# ANNUAL REPORT 2017

## Witan Pacific Investment Trust plc

FOR A BROADER VIEW Witan Pacific investment trust

# CONTENTS

# KEY INFORMATION

The Company aims to provide shareholders with capital and income growth from a diversified portfolio of investments in the Asia Pacific region.

## Strategy

- Employ an active multi–manager approach with the aim of adding value and diversifying risk
- Appoint portfolio managers to access the wide range of opportunities in the Asia Pacific region, seeking capital return and income growth
- Aim to outperform the Company's benchmark, the MSCI AC Asia Pacific Index in sterling terms over the long term
- Aim to increase the dividend per share in real terms over the long term
- Buy back shares when the Company's shares are standing at a substantial and anomalous discount to their net asset value ("NAV")
- Control costs, seeking to maintain ongoing charges (excluding performance fees) of less than 1% per annum

## Why choose Witan Pacific Investment Trust?

- The only UK investment trust with a strategic focus across the entire Asia Pacific region, including Japan, Australia and India: investing in companies operating within this increasingly interdependent region
- A multi–manager strategy which involves the active management both of portfolio managers and the allocations to those managers, to give access to a variety of investment styles and skills, and a broader investment opportunity
- The combination of portfolio managers offers a portfolio of stocks reflecting their best ideas, independent of index weightings and aiming to balance out some of the risks
- Investment performance: 9.7% annualised NAV total return (0.4% per annum outperformance[1] of the benchmark) since the introduction of the multi–manager approach in 2005 and outperformance[2] in 8 of the 12 financial years since that introduction[3]
- Growing income: annual regular dividends have increased in each of the past 12 years
- Governance by an experienced, independent Board of Directors

1 Source: Morningstar. Average p.a. NAV total return including dividends reinvested.

2 Source: Morningstar. NAV total return outperformance of the benchmark includes dividends reinvested.

3 Investors are reminded that past performance is not a guide to future performance and the value of investments and the income from them may go down as well as up and investors may not get back the amount originally invested.

# FINANCIAL SUMMARY

## for the year ended 31 January 2017

### Key data

| | 2017 | 2016 | % change |
|---|---|---|---|
| NAV per share | **333.87p** | 259.27p | ↑ 28.8% |
| Share price | **286.00p** | 231.00p | ↑ 23.8% |
| Discount | **14.3%** | 10.9% | |

### Total returns

| | 2017 | 2016 |
|---|---|---|
| NAV per share[1] | **30.7%** | −5.6% |
| Share price[1] | **26.1%** | −3.5% |
| Benchmark[2] | **35.3%** | −5.9% |

### Income

| | 2017 | 2016 | % change |
|---|---|---|---|
| Revenue per share | **4.41p** | 4.31p | ↑ 2.3% |
| Dividend per share | **4.75p** | 4.65p | ↑ 2.2% |

### Ongoing charges[3]

| | 2017 | 2016 |
|---|---|---|
| Excluding performance fees | **1.03%** | 1.05% |
| Including performance fees | **1.03%** | 1.05% |

1 Source: Morningstar/Witan Investment Services. The movement in the NAV per share adjusted to include the reinvestment of each dividend paid by the Company during the respective period's calculation.

2 Source: Morningstar. The benchmark for Witan Pacific Investment Trust plc is the MSCI AC Asia Pacific Index.

3 Recurring operating and management costs expressed as a percentage of average net assets.

# LONG-TERM PERFORMANCE ANALYSIS

## for the year ended 31 January 2017

Strategic report

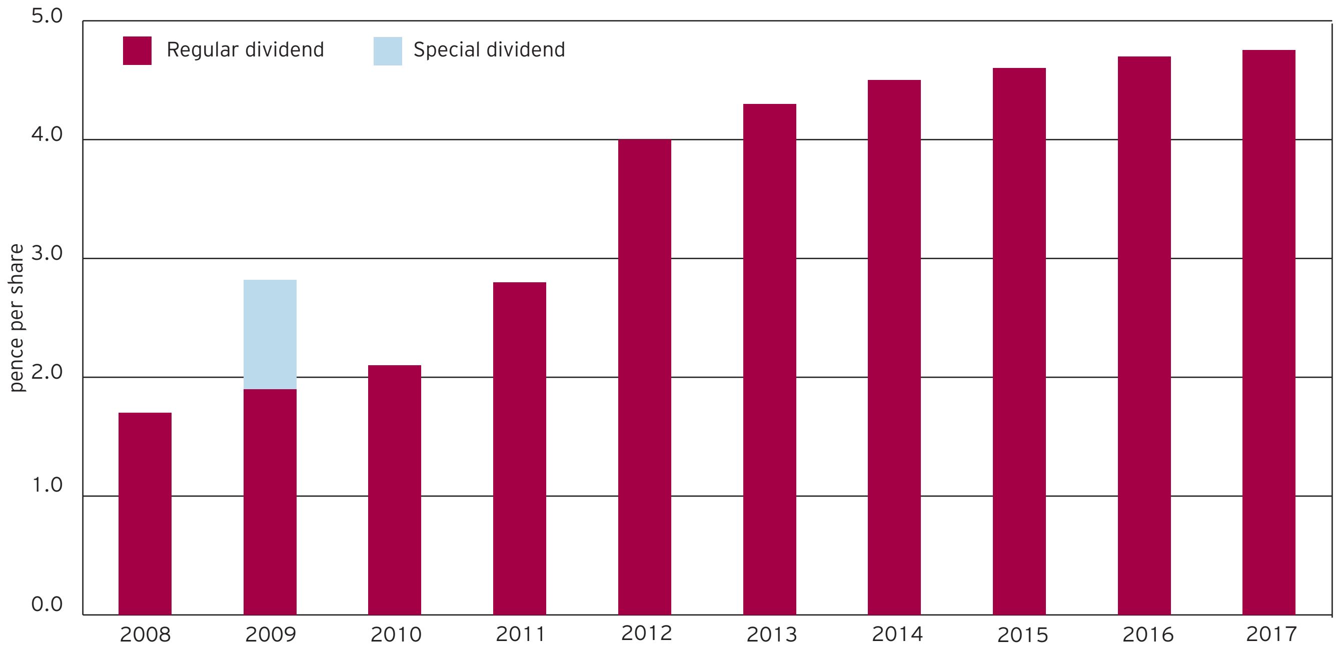
### Total returns since inception of multi–manager structure

| | Cumulative return since inception of the multi–manager structure 31/05/2005 | Annualised return since the inception of the multi–manager structure 31/05/2005 |
|---|---|---|
| NAV per share[1] | 195.8% | 9.7% |
| Share price[2] | 189.0% | 9.5% |
| Benchmark[2] | 183.1% | 9.3% |

### Total returns over each of the past five financial years (twelve months to 31 January)

| | Cumulative 5 year return | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|
| NAV per share[1] | 55.3% | **30.7%** | –5.6% | 17.6% | –6.5% | 14.7% |
| Share price[2] | 64.4% | **26.1%** | –3.5% | 16.6% | –5.2% | 22.1% |
| Benchmark[2] | 66.1% | **35.3%** | –5.9% | 17.1% | 0.2% | 11.1% |

### 10–year dividend record




1 Source: Morningstar/Witan Investment Services. Total returns include dividends reinvested.

2 Source: Morningstar.

# CHAIR'S STATEMENT

## Introduction and market background

This has been a particularly startling year for investors, even in the context of the long–term history of Witan Pacific. According to the physicist Niels Bohr, prediction is very difficult, especially about the future. The odds available for successfully predicting the combination of the result of the Brexit referendum, Leicester City Football Club winning the Premiership and Trump winning the US election were very long. Even if such a prediction had been successful, translating those results reliably into market moves would have presented a further challenge.

The unexpected happened, and the absolute returns to shareholders in Witan Pacific were spectacular, at least in the short term. The NAV total return was approximately 30.7%, and the share price total return was 26.1%. The NAV per share at the end of the year was 333.87p, an all–time high.

A significant part of that return was determined by the weakness of sterling. The Japanese yen, Australian dollar, Indonesian rupiah, Korean won and Taiwanese dollar all rose by around 20% against sterling. Thus the assets of your Company denominated in those currencies rose by roughly those amounts. The combination of those currency returns with considerable strength in local markets resulted in some spectacular returns around the region. Chinese shares recovered sharply from the turbulence at the beginning of the year, as did shares in Taiwan and Hong Kong.

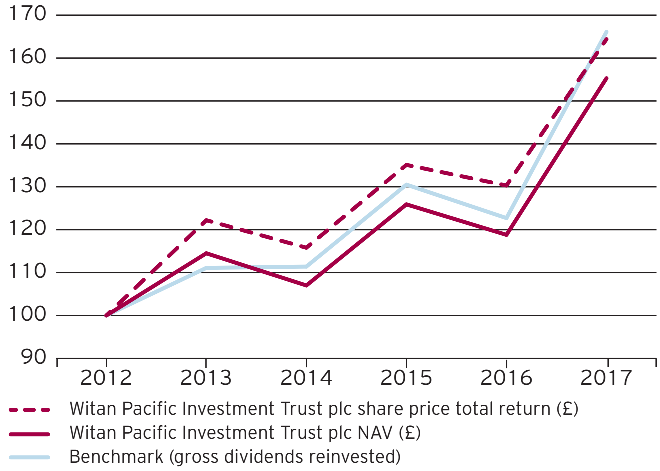
Japanese shares provided a return of around 30% in sterling terms, whereas Australian shares rose by a notable 40% translated back to the UK. Singapore rose a relatively sedate 18% in contrast.

So in absolute terms, the assets of your Company have risen significantly.

## Performance

The Company's NAV did less well than the benchmark over the year under review, which is disappointing, particularly as the managers were doing much better than the benchmark until the end of the first half. Since the inception of the multi–manager structure, the NAV has outperformed that benchmark. Both Aberdeen and Matthews have outperformed since they were appointed. The last six months of the year have been very turbulent, however, with major sentiment driven "top down" themes seemingly overwhelming some less exuberant management styles following the election of Donald Trump. In a brief period in the last few months of the year, there were some very dramatic moves in basic materials, oil and gas stocks and in financials, which do seem now to be calming down. In the period since the year end, the Company's assets have outperformced the benchmark. Healthcare stocks, which were the only group to rise in absolute terms in the previous year, fell in 2016/17, again probably as a result of the US President's comments. It would be unwise to panic in the middle of such uncertainty but we do keep a very close eye on the ways in which our managers are reacting to the circumstances in which they find themselves.

## Performance graph



## SUMMARY

- NAV total return of 30.7% for the year, compared with benchmark 35.3%
- Share price total return of 26.1%
- Final dividend of 2.55p, making 4.75p for the year (+2.2%)
- NAV total return of 195.8% since 2005, compared with benchmark 183.1%
- Net assets £217 million (2016: £170 million)



Over the year, it was pleasing to see Aberdeen do better than the market as a whole, after some years of underperformance. We are pleased to see their reactions to the last few years and believe there are useful changes underway, but we do note the recent announcement of the expected merger between Aberdeen and Standard Life and are monitoring this development closely. Matthews had a more difficult year after several strong years, largely as individual consumer–based stocks in China/Hong Kong suffered from fears of a trade war (and the share prices of those companies are, it seems, recovering). Gavekal found the market turbulence difficult to navigate and their growth oriented stocks seem to have been particularly affected by Trump–related fears.

Further details of the portfolio managers' activity and performance are set out in the Investment Review, which forms a part of this overall Strategic Report.

**Dividend**

Following the interim dividend of 2.20p per share paid in October 2016, the Board is proposing a final dividend of 2.55p per share for this half–year period, making a total dividend of 4.75p per share, a rise of 2.2% on last year, which meets the Company's aim to grow the dividend in real terms over the long term.

Subject to shareholder approval, the final dividend will be paid on 19 June 2017 to shareholders on the register at the close of business on 19 May 2017 (ex–dividend 18 May 2017).

The impact of currency moves on our income account is slightly more complicated than for the assets. Dividends received by the Company are translated when received, so what matters most is the rate of exchange at that point. Our income account was less supported by currency moves and indeed, the weakness of the yen in the latter part of 2016 adversely affected the income we received in the second part of the year.

Nevertheless, revenue earnings per share improved by 2% over the year, and we do believe that the region will continue to provide good dividend growth. Our managers' expectations for the next few years provide us with the confidence to increase our final dividend.

**Discount**

We do watch our discount very carefully. As indicated at the last year end, it had narrowed a little during the 2015/16 period. For most of the year, it traded more or less in line with many of the other Asian and Japanese investment trusts but slipped just at the end of the period. We have increased the rate of our buybacks. We are also continuing to focus our marketing efforts on private individuals, financial advisers who are interested in investment trusts and wealth managers. The feedback from these shareholders has been positive during the year but we keep working to improve our communications. A new website has recently been launched.

We also consider the value we add to our shareholders at each Board meeting and formally at our annual strategy meeting. We believe we can offer shareholders a wide and interesting exposure to the region through our multi–manager structure and the opportunity we have to continue to find interesting managers and investment approaches for shareholders.

**Outlook**

As I said at the beginning of this statement, prediction is difficult. There are certainly a number of geopolitical concerns which might affect the region, either directly or indirectly. Towards the end of the last financial year, markets seemed to be driven even more than usual by flows of money seeking to follow the latest Twitter pronouncement.

What is perhaps most important for the longer term is the way that portfolio managers appointed by the Company are able to access the opportunities provided by the region particularly when adverse sentiment provides a good entry point. Over the last year, the set back in the China A Share market has provided an opportunity to access that market and we have begun to invest there, albeit in a rather limited way at the moment. Likewise, the setback in Samsung shares has allowed your portfolio managers to increase holdings. The Board's recent trip to the region and meetings with your managers and other investors supported our view of the long–term trends and more recent changes which provide attractive opportunities. Examples of some of the areas which featured in discussions were

# CHAIR'S STATEMENT continued

the growth of the middle classes across Asia, changes in Japanese corporate behaviour (and the strength of Japanese companies' positions in the US), the radical actions taken by the Indian Government to take large notes out of circulation and the opening up of Vietnamese investment opportunities.

In the Board's view, the breadth of access which Witan Pacific offers continues to provide a range of exciting investment opportunities. No doubt there will be turbulence along the way, but the strengths of the region persist.

As this is the last statement I shall be writing for Witan Pacific, I would like to thank my fellow Board members for their continued commitment, challenge and support. I hand over with great confidence to Susan Platts–Martin and look forward to following the future of the Company.

**Sarah Bates**
**Chair**
26 April 2017

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# INVESTMENT REVIEW

## for the year ended 31 January 2017

### Performance summary

The period under review began in inauspicious circumstances with investors fearing a global economic slowdown, collapsing commodity prices and uncertainty surrounding Chinese economic policy. The negative sentiment abated as these concerns evaporated without incident, allowing equity investors to enjoy a prolonged period of significant gains. All major equity markets recorded positive returns which were, for UK based investors, flattered by the contribution made by a weaker pound following the Brexit vote. Markets rose further following the election of President Trump as his promise of stimulative economic policy was seen as outweighing the potential negative impact of any protectionist rhetoric.

Economic growth was weaker than expected early in 2016 and central banks (particularly in Europe and Japan) reacted by pushing rates into negative territory. Global bond markets reacted to this stimulus and reached extraordinary valuations by the summer of 2016, as negative official rates and uncertainty surrounding Brexit caused over a quarter of the world's government bonds to offer negative yields at one point. This abnormality began to recede as the year progressed and accelerated following the US presidential election. This coincided with an improvement in growth expectations partly because of, and partly leading to, a stabilisation in commodity prices. This, in turn, allowed for a recovery in corporate earnings expectations and hence an improved environment for equity markets. Another notable factor last year was a significant shift in the relative fortunes of equity sectors with the more cyclical, value style (financials, commodities and energy) stocks outperforming those more dependable, steady earners such as consumer staples, which had been some of the best performing stocks over previous years due to their relatively predictable characteristics.

There were a number of bright spots appearing across Asian markets by the end of the year. Japanese economic indicators point to a tightening of the labour market and a pick–up in manufacturing activity, with the export market showing particular strength. Domestic consumption, however, remains stubbornly subdued. Economic activity in India appears to be recovering from the negative impact of Prime Minister Modi's anti–corruption drive and shock caused by the associated withdrawal of higher value bank notes. China, meanwhile, continues to evolve at a steady pace, with the high–quality service economy now contributing to over 50% of GDP. The economy continues to grow at a solid 6% p.a. rate, with investment and retail sales growth rates far outstripping developed markets and regional peers. There may, of course, be political bumps along the road as President Trump flexes his policy muscles and the 19th National Congress of the Communist Party of China approaches in late 2017. This, our managers believe, may present opportunities to buy high–quality companies at attractive prices. Elsewhere in Asia, investors continue to benefit from a relatively stable political environment, favourable demographics, sound monetary policies and high savings rates. The rise of the middle classes and increasing domestic consumption continue to lend weight to the argument that Asia is an attractive long–term investment proposition whose prospects are becoming more domestically driven and regionally interdependent.

**Portfolio manager performance for the year ended 31 January 2017 and from appointment to 31 January 2017**

Details of the portfolio manager structure in place at the end of January 2017 are set out in the following table, showing the proportion of Witan Pacific's assets each managed and the performance they achieved:

| | | | | Performance | | Annualised performance[2] | |
|---|---|---|---|---|---|---|---|
| | Appointment date | Managed assets[1] £m | Managed assets[1] % | Manager % | Benchmark % | Manager % | Benchmark % |
| Aberdeen | 31 May 2005 | 94.0 | 43.4 | +39.2 | +35.3 | +11.4 | +9.3 |
| Matthews | 30 April 2012 | 100.5 | 46.4 | +28.4 | +35.3 | +13.3 | +11.3 |
| Gavekal[3] | 24 April 2012 | 22.2 | 10.2 | +22.3 | +35.3 | +10.1 | +11.5 |

Source: BNP Paribas. All performance figures are disclosed on a pre–fee basis.

Notes:

1 Excluding cash balances held centrally by the Company.

2 Since appointment.

3 Sourced from BNP Paribas and adjusted for 1.5% management fee, of which 0.75% is rebated to the Company directly, outside the fund.

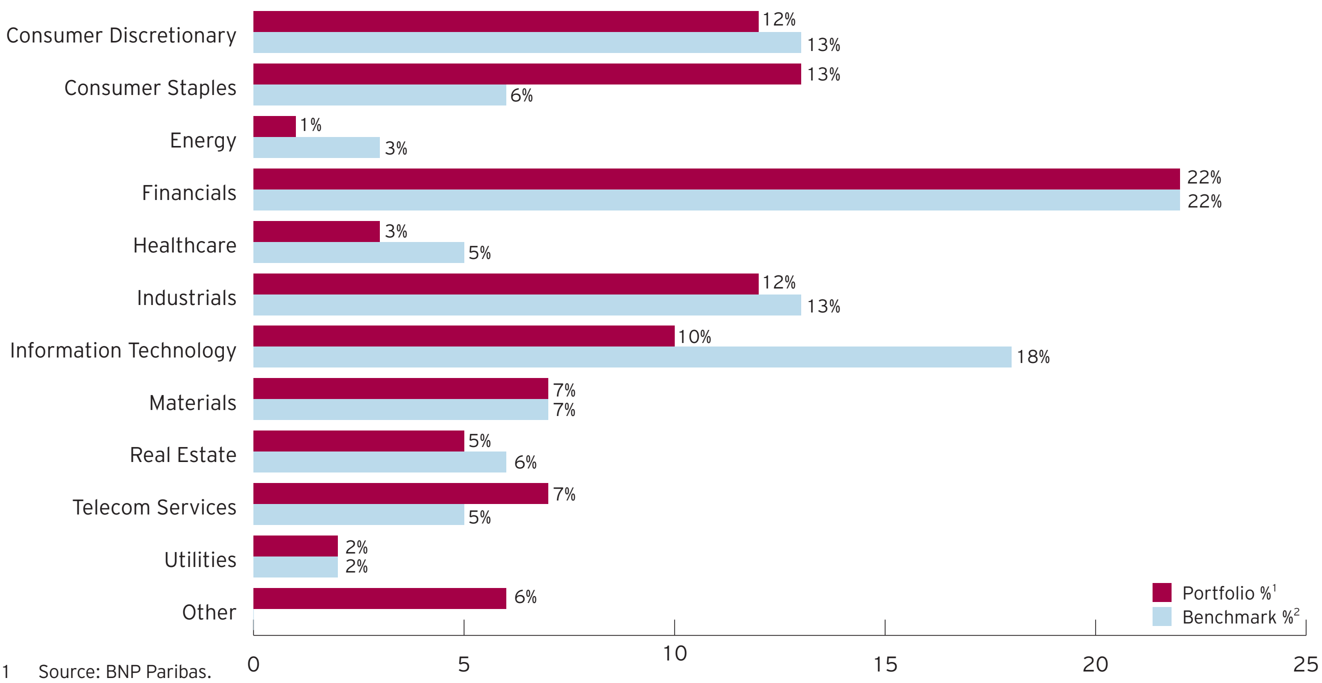
# INVESTMENT REVIEW continued

Investors will be aware that many equity markets are at, or close to, all–time highs. Despite a sell–off in the second half of 2016, government bonds remain exceedingly expensive and equities exhibit comparatively attractive properties. Companies in Asia are reporting positive earnings and dividend growth and an improvement in the corporate governance landscape appears to be taking hold. The fears of deflation in the developed markets (including Japan) are receding to a point where mild inflation is starting to lead to talk of a return to less accommodative monetary policy. This removal of monetary stimulus, far from being perceived as a negative, may be viewed as a return to a more normal environment. Obviously, there are known risks in the form of political uncertainty in Europe (including the commencement of Brexit negotiations) and any lack of progress by the new White House administration, presenting potential clouds on the horizon.

We consider the second half of 2016 to be an extremely unusual period for investors and for active investors in particular. We are at a crossroads in economic policy, with an increasing number of countries around the world questioning the use of near–zero or even negative interest rates and some adopting, or considering, a range of fiscal options. Whether these take the form of tax breaks or infrastructure spending (or a combination) investors are clearly seeing 2016 as the year when deflationary fears peaked.

Our appointed managers, who tend to focus on the specific attributes of individual companies rather than on macroeconomic and political developments, found life increasingly difficult as last year wore on even though the absolute level of return was exceptionally good. There were a number of factors at play here, including being underweight Japan and Australia (two of the strongest markets following the Brexit vote), underweight cyclical stocks, which performed particularly well following the US election, and a small number of stock specific headwinds (such as Japan Tobacco, LG Chemical and BGF Retail) which the managers see as temporary setbacks. Indeed, BGF Retail has already recovered much of the ground lost, whilst the others remain at depressed levels. Evidence suggests that Witan Pacific's managers were not alone in suffering relative underperformance in 2016. A survey of UK active managers shows that just 20% outperformed their benchmarks last year and further evidence would suggest that global managers fared little better. This is certainly food for thought but, true or not, it is likelier that a roster of good active managers will produce good returns over the long run than that the experience of 2016 will be repeated in years to come. Our

**Analysis of the Company's equity portfolio by sector at 31 January 2017**




1 Source: BNP Paribas.
2 Source: MSCI.

managers all construct portfolios on the basis of relative merits of their selected companies rather than the weight that those companies have in the benchmark. As such, performance may well vary quite considerably from that of the index over the short term but it is expected, as has been the case since inception, that their combined stock picking skills will prevail and that the multi–manager structure will deliver this outperformance with less volatility than a single manager might suffer. We consider such a 'bottom–up' strategy to be increasingly valuable in a world where uncertainty is high and the increased prevalence of index products (such as ETFs) means that fewer people are taking active investment decisions and opportunities for patient investors, such as our managers, should therefore be increasing.

The appointed managers remained unchanged over the year, although the percentage managed by each of the three has altered due to variations in relative performance. Matthews and Aberdeen manage 46.4% and 43.4% respectively, while Gavekal is responsible for 10.2% of the portfolio.

In the year to 31 January 2016, Matthews and Gavekal outperformed the benchmark while Aberdeen underperformed. In the year to 31 January 2017, Matthews and Gavekal underperformed the benchmark while Aberdeen outperformed. Further details are shown on page 7. The lion's share of this underperformance, particularly for Matthews, occurred in the second half of the year. This is a sharp turnaround in fortunes from the interim stage when the combined portfolio was ahead of its benchmark. There were several factors which contributed to this disappointing short–term performance.

First, it should be remembered that Matthews has generated significant outperformance since appointment in 2012. Their portfolio is heavily populated by Chinese and Hong Kong domiciled consumer stocks at the expense of Australian financials and commodity plays. This was a short–term headwind as some positions were impacted by a fear of US protectionism and others (which were not owned) enjoyed some stellar returns last year. We remain confident that their portfolio is of the highest quality and should continue to produce good relative returns as the headwinds subside. Since appointment, Matthews has produced returns of 13.3% per annum, which is significantly ahead of the 11.3% achieved by the benchmark.

Gavekal suffered a particularly difficult year as their geographic positioning and growth–oriented portfolio both detracted from relative performance. In addition, they tend to run with a significant fixed interest or cash position to help dampen volatility and this hindered relative performance in a strong year for equity markets.

Aberdeen, in contrast, enjoyed a return to a more productive environment following a number of fallow years. It appears that they have 'sharpened up' their process (without changing their research based investment style) and we are encouraged by the progress they have made this year. Returns were particularly good in the first half and, whilst performance lagged the benchmark in the second half, the net result was a positive one in both absolute and relative terms. Aberdeen has been one of our appointed managers since the adoption of the multi–manager strategy in 2005 and, over that period, they have outperformed the benchmark with an annualised total return of 11.4% compared with 9.3% for the index.

**Combined portfolio composition**

As previously explained, the Company's managers make no attempt to replicate (or track) the benchmark when constructing their portfolios. 'Active share' is a commonly used measure of how different from the benchmark any particular portfolio is, with 0% being identical to the benchmark and 100% implying that a portfolio contains none of the stocks in the benchmark. Active managers seek to have a high active share as this should facilitate, though by no means guarantee, outperformance of the benchmark. Our managers' portfolios have individual active share of between 82% and 87% and the Company's overall active share, whilst a little lower than last year, remains relatively high at 73%.

As Executive Manager, Witan Investment Services ("WIS") monitors the performance of the individual manager portfolios and the Company's combined portfolio. This analysis provides a wealth of information on portfolio characteristics, asset allocation (both geographic and sectoral) and risk data. The reports serve as the basis for discussion concerning the ongoing manager roster and resulting asset allocation (both absolute and relative to the benchmark) at regular Board meetings as well as on an ad–hoc basis.

# INVESTMENT REVIEW continued

The characteristics of the portfolio have, as we would expect, changed little over the year. Exposure to South Korea and Singapore has increased by approximately 2% each as the managers perceive there to be better prospects for some companies domiciled in these markets. Australia and Japan remain the most significant underweight positions in geographic terms. Financial stocks (particularly banks) dominate these two markets and our managers are only attracted to a limited number of these companies. That said, the changing nature of the global economic environment and the outlook for some of these sectors and markets has led our managers to increase exposure over the last few months.

The portfolio as a whole continues to have a bias away from many of the region's very largest companies. The benchmark is made up of over 1,000 companies, with the 20 largest representing 22.8% of the total market capitalisation. The portfolio, by contrast has a 13.4% weight in these 'mega–cap' stocks. Indeed, of those 20 stocks, the aggregate of the manager portfolios is only at or above benchmark weight in six companies, whilst none of the managers owned shares in five of the top 20 stocks. The aggregated portfolio had a weighting of 16.7% to the smallest companies by market capitalisation (which only account for 10% of the benchmark weight). The most overweight positions were HSBC, Minth Group (neither stock is in the benchmark), Seven & I, Japan Tobacco and Shenzhou International. The largest underweight positions include Tencent, Toyota, Alibaba, Commonwealth Bank of Australia and Softbank. The most significant portfolio development during the year under review was a notable increase in exposure to Samsung Electronics (from 1.5% to 3.4%). Samsung is a global company with a leading position in many product segments. It has experienced a number of well publicised issues in recent months which our managers consider to be disappointing but not significant. All three managers now own shares in Samsung, with two having taken advantage of share price weakness to initiate a holding in this well–resourced and globally dominant business, at an attractive valuation.

In last year's Strategic Report, we highlighted that the Company did not hold domestic Chinese A shares but would continue to keep this policy under review. During the year, the Board reconsidered this position and, after weighing up the relative risks and potential benefits of such investment, resolved to allow both Aberdeen and Matthews to invest in this market as and when they found attractive opportunities. Aberdeen have made a small investment via their China A Share Fund whilst Matthews will use the HK Shanghai Connect system. Both managers consider this market to offer a small number of attractive companies so exposure is likely to grow, but not rapidly.

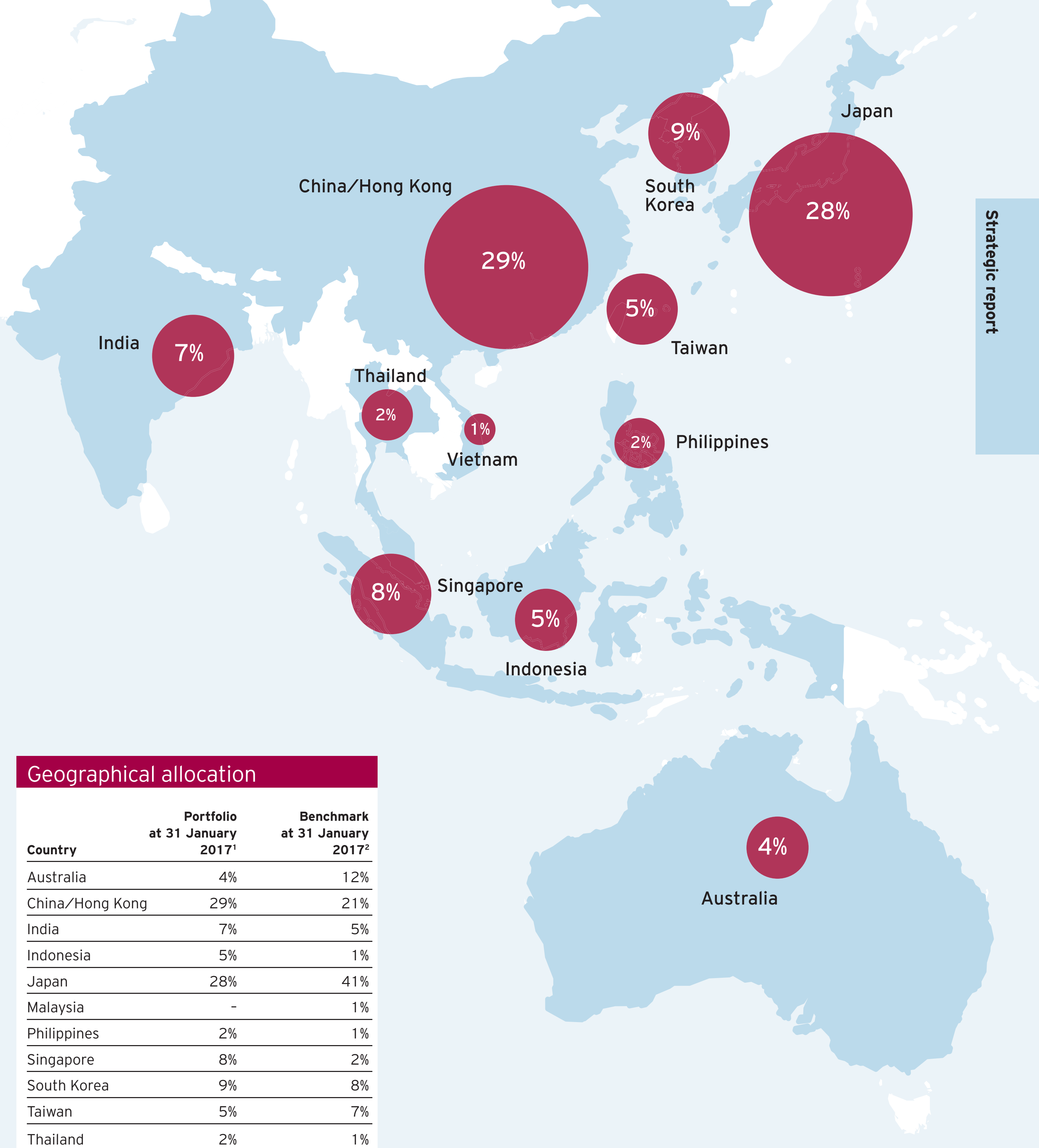
## Continued appointment of portfolio managers

As at the date of this Report, the Directors are of the opinion that the continuing appointment of the three portfolio managers, on the terms agreed, is in the interests of shareholders as a whole. The Board, in conjunction with WIS and consultants, as appropriate, considers the performance of, the allocations to and the appointments of each of the portfolio managers on a regular basis and may alter either allocations or appointments if considered to be in the Company's interests.

In addition, periodically, the Board travels to the region to visit the managers in their offices to carry out due diligence. The Board also takes the opportunity to meet with other managers while it is in Asia. As noted above, Aberdeen appears to have reacted to a period of underperformance and has implemented some minor changes to their process without changing their investment management style. Whilst we are encouraged by these signs of progress, the Board notes the proposed merger of Aberdeen with Standard Life. It will monitor developments closely, and in particular any impact on the management teams and processes in the Asia Pacific region. The Board remains confident in Matthews, in spite of some short–term performance issues and was reassured by their strong process, focus on quality companies which produce solid dividend growth, as well as their robust operational structure. Shareholders will note from comments above, that Gavekal has not enjoyed a successful year. The Board discussed this underperformance with Gavekal during its visit to the region in February 2017 and its, and the other managers', ongoing performance will continue to be monitored regularly as part of the Company's objective to outperform the regional equity index over the long term.

# PORTFOLIO INFORMATION

## as at 31 January 2017




### Geographical allocation

| Country | Portfolio at 31 January 2017[1] | Benchmark at 31 January 2017[2] |
|---|---|---|
| Australia | 4% | 12% |
| China/Hong Kong | 29% | 21% |
| India | 7% | 5% |
| Indonesia | 5% | 1% |
| Japan | 28% | 41% |
| Malaysia | – | 1% |
| Philippines | 2% | 1% |
| Singapore | 8% | 2% |
| South Korea | 9% | 8% |
| Taiwan | 5% | 7% |
| Thailand | 2% | 1% |
| Vietnam | 1% | – |
| | **100%** | **100%** |

1 Source: BNP Paribas.
2 Source: MSCI.

# PORTFOLIO INFORMATION continued

## Portfolio manager information

Aberdeen

### Aberdeen Asset Managers Limited ("Aberdeen")

Aberdeen, which has delegated management of the Company's assets to Aberdeen Asset Management Asia Limited, a wholly-owned subsidiary of Aberdeen Asset Management PLC, was established in Asia in 1992 and at 31 December 2016 was managing £57bn of assets in Asia. The 46 fund managers in the equity team follow a fundamental investment style emphasising the identification of good quality companies on low valuations relative to their growth potential.

### Strategy

Aberdeen follows a stock-picking approach of investing in good quality, well-managed and soundly financed companies trading at attractive valuations, with the expectation of holding them for extended periods in order to benefit from the compounding of those companies' growth. Corporate governance and the alignment of management with shareholders' interests are additional important factors.

### Performance

Aberdeen is one of the original portfolio managers appointed when the Company's multi-manager approach was adopted in 2005 and manages 43.4% of the Company's assets. During the year under review, it achieved a total portfolio return (before fees) of 39.2%, compared with 35.3% for the benchmark. Since appointment in 2005, it has achieved a total portfolio return of 11.4% p.a. compared with 9.3% p.a. for the benchmark, representing outperformance of 2.1% p.a. before fees.

### Geographical allocation (at 31 January 2017)[1]

| Country | % Weighting | Under/Overweight |
|---|---|---|
| Australia | 7% | -5% |
| China/Hong Kong | 24% | +3% |
| India | 8% | +3% |
| Indonesia | 4% | +3% |
| Japan | 29% | -12% |
| South Korea | 6% | -2% |
| Malaysia | 1% | - |
| Philippines | 2% | +1% |
| Singapore | 13% | +11% |
| Taiwan | 4% | -3% |
| Thailand | 2% | +1% |
| Vietnam | - | - |

### Sector allocation (at 31 January 2017)[1]

| Country | % Weighting | Under/Overweight |
|---|---|---|
| Consumer Discretionary | 6% | -7% |
| Consumer Staples | 8% | +2% |
| Energy | 1% | -2% |
| Financials | 23% | +1% |
| Healthcare | 5% | - |
| Industrials | 11% | -2% |
| Information Technology | 12% | -6% |
| Materials | 12% | +5% |
| Real Estate | 7% | +1% |
| Telecom Services | 7% | +2% |
| Utilities | - | -2% |
| Other - Funds | 8% | +8% |

1 Source: BNP Paribas and MSCI.

GavekalCapital

### Gavekal Capital Limited ("Gavekal")

Gavekal acts as advisor to several investment clients with combined assets of US$1.78bn (£1.44bn) as at 31 December 2016. The Gavekal Asian Opportunities UCITS is the largest and oldest single fund under management.

### Strategy

The Gavekal Asian Opportunities UCITS in which the Company has invested, employs no leverage, except on a short-term basis, and does not "short" stocks. The portfolio is managed by Louis-Vincent Gave, a co-founder of Gavekal, and Alfred Ho, ex CIO of Invesco Asia. They are supported by two analysts. They vary the asset allocation between equities, bonds and cash according to their top-down view of economic prospects. The equity portfolio is invested in growth-oriented companies, focusing on earnings growth and valuation. Within the equity portfolio, weightings are driven by company-specific attractions not index weightings.

### Performance

Gavekal was appointed as one of the Company's portfolio managers in April 2012 and manages 10.2% of the Company's assets. During the year under review, the Gavekal Asian Opportunities UCITS achieved a total portfolio return (before fees) of 20.8%, compared with 35.3% for the benchmark. Since inception, the fund has returned 8.6%, compared to 11.5% for the benchmark, representing an underperformance of 2.9% p.a. before fees.

### Geographical allocation (at 31 January 2017)[1]

| Country | % Weighting | Under/Overweight |
|---|---|---|
| Australia | 7% | −5% |
| China/Hong Kong | 37% | +16% |
| India | 19% | +14% |
| Indonesia | 14% | +13% |
| Japan | 7% | −34% |
| South Korea | 9% | +1% |
| Malaysia | - | −1% |
| Philippines | 3% | +2% |
| Singapore | - | −2% |
| Taiwan | 3% | −4% |
| Thailand | 1% | - |
| Vietnam | - | - |

### Sector allocation (at 31 January 2017)[1]

| Country | % Weighting | Under/Overweight |
|---|---|---|
| Consumer Discretionary | 13% | - |
| Consumer Staples | 3% | −3% |
| Energy | - | −3% |
| Financials | 17% | −5% |
| Healthcare | - | −5% |
| Industrials | 12% | −1% |
| Information Technology | 18% | - |
| Materials | 5% | −2% |
| Real Estate | 4% | −2% |
| Telecom Services | 1% | −4% |
| Utilities | 5% | +3% |
| Other - Bonds | 22% | +22% |

1 Source: BNP Paribas and MSCI.

Matthews Asia®

## Matthews International Capital Management LLC ("Matthews Asia")

Based in San Francisco, Matthews Asia is an independent, privately owned firm, and the largest dedicated Asia investment specialist in the United States. As at 31 December 2016, Matthews Asia had US$24.6bn (£19.9bn) in assets under management.

## Strategy

The Company is invested in a segregated portfolio that is managed according to the Matthews Asia Dividend Strategy; the Lead Portfolio Managers are Yu Zhang, CFA, and Robert Horrocks, PhD. The Asia Dividend Strategy employs a fundamental, bottom-up investment process to select dividend paying companies with sustainable long-term growth prospects, strong business models, quality management teams, and reasonable valuations. The Asia Dividend Strategy is a total-return strategy focused on a balance between stable dividend yielding companies and companies with attractive dividend growth prospects, in order to provide both capital growth and a sustainable dividend yield. The strategy invests in companies of all sizes and has significant exposure to small and mid-cap stocks.

## Performance

Matthews Asia was appointed as one of the Company's portfolio managers in April 2012 and manages 46.4% of the Company's assets. During the year under review, it achieved a total portfolio return (before fees) of 28.4%, compared with 35.3% for the benchmark. Since appointment in 2012, it has achieved a total portfolio return of 13.3% p.a. compared with 11.3% p.a. for the benchmark, representing outperformance of 2.0% p.a. before fees.

### Geographical allocation (at 31 January 2017)[1]

| Country | % Weighting | Under/Overweight |
|---|---|---|
| Australia | 1% | −11% |
| China/Hong Kong | 33% | +12% |
| India | 4% | −1% |
| Indonesia | 4% | +3% |
| Japan | 32% | −9% |
| South Korea | 11% | +3% |
| Malaysia | - | −1% |
| Philippines | 1% | - |
| Singapore | 60% | +4% |
| Taiwan | 5% | −2% |
| Thailand | 2% | +1% |
| Vietnam | 1% | +1% |

### Sector allocation (at 31 January 2017)[1]

| Country | % Weighting | Under/Overweight |
|---|---|---|
| Consumer Discretionary | 17% | +4% |
| Consumer Staples | 20% | +14% |
| Energy | 3% | - |
| Financials | 23% | +1% |
| Healthcare | 3% | −2% |
| Industrials | 12% | −1% |
| Information Technology | 7% | −11% |
| Materials | 3% | −4% |
| Real Estate | 2% | −4% |
| Telecom Services | 8% | +3% |
| Utilities | 2% | - |
| Other | - | - |

1 Source: BNP Paribas and MSCI.

# TOP TWENTY INVESTMENTS

## as at 31 January 2017

| This period | Last period[1] | Company | Country | % of total investments | Value £'000 |
|---|---|---|---|---|---|
| **1** | (1) | **Gavekal Asian Opportunities UCITS**<br>A UCITS fund investing in a growth-oriented Asian equity portfolio, Asian bonds and cash. The manager will vary the asset allocation in response to market conditions. | Asia Pacific | **10.5** | **22,221** |
| **2** | (2) | **Aberdeen Global Indian Equity UCITS**<br>A UCITS fund, whose objective is to invest in the equity of companies which are incorporated in India or which derive significant revenue or profit from India. This is a cost effective way of investing in India and does not affect Aberdeen's overall remuneration. | India | **3.5** | **7,315** |
| **3** | (14) | **Samsung Electronics**<br>A South Korean consumer, domestic and industrial electronics company. Samsung is a market leader in semiconductor manufacturing, mobile phones, televisions and OLED panels for monitors and mobile devices. It is also a major player in the home appliances market. | South Korea | **3.4** | **7,158** |
| **4** | (5) | **Taiwan Semiconductor Manufacturing**<br>The world's largest dedicated semiconductor foundry, TSMC provides wafer manufacturing, wafer probing, assembly and testing, mask production and design services. | Taiwan | **2.5** | **5,269** |
| **5** | (–) | **HSBC**<br>As one of the world's largest banks, HSBC provides a wide variety of international banking and financial services with the majority of its revenues originating in Asia and Europe but with operations worldwide. | China/ Hong Kong | **2.5** | **5,179** |
| **6** | (19) | **Seven & I Holdings**<br>With headquarters in Japan, Seven & I's 56,000 store network extends worldwide to include the 7-Eleven brand in Japan, China and North America. The group also includes superstores, supermarkets, department stores, restaurants and other operations. | Japan | **2.1** | **4,412** |
| **7** | (3) | **Japan Tobacco**<br>A global tobacco company with operations in 120 countries producing a wide range of tobacco products. It was originally formed from the non-US operations of R.J. Reynolds in 1999 and has since grown through acquisition. | Japan | **2.0** | **4,306** |

| This period | Last period[1] | Company | Country | % of total investments | Value £'000 |
|---|---|---|---|---|---|
| 8 | (4) | **AIA Group**<br>The leading life insurance provider in the Asia Pacific region. It provides insurance and wealth management services to individuals and businesses. | China/ Hong Kong | 2.0 | 4,284 |
| 9 | (–) | **Minth Group**<br>Chinese auto-parts business supplying many of the world's leading carmakers from factories in China, USA, Thailand and Mexico. Minth has over 130 clients for its structural body, trim and decorative auto-parts, including Toyota, GM, Honda and BMW. With 30 production facilities in China alone, Minth is an integral part of the burgeoning Chinese automobile industry. | China/ Hong Kong | 1.9 | 3,921 |
| 10 | (6) | **China Mobile**<br>China's largest mobile telephone operator. It operates the world's largest mobile network and, with 806 million customers, it has the largest mobile customer base. The company is developing a fast growing 4G telecoms network and has added over 100 million 4G customers in the past year. | China/ Hong Kong | 1.8 | 3,803 |
| 11 | (–) | **United Overseas Bank**<br>Singaporean multinational banking organisation with over 500 offices across 19 countries. Core markets include Singapore, Thailand and Indonesia with a strong presence in 12 other Asian countries and branches in all major world financial centres. | Singapore | 1.7 | 3,575 |
| 12 | (–) | **Itochu Corp**<br>A Japanese trading firm with core strength in textiles as well as interests in aerospace, machinery, metals/mining, food distribution, building products and real estate. Itochu's strategic alliances with CITIC (China) and Charoen Pokhand Group (Thailand) give it a Pan-Asian dimension. | Japan | 1.7 | 3,480 |
| 13 | (9) | **Shenzhou International**<br>One of China's largest textile companies, Shenzhou principally produces and finishes knitwear for the global branded sports and casualwear market. Customers include Nike, Adidas, Puma and Uniqlo. | China/ Hong Kong | 1.6 | 3,293 |
| 14 | (–) | **Mitsubishi Ufj Financial Group**<br>Japan's largest financial services company with operations in retail & business banking, corporate & investment banking as well as asset management, investor services and real estate. | Japan | 1.5 | 3,250 |

# TOP TWENTY INVESTMENTS continued

| This period | Last period[1] | Company | Country | % of total investments | Value £'000 |
|---|---|---|---|---|---|
| **15** | (15) | **Singapore Technologies Engineering**<br>Global integrated engineering group spanning aerospace, electronics, marine and land systems sectors. It is the world's largest commercial aircraft maintenance operator. | Singapore | **1.5** | **3,219** |
| **16** | (–) | **Sumitomo Mitsui Financial Group**<br>SMFG is the holding company for Sumitomo Mitsui Banking which, with over 400 Japanese and 40 global branches, is one of the market leaders in the Japanese banking industry. SMFG also has interests in consumer finance, leasing, securities trading and asset management. | Japan | **1.5** | **3,184** |
| **17** | (18) | **Shin–Etsu Chemical**<br>A leading manufacturer of polyvinyl chloride, silicon and silicon wafers for semiconductors. | Japan | **1.4** | **2,884** |
| **18** | (–) | **Aberdeen Global China A Equity UCITS**<br>A UCITS fund, whose objective is to invest in the equity of companies which are incorporated in China and traded on the Chinese Stock Exchanges. This is a cost effective way of investing in China and does not affect Aberdeen's overall remuneration. | China/ Hong Kong | **1.3** | **2,771** |
| **19** | (12) | **LG Chemical**<br>LG Chem Ltd produces petrochemicals, plastic resins and engineering plastics. LG Chem is also one of the world's largest producers of materials used in TV screens, computer monitors, smartphone and tablet displays. It is also at the cutting–edge of lithium–ion mobile battery technology. | South Korea | **1.3** | **2,768** |
| **20** | (–) | **Rio Tinto**<br>An Anglo–Australian metals and mining corporation with global operations in copper, aluminium, energy, diamonds, iron ore and other metals. | Australia | **1.3** | **2,754** |
| **Totals** | | | | **47.0** | **99,045** |

The value of the twenty largest holdings represents 47.0% (31 January 2016: 46.5%) of the Company's total investments. The full portfolio listing is published monthly (with a three–month lag) on the Company's website.

1 The figures in brackets denote their position within the top 20 at the previous year end. The country shown is the country of incorporation.

# CORPORATE REVIEW



Witan Pacific is an investment trust, which was founded in 1907 and has been listed on the London Stock Exchange since its foundation. It operates an outsourced business model, under the direction and supervision of the Board of Directors

## Strategic Report

The Strategic Report on pages 2 to 25 of the Annual Report and Accounts has been prepared in accordance with the requirements of Section 414 of the Companies Act 2006 and best practice. Its purpose is to provide information to the shareholders of the Company and help them to assess how the Directors have performed their duty to promote the success of the Company, in accordance with Section 172 of the Companies Act 2006.

## Strategy and investment policy

**Investment policy**
The Company's investment objective is to provide shareholders with capital and income growth from a diversified portfolio of investments in the Asia Pacific region designed to outperform the MSCI AC Asia Pacific Index in sterling terms.

Since 2005, the Company has followed a multi–manager approach, using a blend of active portfolio managers with the aim of outperforming the benchmark. The investment policy includes investments in a wide range of regional markets, including the main Southeast Asian and North Asian markets as well as Japan, India and Australia. The range of investment opportunities for the portfolio managers is not limited to the constituents of the benchmark or benchmark weightings. This means that Witan Pacific's portfolio is likely to differ from the benchmark. Witan Pacific invests primarily in equities: in normal circumstances the Board expects the portfolio's equity exposure to be a minimum of 90% of net assets. Therefore, the overall performance of regional equity and currency markets and the operating performance of specific companies selected by the managers is likely to have the most significant impact on the performance of the Company's net asset value.

The Board actively investigates alternative assets and new investment techniques and will use them if, in the Board's view, they provide the potential to enhance shareholder returns.

Investment risk is managed through:

- the selection of at least two portfolio managers. Details of the proportion of assets managed by them and the portfolios managed by them are set out on pages 12 and 13;
- the portfolio managers are required to spread their investments over a number of securities within the region;
- monitoring of portfolio manager performance and portfolios. Portfolio manager performance against the benchmark is set out on page 7; and
- monitoring of sector and country allocation, currency exposures and gearing levels

**Implementation of the investment policy in the year**
During the year, the Company invested its assets with a view to spreading investment risk and, in accordance with the investment objective set out above, maintained a diversified portfolio, the analysis of which is shown on pages 8, 12 and 13.

The Directors receive regular reports on investment activity and portfolio construction at meetings of the Board, as well as periodically outside of these meetings.

The Board holds an annual strategy meeting. The Directors use the strategy day to consider, amongst other things, the relevance of the investment mandate, the multi–manager approach, the marketing of the Company and the discount. The Board continues to believe that the Company's offering of a broad Asia Pacific mandate, implemented through a carefully selected group of managers, is an attractive and

# CORPORATE REVIEW continued

distinct proposition for shareholders. It further believes that, if superior returns are achieved over the long term, the discount should narrow. In the meantime, the Company will maintain its marketing programme and buy–back policy.

The Company sponsors an ongoing marketing programme provided by WIS. This programme communicates with private investors and their financial advisers, as well as professional investors, to help them make informed decisions about whether investing in the Company's shares can help them to meet their investment objectives.

The unbundling of investment management from the Company's other necessary services has provided transparency of the Company's cost base as well as flexibility in case it becomes desirable to change the service provider in a particular area. The Board takes care to ensure strict monitoring and control of costs and expenses.

Please also see the Chair's Statement and the Investment Reivew for further commentaries on the year.

## Business model

The Company is an investment trust and aims to provide shareholders with capital and income growth from a diversified portfolio of investments in the Asia Pacific region. The Board achieves this through:

- the selection of suitable portfolio managers;
- the choice of investment benchmark;
- investment guidelines and limits;
- the appointment of providers for other services required by the Company; and
- the maintenance of an effective system of oversight, risk management and corporate governance.

### The Board's role in investment management

Although the Board retains overall risk and portfolio management responsibility, it appointed the portfolio managers after a disciplined selection process focused on their scope to add value and their fit with the overall balance of the portfolio. The selection of individual investments is delegated to these external portfolio managers, subject to investment limits and guidelines which reflect the particular mandate and the specific investment approach which the Company has selected (e.g. quality, growth in dividend).

Approximately 90% of the portfolio is managed in two segregated accounts, held at the Company's custodian. The balance of the portfolio is held in a Dublin UCITS open–ended investment company, for which holdings information is regularly available. This enables the Company to view the portfolio as a whole and to analyse its risks and opportunities as well as those at the level of each portfolio manager's portfolio.

Information regarding the proportion of Witan Pacific's assets managed by each and of their performance during the year is set out on page 7.

### Our selected benchmark

The Company's benchmark is a reference point for a comparison of results from an investment in Witan Pacific. The benchmark is the MSCI AC Asia Pacific Index in sterling terms, with gross dividends reinvested ("MSCI Index" or "benchmark").

The benchmark is a widely diversified regional index which includes the principal countries in the Asia Pacific region.

The portfolio managers select stocks which they consider attractive, wherever they are located in the region. As a result, the geographical location of the holdings differs from the benchmark. The geographical distribution of the portfolio and of the benchmark are set out in the map and table on page 11.

**Priorities for the year ahead**

For the year ending 31 January 2018, the key priorities for Witan Pacific include:

- **Investment.** Monitor and manage the portfolio managers with the objective of delivering good returns to shareholders whilst assessing the risk approach of each portfolio manager.
- **Marketing and Communications**. Communicate Witan Pacific's active multi–manager approach, highlight the distinct pan–Asian investment remit to existing and potential shareholders and raise the profile for retail investors. The marketing programme, in combination with the buy–back policy, aims to reduce the Company's discount over time.
- **Governance.** Ensure effective oversight of all service providers and compliance with all applicable rules and guidelines, and monitor supplier risk including cyber–risk.
- **Costs.** Monitor and manage costs carefully, with a view to achieving an ongoing charges ratio in line with the Company's target of less than 1% per annum.

## Dividend policy

As indicated in the Chair's Statement, the Company aims to grow its dividend in real terms over the long term. The Company has substantial levels of revenue reserves available to smooth the effect of temporary fluctuations in dividends from investments, where this is viewed as prudent and beneficial for shareholders. Shareholders agreed at the 2013 AGM to amend the Articles of Association ("Articles") to permit the distribution of Capital Reserves as dividends. The Company has stated that this is to confer flexibility in pursuing its investment objectives and that it would be the norm for dividend payments to be funded from revenue over the cycle.

The Company paid a final dividend for the previous year of 2.50p in June 2016 and an interim dividend of 2.20p in October 2016 for the year under review. The latter payment compared to a 2.15p interim dividend the year before. The Company has proposed a final dividend for 2016/17 of 2.55p, making a total payment for the year of 4.75p per share. This is an increase of 2.2% on the previous year, which compares with a 1.8% rise in the Consumer Price Index ("CPI") during the year.

Revenue earnings per share during the year amounted to 4.41p per share. This is an increase of 2.1% on the previous year.

# CORPORATE REVIEW continued

## KEY PERFORMANCE INDICATORS

The Board monitors success in implementing the Company's strategy against a range of Key Performance Indicators ("KPIs") which are viewed as significant measures of success over the longer term. Although performance relative to the KPIs is also monitored over shorter periods, it is success over the long term that is viewed as more important, given the inherent volatility of short-term investment returns. The principal KPIs are set out below, with a record *(in italics)* of the Company's performance against them during the year.

| | |
|---|---|
| **NAV total return and total shareholder return.** Long-term outperformance of the combined portfolios compared with the benchmark is a key objective. | *The NAV total return was 30.7%, underperforming the benchmark total return of 35.3%, while the shareholder total return was 26.1%. Since the adoption of the multi-manager strategy in 2005, the NAV total return was 195.8%, outperforming the benchmark return of 183.1%. The shareholder total return was 189.0%.* |
| **Investment performance by the individual portfolio managers.** Long-term outperformance relative to the benchmark is sought. | *Over the year, Aberdeen outperformed the benchmark, whilst Matthews and Gavekal underperformed. Aberdeen and Matthews have outperformed the benchmark since appointment, whilst Gavekal has underperformed. Details are shown in the table on page 7.* |
| **Annual growth in the dividend.** The Company's aim is to deliver increases in real terms, ahead of UK inflation. | *The dividend for the year ended 31 January 2017 rose (subject to shareholder approval) by 2.2%, compared with an inflation rate of 1.8% during the year. Since the adoption of the multi-manager strategy, dividends have grown at an annualised rate of 14.3% compared with an annualised inflation rate of 2.3%.* |
| **Discount to NAV.** The objective is to avoid excessive fluctuations in the discount and avoid a discount which is anomalously wide compared with other trusts investing in the region by the use of share buy-backs, subject to market conditions. | *The discount ended the financial year at 14.3% compared with 10.9% a year earlier. The average discount of the Company over the year was 14.4% (2016: 12.5%).* |
| **The level of ongoing charges.** Costs are managed with the objective of delivering an ongoing charges figure of less than 1% (excluding performance fees). Where higher charges arise, these are carefully evaluated to ensure there is a net benefit for shareholders. | *The ongoing charges figure was 1.03% (2016: 1.05%).* |

## Gearing and the use of derivatives

**Borrowings and gearing**

The Company has the power under its Articles to borrow up to 100% of the adjusted total of capital and reserves. However, in accordance with the Alternative Investment Fund Managers' Directive ("AIFMD"), the Company was registered by the FCA as a Small Registered UK Alternative Investment Fund Manager ("AIFM") with effect from 1 April 2014. To retain its Small Registered UK AIFM status, the Company is unable to employ gearing. It is therefore the Company's approach not to employ gearing, subject to periodic review of the costs and benefits of full AIFM authorisation. This was a matter of discussion at the Board Strategy day in January 2017.

The Company's segregated portfolio managers are not permitted to borrow within their portfolios, but may hold cash if deemed appropriate.

**Use of derivatives**

Aberdeen and Matthews are not permitted to use derivatives or to gear their portfolios, nor does the Company use derivatives itself.

The Company has a 10.2% investment in a Dublin–domiciled open–ended investment company (Gavekal Asian Opportunities UCITS) whose articles of association allow the use of currency and equity derivatives. The fund is regulated under UCITS rules and does not employ leverage, other than within the terms of its prospectus.

## Market liquidity and discount

The Board believes that it is in shareholders' interests to buy–back the Company's shares when they are standing at a substantial and anomalous discount to the Company's NAV. The objective is to avoid excessive fluctuations in the discount and avoid a discount which is anomalously wide compared with other trusts investing in the region by the use of buy–backs, subject to market conditions. The purchase of shares priced at a discount to NAV per share will, all other things being equal, increase the Company's NAV per share and benefit the Company's share price. During the year, the Company bought back 713,979 shares into treasury, at times when supply and demand in the market were out of balance and the discount was particularly wide. This added 0.47p to NAV per Ordinary share.

Since the year end, the Company has repurchased a further 1,517,571 Ordinary shares, which have been placed into treasury. Treasury shares may only be reissued at a premium to the prevailing NAV.

Witan Pacific is an investment trust, so the purpose of "marketing" is to provide effective communication of developments at the Company to existing and potential shareholders to help sustain a liquid market in the Company's shares. Clear communication of the Company's investment objective and its success in executing its strategy make it easier for investors to decide how Witan Pacific fits in with their own investment objectives. Other things being equal, this should help the shares to trade at a narrower discount, from which all shareholders would clearly benefit.

In view of these potential benefits, the Company has felt for many years that it is beneficial to incur the limited costs of operating a marketing programme (through WIS) in order to disseminate information about our investment strategy and performance more widely. This programme communicates with private and professional investors, financial advisers and intermediaries using a range of media (including direct meetings, press interviews and advertising through traditional media and the internet). The Company also provides an informative and easy to use website (www.witanpacific.com) to enable investors to make informed decisions about including Witan Pacific shares in their investment portfolios.

# CORPORATE REVIEW continued

## Corporate and operational structure

**Investment management arrangements**

Each of the portfolio managers, Aberdeen, Gavekal and Matthews, is entitled to a base management fee, levied on the assets under management. In addition, one portfolio manager (Aberdeen) is entitled to a performance fee, calculated according to investment performance relative to the benchmark. The agreements with Aberdeen and Matthews can be terminated on one month's notice. Units in Gavekal's UCITS Fund can be sold at any time. Further details on fee arrangements are set out on pages 28 and 29.

The Company's external portfolio managers may use certain services which are paid for, or provided by, various brokers. In return, they may place business, including transactions relating to the Company, with those brokers.

**Operational management arrangements**

In addition to the appointment of external managers, Witan Pacific contracts with third parties for the supporting services it requires, including:

- WIS for Executive Management services; WIS has experience of the issues arising in operating a multi–manager structure, and manages and monitors the outsourced structure and relationships, provides commentary on investment issues and provides marketing services including the management and administration of a share savings plan. The Executive Manager reports to the Board on key aspects at all Board meetings as well as drawing attention as required to matters requiring non–routine review by the Board.
- BNP Paribas Securities Services for investment accounting and administration;
- JP Morgan Chase Bank, N.A. for investment custody services;
- Capita Registrars Limited for company secretarial services (through Capita Company Secretarial Services Limited); and
- the Company also takes specialist advice on regulatory and compliance issues and, as required, procures legal, investment consulting, financial and tax advice.

As with investment management, the contracts governing the provision of these services are formulated with legal advice and stipulate clear objectives and guidelines for the level of service required.

**Premises and staffing**

Witan Pacific has no premises nor employees.

## Environmental, human rights, employee, social and community issues

The Company has no employees and its core activities are undertaken by WIS, Aberdeen, Gavekal and Matthews, which consider policies relating to environmental and social matters as part of their investment process. The Company has therefore not reported on these, or community or human rights issues. However, it reviews its portfolio managers' reports on their policies relating to environmental, social and corporate governance issues and discusses the managers' approaches with them. The portfolio managers are also prepared to use their votes in these areas as part of the proper management of the investments made on the Company's behalf and the Board periodically reviews their approaches with them.

The Board of Directors consists of three female and two male non–executive Directors. It is the Directors' policy to appoint individuals on merit whilst taking into account the balance of skills and experience required by the Board.

## COST ANALYSIS

The Company exercises strict scrutiny and control over costs. Any negotiated savings in investment management or other fees will directly reduce the costs for shareholders. The information on costs is collated in a single table below. This indicates the main cost headings in money terms and as a percentage of net assets.

| | **Year ended 31 January 2017** | | Year ended 31 January 2016 | |
|---|---|---|---|---|
| **Category of costs**[1] | **£m** | **% of average net assets** | £m | % of average net assets |
| Management fees[2] | **1.30** | **0.65** | 1.12 | 0.62 |
| Other expenses | **0.76** | **0.39** | 0.81 | 0.45 |
| Non–recurring expenses | **(0.01)** | **(0.01)** | (0.03) | (0.02) |
| Ongoing charges excluding performance fees | **2.05** | **1.03** | 1.90 | 1.05 |
| Ongoing charges including performance fees | **2.05** | **1.03** | 1.90 | 1.05 |
| Portfolio transaction costs | **0.20** | **0.10** | 0.16 | 0.09 |

1 For a full breakdown of costs, see notes 3 and 4 on pages 61 and 62.

2 Figures inclusive of fees paid to WIS and fees paid to Gavekal of which £0.31m (2016: £0.29m) is charged to capital and therefore not included in the amounts charged to revenue in note 3 on page 61.

## Principal risks and uncertainties

The Audit Committee regularly (at least annually) reviews the risks facing the Company by maintaining a detailed record of the identified risks in the form of a Risk Matrix which assesses the likelihood of such risks occurring and the severity of the potential impact of such risks. This enables the Board to take action and develop strategies in order to mitigate the effect of such risks to the extent possible. An analysis of financial risks can be found in note 16 to the financial statements on pages 67 to 73.

A robust assessment of the principal risks has been carried out, including a review of those risks which would threaten the Company's business model, future performance, solvency or liquidity.

Information about the Company's internal control and risk management procedures can be found in the Audit Committee Report on page 42.

# CORPORATE REVIEW continued

The Board has identified the following as being the principal risks and uncertainties facing the Company:

| Risk | Mitigation |
|---|---|
| **Inappropriate business strategy** and/or changes in the financial services market leads to lack of demand for the Company's shares and to an increase in the discount of the share price to the NAV. | The Board reviews its strategy at an annual strategy meeting. It considers investor feedback, consults with its broker and reviews its marketing strategy. It regularly reviews its discount control policy. The strategy is considered in the context of developments in the wider financial services industry. |
| **Adverse market conditions**, particularly in equities and currencies, lead to a fall in NAV. | The Company's exposure to equity market risk and foreign currency risk is an integral part of its investment strategy. Adverse markets may be caused by a range of factors including economic conditions and political change. Volatility in markets from such factors can be higher in less developed markets. Market risk is mitigated to a degree by careful selection of portfolio managers and appropriate portfolio diversification. |
| **Poor investment performance**, including through inappropriate asset allocation, leads to value loss for shareholders in comparison to the benchmark or the peer group. | The performance of the portfolio managers is reviewed at each Board meeting, and compared against the benchmark, and similar investment opportunities. Exposures against companies and countries are reviewed against benchmark exposure to identify the highest risk exposures. In a multi–manager structure, different portfolio construction styles can mitigate underperformance. The Board reviews the investment strategies of the managers at least annually. |
| **A reduction in income received** from the companies in which it invests, from adverse currency movements, or from portfolio reallocation could lead either to lower dividends being paid by the Company or to dividends being paid out of reserves. | The Board reviews forecast income at each Board meeting, and also receives longer term views on income from the portfolio managers. The Company has substantial revenue reserves which can be utilised without requiring the use of other reserves. |
| **Operational failure** leads to reputational damage and potential shareholder loss. Operational issues could include: errors, control failures, cyber–attack or business discontinuity at service providers. | The Audit Committee reviews the controls at the service providers and requires appropriate reports. Separate records of investments are maintained by the portfolio managers, custodian and fund accountants, and are reconciled. The Executive Manager also monitors the performance and controls of third party providers. |
| **Tax and regulatory change or breach** leads to the loss of investment trust status and, as a consequence, the loss of the exemption from taxation of capital gains. Change in tax, regulation or laws could make the activities of the Company more complicated, more costly or even not possible. Other regulatory breaches (including breaching the listing rules, market abuse regulations and AIFMD) could result in reputational damage and costs. Regulatory change can also increase the costs of operating the Company. | Compliance with investment trust status regulations is reviewed at each Board meeting. The Board reviews compliance with other regulatory, tax and legal requirements and is kept informed of forthcoming regulatory changes. |

**Leaving the EU**. The Board has also considered the potential implications for the Company (to the extent identifiable) of the UK no longer being a member of the EU. Given the Company is invested in the Asia Pacific region, the greatest impact has been, and may continue to be, the movement of sterling against international currencies. Because the value of the Company's investments, and income received, is denominated substantially in overseas currencies, any further fall in sterling will increase the value of those investments, and income received, in sterling terms. Conversely, any rise in sterling will decrease the value of those investments, and income received, in sterling terms.

## Viability

In accordance with the provisions of the UK Corporate Governance Code, the Board has assessed the viability of the Company, and selected a period of five years for the assessment.

The Board considers five years to be a reasonable period for its assessment. The Board views the Company as a long–term investment vehicle, with strong financials and good liquidity in its portfolio. In selecting a five year period, the Board has balanced that view against the inherent uncertainties in equity markets.

In conducting the assessment, the Board has taken account of the following:

- The Company is an investment trust founded in 1907, whose investment portfolio is invested in readily realisable listed securities. The portfolio is well diversified in terms of both sector and geography within its Asia Pacific remit.
- The Company currently has no borrowings.
- The expenses of the Company are reasonably predictable, modest in comparison to the assets and adequately covered by investment income.

The Board has also taken account of its strategy and investment policy set out on page 17, and the principal risks and uncertainties set out on pages 24 and 25. The Company operates a robust risk control framework to manage those risks and uncertainties.

The Board's assessment assumes that there is continuing demand amongst shareholders for the investment trust structure and the mandates which the Board gives its managers.

Based on the above, the Board confirms that it has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period of this assessment.

## Approval

This Strategic Report has been approved by the Board and signed on its behalf by

**Sarah Bates**

**Chair**
26 April 2017

# BOARD OF DIRECTORS

**Sarah Bates**
**Chair**
Appointed: January 2004
Chair since June 2014.

Sarah Bates was appointed Chair of the Company in June 2014. Sarah has more than 30 years' experience of investment and investment management businesses, gained through her past and current activities, as well as considerable technical knowledge of investment companies and understanding of the investment company sector. She is a past director and chair of the AIC. Sarah is chair of St. James's Place plc and JP Morgan American Investment Trust plc and a non–executive director of Polar Capital Technology Trust plc and Worldwide Healthcare Trust plc. She sits on or is adviser to various pension fund and charitable investment committees including that of the Universities Superannuation Scheme. She will be retiring from the Company immediately following the AGM in 2017.

**Dermot McMeekin**
**Senior Independent Director, Nomination and Remuneration Committee Chairman**
Appointed: May 2012.

Dermot McMeekin is a former Solicitor and Management Consultant who brings over 20 years of on the ground country experience across Asia Pacific, and has a deep understanding of the strategic issues affecting corporate growth across the region. Dermot was a partner in what is now Trowers & Hamlins and, having received an MBA from Harvard Business School, subsequently became Managing Partner of Accenture's Asian Strategy Practice. He has been a director and chairman of PMC Treasury Group Ltd, a financial advisory firm and of the 2gether NHS Foundation Trust. Dermot is a non–executive director of European Leisure Estates, Greenway Limited and Sanater SpA. He is also chairman of Westonbirt Schools Limited.

**Susan Platts–Martin**
Appointed: July 2014.

Susan Platts–Martin was appointed to the Board in July 2014 and brings to the Board considerable knowledge of investment companies and investment management generally, having spent 26 years in a range of senior roles at Fidelity International, including several years as the Head of Investment Trusts. She has experience of both open and closed end funds having been director of product development and head of fund accounting at Fidelity and she is a qualified chartered accountant. Susan currently sits on the board of BlackRock Smaller Companies Trust plc and the board of the Targeted Return Fund. She also acts as Protector of Power to Change Trust. She will become Chair of the Company on the retirement of Sarah Bates.

**Andrew Robson**
**Audit Committee Chairman**
Appointed: July 2014.

Andrew Robson is a qualified accountant with over 15 years of corporate finance experience, including with Asian companies, gained at Robert Fleming & Co Limited and SG Hambros. He has considerable experience as a finance director and as chairman of audit committees, including those of four other investment companies, and has a business advisory practice. Andrew took over the role of Chairman of the Audit Committee in June 2015. Andrew is currently non–executive director of Shires Income PLC, British Empire Trust plc, JP Morgan Smaller Companies Investment Trust plc and Mobeus Income & Growth 4 VCT PLC. He was also a non–executive director of M&G Equity Investment Trust plc until April 2011.

**Diane Seymour–Williams**
Appointed: June 2010.

Diane Seymour–Williams adds to the Board some 30 years of investment experience, including the management of Asian equity portfolios and Asian asset management businesses at Morgan Grenfell and Deutsche Asset Management. During this time, Diane also served on the boards of The China Fund (1993–2005), Pakistan Fund (1993–1996) and Batavia Fund (1993–1996) and as chairman of the Advisory Board of the Greater Korea Trust (1993–1997). More recently she was Global Head of Relationship Management at LGM Investments, an Investment Manager specialising in Asia and Global emerging markets equities. Diane is a non–executive director of Brooks Macdonald Group plc, where she chairs the Remuneration Committee. She is also a member of the Investment Committee of Newnham College, Cambridge.

All the Directors are members of the Audit Committee and of the Nomination and Remuneration Committee.

# STATUTORY INFORMATION

## at 31 January 2017

The Directors have pleasure in presenting their Annual Report and the audited Financial Statements of the Company for the year ended 31 January 2017.

### Status of the Company

The Company is a public limited company and is an investment company as defined by Section 833 of the Companies Act 2006. Its shares have a premium listing on the London Stock Exchange. The Company operates as an approved investment trust in accordance with Sections 1158–1159 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) (Tax) Regulations 2011. This is subject to there being no subsequent enquiry under corporation tax self–assessment. In the opinion of the Directors, the Company has conducted its affairs so that it continues to qualify.

The Company's shares are eligible for inclusion in an Individual Savings Account ("ISA").

### Directors

The Directors of the Company who were in office during the year and at the date of this Report, and their biographical details, are shown on pages 26 and 27.

Ms Diane Seymour–Williams will retire by rotation at the AGM and will be standing for re–election.

The Company maintained a directors' and officers' liability insurance policy throughout the financial year.

The Company's Articles provide, subject to the provisions of UK legislation, an indemnity for Directors in respect of costs which they may incur relating to the defence of any proceedings brought against them arising out of their positions as directors, in which they are acquitted or judgement is given in their favour by the court.

To the extent permitted by law and by the Company's Articles, the Company has entered into deeds of indemnity for the benefit of each Director of the Company in respect of liabilities which may attach to them in their capacity as Directors of the Company. These provisions, which are qualifying third party indemnity provisions as defined by section 234 of the Companies Act 2006, remain in force.

The Articles permit the Board to consider and, if it sees fit, to authorise situations where a Director has an interest that conflicts, or may possibly conflict, with the interests of the Company. There is in place a formal system for the Board to consider authorising such conflicts, whereby the Directors who have no interest in the matter decide whether to authorise the conflict and any conditions to be attached to such authorisations.

### Share capital

At 31 January 2017, there were 65,944,000 Ordinary shares of 25p each in issue (2016: 65,944,000 Ordinary shares), of which 938,957 were held in treasury. At the 2016 AGM, the Directors were granted authority to buy back up to a maximum of 9,817,593 Ordinary shares; such authority will expire at the conclusion of the 2017 AGM when the Directors will seek a renewal of the authority.

During the year to 31 January 2017, the Company repurchased a total of 713,979 Ordinary shares to hold in treasury. At 31 January 2017, the unused authority to buy back Ordinary shares as granted by shareholders at the Company's 2016 AGM, was 9,459,952 Ordinary shares. The nominal value of Ordinary shares repurchased during the period was £178,495. The total consideration for these repurchases was £1,820,000.

Following the year end, the Company has repurchased a further 1,517,571 Ordinary shares to hold in treasury (as at 26 April 2017), with a nominal value of £379,393. The total consideration for these repurchases was £4,544,675.

At 26 April 2017, there were 65,944,000 Ordinary shares of 25p each in issue. 2,456,528 Ordinary shares were held in treasury, representing 3.7% of the issued Ordinary share capital as at 31 January 2017. Each Ordinary share carries one vote, therefore, the total votes in issue were 63,487,472.

The share purchases described above were performed in accordance with the Company's stated policy of buying back shares when the Company's shares are standing at a substantial and anomalous discount to their NAV.

The impact to the NAV as a result of the buy–back activity for the year ended 31 January 2017 was an enhancement of £305,099 or 0.47p per Ordinary share.

### Results and dividend

| Revenue return after taxation | £'000 |
|---|---|
| Net revenue return after taxation | **2,880** |
| Dividends paid/payable:<br>Interim dividend of 2.20p per share | **(1,433)** |
| Final dividend of 2.55p per share | **(1,619)** |
| Residual revenue return after dividends | **(172)** |
| **At 31 January 2017**<br>Revenue reserve[1] | **10,697** |

1 Revenue reserve excludes the final proposed dividend for the year ended 31 January 2017 of £1,619,000, payable on 19 June 2017.

### Investment management services

On 27 May 2005, the Company appointed Aberdeen Asset Managers Limited and Nomura Asset Management U.K. Limited as portfolio managers. In April 2012, Matthews International Capital Management LLC and Gavekal Capital Limited were appointed to replace Nomura.

The Management Agreements with Aberdeen and Matthews can each be terminated at one month's notice in writing. Units in the Gavekal Asian Opportunities UCITS can be sold at any time. Each portfolio manager is entitled to a base management fee, at rates between 0.20% and 0.75% per annum, calculated according to the value of the assets under their management.

Aberdeen is also entitled to a performance fee based on relative outperformance against the MSCI Index (sterling adjusted total return). The performance fee is calculated according to investment performance over a three–year rolling period and is payable at a rate of 15% of the calculated outperformance relative to the benchmark (subject to a cap such that the aggregate management fee and performance fee in any year shall not exceed 1% of the average portfolio assets in that year).

## Executive management services

On 27 May 2005, the Company appointed Witan Investment Services Limited as Executive Manager. Witan Investment Services is entitled to a quarterly Executive Management Fee of 0.03125% of NAV (subject to a minimum of £125,000 per year). A Marketing Fee of £75,000 per annum is also payable. The Executive Management Agreement is terminable on six months' notice in writing by either party.

## Administration and company secretarial services

Fund accounting administration services are provided to the Company by BNP Paribas Securities Services ("BPSS") pursuant to an agreement dated 22 March 2005 as amended between the Company and BNP Paribas Fund Services UK Limited and novated to BPSS on 1 December 2008. The fee for these services is £41,000 per annum plus an ad valorem charge of £38,000. The agreement with BPSS continues until terminated by either party on giving not less than six months' written notice.

Capita Registrars Limited ("Capita") provides company secretarial services through Capita Company Secretarial Services Limited pursuant to an agreement dated 1 January 2013, and updated in June 2015 for a fee of £52,500 per annum. The agreement with Capita continues until terminated by either party on giving not less than six months' written notice.

## Internal controls and risk management systems

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This is described in more detail on page 42.

Directors' report

## Substantial share interests

| | At 31 January 2017 | | At 31 March 2017 | |
|---|---|---|---|---|
| Significant direct or indirect interests | Ordinary shares | % of voting rights | Ordinary shares | % of voting rights |
| Witan Wisdom Savings Scheme | 9,444,550 | 14.53 | 9,372,424 | 14.75 |
| Wells Capital Management | 6,548,419 | 10.07 | 7,473,479 | 11.76 |
| 1607 Capital Partners LLC | 4,485,980 | 6.90 | 4,598,597 | 7.24 |
| Rathbones | 2,899,044 | 4.46 | 2,840,419 | 4.47 |
| Charles Stanley | 2,874,217 | 4.42 | 2,869,584 | 4.52 |
| Lazard Asset Management | 2,798,958 | 4.31 | 2,798,958 | 4.41 |
| Wesleyan Assurance | 2,780,000 | 4.28 | | Below 3% |
| Alliance Trust Savings | 2,288,206 | 3.52 | 2,284,049 | 3.59 |

Source: RD:IR share register analysis.

No changes to these holdings have been notified as at the date of this report.

## Going concern

The activities of the Company, together with the factors likely to affect its future development, performance, financial position, its cash flows and liquidity position are described in the Strategic Report.

In addition, the Company's policies and processes for managing its key financial risks are described in note 16 on pages 67 to 73.

The assets of the Company consist mainly of securities which are readily realisable, and, as at 31 January 2017, the Company's total assets less current liabilities were in excess of £217 million. As a consequence, the Directors believe that the Company continues to be well placed to manage its business risks successfully. After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the next year. Accordingly, they continue to adopt the going concern basis in preparing this Annual Report and Accounts.

## Information about securities carrying voting rights

The following information is disclosed in accordance with the Large and Medium–sized Companies and Groups (Accounts and Reports) Regulations 2008 and DTR 7.2.6 of the FCA Disclosure Guidance and Transparency Rules.

- In respect of the Company's shares, there are no:
  - (i) restrictions on the transfer of or in respect of the voting rights of the Company's shares;

# STATUTORY INFORMATION continued

(ii) agreements, known to the Company, between holders of securities regarding the transfer of such shares;

(iii) special rights with regard to control of the Company attaching to any such shares; and

(iv) restrictions on voting rights and agreements which may result in such restrictions.

- Details of the significant direct or indirect holdings of the Company's shares are shown in the table on page 29.
- The rules on the appointment and replacement of the Directors are set out in the Company's Articles.
- The Company may by ordinary resolution suspend or relax to any extent, in respect of any particular matter, any provision of the Articles prohibiting a Director from voting at a meeting of the Directors or of a Committee of the Directors.
- Subject to the provisions of the Companies Act, the Articles and to any directions given by special resolution, the business of the Company shall be managed by the Directors who may exercise all the powers of the Company. The powers shall not be limited by any special power given to the Directors by the Articles and a meeting of the Directors at which a quorum is present may exercise all powers exercisable by the Directors.
- There are no agreements:

  (i) to which the Company is a party that might affect its control following a takeover bid; and

  (ii) between the Company and its Directors concerning compensation for loss of office.

**Listing Rule 9.8.4**

Listing rule 9.8.4 requires the Company to disclose specific information in a single identifiable section of the Annual Report. The Directors confirm that there are no disclosures required to be made under Listing Rule 9.8.4.

**Greenhouse gas emissions**

The Company has no employees nor property, and it does not combust any fuel or operate any facility. The Company does not purchase electricity, heat, steam or cooling for its own use. The Company outsources all services on a fee basis and, as such, it is not practical to attempt to measure or quantify emissions in respect of any outsourced energy use. The Directors consider that the activities of the Company generate a small amount of greenhouse gases in the form of incidental transport, use of personal computers and other activities on which it is not required to report. Accordingly, the measurable amount of carbon dioxide equivalent ("$CO_2e$") produced by the Company during the year was zero tonnes. This compares to total emissions of 47.71 tonnes, being 7.95 tonnes per Director, from air transport in the previous year as a result of the trip to Asia and America by the Board in March 2015.

Since the year end, the Board has travelled to Asia and America to meet with the portfolio managers and the Company will report on the impact of that travel in the annual report for the year ending 31 January 2018.

**Annual General Meeting**

The AGM of the Company will be held on 14 June 2017 at 3.00pm in the City of London Club, 19 Old Broad Street, London EC2N 1DS.

**Resolutions of the Annual General Meeting**

A full explanation of the resolutions being proposed at the AGM may be found on pages 84 and 85.

The Board considers that all of the resolutions are likely to promote the success of the Company and are in the best interests of the Company and its shareholders as a whole. The Directors unanimously recommend that shareholders vote in favour of the Resolutions as they intend to do in respect of their own beneficial holdings.

**Independent Auditors**

PricewaterhouseCoopers LLP, the Independent Auditors of the Company, have indicated their willingness to continue in office. The Audit Committee has responsibility for making a recommendation to the Board on the reappointment of the Independent Auditors. After careful consideration of the services provided to the Company during the year and a review of the effectiveness of the Independent Auditors, the Audit Committee has recommended that PricewaterhouseCoopers LLP be reappointed as the Company's Independent Auditors. Accordingly, resolutions are to be proposed at the forthcoming AGM for their reappointment and to authorise the Audit Committee to agree their remuneration for the ensuing year. When considering the continuing appointment of PricewaterhouseCoopers LLP the Company considered the objectivity as well as the performance of PricewaterhouseCoopers.

**Disclosure of information to Auditors**

The Directors who held office at the date of the approval of the Directors' Report confirm that, so far as they are aware, there is no relevant audit information of which the Company's Independent Auditors are unaware. Each Director has taken all steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's Independent Auditors are aware of this information. This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

By order of the Board

**Capita Company Secretarial Services Limited**

Company Secretary

26 April 2017

# CORPORATE GOVERNANCE STATEMENT

## Background

The UK Listing Authority Listing Rules and Disclosure Guidance and Transparency Rules ("UKLA Rules") require listed companies to disclose how they have applied the principles and complied with the provisions of the corporate governance code to which the issuer is subject. The provisions of the UK Corporate Governance Code ("UK Code") as issued by the Financial Reporting Council ("FRC") in September 2014 are applicable to the year under review and can be viewed at www.frc.org.uk.

The related Code of Corporate Governance (the "AIC Code") issued by the Association of the Investment Companies ("AIC") in February 2015 provides specific corporate governance guidelines to investment companies. The FRC has confirmed that AIC member companies who report against the AIC Code and who follow the AIC's Corporate Governance Guide for Investment Companies ("AIC Guide") will be meeting their obligations in relation to the UK Code and the associated disclosure requirements of the UKLA. The AIC Code can be viewed at www.theaic.co.uk.

## Compliance

Except as specified below and on the following pages, throughout the year ended 31 January 2017 the Company complied with the principles and recommendations of the AIC Code and the related AIC Guide which incorporates the UK Code. The Board attaches great importance to the matters set out in the Code and strives to observe its principles. Accordingly, the table below reports on compliance with the recommendations of the AIC Code and the related AIC Guide.

It should be noted that as an investment trust, all the Directors are non–executive and most of the Company's day–to–day responsibilities are delegated to third parties. Consequently, the Company has not reported on those provisions of the UK Corporate Governance Code relating to the role of the Chief Executive, executive remuneration or the need for an internal audit function.

## The Principles of the AIC Code

The AIC Code is made up of twenty–one principles over three sections covering:

- the Board;
- Board meetings with the Executive Manager and with the portfolio managers; and
- shareholder communications.

# CORPORATE GOVERNANCE STATEMENT continued

## BOARD

| | AIC Code Principle | Implementation |
|---|---|---|
| 1 | **The Chairman should be independent.** | On her appointment as Chair in June 2014, Mrs Bates was considered to be, and remains, independent. Ms Platts–Martin, who is due to become Chair following the AGM, was independent on appointment to the Board and remains independent.<br>There is a clear division of responsibility between the Chair, the Directors, the Executive Manager, the portfolio managers and the Company's other third party service providers. No one individual has unfettered powers of decision. The Chair is responsible for leading the Board, ensuring its effectiveness on all aspects of its role and is responsible for ensuring that all Directors receive accurate, timely and clear information. |
| 2 | **A majority of the Board should be independent of the Manager.** | At 31 January 2017, the Board comprised five independent non–executive Directors, none of whom sits on the board of another investment company managed by the Executive Manager, Witan Investment Services. The independence of the Directors is reviewed annually. The Board considers that there was an independent majority, during the year under review and up to the date of this report, which will continue to be able to act independently of the Executive Manager, and of the portfolio managers. The Board reviews the Register of Directors' Interests at every Board meeting.<br>All of the Directors are independent of the Company itself as, in the opinion of the Board, each Director is independent in character and judgement and there are no relationships or circumstances relating to the Company that are likely to affect their judgement.<br>Mr Robson has been a director of Shires Income plc ("Shires Income") since May 2008. Shires Income is managed on an arms–length basis by Aberdeen Fund Managers Limited, which is part of the same group as Aberdeen Asset Management Asia Limited, one of the Company's three current portfolio managers.<br>The Board considers that the Company's arrangements differ from those traditionally found elsewhere. Witan Pacific is itself the AIFM (in accordance with the AIFMD) and has unbundled the various services it requires into different contractual arrangements. Witan Investment Services has responsibility for executive management and coordination of the other providers, including day–to–day oversight of the portfolio managers. There is a separate accounting and also a separate Company Secretarial provider. The Company's portfolio managers provide solely stock selection and asset allocation management. The Board therefore believes the above mentioned circumstances underpin Mr Robson's independence.<br>Similarly, notwithstanding that Mrs Bates has served as a Director for more than nine years, in view of her extensive experience within the investment company sector, which enhances and does not compromise her contribution to the Board and its Committees, the Board considers that Mrs Bates was independent during the year. Mrs Bates will be retiring at the AGM.<br>Whilst the Board currently comprises only Directors who are considered to be independent, it is nevertheless prepared to have a minority of non–independent Directors should this be considered appropriate at any stage. There is no Chief Executive position within the Company, and the day–to–day management of the Company's affairs has been delegated to third party providers. |
| 3 | **Directors should be submitted for re–election at regular intervals. Nomination for re–election should not be assumed but be based on disclosed procedures and continued satisfactory performance.** | New Directors stand for election at the first AGM following their appointment and thereafter all Directors submit themselves for re–election at least every three years in accordance with the Company's Articles and the AIC Code. The Board, through the Nomination and Remuneration Committee, considers the structure of the Board annually and recognises that any term beyond six years should be subject to particularly rigorous review and should take into account the need for progressive refreshing of the Board.<br>Recommendation for re–election is based on the continuing effectiveness of the Director established through a rigorous annual evaluation of the Board and individual Directors which is described more fully on page 33. |

| | | |
|---|---|---|
| 4 | **The Board should have a policy on tenure, which is disclosed in the annual report.** | The Board acknowledges the AIC Code provisions relating to tenure. Directors serving longer than nine years are subject to annual re–election. The Board does not, however, have a pre–set criterion for retirement based on length of service believing that recommendation for re–election should be on an individual basis following rigorous review. The Board considers the refreshment of the Board an important part of its function and has consistently done so. The terms and conditions for the appointment of non–executive Directors are available for inspection at the registered office of the Company and at the AGM. |
| 5 | **There should be full disclosure of information about the Board.** | All the Directors are resident in the UK and their biographical details, which are set out on pages 26 and 27, demonstrate the wide range of skills and experience that they bring to the Board.<br><br>In view of the Company's size and as the Board is comprised of only five Directors, all of whom are independent, the Board considers it sensible for all the Directors to be members of the Audit Committee and of the Nomination and Remuneration Committee.<br><br>Mrs Bates is a member of these Committees but does not chair either of them. Information about the Committees and their constitution is set out on page 38.<br><br>Mrs Bates is due to retire from the Board immediately following the AGM on 14 June 2017, and will be replaced as Chair by Ms Platts–Martin. A new Director will be appointed to the Board in due course. The Nomination and Remuneration Committee has given careful consideration to the skills and experience needed to complement those of the remaining Directors and a recruitment consultant has been appointed to assist in the search for a new Director.<br><br>Terms of reference for both Committees are available on the Company's website or upon request from the Company Secretary. |
| 6 | **The Board should aim to have a balance of skills, experience, length of service and knowledge of the Company.** | The Nomination and Remuneration Committee regularly conducts a skills audit to enable the Board to identify any skill shortages. |
| 7 | **The Board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual Directors.** | The Board has formalised a process to evaluate its own performance and that of its Chair and of its Committees on an annual basis. This process is led by the Chair and is based on open discussion and assessment of the strengths and weaknesses of the Board and its Committees, with the Directors making recommendations to improve performance where necessary. Each Director is required to complete a questionnaire and the assessment covers the functioning of the Board as a whole and a similar review of the effectiveness of the Board Committees is also carried out. The Chair also reviews with each of the Directors their individual performance, contribution and commitment to the Company and any further development of skills. Following discussions with the other Directors, the Senior Independent Director similarly reviews with the Chair, her performance. The Nomination and Remuneration Committee receives relevant points arising from the performance evaluation process and then considers the information when making a recommendation to the Board regarding the election and re–election of Directors. The independence of all Directors is also assessed as part of the process.<br><br>Although, the Board does not consider it necessary at present to employ the services or to incur the additional expense of an external third party to conduct the evaluation process, it continues to review each year whether an external evaluation should be undertaken. |

# CORPORATE GOVERNANCE STATEMENT continued

| | | |
|---|---|---|
| 8 | **Director remuneration should reflect their duties, responsibilities and the value of their time spent.** | The Nomination and Remuneration Committee each year reviews the fees paid to the non–executive Directors and compares these with the fees paid by the Company's peer group and the investment trust industry generally, taking into account the level of commitment and responsibility of each Board member. When assessing the appropriate level of remuneration of the Directors, the Nomination and Remuneration Committee considers the relative complexity of the Company's multi–manager structure as well as the increasingly regulated environment in which investment trusts operate.<br><br>Detailed information on the remuneration arrangements for the Directors of the Company can be found in the Directors' Remuneration Report on pages 45 to 48. |
| 9 | **The independent Directors should take the lead in the appointment of new Directors and the process should be disclosed in the annual report.** | The Nomination and Remuneration Committee considers the criteria for future Board appointments and the methods of recruitment, selection and appointment. All members of the Committee are independent. No Directors were appointed during the 12 months to 31 January 2017. |
| 10 | **Directors should be offered relevant training and induction.** | On appointment, new Directors will be provided with an induction pack containing key information about the Company, its processes and procedures. All new Directors will be offered a structured induction programme including a meeting with the Chair, the Executive Manager and other relevant persons.<br><br>In addition, on an ongoing basis, Directors are given key information on the Company's regulatory and statutory requirements as they arise including information on the role of the Board, matters reserved for its decision, the terms of reference for the Board Committees, the Company's corporate governance practices and procedures and the latest financial information. It is the Chair's responsibility to ensure that the Directors have sufficient knowledge to fulfil their role and Directors are encouraged to participate in training courses and to access relevant information where appropriate.<br><br>The Directors have direct access to the advice and services of a Company Secretary through its appointed representative which is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary is also responsible for ensuring good information flows between all parties and that the statutory obligations of the Company are met. |
| 11 | **The Chairman (and the Board) should be brought into the process of structuring a new launch at an early stage.** | Principle 11 applies to the launch of new investment companies and is therefore not applicable to the Company. |

## BOARD MEETINGS AND RELATIONS WITH THE PORTFOLIO MANAGER

| AIC Code Principle | Implementation |
|---|---|
| 12 **Boards and Managers should operate in a supportive, co-operative and open environment.** | The Board meets formally at least five times each year and representatives of the portfolio managers formally report to the Board, at Board meetings, on a regular basis. Representatives of the Executive Manager attend each Board meeting and certain committee meetings. The Chair encourages open and constructive debate to foster a supportive and co-operative approach in Board meetings and for those meetings with the Company's portfolio managers. |
| 13 **The primary focus at regular Board meetings should be a review of investment performance and associated matters, such as gearing, asset allocation, marketing/investor relations, peer group information and industry issues.** | The Board sets the investment parameters within which the portfolio managers operate. The portfolio managers decide on the purchase and sale of individual investments and also ensure that the Board receives all relevant management and financial information in a timely manner. Representatives of the portfolio managers attend at least three Board meetings a year (by video conference and/or in person), enabling the Board to review the portfolio managers' performance against the Company's investment objectives, the portfolio risk and attribution analysis and to seek clarification on specific investment issues.<br><br>The Board has agreed a schedule of matters specifically reserved for decision by the Board. This is reviewed on an annual basis and includes:<br>■ corporate strategy;<br>■ appointing the portfolio managers and other service providers;<br>■ setting the overall objectives and investment restrictions within which the portfolio managers are free to operate;<br>■ setting gearing and asset allocation limits and imposing limits on investment powers/changes, within which the portfolio managers have discretion to act;<br>■ approving unquoted investments; and<br>■ risk management.<br>The Board has established a marketing and shareholder communication strategy which is implemented by the Executive Manager.<br><br>Prior to each Board and Committee meeting, Directors are provided with a comprehensive set of papers giving detailed information on the Company's transactions and financial position and all Directors have timely access to all relevant management, financial and regulatory information. Considerable work has been done to develop a Risk Map and Matrix which is reviewed at least six monthly by the Audit Committee and by the Board as a whole.<br><br>The Board reviews the Company's discount and has delegated limited authority to the Executive Manager to purchase the Company's shares where the share price is at a substantial and anomalous discount to NAV.<br><br>A procedure is in place for Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company. There has been no professional advice taken individually by the Directors during the year which has incurred expense to the Company. |
| 14 **Boards should give sufficient attention to overall strategy.** | The Board is responsible for determining the strategic direction of the Company. It has established a predetermined annual programme of agenda items under which it reviews the objectives and strategy for the Company, management, investment and marketing performance as well as other high-level management information including financial reports. The Board also meets on one additional day each year when it focuses on strategy and any specific issues that require greater attention. |

# CORPORATE GOVERNANCE STATEMENT continued

| | | |
|---|---|---|
| 15 | **The Board should regularly review both the performance of, and contractual arrangements with, the Manager (or executives of a self–managed Company).** | The Board meets with the portfolio managers periodically to review their performance. The Board also considers the portfolio managers' performance at each Board meeting and receives appraisal of the portfolio managers' services from the Executive Manager. From time to time, the Board visits the portfolio managers' offices so as to meet the portfolio managers and other supporting members of their teams. Most recently, the Directors travelled to Singapore, Hong Kong, Japan and San Francisco to meet with the portfolio managers in February 2017. The portfolio managers have also attended Board meetings throughout the year.<br><br>The Investment Management Agreements ("IMAs") were entered into after full and proper consideration by the Board of the quality and cost of services offered including the financial control systems in operation in so far as they relate to the affairs of the Company, and each contract is monitored on an annual basis by the Audit Committee.<br><br>During the year, the Board reviewed the responsibilities of the Audit Committee (which was previously the Audit and Management Engagement Committee). In view of the size of the Board and the multi–manager structure, it has been agreed that it is more appropriate for the performance of the Executive Manager and the portfolio managers to be monitored and reviewed by the Board as a whole rather than through the Committee. As a result of this, the name of the Committee was changed to the Audit Committee, and a separate Management Engagement Committee has not been appointed. The Board assesses the continuing appointment of each of the portfolio managers on an ongoing basis, and more formally once a year, taking into account advice received from the Audit Committee and the Executive Manager.<br><br>In accordance with the requirements of the IMAs, the portfolio managers confirm to the Board on a monthly basis that an independent check has been carried out on compliance with the investment guidelines set by the Board. |
| 16 | **The Board should agree policies with the Manager covering key operational issues.** | The Board has agreed detailed operational and investment guidelines with the Executive Manager and the portfolio managers and takes the opportunity to review them regularly at Board meetings. The Board has delegated discretion to the portfolio managers to exercise voting powers on its behalf but reviews the portfolio managers' policies in this respect. |
| 17 | **Boards should monitor the level of the share price discount or premium (if any) and, if desirable, take action to reduce it.** | The Board considers the discount to NAV of the Company's share price at every Board meeting.<br><br>The Board uses share repurchases to help address imbalances in the demand for the Company's shares. Limited authority has been delegated to the Executive Manager to make purchases of shares, which it does when necessary. Details of repurchases are set out on page 28.<br><br>The Board, with the assistance of the Executive Manager, considers:<br>■ the investment mandate and objective;<br>■ the effectiveness of marketing and shareholder communication strategies;<br>■ measures of investor sentiment;<br>■ the impact of share buy–backs; and<br>■ the number and performance of comparable trusts. |

| AIC Code Principle | Implementation |
|---|---|
| **18 The Board should monitor and evaluate other service providers.** | The Audit Committee reviews annually the performance of all the Company's third–party providers including the level and structure of fees payable and the length of the notice period, to ensure that the providers remain competitive and the arrangements are in the best interests of shareholders.<br><br>The Committee also reviews the internal controls, anti–bribery and corruption policies and policies on whistleblowing and cyber security of each service provider. |
| **SHAREHOLDER COMMUNICATIONS** | |
| **19 The Board should regularly monitor the shareholder profile of the Company and put in place a system for canvassing shareholder views and for communicating the Board's view to shareholders.** | Regular reports are submitted to the Board by the Executive Manager, the Company's broker and qualified independent industry consultants concerning the Company's shareholder make up and industry trends.<br><br>A dialogue is maintained with the Company's institutional shareholders and private client asset managers and the Board is pleased to hear from shareholders. Representatives of the Board and the Executive Manager meet with institutional shareholders and private client asset managers during the course of the year to understand their issues and concerns, which are then discussed at Board meetings and feedback is presented by the Company's brokers and marketing advisors. Shareholders wishing to communicate with the Chair, the Senior Independent Director or any other member of the Board may do so by writing to the Company, for the attention of the Company Secretary, at the registered office.<br><br>During the year, the Chair contacted the Company's top ten shareholders and is grateful to those who responded. All shareholders are encouraged to attend the AGM, where they are given the opportunity to question the Chair and the Board. |
| **20 The Board should normally take responsibility for, and have direct involvement in, the content of communications regarding major corporate issues even if the Manager is asked to act as spokesman.** | The Executive Manager discusses with the Board all substantive communications regarding corporate issues and may be authorised to act as spokesman for the Company. The Executive Manager also discusses with the Board relevant promotional material that it is proposing to issue. |
| **21 The Board should ensure that shareholders are provided with sufficient information for them to understand the risk/reward balance to which they are exposed by holding the shares.** | The Chair is responsible for ensuring that there is effective communication with shareholders. The Company places great importance on communication with shareholders and aims to provide shareholders with a full understanding of its activities and performance by means of informative Annual and Half Year reports. This is supplemented by the daily publication, through the London Stock Exchange, of the net asset value of the Company's shares.<br><br>The Witan Pacific website, www.witanpacific.com, offers easy access to up–to–date information on the Company. It is regularly updated with monthly factsheets and enables investors to view the Company's Financial Reports and announcements and useful information on portfolio assets and performance. The website is being updated and relaunched in the current financial year.<br><br>The twenty largest holdings in the portfolio are listed on pages 14 to 16 and the full portfolio listing is published monthly (with a three–month lag) on the Company's website. |

# CORPORATE GOVERNANCE STATEMENT continued

## Board and Committee Meetings

### Attendance

The following table details the number of Board and Committee meetings attended by the Directors, against the number of meetings they were eligible to attend during the year under review.

| | Board | Audit Committee | Nomination and Remuneration Committee | Strategy |
|---|---|---|---|---|
| S Bates | 6/6 | 3/3 | 4/4 | 1/1 |
| D McMeekin | 6/6 | 3/3 | 4/4 | 1/1 |
| D Seymour-Williams | 6/6 | 3/3 | 4/4 | 1/1 |
| A Robson | 6/6 | 3/3 | 4/4 | 1/1 |
| S Platts-Martin | 6/6 | 3/3 | 4/4 | 1/1 |

No individuals other than the Committee Chairman and its members are entitled to be present at Committee meetings unless invited to attend by its members. Copies of the terms of reference for the Board Committees are available on the Company's website or from the Company Secretary.

During the year, the Board also held a private session without the Executive Manager or any portfolio managers present. Board members are encouraged to indicate if further sessions are thought to be appropriate.

### Board Committees

The Board has agreed a schedule of matters specifically reserved for decision by the full Board subject to which the Board has delegated specific duties to an Audit Committee, a Nomination and Remuneration Committee and a Disclosure Committee, each of which operate within written terms of reference. All Directors are members of each standing Committee of the Board. Capita Company Secretarial Services Limited acts as Secretary to the Board and its Committees.

### Nomination and Remuneration Committee

The primary role of the Nomination and Remuneration Committee (the "Nomination Committee") is to review and make recommendations with regard to the Board structure, size and composition, balance of knowledge, experience and skills of the Board members and consider succession planning and tenure policy as well as reviewing the Directors' level of remuneration. It also agrees the criteria for future Board appointments and the methods of recruitment, selection and appointment. While the benefits of diversity, including gender, will be taken into account for any new appointments, it is the Board's policy to appoint individuals on merit taking into account the balance of skills and experience required. Therefore, no measurable targets in relation to Board diversity have been set.

The Nomination Committee considers and makes recommendations with regard to Committee membership, the reappointment of those Directors standing for re-election at AGMs, variations in terms of appointment and the question of each Director's independence prior to publication of the Annual Report and Accounts. The Nomination Committee is chaired by Mr McMeekin. The Nomination Committee's terms of reference provide that the Chairman of the Committee also acts as the Senior Independent Director.

The Nomination Committee meets at least twice each year, receives feedback from the Chair on the Directors' performance through the evaluation process and considers those Directors who are to retire by rotation at the AGM, making recommendations to the Board on their re-election. Following consideration of the performance evaluation, the Committee has recommended the re-election of Diane Seymour-Williams as a Director of the Company.

At the Nomination Committee meeting held in September 2016, the Committee noted that after more than 12 years as a Director of the Company, Mrs Bates would not be seeking re-election at the 2017 AGM. At the same meeting, the Nomination Committee considered the appointment of the next Chair of the Company, and after due consideration, and with Mrs Bates and Ms Platts-Martin abstaining, recommended that Ms Platts-Martin be appointed Chair with effect from the 2017 AGM. This succession process was detailed in the Half Year Report for 2016/17.

In light of Mrs Bates' forthcoming retirement from the Board, the Nomination Committee has been considering the appointment of a new Director. A skills audit has been completed to ensure that the skills and experience of the new Director are complementary to those of the existing Directors. Recruitment consultants have been appointed to assist in the search for a new Director.

Details of the Committee's activities in relation to Directors' remuneration are set out in the Directors' Remuneration Report on pages 45 to 48, together with information on the fees paid to Directors during the year under review.

### Disclosure Committee

With the implementation of the Market Abuse Regulation on 3 July 2016, the Board agreed to form a Disclosure Committee, comprising all Directors, to ensure inside information is identified and disclosed, if necessary. No meetings of the Disclosure Committee were held during the year.

# AUDIT COMMITTEE REPORT

### Audit Committee

The Audit Committee of the Company meets at least three times a year. During the year ended 31 January 2017, the Audit Committee met three times.

### Responsibilities of the Audit Committee

The Audit Committee's principal functions are to:

- monitor the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance;
- review the Company's internal financial controls and risk management systems;
- approve the appointment, reappointment or removal of the Independent Auditors, and make recommendations to the Board following an audit tender process;
- manage the relationship between the Company and the Independent Auditors, including reviewing the Independent Auditors' independence and objectivity as well as the effectiveness of the external audit process;
- approve the remuneration of the Independent Auditors;
- develop and implement policy on the engagement of the Independent Auditors to supply non–audit services;
- review the contractual arrangements with the portfolio managers and other third party service providers; and
- review the performance of, and make recommendations to the Board as to the continuing appointment of, third party service providers, other than the Executive Manager and the portfolio managers, where responsibility rests with the Board.

### Composition of the Audit Committee and resources

All of the Directors of the Company are members of the Audit Committee. Each Director is considered to be independent and will count towards the independent majority. Mr Robson, the Chairman of the Audit Committee, is an experienced chartered accountant and is considered to have recent and relevant financial and investment experience as a result of his previous employment in accountancy and financial services sectors, and the Audit Committee as a whole has competence relevant to the investment trust sector. Details of their experience are given on pages 26 and 27.

As the Company has no employees, there is no dedicated resource available to the Audit Committee. However, representatives from BNP Paribas Securities Services ("BPSS"), which produces the financial information for the Company, are invited to attend and present on issues as required. In addition, representatives of the Executive Manager, WIS, are invited to attend the Audit Committee meetings and are asked to present on specific issues.

The Audit Committee also has direct access to PricewaterhouseCoopers LLP ("PwC"), who act as Independent Auditors to the Company. The Independent Auditors attend an Audit Committee meeting at least once a year, and other meetings are arranged as necessary. The Audit Committee reviews, with the Independent Auditors, the plan and scope of the audit prior to the audit, and the results of the audit after it is concluded. At least annually, the Audit Committee discusses any relevant matters with the Independent Auditors privately without the presence of third party suppliers.

The Audit Committee is authorised to use whatever resources are required to fulfil its duties including seeking independent legal or other professional advice.

# AUDIT COMMITTEE REPORT continued

## Significant issues

In relation to the Annual Report and Accounts for the year ended 31 January 2017, the following significant issues have been considered:

| SIGNIFICANT ISSUE | HOW THE ISSUE WAS ADDRESSED |
|---|---|
| Valuation and existence of investments | Listed investments are valued using stock exchange prices provided by third party pricing vendors. Investments in UCITS funds are priced using their published net asset value. There were no unlisted investments held during the year. The Directors consider and review detailed portfolio valuations on a quarterly basis including a geographical and sector breakdown, most significant trades and largest active positions. Ownership of assets is verified by reconciliation with the Custodian's records. There were no significant matters during the year to report. |
| Recognition of income | Income received is accounted for in line with the Company's accounting policy. There were no significant matters during the year to report. |
| Performance fee | The calculation of the performance fee payable to Aberdeen Asset Managers Limited is reviewed by the Directors regularly at each Board meeting. No performance fee was payable in respect of the year and there were no significant matters during the year to report. |
| Compliance with Section 1158 of the Corporation Tax Act 2010 | The Directors regularly receive updates from BPSS on the Company's compliance with the requirements of investment trust status. There were no significant matters during the year to report. |
| Maintaining internal controls | WIS reports to the Audit Committee on compliance and internal controls issues relating to the third party service providers. WIS's own internal controls procedures are evaluated by an external consultancy and the results of the review are reported to the Audit Committee. Additionally, the Audit Committee receives regular reports on internal controls from the portfolio managers, WIS and the Company's other third party service providers. The Audit Committee makes recommendations to the Board in respect of all third party service providers. There were no significant matters during the year to report. |
| Risk review | The Committee regularly reviews the Company's Risk Map and Matrix and keeps the key strategic risks facing the Company under particular scrutiny. There were no significant matters during the year to report. |

## Other matters arising during the year

During the year, the Audit Committee also considered the following:

- **Recovery of withholding tax.** Many dividends received by the Company are subject to withholding tax, some of which may be recoverable. The Audit Committee reviews withholding taxes to ensure recovery is made wherever practical.
- **Cyber security.** The threat of cyber attack is a concern for all organisations. The Audit Committee considered the principal risks, and reviewed information from service providers on their cyber security arrangements.
- **Service providers.** The Audit Committee reviewed the performance and internal controls of its major service providers.
- **Audit rotation and non–audit fees.** New regulations on audit rotation and the provision of non–audit services came into force during the year, and these were considered by the Audit Committee. The Independent Auditor can no longer provide certain tax services, and an alternative supplier has been appointed. Audit rotation is reported on below.
- **Viability statement.** The statement, introduced for the first time in the prior year's financial statements, was further considered. The statement is set out on page 25.

- **Dividend.** The Audit Committee reviews the revenue account, forecasts prepared by BPSS, and analyses prepared by WIS, in order to make recommendations on dividends to the Board.
- **Half year report.** The Audit Committee reviewed the integrity of the half year report, which is not audited. There were no significant issues.

Financial statements issued by the Company need to be fair, balanced and understandable. The Audit Committee reviews the Annual Report as a whole and makes recommendations to the Board. The Committee is aware that several sections of the Annual Report and Accounts are not subject to formal statutory audit, including the Strategic Report. The checking process for the financial information in these sections is reviewed by the Audit Committee.

The Audit Committee assesses annually whether it is appropriate to prepare the Company's financial statements on a going concern basis, and makes its recommendation to the Board. The Board's conclusions are set out in the Directors' Report.

The Audit Committee's remit includes consideration of a statement by the Directors on the long–term viability of the Company. That statement can be found on page 25.

**Independent Auditors**

The Audit Committee Chairman leads the relationship with the Independent Auditors. The Audit Partner attends the Audit Committee meetings as appropriate during the year. The Audit Committee reviews the performance of the Independent Auditors at least annually and is assisted by WIS in its review. The Audit Committee takes into account the standing, experience and tenure of the Audit Partner and her team, the nature and level of services provided, and confirmation that they have complied with the relevant UK independence standards.

On the basis of its assessment, the Audit Committee has recommended to the Board the continuing appointment of the Independent Auditors.

The Audit Committee also assesses the fee of the Independent Auditors and approves their remuneration.

PwC have been the Independent Auditors since 1986. The appointment was put out to tender in 2004, following which PwC were re–appointed. Independent Auditors are required to rotate the Audit Partner every five years and in 2014, Sally Cosgrove was rotated on to the Company's account as the Audit Partner with PwC in relation to the year ended 31 January 2015.

Regulations in respect of mandatory rotation of audit firms have now been approved by the European Parliament and implemented in the UK. In view of PwC's length of tenure, but also bearing in mind that the audit partner rotated in 2015 and a further rotation would be due in 2019/20, the Company intends to conduct a tender and replace the Independent Auditors during 2018.

The Audit Committee has approved and implemented a policy on the engagement of the Independent Auditors to supply non–audit services whereby all non–audit services provided by PwC must first be agreed by the Audit Committee or the Board. In considering whether to engage the Independent Auditors for non–audit services, the Audit Committee considers the effect such work could have on the objectivity and independence of the Independent Auditors. Any such engagement must also be compliant with the new regulations on non–audit work. Taking into account the recommendations of the FRC's Guidance on Audit Committees, the Audit Committee does not believe there to be any impediment to the Independent Auditors' objectivity and independence.

Audit fees in the year ended 31 January 2017 amounted to £32,000 (2016: £31,000). The cost of non–audit services for the financial year ended 31 January 2017 was £14,000 (exclusive of VAT) (2016: £5,000), as stated in note 4 to the financial statements. This included £7,000 for PwC's work on the Company's Taiwanese tax affairs, £4,000 invoiced by PwC for a review of the Company's prior year corporate tax computation and £3,000 in relation to overseas dividends. In view of the new regulations on non–audit work, PwC will not be re–appointed in 2017 for these tax engagements. All non–audit fees were assurance related and are not considered material in nature in the context of the financial statements.

**Internal audit**

The Company does not have an internal audit function as it delegates most of its operations to third parties and does not employ any staff. The Administrator (BPSS) has established an internal controls framework to provide reasonable assurance on the effectiveness of the internal controls operated on behalf of its clients. The portfolio managers, the Administrator and the Company Secretary report on any breaches of law or regulation if and when they arise and periodically in scheduled Board reports. The Audit Committee

# AUDIT COMMITTEE REPORT continued

considers annually whether there is any need for an internal audit function, and it has agreed that it is appropriate for the Company to rely on the controls which exist within its third party providers and that it is not necessary to have an internal audit function.

The Company does not have a whistleblowing policy and procedure in place. It delegates its main functions to third party providers who have such policies in place and the Audit Committee understands that these policies meet the industry standards and reviews these arrangements periodically. Similarly, the Audit Committee requires the third party service providers to supply details of their anti–bribery policies and compliance at least annually and also maintains and reviews the Company's own anti–bribery policy.

**Internal controls and management of risk**

The Board has overall responsibility for the Company's systems of internal controls and for reviewing their effectiveness, ensuring that the risk management and control processes are embedded in day–to–day operations. The Board, through the Audit Committee, has established an ongoing process for identifying, evaluating and managing significant risks faced by the Company. These controls, which are regularly reviewed, aim to ensure that assets of the Company are safeguarded, proper accounting records maintained and the financial information used within the business and for publication is reliable. The Board has exercised its management of financial, operational and compliance risks and of overall risk management by relying on regular reports on performance attribution and other management information provided by the Executive Manager, the portfolio managers and other third party suppliers. The systems of internal controls are designed to manage rather than eliminate risk of failure to achieve the investment objective and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The key procedures which have been established to provide effective internal controls are as follows:

- The Board, through the Audit Committee, has carried out and documented a risk and control assessment, which was reviewed during the year, is monitored regularly and is subject to detailed annual review.
- The responsibilities for the investment management, accounting and custody of assets are segregated. The procedures of the individual parties are designed to complement each other to safeguard the Company's assets.
- The Board is responsible for setting the overall investment policy and monitoring the actions of the portfolio managers at regular Board Meetings. The Board reviews information produced by the portfolio managers in detail on a monthly basis and is assisted by the Executive Manager which oversees and monitors the portfolio managers.
- Administration and Company Secretarial services are provided by BPSS and Capita Company Secretarial Services Limited ("Capita") respectively. BPSS and Capita report to the Board at least on a quarterly basis as well as on an ad hoc basis, as necessary. In addition, the Audit Committee reviews independent reports on the testing of the internal controls of BPSS.
- Safekeeping of the Company's assets is undertaken by an independent custodian, JP Morgan Chase Bank N.A. The custodian is responsible for ensuring the safe custody of the Company's assets and that all transactions in the underlying holdings are transacted in an accurate and timely manner.
- The duties and responsibilities of the Company's agents and advisers are clearly defined in the terms of their contracts of engagement. The appointment of agents and advisers is conducted by the Board after consideration of the expertise of each party and the Board monitors their ongoing performance and contractual arrangements to ensure that they remain effective.
- Mandates for authorisation of investment transactions and expense payments are set by the Board.

Through the application of the procedures set out above, and in accordance with the Financial Reporting Council's 'Guidance on Audit Committees' dated April 2016 and its 'Risk Management, Internal Control and Related Financial and Business Reporting' dated September 2014 and, up to the date of this report, the Directors have kept under review the effectiveness of the Company's internal controls throughout the year. During the course of its review of the system of internal controls systems, the Board has not identified nor been advised of any failings or weaknesses which it has determined to be significant.

On behalf of the Audit Committee

**Andrew Robson**
Audit Committee Chairman
26 April 2017

# DIRECTORS' REMUNERATION POLICY

A resolution to approve the Directors' Remuneration Policy will be proposed at the AGM being held on 14 June 2017. If passed, the policy provisions set out below will apply until they are next put to shareholders for renewal of that approval. The Board is required to submit the remuneration policy to shareholders for approval at least once every three years, or if approval to vary the policy is being sought. The Remuneration Policy is binding and sets the parameters within which Directors' remuneration may be set.

Directors' fees are determined by the Board, based on the recommendations of the Nomination and Remuneration Committee. The Nomination and Remuneration Committee considers the level of Directors' remuneration at least once each year, taking into account the workload and responsibilities involved, the skills and judgement required and comparisons with the industry generally.

The fees paid will be reviewed on an annual basis and may also be reviewed when new non–executive Directors are recruited to the Board. In the absence of major increases in the workload and responsibility involved, the Board does not expect fees to increase significantly over the next three years.

Directors are paid fees for their services provided as Directors and may be paid additional fees for further responsibilities taken on. Under the Company's Articles of Association ("Articles"), if any Director is requested to perform extra or special services, he/she is entitled to receive such additional remuneration as the Board may think fit, which may be either in addition to or in substitution for any other remuneration to which he/she may be entitled to receive.

As the Board is solely composed of non–executive Directors, the consideration of their remuneration does not involve any variable or performance–related bonuses, or other benefits such as pensions.

Further details of the current arrangements are set out below.



| Component | Director | Rate at 1 February 2017 | Purpose of Remuneration |
|---|---|---|---|
| Annual Fee | All non–executive Directors | £23,500 | Commitment as a non–executive Director[1] |
| Additional Fee | Chairman of the Board | £16,000 | For additional responsibilities and time commitments[2] |
| Additional Fee | Chairman of the Audit Committee | £3,000 | For additional responsibilities and time commitments[3] |
| Additional Fee | Senior Independent Director | £2,000 | For additional responsibilities and time commitments[4] |
| Additional Fee | All Directors | N/A | For extra or special services performed in their role as a Director[5] |
| Expenses | All Directors | N/A | Reimbursement of expenses incurred in the performance of duties[6] |

1 The Company's Articles limit the aggregate fees payable to the Board of Directors to a total of £175,000 per annum. Subject to this overall limit, it is the Company's policy to determine the level of Directors' fees having regard to the level of fees payable to non–executive directors in the industry generally, the role that individual Directors fulfil in respect of Board and Committee responsibilities, and the time committed to the Company's affairs. It is also considered appropriate that no aspect of Directors' remuneration should be performance–related in light of the Directors' non–executive status.

2 The Company's policy is for the Chairman of the Board to be paid a higher fee than the other Directors, to reflect the more onerous role.

3 The Company's policy is for the Chairman of the Audit Committee to be paid a higher fee than other Directors, to reflect the more onerous role.

4 The Company's policy is for the Senior Independent Director, who is also Chairman of the Nomination and Remuneration Committee, to be paid a higher fee than other Directors, to reflect the more onerous role. Under the discretion given to the Directors in the previous Remuneration Policy, this fee was introduced with effect from 1 August 2015 to reflect the additional responsibilities of the Senior Independent Director. It has therefore been added to the Remuneration Policy.

5 This is a provision in the Company's Articles, and has therefore been added to the Remuneration Policy. Additional fees would only be payable in exceptional circumstances in relation to the performance of extra or special services.

6 Directors are entitled to claim expenses in respect of duties undertaken in connection with the management of the Company.

# DIRECTORS' REMUNERATION POLICY continued

It is the Company's policy that no Director shall be entitled to any benefits in kind, share options, long–term incentives, pensions or other retirement benefits.

No Director has a contract of service with the Company; Directors are instead appointed by letters of appointment. A Director may resign by giving notice in writing to the Board at any time; there are no fixed notice periods nor any entitlement to compensation for loss of office.

In accordance with the Company's Articles, new Directors are required to stand for election at the first AGM following their appointment, and thereafter, are required to retire by rotation, so that over a three–year period all Directors have retired from the Board and have offered themselves for re–election.

Directors' and Officers' liability insurance cover is maintained by the Company on behalf of the Directors.

**Shareholder views on remuneration**

Any views expressed by shareholders on the fees being paid to Directors would be taken into consideration by the Board when reviewing levels of remuneration. Shareholders have the opportunity to express their views at the Company's AGM or by contacting the Chairman of the Nomination and Remuneration Committee or any of the Directors via the Company Secretary.

**Approach to recruitment remuneration**

The Board would expect that the remuneration of future Directors will be on the same basis as that of current Directors. It would not normally be a feature of the recruitment of non–executive Directors that any compensation payment for remuneration at previous appointments would be required nor that previous variable pay arrangements would be relevant.

If in the next three years, the Company were to decide to employ any executive Directors, major shareholders would be consulted regarding the appropriate provisions.

# DIRECTORS' REMUNERATION REPORT

This Report is prepared in accordance with Schedule 8 of the Large and Medium–sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

An ordinary resolution to approve the Directors' Remuneration Report will be proposed at the AGM to be held on 14 June 2017.

## ANNUAL STATEMENT FROM THE CHAIR OF THE NOMINATION AND REMUNERATION COMMITTEE

The Committee consists of all of the Directors of the Company whose names and roles are set out on pages 26 and 27 of the Directors' Report. During the year under review, the Committee met four times. The remuneration of each Director is discussed with the Chair of the Company and individual non–executive Directors are excluded from any discussion in relation to their own remuneration. As part of the process, the Committee considered:

- how Director compensation should be positioned relative to the Company's peers;
- the outcome of the annual review of the performance of the Board as a whole including the quality of contributions from individual Directors;
- the greater time commitment required of Directors of a trust with a multi–manager structure; and
- the increasingly regulated nature of the financial services industry.

There was no increase in Directors' remuneration in respect of the year ended 31 January 2017. Following a review of the time commitment required and the nature of the multi–manager structure used by the Company, the Committee recommended to the Board that the remuneration of the Chair and the fees for non–executive Directors should be increased. With effect from 1 February 2017, the Chair's remuneration was increased to £39,500 per annum, a rise of 1.62%, and the remuneration for a non–executive Director was increased to £23,500 per annum, a rise of 1.67%.

When considering the levels of remuneration, the Directors conducted a review of director remuneration for similar roles across a number of other investment trusts of a similar size and/or complexity. The Directors feel that the increase in remuneration was fair in the circumstances and in line with industry practice and good governance. Neither Mrs Bates nor Ms Platts–Martin was present when the increase in the Chair's remuneration was considered and agreed.

## ANNUAL REPORT ON REMUNERATION

The following section provides shareholders with an understanding of how the Company's remuneration policy has been implemented during the year.

The Board is satisfied that the changes to the remuneration of the Directors is compliant with the Company's remuneration policy, which was approved by shareholder vote at the Company's AGM held on 9 June 2014 and is in the best interests of shareholders. The Directors' Remuneration Policy is being put to shareholders for approval at the forthcoming AGM, it being three years since it was last approved. The policy is substantially unchanged since the previous policy was approved by shareholders. The changes are:

(i) to include within the components table the additional fee paid to the Senior Independent Director. The Board has discretion to pay Directors for additional responsibilities taken on, and the fee for the Senior Independent Director was introduced in August 2015; and

(ii) the Company's Articles include a provision for Directors to receive additional remuneration if requested to perform extra or special duties. Any additional fees would only be paid in exceptional circumstances. This provision is being recognised within the components table of the Remuneration Policy.

The Remuneration Policy is set out on pages 43 and 44.

### Board composition

As at 31 January 2017, the Board comprised five non–executive Directors, all of whom were independent of the Executive Manager and the portfolio managers. In accordance with the Company's Articles, new Directors are required to stand for election at the first AGM following their appointment, and thereafter, are required to retire by rotation, so that over a three–year period each Director will have retired from the Board and have offered themselves for re–election. In accordance with the AIC Code of Corporate Governance, Directors who have served on the Board for more than nine years must offer themselves for re–election on an annual basis.

# DIRECTORS' REMUNERATION REPORT continued

### Scheme interests awarded during the financial year (audited)

The Company does not operate a share incentive plan. None of the Directors receive any remuneration or any part of their fee in the form of shares in the Company, options to subscribe for shares, warrants or any other equity-based scheme.

### Directors' interests (audited)

The Company does not have any requirement for any Director to own shares in the Company. The interests of the Directors of the Company (including their connected persons) as at 31 January 2017 are as follows:

| | | No of fully paid Ordinary 25p shares | |
|---|---|---|---|
| **Director** | **Type of holding** | **31 January 2017** | 31 January 2016 |
| S Bates | Beneficial | **97,200** | 64,200 |
| D Seymour-Williams | Beneficial | **15,000** | 15,000 |
| D McMeekin | Beneficial | **15,000** | 15,000 |
| S Platts-Martin | Beneficial | **9,000** | 9,000 |
| A Robson | Beneficial | **12,000** | 12,000 |

The Directors' interests in shares remained unchanged as at 26 April 2017.

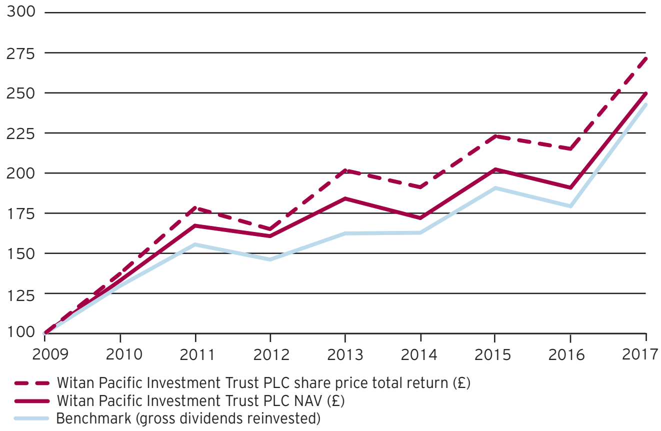
### The consideration of Directors' remuneration

The Committee considered the remuneration of the Directors at a meeting held on 24 November 2016 at which all Directors of the Company were present. No person provided advice or services to the Committee that materially assisted the Committee in respect of their consideration of Directors' remuneration.

### Company performance

The Board is responsible for the Company's investment strategy and performance, although day-to-day management of the Company's investment portfolios is delegated to the portfolio managers. An explanation of the performance of the Company is given in the Chair's Statement.

### Performance graph




The performance graph above shows the share price total return to ordinary shareholders since 31 January 2009 compared to the total return of the MSCI AC Asia Pacific Index (gross dividends reinvested), the benchmark index against which the Company's performance is measured which matches the Company's mandate.

### Relative importance of the spend on pay

The table below sets out, in respect of the financial years ended 31 January 2017 and 31 January 2016, Directors' fees as a relative proportion of the Company's outgoings.

| | **Year ended 31 January 2017 £'000** | Year ended 31 January 2016 £'000 | **Change %** |
|---|---|---|---|
| Management fees including performance fees[1] | **994** | 834 | +19.2 |
| Dividends[2] | **3,052** | 3,053 | - |
| Share buy-backs[3] | **1,820** | 514 | +254.1 |
| Total Directors' fees[4] | **136** | 143 | -4.9 |

1 This figure has been taken from the Income Statement.

2 The figure for this measure is taken from note 7 to the financial statements but does not include refund of unclaimed dividends.

3 This figure has been taken from the Statement of Changes in Equity.

4 The 2016 figure includes fees received by Mr A Barber who ceased to be a Director of the Company on 10 June 2015.

As the Company has no employees and undertakes all its operations through portfolio managers and other service providers, the spend on management fees, alongside dividends and share buy–backs, was chosen to assist the shareholders in understanding the relative importance of spend on Directors' fees.

### Directors' emoluments for the year (audited)

The Directors who served during the year received the following emoluments in the form of fees:

| Director | Fees paid 2017 £ | Fees paid 2016 £ | Taxable benefit 2017 £ | Taxable benefit 2016 £ | Total 2017 £ | Total 2016 £ |
|---|---|---|---|---|---|---|
| S Bates (Chair) | **38,872** | 38,872 | **–** | – | **38,872** | 38,872 |
| A Barber (Chairman of the Audit Committee to 10 June 2015)[1] | **–** | 9,181 | **–** | – | **–** | 9,181 |
| D McMeekin (Senior Independent Director)[2] | **25,113** | 24,113 | **–** | – | **25,113** | 24,113 |
| D Seymour–Williams (Director) | **23,113** | 23,113 | **–** | – | **23,113** | 23,113 |
| A Robson (Chairman of the Audit Committee, from 10 June 2015)[2] | **26,113** | 24,707 | **–** | – | **26,113** | 24,707 |
| S Platts–Martin (Director) | **23,113** | 23,113 | **–** | – | **23,113** | 23,113 |
| **Totals** | **136,324** | 143,099 | **–** | – | **136,324** | 143,099 |

1 Mr Barber retired and resigned as a Director and as Chairman of the Audit Committee on 10 June 2015.

2 These amounts reflect mid–year adjustments in the remuneration of the Senior Independent Director and Chairman of the Audit Committee during the year ended 31 January 2016.

The amounts paid by the Company to the Directors were for services as non–executive Directors.

The Company's Articles limit the aggregate fees payable to the Board of Directors to a total of £175,000 per annum.

### Loss of office (audited)

Directors do not have service contracts with the Company but are engaged under letters of appointment. These specifically exclude any entitlement to compensation upon leaving office for whatever reason.

### Sums paid to third parties

None of the fees referred to in the above table were paid to any third party in respect of the services provided by any of the Directors.

### Other benefits

The Company's Articles provides that Directors are entitled to be reimbursed for reasonable expenses incurred by them in connection with the performance of their duties and attendance at Board and General Meetings.

As non–executive Directors, none of the Directors of the Company are entitled to any pension contribution from the Company.

# DIRECTORS' REMUNERATION REPORT continued

## Statement of voting at the AGM

The table below sets out the voting at the Company's AGM held on 9 June 2014 in respect of the resolution proposed to approve the Company's remuneration policy. This was the last date that the Company's remuneration policy was put to shareholders. The table below also sets out the voting at the Company's AGM held on 8 June 2016 in respect of the resolution proposed to approve the Directors' Remuneration Report detailing how the policy had been applied for the year to 31 January 2016.

| Resolution | Votes for[1] % of votes cast | Votes against % of votes cast | Votes withheld | Total votes cast |
|---|---|---|---|---|
| To approve the Company's remuneration policy (2014) | 98.69 | 1.31 | 555,938 | 32,078,442 |
| To approve the Directors' remuneration report (2016) | 98.90 | 1.10 | 293,220 | 32,770,417 |

1 Votes 'for' include discretionary proxy votes granted to the Chair by shareholders.

## Implementation of the remuneration policy for the year to 31 January 2018

The overwhelmingly positive votes in favour of both the resolution in 2014 to approve the Company's Remuneration Policy and in 2016 to approve the Directors' Remuneration Report indicated strong support for both the Company's policy on Directors' remuneration and the implementation of that policy. No significant changes are expected in the Company's approach to Director remuneration, however, the Company's policy and the overall remuneration of each Director will continue to be monitored by the Committee taking into account those matters referred to in the annual statement above.

## Approval of the Annual Report on Remuneration

The annual report on remuneration was approved by the Board on 26 April 2017.

On behalf of the Board

**Dermot McMeekin**

**Chairman of the Nomination and Remuneration Committee**
26 April 2017

# 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), 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 net return or loss of the Company for that year. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations, and for ensuring that the Annual Report includes information required by the Listing Rules of the Financial Conduct Authority.

The financial statements are published on www.witanpacific.com, which is a website maintained by the Company's Executive Manager, Witan Investment Services Limited. The Directors are responsible for the maintenance and integrity of the Company's website. The work carried out by the Independent Auditors does not involve consideration of the maintenance and integrity of the website and accordingly, the Independent Auditors accept no responsibility for any changes that have occurred to the Annual Report and Accounts since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and Accounts as a whole, are fair, balanced and understandable and provide the necessary information for shareholders to assess the Company's position and performance, business model and strategy.

### Declaration

Each of the Directors, whose names and functions are listed on pages 26 and 27, confirm that, to the best of their knowledge:

- the financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), give a true and fair view of the assets, liabilities, financial position and net return of the Company;
- 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

**Sarah Bates**

**Chair**

26 April 2017

# INDEPENDENT AUDITORS' REPORT

to the members of Witan Pacific Investment Trust plc

## Report on the financial statements

**Our opinion**

In our opinion, Witan Pacific Investment Trust plc's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 January 2017 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.

**What we have audited**

The financial statements, included within the Annual Report, comprise:

- the Balance Sheet as at 31 January 2017;
- the Income Statement for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross–referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

**Our audit approach**

Overview

| | |
|---|---|
| **Materiality** | ■ Overall materiality: £2.17 million which represents 1% of net assets. |
| **Audit Scope** | ■ The Company is a standalone investment trust company and engages Aberdeen Asset Managers Limited, Matthews International Capital Management LLC and Gavekal Capital Limited as its portfolio managers to manage its assets.<br>■ We conducted our audit of the financial statements at BNP Paribas Securities Services (the 'Administrator') to whom the Company has delegated the provision of certain administrative functions.<br>■ We tailored the scope of our audit taking into account the types of investments within the Company, the involvement of the third parties referred to above, the accounting processes and controls, and the industry in which the Company operates. |
| **Areas of focus** | Our areas of focus comprise:<br>■ Revenue recognition.<br>■ Valuation and existence of investments. |

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

| AREA OF FOCUS | HOW OUR AUDIT ADDRESSED THE AREA OF FOCUS |
|---|---|
| **Revenue recognition**<br><br>Refer to pages 31 to 38 (Corporate Governance Statement), pages 58 to 60 (accounting policies) and pages 58 to 73 (notes to the financial statements).<br><br>We focused on the accuracy and completeness of dividend income recognition and its presentation in the Income Statement as set out in the requirements of The Association of Investment Companies Statement of Recommended Practice (the "AIC SORP"). This is because incomplete or inaccurate income could have a material impact on the Company's net asset value and dividend cover. | We assessed the accounting policy for income recognition for compliance with accounting standards and the AIC SORP and performed testing to check that income had been accounted for in accordance with this stated accounting policy.<br><br>We found that the accounting policies implemented were in accordance with accounting standards and the AIC SORP, and that income has been accounted for in accordance with the stated accounting policy.<br><br>In addition, we tested dividend amounts by agreeing the dividend rates from a sample of investments to independent third party sources. No misstatements were identified which required reporting to those charged with governance.<br><br>To test for completeness, we tested that the appropriate dividends had been received in the year by reference to independent data of dividends declared for a sample of investment holdings in the portfolio. Our testing did not identify any unrecorded dividends.<br><br>We tested the allocation and presentation of dividend income between the income and capital return columns of the Income Statement in line with the requirements set out in the AIC SORP. We then tested the validity of special dividends to independent third party sources. We did not find any special dividends that were not treated in accordance with the AIC SORP. |
| **Valuation and existence of investments**<br><br>Refer to pages 31 to 38 (Corporate Governance Statement), pages 58 to 60 (accounting policies) and pages 58 to 73 (notes to the financial statements).<br><br>The investment portfolio at the year end was valued at £210.75 million.<br><br>We focused on the valuation and existence of investments because investments represent the principal element of the net asset value as disclosed on the Balance Sheet in the financial statements. | We tested the valuation of the investment portfolio by agreeing the prices used in the valuation to independent third party sources. No misstatements were identified by our testing which required reporting to those charged with governance.<br><br>We tested the existence of the investment portfolio by agreeing the holdings for investments to an independent custodian confirmation from JP Morgan Chase Bank NA. No differences were identified by our testing which require reporting to those charged with governance. |

### How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Company, the accounting processes and controls, and the industry in which the company operates.

The Company's accounting is delegated to the Administrator who maintain their own accounting records and controls and report to the Directors.

As part of our risk assessment, we assessed the control environment in place at the managers and the Administrator to the extent relevant to our audit. This assessment involved obtaining and reading the relevant control reports issued by the independent auditors of the Managers and the Administrator in accordance with generally accepted assurance standards for such work, to gain an understanding of the managers' and Administrator's control environment and to consider the operating and accounting structure at the managers and the Administrator. Following the assessment,

# INDEPENDENT AUDITORS' REPORT continued

we applied professional judgement to determine the extent of testing required over each balance in the financial statements.

### Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | |
|---|---|
| **Overall materiality** | £2.17 million (2016: £1.70 million). |
| **How we determined it** | 1% of net assets. |
| **Rationale for benchmark applied** | We have applied this benchmark, a generally accepted auditing practice for investment trust audits, in the absence of indicators that an alternative benchmark would be appropriate and because we believe this provides an appropriate and consistent year–on–year basis for our audit. |

We agreed with the Audit Committee that we would report to it misstatements identified during our audit above £108,500 (2016: £85,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

### Going concern

Under the Listing Rules we are required to review the Directors' statement, set out on page 29, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the Directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Company has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Company's ability to continue as a going concern.

## Other required reporting

**Consistency of other information and compliance with applicable requirements**

### Companies Act 2006 reporting

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' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

### ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland), we are required to report to you if, in our opinion:

| | |
|---|---|
| ■ information in the Annual Report is:<br>– materially inconsistent with the information in the audited financial statements; or<br>– apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or<br>– otherwise misleading. | We have no exceptions to report. |

| | |
|---|---|
| ■ the statement given by the Directors on page 49, in accordance with provision C.1.1 of the UK Corporate Governance Code (the "Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Company acquired in the course of performing our audit. | We have no exceptions to report. |
| ■ the section of the Annual Report on pages 39 to 42, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee. | We have no exceptions to report. |

**The Directors' assessment of the prospects of the Company and of the principal risks that would threaten the solvency or liquidity of the Company**

Under ISAs (UK & Ireland), we are required to report to you if we have anything material to add or to draw attention to in relation to:

| | |
|---|---|
| ■ the Directors' confirmation on page 23 of the Annual Report, in accordance with provision C.2.1 of the Code, 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. | We have nothing material to add or to draw attention to. |
| ■ the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated. | We have nothing material to add or to draw attention to. |
| ■ the Directors' explanation on page 25 of the Annual Report, in accordance with provision C.2.2 of the Code, 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. | We have nothing material to add or to draw attention to. |
| ■ Under the Listing Rules, we are required to review the Directors' statement that they have carried out a robust assessment of the principal risks facing the Company and the Directors' statement in relation to the longer-term viability of the company. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. | We have nothing to report having performed our review. |

**Adequacy of accounting records and information and explanations received**

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

# INDEPENDENT AUDITORS' REPORT continued

**Directors' remuneration**

Directors' remuneration report – Companies Act 2006 opinion

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

Other Companies Act 2006 reporting

Under the Companies Act 2006, we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

**Corporate governance statement**

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to ten further provisions of the Code. We have nothing to report having performed our review.

## Responsibilities for the financial statements and the audit

**Our responsibilities and those of the Directors**

As explained more fully in the Statement of Directors' responsibilities set out on page 49, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, save where expressly agreed by our prior consent in writing.

**What an audit of financial statements involves**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non–financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

**Sally Cosgrove**

**(Senior Statutory Auditor)**
for and on behalf of PriceWaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

26 April 2017

# INCOME STATEMENT

## for the year ended 31 January 2017

| | Revenue note | Capital note | Year ended 31 January 2017 Revenue return £'000 | Year ended 31 January 2017 Capital return £'000 | Year ended 31 January 2017 Total £'000 | Year ended 31 January 2016 Revenue return £'000 | Year ended 31 January 2016 Capital return £'000 | Year ended 31 January 2016 Total £'000 |
|---|---|---|---|---|---|---|---|---|
| Gains/(losses) on investments held at fair value through profit or loss | | 8 | **–** | **48,841** | **48,841** | – | (13,038) | (13,038) |
| Exchange losses | | 14 | **–** | **(142)** | **(142)** | – | (123) | (123) |
| Investment income | 2 | | **5,004** | **–** | **5,004** | 4,782 | – | 4,782 |
| Management fees | 3 | | **(994)** | **–** | **(994)** | (834) | – | (834) |
| Other expenses | 4 | 14 | **(754)** | **(43)** | **(797)** | (807) | (35) | (842) |
| **Net return/(loss) on ordinary activities before taxation** | | | **3,256** | **48,656** | **51,912** | 3,141 | (13,196) | (10,055) |
| Taxation on ordinary activities | 5 | 5 | **(376)** | **–** | **(376)** | (305) | – | (305) |
| **Net return/(loss) on ordinary activities after taxation** | | | **2,880** | **48,656** | **51,536** | 2,836 | (13,196) | (10,360) |
| **Basic and diluted return per ordinary share – pence** | 6 | 6 | **4.41** | **74.50** | **78.91** | 4.31 | (20.03) | (15.72) |

All revenue and capital items in the above statement derive from continuing operations. The total columns of this statement represent the Income Statement of the Company. The revenue return and capital return columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies.

The Company had no other comprehensive income, recognised gains or losses other than those disclosed in this statement.

There is no material difference between the net return/(loss) on ordinary activities before taxation and the net return/(loss) for the financial year stated above and their historical costs equivalents.



The notes on pages 58 to 73 form an integral part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

## for the year ended 31 January 2017

| | Note | Called up share capital £'000 | Share premium account £'000 | Capital redemption reserve £'000 | Capital reserves £'000 | Revenue reserve £'000 | Shareholders' funds £'000 |
|---|---|---|---|---|---|---|---|
| **Year ended 31 January 2017** | | | | | | | |
| At 1 February 2016 | | **16,486** | **5** | **41,085** | **101,926** | **10,886** | **170,388** |
| Net return on ordinary activities after taxation and total comprehensive income | | **–** | **–** | **–** | **48,656** | **2,880** | **51,536** |
| Purchase of own shares | 12 | **–** | **–** | **–** | **(1,820)** | **–** | **(1,820)** |
| Dividends paid | 7 | **–** | **–** | **–** | **–** | **(3,069)** | **(3,069)** |
| **At 31 January 2017** | | **16,486** | **5** | **41,085** | **148,762** | **10,697** | **217,035** |

| | Note | Called up share capital £'000 | Share premium account £'000 | Capital redemption reserve £'000 | Capital reserves £'000 | Revenue reserve £'000 | Shareholders' funds £'000 |
|---|---|---|---|---|---|---|---|
| **Year ended 31 January 2016** | | | | | | | |
| At 1 February 2015 | | 16,486 | 5 | 41,085 | 115,636 | 11,068 | 184,280 |
| Net return on ordinary activities after taxation and total comprehensive income | | – | – | – | (13,196) | 2,836 | (10,360) |
| Purchase of own shares | 12 | – | – | – | (514) | – | (514) |
| Dividends paid | 7 | – | – | – | – | (3,018) | (3,018) |
| **At 31 January 2016** | | 16,486 | 5 | 41,085 | 101,926 | 10,886 | 170,388 |

The notes on pages 58 to 73 form an integral part of these financial statements.

# BALANCE SHEET

## as at 31 January 2017

| | Note | 2017 £'000 | 2016 £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Investments held at fair value through profit or loss | 8 | **210,745** | 166,251 |
| **Current assets** | | | |
| Debtors | 9 | **1,813** | 737 |
| Cash at bank and in hand | | **5,983** | 5,412 |
| | | **7,796** | 6,149 |
| **Creditors** | | | |
| Amounts falling due within one year | 10 | **(1,506)** | (2,012) |
| | | **(1,506)** | (2,012) |
| **Net current assets** | | **6,290** | 4,137 |
| **Net assets** | | **217,035** | 170,388 |
| **Capital and reserves** | | | |
| Called up share capital | 12 | **16,486** | 16,486 |
| Share premium account | | **5** | 5 |
| Capital redemption reserve | 13 | **41,085** | 41,085 |
| Capital reserves | 14 | **148,762** | 101,926 |
| Revenue reserve | 14 | **10,697** | 10,886 |
| **Total shareholders' funds** | | **217,035** | 170,388 |
| **Net asset value per Ordinary share – pence (basic & diluted)** | 15 | **333.87** | 259.27 |

The financial statements on pages 55 to 73 were authorised and approved by the Board of Directors on 26 April 2017 and signed on its behalf by:

**Sarah Bates,** Chair

Financial statements

The notes on pages 58 to 73 form an integral part of these financial statements.
Company Registration Number 91798

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 January 2017

## 1. Significant accounting policies

### (a) Basis of accounting

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in the UK (UK GAAP), including the Companies Act 2006, Financial Reporting Standard 102 ("FRS 102") and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts'. They have also been prepared on a going concern basis and on the assumption that approval as an investment trust will continue to be granted. The accounting policies have been applied consistently throughout the year.

The financial statements have been prepared under the historical cost basis except for the measurement of fair value of investments. In applying FRS 102, financial instruments have been accounted for in accordance with Sections 11 and 12 of the standard. All of the Company's operations are of a continuing nature.

As an investment fund, the Company has the option, which it has taken, not to present a cash flow statement. A cash flow statement is not required when an investment fund meets all the following conditions: substantially all of the entity's investments are highly liquid and are carried at market value; and where a Statement of Changes in Equity is provided.

### (b) Valuation of investments

All investments have been designated upon initial recognition as fair value through profit or loss. This is done because all investments are considered to form part of a group of financial assets which is evaluated on a fair value basis, in accordance with the Company's documented investment strategy, and information about the grouping is provided internally on that basis.

Investments are recognised and de–recognised at trade date where a purchase or sale is under a contract whose terms require delivery within the timeframe established by the market concerned, and are measured initially at fair value. Subsequent to initial recognition, investments are valued at fair value through profit or loss.

Listed investments have been designated by the Board as held at fair value through profit or loss and accordingly are valued at fair value, deemed to be bid market prices for quoted investments. Investments included in Level 2 under the Fair Value Hierarchy disclosures in note 16(g) consist of unlisted reportable funds within the portfolio, these being Gavekal Asian Opportunities UCITS, Aberdeen Global Indian Equity UCITS and Aberdeen Global China A Equity UCITS. These are priced daily using their net asset value, which is the fair value.

Changes in the fair value of investments held at fair value through profit or loss and gains and losses on disposal are recognised in the Income Statement as "Gains or losses on investments held at fair value through profit or loss". Also included within this caption are transaction costs in relation to the purchase or sale of investments, including the difference between the purchase price of an investment and its bid price at the date of purchase. All purchases and sales are accounted for on a trade date basis.

### (c) Foreign currency

The results and financial position of the Company are expressed in pounds sterling, which is the functional and presentation currency of the Company and rounded to the nearest £'000.

The Directors, having regard to the currency of the Company's share capital and the predominant currency in which the Company operates, have determined the functional currency to be pounds sterling. The results and financial position of the Company are therefore expressed in pounds sterling.

Transactions recorded in foreign currencies during the year are translated into sterling at the appropriate daily exchange rates. Monetary assets and liabilities denominated in overseas currencies (including equity investments) at the year end date are translated into sterling at the exchange rates ruling at that date.

Any gains or losses on the translation of foreign currency balances, whether realised or unrealised, are taken to the capital or revenue return of the Income Statement, depending on whether the gain or loss is of a capital or revenue nature.

### (d) Income

Income from equity shares is brought into the revenue return of the Income Statement (except where, in the opinion of the Directors, its nature indicates it should be recognised as capital return) on the ex–dividend date, or where no ex–dividend date is quoted, when the Company's right to receive payment is established.

Dividends receivable are accounted for on the basis of gross income actually receivable, without adjustment for the tax credit attaching to the dividends.

Where the Company has elected to receive its dividends in the form of additional shares rather than in cash, the amount of the cash dividend foregone is recognised as revenue. Any excess in the value of the shares received over the amount of the cash dividend is recognised in the capital reserve.

Any bank interest or underwriting commission is accounted for on an accruals basis.

### (e) Expenses including finance costs

Finance costs are accounted for on an accruals basis. Finance costs are fully allocated to revenue.

Management fee rebates of the fee on Gavekal Asian Opportunities UCITS are credited against management fees paid.

All expenses are charged to the revenue return of the Income Statement, with the exception of the following which are charged to the capital return of the Income Statement:

- performance fees/repayments insofar as they relate to capital performance;
- expenses incurred buying back the Company's own shares; and
- expenses incidental to the acquisition or disposal of investments.

All expenses are accounted for on an accruals basis.

### (f) Taxation

The tax effect of different items of expenditure is allocated between capital and revenue on the marginal basis using the Company's effective rate of corporation taxation for the accounting period.

Deferred taxation is provided on all timing differences that have originated but not been reversed by the year end date other than those differences regarded as permanent. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the reversal of timing differences can be deducted. Any liability to deferred tax is provided at the average rate of tax expected to apply. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

### (g) Bank borrowings

During 2015, the Company became authorised as a Small Registered UK AIFM which requires there to be no gearing as long as it remains subject to this part of the regulatory regime.

### (h) Segmental reporting

The Directors are of the opinion that the Company is engaged in a single segment of business being investment business.

### (i) Repurchase of Ordinary shares

The cost of repurchasing Ordinary shares including related stamp duty and transaction costs is taken directly to equity and dealt with in the Statement of Changes in Equity. Share repurchase transactions are accounted for on a trade date basis.

### (j) Capital reserves

Capital reserve arising on investments sold

The following transactions are accounted for in this reserve:

- gains and losses on the realisation of fixed asset investments;
- realised exchange differences of a capital nature;
- costs of professional advice, including irrecoverable VAT, relating to the capital structure of the Company;
- other capital charges and credits charged or credited to this account in accordance with the above policies; and
- cost of purchasing Ordinary share capital.

# NOTES TO THE FINANCIAL STATEMENTS continued

**1. Significant accounting policies (continued)**

Capital reserve arising on investments held

The following transactions are accounted for in this reserve:

- increase and decrease in the valuation of investments held at the year end; and
- unrealised exchange differences of a capital nature.

(k) Dividends payable

In accordance with FRS 102, final dividends are not accrued in the financial statements unless they have been approved by shareholders before the year end date. Interim dividends are recorded in the financial statements when they are paid. Dividends payable to equity shareholders are recognised in the Statement of Changes in Equity when they have been approved by shareholders in the case of a final dividend, or paid in the case of an interim dividend and become a liability of the Company.

(l) Critical accounting estimates

The preparation of financial statements requires the Directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The critical estimates and assumptions relate, in particular, to the calculation of performance fees, as summarised in note 3. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

## 2. Investment income

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| Income from investments held at fair value through profit and loss: | | |
| Overseas dividends | **4,564** | 4,076 |
| UK dividends | **209** | 363 |
| Scrip dividends | **230** | 334 |
| **Total dividend income** | **5,003** | 4,773 |
| Other income: | | |
| Bank interest | **1** | 6 |
| Underwriting commission | **–** | 3 |
| **Total other income** | **1** | 9 |
| **Total income** | **5,004** | 4,782 |

## 3. Management and performance fees

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| Charged to the revenue return: | | |
| Management fees[1] | **1,150** | 980 |
| Management fee rebates[2] | **(156)** | (146) |
| **Total management fees** | **994** | 834 |
| Charged to the capital return: | | |
| Performance fees | **–** | – |

1 The management fees stated above include fees paid to Witan Investment Services Limited of £250,000 (2016: £224,000).

2 This figure relates to a rebate of management fees associated with the Gavekal Asian Opportunities UCITS.

Further details of management fees can be found in note 17.

# NOTES TO THE FINANCIAL STATEMENTS continued

## 4. Other expenses

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| Auditors' remuneration: | | |
| for audit services | **32** | 31 |
| for non–audit services – tax[1] | **14** | 5 |
| Custody fees | **81** | 65 |
| Directors' emoluments: fees for services to the Company | **136** | 143 |
| Directors' expenses and travel[2] | **1** | 67 |
| Marketing[3] | **174** | 202 |
| Printing and postage | **38** | 50 |
| Secretarial and Administration fees[4] | **138** | 131 |
| Directors' and Officers' liability insurance | **7** | 7 |
| Registrars' fees | **26** | 25 |
| Sundry expenses | **107** | 81 |
| | **754** | 807 |

1 Charges for other services provided by the Independent Auditors in the year ended 31 January 2017 relate to a review of the 2015 tax computation and withholding taxes suffered on overseas dividend income between 1 February 2010 and 31 January 2017.

2 Costs in 2016 relate primarily to the costs of a Board visit to the Asia–Pacific region, which is conducted every two to three years to meet our portfolio managers and other industry participants.

3 The marketing expense stated above includes fees paid to Witan Investment Services Limited of £75,000 (2016: £75,000).

4 Secretarial fees includes iXBRL filing by Capita.

Additional information concerning transactions with Directors and Directors' fees can be found in the Directors' Remuneration Report on pages 45 to 48.

## 5. Taxation on ordinary activities

### (a) Analysis of tax charge for the year

| | 2017 Revenue return £'000 | 2017 Capital return £'000 | 2017 Total £'000 | 2016 Revenue return £'000 | 2016 Capital return £'000 | 2016 Total £'000 |
|---|---|---|---|---|---|---|
| Overseas taxation | **376** | **–** | **376** | 305 | – | 305 |
| Taxation on ordinary activities | **376** | **–** | **376** | 305 | – | 305 |

### (b) Factors affecting current tax charge for the year

The UK corporation tax rate is 20% (2016 – effective rate of 20.167%). The tax charge for the year is lower than the corporation tax rate. The differences are explained below:

| | **2017 Revenue return £'000** | **2017 Capital return £'000** | **2017 Total £'000** | 2016 Revenue return £'000 | 2016 Capital return £'000 | 2016 Total £'000 |
|---|---|---|---|---|---|---|
| Return/(loss) on ordinary activities before tax | **3,256** | **48,656** | **51,912** | 3,141 | (13,196) | (10,055) |
| Corporation tax at 20.00% (2016: 20.17%) | **651** | **9,731** | **10,382** | 634 | (2,662) | (2,028) |
| Effects of: | | | | | | |
| Non–taxable overseas dividends | **(895)** | **–** | **(895)** | (862) | – | (862) |
| Non–taxable UK dividends | **(56)** | **–** | **(56)** | (73) | – | (73) |
| Overseas taxation | **376** | **–** | **376** | 305 | – | 305 |
| Disallowed expenses | **14** | **–** | **14** | 7 | 7 | 14 |
| Income taxable in different years | **(16)** | **–** | **(16)** | – | – | – |
| Tax effect of expenses double taxation relief | **(3)** | **–** | **(3)** | – | – | – |
| Excess management expenses and finance costs | **305** | **–** | **305** | 294 | 25 | 319 |
| Net capital returns not subject to tax[1] | **–** | **(9,731)** | **(9,731)** | – | 2,630 | 2,630 |
| Current tax charge for the year | **376** | **–** | **376** | 305 | – | 305 |

1 These items are not subject to corporation tax within an investment trust company provided the Company obtains approval from HM Revenue & Customs ("HMRC") that the requirements of Sections 1158 – 1159 of the Corporation Tax Act 2010 have been met.

### (c) Deferred taxation

The Company has not recognised a deferred tax asset of £2,244,000 (2016: £2,330,000) arising as a result of excess management expenses and interest paid. These expenses will only be utilised if the Company has profits chargeable to corporation tax in the future. It is unlikely that the Company will generate sufficient taxable profits in the future to utilise these expenses and deficits and therefore no deferred tax asset has been recognised.

### (d) Protective claim

Witan Pacific has filed protective claims with HMRC and the UK High Court in order to seek recovery of potentially overpaid taxes from HMRC in relation to the UK's pre–2009 dividend tax rules. The claims cover historic periods in which Witan Pacific paid UK tax under Schedule D Case V. In such periods, Witan Pacific is seeking recovery of the tax paid together with interest on a compound basis. No tax or related interest recovery has been accrued or recognised as a contingent asset, as the outcome of lead cases in this area is expected to remain uncertain for some time.

# NOTES TO THE FINANCIAL STATEMENTS continued

## 6. Return/(loss) per Ordinary share

The total return per Ordinary share is based on the net gain attributable to the Ordinary shares of £51,531,000 (2016: loss of £10,360,000) and on 65,308,210 Ordinary shares (2016: 65,891,245) being the weighted average number of shares in issue during the year.

The total return can be further analysed as follows:

| | **2017 £'000** | 2016 £'000 |
|---|---|---|
| Revenue return | **2,880** | 2,836 |
| Capital return | **48,656** | (13,196) |
| Total return | **51,536** | (10,360) |
| Weighted average number of Ordinary shares | **65,308,210** | 65,891,245 |
| Revenue return per Ordinary share – pence | **4.41** | 4.31 |
| Capital return per Ordinary share – pence | **74.50** | (20.03) |
| Total return per Ordinary share – pence | **78.91** | (15.72) |

The Company does not have any dilutive securities.

## 7. Dividends

| **Dividends on Ordinary shares** | **Record date** | **Payment date** | **2017 £'000** | 2016 £'000 |
|---|---|---|---|---|
| Final dividend (2.45p) for the year ended 31 January 2015 | **22 May 2015** | **19 June 2015** | **–** | 1,615 |
| Interim dividend (2.15p) for the year ended 31 January 2016 | **9 October 2015** | **19 October 2015** | **–** | 1,416 |
| Final dividend (2.50p) for the year ended 31 January 2016 | **20 May 2016** | **17 June 2016** | **1,636** | – |
| Interim dividend (2.20p) for the year ended 31 January 2017 | **14 October 2016** | **24 October 2016** | **1,433** | – |
| Refund of unclaimed dividends | | | **–** | (13) |
| | | | **3,069** | 3,018 |

The proposed final dividend for the year ended 31 January 2017 is subject to approval by shareholders at the AGM and has not been included as a liability in these financial statements.

The total dividend payable in respect of the financial year which meets the requirements of Section 1158 of the Corporation Tax Act 2010 is set out below.

| | **2017 £'000** | 2016 £'000 |
|---|---|---|
| Revenue available for distribution by way of dividend for the year | **2,880** | 2,836 |
| Interim dividend 2.20p (2016: 2.15p) for the year ended 31 January 2017 | **(1,433)** | (1,416) |
| Proposed final dividend of 2.55p (2016: 2.50p) for the year ended 31 January 2017 (based on 63,487,472 Ordinary shares in issue at 26 April 2017) | **(1,619)** | (1,637) |
| Refund of unclaimed dividends | **–** | 13 |
| Shortfall for the year | **(172)** | (204) |

All current year income has been distributed, the shortfall of £172,000 has been transferred from the revenue reserve.

## 8. Investments held at fair value through profit or loss

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| Cost at 31 January 2016 | **137,263** | 132,637 |
| Investment holding gains at 31 January 2016 | **28,988** | 45,983 |
| Valuation at 31 January 2016 | **166,251** | 178,620 |
| Movements in the year: | | |
| Purchases at cost | **52,336** | 37,285 |
| Sales – proceeds | **(56,683)** | (36,616) |
| – gains on sales | **11,451** | 3,957 |
| Increase/(decrease) in investment holding gains | **37,390** | (16,995) |
| Valuation at 31 January 2017 | **210,745** | 166,251 |
| Cost at 31 January 2017 | **144,367** | 137,263 |
| Investment holding gains at 31 January 2017 | **66,378** | 28,988 |
| | **210,745** | 166,251 |

Purchase transaction costs for the year ended 31 January 2017 were £75,000 (2016: £64,000). Sale transaction costs for the year ended 31 January 2017 were £82,000 (2016: £56,000). These comprise mainly stamp duties and commission.

### Gains on investments

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| Gains on investments sold based on historical cost | **11,451** | 3,957 |
| Less: amounts recognised as unrealised in previous years | **(3,465)** | (6,434) |
| Gains/(losses) based on carrying value at previous balance sheet date | **7,986** | (2,477) |
| Net movement in investment holding gains in the year | **40,855** | (10,561) |
| Gains/(losses) on investments held at fair value through profit or loss | **48,841** | (13,038) |

### Substantial interests

At 31 January 2017, the Company held more than 3% of one class of the share capital of one of the undertakings held as investments (2016: one).

This consisted of the holding in the Gavekal Asian Opportunities UCITS and was 7.50% at 31 January 2017 (31 January 2016: 4.97%).

All investments are quoted on recognised stock exchanges or are UCITS Funds with published net asset values.

# NOTES TO THE FINANCIAL STATEMENTS continued

## 9. Debtors

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| Sales for future settlement | **1,303** | 352 |
| Other debtors | **73** | 27 |
| Prepayments and accrued income | **437** | 358 |
| | **1,813** | 737 |

## 10. Creditors: amounts falling due within one year

| Other | 2017 £'000 | 2016 £'000 |
|---|---|---|
| Purchases for future settlement | **1,006** | 1,517 |
| Accruals | **500** | 495 |
| | **1,506** | 2,012 |

## 11. Provisions for liabilities and charges

At the year end, a provision of £nil (2016: £nil) has been made for performance fees payable to Aberdeen Asset Managers Limited ("Aberdeen").

The above represent the estimated performance fees payable for the three–year performance fee periods ending 31 May 2017, 31 May 2018 and 31 May 2019. Any accrual is based on actual performance to 31 January 2017 and the assumption that Aberdeen performs in line with the benchmark from 31 January 2017 to the end of each fee period. Changes in the level of accrual for future performance periods could arise for one of the three principal reasons: a change in the degree of relative performance, the time elapsed (since this would increase the proportion of the rolling three–year performance period to which the performance calculation would be applied) or the termination of Aberdeen's contract.

## 12. Called up share capital

| Equity share capital | 2017 Number | 2017 £'000 | 2016 Number | 2016 £'000 |
|---|---|---|---|---|
| Ordinary shares of 25p each: | | | | |
| Issued and fully paid | **65,005,043** | **16,251** | 65,719,022 | 16,430 |
| Held in treasury | **938,957** | **235** | 224,978 | 56 |
| | **65,944,000** | **16,486** | 65,944,000 | 16,486 |

In the year ended 31 January 2017, 713,979 Ordinary shares were purchased to be held in treasury at a cost of £1,820,000. In the year ended 31 January 2016, there were 224,978 shares purchased to be held in treasury at a total cost of £514,000.

## 13. Capital redemption reserve

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| Balance brought forward | **41,085** | 41,085 |
| Balance carried forward | **41,085** | 41,085 |

## 14. Reserves

| | Capital reserve arising on investments sold* £'000 | Capital reserve arising on investments held £'000 | Capital reserve total £'000 | Revenue reserve* total £'000 |
|---|---|---|---|---|
| Balance brought forward | **72,934** | **28,992** | **101,926** | **10,886** |
| Movement during the year: | | | | |
| Gains on investments sold | **7,986** | **–** | **7,986** | **–** |
| Transfer on disposal of investments | **3,465** | **(3,465)** | **–** | **–** |
| Increase in investment holding gains | **–** | **40,855** | **40,855** | **–** |
| Exchange losses | **(142)** | **–** | **(142)** | **–** |
| Other capital charges | **(43)** | **–** | **(43)** | **–** |
| Purchase of own shares | **(1,820)** | **–** | **(1,820)** | **–** |
| Revenue return for the year | **–** | **–** | **–** | **2,880** |
| Dividends paid | **–** | **–** | **–** | **(3,069)** |
| Balance carried forward | **82,380** | **66,382** | **148,762** | **10,697** |

* Distributable reserve.

Under the terms of the Company's Articles of Association, sums standing to the credit of Capital Reserves are available for distribution only by way of redemption, purchase of any of the Company's own shares or by way of dividend. The Company may only distribute accumulated "realised" profits.

## 15. Net asset value per Ordinary share

Net asset values are based on net assets of £217,035,000 (2016: £170,388,000) and on 65,005,043 (2016: 65,719,022) Ordinary shares in issue at the year end excluding shares held in treasury.

## 16. Risk management policies and procedures

As an investment trust, the Company invests in equities and other investments for the long term so as to achieve its objective as stated on page 1. In pursuing its investment objective, the Company is exposed to a variety of financial risks that could result in either a reduction in the Company's net assets or a reduction in the revenue available for distribution by way of dividends.

These financial risks: market risk (comprising market price risk, currency risk and interest rate risk), liquidity risk and credit risk, and the Directors' approach to the management of these risks, are set out below. The Board of Directors and the Executive Manager coordinate the Company's risk management. The overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

The Board determines the objectives, policies and processes for managing the risk that are set out below, under the relevant risk category. The policies for the management of each risk have not changed from the previous accounting period.

# NOTES TO THE FINANCIAL STATEMENTS continued

## 16. Risk management policies and procedures (continued)

### (a) Market risk
The fair value of an instrument held by the Company may fluctuate due to changes in market prices. Market risk comprises – market price risk (see note 16(b)), currency risk (see note 16(c)) and interest rate risk (see note 16(d)). The portfolio managers assess the exposure to market risk when making each investment decision, and monitor the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

### (b) Market price risk
Market price risks (i.e. changes in market prices other than those arising from interest rate or currency risk) may affect the value of the quoted investments.

### Management of the risk
The Board of Directors manages the risks inherent in the investment portfolios by ensuring full and timely access to relevant information from the portfolio managers and through diversification at the stock level and of management style. The Board meets regularly and at each meeting reviews investment performance. The Board monitors the portfolio managers' compliance with the Company's objectives, and is directly responsible for oversight of the investment strategy and asset allocation.

The market value of quoted investments at 31 January 2017 was £210,745,000 (2016: £166,251,000).

### Concentration of exposure to market price risk
A geographical analysis of the Company's investment portfolio is shown on page 11. This shows the significant amounts invested in China/Hong Kong, Japan, South Korea and Singapore. Accordingly, there is a concentration of exposure to those countries, though it is recognised that an investment's country of domicile or of listing does not necessarily equate to its exposure to the economic conditions in that country.

### Market price risk sensitivity
The following table illustrates the sensitivity of the return after taxation for the year and the equity to an increase or decrease of 25% (2016: 25%) in the fair value of the Company's investments. This level of change is considered to be reasonably possible based on observation of current market conditions. The sensitivity analysis is based on the Company's investments at each year end date and the investment management fees for the year ended 31 January 2017, with all other variables held constant.

| | **2017 Increase in fair value £'000** | **2017 Decrease in fair value £'000** | 2016 Increase in fair value £'000 | 2016 Decrease in fair value £'000 |
|---|---|---|---|---|
| Income Statement – return after tax | | | | |
| Revenue return | **(255)** | **255** | (206) | 206 |
| Capital return | **52,686** | **(52,686)** | 41,563 | (41,563) |
| Impact on total return after tax for the year and net assets | **52,431** | **(52,431)** | 41,357 | (41,357) |

### (c) Currency risk

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

### Management of the risk

The portfolio managers monitor the Company's exposure to foreign currencies and report to the Board on a regular basis. The Executive Manager monitors 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 exchange rates to which the Company's assets, liabilities, income and expenses are exposed.

### Foreign currency exposure

The table below shows, by currency, the split of the Company's non–sterling monetary assets and investments that are denominated in currencies other than sterling. The exposure is shown on a direct basis and not on a look–through basis.

| **2017** | **AUS$ £'000** | **HK$ £'000** | **Yen £'000** | **SG$ £'000** | **Other £'000** |
|---|---|---|---|---|---|
| Debtors (due from brokers, dividends and other income receivable) | **–** | **117** | **311** | **959** | **322** |
| Cash at bank and in hand | **–** | **–** | **–** | **–** | **52** |
| Creditors (due to brokers, accruals and other creditors) | **–** | **(704)** | **(98)** | **–** | **(204)** |
| Total foreign currency exposure on net monetary items | **–** | **(587)** | **213** | **959** | **170** |
| Investments at fair value through profit or loss | **3,023** | **44,921** | **57,912** | **19,200** | **59,121** |
| Total net foreign currency exposure | **3,023** | **44,334** | **58,125** | **20,159** | **59,291** |

| **2016** | AUS$ £'000 | HK$ £'000 | Yen £'000 | SG$ £'000 | Other £'000 |
|---|---|---|---|---|---|
| Debtors (due from brokers, dividends and other income receivable) | – | 43 | 232 | – | 406 |
| Cash at bank and in hand | – | – | – | – | 5 |
| Creditors (due to brokers, accruals and other creditors) | – | (14) | (1,503) | – | – |
| Total foreign currency exposure on net monetary items | – | 29 | (1,271) | – | 411 |
| Investments at fair value through profit or loss | 4,252 | 34,350 | 46,090 | 14,493 | 46,101 |
| Total net foreign currency exposure | 4,252 | 34,379 | 44,819 | 14,493 | 46,512 |

### Foreign currency sensitivity

The sensitivity of the total return after tax for the year and the net assets in regard to the movements in the Company's foreign currency financial assets and financial liabilities and the exchange relates for the top four risk currencies are set out below:

It assumes the following changes in exchange rates:

£/US$ +/– 15% (2016: 15%)
£/HK$ +/– 15% (2016: 15%)
£/Yen +/– 15% (2016: 15%)
£/SG$ +/– 15% (2016: 15%)
£/Other +/– 15% (2016: 15%)

# NOTES TO THE FINANCIAL STATEMENTS continued

## 16. Risk management policies and procedures (continued)

These percentages have been determined based on the average market volatility in exchange rates in the previous five years and using the company's foreign currency financial assets and financial liabilities held at each year end date.

If sterling had strengthened against the currencies shown, this would have had the following effect:

| | 2017 US$ £'000 | 2017 HK$ £'000 | 2017 Yen £'000 | 2017 SG$ £'000 | 2017 Other £'000 | 2016 US$ £'000 | 2016 HK$ £'000 | 2016 Yen £'000 | 2016 SG$ £'000 | 2016 Other £'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| Income Statement – return after tax | | | | | | | | | | |
| Revenue return | **(58)** | **(116)** | **(100)** | **(65)** | **(130)** | (83) | (104) | (84) | (70) | (130) |
| Capital return | **(2,304)** | **(5,859)** | **(7,554)** | **(2,504)** | **(5,802)** | (2,147) | (4,480) | (6,012) | (1,890) | (4,421) |
| Impact on total return after tax for the year and net assets | **(2,362)** | **(5,975)** | **(7,654)** | **(2,569)** | **(5,932)** | (2,230) | (4,584) | (6,096) | (1,960) | (4,551) |

If sterling had weakened against the currencies shown, this would have had the following effect:

| | 2017 US$ £'000 | 2017 HK$ £'000 | 2017 Yen £'000 | 2017 SG$ £'000 | 2017 Other £'000 | 2016 US$ £'000 | 2016 HK$ £'000 | 2016 Yen £'000 | 2016 SG$ £'000 | 2016 Other £'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| Income Statement – return after tax | | | | | | | | | | |
| Revenue return | **79** | **156** | **135** | **89** | **175** | 112 | 141 | 114 | 95 | 175 |
| Capital return | **3,118** | **7,927** | **10,220** | **3,388** | **7,849** | 2,905 | 6,062 | 8,134 | 2,558 | 5,980 |
| Impact on total return after tax for the year and net assets | **3,197** | **8,083** | **10,355** | **3,477** | **8,024** | 3,017 | 6,203 | 8,248 | 2,653 | 6,155 |

In the opinion of the Directors, the above sensitivity analyses are not representative of the year as a whole, since the level of exposure changes frequently.

### (d) Interest rate risk

Interest rate movements may affect the interest payable on the Company's variable rate borrowings where applicable.

### Management of the risk

The majority of the Company's financial assets are non–interest bearing. As a result, the Company's financial assets are not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

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.

### Interest rate exposure

The exposure at 31 January of financial assets and financial liabilities to interest rate risk is shown by reference to floating interest rates – when the interest rate is due to be reset.

| | 2017 Within one year £'000 | 2017 Total £'000 | 2016 Within one year £'000 | 2016 Total £'000 |
|---|---|---|---|---|
| Exposure to floating interest rates: | | | | |
| Cash at bank and in hand | **5,983** | **5,983** | 5,412 | 5,412 |
| Total net exposure to interest rates | **5,983** | **5,983** | 5,412 | 5,412 |

The Company does not have any fixed interest rate exposure at 31 January 2017 (2016: nil). Interest receivable, and finance costs are at the following rates:

- Interest received on cash balances, or paid on bank overdrafts, is at a margin under LIBOR or its foreign currency equivalent (2016: same).

### Interest rate sensitivity

The Company is not materially, directly exposed to changes in interest rates as the majority of financial assets are equity shares which do not pay interest. Therefore, the Company's total return and net assets are not materially affected by changes in interest rates.

### (e) Liquidity risk

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

### Management of the risk

Liquidity risk is not significant as the majority of the Company's assets are investments in quoted equities that are readily realisable.

The Board gives guidance to the portfolio managers as to the maximum amount of the Company's resources that should be invested in one company.

### Liquidity risk exposure

The remaining contractual maturities of the financial liabilities at 31 January 2017, based on the earliest date on which payment can be required are as follows:

| | **3 months or less £'000** | **More than 3 months, not more than one year £'000** | **More than one year £'000** | **2017 Total £'000** | 3 months or less £'000 | More than 3 months, not more than one year £'000 | More than one year £'000 | 2016 Total £'000 |
|---|---|---|---|---|---|---|---|---|
| Creditors: amounts falling due within one year | | | | | | | | |
| Amounts due to brokers and accruals | **1,511** | **–** | **–** | **1,511** | 2,012 | – | – | 2,012 |
| | **1,511** | **–** | **–** | **1,511** | 2,012 | – | – | 2,012 |

### (f) Credit risk

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

### Management of the risk

The risk is not significant, and is managed as follows:

- investment transactions are carried out with a large number of brokers, whose credit–standing is reviewed periodically by the portfolio managers;
- cash at bank and in hand are held only with the Company's custodian, JP Morgan. None of the Company's financial assets have been pledged as collateral.

### (g) Fair values of financial assets and financial liabilities

Investments are held at fair value through profit or loss. All liabilities are held in the Balance Sheet at a reasonable approximation of fair value.

Financial assets and financial liabilities are either carried in the Balance Sheet at their fair value (investments) or the Balance Sheet amount is a reasonable approximation of fair value (due from brokers, dividends and interest receivable, due to brokers, accruals, and cash at bank).

# NOTES TO THE FINANCIAL STATEMENTS continued

## 16. Risk management policies and procedures (continued)

### Fair value hierarchy disclosures

FRS 104 requires an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Company has early adopted Amendments to FRS 102 – Fair value hierarchy disclosures issued by the Financial Reporting Council in March 2016. The fair value hierarchy shall have the following classifications:

- Level 1: The unadjusted quoted prices in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset.
- Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The financial assets and liabilities measured at fair value in the Balance Sheet are grouped into the fair value hierarchy at the reporting date as follows:

| **Financial assets and financial liabilities at fair value through profit or loss** | **Level 1 £'000** | **Level 2 £'000** | **Level 3 £'000** | **Total £'000** |
|---|---|---|---|---|
| At 31 January 2017 | | | | |
| Equity investments | **178,438** | **32,307** | **–** | **210,745** |
| Total | **178,438** | **32,307** | **–** | **210,745** |

| **Financial assets and financial liabilities at fair value through profit or loss** | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
|---|---|---|---|---|
| At 31 January 2016 | | | | |
| Equity investments | 141,375 | 24,876 | – | 166,251 |
| Total | 141,375 | 24,876 | – | 166,251 |

The valuation techniques used by the Company are explained in the accounting policies in note 1(b).

There were no transfers during the year between Level 1 and Level 2.

Investments classified as Level 2 are Gavekal Asian Opportunities UCITS, Aberdeen Global Indian Equity UCITS and Aberdeen Global China A Equity UCITS (2016: Gavekal Asian Opportunities UCITS and Aberdeen Global Indian Equity UCITS).

### (h) Capital management policies and procedures

The Company's capital management objectives are:

- to ensure that it will be able to continue as a going concern; and
- to maximise the income and capital return to its equity shareholders.

The Company's capital at 31 January 2017 comprises its equity share capital and reserves that are shown in the Balance Sheet at a total of £217,035,000 (2016: £170,388,000).

The Board with assistance of the Executive Manager monitors and reviews the broad structure of the Company's capital on an ongoing basis.

This review includes:

- the need to buy back equity shares, either for cancellation or to hold in treasury, which takes account of the difference between the net asset value per share and the share price (i.e. the level of share price discount or premium);
- the need for new issues of equity shares, including issues from treasury; and
- the extent to which revenue in excess of that which is required to be distributed should be retained.

The Company's objectives, policies and processes for managing capital are unchanged from the preceding accounting period. The Company is subject to several externally imposed capital requirements:

- as a public company, the Company has a minimum share capital of £50,000; and
- in order to be able to pay dividends out of profits available for distribution by way of dividends, the Company has to be able to meet one of the two capital restriction tests imposed on investment companies by company law. These requirements are unchanged since last year, and the Company has complied with them.

### 17. Transactions with the managers

On 27 May 2005, the Company appointed Witan Investment Services Limited as Executive Manager and Aberdeen Asset Managers Limited and Nomura Asset Management U.K. Limited as portfolio managers. In April 2012, the Company appointed Matthews International Capital Management LLC and Gavekal Capital Limited to replace Nomura. Each Management Agreement can be terminated at one month's notice in writing. Each portfolio manager is entitled to a base management fee, at rates between 0.20% and 0.75% per annum, calculated according to the value of the assets under their management.

During the year ended 31 January 2017, portfolio management fees paid, net of management fee rebates of £156,000 (2016: £146,000), amounted to £994,000 (2016: £834,000). At the year end, £253,000 (2016: £239,000) was due to the portfolio managers, net of management fee rebates of £14,000 (2016: £12,000).

Aberdeen is also entitled to a performance fee based on relative outperformance against the MSCI AC Asia Pacific Index (sterling adjusted total return). The performance fee is calculated according to investment performance over a three year rolling period and is payable at a rate of 15% of the calculated outperformance relative to the benchmark (subject to a cap).

Any provisions included in the Income Statement at 31 January 2017, are calculated on the actual performance of Aberdeen relative to the benchmark index. The provision assumes that both the benchmark index remains unchanged and that Aberdeen's assets under management perform in line with the benchmark index to 31 May 2017, being the date the next performance period ends. In addition, provisions have been made for the performance periods ending 31 May 2018 and 31 May 2019, on the assumption that Aberdeen performs in line with the benchmark to each period end. The total of these provisions amounts to £nil (2016: £nil).

### 18. Subsequent events

Since the year end the Company has bought back 1,517,571 Ordinary shares at a cost of £4,544,675.

# TEN YEAR RECORD (UNAUDITED)

## Assets at 31 January (£'000)

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | **2017** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Total assets less current liabilities (excluding loans and Yen convertible bonds) | 135,595 | 130,626 | 104,096 | 137,866 | 170,182 | 163,411 | 182,346 | 168,246 | 184,280 | 170,388 | **217,035** |
| Deferred taxation/provision for liabilities and charges | (46) | (43) | (30) | – | – | (359) | (212) | – | – | – | **–** |
| Loans | (3,000) | (3,000) | (3,000) | (5,900) | (5,900) | (7,000) | (8,500) | (8,500) | – | – | **–** |
| Available for Ordinary shares | 132,549 | 127,583 | 101,066 | 131,966 | 164,282 | 156,052 | 173,634 | 159,746 | 184,280 | 170,388 | **217,035** |

## Net asset value at 31 January

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | **2017** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| NAV per share | 181.9p | 188.9p | 152.3p | 199.0p | 248.0p | 235.6p | 262.9p | 241.9p | 279.5p | 259.3p | **333.9p** |

## Share price at 31 January

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | **2017** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Mid-market price per share | 161.5p | 161.8p | 122.8p | 165.0p | 212.0p | 193.6p | 229.3p | 213.5p | 244.0p | 231.0p | **286.0p** |
| Discount to NAV (%) | 11.2 | 14.4 | 19.4 | 17.1 | 14.5 | 17.8 | 12.8 | 11.7 | 12.7 | 10.9 | **14.3** |
| Share price High | 177.5p | 188.0p | 176.0p | 177.0p | 221.6p | 221.5p | 231.0p | 265.0p | 248.0p | 274.0p | **350.6p** |
| Share price Low | 138.5p | 156.0p | 110.0p | 106.2p | 163.0p | 174.9p | 183.3p | 213.0p | 208.0p | 209.5p | **244.1p** |

## Total returns (per AIC)

| | **1 year to 31 January 2017 %** | **5 years to 31 January 2017 %** | **10 years to 31 January 2017 %** |
|---|---|---|---|
| Total shareholder return | **26.1** | **64.4** | **110.0** |
| Net asset value | **30.7** | **55.3** | **113.1** |

## Revenue for the year ended 31 January

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | **2017** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Available for Ordinary shares (£'000) | 1,430 | 1,407 | 2,344 | 1,654 | 2,421 | 3,015 | 3,162 | 2,910 | 2,628 | 2,836 | **2,880** |
| Revenue earnings per share | 1.75p | 2.00p | 3.5p* | 2.49p | 3.65p | 4.55p | 4.78p | 4.41p | 3.98p | 4.31p | **4.41p** |
| Dividends per share | 1.50p | 1.65p | 2.85p† | 2.10p | 2.80p | 4.00p | 4.30p | 4.45p | 4.55p | 4.65p | **4.75p** |

* Includes management fee rebate.

† A special dividend of 1.00p per share was paid in the year ended 31 January 2009.

## Performance (rebased at 31 January 2007)

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | **2017** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| NAV per share[1] | 100.0 | 104.7 | 84.3 | 112.9 | 142.0 | 135.7 | 156.7 | 146.4 | 172.2 | 162.5 | **213.1** |
| Benchmark[1] | 100.0 | 102.6 | 84.2 | 109.2 | 131.0 | 123.1 | 136.8 | 137.2 | 160.6 | 151.1 | **199.2** |
| Mid–market price per share | 100.0 | 101.1 | 77.4 | 106.2 | 138.0 | 127.8 | 156.2 | 148.0 | 172.6 | 166.6 | **210.0** |
| Revenue earnings per share | 100.0 | 114.3 | 200.0 | 142.3 | 208.6 | 260.0 | 273.1 | 252.0 | 227.4 | 246.3 | **252.0** |
| Dividends per share | 100.0 | 110.0 | 190.0[2] | 140.0 | 186.7 | 266.7 | 286.7 | 296.7 | 303.3 | 310.0 | **•** |
| CPI | 100.0 | 102.2 | 105.3 | 108.9 | 113.2 | 117.3 | 120.5 | 122.7 | 123.1 | 123.4 | **125.7** |

1 Source: Datastream NAV per share, Benchmark and Shareprice are Total Returns including reinvested dividends.

2 A special dividend of 1.00p per share was paid in the year ended 31 January 2009.

## Cost of running the Company (Ongoing Charge) for the year ended 31 January (formerly known as Total Expense Ratio)

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | **2017** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Ongoing Charge/TER[1] as a percentage of average net assets: | | | | | | | | | | | |
| –excluding performance fees | 0.8 | 0.7 | 0.8 | 0.8 | 0.7 | 0.8 | 1.0 | 1.0 | 1.1 | 1.1 | **1.0** |
| –including performance fees | 0.9 | 0.8 | 1.1 | 1.3 | 1.2 | 1.5 | 1.3 | 0.9 | 1.1 | 1.1 | **1.0** |

1 TER (total expenses ratio) figures shown for 2006 to 2011.

## Gearing at 31 January

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | **2017** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Gearing | 0.6 | 0.9 | (1.6) | 1.0 | 2.7 | 3.4 | 4.2 | 3.2 | (3.1)[1] | (2.4)[1] | (2.9)[1] |

1 Since repayment of the loan on 28 March 2014, the Company has had no borrowings.

## Definitions

| | |
|---|---|
| Prior charges | All convertible bonds, loans, overdrafts, etc., used for investment purposes. |
| Operating costs | All costs charged to revenue and capital, except performance–related management fees, all taxation and taxation relief, finance charges, the costs of purchase of share capital and the costs of buying and selling investments. |
| Gearing | Calculated as the difference between the market value of investments and net assets as a percentage of net assets (equivalent to AIC definition of net gearing). |
| Total assets | Total assets less current liabilities before deducting prior charges. |
| NAV | Net asset value (assuming prior charges at balance sheet value). |
| CPI | Consumer Price Index. |
| Average net assets | Average of net assets at end of each quarter. |
| Average total assets | Average of total assets at end of each quarter. |
| NAV total return | Return on net assets per share assuming that all dividends paid to shareholders were reinvested. |
| Share price total return | Return to the investor on mid–market prices assuming that all dividends received were reinvested. |
| AIC | Association of Investment Companies. |
| Ongoing charges | The total of the recurring operating and investment management costs expressed as a percentage of net assets. |

# INFORMATION FOR SHAREHOLDERS

### Website
The Company's website is www.witanpacific.com. The site provides visitors with a comprehensive range of performance statistics, Company information and literature downloads. The Company's profile is also available on third party sites such as www.trustnet.com and www.morningstar.co.uk.

### Annual and Half Yearly Reports
Copies of the Annual and Half Yearly Report may be obtained from Witan Investment Services Limited by calling 0800 082 8180 or by visiting www.witanpacific.com.

### Share prices and net asset value information
The Company's Ordinary shares of 25p each are quoted on the London Stock Exchange:

| | |
|---|---|
| **SEDOL number:** | 0365602 |
| **ISIN number:** | GB0003656021 |
| **TIDM code:** | WPC |

The codes above may be required to access trading information relating to the Company on the internet.

### Share price listings
The Company's share price is listed daily in selected national newspapers including the Financial Times, The Times and The Daily Telegraph.

### Electronic communications with the Company (E–communications)
Shareholders and Witan Wisdom scheme members now have the opportunity to be notified by email when the Witan Pacific Annual Report and Accounts, Half Yearly Reports and other formal communications are available on the Company's website instead of receiving printed copies by post. This reduces the costs to the Company as well as having an environmental benefit in the reduction of paper, printing, energy and water usage.

If you have not already elected to receive e–communications from the Company and now wish to do so, please contact one of the following depending on whether you hold shares in your own name (see 1. below) or hold shares through the Witan Wisdom scheme (see 2. below):

1. Shareholders who hold shares in their own name and who receive a Form of Proxy should contact:

   Computershare Investor Services PLC
   The Pavilions, Bridgwater Road, Bristol BS99 6ZY
   www.investorcentre.co.uk/contactus
   0370 707 1410

   and should have to hand their Shareholder Reference Number shown on the Form of Proxy.

2. Investors who hold shares through the Witan Wisdom Scheme and who receive a Voting Instruction Form should contact:

   Witan Wisdom
   PO Box 10550 Chelmsford CM99 2BA
   Email: wisdom@ifdsgroup.co.uk
   0800 082 8180

   and should have to hand their Shareholder Reference Number shown on the Voting Instruction Form.

### Online voting
Shareholders receiving a Form of Proxy will be able to cast their proxy votes online once they have registered with Computershare Investor Services following which other services in respect of their holding of the Company's shares will become available. Investors who hold shares through the Witan Wisdom Scheme will also have the opportunity to exercise their voting instructions online.

### AIC
The Company is a member of the Association of Investment Companies www.theaic.co.uk

### Financial calendar

| | |
|---|---|
| **Year end** | 31 January |
| **Annual results** | April |
| **Half Year results** | September |
| **Annual General Meeting** | June |
| **Dividends paid** | June & October |

## 2017 final dividend timetable

The proposed final dividend for the year ended 31 January 2017 is 2.55p per share.

| | |
|---|---|
| **Ex-dividend date** | 18 May |
| **Record date** | 19 May |
| **Payment date** | 19 June |

Payment of the final dividend is subject to the approval of shareholders at the AGM on 14 June 2017.

## Company registration

Registered in England and Wales. Company registration number 91798.

## Enquiries

| | |
|---|---|
| **Witan Wisdom Saving Plans** | 0800 082 8180<br>wisdom@ifdsgroup.co.uk |
| **Company Secretary** | WitanPacificInvestmentTrustplc@capita.co.uk |

## Warning to shareholders – share fraud scams

Many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who are very persistent and persuasive and who target UK shareholders, offering to sell them what often turn out to be worthless or high risk shares in US or UK investments.

Share fraud includes scams where investors are called out of the blue and offered shares that often turn out to be worthless or non-existent, or are offered an inflated price for shares they own. These calls come from fraudsters operating in 'boiler rooms' that are mostly based abroad.

While high profits are promised, those who buy or sell shares in this way usually lose their money.

The Financial Conduct Authority ("FCA") has found most share fraud victims are experienced investors who lose an average of £20,000, with around £200m lost in the UK each year.

If you are offered unsolicited investment advice, discounted shares, a premium price for shares you own, or free company or research reports, you should take these steps before handing over any money:

1. Get the name of the person and organisation contacting you.
2. Check the Financial Services Register at https://register.fca.org.uk to ensure they are authorised.
3. Use the details on the Financial Services Register to contact the firm.
4. If there are no contact details on the Register or you are told they are out of date, call the FCA Consumer Helpline on 0800 111 6768.
5. Search the FCA list of unauthorised firms and individuals with whom you should avoid any business dealings.
6. Remember: If it sounds too good to be true, it probably is!

If you use an unauthorised firm to buy or sell shares or other investments, you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme (FSCS) if things go wrong.

## Report a scam

If you are approached about a share scam you should tell the FCA using the share fraud reporting form at www.fca.org.uk/consumers/scams, where you can find out about the latest investment scams. You can also call the Consumer Helpline on 0800 111 6768.

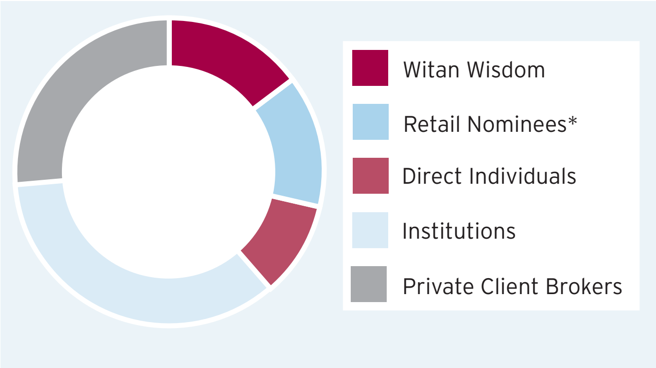
If you have already paid money to share fraudsters you should contact Action Fraud on 0300 123 2040.

Details of any share dealing facilities that the Company endorses will be included in Company mailings.

Please note that it is very unlikely that either the Company or the Company's Registrar, Computershare Investor Services PLC, would make unsolicited telephone calls to shareholders. Any such calls would relate only to official documentation already circulated to shareholders and never in respect of investment 'advice'. If you are in any doubt about an unsolicited phone call, please call either the Company Secretary or the Registrar at the numbers provided at the back of this Annual Report.

# ANALYSIS OF ORDINARY SHAREHOLDERS

**Shareholder Composition**




| | Category % holding |
|---|---:|
| Witan Wisdom | 14.8% |
| Retail Nominees* | 14.0% |
| Direct Individuals | 9.9% |
| Institutions | 35.0% |
| Private Client Brokers | 26.3% |
| | **100.0%** |

Source: RD:IR as at 31 January 2017.
* Includes online stockbroker services.

# HOW TO INVEST

There are a variety of ways to invest in Witan Pacific however this will largely depend upon whether you would like financial advice or are happy to make your own investment decisions.

For those investors who would like advice:

### Private client stockbrokers

Investors with a large lump sum to invest may want to contact a private client stockbroker. They will manage a portfolio of shares on behalf of a private investor and will offer a personalised service to meet an individual's particular needs. A list of private client stockbrokers is available from The Wealth Management Association ("WMA") at www.thewma.co.uk

### Financial advisers

For investors looking to find a financial adviser, please visit www.unbiased.co.uk

Financial advisers who wish to purchase Witan Pacific for their clients can also do so via a growing number of platforms that offer investment trusts including Ascentric, Alliance Trust Savings, Nucleus, Raymond James, Seven IM and Transact.

For those investors who are happy to make their own investment decisions:

### Online stockbroking services

There are a number of real–time execution only stockbroker services which allow private investors to trade online for themselves, manage a portfolio and buy UK listed shares. Online stockbroking services that are already popular with Witan Pacific shareholders include Hargreaves Lansdown, Alliance Trust Savings, Halifax Share Dealing, TD Waterhouse and Selftrade.

### Witan Wisdom

Witan Wisdom, the savings scheme offered by Witan Investment Services Limited, offers two different savings wrappers that enable investors to access Witan Pacific:

- The **Witan Wisdom ISA** is a stocks and shares ISA that enables investors to buy Witan Pacific shares within a tax–efficient wrapper. Investors have an annual ISA allowance of up to £20,000 for the 2017/18 tax year. The minimum lump sum investment on opening a Witan Wisdom ISA is £2,000 and £500 to top–up thereafter, with the regular savings minimum being £100 per month or per quarter. Investors can also transfer existing ISAs to Witan Wisdom while retaining their tax efficient wrapper during and after transfer, subject to a minimum transfer value of £2,000.
- The **Witan Wisdom Share Plan** is a straightforward, low–cost savings scheme. The minimum lump sum investment on opening a Witan Wisdom Share Plan is £1,000 and £500 to top–up thereafter, with the regular savings minimum being £50 per month or quarter. There is no maximum. Accounts can also be held jointly, or designated to a child.
- Brochures and applications for all of the Witan Wisdom products are available by calling 0800 082 8180 or online via www.witanpacific.com. If you would prefer to write to request further information, the address details can be found on page 86.

# NOTICE OF ANNUAL GENERAL MEETING

**This Notice of Annual General Meeting is an important document. If shareholders are in any doubt as to what action to take, they should consult an appropriate independent adviser.**

Notice is hereby given of the Annual General Meeting of Witan Pacific Investment Trust plc to be held in the City of London Club, 19 Old Broad Street, London EC2N 1DS on 14 June 2017 at 3.00pm for the following purposes:

To consider and if thought fit, pass the following resolutions of the Company, resolutions 1 to 8 being ordinary resolutions and resolutions 9 to 11 being special resolutions.

## ORDINARY BUSINESS

### Ordinary Resolutions

1. To receive the Strategic Report, the Report of the Directors and audited Financial Statements for the year ended 31 January 2017.
2. To declare a final dividend of 2.55p per Ordinary share.
3. To approve the Directors' Remuneration Report for the year ended 31 January 2017.
4. To approve the Directors' Remuneration Policy.
5. To re–elect Diane Seymour–Williams as a Director.
6. To reappoint PricewaterhouseCoopers LLP as Independent Auditors of the Company from the conclusion of this meeting until the conclusion of the next General Meeting at which the Financial Statements are laid before members.
7. To authorise the Audit Committee to determine the remuneration of PricewaterhouseCoopers LLP as Independent Auditors of the Company.
8. THAT, in substitution for any existing authority, the Directors of the Company be and they are hereby generally and unconditionally authorised (in substitution for all subsisting authorities to the extent unused), pursuant to and in accordance with Section 551 of the Companies Act 2006 (the "Act"), to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company ("Rights");

   (a) up to an aggregate nominal amount of £5,290,622 (being approximately one–third of the issued share capital (excluding treasury shares) as at 26 April 2017); and

   (b) comprising equity securities (within the meaning of Section 560 of the Act) up to a further nominal amount of £5,290,622 in connection with an offer by way of a rights issue:

      (i) to holders of Ordinary shares in proportion (as nearly as may be practicable) to their holdings: and

      (ii) to holders of other equity securities (if any) as required by the rights of those securities or as the Directors otherwise consider necessary,

   and so that Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or the requirements of any regulatory body or stock exchange or any other matter (including any such problems arising by virtue of equity securities being represented by depositary receipts), provided that the authorities conferred on the Directors by paragraph (a) and (b) above shall, unless renewed, varied or revoked by the Company in general meeting, expire at the conclusion of the next Annual General Meeting of the Company, after the passing of this resolution (which must be held no later than 31 July 2017), save that the Company may before such expiry make offers or arrangements which would or might require shares to be allotted or Rights to be granted after such expiry and so the Directors of the Company may allot shares or grant Rights in pursuance of such offers or agreements as if the authority conferred hereby had not expired.

### Special Resolutions

9. THAT, subject to the passing of Resolution 8 above (and in substitution for all subsisting authorities to the extent unused but without prejudice to the existence of such power prior to the date hereof), the Directors of the Company be and are hereby empowered pursuant to Section 570 and Section 573 of the Companies Act 2006 (the "Act") to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authority conferred by Resolution 8 or by way of a sale of treasury shares (within the meaning of Section 560(3) of the Act) as if Section 561 of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

   (a) in connection with an offer of equity securities (but in the case of the authority granted under paragraph (b) of Resolution 8, by way of a rights issue only):

      (i) to holders of Ordinary shares in proportion (as nearly as may be practicable) to their existing holdings; and

(ii) to holders of other equity securities (if any) as required by the rights of those securities or as the Directors otherwise consider necessary,

and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with any treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or the requirements of any regulatory body or stock exchange or any other matter (including and such problems arising by virtue of equity securities being represented by depositary receipts); and

(b) otherwise than pursuant to sub–paragraph (a) above, up to an aggregate nominal amount of £1,587,186 (being approximately 10% of the issued share capital (excluding treasury shares) as at 26 April 2017),

and shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution (which must be held no later than 31 July 2018), save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred by this resolution had not expired.

10. THAT, the Company be and is hereby generally and unconditionally authorised for the purposes of Section 701 of the Companies Act 2006 (the "Act") to make one or more market purchases (within the meaning of Section 693(4) of the Act) of Ordinary shares of 25p each in the capital of the Company ("Ordinary shares") either for cancellation or to hold as treasury shares (within the meaning of Section 724 of the Act) provided that:

(a) the maximum aggregate number hereby authorised to be purchased is 9,516,772 Ordinary shares, or if less, 14.99% of the number of Ordinary shares in issue (excluding treasury shares) immediately following the passing of this resolution;

(b) the Directors be authorised to determine at their discretion that any Ordinary shares purchased be cancelled or held by the Company as treasury shares, save that the maximum number of Ordinary shares held in treasury shall not exceed 10% of the issued Ordinary share capital of the Company at any time;

(c) the minimum price which may be paid for a share shall be 25 pence (exclusive of associated expenses);

(d) the maximum price which may be paid for an Ordinary share is an amount equal to the higher of (i) 105% of the average of the middle market quotations of the Ordinary shares (as derived from the Daily Official List of the London Stock Exchange) for the five business days immediately preceding the date on which the relevant share is contracted to be purchased (exclusive of associated expenses); and (ii) the amount stipulated by Article 5(6) of the Market Abuse Regulation (being a price higher than the higher of the price of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out); and

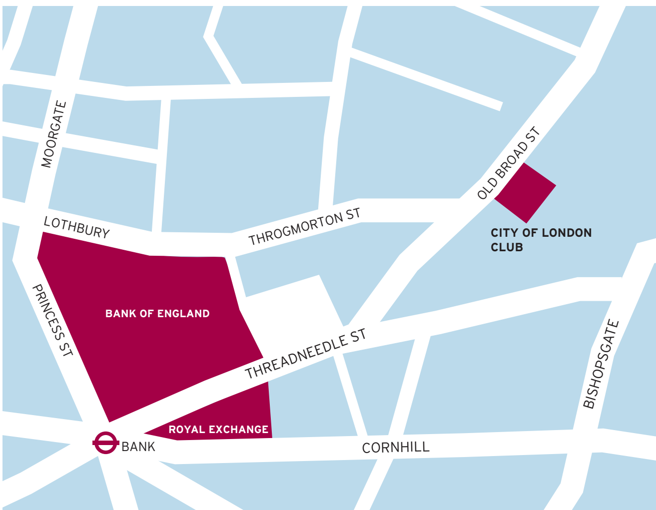
(e) unless previously varied, revoked or renewed, the authority hereby conferred shall expire on the date of the next Annual General Meeting to be held in 2018, or 15 months after the passing of this resolution, if earlier, save that the Company may prior to such expiry enter into a contract or arrangement to purchase Ordinary shares under this authority which will or may be completed or executed wholly or partly after the expiry of this authority and may make a purchase of Ordinary shares pursuant to any such contract or arrangement as if the authority hereby conferred had not expired.

11. THAT the Company be and is hereby generally and unconditionally authorised to hold general meetings (other than annual general meetings) on 14 clear days' notice.

By order of the Board

**Capita Company Secretarial Services Limited**
Corporate Company Secretary
26 April 2017

**Registered office:**
1st Floor, 40 Dukes Place, London EC3A 7NH

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Please note that the dress code of the club is smart casual business attire.

# NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice. If you require additional forms, please contact the Registrar's helpline on 0370 707 1410.

   Where two or more valid appointments of proxy are received in respect of the same share in relation to the same meeting, the one which is last sent shall be treated as replacing and revoking the other or others. If the Company is unable to determine which is last sent, the one which is last received shall be so treated. If the Company is unable to determine either which is last sent or which is last received, none of such appointments shall be treated as valid in respect of that share.

2. To be valid, any proxy form or other instrument appointing a proxy, must be received by post or (during normal business hours only) by hand at the Company's Registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, by 3.00pm on 12 June 2017. Members may also submit their proxy vote electronically via the Registrars' website at www.eproxyappointment.com

3. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's Register of Members in respect of the joint holding (the first named being the most senior).

4. The return of a completed proxy form, other such instrument or any CREST Proxy Instruction (as described in paragraph 10 below) will not prevent a shareholder attending the Annual General Meeting and voting in person if he/she wishes to do so. The termination of the authority of a person to act as proxy must be notified to the Company in writing.

5. 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, has 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.

6. The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 1, 2 and 4 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.

7. To be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company at 6.00pm on 12 June 2017 (or, in the event of any adjournment, 6.00pm on the date which is two days before the time of the 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.

8. At 26 April 2017 the Company's issued share capital consists of 65,944,000 Ordinary shares, of which 2,456,528 shares are held in treasury. Each Ordinary share carries one vote. Therefore, the number of voting rights in the Company at 26 April 2017 total 63,487,472 votes.

9. 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. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a 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.

10. 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 (available via www.euroclear.com/CREST). 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 issuer's agent (ID 3RA50) at least 48 hours before the time of the meeting. For this purpose, the time of receipt will be

taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent 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.

11. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
12. 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.
13. 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. To be able to attend and vote at the meeting, corporate representatives will be required to produce, prior to their entry to the meeting, evidence satisfactory to the Company of their appointment.
14. Under Section 527 of the Companies Act 2006, members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's financial statements (including the Auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstance connected with an Auditor of the Company ceasing to hold office since the previous meeting at which annual financial statements and reports were laid in accordance with Section 437 of the Companies Act 2006.

    The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's Auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on a website.
15. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

    However, if the Chair has declined to provide an answer for one of the above reasons, the Company will where practicable endeavour to provide an answer after the meeting.
16. Any person holding 3% or more of the total voting rights of the Company who appoints a person other than the Chair of the Meeting as their proxy will need to ensure that both they, and their proxy, comply with their respective obligations under the Disclosure Guidance and Transparency Rules.
17. A copy of this notice, and other information required by s311A of the Companies Act 2006, can be found at www.witanpacific.com
18. If a shareholder receiving this notice has sold or transferred all shares in the Company, this notice and any other relevant documents (e.g. form of proxy) should be passed to the person through whom the sale or transfer was effected, for transmission to the purchaser.
19. None of the Directors has a contract of service. Copies of the letters of appointment of the Directors will be available for inspection at the registered office of the Company during normal business hours on every week day (except weekends and public holidays) until the date of the meeting and for a period of 15 minutes prior to and during the meeting.

# EXPLANATION OF NOTICE OF ANNUAL GENERAL MEETING

**Resolution 1: Financial statements**
The Directors present the Strategic Report, Directors' Report and audited financial statements.

**Resolutions 2: Dividend**
The Directors recommend the payment of a final dividend of 2.55p per share, payable on 19 June 2017 to shareholders on the register on 19 May 2017.

**Resolutions 3 and 4: Directors' remuneration**
The Directors' Remuneration Report is set out on pages 45 to 48 of the Annual Report. The vote to approve the remuneration report is advisory only and will not require the Company to alter any arrangements detailed in the report should the resolution not be passed.

Directors are required to submit the Directors' Remuneration Policy to shareholders for approval at least every three years. The Remuneration Policy was last approved by shareholders at the 2014 AGM. The Remuneration Policy as being submitted for shareholder approval is set out on pages 43 and 44 of the Annual Report. The vote to approve the Remuneration Policy is binding.

**Resolution 5: Re–election of Director**
Ms Diane Seymour–Williams retires by rotation at the AGM and, being eligible, is standing for re–election. A formal performance evaluation has been completed and, on the recommendation of the Nomination and Remuneration Committee, the Board has determined that she is independent and continues to be effective and to demonstrate commitment to her role.

**Resolutions 6 and 7: Auditors**
Resolutions 6 and 7 deal with the re–appointment of the Independent Auditors, PricewaterhouseCoopers LLP, and the authorisation for the Audit Committee to determine their remuneration.

**Resolution 8: Allotment of share capital**
The Board considers it appropriate that an authority be granted to allot shares in the capital of the Company up to a maximum nominal amount of £5,290,622 (being approximately two–thirds of the Company's current issued share capital excluding shares held in treasury). One–third would be issued in accordance with statutory pre–emption rights. The additional one–third would only be used for the purposes of a rights issue in which the new shares would be offered to shareholders in proportion to their then shareholdings.

The Directors have no present intention of exercising this authority and would only expect to use the authority if shares could be issued at, or at a premium to, the net asset value per share.

Details of the Company's share capital and the number of shares held in treasury may be found on page 28.

This authority will expire at the earlier of the conclusion of the Annual General Meeting of the Company in 2018 or on 31 July 2018.

**Resolution 9: Disapplication of statutory pre–emption rights**
This resolution would give the Directors the authority to allot shares (or sell any shares which the Company elects to hold in treasury) for cash without first offering them to existing shareholders in proportion to their existing shareholdings.

The authority would be limited to allotments or sales in connection with pre–emptive offers and offers to holders of other equity securities if required by the rights of those shares or as the Board otherwise considers necessary, or otherwise up to an aggregate nominal amount of £1,587,186 (being approximately 10% of the Company's current issued share capital excluding shares held in treasury). Shares would only be issued at a price at or above the prevailing net asset value per share.

Details of the Company's share capital and the number of shares held in treasury may be found on page 28.

The authority will expire at the earlier of the conclusion of the Annual General Meeting of the Company in 2018 or 31 July 2018.

**Resolution 10: Authority to make market purchases of the Company's Ordinary shares**
At the AGM held on 8 June 2016, a special resolution was proposed and passed, giving the Directors authority, until the conclusion of the 2017 AGM, to make market purchases of the Company's own issued shares up to a maximum of 14.99% of the issued share capital. Between 8 June 2016 and 26 April 2017, the Company had repurchased 1,875,212 Ordinary shares, being 2.8% of the issued share capital.

The Board is proposing that it should be given renewed authority to purchase Ordinary shares in the market. The Board believes that to make such purchases in the market at appropriate times and prices is a suitable method of enhancing shareholder value. The Company would, within guidelines set from time to time by the Board, make either a single purchase or a series of purchases, when market conditions are suitable, with the aim of maximising the benefits to shareholders. The Board intends to hold any shares purchased in treasury for cancellation at the discretion of the Board.

Where purchases are made at prices below the prevailing net asset value per share, this will enhance the net asset value for the remaining shareholders. It is therefore intended that purchases would only be made at prices below net asset value. The Board considers that it will be most advantageous to shareholders for the Company to be able to make such purchases as and when it considers the timing to be favourable and therefore does not propose to set a timetable for making any such purchases.

The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 (the "Regulations") came into force on 1 December 2003. The Regulations enable companies in the United Kingdom to hold in treasury any of their own shares they have purchased with a view to possible resale at a future date, rather than cancelling them.

The Listing Rules of the UK Listing Authority limit the maximum price (exclusive of expenses) which may be paid for any such share. It shall not be more than the higher of:

(i) 105% of the average of the middle market quotations for an Ordinary share as taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which the Company agrees to buy shares concerned; and

(ii) the higher of the price of the last independent trade and the highest current independent bid for an Ordinary share in the Company on the trading venue where the purchase is carried out.

The minimum price to be paid will be 25p per Ordinary share (being the nominal value). The Listing Rules also limit a listed company to purchases of shares representing up to 15% of its issued share capital in the market pursuant to a general authority such as this. For this reason, the Company is limiting its authority to make such purchases to 9,516,772 Ordinary shares, or if less, 14.99% of the number of Ordinary shares in issue at the date of the AGM. The authority will last until the AGM of the Company to be held in 2018 or 15 months after the passing of this resolution.

**Resolution 11: General meeting notice**

This resolution will renew the approval to convene general meetings of the Company, other than annual general meetings, on a minimum of 14 clear days' notice. The notice period for annual general meetings will remain at 21 clear days. The approval will be effective until the Company's next annual general meeting, when it is intended that renewal will be sought. The Directors will only call general meetings on 14 clear days' notice when they consider it in the best interests of shareholders to do so and where the relevant matters need to be dealt with expediently.

**Recommendation**

The Directors consider each resolution being proposed at the Annual General Meeting to be in the best interests of shareholders as a whole and they unanimously recommend that all shareholders vote in favour of each of them, as they intend to do so in respect of their own shareholdings.

# DIRECTORS AND ADVISERS

## Directors

**Sarah Bates**
Chair

**Dermot McMeekin**
Senior Independent Director
Nomination and Remuneration Committee Chairman

**Susan Platts–Martin**
Independent Director

**Andrew Robson**
Audit Committee Chairman

**Diane Seymour–Williams**
Independent Director

All the Directors are Members of the Audit Committee and of the Nomination and Remuneration Committee.

## Executive Manager

Witan Investment Services Limited
14 Queen Anne's Gate
London SW1H 9AA

## Portfolio managers

Aberdeen Asset Managers Limited
10 Queen's Terrace
Aberdeen AB10 1YG

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San Francisco, USA

Gavekal Capital Limited
Suite 3101, Central Plaza
18 Harbour Road
Wanchai, Hong Kong

## Company Secretary and Registered Office

Capita Company Secretarial Services Limited
1st Floor, 40 Dukes Place
London EC3A 7NH
Email: WitanPacificInvestmentTrustPlc@capita.co.uk

## Fund Accountants and Administrator

BNP Paribas Securities Services
10 Harewood Avenue
London NW1 6AA

## Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London SE1 2RT

## Custodian and Bankers

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125 London Wall
London EC2Y 5AJ

The Royal Bank of Scotland plc
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135 Bishopsgate
London EC2M 3UR

## Registrars

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Bristol BS99 6ZZ

Telephone: 0370 707 1410

Facsimile: 0370 703 6101

Calls cost approximately 8p per minute plus network extras from a BT landline, other telephone provider costs may vary

Email: web.queries@computershare.co.uk

Website: www.computershare.com

## Witan Wisdom Scheme

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## Broker

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Canary Wharf
London E14 5JP

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