

PACIFIC HORIZON INVESTMENT TRUST PLC

Embracing growth, disruption
and innovation



Annual Report and Financial Statements
31 July 2019

Embracing growth, disruption and innovation

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Investor Disclosure Document

The EU Alternative Investment Fund Managers Directive requires certain information to be made available to investors prior to their making an investment in the Company. The Company's Investor Disclosure Document is available for viewing at www.pacifichorizon.co.uk.

Notes

None of the views expressed in this document should be construed as advice to buy or sell a particular investment. Investment trusts are UK public listed companies and as such comply with the requirements of the UK Listing Authority. They are not authorised or regulated by the Financial Conduct Authority.

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

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

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

Company Summary

Pacific Horizon's objective is to invest in the Asia-Pacific region (excluding Japan) and in the Indian Sub-continent in order to achieve capital growth.

Investment Policy

Pacific Horizon's objective is to invest in the Asia-Pacific region (excluding Japan) and in the Indian Sub-continent in order to achieve capital growth. The Company is prepared to move freely between the markets of the region as opportunities for growth vary. The portfolio will normally consist principally of quoted securities although unlisted companies, fixed interest holdings and other non equity investments, may be held. Further details of the Company's investment policy are given in the Business Review on page 7.

Comparative Index

The principal index against which performance is measured is the MSCI All Country Asia ex Japan Index (in sterling terms).

Management Details

The Company has appointed Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, as its Alternative Investment Fund Manager and Company Secretaries. Baillie Gifford & Co Limited has delegated portfolio management services to Baillie Gifford & Co. The Managers may terminate the Management Agreement on six months' notice and the Company may terminate on three months' notice.

With effect from 1 January 2019 the annual management fee is 0.75% on the first £50 million of net assets, 0.65% on the next £200 million of net assets and 0.55% on the remaining net assets. In the periods before 1 January 2019 covered by this report the fee was 0.95% on the first £50 million of net assets, 0.65% on the next £200 million of net assets and 0.55% on the remaining net assets. More details on the Investment Management Agreement are set out on page 19.

Capital Structure

At the year end the Company's share capital consisted of 59,027,282 ordinary shares of 10p each which are issued and fully paid. The Company currently has powers to buy back a limited number of its own ordinary shares for cancellation at a discount to net asset value per share (NAV) as well as to issue shares at a premium to NAV. At the forthcoming Annual General Meeting, the Directors are seeking to renew these authorities and to allow shares bought back to be held in and sold out of treasury. Further information is given on pages 20 and 21.

AIC

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

Duration of the Company

Shareholders have the right to vote on the continuation of the Company every five years. At the Annual General Meeting held on 9 November 2016, the shareholders approved the resolution postponing until the date of the Annual General Meeting of the Company to be held in 2021 or 30 November 2021, whichever is earlier, or such later date as the shareholders may resolve, the obligation of 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.

Strategic Report

This Strategic Report, which includes pages 2 to 17 and incorporates the Chairman's Statement, has been prepared in accordance with the Companies Act 2006.

Chairman's Statement

Performance

In the year to 31 July 2019, the Company's net asset value per share ('NAV') declined by 1.9%*, compared to a 4.2%* rise in the MSCI All Country Asia ex Japan Index in sterling terms. The share price declined by 11.8%* resulting in the shares ending the period at a 7.1% discount having been at a 3.3% premium a year earlier.

Most of the NAV underperformance against the comparative index occurred in the first half of the Company's financial year. As reported in the Interim Report, this was caused by cyclical macro-economic headwinds driving valuations and near-term earnings lower; this particularly affected growth stocks. In addition, there were several stocks in the portfolio whose specific business models were challenged and disrupted faster than the managers expected, or where the threat of greater competition came sooner than the managers originally anticipated. More recent returns continue to be volatile, driven predominantly by investor sentiment in markets. Nonetheless, the Board and Managers continue to believe that investing in growth stocks across the region offers prospects for superior returns over the long term. The Managers' Review on pages 10 to 12 contains a more detailed explanation of the Company's performance.

Over the second half of the year, the Company's NAV increased by 15.4%* and the share price rose by 10.0%*, compared to a 9.1%* rise in the comparative index. The share price failed to keep pace with the rise in the NAV mainly as a result of a large institution placing a sell order close to the Company's year end.

Tender

At last year's Annual General Meeting ('AGM') shareholders approved the authority for the Company to hold a performance-based tender for up to 25 percent of the Company's issued share capital if the Company's NAV total return failed to exceed the total return of the Company's comparative index by at least 1% per annum over a three year period to 31 July 2019 on a cumulative basis. It is therefore pleasing to report that over this three year period, the Company outperformed the comparative index by 3.1 percentage points on an annualised basis and the tender offer will therefore not take place.

	3 Years to 31 July 2019*	Annualised Return Over 3 Years*
NAV Total Return	54.3%	15.5%
MSCI All Country Asia ex Japan Index Total Return (in sterling terms)	42.0%	12.4%

Over the summer months, members of the Board met with a number of larger shareholders from amongst the private wealth management sector and concluded that, as the longer-term performance is satisfactory, it would not be in the interests of the Company to put in place another similar tender process. Should performance be unsatisfactory, there is an opportunity for shareholders to express their views at the Company's next Continuation Vote which will take place as part of the business of the 2021 Annual General Meeting.

Issuance, Share Buy-backs and Treasury

Over the course of the year, a total of 700,000 shares, 1.2% of the shares in issue at the start of the Company's financial year, were issued at a premium to NAV when demand could not be satisfied from existing investors. As in previous years, your Board is seeking shareholder approval at the forthcoming AGM to renew the 10% non-pre-emptive issuance authority. Issuance would continue to be undertaken only at a premium to NAV, thereby avoiding dilution to existing investors. In the event that this authority is utilised, it has the effect of enhancing NAV per share, improving liquidity in the Company's shares and reducing the per share operating expenses.

At the forthcoming AGM, the Board will also be asking shareholders to renew the authority to repurchase up to 14.99% of the outstanding shares on an ad hoc basis, either for cancellation or to be held in treasury, and also to permit the re-issuance of any shares held in treasury. The Board intends to use the buy back authority opportunistically, taking into account not only the level of the discount but also the underlying liquidity and trading volumes in the Company's shares. This approach allows the Board to seek to address any imbalance between the supply and demand for the Company's shares that results in a large discount to NAV whilst being cognisant that current and potential shareholders have expressed a desire for continuing liquidity.

The Board also believes that the Company would benefit from both the flexibility of holding any shares that are bought back in treasury and the consequent ability to re-issue these shares in the circumstances described above.

Management Fee

During the year an amendment was made to the management agreement, with the agreement of a reduction from 0.95% to 0.75% on the first £50 million of net assets as of 1 January 2019. The annual management fee payable by the Company is now charged at a rate 0.75% on the first £50 million of net assets, at 0.65% on the next £200 million of net assets and at 0.55% on the remaining net assets. The fee will continue to be calculated and paid on a quarterly basis. Ongoing charges for the financial year were 0.99% compared to 1.02% for the prior year.

* Calculated on a total return basis. Source: Baillie Gifford/Refinitiv and relevant underlying index providers. See disclaimer on page 55.

For a definition of terms see Glossary of Terms and Alternative Performance Measures on page 56.

Past performance is not a guide to future performance.

Earnings and Dividend

There was a small surplus of 0.01p (0.60p deficit in 2018) in earnings per share this year and consequently no final dividend is being proposed. As highlighted in past reports, investors should not consider investing in this Company if they require income from their investment.

Gearing

Gearing is achieved through the use of bank borrowings. At present the Company has a multi-currency revolving credit facility with The Royal Bank of Scotland for up to £30 million, of which £20 million was drawn at 31 July 2019, split between GBP and USD.

The Board sets the gearing parameters within which the managers are permitted to operate and these are reviewed at each Board meeting. At present, the agreed range of equity gearing is minus 15% (i.e. holding net cash) to plus 10%. At the year end, invested gearing was 8.3%, compared to 7.9% at the start of the year.

Unlisted Investments

Last year, shareholders approved a change in the Company's Investment Policy, permitting the Managers to invest up to a maximum of 10% of total assets in unlisted securities (such asset value being calculated at the point of initial investment). At the time the portfolio had four unlisted investments accounting for 1.6% of total assets. Over the course of the year, no new unlisted investments were made and NIO, the Chinese electric vehicle developer and manufacturer, listed on the New York Stock Exchange. As a consequence, the Company held three unlisted investments as at 31 July 2019, accounting for 1.3% of total assets: Philtown Properties (nil%), a holding inherited following its spin-out from RFM Corp of the Philippines in 2009; JHL Biotech (0.4%), a Taiwanese biotech which was taken private with a view to listing in Hong Kong; and a JHL Biotech Convertible Bond (0.9%) issued as part of its de-listing.

Governance and Stewardship

The Board is very aware that shareholders expect good governance. Our Managers, Baillie Gifford, adopt a position of supportive and constructive engagement with those companies whose shares we own, without prescriptive policies or rules, assessing matters on a case-by-case basis. As part of maximising long-term performance for the benefit of the Company's shareholders, the managers consider Environmental, Social and Governance (ESG) factors as part of the investment case. The degree to which ESG concerns have an impact on a potential investment decision is qualitative and depends upon the managers' subjective understanding of the issues.

Details of the Company's policy on socially responsible investment can be found under Corporate Governance and Stewardship on page 25. A document outlining Baillie Gifford's Governance and Sustainability principles can be found at www.bailliegifford.com.

Changes to the Board

Two new Directors joined the Board during the year – Angela Lane, whose appointment was ratified by shareholders at last year's AGM and Richard ('Joe') Studwell, whose appointment falls to be ratified by shareholders at this year's AGM. Their respective biographies are contained on page 18.

At the conclusion of your Company's AGM, I will be standing down from the Board. Having been Chairman since 2010 and a Director since 2003, I believe it is right that others take on the opportunity to direct the Company going forward. I have greatly enjoyed my time on the Board and appreciated working with some very talented fellow Directors. The Board has determined that Angus Macpherson will become the Company's next Chairman. He has very relevant skills and experience and I wish him and the Board continued success.

Outlook

There are currently an increasing number of global political, social and economic issues to worry investors, but there are also a large number of companies in our universe that continue to grow successfully and can be bought at reasonable valuations. The most pertinent issue for our markets is the disagreement between the USA and China regarding tariffs on goods in and out of the region. China is not giving in and is now using the Renminbi exchange rate to offset some of the rising costs to Chinese exporters. A more localised issue is the political disturbance in Hong Kong and whether it can be resolved to the satisfaction of all parties.

Aside from the Asian region, UK shareholders are focussed on Brexit. The Board, along with Baillie Gifford, has considered the uncertainties surrounding Brexit and concluded that they will not have a material impact on the Company and that the Company's main Brexit-related exposure is to fluctuations in exchange rates which will have an impact on both the value of the Company's investments and borrowings denominated in currencies other than sterling.

The Board believes that the managers are focussed on both the risks and the rewards in the portfolio, and that the portfolio is well positioned to weather potential externally generated short term volatility, whilst providing shareholders with good returns over the longer term.

Annual General Meeting

This year's AGM will take place on 12 November 2019 at the offices of Baillie Gifford & Co in Edinburgh at 11.00am. I would encourage shareholders to arrive by 10.50am to allow time to register. The managers will make a presentation and, along with the Directors, will answer any questions from shareholders. I hope to see as many of you as possible there.

Jean Matterson
Chairman
20 September 2019



One Year Summary*

	31 July 2019	31 July 2018	% change	
Total assets	£223.8m	£225.1m		
Borrowings	£20.4m	£20.2m		
Shareholders' funds	£203.4m	£204.9m		
Net asset value per ordinary share	344.50p	351.26p	- (1.9)	
Share price	320.00p	363.00p	(11.8)	
MSCI All Country Asia ex Japan Index (in sterling terms)†‡	521.4	514.2	1.4	
Dividend proposed per ordinary share in respect of the financial year	Nil	Nil		
Revenue earnings per ordinary share	0.01	(0.60p)		
Ongoing charges‡	0.99%	1.02%		
Premium/(discount)‡	(7.1%)	3.3%		
Active share‡	84%	84%		
Year to 31 July	2019	2018		
Total return##				
Net asset value per ordinary share	(1.9%)	13.6%		
Share price	(11.8%)	26.9%		
MSCI All Country Asia ex Japan Index (in sterling terms)†	4.2%	6.0%		
Year to 31 July	2019	2019	2018	2018
Year's high and low	High	Low	High	Low
Net asset value per ordinary share	357.80p	276.82p	383.05p	304.97p
Share price	367.00p	264.00p	393.00p	280.13p
Premium/(discount)‡	5.5%	(7.5%)	5.5%	(10.5%)
	31 July 2019	31 July 2018		
Net return per ordinary share				
Revenue return	0.01p	(0.60p)		
Capital return	(6.65p)	40.90p		
Total return	(6.64p)	40.30p		

NAV, Share Price and Comparative Index† Total Returns‡

(rebased to 100 at 31 July 2018)

* For a definition of terms see Glossary of Terms and Alternative Performance Measures on page 56.

† The MSCI All Country Asia ex Japan Index (in sterling terms) is the principal index against which performance is measured.

Source: Baillie Gifford/Refinitiv and relevant underlying index providers. See disclaimer on page 55.

‡ Alternative Performance Measure – see Glossary of Terms and Alternative Performance Measures on page 56.

Past performance is not a guide to future performance.

Five Year Summary

The following charts indicate how Pacific Horizon has performed relative to its comparative index* and the relationship between share price and net asset value over the five year period to 31 July 2019.

**5 Year Total Return Performance[†]
Share Price, Net Asset Value and Index**
(figures rebased to 100 at 31 July 2014)

Annual Share Price and NAV Total Returns[†]

Premium/(discount) to Net Asset Value[†]
(figures plotted on a monthly basis)

Relative Annual Share Price and NAV Total Returns[†]
(compared to the MSCI All Country Asia ex Japan Index*)

*The MSCI All Country Asia ex Japan Index (in sterling terms) is the principal index against which performance is measured.

[†]Alternative Performance Measure – see Glossary of Terms and Alternative Performance Measures on page 56.

#See disclaimer on page 55.

Past performance is not a guide to future performance.

Ten Year Record*

Capital

At 31 July	Total assets* £'000	Bank loans £'000	Shareholders' funds* £'000	Net asset value per share* p	Share price p	Premium/(discount)* %
2009	105,851	–	105,851	135.21	124.75	(7.7)
2010	127,939	–	127,939	163.42	146.00	(10.7)
2011	137,350	–	137,350	178.53	165.00	(7.6)
2012	129,097	–	129,097	172.01	149.50	(13.1)
2013	134,638	–	134,638	182.01	156.75	(13.9)
2014	145,063	4,146	140,917	200.95	177.75	(11.5)
2015	139,167	13,997	125,170	197.78	181.63	(8.2)
2016	132,702	5,000	127,702	223.58	201.00	(10.1)
2017	182,523	14,773	167,750	309.15	286.00	(7.5)
2018	225,063	20,183	204,880	351.26	363.00	3.3
2019	223,755	20,405	203,350	344.50	320.00	(7.1)

Revenue

Year to 31 July	Gross revenue £'000	Available for ordinary shareholders £'000	Revenue earnings per ordinary shares † p	Dividend per ordinary share net p	Ongoing charges* %	Invested gearing* %	Potential gearing* %
2009	3,579	1,915	2.44	1.80	1.31	(2)	–
2010	2,999	1,295	1.65	1.30	1.24	(2)	–
2011	3,441	1,546	1.98	1.50	1.22	(1)	–
2012	3,234	1,491	1.97	1.50	1.26	(2)	–
2013	2,967	1,242	1.66	1.50	1.15	(1)	–
2014	2,550	1,019	1.40	1.40	1.01	2	3
2015	1,886	231	0.35	0.35	1.02	8	11
2016	1,331	(182)	(0.30)	0.35	1.13	3	4
2017	1,559	(211)	(0.38)	Nil	1.07	7	9
2018	2,032	(328)	(0.60)	Nil	1.02	8	10
2019	2,473	8	0.01	Nil	0.99	8	10

Gearing Ratios

Cumulative Performance (taking 2009 as 100)

At 31 July	Net asset value per share*	Net asset value total return**	Share price	Share price total return**	Comparative Index**	Comparative Index total return**	Revenue earnings per ordinary share	Retail price index#
2009	100	100	100	100	100	100	100	100
2010	121	122	117	119	117	120	68	105
2011	132	135	132	135	134	141	81	110
2012	127	131	120	124	120	130	81	114
2013	135	140	126	131	131	145	68	117
2014	149	156	142	150	136	155	57	120
2015	146	154	146	154	135	158	14	121
2016	165	175	161	171	152	183	(12)	123
2017	229	242	229	244	191	236	(16)	128
2018	260	275	291	310	197	250	(25)	132
2019	255	270	257	273	200	260	–	135

Compound annual returns

5 year	11.4%	11.6%	12.5%	12.7%	8.0%	10.9%	(62.8)	2.5%
10 year	9.8%	10.4%	9.9%	10.6%	7.2%	10.0%	(40.0)	3.1%

* For a definition of terms see Glossary of Terms and Alternative Performance Measures on page 56.

† The calculation of earnings per share is based on the net revenue from ordinary activities after taxation and the weighted average number of ordinary shares (see note 7, page 41).

Source: Refinitiv and relevant underlying index providers. See disclaimer on page 55.

‡ On 1 August 2011 the Company changed its comparative index from the MSCI All Country Far East ex Japan Index (in sterling terms) to the MSCI All Country Asia ex Japan Index (in sterling terms). For the purposes of the above tables the returns on both comparative indices for their respective periods have been linked to form a single comparative index.

Past performance is not a guide to future performance.

Business Review

Business Model

Business and Status

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

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

The Company is an Alternative Investment Fund for the purposes of the EU Alternative Investment Fund Managers Directive.

Investment Objective

The Company's objective is to invest in the Asia-Pacific region (excluding Japan) and in the Indian Sub-continent in order to achieve capital growth. The Company is prepared to move freely between the markets of the region as opportunities for growth vary. The portfolio will normally consist principally of quoted securities.

Investment Policy

Pacific Horizon aims to achieve capital growth principally through investment in companies listed on the stock markets of the Asia-Pacific region (excluding Japan) and the Indian Sub-continent. The Company may also invest in companies based in the region and in investment funds specialising in the region or particular countries or sectors within it even if they are listed elsewhere. The maximum permitted investment in one company is 15% of total assets at time of investment.

The portfolio contains companies which the Managers have identified as offering the potential for long term capital appreciation, irrespective of whether they comprise part of any index. The portfolio is actively managed and will normally consist principally of quoted equity securities although unlisted companies, fixed interest holdings or other non equity investments may be held. The maximum exposure to unlisted investments is 10% of total assets at the time of initial investment. The Company is also permitted to invest in other pooled vehicles (general, country and sector specific) that invest in the markets of the region.

In constructing the equity portfolio a spread of risk is created through diversification and the portfolio will typically consist of between 40 and 120 holdings. Although sector concentration and the thematic characteristics of the portfolio are carefully monitored, no maximum limits to stock or sector weights have been set by the Board except as imposed from time to time by banking covenants on borrowings.

The Company may use derivatives which will be principally, but not exclusively, for the purpose of reducing, transferring or eliminating investment risk in its investments. These typically take the form of index futures, index options and currency forward transactions.

The Company has a maximum approved equity gearing level of 50% of shareholders' funds but, in the absence of exceptional market conditions, equity gearing is typically less than 25% of shareholders' funds. Borrowings are invested in securities when it is considered that investment opportunities merit the Company taking a geared position. The Company is also permitted to be less than fully invested. Cash and equity gearing levels, and the extent of gearing, are discussed by the Board and Managers at every Board meeting.

Performance

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

Key Performance Indicators

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

- the movement in net asset value per ordinary share on a total return basis;
- the movement in the share price on a total return basis;
- the premium/(discount) of the share price to the net asset value per share; and
- the ongoing charges.

An explanation of these measures can be found in the Glossary of Terms and Alternative Performance Measures on page 56. The one, five and ten year records for the KPIs can be found on pages 4, 5 and 6, respectively.

In addition to the above, the Board also has regard to the total return of the Company's principal comparative index (MSCI All Country Asia ex Japan Index (in sterling terms)) and considers the performance of comparable companies.

Borrowings

The Company has a one year multi-currency revolving credit facility of up to £30 million with The Royal Bank of Scotland International Limited (31 July 2018 – up to £30 million).

At 31 July 2019 there were outstanding drawings of £10,000,000 and US\$12,739,900 at interest rates of 1.28492% and 2.9272% respectively (31 July 2018 – £10,000,000 and US\$13,358,000 at interest rates of 1.08075% and 2.79063% respectively).

Principal Risks

As explained on pages 24 and 25 there is a process for identifying, evaluating and managing the risks faced by the Company on a regular basis. The Directors have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. There have been no significant changes to the principal risks during the year. A description of these risks and how they are being managed or mitigated is set out below:

Financial Risk – the Company's assets consist mainly of listed securities and its principal financial risks are therefore market related and include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. An explanation of those risks and how they are managed is contained in note 15 to the Financial Statements on pages 44 to 48. As oversight of this risk, the Board considers at each meeting various metrics including regional and industrial sector weightings, top and bottom stock contributors to performance along with sales and purchases of investments. Individual investments are discussed with the portfolio managers together with their general views on the various investment markets and sectors. A strategy meeting is held annually.

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

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

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

Custody and Depositary Risk – safe custody of the Company's assets may be compromised through control failures by the Depositary, including breaches of cyber security. To monitor potential risk, the Audit Committee receives six monthly reports from the Depositary confirming safe custody of the Company's assets held by the Custodian. Cash and portfolio holdings are independently reconciled to the Custodian's records by the Managers who also agree uncertificated unlisted portfolio holdings to confirmations from investee companies. The Custodian's audited internal controls reports are reviewed by Baillie Gifford's Business Risk Department and a summary of the key points is reported to the Audit Committee and any concerns investigated. In addition, the existence of assets is subject to annual external audit.

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

Leverage Risk – the Company may borrow money for investment purposes. If the investments fall in value, any borrowings will magnify the impact of this loss. If borrowing facilities are not renewed, the Company may have to sell investments to repay borrowings. The Company can also make use of derivative contracts. To mitigate this risk, all borrowings require the prior approval of the Board and leverage levels are discussed by the Board and Managers at every meeting. Covenant levels are monitored regularly. The majority of the Company's investments are in quoted securities that are readily realisable. Further information on leverage can be found in note 16 on page 48 and the Glossary of Terms and Alternative Performance Measures on page 56.

Political and Associated Economic Risk – the Board is of the view that political change in areas in which the Company invests or may invest may have financial consequences for the Company. Political developments are closely monitored and considered by the Board, particularly in respect of tensions between the USA and China regarding tariffs and unrest in Hong Kong. The Board also continues to monitor developments as they occur regarding the UK Government's intention that the UK should leave the European Union and to assess the potential consequences for the Company's future activities. Whilst there remains considerable uncertainty at present, the Board believes that the Company's portfolio, which predominantly comprises companies listed on the stock markets of the Asia Pacific region (excluding Japan) and the Indian Sub-continent, positions the Company to be suitably insulated from Brexit-related risk.

Viability Statement

Notwithstanding that the continuation of the Company is subject to approval of shareholders every five years, with the next vote at the Annual General Meeting in 2021, the Directors have, in accordance with provision C.2.2 of the 2016 UK Corporate Governance Code, published by the Financial Reporting Council, assessed the prospects of the Company over a three year period. The Directors continue to believe this period to be appropriate as it is reflective of the Company's investment approach. In the absence of any adverse change to the regulatory environment and the favourable tax treatment afforded to UK investment trusts, such a period is one over which they do not expect there to be any significant change to the current principal risks and to the adequacy of the mitigating controls in place. The Directors do not envisage any change in the Company's strategy or objectives nor do they foresee any events that would prevent the Company from continuing in existence over that period.

In making this assessment regarding viability, the Directors have taken into account the Company's current position and have conducted a robust assessment of the Company's principal risks and uncertainties (as detailed on page 8), in particular the impact of market risk where a significant fall in the Asia-Pacific (excluding Japan) and the Indian Sub-continent equity markets would adversely impact the value of the investment portfolio. The Directors have also considered the Company's investment objective and policy, the level of demand for the Company's shares, the nature of its assets, its liabilities and its projected income and expenditure. The vast majority of the Company's investments are readily realisable and can be sold to meet its liabilities as they fall due, the main liability currently being the short term bank borrowings. In addition, substantially all of the essential services required by the Company are outsourced to third party service providers; this allows key service providers to be replaced at relatively short notice where necessary.

The Board has specifically considered the uncertainties regarding the UK Government's continuing negotiations to leave the European Union and does not consider that any of the possible outcomes would affect the going concern status or viability of the Company.

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

Employees, Human Rights and Community Issues

The Board recognises the requirement to provide information about employees, human rights and community issues. As the Company has no employees, all its Directors are non-executive and all its functions are outsourced, there are no disclosures to be made in respect of employees, human rights and community issues.

Gender Representation

As at 31 July 2019, and the date of this report, the Board comprises five Directors, three male and two female. The Company has no employees. The Board's policy on diversity is set out on page 24.

Environmental, Social and Governance Policy

Details of the Company's policy on socially responsible investment can be found under Corporate Governance and Stewardship on page 25, with more details of the Managers' approach to socially responsible investment set out under Environmental, Social and Governance in the Managers' Review on page 12.

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

Managers' Review

Overview

The current age of uncertainty might be defined thus: the old order has been undermined, but the shape of the new one is not yet clear. What determines how it turns out? Transformational technology? The sudden rise of China? Perhaps the consequences of unorthodox monetary policy? Most likely a combination of all these and more. What is certain is that, even amidst this upheaval, the search for growth and the discovery of and investment in great companies will enable outperformance for the benefit of shareholders.

At a company level we see huge opportunities and risks. Companies appear from nowhere to become multi-billion USD enterprises while others see what was a unique competitive advantage disappear overnight. As an example, our largest holding at the start of the year, Sunny Optical Technology, fell over 60% from peak to trough, as new algorithms reduced the need for precision lenses in smartphone cameras, eroding its competitive advantage. In China, Tencent and Baidu have found previously unassailable online advertising business models successfully attacked by new competitors. In four years, TikTok has gone from having less than 2% of China's social/media advertising budget to 40%-plus in 2019, making it larger than Tencent in this sphere.

If we reject the risk and uncertainty arising from investment in times of rapid change, we will lose the opportunity to outperform; hence our continued willingness to look for great individual company return opportunities. The existence of risk and uncertainty, however, means that we will inevitably make what, in hindsight, appear to be mistakes and that many of our investments will be less successful than we had initially hoped. Our approach is to back our current holdings, which we hope will outperform in the longer term, whilst continuously searching for stocks which have the potential to deliver significantly enhanced returns over longer time frames.

In the year to 31 July 2019, on a total return basis, the Company's NAV and share price decreased by 1.9%* and 11.8%* respectively. This compares unfavourably against the Company's comparative index, the MSCI All Country Asia ex Japan Index (in sterling terms), which rose by 4.2%*.

Over the course of our latest financial year, market performance can be divided into two distinct halves. In late 2018, many businesses previously doing very well were severely hampered by global trade wars, a liquidity crunch and technology in transition. This hurt the share prices of many of our holdings and the portfolio lost significant value. In hindsight, we were late in selling several of our previous winners, including Sunny Optical Technology, Macronix and Geely Automobile; albeit still making a significant return on these investments during the period when we were investors. In the current calendar year, several of our holdings, which hitherto had not performed, started on their own growth course and continue to do well. For example, SEA Limited in South-East Asia, launched a new hit game Free Fire, which rapidly garnered 450 million downloads and 50 million daily active users, having a very positive impact on its share price.

The risks and opportunities from increased disruption are here to stay. In our view, the market's focus on geopolitics and capital flows misses the bigger picture, that of a global rise in digital penetration, technological change and the rise of the Asian middle class.

These fundamentals will underpin growth in the region for decades to come. We believe that the best way to invest in this rapidly-changing growth market is to find the best long-term growth companies.

Philosophy

We are excited by the future. We are growth investors looking for rapidly growing companies. Believing that time is on our side, we are patient. We seek out companies whose business models and management teams are very likely to fulfil their ambitions. We are looking for areas where our ideas give us an edge on the market over a longer time frame.

When thinking about growth, we look for companies that have the potential to increase their revenue and earnings at around 15% per annum for the next five years or longer, and for opportunities where we feel this potential has not been fully recognised by the market. Our approach may lead to significant investment concentration in certain areas of the market depending upon the immediate outlook for different countries and sectors. As well as growth potential, the corporate characteristics we look for include sustainable competitive advantages, attractive financials and good management. We also target stocks where a wider range of positive potential outcomes may not be recognised by the market but which seem likely to enhance their profitability.

Our starting premise is how we think the world and individual countries may change over the next three, five and ten years plus, in every area of life – economically, socially and politically – and the impact that technology might have on these trends. When we look at a company and think about what the market size of its industry might be, we ask ourselves what the current rate of growth is, how this industry could change and whether there are additional opportunities for growth in adjacent markets that the company could enter. This gives us a rough estimate of the potential total addressable market for a company and its products and its growth potential. We examine the competitive dynamics of the industry and try to understand how these are likely to change. We ask whether the industry is improving and whether the likely position of the company within it is also changing for the better. Lastly, we look for a management team that we believe has the ability, ambition and integrity to deliver on its promise. The ideal team has a vision of the future and knows how, in its own small space, it can realise this vision.

The background to this process, however, is inevitably one of uncertainty. Both error and chance play a huge role in any eventual outcome: hence the way the portfolio is diversified by country, sector and industry. More importantly we understand that not all the companies we choose to invest in will realise their potential value and growth potential. We will remain committed

* Source: Baillie Gifford/Refinitiv and relevant underlying index providers. See disclaimer on page 55.

For a definition of terms see Glossary of Terms and Alternative Performance Measures on page 56.

Past performance is not a guide to future performance.

to and back our winners and reduce and sell our losers. Ideally, we will end up with a small group of stocks which, due to compounding growth and profit, will generate significant longer-term returns. These will be counterbalanced by a potentially larger group that have not reached this level of performance. Due to smaller holdings sizes in this latter group and the benefits of enhanced returns from our successful investments, we aim to deliver outperformance over time.

The growth characteristics of the current portfolio remain strong, with historic earnings growth at 18.0% and one-year forecast earnings growth of 33.1%, versus 10.7% and 8.5% respectively for the comparative index. The portfolio's estimated price-to-earnings ratio for the current year is 18.7x versus 13.2x for the comparative index. Over the longer term, we believe the higher growth potential of our holdings more than justifies this additional multiple. The portfolio now has a slightly lower proportion of larger capitalised stocks compared to last year with 21.8% of the portfolio invested in companies capitalised below £1 billion and a further 33.0% in companies with a market capitalisation of less than £5 billion; this compares with 0.1% and 13.5% respectively in the comparative index. Active share is 84% and turnover for the year was 23.3%. The portfolio has invested gearing of 8.3%.

Finally, we continue to believe that the rapid development of technology is creating a fundamental change in market behaviour, with digitalisation driving profound changes in economic and political systems, businesses, consumer habits and behaviours. The number of sectors and industries that are becoming digitalised and connected is increasing rapidly. There is growing awareness of these changes across the globe. Artificial Intelligence ('AI') is now taken for granted and the concept of electric rather than gasoline-powered cars is now considered as a commercial inevitability rather than a distant vision.

Review

We actively seek out the big winners, the stocks that can give us asymmetric returns. Over the last year this approach has largely played out as intended, with a few of our chosen stocks making enormous gains. Interestingly, the top five positive contributors to relative returns versus the comparative index in the year were all stocks we had either bought (SEA Limited, Li Ning, Accton Technology, Ping An Bank) or sold (Baidu) in the prior financial year, supporting our view of 2018 as a year of change.

Over the year we reduced exposure to some of our larger positions in the Information Technology sector. Our sector exposure here now accounts for 19.6% of the portfolio, down from a restated 31.5% a year ago – restated to reflect the reclassification by MSCI of some stocks into different commercial sectors, mainly Communication Services. Despite this, Information Technology continues to be our largest absolute sector position. Over the course of the financial year, it had an average return of minus 7.5%, significantly underperforming the broader index return of a 4.2% gain and the sector return of 3.7%. SEA Limited, the Singapore-based e-commerce and gaming company, rose 167% and became our largest holding following a re-rating

sparked by its new hit game Free Fire, which is likely to deliver close to a US\$1 billion of revenue for it in 2019. This was one of the holdings reclassified to the Communication Services sector, resulting in our exposure here returning 67.5% versus 14.0% for the sector. We further reduced our holding in Tencent, reflecting our concern that the company's previous leadership in the WeChat social platform is being threatened by ByteDance. We sold Sunny Optical Technology, our biggest performance detractor of the year, over concerns that new AI algorithms were reducing its leadership advantage in high-precision lenses and threatening margins. We also sold Macronix and reduced SK Hynix as the global semiconductor memory market looked set for an extended downturn.

The Consumer Discretionary sector is our second largest sector exposure at 16.6%, down from 20.5% in the previous year. As economic growth within the region recovers, the focus on the Asian consumer and the consequent growth opportunities has the potential to generate increased investor interest. Li-Ning, a domestic Chinese online footwear brand performed very well, rising 146% on the back of a recovery in sportswear sales. We reduced our holding in Geely Automobile as the Chinese car maker is undergoing a prolonged restructuring. Despite significant share price volatility, we have broadly maintained our holdings in JD.com and Alibaba.

The Financial sector represents the third largest sector weighting in the portfolio at 16.4%. We sold Mumbai-based IndusInd Bank after it had performed well over several years. We remain concerned that rapid credit growth may lead to an increase in non-performing loans, and we decided to sell before a management transition next year.

On the negative side, South Korea was our worst performing market, falling 20% and detracting 450 basis points from the portfolio's overall performance. A combination of factors, including trade disputes with China and Japan, weak semiconductor and smartphone sales and negative sentiment towards biotech companies all affected our diverse range of holdings in the country. We had only two contributors to positive performance: software company Douzone Bizon and Samsung battery power subsidiary Samsung SDI. We have maintained most of our holdings and we are confident of their potential for future growth despite the poor short-term stock performance.

Our Vietnamese exposure hurt as this frontier market suffered from liquidity outflows and reduced investor appetite for risk in this market. We continue to be attracted to the long-term outlook for the country and believe that its economic prospects have been bolstered by the US trade conflict with China. Our Vietnam holdings fell 6.4% on average during the year. We see the Vietnamese economy as an under-appreciated growth story.

In terms of the countries where we invest, our Hong Kong and China weighting decreased from 40.2% to 34.4%. It remains the largest country weighting in the portfolio, followed by South Korea at 19.0%.

Environmental, Social and Governance

As growth investors, we are attracted to companies whose products will benefit from strong future demand. These companies not only have to produce better and cheaper products and services than their competitors, but they must also be alert for changes in the outlooks and attitudes of the societies of which they form a part.

Companies that fail to keep pace with the societies they serve tend to fail, either as a result of falling consumer demand for their products or because of government intervention in their activities. When taking investment decisions, we consider the potential positive and negative impact on society that these companies may have, and how their commercial activities may be perceived by their external stakeholders in the future.

For our long-term investments to be successful, the companies in which we invest must add value to society. This can be achieved in various ways. For example, the products of our regenerative biotech companies may allow many to benefit from otherwise unachievable medical cures; our internet companies provide goods and services at prices and in quantities that were previously beyond the reach of many; and our technology holdings are helping to enable the greatest and most rapid increase in human connectivity and information availability on record.

Lastly, it is very important to us that the interests of minority shareholders must be upheld; we remain careful to make sure our interests as investors are aligned with those of majority shareholders and owners.

Outlook

There is significant potential for positive returns from the Asia Pacific region in the coming years. Our focus remains on investment in individual stocks which will benefit from the economic, social and technological changes in evidence across the region. In the near term, the recent market noise over trade wars, slowing global growth and a rising US dollar are obscuring the underlying reality of strong, consistent economic growth and social opportunity within the region. When the market looks again at fundamentals in Asia, we expect it to see healthy growing economies, with attractively priced companies and undervalued currencies, all creating significant investment opportunities for the Company, and all to the benefit of our shareholders.

Review of Investments

A review of the Company's ten largest investments as at 31 July 2019 is given below and on the following page.

SEA Limited ADR

Sea Limited is one of the leading players in South East Asia within the gaming markets and online e-commerce. It is an independent company with significant backing from Tencent. Its markets have the potential to grow exponentially over the next decade.

Country	Singapore
Valuation	£18,383,000
% of total assets*	8.2%
(Valuation at 31 July 2018	£6,891,000)
(% of total assets at 31 July 2018	3.1%)

Alibaba Group ADR

Alibaba is the dominant company in the rapidly developing Chinese e-commerce market. It operates under a marketplace model and collects revenues from commissions, marketing services, subscription fees, cloud computing and other value added services. The opportunity in China in e-commerce remains substantial, with traditional bricks and mortar retailers likely to be significantly disrupted. An entrepreneurial management team, strong cash generating capacity and an industry leading position combine to make this an attractive investment opportunity.

Country	Hong Kong and China
Valuation	£11,834,000
% of total assets*	5.3%
(Valuation at 31 July 2018	£14,194,000)
(% of total assets at 31 July 2018	6.3%)

Li Ning

Li Ning is the leading domestic branded sportswear retailer in China. It is in the midst of a turnaround where the company's sales are playing catch-up to its strong brand image. The Chinese brand is catching the younger market and is driving a significant increase in sales.

Country	Hong Kong and China
Valuation	£9,182,000
% of total assets*	4.1%
(Valuation at 31 July 2018	£3,752,000)
(% of total assets at 31 July 2018	1.7%)

Accton Technology

Accton researches and manufactures computer network systems. It is a leading provider for white box solutions, especially switches, into the US data centre companies, where it has worked with Facebook and Amazon. It currently has a lead in technology provider 100G and 400G switches with a 100% market share. The company is also looking to sell to telecoms companies when they roll out 5G networks.

Country	Taiwan
Valuation	£7,626,000
% of total assets*	3.4%
(Valuation at 31 July 2018	£5,844,000)
(% of total assets at 31 July 2018	2.6%)

Tencent Holdings

Tencent hosts the largest online community in China offering its customers a wide range of services, from instant messaging to online games to social networking. The dynamics of the Chinese internet industry are very positive as Chinese consumers are increasingly adopting the internet as a preferred channel for media distribution. Penetration is low but rising rapidly, and mobile broadband delivery is likely to be especially popular in a country which has enthusiastically embraced mobile devices. Tencent is well positioned to benefit from these trends and the increasing monetisation of its customer base over time.

Country	Hong Kong and China
Valuation	£7,295,000
% of total assets*	3.3%
(Valuation at 31 July 2018	£11,833,000)
(% of total assets at 31 July 2018	5.2%)

Samsung SDI

Samsung SDI is the fastest growing part of Samsung Electronics; it owns a 15% stake in Samsung Display, where OLED production for Apple/Samsung is ramping up rapidly over the next few years. It is also one of the world leaders in EV batteries, an area with significant growth prospects.

Country	Korea
Valuation	£7,196,000
% of total assets*	3.2%
(Valuation at 31 July 2018	£6,977,000)
(% of total assets at 31 July 2018	3.1%)

* For a definition of terms see Glossary of Terms and Alternative Performance Measures on page 56.

Ping An Insurance H Shares

Ping An is the leading private insurance company in China. It has been investing heavily in technology which gives it superior competitive advantage compared with its state-owned peers. Insurance penetration in China is low and has the potential to be a long-term growth opportunity for the company.

Country	Hong Kong and China
Valuation	£6,468,000
% of total assets*	2.9%
(Valuation at 31 July 2018	£6,930,000)
(% of total assets at 31 July 2018	3.1%)

CNOOC Ltd

CNOOC explores, develops and produces crude oil and natural gas in China. It has first right of refusal for all development in the South China Sea. The company has the potential to increase its production over the next five years significantly higher than the market expects.

Country	Hong Kong and China
Valuation	£6,440,000
% of total assets*	2.9%
(Valuation at 31 July 2018	£4,307,000)
(% of total assets at 31 July 2018	1.9%)

Dragon Capital Vietnam Enterprise Investments

Vietnam Enterprise Investments is an investment trust with investments in Vietnam. It gives a broad range of exposure to listed and pre-IPO stocks and the management has a strong local knowledge.

Country	Vietnam
Valuation	£5,905,000
% of total assets*	2.6%
(Valuation at 31 July 2018	£5,855,000)
(% of total assets at 31 July 2018	2.6%)

Ping An Bank A Shares

Ping An Bank is a subsidiary of Ping An and is a small corporate bank in China that is using technology and Ping An's leadership to morph into a retail bank. Net interest margins are set to rise, non-performing loans to fall and return on equity to be sustainably higher in the next few years.

Country	Hong Kong and China
Valuation	£5,825,000
% of total assets*	2.6%
(Valuation at 31 July 2018	£2,242,000)
(% of total assets at 31 July 2018	1.0%)

* For a definition of terms see Glossary of Terms and Alternative Performance Measures on page 56.

List of Investments as at 31 July 2019

Name	Country	Business	2019 Value £'000	2019 % of total assets*
SEA Limited ADR	Singapore	Internet gaming and e-commerce	18,383	8.2
Alibaba Group ADR	HK/China	Online and mobile commerce	11,834	5.3
Li Ning	HK/China	Sportswear apparel supplier	9,182	4.1
Accton Technology	Taiwan	Server network equipment manufacturer	7,626	3.4
Tencent Holdings	HK/China	Online gaming and social networking	7,295	3.3
Samsung SDI	Korea	Electrical equipment manufacturer	7,196	3.2
Ping An Insurance H Shares	HK/China	Life insurance provider	6,468	2.9
CNOOC Ltd	HK/China	Oil and gas producer	6,440	2.9
Dragon Capital Vietnam Enterprise Investments	Vietnam	Vietnam investment fund	5,905	2.6
Ping An Bank A Shares	HK/China	Consumer bank	5,825	2.6
JD.com ADR	HK/China	Online mobile commerce	5,105	2.3
Kingdee International Software	HK/China	Enterprise management software distributor	5,062	2.3
Koh Young Technology	Korea	3D inspection machine manufacturer	4,864	2.2
ICICI Bank ADR	India	Retail and corporate bank	4,061	1.8
SK Hynix	Korea	Electronic component and device manufacturer	4,031	1.8
PT Aneka Tambang	Indonesia	Nickel miner	3,996	1.8
PT Vale Indonesia	Indonesia	Nickel miner	3,712	1.7
Douzone Bizon	Korea	Enterprise resource planning software developer	3,651	1.6
HDBank	Vietnam	Consumer bank	3,494	1.6
Info Edge	India	Multi-service online review aggregator	3,346	1.5
BizLink Holding	Taiwan	Electrical components manufacturer	3,307	1.5
Jadestone	Singapore	Oil and gas explorer and producer	2,937	1.3
Military Commercial Joint Stock Bank	Vietnam	Retail and corporate bank	2,935	1.3
Nickel Mines	Indonesia	Base metals miner	2,924	1.3
Vincom	Vietnam	Property developer	2,812	1.3
Zai Lab ADR	HK/China	Biopharmaceutical company	2,609	1.2
AviChina Industry & Technology H Shares	HK/China	Aircraft and aircraft parts manufacturer	2,559	1.1
Genexine	Korea	Therapeutic vaccine researcher and developer	2,548	1.1
Bharat Electronics	India	Indian defence company	2,392	1.1
Reliance Industries	India	Petrochemical company	2,388	1.1
Brilliance China Automotive	HK/China	Minibus and automotive components manufacturer	2,335	1.0
Korea Zinc	Korea	Non-ferrous metals smelter and manufacturer	2,238	1.0
Geely Automobile	HK/China	Automobile manufacturer	2,212	1.0
Precision Tsumagi	HK/China	Industrial machinery manufacturer	2,101	0.9
JHL Biotech Convertible Bond@*	Taiwan	Biopharmaceutical company	2,036	0.9
ICICI Lombard	India	General insurance provider	2,031	0.9
TCI	Taiwan	Food producer	1,986	0.9
Cowell Fashion	Korea	Apparel manufacturer	1,901	0.9
Mitac Holdings	Taiwan	GPS and server products distributor	1,899	0.8
Enzychem Lifesciences Corp	Korea	Biopharmaceutical company	1,837	0.8
Hoa Phat Group	Vietnam	Steel and related products manufacturer	1,804	0.8
Bioneer	Korea	Drug researcher and developer	1,799	0.8
NCSOFT	Korea	Online games developer	1,784	0.8
Samsung Electronics	Korea	Memory, phones and electronic components manufacturer	1,738	0.8
Basso Industries	Taiwan	Powerdrills manufacturer	1,690	0.8
Cafe24	Korea	Web service provider	1,610	0.7
Saigon Securities	Vietnam	Brokerage and securities company	1,578	0.7

Strategic Report

Name	Country	Business	2019 Value £'000	2019 % of total assets*
Kingpak Technology	Taiwan	Semiconductor packaging supplier	1,556	0.7
Jianpu Technology ADR	HK/China	Platform for financial products	1,547	0.7
Techtronic Industries	HK/China	Power tool manufacturer	1,460	0.7
Petro Matad	Mongolia	Oil explorer and producer	1,422	0.6
Medy-Tox	Korea	Global biopharmaceutical company	1,376	0.6
Chinasoft International	HK/China	Information technology provider	1,374	0.6
Doosan Bobcat	Korea	Construction and mining machinery manufacturer	1,348	0.6
NIO Inc ADR	HK/China	Electric vehicle original equipment manufacturer	1,324	0.6
Kansai Nerolac Paints	India	Paint manufacturer	1,223	0.5
ICICI Prudential Life Insurance	India	Life insurance provider	1,164	0.5
Vinh Hoan Corporation	Vietnam	Food producer	1,097	0.5
Intron Biotechnology	Korea	Antibiotics drug researcher	1,088	0.5
Mahindra CIE Automotive	India	Truck parts manufacturer	1,034	0.5
GlobalWafers	Taiwan	Semiconductor wafers manufacturer	1,031	0.5
3SBIO	HK/China	Biologics company	1,005	0.5
AU Small Finance Bank	India	Consumer finance bank	974	0.4
CrystalGenomics	Korea	Proteomic drug discovery investigator	896	0.4
Taiwan Semiconductor Manufacturing	Taiwan	Semiconductor foundry	895	0.4
SDI Corporation	Taiwan	Stationery and lead frames for semiconductors manufacturer	882	0.4
JHL Biotech®	Taiwan	Biopharmaceutical company	878	0.4
Hanall Biopharma	Korea	Pharmaceutical company	848	0.4
Max Financial Services	India	Life insurance provider	768	0.3
Quess Corp	India	Human resources company	750	0.3
L&C Bio.	Korea	Medical equipment manufacturer	736	0.3
Dilip Buildcon	India	Construction company	703	0.3
Yeah1 Group Corporation	Vietnam	Media company	655	0.3
Binh Minh Plastics Joint Stock Company	Vietnam	Plastic piping manufacturer	647	0.3
LG Innotek	Korea	Mobile phone component manufacturer	582	0.3
TTY Biopharm	Taiwan	Specialist genetics manufacturer	534	0.2
BitAuto Holdings Ltd ADR	HK/China	Automobile pricing website	507	0.2
ST Pharm	Korea	Manufacturer of specialist pharmaceutical ingredients	503	0.2
Aslan Pharmaceuticals	Singapore	Biosimilar drug developer	486	0.2
Haier Electronics Group	HK/China	Washing machine and water heater manufacturer	480	0.2
Aslan Pharmaceuticals ADR	Singapore	Biosimilar drug developer	387	0.2
China Shineway Pharmaceuticals	HK/China	Chinese and Western medicines company	303	0.1
Cox & Kings India	India	Travel agent	51	0.0
Cox & Kings Financial Service	India	Non-banking financial services	4	0.0
Philtown Properties®	Philippines	Property developer	0	0.0
Total Investments			219,984	98.3
Net Current Assets*			3,771	1.7
Total Assets			223,755	100.0

HK/China denotes Hong Kong and China.

Details of the ten largest investments are given on pages 13 and 14 along with comparative valuations.

* For a definition of terms see Glossary of Terms and Alternative Performance Measures on page 56.

® Denotes unlisted investment.

Distribution of Total Assets*, Active Share†, Turnover and Size Splits

Geographical 2019 (2018)

Sectoral 2019 (2018)

Active Share† (relative to MSCI All Country Asia
ex Japan Index (in sterling terms))#

Turnover

Rolling 12 months turnover over 5 years

Size Splits (Market Capitalisation of Investments)

As at 31 July 2019

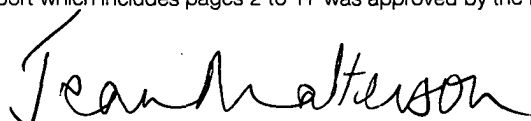
* For a definition of terms see Glossary of Terms and Alternative Performance Measures on page 56.

† Alternative Performance Measure – see Glossary of Terms and Alternative Performance Measures on page 56.

The MSCI All Country Asia ex Japan Index (in sterling terms) is the principal index against which performance is measured.

The Strategic Report which includes pages 2 to 17 was approved by the Board of Directors and signed on its behalf on 20 September 2019.

Jean Matterson
Chairman



Directors and Management

Directors

Jean Matterson

Jean Matterson was appointed a Director in 2003 and became Chairman of the Board on 25 October 2010, she is also Chairman of the Nomination Committee. She is a partner of Rossie House Investment Management which specialises in private client portfolio management with a particular emphasis on investment trusts. She was previously with Stewart Ivory & Co for 20 years, as an investment manager and a director, and is a director of BlackRock Throgmorton Trust PLC, Capital Gearing Trust P.L.C., Herald Investment Management Limited and HIML Holdings Limited.

Edward Creasy

Edward Creasy was appointed a Director in 2010. He is Chairman of the Audit Committee and is the Senior Independent Director. He is the former chief executive officer of Kiln plc, a non-life insurer quoted on the London Stock Exchange until purchased by Tokio Marine Nichido Fire Insurance Co in March 2008. Until January 2011 he was chairman of Kiln Group and chairman of RJ Kiln & Co. Limited. He is chairman of Charles Taylor PLC, deputy chairman of W.R. Berkley Syndicate Management Limited and is also a member of Lloyd's of London's Supervisory and Review Committee.

Angela Lane

Angela Lane was appointed a Director on 1 October 2018. She is a qualified accountant and has held several non-executive and advisory roles for small and medium capitalised companies across a range of industries. She is the non-executive chairman of Huntswood CTC, a non-executive director of Sherborne Schools, Worldwide and Dunedin Enterprise Investment Trust PLC where she is also chairman of its audit committee.

Angus Macpherson

Angus Macpherson was appointed a Director in 2017. He is chief executive of Noble and Company (UK) Limited, an independent Scottish corporate finance business. He is currently chairman of Henderson Diversified Income Trust plc and is the former chairman of JP Morgan Elect PLC. He was based in Asia between 1995 and 2004 in Singapore and Hong Kong, latterly as Head of Capital Markets and Financing for Merrill Lynch for Asia.

Joe Studwell

Richard Frank ('Joe') Studwell was appointed a Director on 9 November 2018. He has spent 25 years working in East Asia as a journalist, independent researcher at Dragonomics and author under the name of Joe Studwell. His published works include *Asian Godfathers: Money and Power in Hong Kong and South-East Asia* and *How Asia Works: Success and Failure in the World's Most Dynamic Region*.

All of the Directors are members of the Nomination and the Audit Committees with the exception of Jean Matterson who stood down from the Audit Committee on 15 January 2019.

Managers and Secretaries

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

Baillie Gifford is one of the largest investment trust managers in the UK and currently manages ten investment trusts. Baillie Gifford also manages a listed investment company, unit trusts and open ended investment companies, together with investment portfolios on behalf of pension funds, charities and other institutional clients, both in the UK and overseas. Funds under the management or advice of Baillie Gifford totalled around £208 billion at 31 July 2019. Based in Edinburgh, it is one of the leading privately owned investment management firms in the UK, with 43 partners and a staff of around 1,250.

The manager of Pacific Horizon's portfolio is Ewan Markson-Brown who took over as portfolio manager on 18 March 2014. Ewan joined Baillie Gifford in September 2013 as an investment manager in the Emerging Markets team. Roderick Snell was appointed as deputy manager on 10 September 2013. Roderick has been a member of the Emerging Markets team at Baillie Gifford since 2008, with a focus on Asia-Pacific.

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

Directors' Report

The Directors present their Report together with the Financial Statements of the Company for the year to 31 July 2019.

Corporate Governance

The Corporate Governance Report is set out on pages 23 to 25 and forms part of this Report.

Managers and Company Secretaries

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

The Investment Management Agreement 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 Managers may terminate the Management Agreement on six months' notice and the Company may terminate on three months' notice. Compensation fees would only be payable in respect of the notice period if termination were to occur within a shorter notice period. The Board is of the view that calculating the fee with reference to performance would be unlikely to exert a positive influence on performance.

With effect from 1 January 2019 the annual management fee is 0.75% on the first £50 million of net assets, 0.65% on the next £200 million of net assets and 0.55% on the remaining net assets. In the periods before 1 January 2019 covered by this report the fee was 0.95% on the first £50 million of net assets, 0.65% on the next £200 million of net assets and 0.55% on the remaining net assets.

The function of a management engagement committee was fulfilled during the year by those members of the Board who are also members of the Audit Committee (the 'Qualifying Directors'). The Board considers the Company's investment management and secretarial arrangements on an ongoing basis and a formal review is conducted by the Qualifying Directors annually.

The following topics, amongst others, are considered in the review:

- the quality of the personnel assigned to handle the Company's affairs;
- the investment process and the results achieved to date; and
- the administrative services provided by the Secretaries.

Following the most recent review, it is the opinion of the Directors that the continuing appointment of Baillie Gifford & Co Limited as AIFM and the delegation of the investment management services to Baillie Gifford & Co, on the terms agreed, is in the interests of shareholders as a whole due to the strength of the investment management team, the Managers' commitment to the investment trust sector and the quality of the secretarial and administrative functions. In undertaking the review, the Directors also considered the execution of the agreed investment strategy and the relative performance over the medium term. Since the year end the Board has established a separate Management Engagement Committee.

Depository

The Bank of New York Mellon (International) Limited has been appointed as the Company's Depository in accordance with the requirements of the Alternative Investment Fund Managers Directive.

The Depository's responsibilities include cash monitoring, safe keeping of the Company's financial instruments, verifying ownership and maintaining a record of other assets and monitoring the Company's compliance with investment limits and leverage requirements. The Company's Depository also acts as the Company's Custodian.

Directors

Information about the Directors, including their relevant experience, can be found on page 18.

Miss JGK Matterson will retire at the Annual General Meeting and will not offer herself for re-election, at which point Mr RA Macpherson will replace her as Chairman.

Mr EG Creasy, having served for more than nine years, is subject to annual re-election and will therefore be retiring at the Annual General Meeting and will offer himself for re-election. Following formal performance evaluation, the Board concluded that the performance of Mr EG Creasy was considered to be effective and he remains committed to the Company. His contribution to the Board is greatly valued and the Board recommends his re-election to shareholders.

Mrs AC Lane was appointed to the Board on 1 October 2018 and her election was approved by shareholders at the 2018 Annual General Meeting.

Mr RF Studwell, who was appointed to the Board on 9 November 2018, is required to seek election by shareholders at the forthcoming Annual General Meeting. The Directors believe that the Board will benefit from his knowledge of the region in which the Company invests and, following formal performance evaluation, recommend his election to shareholders.

Mr RF Studwell has spent 25 years working in East Asia as a journalist, independent researcher at Dragonomics and author under the name of Joe Studwell. His published works include *Asian Godfathers: money and power in Hong Kong and South-East Asia* and *How Asia Works: success and failure in the world's most dynamic region*.

Director Indemnification and Insurance

The Company has entered into qualifying third party deeds of indemnity in favour of each of its Directors. The deeds, which were in force during the year to 31 July 2019 and up to the date of approval of this report, cover any liabilities that may arise to a third party, other than the Company, for negligence, default or breach of trust or duty. The Directors are not indemnified in respect of liabilities to the Company, any regulatory or criminal fines, any costs incurred in connection with criminal proceedings in which the Director is convicted or civil proceedings brought by the Company in which judgement is given against him/her. In addition, the indemnity does not apply to any liability to the extent that it is recovered from another person. The Company also maintains Directors' and Officers' liability insurance.

Conflicts of Interest

Each Director submits a list of potential conflicts of interest to the Nomination Committee on an annual basis. The Committee considers these carefully, taking into account the circumstances surrounding them and makes a recommendation to the Board on whether or not the potential conflicts should be authorised. Board authorisation is for a period of one year.

Having considered the lists of potential conflicts there were no situations which gave rise to a direct or indirect interest of a Director which conflicted with interests of the Company.

Dividends

The Company's objective is that of generating capital growth. Consequently, the Managers do not invest in companies based on the level of income they may payout as dividends.

As highlighted previously, the Board does not intend to draw on the Company's revenue reserve to pay or maintain dividends. This year the net revenue available for distribution to shareholders amounted to £8,000, which is below the amount that would require a distribution to be made to maintain investment trust status. The Directors are not recommending the payment of a final dividend. Should the level of underlying income increase in future years, the Board will seek to distribute the minimum permissible to maintain investment trust status by way of a final dividend.

Share Capital

Capital Structure

The Company's capital structure as at 31 July 2019 consists of 59,027,282 ordinary shares of 10p each (2018 – 58,327,282 ordinary shares), see note 11. There are no restrictions concerning the holding or transfer of the Company's ordinary shares and there are no special rights attached 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 winding up, after meeting the liabilities of the Company, the surplus assets will be paid to ordinary shareholders in proportion to their shareholdings.

Voting

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

Major Interests Disclosed in the Company's Shares

Name	Ordinary 10p shares held at 31 July 2019	% of issue
A&OT Investments Limited (direct)	7,757,676	13.1
Investec Wealth & Investment Limited (direct)	1,923,257	3.3

There have been no disclosed changes to the major interests in the Company's shares intimated up to 17 September 2019.

Annual General Meeting

The details of this year's AGM, including the proposed resolutions and information on the deadlines for proxy appointments, can be found on pages 49 to 51. Shareholders who hold shares in their own name on the main register will be provided with a Form of Proxy. If you hold shares through a share platform or other nominee, the Board would encourage you to contact these organisations directly as soon as possible to arrange for you to attend and/or vote at the AGM. The resolutions relating to the renewal of the Directors' authorities to issue and buy back shares are explained in more detail below.

Issuance of Shares

At the last Annual General Meeting, the Directors were granted shareholders' approval for a general authority to issue shares and also an authority to issue shares or sell shares held in treasury on a non pre-emptive basis (without first offering such shares to existing shareholders pro-rata to their existing holdings) for cash up to an aggregate nominal amount of £583,272.80.

During the year to 31 July 2019 the Company issued a total of 700,000 shares on a non pre-emptive basis (nominal value £70,000 representing 1.2% of the issued share capital at 31 July 2018) at a premium to net asset value (on the basis of debt valued at par value) on 2 separate occasions at weighted average price of 337.3 pence per share raising net proceeds of £2,359,000. Between 1 August and 17 September 2019 no further shares were issued.

Both authorities expire at the forthcoming Annual General Meeting and the Directors are seeking shareholders' approval to renew them for a further year, as detailed below.

Resolution 7 in the Notice of Annual General Meeting seeks a general authority for the Directors to issue ordinary shares up to an aggregate nominal amount of £590,272.82. This amount represents approximately 10% of the Company's total ordinary share capital in issue at 17 September 2019, being the latest practicable date prior to the publication of this document, and meets institutional guidelines. No issue of ordinary shares will be made pursuant to the authorisation in Resolution 7 which would effectively alter the control of the Company without the prior approval of shareholders in general meeting.

Resolution 8, which is being proposed as a special resolution, seeks to renew the Directors' authority to allot equity securities, or sell treasury shares, for cash without having to offer such shares to existing shareholders pro-rata to their existing holdings, up to a total nominal amount of £590,272.82, representing approximately 10% of the Company's total issued ordinary share capital as at 17 September 2019, being the latest practicable date prior to publication of this document.

The Directors consider that the authority proposed to be granted by Resolution 8 continues to be advantageous when the Company's shares trade at a premium to net asset value and the level of natural liquidity in the market is unable to meet demand. The Directors do not intend to use this authority to sell or issue ordinary shares on a non pre-emptive basis at a discount to net asset value. While the level of the authority being sought is greater than the 5% recommended by the Pre-Emption Group in their Statement of Principles on disapplying pre-emption rights, it is specifically recognised in the Statement of Principles that, where

an investment trust is seeking authority to issue shares at a premium to the underlying net asset value per share, this should not normally raise concerns and the Directors consider the greater flexibility provided by this authority to be justified in the circumstances.

The authorities sought in Resolutions 7 and 8 will continue until the conclusion of the Annual General Meeting to be held in 2020 or on the expiry of 15 months from the passing of the resolutions, if earlier.

Such authorities will only be used to issue shares or sell shares from treasury at a premium to net asset value and only when the Directors believe that it would be in the best interests of the Company to do so. The Directors believe that the ability to buy-back shares at a discount and re-sell them or issue new shares at a premium are useful tools in smoothing supply and demand.

No shares were held in treasury as at 17 September 2019.

Market Purchase of Own Shares by the Company

Resolution 9 seeks shareholders' approval (by way of a special resolution) to renew the authority to purchase up to 14.99 per cent. of the ordinary shares in issue (excluding treasury shares) as at 17 September 2019, being the latest practicable date prior to publication of this document (or, if less, up to 14.99 per cent. of the ordinary shares in issue (excluding treasury shares) on the date on which the resolution is passed). This authority will expire at the end of the Annual General Meeting of the Company to be held in 2020. Such purchases will only be made at a discount to the prevailing net asset value.

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

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

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

Treasury shares do not receive distributions and the Company will not be entitled to exercise the voting rights attaching to them.

In accordance with the Listing Rules, the maximum price (exclusive of expenses) that may be paid on the exercise of the authority shall be an amount equal to the higher of:

- (i) 5 per cent. above the average closing price on the London Stock Exchange of an ordinary share over the five business days immediately preceding the date of the purchase; and
- (ii) the higher of the price of the last independent trade and the highest current independent bid for such a share on the London Stock Exchange.

The minimum price (again exclusive of expenses) that may be paid will be the nominal value of an ordinary share. Purchases of ordinary 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. The Directors intend that this authority, if conferred, will be exercised only if to do so would result in an increase in net asset value per ordinary share for the remaining shareholders and if it is in the best interest of shareholders generally.

Recommendation

The Board considers that all the Resolutions to be proposed at the Annual General Meeting are in the best interests of the Company and its shareholders as a whole. Accordingly, the Board unanimously recommends that you vote in favour of all of the Resolutions, as the Directors intend to do in respect of their own beneficial shareholdings.

Financial Instruments

The Company's financial instruments comprise its investment portfolio, cash balances, bank borrowings and debtors and creditors that arise directly from its operations such as sales and purchases awaiting settlement and accrued income. The financial risk management objectives and policies arising from its financial instruments and the exposure of the Company to risk are disclosed in note 15 to the accounts.

Future Developments of the Company

The outlook for the Company is set out in the Chairman's Statement on pages 2 and 3 and the Managers' Review on pages 10 to 12.

Going Concern

In accordance with the Financial Reporting Council's guidance on going concern and liquidity risk, the Directors have undertaken a rigorous review of the Company's ability to continue as a going concern. The Company's principal risks are market related and include market risk, liquidity risk and credit risk. An explanation of these risks and how they are managed is contained in note 15 to the Financial Statements.

The Company's assets, the majority of which are investments in quoted securities which are readily realisable, exceed its liabilities significantly. All borrowings require the prior approval of the Board. The Board approves borrowing and gearing limits and reviews regularly the amounts of any borrowing and the level of gearing as well as compliance with borrowing covenants. In accordance with the Company's Articles of Association, shareholders have the right to vote on the continuation of the Company every five years, the next vote being in 2021. After making enquiries and considering the future prospects of the Company and notwithstanding the above, the Financial Statements have been prepared on the going concern basis as it is the Directors' opinion, having assessed the principal risks and other matter set out in the Viability Statement on page 9 which assess the prospects of the Company over a period of three years, that the Company will continue in operational existence for a period of at least twelve months from the date of approval of these Financial Statements.

Articles of Association

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

Governance Report

Disclosure of Information to Auditor

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

Independent Auditor

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

Post Balance Sheet Events

The Directors confirm that there have been no post Balance Sheet events which require adjustment of, or disclosure in, the Financial Statements or notes thereto up to 20 September 2019.

Greenhouse Gas Emissions

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

Bribery Act

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

Criminal Finances Act 2017

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

On behalf of the Board
Jean Matterson
Chairman
20 September 2019



Corporate Governance Report

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

The Board has noted the new UK Corporate Governance Code published in July 2018 and the new AIC Code of Corporate Governance published in February 2019. The Company will report against these codes for the year ending 31 July 2020.

Compliance

The Board confirms that the Company has complied throughout the year under review with the relevant provisions of the Code and the recommendations of the AIC Code with the exception that the Company does not have a separate internal audit function as explained on page 26.

The Board

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

As at 31 July 2019 and the date of this report the Board comprises five Directors all of whom are non-executive and independent.

The Chairman, Miss JGK Matterson, is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda.

The executive responsibility for investment management has been delegated to the Company's Alternative Investment Fund Manager ('AIFM'), Baillie Gifford & Co Limited, and, in the context of a Board comprising only non-executive Directors, there is no chief executive officer. Mr EG Creasy is the Senior Independent Director.

The Directors believe that the Board has a balance of skills and experience that enable it to provide effective strategic leadership and proper governance of the Company. Information about the Directors, including their relevant experience, can be found on page 18.

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

Appointments to the Board

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

Under the provisions of the Company's Articles of Association, a Director appointed during the year is required to retire and seek election by shareholders at the next Annual General Meeting.

Directors are required to submit themselves for re-election at least once every three years. Directors who have served for more than nine years offer themselves for re-election annually.

The names of Directors retiring and offering themselves for re-election or election together with the reasons why the Board supports this are set out on page 19.

Independence of Directors

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

The Directors recognise the importance of succession planning for company boards and review the Board composition annually. The Board is of the view that length of service will not necessarily compromise the independence or contribution of directors of an investment trust company, where continuity and experience can be a benefit to the Board. The Board concurs with the view expressed in the AIC Code that long serving Directors should not be prevented from being considered independent.

Miss JGK Matterson, who is standing down from the Board at the forthcoming Annual General Meeting, and Mr EG Creasy, who offers himself for re-election annually, have served for more than nine years. Following a formal performance evaluation, the Board concluded that Miss JGK Matterson and Mr EG Creasy continued to be independent in character and judgement and their skills and experience added significantly to the strength of 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 below shows the attendance record for the core Board and Committee Meetings held during the year, excluding ancillary and sub-committee meetings. The Annual General Meeting was attended by all Directors.

Directors' Attendance at Meetings

	Board	Audit Committee	Nomination Committee
Number of meetings	5	2	2
JGK Matterson*	5	1	2
EG Creasy	5	2	2
RA Macpherson	5	2	2
AC Lane†	4	1	2
RF Studwell‡	3	1	1
EC Scott#	2	1	-

* Miss JGK Matterson stepped down as a member of the Audit Committee on 15 January 2019.

† Mrs AC Lane joined the Board on 1 October 2018. Mr RF Studwell joined the Board on 9 November 2018.

Ms EC Scott retired on 6 November 2018.

Nomination Committee

The Nomination Committee consists of all the non-executive Directors 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 that include reviewing the composition of 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 Committee is responsible for considering Directors' potential conflicts of interest and for making recommendations to the Board on whether or not potential conflicts are material to an individual Director's performance.

Appointments to the Board are made on merit with due regard for the benefits of diversity including gender. The priority in appointing new directors is to identify the candidate with the best range of skills and experience to complement existing Directors. The Board therefore does not consider it appropriate to set diversity targets or apply a diversity policy.

Board Composition

The Board reviewed its composition and in consideration of succession planning determined that it was appropriate that a second new non-executive Director, in addition to Mrs AC Lane, whose appointment was covered in last year's report, be appointed this year.

For the position, the Committee identified the skills and experience that would be required and Mr RF Studwell was identified as the preferred candidate.

Mr RF Studwell was appointed to the Board on 9 November 2018 and will be standing for election by shareholders at the AGM. Mr RF Studwell has extensive knowledge of Asian markets.

The Committee's terms of reference are available on request from the Company and are on the Company's page of the Managers' website: www.pacifichorizon.co.uk.

Performance Evaluation

An appraisal of the Chairman, each Director and a performance evaluation and review of both the Board as a whole and of the individual Committees was carried out during the year. After inviting each Director and the Chairman to consider and respond to an evaluation questionnaire, the performance of each Director was appraised by the Chairman and the Chairman's appraisal was led by Mr EG Creasy, the Senior Independent Director.

The appraisals and evaluations considered, amongst other criteria, the balance of skills of the Board, training and development requirements, the contribution of individual Directors and the overall effectiveness of the Board and its Committees. Following this process it was concluded that the performance of each Director, the Chairman, the Board and its Committees continues to be effective and each Director and the Chairman are committed to the Company.

A review of the Chairman's and other Directors' commitments was carried out and the Board is satisfied that they are capable of devoting sufficient time to the Company. There were no significant changes to the Chairman's other commitments during the year.

Induction and Training

New Directors are provided with an induction programme which is tailored to the particular circumstances of the appointee. During the year briefings on industry and regulatory matters were provided to the Board by the Managers and Secretaries. Directors receive other relevant training as necessary.

Remuneration

As all the Directors are non-executive there is no requirement for a separate Remuneration Committee. Directors' fees are considered by the Board as a whole within the limits approved by shareholders. The Company's policy on remuneration is set out in the Directors' Remuneration Report on pages 28 and 29.

Audit Committee

The report of the Audit Committee is set out on pages 26 and 27.

Internal Controls and Risk Management

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

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

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

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

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

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

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

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

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

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

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

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

The risk limits, which are set by the AIFM and approved by the Board, take into account the objectives, strategy and risk profile of the portfolio. These limits including leverage (see page 48), are monitored and the sensitivity of the portfolio to key risks is undertaken periodically as appropriate to ascertain the impact of changes in key variables in the portfolio. Exceptions from limits monitoring and stress testing undertaken by Baillie Gifford's Business Risk Department are escalated to the AIFM and reported to the Board along with remedial measures being taken.

Relations with Shareholders

The Board places great importance on communication with shareholders. The Company's Managers meet regularly with shareholders and their representatives and report shareholders' views to the Board. The Chairman and Directors also attend shareholder presentations in London and Edinburgh with the Managers, as well as maintaining open lines of communication with market participants and investors in the Company, separate of the Managers' involvement, in order to ascertain views on corporate matters. 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 Secretaries' address or through the Company's Corporate Broker, JP Morgan Cazenove (see contact details on the back cover).

The Company's Annual General Meeting provides a forum for communication with all shareholders. The level of proxies lodged for each resolution is announced at the meeting and is published on the Company's page of the Managers' website www.pacifichorizon.co.uk subsequent to the meeting. The notice period for the Annual General Meeting is at least twenty working days.

Shareholders and potential investors may obtain up-to-date information on the Company at www.pacifichorizon.co.uk.

Corporate Governance and Stewardship

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

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

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

On behalf of the Board
Jean Matterson
Chairman
20 September 2019



Audit Committee Report

The Audit Committee consists of all the Directors with the exception of Miss JGK Matterson who stepped down from the Committee on 15 January 2019. The members of the Committee consider that they have the requisite financial skills and experience to fulfil the responsibilities of the Committee. Mr EG Creasy is Chairman of the Audit Committee. The Committee's authority and duties are clearly defined within its written terms of reference which are available on request from the Company Secretaries and at www.pacifichorizon.co.uk. The terms of reference are reviewed annually.

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

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

Main Activities of the Committee

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

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

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

Internal Audit

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

Financial Reporting

The Committee considers that the most significant areas of risk likely to impact the Financial Statements are the existence and valuation of investments, as they represent 98.3% of total assets and the accuracy and completeness of income from investments.

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

The value of all the listed investments as at 31 July 2019 were agreed to external price sources. The Committee reviewed the Manager's valuation policy for investments in unquoted companies (as described on page 39) and approved the valuation of the unlisted investments following a detailed review of the valuation of each investment and relevant challenge where appropriate. The listed portfolio holdings were agreed to confirmations from the Company's custodian and the unlisted holdings in JHL Biotech were agreed to confirmations from the investee company.

The Committee reviewed the Managers' Report on Internal Controls which details the controls in place regarding completeness and accurate recording of investment income. The accounting treatment of each special dividend received or receivable during the year was reviewed by the Managers.

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

Internal Controls and Risk Management

The Committee reviewed the effectiveness of the Company's risk management and internal controls systems as described on pages 24 and 25. No significant weaknesses were identified in the year under review.

External Auditor

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

- the Auditor's audit plan which includes a report from the Auditor describing its arrangements to manage auditor independence and received confirmation of its independence; and
- the extent of non-audit services provided by the external Auditor. There were no non-audit fees for the year to 31 July 2019.

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

- the Auditor's fulfilment of the agreed audit plan;
- feedback from the Secretaries on the performance of the audit team; and
- the Audit Quality Inspection Report from the FRC.

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

- the Auditor's engagement letter;
- the Auditor's proposed audit strategy;
- the audit fee; and
- a report from the Auditor on the conclusion of the audit.

Following a competitive tender process, BDO LLP were appointed as the Company's Auditor at the Annual General Meeting held on 15 November 2017, with Neil Fung-On as the lead audit partner. The audit partners responsible for the audit are to be rotated at least once every five years in accordance with professional and regulatory standards in order to protect independence and objectivity and to provide fresh challenge to the business.

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

Having carried out the review described above, the Committee is satisfied that the Auditor remains independent and effective for the purpose of this year's audit and, as such, has not considered it necessary to put the audit services contract out to tender.

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

Accountability and Audit

The respective responsibilities of the Directors and the Auditor in connection with the Financial Statements are set out on pages 30 to 34.

On behalf of the Board
 Edward Creasy
 Chairman of the Audit Committee
 20 September 2019



Directors' Remuneration Report

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

Statement by the Chairman

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

The Board reviewed the level of fees during the year taking into account responsibilities, the increase in RPI and CPI and peer trust remuneration levels and it was agreed that, with effect from 1 August 2019, the Chairman's fee would be increased from £32,250 to £34,500, the other Directors' fees would be increased from £21,500 to £23,000 and that the additional fee for the Chairman of the Audit Committee would remain at £3,000. The fees were last increased on 1 August 2017.

Directors' Remuneration Policy

The Board is composed wholly of non-executive Directors, none of whom has a service contract with the Company. There is no separate remuneration committee and the Board as a whole considers changes to Directors' fees from time to time. Baillie Gifford & Co Limited, the Company Secretaries, provides comparative information when the Board considers the level of Directors' fees.

The Board's policy is that the remuneration of Directors should be set at a reasonable level that is commensurate with the duties and responsibilities of the role and consistent with the requirement to attract and retain Directors of the appropriate quality and experience. The Board believes that the fees paid to the Directors should reflect the experience of the Board as a whole, be fair and should take account of the level of fees paid by comparable investment trusts. Any views expressed by shareholders on the fees being paid to Directors will be taken into consideration by the Board when reviewing the Board's policy on remuneration.

Non-executive Directors are not eligible for any other remuneration or benefits apart from the reimbursement of

allowable expenses. There are no performance conditions relating to Directors' fees and there are no long term incentive schemes or pension schemes. There is no notice period and no compensation is payable on loss of office.

Limits on Directors' Remuneration

The fees for the non-executive Directors are payable six monthly in arrears and are determined within the limit set out in the Company's Articles of Association which is currently £150,000 per annum in aggregate. Any change to this limit requires shareholder approval.

The fees paid to Directors in respect of the year ended 31 July 2019 and the expected fees payable in respect of the year ending 31 July 2020 are set out in the table below. The fees payable to the Directors in the subsequent financial periods will be determined following an annual review of the Directors' fees.

	Expected fees for the year ending 31 July 2020 £	Fees as at 31 July 2019 £
Chairman's fee	34,500	32,250
Non-executive Director fee	23,000	21,500
Additional fee for the Chairman of the Audit Committee	3,000	3,000
Total aggregate annual fees that can be paid to the Directors in any year under the Directors' Remuneration Policy, as set out in the Company's Articles of Association	150,000	150,000

Annual Report on Remuneration

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

The law requires the Company's Auditor to audit certain of the disclosures provided in this report. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is included in the Independent Auditor's Report on pages 31 to 34.

Directors' Remuneration for the Year (audited)

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

Name	2019 Fees £	2019 Taxable benefits* £	2019 Total £	2018 Fees £	2018 Taxable benefits* £	2018 Total £
JGK Matterson (Chairman)	32,250	-	32,250	32,250	-	32,250
EG Creasy (Chairman of Audit Committee)	24,500	1,756	26,256	24,500	2,525	27,025
AC Lane (appointed 1 October 2018)	17,917	2,079	19,996	-	-	-
RA Macpherson	21,500	-	21,500	21,500	-	21,500
DCP McDougall (retired 15 November 2017)	-	-	-	6,285	-	6,285
EC Scott (retired 6 November 2018)	5,706	31	5,737	21,500	2,010	23,510
RF Studwell (appointed 9 November 2018)	15,656	1,225	16,881	-	-	-
	117,529	5,091	122,620	106,035	4,535	110,570

* Comprises expenses incurred by Directors in the course of travel to attend Board and Committee meetings held at the Edinburgh offices of Baillie Gifford & Co Limited, the Company's Secretaries.

Directors' Interests (audited)

The Directors at the end of the year under review and their interests in the Company are as shown in the following table. There have been no changes intimated in the Directors' interests up to 17 September 2019.

Name	Nature of interest	Ordinary 10p shares held at 31 July 2019	Ordinary 10p shares held at 1 August 2018
JGK Matterson	Beneficial	157,458	157,458
EG Creasy	Beneficial	16,400	16,400
AC Lane	Beneficial	6,536	–
RA Macpherson	Beneficial	42,000	42,000
RF Studwell	Beneficial	–	–

Statement of Voting at Annual General Meeting

At the last Annual General Meeting, of the proxy votes received in respect of the Directors' Remuneration Report, 98.5% were in favour, 0.9% were against and votes withheld were 0.6%. At the last Annual General Meeting at which the Director's Remuneration Policy was considered (November 2017), 99.1% of the proxy votes were in favour, 0.6% were against and votes withheld were 0.3%.

Relative Importance of Spend on Pay

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

	2019 £'000	2018 £'000	Change %
Directors' remuneration	123	111	10.8
Dividends paid to shareholders	–	–	–

Company Performance

The following graph compares, for the ten financial years ended 31 July 2019, the share price total return (assuming all dividends are reinvested) to Pacific Horizon ordinary shareholders compared to the total shareholder return on a notional investment made up of shares in the component parts of the FTSE All-Share Index. This index was chosen for comparison purposes as it is a widely used measure of performance for UK listed companies. The Company's comparative index is provided for information purposes only.

Performance Graph

Pacific Horizon's Share Price, FTSE All-Share Index and Comparative Index* (figures rebased to 100 at 31 July 2009)

Past performance is not a guide to future performance.

Approval

The Directors' Remuneration Report on pages 28 and 29 was approved by the Board of Directors and signed on its behalf on 20 September 2019.

Jean Matterson
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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of 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 accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are 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.

Under applicable laws and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, a Directors' Remuneration Report and a Corporate Governance Statement that comply with that law and those regulations.

The Directors have delegated responsibility to the Managers for the maintenance and integrity of the Company's page of the Managers' website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions. The work carried out by the Auditor does not involve any consideration of these matters and, accordingly, the Auditor accepts no responsibility for any changes that may have occurred to the Financial Statements since they were initially presented on the website.

Each of the Directors, whose names and functions are listed within the Directors and Managers section confirm that, to the best of their knowledge:

- the Financial Statements, which have been prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' give a true and fair view of the assets, liabilities, financial position and net return of the Company;
- the Annual Report and Financial Statements taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy; and
- the Strategic Report includes a fair review 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 it faces.

On behalf of the Board
Jean Matterson
Chairman
20 September 2019



Independent Auditor's Report

to the members of Pacific Horizon Investment Trust PLC

Opinion

We have audited the Financial Statements of Pacific Horizon Investment Trust PLC ('the Company') for the year ended 31 July 2019 which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice), as applied in accordance with the provisions of the Companies Act 2006.

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 July 2019 and of its net return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions Relating to Principal Risks, Going Concern and Viability Statement

We have nothing to report in respect of the following information in the Annual Report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the Annual Report that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation in the Annual Report that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement in the Financial Statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the Financial Statements and the Directors' identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the Financial Statements;
- whether the Directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation in the Annual Report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest

effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Matter	Audit response
<p>Valuation, existence and ownership of investments (Note 1 and Note 8 to the Financial Statements)</p> <p>The investment portfolio at the year end comprised of Level 1, listed equity investments valued at £217,070,000 and Level 3 unlisted investments of £2,914,000.</p> <p>We consider the valuation, existence and ownership of investments to be the most significant audit areas as investments represent the most significant balance in the Financial Statements and underpin the principal activity of the entity.</p> <p>The valuation of investments is a key accounting estimate where there is an inherent risk of management override arising from the investment valuations being prepared by the Alternative Investment Fund Manager (AIFM) and Investment Manager, who is remunerated based on the net asset value of the Company.</p>	<p>We responded to this matter by testing the valuation, existence and ownership of 100% of the portfolio of investments. We performed the following procedures:</p> <ul style="list-style-type: none"> — Checked the appropriateness of the valuation methodology applied by the AIFM and Investment Manager. — Agreed the investment holdings to independently received third party confirmations from the custodian, or other supporting documentation as appropriate, to confirm existence and completeness. — Agreed the exchange rates used to independent source. — Considered the adequacy of the relevant controls in place at the custodian through review of the latest available assurance report addressing the relevant controls in place at the custodian. <p>With respect of 100% of the Level 1 listed equity investments we also:</p> <ul style="list-style-type: none"> — Checked that the year end price has been agreed to externally quoted prices from reputable sources. <p>With respect of 100% of the Level 3 unlisted investments we also:</p> <ul style="list-style-type: none"> — Challenged whether the valuation methodology was the most appropriate in the circumstances under the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines and UK GAAP. — Recalculated the value attributable to the Company. — Corroborated the inputs to source documents. — Performed sensitivity analysis where appropriate. <p>We also considered the completeness, accuracy and presentation of investment related disclosures.</p>
<p>Income from investments (Note 1 and Note 2 to the Financial Statements)</p> <p>Investment income is a significant audit area as it is material and impacts the Company's net asset value and distributable reserves.</p> <p>There is a presumed risk of fraud in revenue recognition in that revenue may be misstated through improper recognition.</p>	<p>We assessed the accounting policy for income recognition for compliance with accounting standards and the Association of Investment Companies Statement of Recommended Practice (the 'AIC SORP') and performed testing to check the nature of the income that such income has been accounted for in accordance with this stated accounting policy.</p> <p>In respect of occurrence, we tested dividend receipts by agreeing the dividend rates for 100% of investments to independent third party sources.</p> <p>In respect of completeness, we tested that the appropriate dividends had been received in the year by reference to independent data of dividends declared on 100% of investment holdings in the portfolio. Our testing did not identify any unrecorded dividends.</p> <p>We tested the allocation and presentation of dividend income between the revenue and capital return columns of the Income Statement in line with the requirements set out in the AIC SORP.</p>

Our Application of Materiality

We consider materiality to be the magnitude by which misstatements, individually or in aggregate, including omissions, could reasonably influence the economic decisions of users that are made on the basis of the Financial Statements. We apply the concept of materiality both in planning and performing our audit, and in evaluating the results of our work. Misstatements below these levels will not necessarily be evaluated as immaterial as we also take into account the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Materiality measure	Purpose	Key considerations and benchmarks	2019 Quantum (£) (2018)
Financial Statement Materiality (1% of the value of the investment portfolio) (2018: 1%)	Determining the nature and extent of our risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature and extent of further audit procedures.	<ul style="list-style-type: none"> – A principal consideration for members of the Company in assessing the financial performance given that the principal activity of the Company is that of an Investment Trust. – The nature and disposition of the investment portfolio. 	£2,190,000 (2018: £2,200,000)
Performance Materiality (75% of Financial Statement materiality) (2018: 65%)	Lower level of materiality applied in performance of the audit when determining the nature and extent of testing applied to individual balances and classes of transactions.	<ul style="list-style-type: none"> – Risk and control environment. 	£1,640,000 (2018: £1,430,000)

We agreed with the Audit Committee that we would report to the Committee all individual audit differences in excess of £43,000 (2018: £40,000), being 2% of materiality as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An Overview of the Scope of Our Audit

Our audit approach was developed by obtaining an understanding of the Company's activities, the key functions undertaken by the Board and the overall control environment. Based on this understanding we assessed those aspects of the Company's transactions and balances which were most likely to give rise to a material misstatement and designed audit procedures in response to this assessment, taking account of materiality.

Capability of the audit to detect irregularities, including fraud

We gained an understanding of the legal and regulatory framework applicable to the entity and the industry in which it operates and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. These included but were not limited to the Companies Act 2006, the UK Listing rules, the DTR rules, FRS 102 accounting standards, VAT and other taxes.

Our audit procedures were designed to respond to risks of material misstatement in the Financial Statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

We considered compliance with this framework through discussions with the Audit Committee and performed audit procedures on these areas as considered necessary. Our procedures involved enquiry with the AIFM and the Board, review of the reporting to the Directors with respect to compliance with laws and regulation, review of Board meeting minutes and review of legal correspondence.

There are inherent limitations in an audit of Financial Statements and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the Financial Statements, the less likely we would become aware of it.

As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements other than the Financial Statements and our Auditor's report thereon. Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable** – the statement given by the Directors that they consider the Annual Report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit Committee reporting** – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or

Financial Report

- Directors' statement of compliance with the UK Corporate Governance Code – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the Auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on Other Matters Prescribed by the Companies Act 2006

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

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the Strategic Report and the Directors' reports have been prepared in accordance with applicable legal requirements.

Matters on Which We are Required to Report by Exception

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

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

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company's Financial Statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the Company.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Other Matters Which We are Required to Address

Following the recommendation of the Audit Committee and appointment by the Board of Directors, we were appointed by the members of the Company on 15 November 2017 to audit the Financial Statements for the year ending 31 July 2018 and subsequent financial periods. The period of our total uninterrupted engagement is two years, covering the years ending 31 July 2018 and 31 July 2019.

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

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

Use of Our Report

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



Neil Fung-On (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
150 Aldersgate Street
London
EC1A 4AB
20 September 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Income Statement

For the year ended 31 July

	Notes	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000
(Losses)/gains on investments	8	–	(3,116)	(3,116)	–	22,492	22,492
Currency losses	12	–	(781)	(781)	–	(49)	(49)
Income	2	2,473	–	2,473	2,032	–	2,032
Investment management fee	3	(1,297)	–	(1,297)	(1,396)	–	(1,396)
Other administrative expenses	4	(542)	–	(542)	(534)	–	(534)
Net return before finance costs and taxation		634	(3,897)	(3,263)	102	22,443	22,545
Finance costs of borrowings	5	(440)	–	(440)	(275)	–	(275)
Net return on ordinary activities before taxation		194	(3,897)	(3,703)	(173)	22,443	22,270
Tax on ordinary activities	6	(186)	–	(186)	(155)	–	(155)
Net return on ordinary activities after taxation		8	(3,897)	(3,889)	(328)	22,443	22,115
Net return per ordinary share	7	0.01p	(6.65p)	(6.64p)	(0.60p)	40.90p	40.30p

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

All revenue and capital items in this Statement derive from continuing operations.

A Statement of Comprehensive Income is not required as the company does not have any other comprehensive income and the net return on ordinary activities after taxation is both the profit and comprehensive income for the year.

The accompanying notes on pages 39 to 48 are an integral part of the Financial Statements.

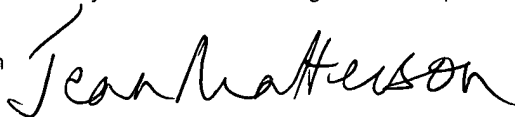
Balance Sheet

As at 31 July

	Notes	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Fixed assets					
Investments held at fair value through profit or loss	8		219,984		221,074
Current assets					
Debtors	9	636		1,065	
Cash and cash equivalents	15	3,627		3,491	
		4,263		4,556	
Creditors					
Amounts falling due within one year	10	(20,897)		(20,750)	
Net current liabilities			(16,634)		(16,194)
Net assets			203,350		204,880
Capital and reserves					
Share capital	11		5,903		5,833
Share premium account	12		20,063		17,774
Capital redemption reserve	12		20,367		20,367
Capital reserve	12		153,382		157,279
Revenue reserve	12		3,635		3,627
Shareholders' funds			203,350		204,880
Net asset value per ordinary share	13		344.50p		351.26p

The Financial Statements of Pacific Horizon Investment Trust PLC (Company Registration number 02342193) on pages 35 to 48 were approved and authorised for issue by the Board and were signed on 20 September 2019.

Jean Matterson
Chairman



The accompanying notes on pages 39 to 48 are an integral part of the Financial Statements.

Statement of Changes in Equity

For the year ended 31 July 2019

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 August 2018		5,833	17,774	20,367	157,279	3,627	204,880
Net return on ordinary activities after taxation		-	-	-	(3,897)	8	(3,889)
Ordinary shares issued	11	70	2,289	-	-	-	2,359
Shareholders' funds at 31 July 2019		5,903	20,063	20,367	153,382	3,635	203,350

For the year ended 31 July 2018

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 August 2017		5,426	3,166	20,367	134,836	3,955	167,750
Net return on ordinary activities after taxation		-	-	-	22,443	(328)	22,115
Ordinary shares issued		407	14,608	-	-	-	15,015
Shareholders' funds at 31 July 2018		5,833	17,774	20,367	157,279	3,627	204,880

The accompanying notes on pages 39 to 48 are an integral part of the Financial Statements.

Cash Flow Statement

For the year ended 31 July

	Notes	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Cash flows from operating activities					
Net return on ordinary activities before taxation			(3,703)		22,270
Net losses/(gains) on investments			3,116		(22,492)
Currency losses			781		49
Finance costs of borrowings	5		440		275
Overseas withholding tax			(183)		(152)
Changes in debtors and creditors			(177)		111
Cash from operations*			274		61
Interest paid			(435)		(247)
Net cash outflow from operating activities			(161)		(186)
Cash flows from investing activities					
Acquisitions of investments		(53,465)		(85,500)	
Disposals of investments		51,412		66,468	
Net cash outflow from investing activities			(2,053)		(19,032)
Cash flows from financing activities					
Shares issued	11	2,909		14,465	
Borrowings drawn down		492		5,717	
Borrowings repaid		(972)		(395)	
Net cash inflow financing activities			2,429		19,787
Increase in cash and cash equivalents			215		569
Exchange movements			(79)		40
Cash and cash equivalents at 1 August			3,491		2,882
Cash and cash equivalents at 31 July			3,627		3,491

* Cash from operations includes dividends received of £2,231,000 (2018 – £1,998,000) and interest received of £144,000 (2018 – £30,000).

The accompanying notes on pages 39 to 48 are an integral part of the Financial Statements.

Notes to the Financial Statements

The Company was incorporated under the Companies Act 2006 in England and Wales as a public limited company with registered number 02342193.

1 Principal Accounting Policies

The Financial Statements for the year to 31 July 2019 have been prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' on the basis of the accounting policies set out below which are unchanged from the prior year and have been applied consistently.

(a) Basis of Accounting

All of the Company's operations are of a continuing nature and the Financial Statements are prepared on a going concern basis under the historical cost convention, modified to include the revaluation of fixed asset investments at fair value through profit or loss, and on the assumption that approval as an investment trust under section 1158 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) (Tax) Regulations 2011 will be retained.

The Financial Statements have been prepared in accordance with the Companies Act 2006, applicable UK Accounting Standards and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued by the Association of Investment Companies ('AIC') in November 2014 and updated in February 2018 with consequential amendments.

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

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

(b) Financial Instruments

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.

(c) Accounting Estimates, Assumptions and Judgements

The preparation of the Financial Statements requires the use of estimates, assumptions and judgements. These estimates, assumptions and judgements affect the reported amounts of assets and liabilities, at the reporting date. While estimates are based on best judgement using information and financial data available, the actual outcome may differ from these estimates. The key sources of estimation and uncertainty relate to the assumptions used in the determination of the fair value of the unlisted investments, which are detailed in note 8 on page 42.

(d) Investments

The Company's investments are classified, recognised and measured at fair value through profit in accordance with sections 11 and 12 of FRS 102. Investment purchases and sales are recognised on a trade date basis. Expenses incidental to purchase and sale are written off to capital at the time of acquisition or disposal. Gains and losses on investments are recognised in the Income Statement as capital items.

Investments are designated as held at fair value through profit or loss on initial recognition and are measured at subsequent reporting dates at fair value. The fair value of listed security

investments is bid price or, in the case of FTSE 100 constituents and holdings on certain recognised overseas exchanges, last traded price. Unlisted investments are valued at fair value by the Directors following a detailed review and appropriate challenge of the valuations proposed by the Managers. The Managers' unlisted investment policy applies methodologies consistent with the International Private Equity and Venture Capital Valuation guidelines ('IPEV'). These methodologies can be categorised as follows: (a) market approach (multiples, industry valuation benchmarks and available market prices); (b) income approach (discounted cash flows); and (c) replacement cost approach (net assets). The valuation process recognises also, as stated in the IPEV Guidelines, that the price of a recent investment may be an appropriate starting point for estimating fair value, however it should be evaluated using the techniques described above.

The Managers monitor the investment portfolio on a fair value basis and use the fair value basis for investments in making investment decisions and monitoring financial performance.

(e) Cash and Cash Equivalents

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

(f) 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) If scrip dividends are taken in lieu of dividends in cash, the net amount of the cash dividend declared is credited to the revenue column of the Income Statement. Any excess in the value of the shares received over the amount of the cash dividend foregone is recognised in the capital column of the Income Statement.
- (iii) Special dividends are treated as capital or income depending on the facts of each particular case.
- (iv) Unfranked investment income and overseas dividends include the taxes deducted at source.
- (v) Interest from fixed interest securities is recognised on an accruals basis using the effective interest rate basis.
- (vi) Underwriting commission and interest receivable on deposits are recognised on an accruals basis.

(g) Expenses

All expenses are accounted for on an accruals basis and are charged through the revenue column of the Income Statement, except for expenses incidental to the acquisition or sale of investments, which are written off to capital when incurred.

(h) Borrowing and Finance Costs

Interest bearing bank loans are recorded at the proceeds received, net of direct issue costs and subsequently measured at amortised cost. Finance costs are accounted for on an accruals basis on an effective interest rate basis and are charged through the revenue column of the Income Statement.

(i) Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those enacted or substantively enacted at the reporting date.

(j) Deferred Taxation

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.

(k) 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 the Income Statement as capital or revenue as appropriate.

(l) Capital Redemption Reserve

The Capital Redemption Reserve is a statutory, non-distributable reserve into which amounts are transferred following the redemption or purchase of a company's own shares.

(m) Capital Reserve

Gains and losses on disposal of investments, changes in the fair value of investments held and realised and unrealised exchange differences of a capital nature are dealt with in this reserve after being recognised in the Income Statement. Purchases of the Company's own shares for cancellation may be funded from this reserve.

(n) Revenue Reserve

The revenue profit or loss for the year is taken to or from this reserve. The revenue reserve may be distributed by way of dividend.

(o) Single Segment Reporting

The Company is engaged in a single segment of business, being investment business, consequently no business segmental analysis is provided.

2 Income

	2019 £'000	2018 £'000
Income from investments		
Overseas dividends	2,225	2,002
Overseas interest	104	-
	2,329	2,002
Other income		
Deposit interest	144	30
Total income	2,473	2,032
Total income comprises:		
Dividends from financial assets designated at fair value through profit or loss	2,225	2,002
Interest from financial assets designated at fair value through profit or loss	104	-
Interest from financial assets not at fair value through profit or loss	144	30
	2,473	2,032

3 Investment Management Fee

	2019 £'000	2018 £'000
Investment management fee	1,297	1,396

Details of the Investment Management Agreement are set out on page 19. With effect from 1 January 2019 the annual management fee is 0.75% on the first £50 million of net assets, 0.65% on the next £200 million of net assets and 0.55% on the remaining net assets. In the periods before 1 January 2019 covered by this report the fee was 0.95% on the first £50 million of net assets, 0.65% on the next £200 million of net assets and 0.55% on the remaining net assets. Management fees are calculated and payable on a quarterly basis.

4 Other Administrative Expenses

	2019 £'000	2018 £'000
General administrative expenses	405	410
Directors' fees	118	106
Auditor's remuneration for audit services	19	18
	542	534

These were no non-audit fees paid to the Auditor during the year (2018 – nil).

5 Finance Costs of Borrowings

	2019 £'000	2018 £'000
Bank loans (see note 10)	440	275

6 Tax on Ordinary Activities

	2019 £'000	2018 £'000
Analysis of charge in the year		
Overseas withholding tax	186	155
Factors affecting the tax charge for the year		
The tax assessed for the year is higher (2018 – lower) than the average standard rate of corporation tax in the UK of 19.00% (2018 – 19.00%). The differences are explained below:		
Net return on ordinary activities before taxation	(3,703)	22,270
Net return on ordinary activities multiplied by the average standard rate of corporation tax in the UK of 19.00% (2018 – 19.00%)	(703)	4,231
Capital gains not taxable	740	(4,264)
Overseas dividends not taxable	(423)	(380)
Taxable expenses in the year not utilised	386	413
Overseas withholding tax	186	155
Revenue tax charge for the year	186	155

As an investment trust, the Company's capital gains are not taxable.

Factors that may affect future tax charges

At 31 July 2019 the Company had a potential deferred tax asset of £3,710,000 (2018 – £3,374,000) 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 17% (2018 – 17%).

7 Net Return per Ordinary Share

	2019 Revenue	2019 Capital	2019 Total	2018 Revenue	2018 Capital	2018 Total
Net return on ordinary activities after taxation	0.01p	(6.65p)	(6.64p)	(0.60p)	40.90p	40.30p

Revenue return per ordinary share is based on the net revenue profit on ordinary activities after taxation of £8,000 (2018 – net revenue loss £328,000) and on 58,565,364 (2018 – 54,868,308) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

Capital return per ordinary share is based on the net capital loss for the financial year of £3,897,000 (2018 – net capital gain of £22,443,000) and on 58,565,364 (2018 – 54,868,308) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

Total return per ordinary share is based on the total loss for the financial year of £3,889,000 (2018 – total gain of £22,115,000) and on 58,565,364 (2018 – 54,868,308) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

There are no dilutive or potentially dilutive shares in issue.

8 Fixed Assets – Investments

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
As at 31 July 2019				
Listed equities	217,070	–	–	217,070
Unlisted equities	–	–	2,914	2,914
Total financial asset investments	217,070	–	2,914	219,984
As at 31 July 2018				
Listed equities	216,794	–	787	217,581
Unlisted equities	–	–	3,493	3,493
Total financial asset investments	216,794	–	4,280	221,074

Investments in securities are financial assets held at fair value through profit or loss. In accordance with Financial Reporting Standard 102, the tables above provide an analysis of these investments based on the fair value hierarchy described below, which reflects the reliability and significance of the information used to measure their fair value. During the current year, investments with a combined fair value at the previous year end of £2,536,000 were transferred from Level 3 to Level 1 following either the resumption or commencement of trading in the companies' shares.

Fair Value Hierarchy

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

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

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

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

The Company's unlisted ordinary share and convertible bond investments at 31 July 2019 were valued using a variety of techniques. These include using comparable company performance, comparable scenario analysis, assessment of milestone achievement at investee companies, comparison with comparable listed bonds and assessing the conversion element of the bond using option pricing. The determinations of fair value included assumptions that the comparable companies and scenarios chosen for the performance assessment provide a reasonable basis for the determination of fair value and that suitable parameters have been used for the option pricing model. In some cases the latest dealing price is considered to be the most appropriate valuation basis, but only following assessment using the techniques described above.

	Listed overseas £'000	Unlisted £'000	2019 Total £'000	2018 Total £'000
Cost of investments at 1 August 2018	147,087	3,629	150,716	103,011
Investment holding gains and losses at 1 August 2018	70,494	(136)	70,358	76,512
Fair value of investments at 1 August 2018	217,581	3,493	221,074	179,523
Movements in year:				
Purchases at cost	53,438	–	53,438	85,527
Sales – proceeds	(51,412)	–	(51,412)	(66,468)
– gains on sales	4,858	–	4,858	28,646
Changes in investment holding gains and losses	(9,286)	1,312	(7,974)	(6,154)
Book cost transfer	1,891*	(1,891)*	–	–
Fair value of investments at 31 July 2019	217,070	2,914	219,984	221,074
Cost of investments at 31 July 2019	155,862	1,738	157,600	150,716
Investment holding gains and losses at 31 July 2019	61,208	1,176	62,384	70,358
Fair value of investments at 31 July 2019	217,070	2,914	219,984	221,074

* The fair value of this investment at the time of its listing was £2,245,000.

The Company incurred transaction costs on purchases of £101,000 (2018 – £110,000) and on sales of £109,000 (2018 – £336,000), being £210,000 (2018 – £446,000) in total.

8 Fixed Assets – Investments (continued)

	2019 £'000	2018 £'000
Net (losses)/gains on investments held at fair value through profit or loss		
Gains on sales	4,858	28,646
Changes in investment holding gains and losses	(7,974)	(6,154)
	(3,116)	22,492

In respect of the sales made during the year a net gain of £22,537,000 (2018 – net gain of £27,932,000) was included in investment holding gains and losses at the previous year end.

9 Debtors

	2019 £'000	2018 £'000
Amounts falling due within one year:		
Income accrued (net of withholding taxes)	589	494
Share issuance proceeds awaiting settlement	–	550
Other debtors and prepayments	47	21
	636	1,065

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. There were no debtors that were past due or impaired at 31 July 2019 or 31 July 2018.

10 Creditors – Amounts falling due within one year

	2019 £'000	2018 £'000
The Royal Bank of Scotland plc loan	20,405	20,183
Investment purchases awaiting settlement	–	27
Investment management fee	343	370
Other creditors and accruals	149	170
	20,897	20,750

The Company has a one year multi-currency revolving credit facility of up to £30 million with The Royal Bank of Scotland International Limited (31 July 2018 – up to £30 million) which expires on 15 March 2020. At 31 July 2019 there were outstanding drawings of £10,000,000 and US\$12,739,900 at interest rates of 1.28492% and 2.9272% respectively (31 July 2018 – £10,000,000 and US\$13,358,000 at interest rates of 1.08075% and 2.79063% respectively), maturing in September 2019. The main covenants relating to the loan are that borrowings should not exceed 20% of the Company's adjusted net asset value and the Company's net asset value should be at least £80 million. There were no breaches in the loan covenants during the year.

None of the above creditors at 31 July 2019 or 31 July 2018 are financial liabilities designated at fair value through profit or loss.

11 Share Capital

	2019 Number	2019 £'000	2018 Number	2018 £'000
Allotted, called up and fully paid ordinary shares of 10p each	59,027,282	5,903	58,327,282	5,833

In the year to 31 July 2019, the Company issued 700,000 ordinary shares (nominal value of £70,000, representing 1.2% of the issued share capital at 31 July 2018) at a premium to net asset value, raising net proceeds of £2,359,000 (2018 – 15,015,000). No shares were bought back during the year and no shares are held in treasury. At 31 July 2019 the Company had authority to buy back 8,743,259 ordinary shares on an ad hoc basis and to allot or sell from treasury 5,132,728 ordinary shares without application of pre-emption rights. Under the provisions of the Company's Articles of Association share buy-backs are funded from the capital reserve.

12 Capital and Reserves

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
At 1 August 2018	5,833	17,774	20,367	157,279	3,627	204,880
Net gains on sales of investments	-	-	-	4,858	-	4,858
Changes in investment holding gains and losses	-	-	-	(7,974)	-	(7,974)
Exchange differences on bank loan	-	-	-	(702)	-	(702)
Other exchange differences	-	-	-	(79)	-	(79)
Ordinary shares issued	70	2,289	-	-	-	2,359
Revenue return on ordinary activities after taxation	-	-	-	-	8	8
At 31 July 2019	5,903	20,063	20,367	153,382	3,635	203,350

The capital reserve includes investments holding gains of £62,384,000 (2018 – £70,358,000) as disclosed in note 8.

The revenue reserve may be distributed by way of dividend. The Company's Articles of Association prohibit distributions by way of dividends from realised capital profits.

13 Net Asset Value per Ordinary Share

The net asset value per ordinary share and the net assets attributable to the ordinary shareholders at the year end calculated in accordance with the Articles of Association were as follows:

	2019 Net asset value per share	2018 Net asset value per share	2019 Net assets attributable £'000	2018 Net assets attributable £'000
Ordinary shares	344.50p	351.26p	203,350	204,880

The movements during the year of the assets attributable to the ordinary shares are shown in note 12.

Net asset value per ordinary share is based on the net assets as shown above and 59,027,282 (2018 – 58,327,282) ordinary shares, being the number of ordinary shares in issue at each date.

14 Transactions with Related Parties and the Managers and Secretaries

The Directors' fees for the year are detailed in the Directors' Remuneration Report on page 28. No Director has a contract of service with the Company. During the year no Director was interested in any contract or other matter requiring disclosure under section 412 of the Companies Act 2006.

Details of the management contract are set out in the Directors' Report on page 19. The management fee payable to the Manager by the Company for the year, as disclosed in note 3, was £1,297,000 (2018 – £1,396,000) of which £343,000 (2018 – £370,000) was outstanding at the year end, as disclosed in note 10.

15 Financial Instruments

As an Investment Trust, the Company invests in equities and makes other investments so as to achieve its investment objective of maximising capital appreciation from a focused and actively managed portfolio of investments from the Asia-Pacific region including the Indian Sub-continent. In pursuing its investment objective, the Company is exposed to various types of risk that are associated with the financial instruments and markets in which it invests.

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 loss of capital rather than to minimise short term volatility. Risk provides the potential for both losses and gains. In assessing risk, the Board encourages the Managers to exploit the opportunities that risk affords.

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 of Directors reviews and agrees policies for managing these risks and the Company's Managers both assess the exposure to market risk when making individual investment decisions and monitor the overall level of market risk across the investment portfolio on an ongoing basis.

Details of the Company's investment portfolios are shown in note 8. The Company may, from time to time, enter into derivative transactions to hedge specific market, currency or interest rate risk. During the years to 31 July 2018 and 31 July 2019 no such transactions were entered into.

The Company's Managers may not enter into derivative transactions without the prior approval of the Board.

15 Financial Instruments (continued)

Currency Risk

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

The Managers monitor the Company's exposure to foreign currencies and report to the Board on a regular basis. The Managers assess 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.

Foreign currency borrowings can limit the Company's exposure to anticipated future changes in exchange rates which might otherwise adversely affect the value of the portfolio of investments.

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

At 31 July 2019	Investments £'000	Cash and cash equivalents £'000	Loans £'000	Other debtors and creditors* £'000	Net exposure £'000
Hong Kong dollar	48,276	–	–	29	48,305
Korean won	42,574	–	–	28	42,602
US dollar	47,793	2,891	(10,405)	74	40,353
Taiwan dollar	22,770	5	–	413	23,188
Indian rupee	16,828	–	–	6	16,834
Vietnam dong	15,022	711	–	–	15,733
Indonesian rupiah	7,708	–	–	–	7,708
Chinese yuan	5,825	–	–	–	5,825
Australian dollar	2,924	–	–	–	2,924
Total exposure to currency risk	209,720	3,607	(10,405)	550	203,472
Sterling	10,264	20	(10,000)	(406)	(122)
	219,984	3,627	(20,405)	144	203,350

* Includes non-monetary assets of £35,000.

At 31 July 2018	Investments £'000	Cash and cash equivalents £'000	Loans £'000	Other debtors and creditors* £'000	Net exposure £'000
Hong Kong dollar	59,033	–	–	41	59,074
Korean won	47,906	5	–	11	47,922
US dollar	38,263	3,063	(10,183)	(38)	31,105
Taiwan dollar	25,169	5	–	399	25,573
Indian rupee	18,922	29	–	(4)	18,947
Vietnam dong	13,993	–	–	–	13,993
Indonesian rupiah	7,710	–	–	–	7,710
Chinese yuan	2,242	29	–	19	2,290
Singapore dollar	435	–	–	–	435
Total exposure to currency risk	213,673	3,131	(10,183)	428	207,049
Sterling	7,401	360	(10,000)	70	(2,169)
	221,074	3,491	(20,183)	498	204,880

* Includes non-monetary assets of £8,000.

15 Financial Instruments (continued)

Currency Risk Sensitivity

At 31 July 2019, 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 level of change is considered to be reasonable based on observations of current market conditions. The analysis is performed on the same basis for 2018.

	2019 £'000	2018 £'000
Hong Kong dollar	2,415	2,954
Korean won	2,130	2,396
US dollar	2,018	1,555
Taiwan dollar	1,159	1,279
Indian rupee	842	947
Vietnam dong	787	700
Indonesian rupiah	385	386
Chinese yuan	291	114
Australian dollar	146	22
	10,173	10,353

Interest Rate Risk

Interest rate movements may affect directly:

- the fair value of any investments in fixed interest rate securities;
- the level of income receivable on cash deposits;
- the fair value of any fixed-rate borrowings; and
- the interest payable on any variable rate borrowings.

Interest rate movements may also impact upon the market value of investments outwith 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 may finance part of its activities through borrowings at approved levels. The amount of any such borrowings and the approved levels are monitored and reviewed regularly by the Board. Movements in interest rates, to the extent that they affect the market 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 (assuming that the Company's share price is unaffected by movements in interest rates).

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

Financial Assets

	2019 Fair value £'000	2019 Weighted average interest rate	2019 Weighted average fixed rate period*	2018 Fair value £'000	2018 Weighted average interest rate	2018 Weighted average fixed rate period*
Fixed rate bonds:						
US dollar denominated convertible bond	2,036	7.0%	30 months	1,143	7.0%	42 months
Cash and cash equivalents:						
Overseas currencies	3,607	1.4%	n/a	3,131	1.2%	n/a
Sterling	20	–	n/a	360	–	n/a

* Based on expected redemption date.

15 Financial Instruments (continued)

Financial Liabilities

The interest rate risk profile of the Company's financial liabilities and the maturity profile of the undiscounted future cash flows in respect of the Company's contractual financial liabilities at 31 July are shown below.

Interest Rate Risk Profile

	2019 £'000	2018 £'000
Floating rate bank loan – sterling denominated	10,000	10,000
– US dollar denominated	10,405	10,183
	20,405	20,183

Maturity Profile

	2019 Within 1 year £'000	2018 Within 1 year £'000
Repayment of loans	20,405	20,183
Interest on loans	109	102
	20,514	20,285

Interest Rate Risk Sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates at the Balance Sheet date and with the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates.

An increase of 100 basis points in interest rates, with all other variables being held constant, would have decreased the Company's total net assets and total return on ordinary activities for the year ended 31 July 2019 by £167,000 (2018 – a decrease of £119,000). This is mainly due to the Company's exposure to interest rates on its floating rate bank loan and cash balances. 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 Managers. 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. The portfolio does not seek to reproduce the index. Investments are selected based upon the merit of individual companies and therefore performance may well diverge from the comparative index.

Other Price Risk Sensitivity

A full list of the Company's investments is given on pages 15 and 16. In addition, a geographical analysis of the portfolio and an analysis of the investment portfolio by broad industrial or commercial sector are contained in the Strategic Report.

106.7% (2018 – 105.8%) of the Company's net assets are invested in quoted equities. A 5% (2018 – 5%) increase in quoted equity valuations at 31 July 2019 would have increased total assets and total return on ordinary activities by £10,853,000 (2018 – £10,840,000). A decrease of 5% would have had an equal but opposite effect. The level of change is considered to be reasonable based on observations of current market conditions.

Liquidity Risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk is not significant as the majority of the Company's assets are investments in quoted securities that are readily realisable. The Board provides guidance to the Managers as to the maximum exposure to any one holding and to the maximum aggregate exposure to substantial holdings.

The Company has the power to take out borrowings, which give it access to additional funding when required. The Company's current borrowing facility is detailed in note 10 and the maturity profile of its borrowings are set out above. Under the terms of the borrowing facility, borrowings are repayable on demand at their current carrying value.

15 Financial Instruments (continued)

Credit Risk

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

This risk is managed as follows:

- where the Managers make 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 Depositary is liable for the loss of financial instruments held in custody. The Depositary will ensure that any delegate segregates the assets of the Company. The Managers monitor the Company's risk by reviewing the Custodian's internal control reports and reporting its findings to the Board;
- investment transactions are carried out with a large number of brokers whose creditworthiness is reviewed by the Managers. Transactions are ordinarily undertaken on a delivery versus payment basis whereby the Company's custodian bank ensures that the counterparty to any transaction entered into by the Company has delivered on its obligations before any transfer of cash or securities away from the Company is completed;
- the creditworthiness of the counterparty to 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 Managers; and
- cash is only held at banks that are regularly reviewed by the Managers.

Credit Risk Exposure

The maximum exposure to credit risk at 31 July was:

	2019 £'000	2018 £'000
Convertible bond	2,036	1,143
Cash and cash equivalents	3,627	3,491
Debtors and prepayments*	636	1,065
	6,299	5,699

* Includes non-monetary assets of £35,000 (2018 – £8,000).

None of the Company's financial assets are past due or impaired (2018 – none).

Fair Value of Financial Assets and Financial Liabilities

The Directors are of the opinion that the carrying amount of financial assets and liabilities of the Company in the Balance Sheet approximate their fair value.

Capital Management

The capital of the Company is its share capital and reserves as set out in note 12 together with its borrowings (see note 10). The objective of the Company is to invest in the Asia-Pacific region (excluding Japan) and in the Indian Sub-continent in order to achieve capital growth. The Company's investment policy is set out on page 7. In pursuit of the Company's objective, the Board has a responsibility for ensuring the Company's ability to continue as a going concern and details of the related risks and how they are managed are set out on pages 8, 9, 24 and 25. The Company has the authority to issue and buy back its shares (see pages 20 and 21) and changes to the share capital during the year are set out in notes 11 and 12. The Company does not have any externally imposed capital requirements other than the covenants on its loan which are detailed in note 10.

16 Alternative Investment Fund Managers Directive (AIFMD)

In accordance with the Alternative Investment Fund Managers Directive, information in relation to the Company's leverage and the remuneration of the Company's AIFM, Baillie Gifford & Co Limited, is required to be made available to investors. In accordance with the Directive, the AIFM's remuneration policy is available on the Managers' website at www.bailliegifford.com or on request (see contact details on the back cover). The numerical remuneration disclosures in respect of the AIFM's relevant reporting period (year ended 31 March 2019) are also available at www.bailliegifford.com.

The Company's maximum and actual leverage (see Glossary of Terms and Alternative Performance Measures (APM) on page 56) levels at 31 July 2019 are shown below:

Leverage Exposure

	Gross method	Commitment method
Maximum limit	2.50:1	2.00:1
Actual	1.10:1	1.10:1

Notice of Annual General Meeting

The Annual General Meeting of the Company will be held at the offices of Baillie Gifford & Co, Calton Square, 1 Greenside Row, Edinburgh EH1 3AN, on Tuesday, 12 November 2019 at 11.00am.

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

Baillie Gifford may record your call.

By Rail:

Edinburgh Waverley – approximately a 5 minute walk away

By Bus:

Lothian Buses local services include:

1, 5, 7, 8, 10, 12, 14, 15, 15A, 16, 22, 25, 34

By Tram:

Stops at St Andrew Square and York Place

Access to Waverley Train Station on foot

Notice is hereby given that an Annual General Meeting of Pacific Horizon Investment Trust PLC (the 'Company') will be held at the offices of Baillie Gifford & Co, Calton Square, 1 Greenside Row, Edinburgh EH1 3AN on Tuesday, 12 November 2019 at 11.00am for the purposes of considering and, if thought fit, passing the following Resolutions, of which Resolutions 1 to 7 will be proposed as ordinary resolutions and Resolutions 8 and 9 will be proposed as special resolutions:

Ordinary Business

1. To receive and adopt the Company's Annual Report and Financial Statements for the financial year ended 31 July 2019, together with the Reports of the Directors and the Independent Auditor's Report thereon.
2. To approve the Directors' Annual Report on Remuneration for the financial year ended 31 July 2019.
3. To re-elect Mr EG Creasy as a Director of the Company.
4. To elect Mr RF Studwell as a Director of the Company.
5. To reappoint BDO LLP as Independent Auditor of the Company to hold office until the conclusion of the next Annual General Meeting at which the Financial Statements are laid before the Company.
6. To authorise the Directors to determine the remuneration of the Independent Auditor of the Company.
7. That:
 - (a) the Directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the 'Act') to allot shares in the Company, or to grant rights to subscribe for or convert any security into shares in the Company, up to a maximum nominal amount of £590,272.82; and
 - (b) the authority given by this Resolution:
 - (i) shall be in substitution for all pre-existing authorities under section 551 of the Act; and
 - (ii) unless renewed, revoked or varied in accordance with the Act, shall expire on 12 February 2021 or, if earlier, at the conclusion of the Annual General Meeting of the

Company to be held in 2020 save that the Company may, before such expiry, make any offer or enter into an agreement which would or might require the allotment of shares in the Company, or the grant of rights to subscribe for or to convert any security into shares in the Company, after such expiry.

8. That, subject to the passing of Resolution 7 set out in the Notice of Annual General Meeting dated 8 October 2019 (the 'Allotment Authority'), the Directors be given power pursuant to sections 570 and 573 of the Companies Act 2006 (the 'Act') to allot equity securities (within the meaning of section 560(1) of the Act) for cash pursuant to the Allotment Authority, and to sell treasury shares for cash, as if section 561(1) of the Act did not apply to such allotment or sale, provided that such power:
 - (a) shall be limited to the allotment of equity securities or the sale of treasury shares up to an aggregate nominal amount of £590,272.82;
 - (b) shall be in substitution for all pre-existing powers under sections 570 and 573 of the Act; and
 - (c) shall expire at the same time as the Allotment Authority, save that the Company may before expiry of the power conferred on the Directors by this Resolution make an offer or agreement which would or might require equity securities to be allotted after such expiry.
9. That, in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date hereof, the Company be generally and unconditionally authorised, in accordance with section 701 of the Companies Act 2006 (the 'Act') to make market purchases (within the meaning of section 693(4) of the Act) of its ordinary shares, (either for retention as treasury shares for future reissue, resale, transfer or for cancellation), provided that:
 - (a) the maximum number of ordinary shares hereby authorised to be purchased is 8,848,189 or, if less, the number representing approximately 14.99 per cent. of the issued share capital of the Company on the date on which this Resolution is passed;

Shareholder Information

- (b) the minimum price (excluding expenses) which may be paid for each ordinary share shall be the nominal value of that share;
- (c) the maximum price (excluding expenses) which may be paid for any ordinary share purchased pursuant to this authority shall not be more than the higher of:
- (i) 5 per cent. above the average closing price on the London Stock Exchange of an ordinary share over the five business days immediately preceding the date of purchase; and
 - (ii) the higher price of the last independent trade of an ordinary share and the highest current independent bid for such a share 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 2020, save that the Company may, prior to the expiry of such authority, enter into a contract or contracts to purchase ordinary shares under such authority which will or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of ordinary shares pursuant to any such contract or contracts.

By Order of the Board
Baillie Gifford & Co Limited
Company Secretaries
8 October 2019

Notes

1. As a member you are entitled to appoint a proxy or proxies to exercise all or any of your rights to attend, speak and vote at the AGM. A proxy need not be a member of the Company but must attend the AGM to represent you. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You can only appoint a proxy using the procedure set out in these notes and the notes to the proxy form. You may not use any electronic address provided either in this notice or any related documents (including the Financial Statements and proxy form) to communicate with the Company for any purpose other than those expressly stated.
2. To be valid any proxy form or other instrument appointing a proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, must be received by post or (during normal business hours only) by hand at the Registrars of the Company at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY or www.eproxyappointment.com no later than 11.00am on 8 November 2019 (or 48 hours (excluding non-working days) before any adjourned meeting).
3. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual and/or by logging on to the website www.euroclear.com/CREST. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
4. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's registrar (ID 3RA50) no later than 11.00am on 8 November 2019 (or 48 hours (excluding non-working days) before any adjourned meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
5. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his/her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST service by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
6. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
7. The return of a completed proxy form or other instrument of proxy will not prevent you attending the AGM and voting in person if you wish.

8. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 and section 311 of the Companies Act 2006 the Company specifies that to be entitled to attend and vote at the AGM (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company no later than 48 hours (excluding non-working days) prior to the commencement of the AGM or any adjourned meeting. Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
9. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
10. The statement of the rights of shareholders in relation to the appointment of proxies in Notes 1 and 2 above does not apply to Nominated Persons. The rights described in those Notes can only be exercised by shareholders of the Company.
11. The members of the Company may require the Company to publish on its website, (without payment) a statement (which is also passed to the Auditor) setting out any matter relating to the audit of the Company's accounts, including the Auditor's report and the conduct of the audit. The Company will be required to do so once it has received such requests from either members representing at least 5 per cent. of the total voting rights of the Company or at least 100 members who have a relevant right to vote and hold shares in the Company on which there has been paid up an average sum per member of at least £100. Such requests must be made in writing and must state your full name and address and be sent to the Company at Calton Square, 1 Greenside Row, Edinburgh EH1 3AN.
12. Information regarding the Annual General Meeting, including information required by section 311A of the Companies Act 2006, is available from the Company's page of the Managers' website at www.pacifichorizon.co.uk.
13. Members have the right to ask questions at the meeting in accordance with section 319A of the Companies Act 2006.
14. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
15. As at 17 September 2019 (being the last practicable date prior to the publication of this notice) the Company's issued share capital consisted of 59,027,282 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 17 September 2019 were 59,027,282 votes.
16. Any person holding 3 per cent. or more of the total voting rights of the Company who appoints a person other than the Chairman of the meeting as his proxy will need to ensure that both he/she and his/her proxy complies with their respective disclosure obligations under the UK Disclosure Guidance and Transparency Rules.
17. No Director has a contract of service with the Company.

Further Shareholder Information

Pacific Horizon 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 although investors are still liable for capital gains tax on profits when selling their investment.

How to Invest

The Company's shares are traded on the London Stock Exchange. They can be bought by placing an order with a stockbroker, or by asking a professional adviser to do so. If you are interested in investing directly in Pacific Horizon, you can do so online. There are a number of companies offering real time online dealing services.

Sources of Further Information on the Company

The price of shares is quoted daily in the Financial Times (under 'Investment Companies') and can also be found on the Company's page of the Managers' website at www.pacifichorizon.co.uk, Trustnet at www.trustnet.co.uk and on other financial websites. Monthly factsheets are also available on the Baillie Gifford website. These are available from Baillie Gifford on request.

Pacific Horizon Share Identifiers

ISIN GB0006667470

Sedol 0666747

Ticker PHI

Legal Entity Identifier VLGEI9B8R0REWKB0LN95

Key Dates

Any dividend in respect of a financial year will be paid by way of a single final payment shortly after the Annual General Meeting. The Annual General Meeting is normally held in October or early November.

Capital Gains Tax

For Capital Gains Tax purposes, the cost to shareholders who subscribed for the conversion shares, subsequently converted into new ordinary shares (with warrants attached), is apportioned between the ordinary shares and the warrants as set out in the placing and offer document dated 5 March 1996. The attributable costs are:

Cost of each ordinary share	53.45p
Cost of each warrant	16.52p

Market values on 17 April 1996 (first day of dealing) were as follows (Source: Thomson Reuters):

Ordinary share	55.00p
Warrant	17.00p

Share Register Enquiries

Computershare Investor Services PLC maintains the share register on behalf of the Company. In the event of queries regarding shares registered in your own name, please contact the Registrars on 0370 707 1229. 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.

You can also check your holding on the Registrars' website at www.investorcentre.co.uk. They also offer a free, secure share management website service which allows you to:

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

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

Electronic Proxy Voting

If you hold stock in your own name you can choose to vote by returning proxies electronically at www.eproxyappointment.com. If you have any questions about this service please contact Computershare on 0370 707 1229.

CREST Proxy Voting

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

Analysis of Shareholders at 31 July

	2019 Number of shares held	2019 %	2018 Number of shares held	2018 %
Institutions	12,637,215	21.4	13,295,203	22.8
Intermediaries	41,049,390	69.6	31,388,013	53.8
Individuals	2,121,346	3.6	1,821,983	3.1
Baillie Gifford				
Share Plan/ISA	2,495,754	4.2	11,640,047	20.0
Marketmakers	723,577	1.2	182,036	0.3
	59,027,282	100.0	58,327,282	100.0

Data Protection

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

Risks

Past performance is not a guide to future performance.

Pacific Horizon is listed on the London Stock Exchange. The value of its shares, and any income from them, can fall as well as rise and investors may not get back the amount invested.

Pacific Horizon 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.

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

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

Pacific Horizon can buy back its own shares. The risks from borrowing, referred to above, are increased when the Company buys back its own shares.

Market values for securities which have become difficult to trade may not be readily available and there can be no assurance that any value assigned to such securities will accurately reflect the price Pacific Horizon might receive upon their sale.

Pacific Horizon can make use of derivatives which may impact on its performance.

Pacific Horizon risk could be increased by its investment in unlisted investments. These assets may be more difficult to buy or sell, so changes in their prices may be greater.

Charges are deducted from income. Where income is low, the expenses may be greater than the total income received, meaning Pacific Horizon may not pay a dividend and the capital value would be reduced.

The aim of Pacific Horizon is to achieve capital growth. You should not expect a significant, or steady, annual income from the Company.

Shareholders in Pacific Horizon have the right to vote every five years on whether to continue Pacific Horizon or wind it up. If the shareholders decide to wind the Company up, the assets will be sold and you will receive a cash sum in relation to your shareholding. The next vote will be held at the Annual General Meeting in 2021.

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

Further details of the risks associated with investing in the Company, including a Key Information Document and how charges are applied, can be found at www.pacifichorizon.co.uk, or by calling Baillie Gifford on 0800 917 2112. This information has been issued and approved by Baillie Gifford & Co Limited, the Managers and Secretaries, and does not in any way constitute investment advice.

Pacific Horizon Investment Trust PLC is a UK public listed company and as such complies with the requirements of the UK Listing Authority. It is not authorised and regulated by the Financial Conduct Authority.

The Financial Statements have been approved by the Directors of Pacific Horizon. The information and opinions expressed within this Annual Report and Financial Statements is subject to change without notice.

The staff of Baillie Gifford & Co and the Directors of Pacific Horizon may hold shares in Pacific Horizon and may buy or sell shares from time to time.

Communicating with Shareholders

Pacific Horizon on the Web

Up-to-date information about Pacific Horizon, can be found on the Company's page of the Managers' website at www.pacifichorizon.co.uk. You will find full details on Pacific Horizon, including recent portfolio information and performance figures.

Trust Magazine

Trust is the Baillie Gifford investment trust magazine which is published twice a year. It provides an insight to our investment approach by including interviews with our fund managers, as well as containing investment trust news, investment features and articles about the trusts managed by Baillie Gifford, including Pacific Horizon. *Trust* plays an important role in helping to explain our products so that readers can really understand them.

You can subscribe to *Trust* magazine or view a digital copy at www.bailliegifford.com/trust.

Suggestions and Questions

Any suggestions on how communications with shareholders can be improved are welcomed. Please contact the Baillie Gifford Client Relations Team and give them your suggestions. They will also be very happy to answer questions that you may have about Pacific Horizon.

Automatic Exchange of Information

In order to fulfill its obligations under UK tax legislation relating to the automatic exchange of information, Pacific Horizon Investment Trust PLC is required to collect and report certain information about certain shareholders.

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

Literature in Alternative Formats

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

Client Relations Team Contact Details

You can contact the Baillie Gifford Client Relations Team by telephone, email, fax or post:

Telephone: 0800 917 2112

Your call may be recorded for training or monitoring purposes.

Email: trustenquiries@bailliegifford.com

Website: www.bailliegifford.com

Fax: 0131 275 3955

Address:

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

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

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

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

Third Party Data Provider Disclaimer

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

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

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MSCI Index Data

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Glossary of Terms and Alternative Performance Measures (APM)

Total Assets

The total value of all assets held less all liabilities (other than liabilities in the form of borrowings).

Shareholders' Funds and Net Asset Value

Also described as shareholders' funds, Net Asset Value (NAV) is the value of all assets held less all liabilities (including borrowings). The NAV per share is calculated by dividing this amount by the number of ordinary shares in issue.

Net Liquid Assets

Net liquid assets comprise current assets less current liabilities, (excluding borrowings).

Discount/Premium (APM)

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

Total Return (APM)

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

Ongoing Charges (APM)

The total recurring expenses (excluding the Company's cost of dealing in investments and borrowing costs) incurred by the Company as a percentage of the daily average net asset value, as detailed below:

	2019 £'000	2018 £'000
Investment management fee	1,297	1,396
Other administrative expenses	542	534
Total expenses	1,839	1,930
Average net asset value	186,150	189,864
Ongoing charges	0.99%	1.02%

Gearing (APM)

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

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

Invested gearing is borrowings at par less cash and brokers' balances expressed as a percentage of shareholders' funds.

Leverage (APM)

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

Active Share (APM)

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

Compound Annual Return (APM)

The compound annual return converts the return over a period of longer than one year to a constant annual rate of return applied to the compound value at the start of each year.

Unlisted Company

An unlisted company means a company whose shares are not available to the general public for trading and are not listed on a stock exchange.

Directors

Chairman:
JGK Matterson

EG Creasy
AC Lane
RA Macpherson
RF Studwell

Registrar

Computershare
Investor Services PLC
The Pavilions
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Computershare
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Depository

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Company Details

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Company Registration
No. 02342193
ISIN GB0006667470
Sedol 0666747
Ticker PHI

Legal Entity Identifier:
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