2342193

Directors
M Hamilton *Chairman*
P D Griffiths · AGS McCallum CBE · DCP McDougall · G Veitch

Managers and Secretaries
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Auditors
Ernst & Young · Chartered Accountants and Registered Auditor · Ten George Street
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Company Registration No. 2342193

AITC The Company is a member of The Association of Investment Trust Companies.

PACIFIC HORIZON INVESTMENT TRUST PLC

CONTENTS

About the Company

The objective of the Company is to invest in the stockmarkets of the Asia-Pacific region (excluding Japan) in order to achieve capital growth.

We are prepared to move freely between the markets of the region as opportunities for growth vary. Our portfolio consists almost entirely of quoted securities.

As an investment trust company we offer long term professional investment management for individuals and institutions, freedom from capital gains tax on profits realised within the portfolio, the use of gearing to maximise opportunities for capital growth, low costs and simple dealing arrangements.

The Baillie Gifford Investment Trust Savings Scheme has been established for the investment trusts managed by Baillie Gifford & Co. The scheme enables current shareholders and others to invest in Pacific Horizon by making occasional payments (minimum £250), or regular payments (minimum £30 per month or £90 per quarter) or by reinvesting dividends (minimum £15). Details of the Savings Scheme may be obtained by contacting:

Baillie Gifford Savings Management Limited
1 Rutland Court, Edinburgh EH3 8EY.
Telephone: 0131 222 4244

Baillie Gifford Savings Management Limited is regulated by IMRO

Performance

Directors and Management

DIRECTORS

Michael Hamilton, Chairman

MICHAEL HAMILTON, the chairman, is aged 69. He is a former senior partner of Taylor Joynson Garrett, solicitors, and is chairman of The Monks Investment Trust PLC and of Clerical, Medical and General Life Assurance Society. He was appointed a director of the Company in 1992 and chairman in 1993.

PETER GRIFFITHS, aged 62, is investment manager to the Pilkington Pension Funds and is a director of Hambros Smaller Asian Companies Trust PLC. He was appointed a director of the Company in 1989.

GRAHAM McCALLUM CBE, aged 69, was formerly an executive director of John Swire & Sons Ltd in London, and is a director of The Baillie Gifford Japan Trust PLC. He is chairman of Dunedin Japan Investment Trust PLC. He was appointed a director of the Company in 1992.

DOUGLAS McDOUGALL, aged 51, is a senior partner of Baillie Gifford & Co. He is also a director of the Investment Management Regulatory Organisation and of The Baillie Gifford Japan Trust PLC. He is a deputy chairman of the Association of Investment Trust Companies and chairman of the Institutional Fund Managers Association. He was appointed a director of the Company in 1992.

GEORGE VEITCH, aged 52, is a partner of Baillie Gifford & Co, which he joined in 1969. He is a director of Baillie Gifford Shin Nippon PLC and The Baillie Gifford Japan Trust PLC. He was appointed a director of the Company in 1992.

MANAGERS AND SECRETARIES

The firm of BAILLIE GIFFORD & Co was formed in 1927 out of the legal firm of Baillie & Gifford, WS, which had been involved in investment management since 1909. It is an independent investment management firm based in Edinburgh with 15 partners and a staff of around 215.

Baillie Gifford & Co manages five other listed investment trust companies and sixteen unit trusts. The firm also manages investment portfolios for pension funds, charities and other institutional clients. Included in these are international funds managed on behalf of Japanese and American clients. Funds under the management of Baillie Gifford & Co are around £11 billion.

The firm of Baillie Gifford & Co is regulated by IMRO.

Chairman's Statement

Extension of the life of the Company

I am pleased to be able to report that a proposal to extend the life of the Company for a further seven years received the support of shareholders at the Annual General Meeting held on 17th July, with 95% of votes cast being in favour of the resolution. It was encouraging to receive such strong support for the extension of the Company's life in order that we might continue to exploit the opportunities that we believe are available in the markets of the Far East.

Capital Performance

The first part of the Company's year saw a continuation of the falls seen in most of the regional stockmarkets in the second part of the previous year, but this was followed by a period in which most markets recovered to levels close to those at the start of the period. Currencies linked to the US dollar shared in that currency's weakness against sterling during the year and only three markets showed any gain at all when currency moves were taken into account. Against this difficult background net asset value per share fell by 3·6%, falling by 16·2% in the first half and rising by 15·0% in the second. The perfomance of the principal markets in which the Company is invested and the Managers' comments on them are included in the Managers' report on pages 10 to 15 of this report.

Revenue

The Company's net revenue for the year under review rose by 89% compared with the previous year. This resulted from higher dividends and interest received and lower administrative expenses than in the previous year. Earnings per share were 0·49p, compared with 0·26p the previous year and the Board is recommending a dividend of 0·35p per share. This dividend has been restricted to the lowest permissible rate in order to minimise the write-off of advance corporation tax. A dividend of 0·11p was paid for the previous year.

Savings Scheme

The Company is a member of the Baillie Gifford Investment Trust Savings Scheme. This is a low cost method of purchasing shares in the Company either by regular savings or lump sum investment. A pre-paid card is enclosed and this should be returned by those wishing further information about the Scheme.

Warrants

The last date on which the outstanding warrants carrying the right to subscribe for ordinary shares at a price of 50p may be exercised is 30th October 1995. I would like to draw the attention of warrant holders to the information they have received along with this report.

Outlook

With three principal exceptions, growth is continuing at the same rapid rate as before, though inflation is becoming a concern in some countries as a result. These exceptions are: China, where measures to combat inflation are taking effect; Singapore, where economic growth is returning to a more sustainable rate after two exceptionally strong years; and Hong Kong, where we expect slower growth for the whole of 1995 compared to 1994, despite a strong performance in the first quarter of the year.

There are a number of political issues, both domestic and international, which may affect equity markets in the region. Of greatest significance are the run up to the transfer of sovereignty over Hong Kong to China in 1997 and the related question of changes within the Chinese leadership and their possible implications for economic reform.

We are encouraged by progress in resolving outstanding issues between Britain and China in recent months, and we believe that the continued development of China will offer many benefits for Hong Kong companies. As a result of what we consider excessive concern about the political background, Hong Kong shares appear to be among the most attractively priced in the region and we are maintaining our heavy weighting there. We have increased our investment in Malaysia in the light of favourable developments in the economy, are retaining significant stakes in Singapore and Thailand and have increased our exposure to Indonesia.

Michael Hamilton

MICHAEL HAMILTON

12th September 1995

Record of Revenue and Capital

CAPITAL

At 31st July	Net assets available for ordinary shareholders £	Net asset value per share p	Diluted net asset value per share p
1990†	17,679,970	43·26	43·26
1991	14,517,740	35·52	35·52
1992	10,735,985	26·26	26·26
1993	17,073,255	41·75	41·75
1994	20,299,941	49·65	49·65
1995	**19,564,722**	**47·84**	**47·84**

REVENUE

Period to 31st July	Gross Income £	Available for ordinary shareholders £	Earnings per ordinary share p	Dividend per ordinary share p
1990†	423,736	315,796	0·77	–
1991	360,980	29,260	0·07	0·729
1992	270,779	96,997	0·24	0·140
1993	340,605	37,520	0·09	–
1994	437,307	107,001	0·26	0·110
1995	**524,062**	**202,026**	**0·49**	**0·350**

Note: The exercise of the outstanding warrants would not have resulted in a dilution of the net asset value per share in any of the years.

† Figures as restated in the 1991 Annual Report and Accounts owing to a change in accounting policy.

List of Investments

at 31st July 1995

Company	Activity	Market Value £	% of assets
HONG KONG			
Amoy Properties	Commercial property investment	223,679	
Cafe de Coral	Fast food restaurants	137,414	
Chen Hsong	Injection moulding machines	324,070	
CNT Group	Diversified services	177,118	
CP Pokphand	Agricultural and industrial conglomerate	302,869	
Great Eagle	Property investment	448,246	
Hong Kong Electric	Electricity generation and distribution	566,365	
Hongkong Land	Commercial property investment	598,375	
Hon Kwok Land	Commercial property investment	199,893	
HSBC	Banking	689,942	
Hutchison Whampoa	Property and industrial conglomerate	544,921	
Johnson Electric	Producer of micro-motors	322,050	
Lung Kee	Mould bases for plastic injection moulding	118,725	
Mandarin Oriental	Hotels	337,979	
Sun Hung Kai Properties	Property developer	470,456	
Swire Pacific	Aviation and property conglomerate	428,660	
Tai Cheung	Commercial property developer	346,482	
UDL	Dredging	180,187	
Varitronix	Liquid crystal display manufacturer	394,674	
		6,812,105	34·8
CHINA			
China Strategic	Chinese investment company	229,841	
China Tire	Tyre manufacturer	112,884	
EK Chor China Motorcycles	Motorcycle manufacturer	131,242	
Shekou Port	Port operator	96,918	
Yaohua Pilkington Glass	Float glass producer	76,911	
		647,796	3·3
MALAYSIA			
Edaran Otomobil Nasional	Auto distributor	289,966	
IJM Corp	Building contractor	392,827	
Malaysian Assurance	Insurance company	193,310	
Nestle	Food manufacturer	358,642	
New Straits Times Press	Newspaper publisher	391,708	
Nylex Malaysia	Manufacturing conglomerate	495,994	
Renong	Infrastructure and property conglomerate	589,597	
Rothmans Malaysia	Tobacco company	585,018	
Sime Darby	Plantations, property and motor vehicles	357,879	
Telekom Malaysia	Telephone utility	370,342	
		4,025,283	20·6

List of Investments

CONTINUED

Company	Activity	Market Value £	% of assets
SINGAPORE			
Courts	Furniture retailer	405,490	
GB Holdings	Builder of luxury boats	127,164	
OCBC	Banking	600,762	
Sembawang	Ship repairer and industrial conglomerate	383,511	
Singapore Airlines	Airline	492,509	
Singapore Press	Newspaper publisher	454,723	
		2,464,159	12·6
THAILAND			
Industrial Finance Corp. of Thailand	Development finance	405,953	
International Cosmetics	Consumer goods distribution	116,477	
Matichon	Newspaper publisher	168,647	
Ruamphatana Fund II	Closed end fund	863,540	
Saha Pathanapibul	Consumer products	161,573	
Siam Cement	Building materials	482,933	
		2,199,123	11·2
INDONESIA			
Bank Bira	Banking	240,025	
Bank International Indonesia	Banking	130,923	
JF Indonesia	Closed end fund	339,213	
Modern Photo Film	Camera and film products manufacturer	410,001	
Unilever	Consumer products	343,123	
		1,463,285	7·5
OTHER COUNTRIES			
PHILIPPINES			
First Philippine Investment Trust (£)	Closed end fund	656,000	
Philippine Long Term Equity Fund (US$)*	Unlisted fund	229,367	
		885,367	4·5
KOREA			
Samsung Electronics	Semiconductors and electrical goods	231,146	1·2

* denotes unlisted security

TOTAL EQUITIES	18,728,264	95·7
NET LIQUID ASSETS	836,458	4·3
TOTAL ASSETS AT MARKET VALUE	19,564,722	100·0

Distribution of Portfolio

GEOGRAPHICAL

1995 (1994)

Hong Kong and China
38·1% (39·5%)

Malaysia
20·6% (17·7%)

Singapore
12·6% (14·5%)

Net liquid assets
4·3% (9·0%)

Other countries
5·7% (4·8%)

Indonesia
7·5% (5·5%)

Thailand
11·2% (9·0%)

SECTOR

1995 (1994)

Consumer goods
24·7% (23·3%)

Capital goods
13·0% (12·0%)

Other groups
24·1% (34·2%)

Net liquid assets
4·3% (9·0%)

Financial
33·9% (21·5%)

Classification of Investments

Classification	Hong Kong and China	Malaysia	Singapore	Thailand	Indonesia	Other Countries	Total 1995	Total 1994
	%	%	%	%	%	%	%	%
EQUITIES:								
CAPITAL GOODS	**4·8**	**4·5**	–	**2·5**	–	**1·2**	**13·0**	**12·0**
Automobiles	1·2	–	–	–	–	–	1·2	1·8
Building materials	1·3	2.0	–	2·5	–	–	5·8	6·1
Heavy electrical and engineering	2·3	–	–	–	–	–	2·3	2·1
Other	–	2·5	–	–	–	1·2	3·7	2·0
CONSUMER GOODS	**5·3**	**8·3**	**5·0**	**2·2**	**3·9**	–	**24·7**	**23·3**
Breweries	–	–	–	–	–	–	–	0·7
Food	0·7	1·8	–	–	1·8	–	4·3	5·8
Light electrical	3·7	–	0·6	–	–	–	4·3	4·4
Newspaper and publishing	–	2·0	2·3	0·8	–	–	5·1	4·4
Retail	–	–	2·1	1·4	–	–	3·5	2·6
Other	0·9	4·5	–	–	2·1	–	7·5	5·4
OTHER GROUPS	**12·8**	**6·8**	**4·5**	–	–	–	**24·1**	**34·2**
Services	2·2	–	–	–	–	–	2·2	4·1
Transport	–	–	2·5	–	–	–	2·5	10·3
Utilities	2·9	1·9	–	–	–	–	4·8	8·6
Other	7·7	4·9	2·0	–	–	–	14·6	11·2
FINANCIAL	**15·2**	**1·0**	**3·1**	**6·5**	**3·6**	**4·5**	**33·9**	**21·5**
Banks	3·5	–	3.1	2·1	1·9	–	10·6	7·7
Insurance	–	1·0	–	–	–	–	1·0	–
Investment funds	–	–	–	4·4	1·7	4·5	10·6	6·5
Land and property	11·7	–	–	–	–	–	11·7	7·3
TOTAL EQUITIES	**38·1**	**20·6**	**12·6**	**11·2**	**7·5**	**5·7**	**95·7**	
Total equities – 1994	39·5	17·7	14·5	9·0	5·5	4·8		**91·0**
NET LIQUID ASSETS	**2·6**	**0·1**	–	–	–	**1·6**	**4·3**	**9·0**
TOTAL NET ASSETS	**40·7**	**20·7**	**12·6**	**11·2**	**7·5**	**7·3**	**100·0**	
Total net assets – 1994	40·2	17·8	14·5	14·6	5·5	7·4		**100·0**
Number of equity investments	24	10	6	6	5	3	54	47

Managers' Report

	% of net assets as at		Indices % change in sterling terms
	31st July 1995	31st July 1994	
Hong Kong	34·8%	34·6%	– 4·4%
China	3·3%	4·9%	– 23·6%
Malaysia	20·6%	17·7%	+ 4·6%
Singapore	12·6%	14·5%	– 4·8%
Thailand	11·2%	9·0%	– 2·5%
Indonesia	7·5%	5·5%	+ 5·4%
Philippines	4·5%	4·8%	– 0·9%
Korea	1·2%	–	+ 1·8%
Net liquid assets	4·3%	9·0%	–
Pacific Horizon Investment Trust (NAV)	100·0%	100·0%	– 3·6%

The outlook for US interest rates was the dominant influence on the performance of equities in the Asia-Pacific region in the year to 31st July 1995. For most of the year US rates were on a rising trend and for two reasons this had an unsettling effect on the markets of the Pacific Basin. Firstly, because the currencies of many countries in the region are closely linked to the US dollar. This involves setting domestic interest rates with reference to US interest rates rather than domestic conditions. A tightening of monetary conditions in the US therefore implies a less attractive background for equities in the Asia-Pacific region. Secondly, because international investors, and notably American institutions and individuals, had been an important factor behind the strong performance of regional stockmarkets in 1993. This made the potential removal of this source of demand for equities, or worse active disinvestment, as a consequence of better returns offered by Treasury bonds and dollar deposits, a source of concern.

By the end of January 1995 markets had reached their nadir, propelled by higher than expected rises in interest rates and a plunge in sentiment following the Mexican devaluation crisis. At that point the principal market indices in sterling terms were down between 9% and 25% from their levels at the end of July 1994, with the Hong Kong market particularly weak and Singapore proving the most resilient. Speculative attacks on a number of currencies, notably the Thai baht and the Hong Kong dollar, were repulsed by what proved to be short-lived increases in very short term interest rates and it soon became widely appreciated that while many countries in the region have substantial deficits on their current accounts these generally reflect high levels of investment rather than consumption and are financed by long term investment flows to a far greater extent than was the case for Mexico, making the likelihood of similar balance of payments crises very significantly lower. From that base equity prices staged a recovery which gathered momentum with a major change in expectations for US interest rates as the markets started to discount declines rather than further rises in US short term rates. Most of the Pacific Basin currencies were, however, relatively weak against sterling as they shared in the weakness of the US dollar resulting in poor returns in sterling terms over the year.

For most of the year to 31st July 1995 we maintained higher than normal cash balances, reflecting our relatively cautious view on markets because of the likely impact of rises in US interest rates. In the first few days of May we moved to a more fully invested position as a consequence of a change in expectations for US interest rates.

In contrast to the sometimes wild gyrations of individual equity markets the economies of the region have posted another year of solid growth and remain among the most dynamic in the world. We expect that superior performance will be reflected in returns to equity investors over the medium term. There remain, however, enough short term concerns, such as the political succession in China and uncertainties concerning the world's two largest economies, the US and Japan, for us to anticipate a continuation of the relatively high levels of volatility seen over the last year.

Managers' Report

CONTINUED

Hong Kong and China

The Hong Kong market traded in a relatively narrow band from the beginning of August to the middle of November 1994. A larger than expected rise in US interest rates in November triggered a sharp sell off in the market. Share prices had only just started to recover when the Mexican crisis provoked a brief speculative attack on the exchange rate peg between the US and HK currencies which led to a short lived but dramatic rise in overnight interest rates and undermined sentiment once again. The market reached its lowest level just ahead of the Chinese New Year holidays at the end of January. The recovery that followed took the market almost back to the level of the beginning of the Company's year in local currency terms though the weakness of the dollar against sterling resulted in a fall in sterling terms.

Income from property, whether in the form of rentals or development profits, accounts for a significant part of the earnings of most of Hong Kong's major companies, making the fate of the property market the single most important factor influencing the earnings growth of quoted companies. In recent years the Hong Kong property market was boosted by interest rates below the rate of inflation which by late 1993 had led to speculative excesses. The combination of anti-speculation measures introduced by the Hong Kong authorities and, more importantly, successive rises in interest rates pricked the property market bubble and prices for both residential and commercial property have been falling for most of the last eighteen months. There remains, however, strong underlying demand for property, particularly for better quality housing and developers found by March 1995 that by cutting prices to approximately 75% of their peak levels buyers could be found. At the same time the supply of developable land remains limited. We are therefore confident about the long term outlook for the better quality Hong Kong residential property developers. Following big falls in the share prices of these companies we therefore added Sun Hung Kai Properties to the portfolio. An addition to our holding in HSBC, which is the dominant force in the Hong Kong banking market, also increases our exposure to residential property indirectly through its lending to the sector.

The share prices of companies that invest in office and other commercial property have also been very hard hit by the decline of property prices since early 1994. The performance of their share prices has been far worse than we believe is justified by a downturn in what is always a cyclical business and we think that a number of companies in the sector are significantly undervalued. This has hurt our performance over the year to 31st July 1995 as we have held a number of these shares throughout the period but we believe valuations within the sector are now very attractive and have added to our exposure through the purchases of new holdings in Hon Kwok Land and Tai Cheung. Overall our Hong Kong portfolio now has a somewhat less defensive nature than it did for most of the

Hong Kong's Legislative Assembly with the Bank of China tower in the background

Managers' Report

CONTINUED

Hong Kong and China (continued)

Hong Kong container terminal operated by Hutchison Whampoa

Company's year. The weighting in Hong Kong at the end of July 1995 was almost exactly the same as at the same point twelve months earlier and this reflects our optimism on the outlook for Hong Kong.

Economically, Hong Kong has for many years been becoming integrated into Southern China. The Chinese economy is vast, diverse and difficult to assess accurately. Most evidence suggests that growth slowed in 1994 and has continued to slow into 1995. Inflation however accelerated in 1994 to more than 20% and has only gradually decelerated in 1995. Policy measures aimed at slowing growth and capping inflation seem to have had some effect in restraining domestic demand – leading to a swing in the trade balance from a deficit of more than $12bn in 1993 to a surplus of more than $5bn in 1994 as exports remained strong. At the same time foreign capital has continued to flow into China. As a result the Chinese currency has strengthened against the US (and hence Hong Kong) dollar. Hong Kong companies operating in China and Chinese companies themselves have therefore faced a difficult environment in which to conduct their business. Chinese demand has been suppressed by measures to check growth, inflation has raised costs and an appreciating currency has restricted their ability to offset cost increases through higher export prices. Chinese shares and those of Hong Kong companies with Chinese manufacturing and sales operations have performed badly as a result. There are now signs that the Chinese authorities are adopting an easier policy stance, possibly as much for political as economic reasons, which should mean that the worst of the squeeze is now past.

Motorcycle made in China by EK Chor China Motorcycles

Managers' Report

CONTINUED

Hong Kong and China (continued)

A pick-up in the Chinese economy should help to maintain growth in Hong Kong at around the 5% level in real terms in 1995 and 1996 notwithstanding a decline in the rate of growth of personal consumption from its earlier rather frenzied levels. Despite some very public disagreements between Britain and China there has been reasonable progress on resolving outstanding issues such as the financing arrangements for the new airport and the establishment of a new court of final appeal. While there are clearly risks associated with the transition to Chinese control, not least because of uncertainties surrounding the vacuum that Deng Xiaoping's death might leave at the heart of the Chinese system, we believe that all but the worst and least likely outcomes are being discounted by the market, providing an attractive opportunity for those able to take a longer term view.

Malaysia

For the last four years Malaysia has achieved a remarkable combination of high growth in real GDP, between 7·8% and 9·2% p.a., and relatively low inflation, which peaked at 4·8% in 1992 and has been below 4% for the last two years. The longer term record of combining relatively strong growth with low inflation has also been impressive. Between 1985 and 1990 real GDP grew at an average annual rate of 5·5% while inflation averaged only 1·5%. Nevertheless we felt that this acceleration in the rate of growth would in due course lead to a build up in inflationary pressures to the point where a fairly severe tightening of monetary policy would be required and that when this occurred it would prove to be an unpleasant shock for the Malaysian stockmarket. We also felt that such action by the authorities was being postponed until after a general election and would have to be more drastic the longer it was delayed. We therefore took a relatively cautious attitude towards Malaysian equities.

The much delayed general election was held in April and the ruling coalition won a landslide victory. Interest rates have, however, only risen modestly and we have had to reassess our views.

As the risk of a sharp rise in interest rates has receded and in the light of these positive developments we have rebuilt our weighting in Malaysia.

Singapore

The economy of the city-state grew at 10·1% in 1994, maintaining the growth rate of 1993. The introduction of a new goods and services tax raised the headline inflation rate to 3·5% but the underlying rate has remained around 2%. The driving force behind the economy was the electronics sector which benefited from a worldwide boom in demand for computers. The current account surplus in 1994 amounted to more than 18% of GDP. The fiscal surplus rose to 16·5% of GDP from 14% in 1993 as the authorities tried to dampen domestic demand.

The economy has shown clear signs of slowing down to a more sustainable 7-8% growth rate in 1995, which lessens the risks of overheating, and the huge fiscal surplus could lead to a cut in corporate tax rates in the near future. The more dynamic parts of the economy are poorly represented in the stockmarket which is dominated by companies for which the rise in the value of the currency has had a negative impact. We therefore view the slow down in the economy as a mildly positive factor for the quoted sector.

Newspaper titles published by Singapore Press

Managers' Report

CONTINUED

Thailand

Since 1986 real GDP growth has averaged nearly 10% a year while consumer price inflation has averaged a relatively modest 4·5% over the same period. 1994 was another good year for growth with real GDP expanding at a rate of 8·5% and 1995 should see the economy expand at a similar rate on the back of strong growth in investment and exports. Inflation, however, is becoming a more serious concern. In 1994 consumer prices rose 5% and the authorities have targeted this as the maximum level for 1995, but consumer price inflation has been above this level for several months and is likely to rise further as higher producer prices feed through into higher prices for goods and services. There has also been a change of government following a general election which brought the Chart Thai Party to power at the head of a coalition of seven parties.

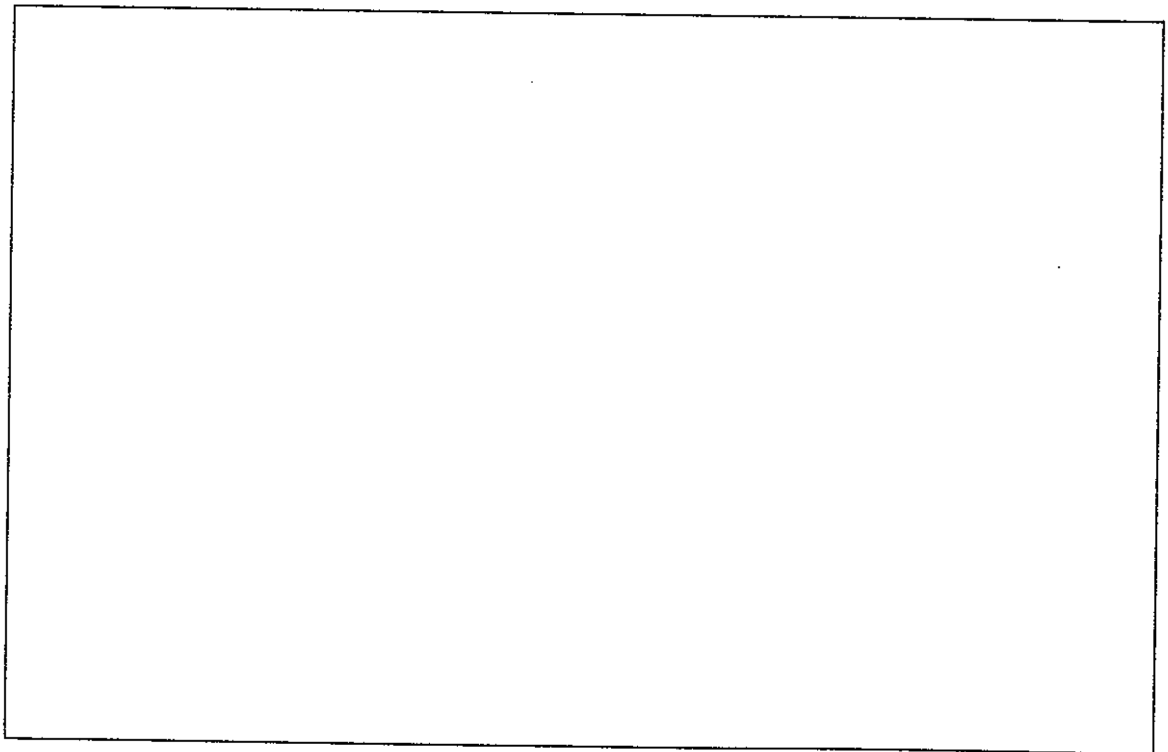
The last time the Chart Thai were in power there was widespread corruption and they were ousted by the military. This and a growing current account deficit have had a negative effect on sentiment.

We think that the Thai market offers one of the best combinations of growth and attractive valuation within the Asia-Pacific region. It is however an extremely volatile market at times and the last year has seen it buffeted by rising US interest rates, a speculative attack on the currency and concerns over domestic politics. Thai equities have tended to bounce back just as strongly as they fall, however, and in local currency terms the main market index at the end of July 1995 was less than 1% from its level a year earlier. In sterling terms the performance was rather worse as the Thai baht was affected by the weakness of the US dollar.

Other Markets

Indonesia

Of all the markets in which Pacific Horizon may invest, Indonesia produced the best return in both local currency and sterling terms over the year to 31st July 1995. In part this is the result of following on from a period of lacklustre performance in the previous year, but it is also partly due to strong growth in company profits associated with a pick up in the rate of growth of real GDP to 7·3% from 6·5%. Inflation has also



Making cameras in a Modern Photo factory in Indonesia

Managers' Report

CONTINUED

Other Markets (continued)

Microchip made by Samsung Electronics, Korea

been on a rising trend, ending 1994 at a rate of 9·7% and now approaching the 10% level which has been the trigger for measures to damp down the economy in the past. Earnings for the market as a whole are likely to grow by over 30% in 1995 and the market is trading on a price-earnings multiple of under 20x. We have increased our exposure to the Indonesian market during the year as we have been able to find stocks in the banking sector whose quality and valuations more than outweigh the general risks associated with the Indonesian stockmarket.

Philippines

The Philippines has made substantial progress in the last few years to improve on its position at the bottom of the Asian growth league and in 1994 achieved real GDP growth of 5·1%. The relaxation of monetary growth conditions imposed by the International Monetary Fund should ensure that 1995 will see a further improvement in the level of economic activity but inflation may become a cause for concern by the end of the year. The stockmarket followed a similar pattern to that of Thailand, Indonesia and Hong Kong under the influence of the same external forces, namely changes in US interest rates and the Mexican crisis. By the year end the market had also made up most of its lost ground in sterling terms and was modestly ahead on a local currency basis. Despite recent encouraging developments, it is probably too early to say that the Philippines has abandoned the vices that made it for decades the sick man of Asia but it does have the potential to become a much more dynamic economy.

Korea

The Korean economy is growing in excess of its long term non-inflationary growth rate, estimated at 7-7·5%, driven by very high levels of investment as Korean companies undertake rapid capacity expansion across a range of industries. We believe that large increases in capacity by highly indebted companies in cyclical industries are likely to lead to problems in the future. We are prepared to consider companies where the industry background and individual company strengths make it probable that current investment levels will generate adequate future profits and which are attractively priced.

Twenty Largest Holdings

Company	Activity	Market value £	% of assets
Ruamphatana Fund II	Closed end fund	863,540	4·4
HSBC	Banking	689,942	3·5
First Philippine Investment Trust (£)	Closed end fund	656,000	3·3
OCBC	Banking	600,762	3·1
Hongkong Land	Commercial property investment	598,375	3·1
Renong	Infrastructure and property conglomerate	589,597	3·0
Rothmans Malaysia	Tobacco company	585,018	3·0
Hong Kong Electric	Electricity generation and distribution	566,365	2·9
Hutchison Whampoa	Property and industrial conglomerate	544,921	2·8
Nylex Malaysia	Manufacturing conglomerate	495,994	2·5
Singapore Airlines	Airline	492,509	2·5
Siam Cement	Building materials	482,933	2·5
Sun Hung Kai Properties	Property developer	470,456	2·4
Singapore Press	Newspaper publisher	454,723	2·3
Great Eagle	Property investment	448,246	2·3
Swire Pacific	Aviation and property conglomerate	428,660	2·2
Modern Photo Film	Camera and film products manufacturer	410,001	2·1
Industrial Finance Corp. of Thailand	Development finance	405,953	2·1
Courts	Furniture retailer	405,490	2·1
Varitronix	Liquid crystal display manufacturer	394,674	2·0
		10,584,159	54·1

Review of Investments

A review of the Company's ten largest investments as at 31st July 1995 is given below and on the following pages.

Ruamphatana Fund II

Ruamphatana Fund II is a domestic, closed end fund offering broad, liquid exposure to the growth of the Thai economy. The fund has local investor status and so avoids paying foreign premia. It trades at a substantial discount to its net asset value and is due to be wound up in September 2000.

Country	Thailand
Valuation	£863,540
% of Fund	4·4%

HSBC

HSBC is one of the world's top ten bank holding companies in terms of both asset size and profitability. In Hong Kong (which accounted for 45% of its profits in 1994), it operates the largest and third largest banks, HongKong Bank and the independently managed Hang Seng Bank respectively. In the UK and the US it uses the names Midland Bank and Midland Marine, and runs branches in a further 65 countries. HSBC has positioned itself well to maintain its pre-eminent position in the rapidly expanding Asian economies and should benefit from dynamic growth in lending and other fee-based activities such as investment banking.

Country	Hong Kong
Valuation	£689,942
% of Fund	3·5%

Review of Investments

CONTINUED

Hong Kong by night with HSBC's headquarters in the foreground

First Philippine Investment Trust

This London-quoted investment trust gives a broad exposure to the equity market of the Philippines.

Country	Philippines
Valuation	£656,000
% of Fund	3·3%

Overseas-Chinese Banking Corporation

OCBC is Singapore's second largest bank in terms of total assets and also has an extensive branch network in Malaysia. A review of strategy and operations offers the prospect that the company will start to exploit its large and undervalued landbank in Singapore.

Country	Singapore
Valuation	£600,762
% of Fund	3·1%

Credit cards offered by OCBC

Review of Investments

CONTINUED

Hongkong Land

Hongkong Land is a property investment company whose entire portfolio is located in Hong Kong's Central Business District. Demand for office space from companies wishing to expand into China remains robust, and although new supply has been minimal, rents have fallen by up to 25% from the excessive level reached in the early part of 1994. Existing three year leases are still being renewed at rates above the average rental level, and consequently earnings growth will be maintained over the medium term.

Country	Hong Kong
Valuation	£598,375
% of Fund	3·1%

Renong

Renong is a large Malaysian conglomerate with strong links to the national government and has proved a prime beneficiary of the country's infrastructure development. The group has interests in construction, toll roads, property development, telecommunications, cement, steel, oil and gas, transport and merchant banking. It is currently engaged in developing a large new township in south-west Johor, just across the strait from Singapore.

Country	Malaysia
Valuation	£589,597
% of Fund	3·0%

Toll plaza on the North-South Highway, built and operated by a subsidiary of Renong

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Rothmans Malaysia

Rothmans is the dominant Malaysian manufacturer and distributor of cigarettes, with a market share of over 50%. The business is strongly cash generative and the company consistently pays high dividends.

Country	Malaysia
Valuation	£585,018
% of Fund	3·0%

Review of Investments

CONTINUED

Hong Kong Electric

Hong Kong Electric is the sole supplier of electricity to Hong Kong Island. It is regulated by a Scheme of Control which links profits to its level of fixed assets. With a capital expenditure programme in place until 1998 and beyond, this gives long term stability to its utility earnings which can be expected to grow in line with the domestic economy.

Country	Hong Kong
Valuation	£566,365
% of Fund	2·9%

Hong Kong Island illuminated at night

Hutchison Whampoa

Hutchison Whampoa is a conglomerate in Hong Kong which offers broad exposure to the fast growing areas of trade and telecommunications. The company's port operations continue to benefit from buoyant trade flows between China and the rest of the world and in addition to its strong presence in the domestic cellular market, the company's new digital network in the UK, Orange, is performing well.

Country	Hong Kong
Valuation	£544,921
% of Fund	2·8%

Hutchison Whampoa's mobile telephones

Nylex Malaysia

Nylex, a subsidiary of BTR Nylex, is a diversified Malaysian manufacturing company. It is the dominant player in the Malaysian electric power switch gear market and also produces plastics, glass containers and building materials, offering exposure to both infrastructure development and consumption growth.

Country	Malaysia
Valuation	£495,994
% of Fund	2·5%

Directors' Report

The Directors have pleasure in submitting their Annual Report together with the results of the Company for the year to 31st July 1995.

REVIEW OF ACTIVITIES

During the year under review the Company has followed the normal activities of an investment trust company. A review of the main features of the year is contained in the Chairman's Statement and in the Managers' Report and the Review of Investments on the preceding pages.

DIVIDEND

The Board recommends a final dividend of 0·35p per ordinary share.

If approved, the recommended final dividend on the ordinary shares will be paid on 30th October 1995 to shareholders on the register at the close of business on 3rd October 1995.

After payment of the dividend the accumulated revenue balance is increased by £58,900 to £245,250.

STATUS

The Company has received approval as an Investment Trust from the Inland Revenue in respect of the year ended 31st July 1994, and the Directors believe it has subsequently directed its affairs so as to enable it to continue to obtain such approval.

The Company was not a close company within the provisions of the Income and Corporation Taxes Act 1988 and this position has not changed since the end of the financial year.

The Company is an investment company within the meaning of S.266 of the Companies Act 1985.

DURATION OF THE COMPANY

At the Annual General Meeting of the Company held on the 17th July 1995, the shareholders approved the resolution postponing until the year 2002, or such later date as the shareholders resolve, the obligation on the Directors to convene an Extraordinary General Meeting at which a resolution will be proposed pursuant to Section 84 of the Insolvency Act 1986 to wind the Company up voluntarily. At such Extraordinary General Meeting every shareholder present in person or by proxy and entitled to vote shall be obliged to vote in favour of such resolution and any votes purported to be cast against such resolution shall not be counted as valid votes.

CORPORATE GOVERNANCE

The Board currently comprises five directors, all of whom are non-executive and three of whom are independent of the Company's Managers.

The Board is confident that procedures to ensure a suitable level of corporate governance, as appropriate to an investment trust, have been put in place to enable the Company to comply with The Code of Best Practice incorporated in the report of the Cadbury Committee on The Financial Aspects of Corporate Governance.

The accounts have been prepared on the going concern basis as it is the Directors' expectation that the Company will continue in operational existence for the foreseeable future. Guidance on internal control and financial reporting was issued in December 1994 and comes into effect for accounting periods beginning on or after 1st January 1995. The Directors are examining the guidance for future periods but have not included a report on internal control for the year ended 31st July 1995.

An Audit Committee has been established in compliance with the Code consisting of all the independent non-executive directors. Mr M Hamilton has been appointed Chairman of the Audit Committee.

A management agreement between the Company and Baillie Gifford & Co. sets out the matters over which the Manager has authority in accordance with the policies and directions of, and subject to restrictions imposed by, the Board. The Audit Committee regularly reviews the terms of the management agreement.

Directors' Report

CONTINUED

DIRECTORS

The Directors during the period under review were; Mr M Hamilton‡, Mr PD Griffiths‡, Mr AGS McCallum‡, Mr DCP McDougall and Mr G Veitch. No Director has a contract of service with the Company, nor had any interest in the Company's share capital at 31st July 1995 or 31st July 1994. There have been no changes intimated in the Directors' interests up to 8th September 1995.

Mr McDougall retires by rotation but is eligible for re-election at the next Annual General Meeting.

‡ Member of Audit Committee

SUBSTANTIAL HOLDINGS

The following information had been intimated to the Company as at 8th September 1995 in compliance with S.198 of the Companies Act 1985.

Name	Number and class of shares held	% of issue
A & OT Investments Limited*	7,050,000 Ordinary 10p shares	17·24
Baillie Gifford Personal Pension (International) Fund*	5,150,000 Ordinary 10p shares	12·59
Legal & General Assurance Society Limited	4,083,342 Ordinary 10p shares	9·99
Hambros Banks (Nominees) Limited	3,007,450 Ordinary 10p shares	7·35
Pilkington Pension Funds	2,615,000 Ordinary 10p shares	6·39
Frank Nominees	1,820,000 Ordinary 10p shares	4·45
British Aerospace Pension Funds	1,500,000 Ordinary 10p shares	3·67
Co-operative Insurance Society	1,430,000 Ordinary 10p shares	3·50

* Discretionary client of Baillie Gifford & Co.

EXTRAORDINARY GENERAL MEETING

The Company is permitted to hold only one annual general meeting in any calendar year, and as it has already held an annual general meeting in July this year the general meeting being convened on 25th October 1995 is being denominated an extraordinary general meeting. However, most of the business (approval of the Accounts, the appointment of auditors and authorisation of the Directors to fix the auditors' remuneration) would be part of the business of an annual general meeting.

The annual general meeting for 1996 will be held in October, the latest point permitted by law, that is 15 months after the preceding annual general meeting, when it will be possible to review the accounts for the year to 31st July 1996. It is anticipated that all future annual general meetings will be held in October.

AUTHORISED SHARE CAPITAL

The Directors wish to draw your attention to the final items of business on the Notice of the Extraordinary General Meeting which propose to give the Directors powers to issue additional shares. Resolution 4 will confer a general power on the Directors, and Resolution 5 gives them a limited power to issue shares without regard to the statutory rights of pre-emption of existing shareholders. The number of shares which the Directors seek authority to issue represents 5% of the issued share capital; the authority will continue until the earlier of 24th April 1997 or the conclusion of the next Annual General Meeting of the Company held after the date on which this Resolution is passed, and the Directors envisage seeking the renewal of this authority in succeeding years. At present, the Directors intend to exercise the authority, if conferred, only for the purpose of increasing the availability of shares to meet demand from persons investing in the Company through the Baillie Gifford Investment Trust Savings Scheme; and then only if such issue would not dilute the net asset value of shares already in issue.

Resolution 4 is an Ordinary Resolution and requires only a simple majority; Resolution 5 is proposed as a Special Resolution and will not be passed unless 75% of those voting are in favour.

Directors' Report

CONTINUED

AUDITORS

The auditors Ernst & Young are willing to continue in office and, in accordance with S.385 and S.390A of the Companies Act 1985, resolutions concerning their re-appointment and remuneration will be submitted to the Extraordinary General Meeting.

By Order of the Board

BAILLIE GIFFORD & Co,
Managers and Secretaries.
12th September 1995

Baillie Gifford & Co

Statement of Directors' Responsibilities in Respect of the Accounts

Company law requires the Directors to prepare accounts for each financial year which 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 those accounts, 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 accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors' Reports

TO THE MEMBERS OF PACIFIC HORIZON INVESTMENT TRUST PLC

Report on Accounts

We have audited the accounts on pages 24 to 32 which have been prepared under the historical cost convention as modified to include the revaluation of fixed asset investments and on the basis of the accounting policies set out on page 25.

Respective responsibilities of Directors and Auditors

As described on page 22, the Company's Directors are responsible for the preparation of the accounts.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the Company's affairs as at 31st July 1995 and of its revenue for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Report on Corporate Governance Matters

In addition to our audit of the accounts, we have reviewed the Directors' statement on page 20 on the Company's compliance with the paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange. The objective of our review is to draw attention to any failure to disclose non-compliance with those paragraphs of the Code.

Basis of opinion

We carried out our review in accordance with Bulletin 1995/1 "Disclosures relating to corporate governance" issued by the Auditing Practices Board. That Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the Company's ability to continue in operational existence.

Opinion

With respect to the Director's statement on going concern on page 20, in our opinion the Directors have provided the disclosures required by paragraph 4.6 of the Code (as supplemented by the related guidance for Directors) and such statement is not inconsistent with the information of which we are aware from our audit work on the accounts.

Based on enquiry of certain Directors and Officers of the Company, and examination of relevant documents, in our opinion the Directors' statement on page 20 appropriately reflects the Company's compliance with the other paragraphs of the Code specified for our review.

Ernst & Young

Chartered Accountants
Registered Auditor

Edinburgh
12th September 1995

Revenue Account

for the year to 31st July

	Notes	1995 £	1994 £
INCOME			
Income from investments	2	454,817	414,428
Interest receivable and other income	3	69,245	22,879
Gross income		524,062	437,307
EXPENSES			
Administrative expenses	4	(272,768)	(315,586)
REVENUE			
from ordinary activities before taxation		251,294	121,721
Tax on revenue from ordinary activities	5	(49,268)	(14,720)
REVENUE			
from ordinary activities after taxation		202,026	107,001
DIVIDEND			
Ordinary dividend	6	(143,126)	(44,978)
ACCUMULATED REVENUE			
Net revenue for the year		58,900	62,023
Brought forward		186,350	124,327
Carried forward		245,250	186,350
EARNINGS			
per ordinary share	7	0·49p	0·26p

All the above figures relate to continuing activities.

Balance Sheet

at 31st July

	Notes	1995 £	1995 £	1994 £	1994 £
FIXED ASSETS					
Investments	8		18,728,264		18,469,169
CURRENT ASSETS					
Debtors	9	126,717		190,054	
Investments	10	662,880		1,545,819	
Cash at bank and in hand		310,299		231,153	
		1,099,896		1,967,026	
CREDITORS					
Amounts falling due within one year	11	(257,076)		(136,254)	
NET CURRENT ASSETS			842,820		1,830,772
TOTAL ASSETS *less current liabilities*			19,571,084		20,299,941
PROVISIONS FOR LIABILITIES AND CHARGES					
Deferred taxation	12		(6,362)		–
			19,564,722		20,299,941
CAPITAL AND RESERVES					
Called up share capital	13		4,089,321		4,088,995
Share premium	14		15,686,297		15,684,993
Capital reserve	15		(3,358,647)		(5,164,547)
Unrealised appreciation	16		2,902,501		5,504,150
Accumulated revenue			245,250		186,350
EQUITY SHAREHOLDERS' FUNDS			19,564,722		20,299,941
NET ASSET VALUE PER ORDINARY SHARE			47·84p		49·65p
DILUTED NET ASSET VALUE PER ORDINARY SHARE			47·84p		49·65p

(There was no dilution of net asset value at either date.)

The Accounts were approved by the Board and signed on their behalf on 12th September 1995.

Michael Hamilton

Chairman

Cash Flow Statement

for the year to 31st July

	Notes	1995 £	1995 £	1994 £	1994 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	17		239,393		99,550
SERVICING OF FINANCE					
Dividends paid		(44,978)		–	
NET CASH OUTFLOW FROM SERVICING OF FINANCE			(44,978)		–
TAXATION					
ACT (paid)/refunded		(10,845)		868	
TOTAL TAX (PAID)/REFUNDED			(10,845)		868
INVESTING ACTIVITIES					
Purchase of investments		(6,177,396)		(4,356,321)	
Disposal of investments		5,206,632		4,902,689	
Realised currency loss		(20,491)		(52,002)	
VAT repayment previously written off		2,262		–	
NET CASH (OUTFLOW)/INFLOW FROM INVESTING ACTIVITIES			(988,993)		494,366
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING			(805,423)		594,784
FINANCING					
Exercise of warrants	18	(1,630)		–	
NET CASH INFLOW FROM FINANCING			(1,630)		–
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	19		(803,793)		594,784
			(805,423)		594,784

Statement of Total Recognised Gains and Losses

for the year to 31st July

	1995 £	1994 £
CAPITAL PROFITS		
Realised gains on investments sold	1,824,129	1,607,579
Unrealised (depreciation)/appreciation	(2,601,649)	1,609,086
Currency loss	(20,491)	(52,002)
	(798,011)	3,164,663
VAT repayment previously written off	2,262	–
Capital (deficit)/surplus for year	(795,749)	3,164,663
REVENUE PROFIT		
Available for distribution	202,026	107,001
TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR	(593,723)	3,271,664

Note: Realised gains include gains shown as unrealised in earlier years.

Reconciliation of Movements in Shareholders' Funds

for the year to 31st July

	1995 £	1994 £
Revenue profit available for distribution	202,026	107,001
Dividend	(143,126)	(44,978)
Distributable profits less dividends	58,900	62,023
Non-distributable capital (deficit)/surplus	(795,749)	3,164,663
New share capital from exercised warrants	1,630	–
Net (deduction)/addition to shareholders' funds	(735,219)	3,226,686
Shareholders' funds at 1st August 1994	20,299,941	17,073,255
Shareholders' funds at 31st July 1995	19,564,722	20,299,941

Notes to Accounts

1 PRINCIPAL ACCOUNTING POLICIES

The accounts have been prepared in accordance with applicable accounting standards and 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. A summary of the more important accounting policies, which have been applied consistently is set out below.

(a) INCOME AND EXPENSES

(i) Income from equity investments is credited to the revenue account on the date on which the investments are quoted ex-dividend.

(ii) Interest receivable on fixed interest securities is accounted for on an accruals basis.

(iii) Franked and unfranked investment income include the imputed tax credits or taxes deducted at source.

(iv) Interest receivable on short-term loans and deposits, interest payable and expenses of management are dealt with on an accruals basis.

(v) If scrip is taken in lieu of dividends in cash, the net amount of dividend declared is credited to the revenue account.

(b) 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.

(c) INVESTMENTS

Listed investments are shown in the accounts at mid market valuation.

Unlisted investments are shown at cost in local currency terms except where, in the opinion of the Directors, the valuation should reflect a significant transaction in the shares of the company at a different price or the results of the company or its business outlook being poorer than when the initial investment was made.

(d) TAXATION

(i) Where appropriate deferred taxation is provided for short-term timing differences.

(ii) Advance corporation tax payable on proposed dividends is included as taxation payable and written off to the extent that it is irrecoverable.

(e) CAPITAL RESERVE

Gains and losses on realisation of investments and realised exchange differences are dealt with in this reserve.

(f) UNREALISED APPRECIATION

Unrealised appreciation represents the amount by which the market value of assets exceeds the book value.

2 INCOME FROM INVESTMENTS

	1995	1994
	£	£
DIVIDENDS FROM INVESTMENTS		
LISTED INVESTMENTS		
Franked investment income	–	2,000
Unfranked investment income	454,817	412,428
	454,817	414,428

3 INTEREST RECEIVABLE AND OTHER INCOME

Income from deposits:		
United Kingdom	13,504	7,544
Overseas	55,741	15,335
	69,245	22,879

Notes to Accounts

CONTINUED

	1995 £	1994 £
4 ADMINISTRATIVE EXPENSES		
General administrative expenses	240,818	283,786
Directors' fees	27,500	27,500
Auditors' remuneration	4,450	4,300
	272,768	315,586

General administrative expenses include a management and secretarial fee of £184,772 (£209,359). The basis of Baillie Gifford & Co.'s remuneration is set out in note 23.

The Chairman's emoluments amounted to £7,500 (£7,500). The four other Directors who served during the year each received fees in the range £0 – £5,000 (£0 – £5,000). No pension contributions were made in respect of Directors.

	1995 £	1994 £
5 TAX ON REVENUE FROM ORDINARY ACTIVITIES		
Deferred taxation adjustment	6,362	–
Overseas withholding taxes	7,125	4,344
ACT written off in the year	35,781	9,976
Tax credits on franked investment income	–	400
	49,268	14,720

	1995	1994	1995 £	1994 £
6 ORDINARY DIVIDEND	1995	1994		
Proposed dividend per ordinary share	0·35p	0·11p	143,126	44,978

7 EARNINGS PER ORDINARY SHARE

The calculation of earnings per share is based on the revenue from ordinary activities after taxation available for ordinary shareholders of £202,026 (1994 – £107,001) and the weighted average of 40,892,398 (1994 – 40,889,952) shares in issue.

The full exercise of the outstanding warrants would not have resulted in a dilution of the earnings per share for the year under review.

	1995 £	1994 £
8 FIXED ASSETS – INVESTMENTS		
Listed at market valuation:		
In Great Britain	656,000	640,000
Overseas	17,842,897	17,488,015
Unlisted at Directors' valuation	229,367	341,154
	18,728,264	18,469,169
Value of investments at 1st August 1994	18,469,169	15,991,386
Unrealised appreciation at 1st August 1994	(5,504,150)	(3,895,064)
Cost of investments held at 1st August 1994	12,965,019	12,096,322
Additions at cost	6,177,396	4,229,658
Disposals at cost	(3,316,652)	(3,360,961)
Cost of investments held at 31st July 1995	15,825,763	12,965,019
Unrealised appreciation at 31st July 1995	2,902,501	5,504,150
Value of investments held at 31st July 1995	18,728,264	18,469,169

Notes to Accounts

CONTINUED

	1995 £	1994 £
9 DEBTORS		
Amounts due within one year:		
Income accrued	21,800	18,639
Sales for subsequent settlement	–	65,851
Taxation recoverable	90,535	87,024
Other debtors	14,382	18,540
	126,717	190,054
10 CURRENT ASSETS – INVESTMENTS		
Temporary deposits:		
United Kingdom	33,671	33,671
Overseas	629,209	1,512,148
	662,880	1,545,819
11 CREDITORS		
Amounts due within one year:		
Proposed dividend	143,126	44,978
ACT on proposed dividend	35,781	10,845
Other creditors	78,169	80,431
	257,076	136,254
12 DEFERRED TAXATION		
Attributable to short term timing differences	(6,362)	–
13 SHARE CAPITAL		
Authorised: 60,000,000 ordinary shares of 10p each	6,000,000	6,000,000
Allotted, issued and fully paid:		
40,893,211 (1994 – 40,889,952) ordinary shares of 10p each	4,089,321	4,088,995

The unissued ordinary shares are being reserved in part to satisfy the subscription rights of the warrants which were issued on the subscription date on the basis of one warrant for every five ordinary shares.

Each warrant carries the right to subscribe for one ordinary share at a price of 50p on the first dealing day, 30 days following the posting of the Annual Report and Accounts of the Company. 30th October 1995 is the final subscription date for the exercise of warrants.

On 31st October 1994 the right to 3,259 warrants were exercised from which £326 has been applied in increasing the issued share capital and £1,304 in increasing the share premium account.

The number of warrants outstanding on 31st July 1995 was 8,154,297 (1994 – 8,157,556).

	1995 £	1994 £
14 SHARE PREMIUM		
At 1st August 1994	15,684,993	15,684,993
Premium arising from exercise of warrants	1,304	–
At 31st July 1995	15,686,297	15,684,993

Notes to Accounts

CONTINUED

	1995 £	1994 £
15 CAPITAL RESERVE		
At 1st August 1994	(5,164,547)	(6,720,124)
Net gain on listed investments sold during year	1,755,921	1,589,502
Net gain on unlisted investments sold during year	68,208	18,077
Net loss on currency exchange during year	(20,491)	(52,002)
VAT repayment previously written off	2,262	–
At 31st July 1995	(3,358,647)	(5,164,547)

This reserve is not distributable.

	1995 £	1994 £
16 UNREALISED APPRECIATION		
At 1st August 1994	5,504,150	3,895,064
Movement in year	(2,601,649)	1,609,086
At 31st July 1995	2,902,501	5,504,150

The unrealised appreciation on investments of £2,902,501 comprises an appreciation of £2,806,273 on listed investments and an appreciation of £96,228 on unlisted investments.

This reserve is not distributable.

	1995 £	1994 £
17 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES		
Profit on ordinary activities before interest payable and taxation	251,294	121,721
(Increase)/decrease in accrued income	(6,495)	3,356
Decrease/(increase) in debtors	5,413	(5,123)
(Decrease)/increase in creditors	(2,262)	7,806
Tax on franked income	–	(400)
Income tax suffered	(1,432)	(23,466)
Overseas tax suffered	(7,125)	(4,344)
	239,393	99,550

	1995 £	1994 £
18 ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR		
Financing at 1st August 1994	19,773,988	19,773,988
Cash inflow from exercise of warrants	1,630	–
Financing at 31st July 1995	19,775,618	19,773,988

	1995 £	1994 £
19 ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR		
Balance at 1st August 1994	1,776,972	1,182,188
Net cash (outflow)/inflow	(803,793)	594,784
Balance at 31st July 1995	973,179	1,776,972

Notes to Accounts

CONTINUED

	1995 £	1994 £	Change in Year £
20 ANALYSIS OF THE BALANCES IN CASH AND CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET			
Short-term investments	662,880	1,545,819	(882,939)
Cash at bank and in hand	310,299	231,153	79,146
	973,179	1,776,972	(803,793)

21 CONTINGENT LIABILITIES

There were no contingent liabilities in either year.

22 DIRECTORS' INTERESTS IN CONTRACTS

No Director has a contract of service with the Company.

During the year no Director was interested in any other contract or matter requiring disclosure under S.232 of the Companies Act 1985.

23 MANAGEMENT AGREEMENT

Baillie Gifford & Co are employed by the Company as Managers and Secretaries under a management agreement. Their fee is 0·25 per cent. of the total assets less current liabilities per quarter and amounted to £184,772 (1994 – £209,359) during the year. The agreement is terminable on not less than one year's notice or on shorter notice in certain circumstances.

Mr DCP McDougall and Mr G Veitch, Directors of the Company, are partners of Baillie Gifford & Co.

Further Shareholder Information

Pacific Horizon's shares are traded on the Stock Exchange. They can be bought by investors either by placing an order with a Stockbroker or by asking a professional adviser, eg Lawyer, Accountant or Bank Manager to do so on their behalf. They are also available through The Baillie Gifford Investment Trust Savings Scheme referred to on page 2.

Pacific Horizon's share price is quoted daily in the *Financial Times* and *The Herald*.

Pacific Horizon publishes half-yearly progress reports. Shareholders are welcome at the Extraordinary General Meeting of the Company to be held on Wednesday, 25th October 1995.

The calendar for these and other items of interest to shareholders is set out below:–

September	Preliminary announcement of annual results issued to Press
September	Annual Report and Accounts issued
October	Extraordinary General Meeting
October	30th October – date for exercise of warrants (at warrant holders' discretion)
February	Figures for half-year to 31st January announced
March	Interim Report issued
July	Financial year ends on 31st July

Notice

OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Pacific Horizon Investment Trust PLC will be held at the offices of Baillie Gifford & Co., 1 Rutland Court, Edinburgh EH3 8EY, on Wednesday, 25th October 1995 at 12.30 pm for the following purposes:

SPECIAL BUSINESS

1. To approve the Accounts of the Company for the year to 31st July 1995 with the reports of the Directors and of the Auditors thereon, and to declare a dividend.
2. To re-appoint Ernst & Young as Auditors.
3. To authorise the Directors to fix the remuneration of the Auditors.

As an Ordinary Resolution:

4. THAT

(a) for the purposes of Section 80 of the Companies Act 1985 ("the Act"), the Directors be and they are hereby authorised generally and unconditionally to exercise all the powers of the Company to allot relevant securities (as defined in the said Section) up to an aggregate nominal amount of £204,466 to such persons and on such terms as the Directors think proper;

(b) the said authority will expire five years from the date of this resolution but shall be capable of previous revocation or variation by the Company in general meeting and of renewal from time to time by the Company in general meeting for a further period not exceeding five years, provided always that the Company may make an offer or agreement before the expiry of such authority which would or might require relevant securities to be alloted after such authority has expired and the Directors may allot relevant securities in pursuance of any such offer or agreement as if such authority had not expired; and

(c) the authority conferred by this Resolution shall be in substitution for any and all previous authorities to allot given to the Directors pursuant to Section 80 of the Act.

As a Special Resolution:

5. THAT the Directors be and they are hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94(2) of the said Act) for cash pursuant to the authority conferred by Resolution 4 above as if subsection 89(1) of the said Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal value of £204,466, representing 5% of the issued share capital, and shall expire on the date of the next Annual General Meeting of the Company after the passing of this resolution save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

By Order of the Board.

BAILLIE GIFFORD & Co,
Managers and Secretaries

Baillie Gifford & Co

1 Rutland Court
Edinburgh EH3 8EY
29th September 1995

Notes

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on his/her behalf. A proxy need not be a member of the Company. A Form of Proxy is enclosed which if required should be completed and despatched in accordance with the instructions thereon.

2. Only holders of ordinary shares are entitled to attend or be represented at the meeting.

3. No Director has a contract of service with the Company.

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PACIFIC HORIZON
INVESTMENT TRUST PLC

Form of Proxy

I/We ____

of ____

being a Member(s) of the above-named Company, hereby appoint the Chairman of the Meeting,

or ____(see Note 2)

as my/our Proxy to vote for me/us and on my/our behalf at the Extraordinary General Meeting of the Company to be held at the offices of Baillie Gifford & Co., 1 Rutland Court, Edinburgh EH3 8EY, on Wednesday, 25th October 1995 at 12.30 pm, and at any adjournment thereof.

Please indicate with an X in the spaces below how you wish your votes to be cast on a poll. In any case where no indication is given the proxy will vote or abstain as he/she thinks fit.

RESOLUTIONS	FOR	AGAINST
SPECIAL BUSINESS		
1. To approve the Report of the Directors and the Accounts for the year ended 31st July 1995 and to declare a dividend.		
2. To re-appoint Ernst & Young as Auditors.		
3. To authorise the Directors to fix the remuneration of the Auditors.		
4. To approve by Ordinary Resolution that the Directors be authorised to issue additional shares for the purposes of Section 80 of the Companies Act 1985.		
5. To approve by Special Resolution that the Directors be authorised to issue additional shares for the purposes of Section 95 of the Companies Act 1985.		

Signature ____

Dated this ____________________ day of ____________________ 1995.

Notes

1. *In the case of joint holders the vote of the senior who tenders a vote will be accepted.*
2. *A member may appoint a proxy of their own choice by deleting the references to the Chairman of the Meeting and inserting the name of the proxy in the space provided. A proxy need not be a member of the Company but must attend the meeting in person to represent the member.*
3. *An instrument appointing a proxy by a corporation must be given under its common seal or signed by a duly authorised officer or attorney on its behalf.*
4. *An instrument appointing a proxy must be lodged with the Registrar of the Company not less than 48 hours before the time of the meeting, and in default will not be treated as valid.*

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Third fold and tuck in

BUSINESS REPLY SERVICE
Licence No. EH 59

2

The Royal Bank of Scotland plc
Registrars Department
PO Box 457
Owen House
8 Bankhead Crossway North
Edinburgh EH11 0XG

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