per share (fair) * p	Share price p	Discount † (book) %	Discount † (fair) %
1998	702,578	125,424	577,154	258.1	–	210.0	18.6	–
1999	716,058	176,044	540,014	319.9	–	267.8	16.3	–
2000	543,251	78,471	464,780	296.8	–	254.5	14.3	–
2001	422,850	90,274	332,576	225.7	–	192.3	14.8	–
2002	312,634	89,767	222,867	161.9	–	132.8	18.0	–
2003	340,546	89,260	251,286	185.8	181.9	149.3	19.6	17.9
2004 ▲	361,691	89,760	271,931	205.3	197.1	167.5	18.4	15.0
2005	426,021	89,430	336,591	254.1	241.2	218.8	13.9	9.3
2006	462,673	89,079	373,594	282.0	272.6	241.3	14.4	11.5
2007	460,094	88,708	371,386	280.3	272.7	240.0	14.4	12.0
2008	289,087	88,312	200,775	151.5	145.3	130.5	13.9	10.2

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

† Discount is the difference between SAINTS' quoted share price and its underlying net asset value at either book value or fair value.

Revenue

Year to 31 December	Gross revenue £'000	Available for ordinary shareholders £'000	Earnings per ordinary share ‡ p	Dividend per ordinary share (net) p	Expense ratio § %	Gearing Ratios	
						Actual gearing ¶	Potential gearing ††
1998	25,070	14,290	6.39	6.45 **	0.55	108	122
1999	17,911	11,693	5.84	5.51	0.70	115	133
2000	13,346	7,794	4.87	5.53	0.41	103	117
2001	12,551	8,337	5.46	5.57	0.20	100	127
2002	12,075	7,932	5.64	5.61	0.23	99	140
2003	11,412	7,913	5.82	5.65	0.13	103	136
2004 ▲	13,707	8,379	6.30	6.00	0.96	106	133
2005	13,986	9,000	6.80	6.53	0.80	110	127
2006	15,326	10,002	7.55	7.40	0.78	105	124
2007	17,751	11,345	8.56	8.25	0.80	105	124
2008	20,901	13,905	10.50	8.80	0.84	100	144

‡ 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.

§ Ratio of total operating costs to average shareholders' funds.

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

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

** Includes a special 125th anniversary dividend of 1.00p.

Cumulative Performance (taking 1998 as 100)

At 31 December	Net asset value per share	Net asset value total return	Share price	Share price total return	Benchmark	Benchmark total return	Earnings per ordinary share	Dividend per ordinary share (net)	Retail price index
1998	100	100	100	100	100	100	100	100	100
1999	124	127	128	132	124	127	91	85	102
2000	115	120	121	128	115	120	76	86	105
2001	87	93	92	99	98	104	85	86	106
2002	63	69	63	71	72	79	88	87	108
2003	72	82	71	84	84	95	91	88	111
2004 ▲	80	94	80	97	91	106	99	93	115
2005	98	120	104	131	109	130	106	101	118
2006	109	135	115	149	120	147	118	115	122
2007	109	138	114	154	124	157	134	128	127
2008	59	77	62	88	89	116	164	136	132

Compound annual returns

5 year	(4.0%)	(1.2%)	(2.7%)	0.9%	1.0%	4.1%	12.5%	9.1%	3.5%
10 year	(5.2%)	(2.6%)	(4.6%)	(1.3%)	(1.2%)	1.5%	5.1%	3.1%	2.8%

Baillie Gifford & Co was appointed as Investment Managers and Secretaries of the Company with effect from 1 January 2004. On the same date the Company also changed its benchmark from 65% FTSE All-Share Index and 35% FTSE World Ex UK Index to 70% FTSE All-Share Index and 30% FTSE World Ex UK Index. For the purposes of the above tables the returns on both benchmarks for their respective periods have been linked to form a single benchmark.

▲ The figures prior to 2004 have not been restated for the changes in accounting policies implemented in 2005.

Past performance is not a guide to future performance.

Directors' Report

The Directors have pleasure in submitting their Annual Report together with the results of the Company for the year to 31 December 2008.

Business Review

Business and Status

The Company is an investment company within the meaning of section 833 of the Companies Act 2006.

The Company carries on business as an investment trust. It was approved by HM Revenue & Customs as an investment trust under section 842 of the Income and Corporation Taxes Act 1988 for the year ended 31 December 2007, subject to any matters that may arise from any subsequent enquiry by HM Revenue & Customs into the Company's tax return. In the opinion of the Directors the Company has subsequently conducted its affairs so as to enable it to continue to seek approval under section 842 of the Income and Corporation Taxes Act 1988 each year.

Objective & Policy

SAINTS' objective is to increase capital and grow income in order to deliver real dividend growth.

SAINTS' policy is to invest flexibly and actively across a broad range of assets and markets. Listed equities, both UK and overseas, form the largest part of the portfolio. Investments are also made in 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. 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 composite 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 shareholder 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.

A detailed analysis of the Company's investment portfolio is set out on pages 9 to 19.

Board Oversight

When assessing the performance of the Company and the Managers, the Board looks at dividend growth and at net asset value total returns relative to the benchmark total return. The Board believes it is appropriate to make this assessment over a medium to long term timeframe, at least three to five years, in accordance with the medium to long term approach taken to investment.

The Board monitors closely the activities of the Managers, the composition of the investment portfolio and the level of gearing to ensure these exposures are identified and to judge whether or not prospective investment returns are commensurate with the nature and size of these exposures.

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 Manager 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 the 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

The Board has powers to buy back its own shares and to hold such shares in treasury for subsequent re-issue at a premium.

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

Performance

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

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:

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

Directors' Attendance at Meetings

	Board	Audit Committee	Nomination Committee
Number of meetings	8	2	1
Sir Brian Ivory	8	2	1
The Rt Hon Sir Menzies Campbell	8	2	1
Eric Hagman	7	2	1
Lord Kerr of Kinlochard	8	2	1
Rachel Lomax (appointed 1/10/08)	2	–	–
Peter Moon	8	2	1
Dr Janet Morgan (retired 10/4/08)	3	1	–
David Price	6	1	1

- the movement in the share price;
- the discount (after deducting debentures at fair value);
- the total expense ratio;
- earnings per share; and
- dividend per share.

A historical record of these measures is shown on pages 2, 3 and 20.

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

Financials

The financial highlights for the year under review are as follows: the net asset value per share fell 46.7%, compared to a decrease in the benchmark of 28.8%, dividends increased by 6.7% to 8.80p per share and the discount narrowed from 12.0% to 10.2%.

Review of the Year and Future Trends

A review of the year and the investment outlook is contained in the Chairman's Statement, the Managers' Overview and the Managers' Portfolio Review.

Principal Risks and Uncertainties

The Company's assets consist mainly of listed securities and its principal risks are therefore market related and include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. An explanation of those risks and how they are managed are contained in note 19 to the accounts on pages 45 to 49.

Other risks faced by the Company include the following:

Regulatory Risk – failure to comply with applicable legal and regulatory requirements could lead to suspension of the Company's Stock Exchange Listing, financial penalties

or a qualified audit report. Breach of section 842 of the Income and Corporation Taxes Act 1988 could lead to the Company being subject to tax on capital gains. Baillie Gifford's Heads of Business Risk & Internal Audit and Regulatory Risk provide regular reports to the Audit Committee on Baillie Gifford's monitoring programmes. The Managers monitor investment movements and the level of forecast income and expenditure to ensure the provisions of section 842 are not breached.

Operational/Financial Risk – failure of the Managers' accounting systems or those of other third party service providers could lead to an inability to provide accurate reporting and monitoring or a misappropriation of assets. The Board reviews the Managers' Report on Internal Controls and the reports by other key third party providers are reviewed by the Manager on behalf of the Board.

Employees

The Company has no employees. The executive responsibility for investment management has been delegated to Baillie Gifford & Co.

Social and Community Issues

As an investment trust, the Company has no direct social or community responsibilities. Its principal responsibility to shareholders is to ensure that the investment portfolio is properly invested and managed. Details of the Company's policy on socially responsible investment are set out on page 26.

Dividends

The Board recommends a final dividend of 2.25p per ordinary share which, together with the interim dividends already paid, makes a total of 8.80p for the year.

If approved, the recommended final dividend on the ordinary shares will be paid on 15 April 2009 to shareholders on the register at the close of business on 13 March 2009.

Corporate Governance

Compliance

The Board is committed to achieving and demonstrating high standards of Corporate Governance. This statement outlines how the principles of The Combined Code on Corporate Governance, published in June 2006 (the "Combined Code") were applied throughout the financial year. The Board confirms that the Company has complied throughout the year under review with the provisions of the Combined Code.

The Association of Investment Companies (AIC) has published its own Code of Corporate Governance which provides a framework of best practice for investment companies. The Board is of the opinion that the Company has complied with the recommendations of the AIC Code.

The Board

The Board has overall responsibility for the Company's affairs and it has set out a number of matters that are subject to Board 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 performance. Full and timely information is provided to the Board to enable the Board to function effectively and to allow Directors to discharge their responsibilities.

Substantial Holdings

Name	No. of ordinary 25p shares held	% of issue
Brewin Dolphin Limited	6,660,412	5.0
Legal & General Group Plc	5,440,059	4.1
DC Thomson & Co Ltd	4,100,000	3.1
Barclays Plc	4,021,509	3.0

The above information has been intimated to the Company as at 19 February 2009.

The Board currently comprises seven Directors all of whom are non-executive. The executive responsibility for investment management has been delegated to the Company's Managers and Secretaries, Baillie Gifford & Co, and, in the context of a Board comprised entirely of non-executive Directors, there is no chief executive officer. The senior independent director is David Price.

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 7 and 8.

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

The Company also maintains Directors' and Officers' liability insurance.

Terms of Appointment

Letters which specify the terms of appointment, are issued to new Directors. The letters of appointment 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. Directors are required to submit themselves for re-election at least once every three years and Directors who have served for more than nine years offer themselves for re-election annually.

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 David Price has served on the Board for more than nine years, although there has only been a relationship with the Managers for five years as Baillie Gifford were appointed in 2004. The Directors recognise the importance of succession planning for company boards and review the Board composition annually. However the Board is of the view that length of service will not necessarily compromise the independence or contribution of Directors of an investment trust company, where continuity and experience can be a benefit to the Board. The Board subscribes to the view expressed in the AIC Code that long-serving Directors should not be prevented from being considered independent. Following a formal performance evaluation, the Board has concluded that, notwithstanding his length of service Mr David Price 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 table on page 23 shows the attendance record for the Board and Committee meetings held during the year. All Directors attended the Annual General Meeting.

Nomination Committee

The Nomination Committee consists of the whole Board and the Chairman of the Board is Chairman of the Committee. The Committee meets on an annual basis and at such other times as may be

required. The Committee has written terms of reference which include reviewing the Board, identifying and nominating new candidates for appointment to the Board, Board appraisal, succession planning and training. The Committee also considers whether Directors should be recommended for re-election by shareholders. The terms of reference are available on request from the Company and from the SAINTS' page on the Managers' website www.saints-it.com.

The Nomination Committee reviewed the Directors' balance of age, skills, knowledge and experience during the year and concluded that the Board would be strengthened by the appointment of an additional Director. The Committee considered several candidates and Ms Rachel Lomax was identified as the preferred candidate due to her extensive experience. She was appointed to the Board with effect from 1 October 2008. Given the quality of the candidate identified, it was not necessary to either appoint external search consultants or use open advertising on this occasion.

Performance Evaluation

The Nomination Committee met to assess the performance of the Chairman, each Director, the Board as a whole and its committees, after inviting each Director and the Chairman to consider and respond to a set of questions. The appraisal of the Chairman was led by Mr David Price. The appraisals and evaluations considered amongst other criteria the balance of skills of the Board, the contribution of individual Directors and the overall effectiveness of the Board and its Committees. Following this process it was concluded that the performance of each Director, the Chairman, the Board and its Committees continues to be effective and each Director and the Chairman remains committed to the Company. A review of the

Directors' Interests

Name	Nature of interest	Ordinary 25p shares held at	
		31 December 2008	31 December 2007*
Sir Brian Ivory	Beneficial	31,000	31,000
The Rt Hon Sir Menzies Campbell	Beneficial	2,065	–
Eric Hagman	Beneficial	2,000	2,000
Lord Kerr of Kinlochard	Beneficial	46,665	40,000
Rachel Lomax (appointed 1/10/08)	Beneficial	4,044	–
Peter Moon	Beneficial	10,000	10,000
David W J Price	Beneficial	10,000	10,000

*Or date of appointment if later.

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. The Chairman resigned as a Director of Synesis Life Limited during the year. There were no other significant changes to his commitments during the year.

Induction and Training

New Directors are provided with an induction programme which is tailored to the particular circumstances of the appointee. Regular briefings are provided on changes in regulatory requirements that could affect the Company and the Directors. Directors receive other relevant training as necessary.

Remuneration

As all the Directors are non-executive, the provisions of the Combined Code in respect of Directors' remuneration are not relevant to the Company except to the extent that they relate specifically to non-executive directors. Consequently there is no requirement for a separate Remuneration Committee. Directors' fees are considered by the Board as a whole within the limits approved by shareholders. The Company's policy on remuneration is set out in the Directors' Remuneration Report on pages 29 and 30.

Internal Controls and Risk Management

The Directors acknowledge their responsibility for the Company's system of internal controls and for reviewing its effectiveness. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Directors confirm that they have reviewed the effectiveness of the system of internal control and they have procedures in place to ensure regular future reviews.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company in accordance with the guidance 'Internal Control: Revised Guidance for Directors on the Combined Code'.

The practical measures to ensure compliance with regulation and company law, and to provide effective and efficient operations and investment management, have been delegated to the Managers and Secretaries, Baillie Gifford & Co, under the terms of the Management Agreement. The Board acknowledges its responsibilities to supervise and control the discharge by the Managers and Secretaries of their obligations.

Baillie Gifford & Co have been delegated responsibility for the design, implementation and maintenance of control policies and procedures to safeguard the assets of the Company and to manage its affairs properly. This responsibility also extends to maintaining effective operational and compliance controls and risk management.

The Baillie Gifford & Co Heads of Business Risk & Internal Audit and Regulatory Risk provide the Audit Committee with regular reports on Baillie Gifford & Co's 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 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 auditors and a copy is submitted to the Audit Committee.

The Directors at the year end, and their interests in the Company, were as shown opposite. During the period from 1 January 2009 to 19 February 2009 Sir Brian Ivory purchased 11,500 shares as a non-beneficial interest and the Rt Hon Sir Menzies Campbell and Lord Kerr of Kinlochard added 34 and 98 shares respectively to their beneficial interests as a result of the reinvestment of dividends.

There have been no other changes intimated in the Directors' interests up to 19 February 2009.

The Company's investments are segregated from those of Baillie Gifford & Co and its other clients through the appointment of The Bank of New York Mellon as independent custodian of the Company's investments.

A detailed risk map is prepared which identifies the significant risks faced by the Company and the key controls to manage these risks are confirmed as in place and operating effectively.

These procedures ensure that consideration is given regularly to the nature and extent of the 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 the risks identified. 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.

Accountability and Audit

The respective responsibilities of the Directors and the Auditors in connection with the Financial Statements are set out on pages 31 to 33.

Going Concern

The accounts have been prepared on the going concern basis as it is the Directors' opinion that the Company will continue in operational existence for the foreseeable future.

Audit Committee

An Audit Committee has been established consisting of all Directors. Its authority and duties are clearly defined within its written terms of reference which are available on request from the Company and on the SAINTS page of the Managers' website. Lord Kerr of Kinlochard is chairman of

the Audit Committee. The Committee's responsibilities, which were discharged during the year, include:

- monitoring and reviewing the integrity of the half-yearly and annual financial statements and the internal financial controls;
- making recommendations to the Board in relation to the appointment of the external auditors and approving the remuneration and terms of their engagement;
- developing and implementing policy on the engagement of the external auditors to supply non audit services;
- reviewing and monitoring the independence, objectivity and effectiveness of the external auditors;
- reviewing 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 insofar as they may affect the Company;
- reviewing the terms of the Investment Management Agreement; and
- considering annually whether there is a need for the Company to have its own internal audit function.

The Audit Committee considers the experience and tenure of the audit partner and staff and the nature and level of services provided. The Committee receives confirmation from the auditors that they have complied with the relevant UK professional and regulatory requirements on independence. Non audit fees for the year to 31 December 2008 were £1,000 and related to the certification of financial information for the debenture trustee. The Committee does not believe that this has impaired the auditors' independence.

Internal Audit

The Audit Committee continues to believe that the compliance and internal control 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.

Relations with Shareholders

The Board places great importance on communication with shareholders. The Company's Managers meet regularly with shareholders and report shareholders' views to the Board. The Chairman is available to meet with shareholders as appropriate. Shareholders wishing to communicate with any members of the Board may do so by writing to them at the Company's registered office.

The Company's Annual General Meeting provides a forum for communication with all shareholders. The level of proxies lodged for each resolution is announced at the meeting and is published on the SAINTS' page of the Managers' website 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 from the SAINTS' page of the Managers' website, www.saints-it.com.

Voting Policy and Socially Responsible Investment

The Company has given discretionary voting powers to the investment managers, Baillie Gifford & Co. The Managers vote against resolutions they consider may damage shareholders' rights or economic interests. The Company believes that it is

in the shareholders' interests to consider environmental, social and governance 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 environmental, social or governance issues but adopt a positive engagement approach whereby matters are discussed with management with the aim of improving the relevant policies and management systems. The Managers' policy has been reviewed and endorsed by the Board.

The Managers are signatories to the Carbon Disclosure Project and take an active interest in companies' policies and management systems to mitigate risks associated with greenhouse gas omissions and global warming.

Conflicts of Interest

Each Director submits a list of potential conflicts of interest to the Board for approval on an annual basis. These are considered carefully by the Board, taking into account the circumstances surrounding them and, if considered appropriate, are approved 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.

Investment Managers

An Investment Management Agreement between the Company and Baillie Gifford & Co 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 Management Agreement is terminable

on not less than six months' notice. Details of the fee arrangements with Baillie Gifford & Co are shown on page 39.

The Board considers the Company's investment management and secretarial arrangements for the Company on an ongoing basis and a formal review is conducted annually. The Board considers, amongst others, the following topics in its review: the quality of policy guidance; success of investment strategy and investment performance; the administrative services provided by the Secretaries; quality and coverage of Board papers; the marketing efforts undertaken by the Managers; comparative costs; and communication with shareholders. Following the most recent review it is the opinion of the Directors that the continuing appointment of Baillie Gifford & Co as Managers, on the terms agreed, is in the interests of shareholders as a whole.

Under a formal management agreement, OLIM Limited is appointed manager of the Company's property portfolio. Details of its fees are shown on page 39. The agreement can be terminated on three months' notice. On termination, OLIM is entitled to a pro rata proportion of its fees to the date of termination. It is the Board's view that the continuation of OLIM's appointment on the terms agreed is in the interest of shareholders as a whole.

Directors

Information about the Directors, including their relevant experience, can be found on pages 7 and 8.

Sir Brian Ivory, Eric Hagman and David Price will offer themselves for re-election at the Annual General Meeting. Sir Brian Ivory and Eric Hagman are retiring by rotation and David Price, having served for more than nine years, is subject to annual re-election.

Following formal performance evaluation, the performance of Sir Brian Ivory, Eric Hagman and David Price continues to be effective and each remains committed to the Company. The Board recommends their re-election to shareholders. Having been appointed during the year, Ms Rachel Lomax is required to seek election by shareholders at the forthcoming Annual General Meeting. The Directors believe that the Board will benefit from Ms Lomax's experience. The Board recommends her election to shareholders.

Share Capital

Capital structure

The Company's capital structure consists of 132,485,943 ordinary shares of 25p each (2007 – 132,485,943 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

On a show of hands, every ordinary shareholder present in person or by proxy has one vote and on a poll every ordinary shareholder present in person has one vote for every share he/she holds and a proxy has one vote for every share in respect of which he/she is appointed.

Information on the deadlines for proxy appointments can be found on page 51.

Purchase of Own Shares

The Company's buy-back authority was last renewed at the AGM on 10 April 2008 in respect of 19,859,642 shares of 25p each (equivalent to 14.99% of its then issued share capital). No shares were bought back during the year under review.

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 the SAINTS' shares that results in a discount of the quoted market price to the published net asset value per share.

The Directors are seeking shareholders' approval at the Annual General Meeting to renew the authority to make market purchases of up to 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 2010. Any such shares purchased shall either be cancelled or held in treasury. In accordance with the Listing Rules of the UK Listing Authority, the maximum price (excluding expenses) that may be paid on the exercise of the authority must not exceed the higher of:

- (i) 105 per cent of the average of the middle market quotations for the shares over the five business days immediately preceding the date of purchase; and
- (ii) the higher of the last independent bid and the highest current independent bid on the London Stock Exchange.

The minimum price 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 10 in the Notice of Annual General Meeting.

Authority to Allot Shares and Disapply Pre-Emption Rights

The Directors have the authority under section 80 of the Companies Act 1985 to issue up to 44,161,981 ordinary shares, such authority to expire on 23 March 2010. The Directors also have the authority to issue new shares and to re-sell existing shares out of treasury for cash without first offering them to existing shareholders in accordance with the statutory pre-emption procedure up to an aggregate nominal amount of £3,312,148.50, such authority to expire at this year's AGM. The Directors believe it to be in shareholders' interests to continue to have such an authority for the forthcoming year and accordingly will seek to renew the authority to disapply pre-emption rights at this year's AGM, such authority to expire at the Annual General Meeting of the Company to be held in 2010 or 23 March 2010, whichever is the earlier.

The Directors consider that the authority to issue/sell shares is advantageous should the shares trade at a premium to the net asset value and natural liquidity is unable to meet demand. The Directors do not intend to use these powers to issue/sell shares at a discount to net asset value.

This authority will cover the allotment, sale or transfer of shares with an aggregate nominal amount of up to £3,312,148.50, being

10% of the total issued shares as at the date of this Directors' Report. Your attention is drawn to resolution 11 in the Notice of Annual General Meeting.

Articles of Association

Over the past year, company law in the United Kingdom has undergone major reform through the coming into force of parts of the Companies Act 2006 (the '2006 Act'). Accordingly, the Board considers it prudent to replace the Company's existing Articles of Association with new articles which take account of these developments (the 'New Articles').

The 2006 Act is being brought into force in stages, with full implementation scheduled by October 2009. At this year's AGM, the Company proposes to adopt provisions which reflect changes in the law brought about by the 2006 Act in respect of, amongst other things, electronic communications, notice periods for meetings and proxy voting.

A copy of the New Articles will be available for inspection at Royal London House, 22/25 Finsbury Square, London, EC2A 1DX and the registered office of the Company (see back cover for details) during normal business hours on any day (Saturdays, Sundays and public holidays excepted) from the date of the notice of the AGM (the 'Notice') until the conclusion of the Annual General Meeting.

A summary of the material changes proposed to be brought about by the adoption of the New Articles is set out in the Appendix to the Notice of Annual General Meeting on page 53.

Creditor Payment Policy

It is the Company's payment policy to obtain the best terms for all business. In general, the Company agrees with its suppliers the terms on which business will take place and it is its policy to abide by these terms. The Company had no trade creditors at either 31 December 2007 or 31 December 2008.

Disclosure of Information to Auditors

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

Independent Auditors

The auditors, KPMG Audit Plc, are willing to continue in office and in accordance with section 489 and section 491 (1) of the Companies Act 2006 resolutions concerning their re-appointment and remuneration will be submitted to the Annual General Meeting.

Recommendation

The Board unanimously recommends you to vote in favour of the resolutions to be proposed at the Annual General Meeting.

By order of the Board
 BAILLIE GIFFORD & CO
 Managers and Secretaries
 23 February 2009

Directors' Remuneration for the Year (audited)

	2008 £'000	2007 £'000
Directors who served during the year:		
Sir Brian Ivory (Chairman)	28	28
The Rt Hon Sir Menzies Campbell (appointed 19/12/07)	16	–
Eric Hagman	16	16
Lord Kerr of Kinlochard (Audit Committee Chairman)	18	18
Rachel Lomax (appointed 1/10/08)	4	–
Peter Moon	16	16
David Price	16	16
	114	94
Past Directors:		
Dr Janet Morgan (retired 10/4/08)	5	16
	119	110

Directors' Remuneration Report

The Board has prepared this report, in accordance with the requirements of Schedule 7A to the Companies Act 1985. 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 auditors to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditors' opinion is included in their report on pages 32 and 33.

Remuneration Committee

The Company has seven Directors, all of whom are non-executive. There is no separate remuneration committee and the Board as a whole considers changes to Directors' fees from time to time. Baillie Gifford & Co, who have been appointed by the Board as Managers and Secretaries, provide advice and comparative information when the Board considers the level of Directors' fees.

Policy on Directors' fees

The Board's policy is that the remuneration of non-executive Directors should reflect the experience of the Board as a whole, be fair and comparable to that of other investment trusts that are of similar size (net assets £200 million to £400 million), capital structure (ordinary shares and debenture stock), and investment objective (global growth and income). It is intended that this policy will continue for the year ended 31 December 2009 and subsequent years.

The fees for the non-executive Directors are set within limits determined by the Company, from time to time, in general meeting. Currently, Directors' remuneration shall not exceed £20,000 per annum per Director with a maximum additional remuneration of £20,000 per annum for the Chairman. Non-executive Directors are not eligible for any other remuneration apart from the reimbursement of allowable expenses.

The Board carried out a review of the level of Directors' fees during the year and concluded that the fees for 2009 should remain unchanged at £28,000 per annum for the Chairman, £16,000 per annum for the other Directors and an additional fee of £2,000 per annum for the Chairman of the Audit Committee.

Sums Paid to Third Parties (audited)

The Directors' fees payable to Peter Moon were paid to Universities Superannuation Scheme Limited and the fees, payable to Sir Brian Ivory were paid to Enitar Ltd. These payments were for making their services available as Directors of the Company.

Directors' Service Contracts

It is the Board's policy that none of the Directors has a service contract. All of the Directors have been provided with appointment letters. These provide that Directors shall retire and be subject to

Directors' Service Details

	Date of appointment	Due date for election/re-election
Sir Brian Ivory	13 September 2000	AGM held in 2009
The Rt Hon Sir Menzies Campbell	19 December 2007	AGM held in 2010
Eric Hagman	9 February 2005	AGM held in 2009
Lord Kerr of Kinlochard	18 September 2002	AGM held in 2011
Rachel Lomax	1 October 2008	AGM held in 2009
Peter Moon	29 July 2005	AGM held in 2010
David Price	19 November 1997	AGM held in 2009

re-election at the first Annual General Meeting after their appointment. Thereafter Directors are obliged to retire by rotation, and, if they wish, offer themselves for re-election, no longer than every 3 years after that. Any Director who has served on the Board for more than 9 years will submit themselves for re-election annually. There is no notice period and no provision for compensation upon early termination of appointment.

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

Performance Graph

(figures rebased to 100 at 31 December 2003)



— SAINTS Share price

— Benchmark*

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

Source: Thomson Financial Datastream/Baillie Gifford & Co.

*The Company's benchmark for the period under review is 70% FTSE All-Share Index and 30% FTSE World Ex UK Index (in sterling terms).

Past performance is not a guide to future performance.

Approval

The Directors' Remuneration Report on pages 29 and 30 was approved by the Board of Directors and signed on its behalf on 23 February 2009.

SIR BRIAN IVORY
Chairman

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

The Directors are responsible for preparing the Annual Report 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 the Directors have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business (in which case there should be supporting assumptions or qualifications as necessary).

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act. They 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 Directors' Report (including a Business Review), Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Annual Report includes a fair view of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that the Company faces.

By order of the Board
SIR BRIAN IVORY
23 February 2009

Independent Auditors' Report

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

We have audited the financial statements of The Scottish American Investment Company P.L.C. for the year ended 31 December 2008 which comprise the Income Statement, Statement of Total Recognised Gains and Losses, Balance Sheet, Reconciliation of Movements in Shareholders' Funds, Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as

a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 31.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have

been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements. The information given in the Directors' Report includes the specific information presented in the Year's Summary, the Five Year Summary, the Chairman's Statement, the Managers' Overview, the Managers' Portfolio Review, and the Ten Year Record that is cross referenced from the Business Review section of the Directors' Report. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 FRC Combined Code specified for our review by the Listing

Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the

amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008 and of its loss for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
Edinburgh
23 February 2009

Income Statement

	Notes	For the year ended 31 December 2008			For the year ended 31 December 2007		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net (losses)/gains on investments – securities	9	–	(160,818)	(160,818)	–	460	460
Currency (losses)/gains	14	–	(5,265)	(5,265)	–	53	53
Income	2	20,901	–	20,901	17,751	–	17,751
Management fees	3	(832)	(832)	(1,664)	(1,053)	(1,053)	(2,106)
Recovered VAT	18	419	388	807	–	–	–
Other administrative expenses	4	(824)	–	(824)	(885)	–	(885)
Net return before finance costs and taxation		19,664	(166,527)	(146,863)	15,813	(540)	15,273
Finance costs of borrowings	5	(3,002)	(3,002)	(6,004)	(3,089)	(3,089)	(6,178)
Net return on ordinary activities before taxation		16,662	(169,529)	(152,867)	12,724	(3,629)	9,095
Tax on ordinary activities	6	(2,757)	2,414	(343)	(1,379)	1,116	(263)
Net return on ordinary activities after taxation		13,905	(167,115)	(153,210)	11,345	(2,513)	8,832
Net return per ordinary share	7	10.50p	(126.14p)	(115.64p)	8.56p	(1.89p)	6.67p

Statement of Total Recognised Gains and Losses

	Notes	For the year ended 31 December 2008			For the year ended 31 December 2007		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net return on ordinary activities after taxation		13,905	(167,115)	(153,210)	11,345	(2,513)	8,832
Net losses on investments – property	9	–	(5,875)	(5,875)	–	(309)	(309)
Total recognised gains and losses for the year		13,905	(172,990)	(159,085)	11,345	(2,822)	8,523
Total recognised gains and losses per ordinary share	7	10.50p	(130.58p)	(120.08p)	8.56p	(2.13p)	6.43p

A final dividend for the year of 2.25p is proposed (2007 – 2.15p), making a total dividend for the year of 8.80p (2007 – 8.25p). More information on dividend distributions can be found in note 8 on page 41.

The total column of the Income statement is the profit and loss account of the Company.

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

The accompanying notes on pages 38 to 49 are an integral part of this statement.

	Notes	At 31 December 2008		At 31 December 2007	
		£'000	£'000	£'000	£'000
Fixed assets					
Investments – securities	9	263,441		428,429	
Investments – property	9	23,950		29,825	
			287,391		458,254
Current assets					
Debtors	10	2,857		1,645	
Cash and deposits	19	2,928		7,628	
		5,785		9,273	
Creditors					
Amounts falling due within one year	11	(4,089)		(7,433)	
Net current assets			1,696		1,840
Total assets less current liabilities			289,087		460,094
Creditors					
Amounts falling due after more than one year	12		(88,312)		(88,708)
Net assets			200,775		371,386
Share capital and reserves					
Called-up share capital	13		33,121		33,121
Capital redemption reserve	14		22,781		22,781
Capital reserve – realised	14		118,609		286,437
Capital reserve – unrealised	14		9,162		14,324
Revenue reserve	14		17,102		14,723
Shareholders' funds			200,775		371,386
Net asset value per ordinary share (Debenture at fair value)	15		145.3p		272.7p
Net asset value per ordinary share (Debenture at book value)	15		151.5p		280.3p

The Financial Statements were approved and authorised for issue by the Board on 23 February 2009.

SIR BRIAN IVORY
Chairman

The accompanying notes on pages 38 to 49 are an integral part of this statement.

For the year ended 31 December 2008

	Notes	Share capital £'000	Capital redemption reserve £'000	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Revenue reserve £'000	Total shareholders' funds £'000
Shareholders' funds at 1 January 2008		33,121	22,781	286,437	14,324	14,723	371,386
Total recognised gains and losses for the year	14	–	–	(167,828)	(5,162)	13,905	(159,085)
Dividends paid in the year	8	–	–	–	–	(11,526)	(11,526)
Shareholders' funds at 31 December 2008		33,121	22,781	118,609	9,162	17,102	200,775

For the year ended 31 December 2007

	Notes	Share capital £'000	Capital redemption reserve £'000	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Revenue reserve £'000	Total shareholders' funds £'000
Shareholders' funds at 1 January 2007		33,121	22,781	200,533	103,050	14,109	373,594
Transfer between reserves		–	–	83,164	(83,164)	–	–
Total recognised gains and losses for the year		–	–	2,740	(5,562)	11,345	8,523
Dividends paid in the year	8	–	–	–	–	(10,731)	(10,731)
Shareholders' funds at 31 December 2007		33,121	22,781	286,437	14,324	14,723	371,386

The accompanying notes on pages 38 to 49 are an integral part of this statement.

	Notes	For the year ended 31 December 2008		For the year ended 31 December 2007	
		£'000	£'000	£'000	£'000
Net cash inflow from operating activities	16		17,707		14,195
Servicing of finance					
Interest paid		(6,400)		(6,549)	
Net cash outflow from servicing of finance			(6,400)		(6,549)
Taxation					
Overseas tax		(327)		(253)	
Total tax paid			(327)		(253)
Financial investment					
Acquisitions of investments		(179,148)		(150,312)	
Disposals of investments		179,057		158,966	
Forward currency contracts		(4,479)		805	
Net cash (outflow)/inflow from financial investment			(4,570)		9,459
Equity dividends paid			(11,526)		(10,731)
(Decrease)/increase in cash	17		(5,116)		6,121
Reconciliation of net cash flow to movement in net debt	17				
(Decrease)/increase in cash			(5,116)		6,121
Translation difference			416		93
Other non-cash changes			396		371
Movement in net debt in the year			(4,304)		6,585
Net debt at 1 January			(81,080)		(87,665)
Net debt at 31 December			(85,384)		(81,080)

The accompanying notes on pages 38 to 49 are an integral part of this statement.

1 Principal Accounting Policies

These financial statements for the year to 31 December 2008 have been prepared on the basis of the accounting policies set out, which are unchanged from the prior year and have been applied consistently.

(a) Basis of Accounting

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 will continue to be granted.

The Directors consider the Company's functional currency to be sterling as the Company's shareholders are predominantly based in the UK and the Company is subject to the UK's regulatory environment.

The financial statements have been prepared in accordance with the Companies Act, applicable UK accounting standards and with the AIC's Statement of Recommended Practice "Financial Statement of Investment Trust Companies" issued in 2003, revised in 2005.

In order to better reflect the activities of the trust and in accordance with guidance issued by the AIC, supplementary information which analyses the profit and loss account between items of a revenue and capital nature has been presented in the Income Statement.

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

(b) Investments

Purchases and sales of investments are accounted for on a trade date basis.

Investments in securities are designated as fair value through profit or loss upon initial recognition. The fair value of listed security investments is bid value, or in the case of FTSE 100 constituents, last traded prices issued by the London Stock Exchange. The fair value of 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.

Investments in property are valued at fair value and changes in fair value are recognised through the Statement of Total Recognised Gains and Losses. The valuation of property held at the year end has been estimated by professional valuers, King Sturge LLP in accordance with the RICS appraisal and valuation manual.

Gains and losses arising from changes in the fair value of investments are considered to be realised to the extent that they are readily convertible to cash, without accepting adverse terms, at the balance sheet date. Fair value gains on unlisted and direct property investments are not considered to be readily convertible to cash and are therefore treated as unrealised. The treatment of listed investments is dependent upon the individual circumstances of each holding.

(c) 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) Interest from fixed interest securities is recognised on an effective interest rate basis.
- (iii) Franked income is stated net of tax credits.
- (iv) Unfranked investment income includes the taxes deducted at source.
- (v) Interest receivable on deposits is recognised on an accruals basis.
- (vi) If scrip is taken in lieu of dividends in cash, the net amount of the cash dividend declared is credited to the revenue account.
- (vii) Rental income is recognised on an accruals basis

(d) 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 50% to revenue and 50% 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.

(e) 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 50% to revenue and 50% to capital, in line with the Board's

expectation of returns from the Company's investments over the long term in the form of revenue and capital respectively. Finance costs include the difference between the repayable value on maturity and the proceeds received on issue which are written off on an effective interest rate basis over the life of the borrowings. Gains and losses on the repurchase or early settlement of debt is wholly charged to capital.

(f) 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.

(g) Foreign Currencies

Transactions involving foreign currencies are converted at the rate ruling at the time of the transaction. Assets and liabilities in foreign currencies are translated at the closing rates of exchange 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 capital reserve or revenue reserve as appropriate.

(h) Capital Reserves

- (i) Capital Reserves Realised:

Gains and losses on realisation of investments, changes in fair value of investments which are readily convertible to cash, without accepting adverse terms, and realised exchange differences of a capital nature are dealt with in this reserve. Purchases of the Company's own shares for cancellation are also funded from this reserve. 50% of management fees and finance costs are allocated to the realised capital reserve in accordance with the Company's objective of combining capital and income growth.
- (ii) Capital Reserves Unrealised:

Changes in fair value of investments that are not readily convertible to cash, without accepting adverse terms, 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.

2 Income

	2008 £'000	2007 £'000
Income from investments		
Franked investment income	6,986	8,129
UK unfranked investment income	1,214	770
Overseas dividends	6,215	3,847
Overseas interest	4,106	2,447
	18,521	15,193
Other income		
Deposit interest	295	447
Rental income	1,835	2,072
Other income	250	39
	2,380	2,558
Total income	20,901	17,751
Total income comprises		
Dividends from financial assets designated at fair value through profit or loss	13,201	11,976
Interest from financial assets designated at fair value through profit or loss	5,320	3,217
Deposit interest from financial assets not at fair value through profit of loss	295	447
Other income not from financial assets	2,085	2,111
	20,901	17,751

3 Management Fees

	2008			2007		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fees						
Investment management fee	764	764	1,528	875	875	1,750
Irrecoverable VAT thereon	–	–	–	92	92	184
	764	764	1,528	967	967	1,934
Property management fees						
Property management fee	68	68	136	84	84	168
Irrecoverable VAT thereon	–	–	–	2	2	4
	68	68	136	86	86	172
	832	832	1,664	1,053	1,053	2,106

Baillie Gifford & Co are employed by the Company as investment managers and secretaries under a management agreement which can be terminated at six months' notice. The annual management fee for the year ending 31 December 2007 was fixed at £1.75m. With effect from 1 January 2008, Baillie Gifford & Co's annual management fee is 0.45% of total assets less current liabilities, excluding the property portfolio, calculated on a quarterly basis. No secretarial fee is payable.

The property portfolio is managed by OLIM Limited, which receives an annual fee of 0.5% of the value of the property portfolio, subject to a minimum quarterly fee of £6,250. The agreement can be terminated on three months' notice.

4 Other Administrative Expenses – all charged to revenue

	2008 £'000	2007 £'000
General administrative expenses	637	674
Custodian fees	51	85
Auditors' remuneration for audit services	16	15
Auditors' remuneration for non-audit services – reporting on debenture covenants	1	1
Directors' fees (see Directors' Remuneration Report on pages 29 and 30)	119	110
	824	885

5 Finance Costs of Borrowings

	Revenue £'000	2008 Capital £'000	Total £'000	Revenue £'000	2007 Capital £'000	Total £'000
Financial liabilities not at fair value through profit or loss						
Debenture	3,002	3,002	6,004	3,014	3,014	6,028
Bank loans and overdrafts	–	–	–	75	75	150
	3,002	3,002	6,004	3,089	3,089	6,178

6 Tax on Ordinary Activities

	Revenue £'000	2008 Capital £'000	Total £'000	Revenue £'000	2007 Capital £'000	Total £'000
UK corporation tax	2,757	(2,757)	–	1,379	(1,379)	–
Overseas taxation	343	–	343	263	–	263
Double taxation relief	(343)	343	–	(263)	263	–
	2,757	(2,414)	343	1,379	(1,116)	263

	2008 £'000	2007 £'000
The tax charge for the year is lower than the standard rate of corporation tax in the UK of 28.5% (2007 – 30%)		
The differences are explained below:		
Net return on ordinary activities before taxation	(152,867)	9,095
Net return on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK of 28.5% (2007 – 30%)	(43,567)	2,728
Capital returns not taxable	47,333	(154)
Income not taxable (franked investment income)	(1,991)	(2,438)
Income taxable in different period	(39)	(43)
Taxable loss utilised	(1,736)	(93)
Overseas tax	343	263
Current tax charge for the year	343	263

At 31 December 2008 the Company had a potential deferred tax asset of £1,312,000 (2007 – £2,736,000) in respect of taxable losses which are available to be carried forward and offset against future taxable profits. A deferred tax asset has not been provided on these losses as it is considered unlikely that the Company will make suitable taxable revenue profits in excess of deductible expenses in future periods. The potential deferred tax asset has been calculated using a corporation tax rate of 28% (2007 – 28%).

7 Returns per Ordinary Share

	Revenue	2008 Capital	Total	Revenue	2007 Capital	Total
Net return per ordinary share (Income Statement)	10.50p	(126.14p)	(115.64p)	8.56p	(1.89p)	6.67p
Total recognised gains and losses per ordinary share	10.50p	(130.58p)	(120.08p)	8.56p	(2.13p)	6.43p

Net return per ordinary share is based on the return on ordinary activities after taxation figures in the Income Statement and on 132,485,943 ordinary shares of 25p, being the number of ordinary shares in issue during each year. Total recognised gains and losses per ordinary share is based on the total recognised gains and losses for the year in the Statement of Total Recognised Gains and Losses and on 132,485,943 ordinary shares of 25p, being the number of ordinary shares in issue during each year.

There are no dilutive or potentially dilutive shares in issue.

8 Ordinary Dividends

	2008	2007	2008 £'000	2007 £'000
Amounts recognised as distributions in the year:				
Previous year's final (paid 14 April 2008)	2.15p	2.00p	2,848	2,650
First interim (paid 30 June 2008)	2.15p	2.00p	2,848	2,649
Second interim (paid 30 September 2008)	2.20p	2.05p	2,915	2,716
Third interim (paid 31 December 2008)	2.20p	2.05p	2,915	2,716
	8.70p	8.10p	11,526	10,731

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 842 of the Income and Corporation Taxes Act 1988 are considered. The revenue available for distribution out of current year profits by way of dividend for the year is £13,905,000 (2007 – £11,345,000).

	2008	2007	2008 £'000	2007 £'000
Dividends paid and proposed in the year:				
First interim (paid 30 June 2008)	2.15p	2.00p	2,848	2,649
Second interim (paid 30 September 2008)	2.20p	2.05p	2,915	2,716
Third interim (paid 31 December 2008)	2.20p	2.05p	2,915	2,716
Current year's proposed final dividend (payable 15 April 2009)	2.25p	2.15p	2,981	2,848
	8.80p	8.25p	11,659	10,929

9 Investments

	2008		2007	
	£'000	£'000	£'000	£'000
Securities*				
Listed UK – equity investments	84,850		253,210	
Listed UK – debt investments	11,840		3,030	
Listed Overseas – equity investments	115,143		142,041	
Listed Overseas – debt investments	49,608		28,516	
Unlisted – equity investments	2,000		1,632	
		263,441		428,429
Property				
Freehold	19,950		24,875	
Long leasehold	4,000		4,950	
		23,950		29,825
		287,391		458,254

*Investments in securities are financial assets designated at fair value through profit or loss on initial recognition.

9 Investments (continued)

	Listed in UK £'000	Listed overseas £'000	Unlisted £'000	Property £'000	Total £'000
Cost of investments at 31 December 2007	257,536	113,538	345	16,788	388,207
Fair value adjustment at 31 December 2007	(1,296)	57,019	1,287	13,037	70,047
Fair value of investments at 31 December 2007	256,240	170,557	1,632	29,825	458,254
Movements in year:					
Purchases at cost	83,137	91,733	–	–	174,870
Sales – proceeds	(128,619)	(50,312)	(126)	–	(179,057)
– (losses)/gains on sales	(23,806)	26,449	(219)	–	2,424
Amortisation of fixed income book cost	1	16	–	–	17
Changes in fair value	(90,263)	(73,692)	713	(5,875)	(169,117)
Fair value of investments at 31 December 2008	96,690	164,751	2,000	23,950	287,391
Cost of investments at 31 December 2008	188,249	181,424	–	16,788	386,461
Fair value adjustment at 31 December 2008	(91,559)	(16,673)	2,000	7,162	(99,070)
Fair value of investments at 31 December 2008	96,690	164,751	2,000	23,950	287,391

The purchases and sales proceeds figures above include transaction costs of £327,000 (2007 – £351,000) and £129,000 (2007 – £127,000) respectively. Of the gains on sales during the year of £2,424,000 (2007 – £32,911,000) a net gain of £29,369,000 (2007 – £27,061,000) was included in the fair value adjustment at the previous year end.

The property was valued on an open market basis by King Sturge LLP as at 31 December 2008.

	Realised £'000	2008 Unrealised £'000	Total £'000	Realised £'000	2007 Unrealised £'000	Total £'000
Net (losses)/gains on investments						
Securities:						
Gains on sales	2,424	–	2,424	27,406	–	27,406
Changes in fair value	(163,955)	713	(163,242)	(27,198)	252	(26,946)
	(161,531)	713	(160,818)	208	252	460
Property:						
Gains on sales	–	–	–	5,505	–	5,505
Changes in fair value	–	(5,875)	(5,875)	–	(5,814)	(5,814)
	–	(5,875)	(5,875)	5,505	(5,814)	(309)
	(161,531)	(5,162)	(166,693)	5,713	(5,562)	151

Changes in fair value of investments which are readily convertible to cash, without accepting adverse terms, at the balance sheet date are considered to be realised. Fair value gains on unlisted and property investments are not treated as readily convertible to cash, whereas the treatment of fair value gains on listed investments depends upon the individual circumstances of each investment.

10 Debtors

	2008 £'000	2007 £'000
Amounts falling due within one year:		
Income accrued	2,782	1,571
Rental income accrued	7	27
Taxation recoverable	25	–
Other debtors and prepayments	43	47
	2,857	1,645

None of the above debtors are financial assets designated at fair value through profit or loss. The carrying amount of debtors is a reasonable approximation of fair value.

11 Creditors – Amounts falling due within one year

	2008 £'000	2007 £'000
Purchases for subsequent settlement	–	5,024
Interest payable	1,438	1,438
Rental income prepaid	327	88
Losses on forward currency contracts	1,804	602
Other creditors and accruals	520	281
	4,089	7,433

With the exception of the loss on the forward currency contracts, none of the above creditors are financial liabilities designated at fair value through profit or loss. Included in other creditors is £299,000 (2007 – nil) in respect of the investment management fee.

12 Creditors – Amounts falling due after more than one year

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

The carrying value of the 8% Debenture Stock, which is measured at amortised cost (see note 1e on page 38), has been calculated as follows:

	2008 £'000	2007 £'000
Nominal value of 8% Debenture Stock	80,000	80,000
Premium less issue expenses	11,009	11,009
	91,009	91,009
Net amortisation in prior years	(2,301)	(1,930)
Net amortisation during the year	(396)	(371)
Carrying value of 8% Debenture Stock at end of year	88,312	88,708

13 Called-up Share Capital

	2008		2007	
	Number	£'000	Number	£'000
Authorised ordinary shares of 25p each	280,000,000	70,000	280,000,000	70,000
Allotted, called-up and fully paid ordinary shares of 25p each	132,485,943	33,121	132,485,943	33,121

At 31 December 2008 the Company had authority to buy back 19,859,642 shares in accordance with the authority granted at the AGM in April 2008. No shares were bought back during the year under review.

14 Reserves

	Share capital £'000	Capital redemption reserve £'000	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Revenue reserve £'000	Total shareholders' funds £'000
At 1 January 2008	33,121	22,781	286,437	14,324	14,723	371,386
(Losses)/gains on investments – securities	–	–	(161,531)	713	–	(160,818)
Losses on investments – property	–	–	–	(5,875)	–	(5,875)
Management fees charged to capital	–	–	(832)	–	–	(832)
Recovered VAT credit to capital	–	–	388	–	–	388
Finance costs charged to capital	–	–	(3,002)	–	–	(3,002)
Taxation credit to capital	–	–	2,414	–	–	2,414
Currency losses on forward currency contracts	–	–	(5,681)	–	–	(5,681)
Other currency gains	–	–	416	–	–	416
Revenue return on ordinary activities after taxation	–	–	–	–	13,905	13,905
Dividends paid in the year	–	–	–	–	(11,526)	(11,526)
At 31 December 2008	33,121	22,781	118,609	9,162	17,102	200,775

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:

	2008 £'000	2007 £'000
Ordinary shares of 25p	151.5p	280.3p

Net asset value per ordinary share is based on the net assets as shown above and on 132,485,943 (2007 – 132,485,943) ordinary shares, being the number of ordinary shares in issue at the year end.

Deducting borrowings at fair value would have the effect of reducing net asset value per ordinary share from 151.5p to 145.3p. Taking the market price of the ordinary shares at 31 December 2008 of 130.5p, this would have given a discount to net asset value of 10.2% as against 13.9% on a traditional basis. At 31 December 2007 the effect would have been to reduce net asset value per ordinary share from 280.3p to 272.7p. Taking the market price of the ordinary shares at 31 December 2007 of 240.0p, this would have given a discount to net asset value of 12.0% as against 14.4% on a traditional basis.

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

	2008 £'000	2007 £'000
Net return before finance costs and taxation	(146,863)	15,273
Losses/(gains) on investments – securities	160,818	(460)
Currency losses/(gains)	5,265	(53)
Increase in accrued income	(1,207)	(282)
(Increase)/decrease in other debtors	(21)	6
Increase/(decrease) in creditors and prepaid income	477	(282)
Other non-cash changes	(762)	(7)
Net cash inflow from operating activities	17,707	14,195

17 Analysis of Change in Net Debt

	At 1 January 2008 £'000	Cash flows £'000	Translation difference £'000	Other non-cash changes £'000	At 31 December 2008 £'000
Cash at bank and in hand	7,628	(5,116)	416	–	2,928
Debenture stock	(88,708)	–	–	396	(88,312)
	(81,080)	(5,116)	416	396	(85,384)

18 Recovered VAT

In 2007 the European Court of Justice ruled that investment trust management fees should be exempt from VAT. Since then, HMRC have accepted the Managers' repayment claims for the period from 2004 to 2007 and the Company has received a reimbursement of £807,000 of VAT together with interest thereon of £73,000 during the year. In accordance with guidance from the AIC, the VAT recovered has been allocated between revenue and capital on the same basis as the VAT expense was originally charged and the interest received has been allocated wholly to revenue. The Board is in discussion with the previous Managers about sums recoverable for previous periods but no amount has been provided for in the financial statements as the outcome remains uncertain.

19 Financial Instruments

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

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

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

Market Risk

The fair value or future cash flows of a financial instrument or other investment held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements – currency risk, interest rate risk and other price risk. The Board reviews and agrees policies for managing these risks and the Company's Investment Manager both assesses the exposure to market risk when making individual investment decisions and monitors the overall level of market risk across the investment portfolio on an ongoing basis. Details of the Company's investment portfolio are shown in note 9. Details of derivative financial instruments outstanding at the balance sheet date are shown on page 49.

Currency Risk

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

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

19 Financial Instruments (continued)

Currency Risk (continued)

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

	Investments £'000	Cash and Deposits £'000	Forward currency contracts £'000	Debentures £'000	Other debtors and creditors *	Net exposure £'000
At 31 December 2008						
US dollar	92,567	–	(20,875)	–	667	72,359
Euro	20,115	–	(7,152)	–	203	13,166
Other overseas currencies	54,069	–	–	–	722	54,791
Total exposure to currency risk	166,751	–	(28,027)	–	1,592	140,316
Sterling	120,640	2,928	26,223	(88,312)	(1,020)	60,459
	287,391	2,928	(1,804)	(88,312)	572	200,775

*Includes net non-monetary assets of £43,000

	Investments £'000	Cash and Deposits £'000	Forward currency contracts £'000	Debentures £'000	Other debtors and creditors *	Net exposure £'000
At 31 December 2007						
US dollar	98,508	–	(9,191)	–	(4,443)	84,874
Euro	20,469	–	(2,686)	–	91	17,874
Other overseas currencies	53,024	–	–	–	233	53,257
Total exposure to currency risk	172,001	–	(11,877)	–	(4,119)	156,005
Sterling	286,253	7,628	11,275	(88,708)	(1,067)	215,381
	458,254	7,628	(602)	(88,708)	(5,186)	371,386

*Includes net non-monetary assets of £47,000

Currency Risk Sensitivity

At 31 December 2008, 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 an equal but opposite effect on the financial statement amounts. The analysis is performed on the same basis for 2007.

	2008 £'000	2007 £'000
US dollar	3,618	4,244
Euro	658	893
Other overseas currencies	2,740	2,663
	7,016	7,800

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. Where fixed rate borrowings are not being used to fund active investments, the borrowed funds are invested in a diversified portfolio of fixed income securities in order to provide a hedge against movements in interest rates.

19 Financial Instruments (continued)

Interest Rate Risk (continued)

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

	Fair value £'000	2008 Weighted average interest rate	Weighted average fixed rate period	Fair value £'000	2007 Weighted average interest rate	Weighted average fixed rate period
Fixed rate:						
UK structured notes†	8,334	7.7%	8 months	21,810	5.3%	6 months
US structured notes†	2,999	9.5%	6 months	5,426	6.0%	6 months
Swiss structured notes†	3,114	8.0%	1 month	–	–	–
UK bonds	4,961	18.5%	10 years	–	–	–
US bonds	4,173	25.5%	4 years	–	–	–
Euro bonds	3,339	11.9%	59 years	–	–	–
Floating rate:						
US bonds (interest rate linked to US dollar LIBOR)	12,473	11.0%	n/a	9,137	12.5%	n/a
Brazilian bonds (interest rate linked to Brazilian CPI)	10,190	11.9%	n/a	16,699	10.0%	n/a
Euro bonds (interest rate linked to Euribor)	1,709	32.6%	n/a	2,680	12.8%	n/a
Fixed Interest Collective Investment Funds:						
UK funds	6,879	8.9%	n/a	3,030	7.7%	n/a
US dollar denominated fund	13,908	7.0%	n/a	–	–	–
Euro denominated fund	3,816	6.0%	n/a	–	–	–

The main change is the interest rate risk of the Company's financial assets during the year has been an investment of £27.6m in fixed interest collective investment funds.

†Structured notes have been classified as equities as, although they receive interest at a fixed rate, their capital values are linked to the share prices of the respective ordinary shares.

Financial Liabilities

	2008 £'000	2007 £'000
The interest rate risk profile of the Company's financial liabilities at 31 December was:		
Fixed rate – sterling	88,312	88,708
The maturity profile of the Company's financial liabilities at 31 December was:		
In more than five years – 15 years (2007 – 16 years)	88,312	88,708

Interest Rate Risk Sensitivity

An increase of 100 basis points in bond yields as at 31 December 2008 would have decreased total net assets and total return on ordinary activities by £2,067,000 (2007 – £1,994,000) and would have increased the net asset value per share (with debenture at fair value) by 4.6p (2007 – 4.8p). A decrease of 100 basis points would have had an equal but opposite effect.

Other Price Risk

Changes in market prices other than those arising from interest rate risk or currency risk may also affect the value of the Company's net assets. The Board manages the market price risks inherent in the investment portfolio by ensuring full and timely access to relevant information from the Investment Manager. The Board meets regularly and at each meeting reviews investment performance, the investment portfolio and the rationale for the current investment positioning to ensure consistency with the Company's objectives and investment policies.

19 Financial Instruments (continued)

Other Price Risk Sensitivity

A full list of the Company's investments is shown on pages 17 to 19. In addition, a list of the 30 largest holdings together with various analyses of the portfolio by asset class and industrial sector are contained in the Managers' Review section.

91% of the Company's net assets are invested in quoted equities (excluding quoted property and forestry investments). A 5% increase in quoted equity valuations at 31 December 2008 would have increased total assets and total return on ordinary activities by £9,174,000 (2007 – £17,431,000). A decrease of 5% would have had an equal but opposite effect.

Liquidity Risk

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

Liquidity risk is not significant as the majority of the Company's assets are investments in quoted securities that are readily realisable. The Company's holdings in direct property and unlisted investments, which are not considered to be readily realisable, amount to 9.0% of total assets at 31 December 2008. 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 pages 21 and 22). The Board also sets parameters for the degree to which the Company's net assets are invested in quoted equities.

Credit Risk

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

- where the Investment Manager makes an investment in a bond or other security with credit risk, that credit risk is assessed and then compared to the prospective investment return of the security in question;
- the Board regularly receives information from the Investment Manager on the credit ratings of those bonds and other securities in which the Company has invested;
- the Company's listed investment are held on its behalf by Bank of New York Mellon, the Company's custodian. 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 credit worthiness is reviewed by the Investment Manager. Transactions are ordinarily done 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 have been identified by the Managers as reputable and of high credit quality.

Credit Risk Exposure

The exposure to credit risk at 31 December was:

	2008 £'000	2007 £'000
Fixed interest investments	61,448	31,546
Cash and short term deposits	2,982	7,628
	64,430	39,174

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 in accordance with FRS 26. The fair value of the debenture stock is shown below.

	Nominal £'000	2008 Book £'000	Fair £'000	Nominal £'000	2007 Book £'000	Fair £'000
8% debenture stock 2022	80,000	88,312	96,578	80,000	88,708	98,779

19 Financial Instruments (continued)

Gains and losses on hedges

The following forward currency contracts were open at 31 December:

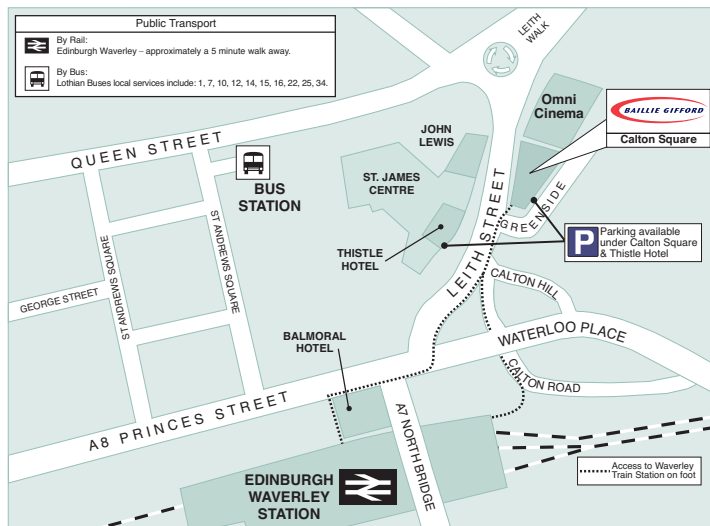
At 31 December 2008	Currency amount sold	Currency bought	Currency amount bought	Settlement date	Fair value £'000
Currency sold					
US dollar	(\$30,000,000)	Sterling	£19,372,000	16/1/09	(1,502)
Euro	(€7,400,000)	Sterling	£6,851,000	16/1/09	(302)
					(1,804)

At 31 December 2007	Currency amount sold	Currency bought	Currency amount bought	Settlement date	Fair value £'000
Currency sold					
US dollar	(\$18,270,000)	Sterling	£8,717,000	21/2/08	(474)
Euro	(€3,649,000)	Sterling	£2,558,000	21/2/08	(128)
					(602)

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

Capital Management

The Company does not have any externally imposed capital requirements. The capital of the Company is the ordinary share capital (see note 13) which is managed in accordance with its investment policy in pursuit of its investment objective, both of which are detailed on pages 21 and 22. Shares may be issued and/or repurchased as explained on pages 27 and 28.



The Annual General Meeting of the Company will be held at the offices of Baillie Gifford & Co, Calton Square, 1 Greenside Row, Edinburgh EH1 3AN, on Thursday, 9 April 2009 at 11.00 am.

If you have any queries as to how to vote or how to attend the meeting, please call us on 0800 027 0133.

Baillie Gifford may record your call.

Notice of Annual General Meeting

Notice is hereby given that the one hundred and thirty-sixth Annual General Meeting of The Scottish American Investment Company P.L.C. will be held within the Registered Office of the Company, Calton Square, 1 Greenside Row, Edinburgh EH1 3AN on Thursday, 9 April 2009 at 11.00 am. Coffee will be available after the meeting and the Portfolio Manager responsible for SAINTS will give a short presentation on the investment outlook. The following resolutions will be proposed at the AGM:

Ordinary Business

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

1. To receive and adopt the Accounts of the Company for the year to 31 December 2008 with the Reports of the Directors and of the Independent Auditors thereon.
2. To approve the Directors' Remuneration Report for the year to 31 December 2008.
3. To declare a final dividend.
4. To re-elect Sir Brian Ivory as a Director.
5. To re-elect Mr Eric Hagman as a Director.
6. To re-elect Mr David Price as a Director.
7. To elect Ms Rachel Lomax as a Director.
8. To reappoint KPMG Audit Plc as Independent Auditors.
9. To authorise the Directors to determine the remuneration of the Independent Auditors.

Special Business

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

10. That, in substitution for any existing authority under section 166 of the Companies Act 1985 (the "Act"), but without prejudice to the exercise of any such authority prior to the date hereof, the Company be authorised, in accordance with section 166 of the Act, to make market purchases (within the meaning of section 163(3) of the Act) of ordinary shares of 25p each in the capital of the Company ("Shares"), (either for retention as treasury shares for future re-issue and resale or transfer, or cancellation), provided that:
 - (a) the maximum aggregate number of Shares hereby authorised to be purchased shall be 14.99% of the issued ordinary share capital on the date on which this resolution is passed;
 - (b) the minimum price which may be paid for a Share shall be 25p;
 - (c) the maximum price (exclusive of expenses) which may be paid for a Share shall be not more than the higher of:
 - (i) 105 per cent of the average of the middle market quotations (as derived from the Daily Official List of the London Stock Exchange) for the Shares for the five business days immediately preceding the date of purchase; and

- (ii) the higher of the last independent bid and the highest current independent bid on the London Stock Exchange; and
- (d) unless previously varied, revoked or renewed by the Company in general meeting, the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2010, save that the Company may, prior to such expiry, enter into a contract to purchase 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 Shares pursuant to any such contract.

11. That, in substitution for any existing power under section 95 of the Companies Act 1985 (the "Act"), but without prejudice to the exercise of any such power prior to the date hereof, the Directors be and they are hereby generally empowered pursuant to section 95 of the Act to allot equity securities (as defined in sections 94(2) and 94(3A) of the Act) for cash pursuant to the authority conferred on them by resolution passed at the Annual General Meeting of the Company held on 24 March 2005 or otherwise, as if section 89(1) of the Act did not apply to any such allotment and to sell or transfer relevant shares (as defined in sections 94(2) to 94(3A) of the Act) if, immediately before the sale or transfer,

such shares are held by the Company as treasury shares (as defined in section 162A of the Act) ("treasury shares") for cash as if subsection (1) of section 89 of the Act did not apply to any such sale or transfer provided that this power shall be limited to:

- (a) the allotment of equity securities in connection with a rights issue in favour of the holders of ordinary shares of 25p each in the Company ("Shares") where the equity securities respectively attributable to the interests of all such shareholders are proportionate (as nearly as may be) to the respective number of Shares held (or deemed or notionally held) by them but subject to such exclusions or other arrangements as the Directors may think fit in relation to fractional entitlements or to deal with problems under the laws, or requirements of, any recognised body or stock exchange in any territory; and
- (b) the allotment and the sale or transfer of treasury shares (other than pursuant to paragraph (a) of this resolution) of up to an aggregate nominal value of £3,312,148.50 being 10% of the Company's issued Share capital as at 19 February 2009;

and shall expire at the conclusion of the next Annual General Meeting of the Company to be held in 2010 or on 23 March 2010, whichever is the earlier, save that the Company may,

before such expiry, make any offer or agreement which would or might require equity securities or treasury shares to be allotted, sold or transferred after such expiry, and the Directors may allot equity securities or sell or transfer treasury shares in pursuance of such offer or agreement as if the power conferred hereby had not expired.

12. That, the draft regulations produced to the meeting and, for the purposes of identification, initialled by the Chairman of the meeting be adopted as the Articles of Association of the Company in substitution for, and to the entire exclusion of, the existing Articles of Association of the Company.

By order of the Board

Baillie Gifford & Co
Managers and Secretaries
9 March 2009

Notes

1. A member entitled to attend, speak and vote at the meeting is entitled to appoint one or more proxies to attend, speak and, on a poll, vote on his/her behalf. A proxy need not be a member of the Company. A Form of Proxy for the use of members is enclosed and to be valid must be lodged with the Registrars of the Company not less than 48 hours before the time set for the meeting, or any adjourned meeting. Any Power of Attorney or any other authority under which the proxy is signed (or a duly certified copy of such power or authority) must be included with the proxy form. The appointment of a proxy will not prevent a member from subsequently attending and voting at the meeting in person.
2. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those shareholders entered on the Register of Members of the Company as at the close of business on 7 April 2009 or, in the event that the meeting is adjourned, on the Register of Members 48 hours before the time of any adjourned meeting, shall be entitled to attend or vote at the meeting or any adjourned meeting in respect of the number of ordinary shares registered in their name at that time. Changes to the entries on the Register of Members after the close of business on 7 April 2009 or, in the event that the meeting is adjourned, in the Register of Members 48 hours before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting or any adjourned meeting, notwithstanding any provisions in any enactment, the Articles of Association of the Company or other instrument to the contrary.

3. Shareholders participating in the Baillie Gifford Investment Trust Share Plan, Children's Savings Plan or the Baillie Gifford Investment Trust ISA who wish to vote and/or attend the meeting must complete and return the enclosed reply-paid Form of Direction.
4. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – www.icsa.org.uk – for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.
5. The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with section 146 of the Companies Act 2006 ('nominated persons'). Nominated persons may have a right under an agreement with the registered shareholder who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.
6. A copy of the New Articles will be available for inspection at Royal London House, 22-25 Finsbury Square, London EC2A 1DX and Calton Square, 1 Greenside Row, Edinburgh, EH1 3AN, during normal business hours on any day (Saturdays, Sundays and public holidays excepted) from the date of the notice of the AGM (the "Notice") until the conclusion of the Annual General Meeting.
7. As at 19 February 2009, the latest practicable date prior to publication of this document, the Company had 132,485,943 ordinary shares in issue with a total of 132,485,943 voting rights.
8. Any person holding 3% of the total voting rights in the Company who appoints a person other than the Chairman as his proxy will need to ensure that both he and such third party complies with their respective disclosure obligations under the Disclosure and Transparency Rules.
9. No Director has a contract of service with the Company.
10. The members of the Company may require the Company to publish, on its website, a statement setting out any matter relating to the audit of the Company's accounts, including the Auditors' Report and the conduct of the audit, which they intend to raise at the next meeting of the Company. The Company will be required to do so once it has received such requests from either (i) members representing at least 5% of the total voting rights of the Company or (ii) 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.

Appendix to the Notice of Annual General Meeting

Summary of the proposed material changes to the Articles of Association of the Company

The principal changes which would arise from the adoption of the New Articles are set out below.

Electronic and web communication

Provisions of the 2006 Act which came into force in January 2007 enable companies to communicate with members by electronic means and/or website communication. The New Articles contain a number of provisions designed to maximise the Company's ability to use electronic systems, including websites, for communication with Shareholders.

The New Articles give the Directors the discretion to use electronic communication to distribute notices of meetings, annual reports, accounts and summary financial statements. Before the Company can communicate with a member by means of website communication, the relevant member must be asked individually by the Company to agree that the Company may send or supply documents or information to him by means of a website, and the Company must either have received a positive response or have received no response within the period of 28 days beginning with the date on which the request was sent. The Company will notify the member (either in writing, or by other permitted means) when relevant documents or information are placed on the website and a member can always request a hard copy version of the document or information. The use of the electronic communication regime by the Company, will enable the Company to reduce costs, reduce the environmental impact of its business and generally enhance the quality of communication with shareholders.

Form of resolutions and convening meetings

The existing Articles contain provisions referring to "extraordinary" resolutions and "extraordinary" general meetings. These concepts have been abolished under the 2006 Act with effect from 1 October 2007. Meetings of shareholders other than annual general meetings are referred to simply as general meetings. Any resolution requiring a 75% majority will be a "special" resolution.

The provisions of the existing Articles dealing with the convening of general meetings and annual general meetings and the length of notice required to convene such meetings are amended in the New Articles to conform to the new provisions of the 2006 Act. In particular, general meetings to consider special resolutions can now be convened on 14 clear days' notice whereas previously 21 clear days' notice was required. The annual general meeting of the Company still requires 21 clear days' notice.

Ordinary business

Given the nature of the Company, the definition of ordinary business has been extended in the New Articles to include granting, renewing or varying any authority to allot securities in the Company, disapplying pre-emption rights or renewing share buy-back authority as ordinary business when it is transacted at an annual general meeting of the Company (as these are resolutions customarily proposed at the Company's annual general meetings).

Proxies

Under the 2006 Act, proxies are entitled to vote on a show of hands, whereas under the existing Articles proxies are only entitled to vote on a poll. The time limits for the appointment of proxies have also been altered by the 2006 Act so weekends and bank holidays can be excluded for the purposes of the timing for delivery of proxies. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to different shares held by the shareholder. The New Articles reflect these changes.

Corporate representatives

The 2006 Act permits a corporate shareholder to appoint multiple corporate representatives who can attend, speak, vote and count towards a quorum at any general meeting. However, where multiple corporate representatives exercise votes in different ways, the 2006 Act provides that no votes have been exercised. The New Articles reflect the provisions in the 2006 Act.

Stock

The Existing Articles provide that the Company may by ordinary resolution convert any fully paid shares into stock. The 2006 Act abolishes the power to convert shares into stock but allows a company that currently has stock to re-convert this stock back into paid up shares of any nominal value by means of an ordinary resolution. The 2006 Act removes the current requirement for a company's articles to permit re-conversion, but a company wishing to re-convert its stock will still have to pass an ordinary resolution in advance authorising it to do so. The New Articles reflect the provisions of the 2006 Act.

Periodic retirement

The Combined Code on Corporate Governance recommends that directors must submit themselves for election by Shareholders at the first annual general meeting after their appointment and to re-election thereafter at intervals of no more than three years. The New Articles reflect these provisions and provide that, if earlier than provided for under the 2008 combined code, the directors must submit themselves for re-election at

intervals no greater than those recommended by the combined code on corporate governance as is in force from time to time and as adopted by the Board.

Age Limit for Directors

The Existing Articles provide that a director who attains the age of 70 shall retire at the following AGM. This provision has been repealed in the 2006 Act as it could breach age discrimination regulations. Accordingly, the New Articles remove this provision.

Indemnity of Officers

The Existing Articles already provide for the Company to indemnify any director or other officer of the Company subject to applicable law. The New Articles take advantage of the new wording in the 2006 Act relating to directors' indemnities, to the extent applicable to the Company, and reflect the current market standard provisions which have evolved since the existing indemnity provisions were adopted.

Requirements for registration of transfer and refusal to transfer

The 2006 Act introduces a new requirement for companies to register transfers or to provide the transferee with reasons for refusal as soon as possible. The New Articles reflect this new requirement.

Register

The Existing Articles provide that the register of members will not be closed for more than 30 days in any year. The 2006 Act requires the register to be open at all times and the New Articles reflect this provision.

CREST and the Uncertificated Securities Regulations

The New Articles reflect the Uncertificated Securities Regulations 2001 and the 2006 Act provisions by permitting shareholders holding uncertificated shares to appoint, instruct, amend and revoke proxy appointments using the CREST system.

Articles that duplicate statutory provisions

Certain other provisions in the current Articles which replicate provisions contained in companies legislation are amended to bring them into line with the 2006 Act.

Dividend Dates for 2009

	Final 2008	First Interim *	Second Interim *	Third Interim *
Dividend announced	13/02/09	21/05/09	31/07/09	17/11/09
Ex-dividend date	11/03/09	27/05/09	26/08/09	25/11/09
Record date	13/03/09	29/05/09	28/08/09	27/11/09
Dividend paid	15/04/09	30/06/09	30/09/09	31/12/09

*Anticipated dates

Further Shareholder Information

How to Invest

The Company's shares are traded on the London Stock Exchange. They can be bought by placing an order with a stockbroker, by asking a professional adviser to do so, or through the Baillie Gifford savings vehicles (see page 56). You can also find specific details about investing in SAINTS at www.saints-it.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 the SAINTS page of the Baillie Gifford website at www.saints-it.com, Trustnet at www.trustnet.co.uk and on other financial websites. Company factsheets are also available on the Baillie Gifford website and are updated monthly. These are available from Baillie Gifford on request.

Dividend Dates

The table above 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.

Interest

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

Announcement of Results and Reports

SAINTS' results for the half year to 30 June will be announced in July and the results for the year to 31 December will be announced in mid February. The Half-yearly Report will be posted to shareholders in August and the Annual Report in early March. The 2009 AGM is being held on 9 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. As an individual you pay no capital gains tax on the total net gains from all sources in any one year up to £9,600. However, any gains in excess of £9,600 are chargeable at 18%. These figures apply for the fiscal year ending 5 April 2009.

Up to 5 April 1998 the cost of investments for capital gains tax purposes was adjusted in line with inflation. However, this indexation allowance was frozen at 5 April 1998 and was replaced by a taper relief which resulted in chargeable gains being reduced according to how long the investment had been held. Indexation allowance and taper relief have both been abolished for sales after 5 April 2008.

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

- **Income** The dividends you receive from your SAINTS shares are taxed as income. If you pay tax at the basic (20%) rate you will have no further liability to tax. If you pay tax at the higher rate (40%), you will be liable to a further amount of tax. Dividends received, including the relevant tax credits, should be declared on your Tax Return.

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

Share Register Enquiries

Computershare Investor Services PLC maintains the share register on behalf of the Company. In the event of queries regarding shares registered in your own name, please contact the Registrars on 0870 707 1282. This helpline also offers an automated self-service functionality (available 24 hours a day, 7 days a week) which allows you to:

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

Analysis of Shareholders

	At 31 December 2008		At 31 December 2007	
	Number	%	Number	%
Institutions	29,487,386	22.3	28,690,841	21.7
Intermediaries	56,208,761	42.4	55,467,716	41.9
Individuals	26,994,683	20.4	28,192,987	21.3
Baillie Gifford Share Plan/ISA	19,598,966	14.8	19,407,471	14.6
Marketmakers	196,147	2.1	726,928	0.5
	132,485,943	100.0	132,485,943	100.0

By quoting the reference number on your share certificate you can check your holding on the Registrar's web site at www-uk.computershare.com/investor.

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;
- update bank mandates and change address details;
- use online dealing services; and
- pay dividends directly into your overseas bank account in your chosen local currency.

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

Dividend Reinvestment Plan

Computershare operate a Dividend Reinvestment Plan which can be used to buy additional shares instead of receiving your dividend via cheque or into your bank account. For further information log in to www-uk.computershare.com/investor and follow the instructions or telephone 0870 707 1694.

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.

These accounts have been approved by the Directors of SAINTS. Baillie Gifford Savings Management Limited is the ISA Manager of the Baillie Gifford Investment Trust ISA and the Manager of the Baillie Gifford Investment Trust Share Plan and Children's Savings Plan. Baillie Gifford Savings Management Limited is wholly owned by Baillie Gifford & Co. Both are authorised and regulated by the Financial Services Authority. Baillie Gifford only provides information about its products and does not provide investment advice. The staff of Baillie Gifford and SAINTS Directors may hold shares in SAINTS and may buy or sell such shares from time to time, subject to Baillie Gifford's personal account dealing rules.

Risks

Past performance is not a guide to future performance.

SAINTS is listed on the stock market. As a result, the value of its shares and any income from those shares is not guaranteed and could go down as well as up. You may not get back the amount you invested.

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

As 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 has some direct property investments which may be difficult to sell. Valuations of property are only estimates based on the valuer's opinion rather than fact. These estimates may not be achieved when the property is sold.

Tax rates and reliefs, as well as the tax treatment of ISAs may change at any time in the future. The value of any tax benefits will depend on your individual circumstances.

Details of other risks that apply to investment in the savings vehicles shown on the inside back cover are contained in the product brochures.

Baillie Gifford Savings Vehicles

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

Baillie Gifford's Investment Trust Share Plan

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

Baillie Gifford's Investment Trust ISA

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

Baillie Gifford's Children's Savings Plan

A cost-effective plan tailored especially to meet the requirements to save for children. You can invest a minimum of £250 or from £30 per month.

Online Management Service

You can now also open and manage your Share Plan and/or ISA online, through our secure Online Management Service (OMS) which can be accessed through the Baillie Gifford website at www.bailliegifford.com. OMS enables you to apply for, open and administer a Baillie Gifford Investment Trust Share Plan or Investment Trust ISA online. As well as being able to view the details of your plan online, the service also allows you to:

- get current valuations;
- make lump sum investments;
- switch between investment trusts (except where there is more than one holder);
- set up a direct debit to make regular investments; and
- update certain personal details.

Further Information

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1 Greenside Row
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Tel: 0800 027 0133
We may record your call

E-mail: trutenquiries@bailliegifford.com
Website: www.bailliegifford.com

Fax: 0131 275 3955

For SAINTS specific queries, please use the following contact details:

E-mail: saints@bailliegifford.com
Website: www.saints-it.com

Directors

Chairman:

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The Rt Hon Sir Menzies Campbell, CBE, QC, MP

Eric Hagman, CBE, CA

Lord Kerr of Kinlochard, GCMG

Rachel Lomax

Peter Moon

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