Annual Report and Financial Statements

31 July 2023

Pacific Horizon Investment Trust PLC

Managed by

Baillie Gifford™

Investor disclosure document

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

Notes

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

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

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

This document is important and requires your immediate attention.

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

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

Baillie Gifford™

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Financial highlights

Year to 31 July 2023

Total returns*

Share price*

(8.9%)

NAV*

(3.6%)

Comparative index*†

0.8%

* Source: Refinitiv/Baillie Gifford and relevant underlying index providers. See disclaimer on page 122. All figures are stated on a total return basis. Total return is an Alternative Performance Measure – see Glossary of Terms and Alternative Performance Measures on pages 123 and 124. Comparatives for 2022 can be found on page 22.

† The comparative index is the MSCI All Country Asia ex Japan Index (in sterling terms).

Past performance is not a guide to future performance.

An introduction to Pacific Horizon Investment Trust PLC

Growth[2]: embracing growth, disruption and innovation.

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

Our philosophy

Long-term

This matters. Stock prices are wildly unpredictable in the short-term. Ultimately, however, prices do reflect the earnings capability of a company. So when we find a company that has the potential to grow its profits significantly over time, we must invest with the patience that allows a good decision to prove its worth.

Growth

We have found the most persistent source of alpha to be those companies that can grow their profits faster than the market, in hard currency terms, over the long-term. This trend persists irrespective of starting valuation.

Active

We would observe three particular features which emphasise the need for active management in the Asia-Pacific region (excluding Japan). Firstly, roughly a quarter of the index still consists of State Owned Enterprises, whose interests are not always aligned with minority shareholders. Secondly, some Asian countries grow sporadically, so there will be times when we want to take advantage of the tailwind provided by economic cycles in certain countries and times when we want to limit our exposure. Lastly, positive returns in the asset class are driven by a very small number of companies that do exceptionally well. Being highly selective is imperative.

Our structure

Pacific Horizon is an investment trust but how does this structure benefit our shareholders?

Underpinning everything is a genuine commitment to low costs. We believe our duty to shareholders is to limit fees. Put simply, lower charges directly translate into shareholders keeping more of the returns generated from their investment. Our scale and commitment to low costs enables us to offer genuine value for money. Although there are benefits to the investment trust structure, there are also risks involved. See **bailliegifford.com**.

Our structure

Company status

- Just like other public companies, Pacific Horizon can borrow money to make additional investments. This financial gearing can amplify investment returns.
- Our shareholders have rights, and we seek their approval, via votes, if we want to make significant changes.
- A board of directors looks after the interests of our shareholders. They meet several times a year and are responsible for various things, such as overseeing performance.

Permanent capital

- The closed-ended structure provides a pool of permanent capital. Unlike open-ended funds, the portfolio remains intact and is not impacted by shareholder demand.
- We have the freedom to invest for the long term and hold assets that can be harder to buy and sell – such as private companies.
- Our extended time horizons are matched by our companies. This alignment underpins the prospect of enduring relationships.

Accessibility

- Listed on the London Stock Exchange, Pacific Horizon provides intra-day liquid access, and our shares are openly tradeable for investors from around the world.
- There are no performance fees or minimum investment restrictions.
- Shareholders could benefit from simplified tax reporting when compared with other structures that hold private companies.

Democratising access to unlisted (private) companies

- We offer shareholders liquid access to private companies – a distinct offering in today's market.
- We own companies uninterrupted on their journey from private to public – shareholders benefit from long-term compounded returns.
- Access to private companies is dependent upon relationships and reputation – our shareholders benefit from the access we enjoy but without paying fees normally associated with private equity funds.

Strategic report

This strategic report, which includes pages 7 to 55 and incorporates the Chairman's statement, has been prepared in accordance with the Companies Act 2006.

Chairman's statement

Angus Macpherson

Chairman

Appointed 2017
Chairman in 2019

The portfolio managers aim to invest in high growth companies in Asia, one of the fastest growing regions in the world. In the last year these markets have been influenced by weaker than expected post-Covid consumption recovery in China, ongoing geopolitical tension between the US and China and rising US interest rates and the consequent US dollar strength.

These have all challenged growth expectations and share price returns across the region, making for a challenging environment for growth investors. It is to be expected that there will be periods during which growth investment will not be rewarded. We are in such a phase now. As the portfolio managers present in their report however, over the longer terms excess returns have been considerable and the premium currently paid for growth is modest. While it is too early to forecast an immediate improvement in relative or absolute performance, it certainly looks as if growth share valuations are at attractive levels across the region.

Performance

In the year to 31 July 2023, the total return for the Company's net asset value per share (NAV) was a negative 3.6%* and for the share price a negative 8.9%*. This compared to a positive total return of 0.8%* for the MSCI All Country Asia ex Japan Index in sterling terms over the same period. The shares ended the period at an 8.0% discount to the NAV per share having been at a 2.7% discount a year earlier.

The notable positive stock contributors to the portfolio's relative performance over the year were Ramkrishna Forgings, Samsung Engineering and EO Technics and the notable detractors were Jadestone, Delhivery and JD.com. Fuller comment on the drivers to returns, and thoughts on companies and their prospects can be found within the Managers' review on pages 11 to 16.

* Source: Baillie Gifford/Refinitiv and relevant underlying index providers. See disclaimer on page 122.
For a definition of terms see Glossary of Terms and Alternative Performance Measures on pages 123 and 124.
Past performance is not a guide to future performance.

Over the five years to 31 July 2023, the Company's NAV and share price total return were 82.4% and 62.4% respectively whereas the Company's comparative index returned 14.1% in sterling terms during the same period.

Environmental, Social and Governance ('ESG')

Your Board is committed to responsible investment. It agrees with the managers that a thoughtful approach is required when looking at ESG factors in emerging markets. It is not appropriate to impose a developed market standard on emerging markets companies indiscriminately. The economic miracle of the last forty years has resulted in over 800 million people in Asia being lifted out of poverty through economic reform and globalisation. This wealth is resulting in increased consumption and carbon emissions in Asia, but still far below the per capita levels seen in developed markets. Growth in carbon emissions has also been stimulated by the West moving carbon emitting industries to Asia, flattering developed markets' progress towards net zero.

The managers' view is that a precondition of a long-term investment is that the businesses they invest in must be sustainable. Asian countries need to transition to net zero and companies in Asia must play their part. The timescales for this will however be longer than in developed markets, reflecting their different starting points on their paths to prosperity.

We agree with the managers' approach of engaging and working with companies towards achieving positive change. We further endorse the view that the absolute levels of emissions are not the basis on which to judge a company but rather its approach to all aspects of ESG. For example, nickel mining is an activity that generates significant emissions, but nickel is a critical component in manufacturing electric vehicles.

Gearing

The Board continues to set the gearing parameters within which the portfolio managers are permitted to operate. These parameters are reviewed regularly and at present the agreed range of equity gearing is minus 15% (holding net cash) to plus 15%. As at 31 July 2023, gearing was nil, a position that has not changed since the start of the Company's financial year. However, the deployment of gearing is under active consideration at present.

The Company has a multi-currency revolving credit facility with The Royal Bank of Scotland International Limited for up to £100 million. This facility expires in March 2025 and provides for potential gearing of 17.2% at present.

Earnings and dividend

Earnings per share this year were 4.56p per share, an increase from the 4.21p per share reported last year. After the deduction of the management fee and expenses, the Company is in a position to pay a final dividend. The Board is therefore recommending that a final dividend of 3.25p per share should be paid (3.00p per share paid in 2022), subject to shareholder approval at the Annual General Meeting ('AGM').

As highlighted in past reports, investors should not consider investing in this Company if they require income from their investment as the Company typically invests in high growth stocks with little or no yield.

Issuance, Share Buybacks and Treasury

During the financial year to 31 July 2023, 200,000 shares were issued from treasury at a premium to the Company's NAV per share and 979,012 shares were bought back at a discount, resulting in a year-on-year net 0.85% reduction in the amount of shares in issue. The issuance occurred early in 2023, following the announcement that the Company was being promoted into the FTSE 250 index, whereas the buybacks were undertaken over the course of the Company's financial year. Since the financial year end, a further 35,000 shares have been bought back.

At the forthcoming AGM in November, the Board will be seeking 10% non-preemptive issuance authority. Issuance will continue to be undertaken only at a premium to the NAV per share, thereby avoiding dilution for existing investors. When this authority is utilised in this manner, it enhances NAV per share, improves liquidity in the Company's shares and spreads the operating expenses of the Company across a wider base, thus reducing costs to each shareholder. Despite the net repurchase this year, ongoing charges for the year were 0.72% compared to 0.74% for the prior year.

As part of this year's AGM business, the Board will be asking shareholders to renew the authority to repurchase up to 14.99% of the outstanding shares on an ad hoc basis, either for cancellation or to be held in treasury, and also to permit the re-issuance of any shares held in treasury at a premium to the NAV per share; the Company has 993,012 shares held in treasury at present. The Board intends to use the buyback authority opportunistically, considering not only the level of the discount but also the underlying liquidity and trading volumes in the Company's shares. This approach allows the

Board to seek to address any imbalance between the supply and demand for the Company's shares that results in a large discount to NAV whilst being cognisant that current and potential shareholders have expressed a desire for continuing liquidity.

Private Company Investments

In 2021, shareholders approved an increase in the maximum permissible investment in unlisted securities from 10% to 15% (such percentage being measured at the point of initial investment). As at 31 July 2023, the Company had 5.1% of its total assets invested in 5 private companies compared to 6.1% in 5 private companies a year earlier.

Rightly, there has been a lot of market focus on the reasonableness of private company valuations in the light of the share price volatility of listed companies. Baillie Gifford believes it takes a pro-active, robust approach to private company valuations, including using the services of Markit Valuation Services (now S&P Global) for external advice. The Board is comfortable that marked-to-market values are kept as current as possible for the purpose of calculating the Company's daily net asset value. Investors should be mindful however that such valuations, although based on many external (market) and internal (company specific) comparators and having considered a number of methodologies in line with International Private Equity and Venture Capital Guidelines, are necessarily subjective.

We are fortunate on the Board to have specific expertise in this area and we are comfortable with the strategy adopted by the managers to invest in later stage private companies. This is very different to being a venture capital investor which often involves taking seats on company boards and providing specific advice on managing aspects of the business. While private company investing has added risk, there appears to be the potential for commensurate reward.

Taking as an example one of our private company holdings, ByteDance, according to publicly sourced data, the company's full year EBITDA was US$25 billion. At our holding equity valuation of US$225 billion that implies an EBITDA multiple of 8x. This is a conservative valuation for a company which is achieving revenue and profit growth of more than 30% and 80% respectively year on year. It is the Board's view that exposure to companies like ByteDance is attractive and justifies the additional risks of investing in private companies. The Board is supportive of the managers continuing to invest in them.

Details on the process and quantum of private company valuations undertaken over the year can be found on page 36.

Changes to the Board

I joined the Board in 2017, becoming Chair at the conclusion of the Company's Annual General Meeting in 2019. Thanks to my predecessors, fellow Board members and the Managers, I have presided over a period where the Company has made considerable progress. The NAV of the Company has increased from £139 million on my joining to £580 million as at 31 July 2023, it has become a constituent of the FTSE 250 and provided a total return over the period of 150%, outperforming its comparative index by 115%. Whilst recent performance has reflected challenging market conditions and growth investing being seemingly out of favour, this is to be expected for an actively managed growth focussed long term investment strategy such as that used by the portfolio manager. I have every confidence that the approach will continue to reward patient long term shareholders in the future.

After considerable thought, I have decided I should stand down as Chair and a member of the Board. Someone new should have the opportunity of chairing this Company and it is time for me to pursue other roles. I will leave the Board once a suitable successor has been appointed, which is expected to be around the end of the first quarter of next year.

In the meantime, I would like to thank shareholders for giving me the opportunity to Chair the Company and wish the Managers, the Board and investors the best for the future.

The Company's portfolio managers

As announced in January, following consultation with the Board, Mr Ben Durrant was appointed as deputy portfolio manager of the Company, filling the role vacated by Mr Roderick Snell when he was promoted to become the Company's lead portfolio manager in June 2021.

Mr Durrant is an investment manager in Baillie Gifford's Emerging Markets Equity Team and joined Baillie Gifford in 2017 having previously worked for RBS in its Group Strategy and Corporate Finance Team. He is also the co-portfolio manager on the Baillie Gifford Pacific Fund alongside Mr Snell.

TCFD and Consumer Duty

Recently introduced regulations by the FCA require managers of UK based investment vehicles, such as Pacific Horizon Investment Trust, to produce product-level reports on the climate-related risks and opportunities in the respective investment vehicle. These are known as TCFD (Task Force on Climate-related Financial Disclosures) reports and they are based on historic data at a single point in time. The report produced by Baillie Gifford for our Company, as at the end of December 2022 and which will be updated annually, can be found at **pacifichorizon.co.uk**.

The FCA also introduced a new set of rules labelled as 'Consumer Duty'. Investment Trusts, like Pacific Horizon, are not directly in scope but Baillie Gifford, as the Company's Manager, is. The Duty raises the standard of care that FCA regulated firms, like Baillie Gifford, are expected to provide to retail consumers and includes a number of obligations that will need to be met. One of these obligations is to undertake an Assessment of Value on the 'products' managed. The relevant report on Pacific Horizon has concluded that it does provide value, meaning that distributors will be able to undertake their assessments and continue to make shares in Pacific Horizon available to current and potential shareholders. It should be noted that in addition to this new assessment, over the course of each and every financial year, the Company's Committees and Board assess various costs levied by third-party service providers as well as the Managers and Secretaries, the quality of service received along with performance; this will continue to be the case.

Annual General Meeting

This year's AGM will take place on 23 November 2023 at the offices of Baillie Gifford & Co in Edinburgh at 11.30am and shareholders are encouraged to attend. If doing so, please endeavour to arrive by 11.20am to allow time to register. There will be a presentation from the portfolio managers who, along with the Directors, will answer questions from shareholders. I hope to see many of you there.

Should the situation change, further information will be made available through the Company's website at **pacifichorizon.co.uk** and the London Stock Exchange regulatory news service.

Outlook

The invasion of Ukraine ended the geopolitical consensus that prevailed since the fall of the Berlin Wall. This consensus was an impetus for globalisation and a key component of growth in Asia. Today, we live in a much less certain time. It was perhaps inevitable that, as economic power shifted to the East, tensions with the hitherto economically dominant West were likely to grow.

US and Western sanctions on a seemingly increasing number of Chinese companies have made some of them uninvestible. There is little doubt that foreign disinvestment from China is impacting asset prices, at least in the short term. Should these sanctions be materially extended, in response for example to military action, there is a risk this could even render the market as a whole uninvestible.

Domestic considerations in China are also of concern. The Chinese Government is developing its own economic system, the success of which remains to be seen. Coupled with escalating tensions with the US, we recognise that in the future there is likely to be greater complexity and risk in securing investment exposure to the 'Asian economic miracle'.

Excess investment return is generated by judging and managing risks. On the basis of the information currently available, the Manager and your Board believe that the risks of investment in China and the broader Asian region are justified by the potential rewards. China is a critical trading partner of the West and only the most extreme geopolitical confrontation would justify the economic disruption of severing economic ties entirely.

More broadly, the economies of Asia including the Indian Sub-continent are, as outlined in the Managers' review, unencumbered by some of the issues affecting more developed markets, such as high levels of debt and elevated levels of inflation. The region is fostering competitive companies that are well placed to benefit from key drivers of long-term growth such as the rising wealth of the Asian consumer, the transition to renewable energy and an AI led digital age of innovation. However, it remains incumbent on our portfolio managers to unearth the right investments. This requires patience and fortitude, an approach that has served investors well in the past.

The region remains one of the fastest growing globally and company valuations, particularly when set against western peers, are undemanding; the Board is of the view that investing in the fastest growing companies in the fastest growing region still offers attractive long-term investment opportunities for patient growth investors. The portfolio managers call this 'growth squared'.

Angus Macpherson
Chairman
5 October 2023

Managers' review

Roderick Snell

Investment Manager

Appointed 2013

Ben Durrant

Deputy Manager

Appointed 2023

Overview

What defines us is growth. We believe Asia, ex Japan, including the Indian Sub-continent, will be one of the fastest growing regions over the coming decades and we strive to be invested in its fastest growing companies. It is growth multiplied by growth or, as we like to call it, 'Growth Squared' ('Growth^2').

Such an investment style has been well rewarded over the longer term, with the Company's NAV outperforming the comparative index, the MSCI All Country Asia ex Japan Index (in sterling terms) by 68.3 percentage points ('pp') over the past five years, and 28.8pp over the past three years, while the share price outperformed by 48.3pp and 12.7pp over these time periods.

	5 year	3 year
NAV total return*	82.4%	32.9%
Share price total return*	62.4%	17.0%
MSCI All Country Asia ex Japan total return (in sterling terms)*	14.1%	4.3%

By running a differentiated, high-conviction portfolio, there will inevitably be periods of time when our growth style of investing will be out of favour with the market, as has been the case recently. Over the year to 31 July 2023, the Company's NAV decreased by 3.6%, while the share price decreased by 8.9%, compared to the comparative index which rose 0.8% in sterling terms (all figures total return).

The period was characterised by significant volatility, primarily emanating from events in China. In aggregate, markets in the region fell nearly 20% to reach their nadir as President Xi cemented his grip on power during the 20th Chinese Communist Party Congress in October. Subsequently, Asian markets rallied hard as China abandoned its zero Covid policy, before retreating once again as the

* Source: Baillie Gifford/Refinitiv and relevant underlying index providers. See disclaimer on page 122.

For a definition of terms see Glossary of Terms and Alternative Performance Measures on pages 123 and 124.

Past performance is not a guide to future performance.

Chinese economy disappointed and concerns over the Chinese property sector intensified.

Markets will likely remain volatile as investors continue to grapple with an uncertain global economic outlook, heightened geopolitical risks, and perceived fragility in China. We, however, remain optimistic. Whilst many Western economies have experimented with money printing and ultra low interest rates, Asian economies are generally in superior health, will grow significantly faster and trade at a significant discount.

Events in China will continue to play an important role for investors, and whilst acknowledging the country faces several headwinds including increasing geopolitical tensions, we believe fears of an imminent collapse of the economy are misplaced. The government has moved to support the domestic economy, the regulatory crackdown on the technology sector has receded, and fears over the domestic property market appear overly pessimistic.

The broad exposure of the portfolio remains similar to last year, with significant positions in both cyclical growth, particularly materials and industrials, and secular growth, including technology and consumer companies. Geographically, notable additions were made to China and Vietnam. It is noteworthy that, over the next year, our holdings on average are valued at nearly the same price-to-earnings multiple as that of the comparative index (13.7x vs. 12.9x), yet they are expected to grow their earnings at nearly triple the rate (+14.8% vs. +5.7%).

Overall, we remain extremely positive on the long-term outlook for the region. Asia already cemented itself as the lead contributor to global demand growth, with China alone having contributed more to global growth in US dollar terms than the US over the past decade, while India is overtaking Japan. Asia is now better positioned financially than much of the developed world and, with a renewed investment cycle unfolding, Asian growth is likely to significantly outperform.

Philosophy

We are growth investors endeavouring to invest in the top twenty percent of the fastest growing companies in Asia. Across the region we have found the most persistent source of outperformance to be those companies that can grow their profits faster than the market, in hard currency terms, over the long term. This trend persists irrespective of starting valuations. Consequently, our research is singularly focused on finding those companies whose share prices can at least double, in sterling terms, on a five year view and we expect most of this doubling to come from earnings growth.

We are particularly interested in three specific and persistent inefficiencies:

01. Underappreciated growth duration

We believe one of the greatest investment inefficiencies is to be found in companies with excellent long-term earnings growth where profits are volatile from one quarter to the next. The market typically shows an aversion to such companies, preferring the predictability of smooth profit generation even if the long-term growth rate turns out to be a fraction of that achieved by firms more willing to reinvest in their business and with greater ambition. This presents us with exciting investment opportunities, but it requires an approach that allows near term volatility to be ignored.

02. Underappreciated growth pace

The market consistently underestimates the likelihood of rapid growth. The evidence shows that most investors cluster around a narrow range of earnings growth predictions, which can in turn lead to significant mispricing of those companies with the potential to grow very rapidly. Our process is focused on finding these companies. By looking further out and searching for low probability but high impact growth opportunities, we endeavour to outperform the broader market.

03. Underappreciated growth surprise

The final significant inefficiency lies in the interaction between top-down and bottom-up investing. As investors in Asia, ex Japan, and the Indian Sub-continent, we do not have the luxury of ignoring macroeconomics. Purely bottom-up investment is a path to ruin in a universe where industrial and economic cycles can dominate investment returns over multi-year periods. The long-term earnings for a vast number of companies – notably in the financial, materials and industrial sectors – are determined by exogenous macro factors beyond their control. This also provides opportunities.

Our analysis shows that while it may pay to invest in those companies that display consistently high levels of profitability, the strongest returns are to be found in those companies that transition from poor levels of profitability to high – a 'growth surprise'.

This may seem obvious – rising levels of profitability are normally accompanied by a re-rating, thereby providing a two-fold kicker to share price performance – but identifying the drivers behind this change is the key and has been a significant source of outperformance for Pacific Horizon. We accept that timing these inflection points perfectly is impossible, but when you have an investment horizon measured over many years, successfully anticipating the future direction of travel is hugely valuable.

Importantly, we are agnostic as to the type of growth inefficiency we are exploiting and will invest wherever we are finding the best opportunities. At times this will lead to a concentration in particular sectors or countries, and at others to a much broader, flatter portfolio, but growth will always be the common theme.

	Pacific Horizon	MSCI AC Asia ex Japan Index
Historic earnings growth (5 years trailing compound annual growth to 31 July 2023)	9.8%	7.3%
One year forecast earnings growth to 31 July 2024	14.8%	5.7%
Estimated p/e ratio for the year to 31 July 2024	13.7x	12.9x
Active share	82%	n/a
Portfolio turnover	11.9%	n/a

Data as at 31 July 2023, source: Baillie Gifford, UBS PAS, APT, MSCI (see disclaimer on page 122).

Review

In the last Interim management statement we articulated three key reasons why Asian economies are generally far better positioned than in the past, especially when compared to developed markets. They are:

- Asian balance sheets are in superior shape having lacked the profligate monetary and fiscal stimulus of the West. For example, China's Covid stimulus equated to c.10% of GDP compared to c.70% for many major European countries.
- Most of Asia maintained positive interest rates for many years, while Western markets operated with ultra-low or even negative rates. Arguably, it is Asian countries that behaved like orthodox developed countries while much of the developed world behaved like the emerging markets of old. (Perhaps we are seeing the beginning of 'converging markets').
- Capital flows into Asia have been negative for a decade and the region is therefore far less vulnerable to money outflows than in the past.

The result is that today Asia's financial position is superior to much of the developed world. Combine this with Asia's structurally faster growth rates and valuations at multi-year lows relative to developed markets, and the long-term outlook for Asian investors is very encouraging. This, however, has not been reflected in the recent performance of Asian markets, with China a significant concern amongst investors. China certainly faces a number of challenges, and there is no doubt that the country's lockdowns and regulatory crackdowns have inhibited consumer and entrepreneurial spirit, subduing the domestic economy. But the extreme pessimism over the economy is too one-sided.

There are a number of signs that household consumption in China is gaining momentum, with restaurant and bar sales up 12% and 17% in May and June compared to the same pre-lockdown months in 2019, while air passenger numbers are rapidly returning to pre-pandemic levels. Our consumer related holdings in China have posted impressive recent quarterly numbers: Alibaba's ecommerce business grew +14% year-on-year ('YoY'), Baidu's core advertising division grew +15% YoY and Kuaishou's short-form video sales grew +28%.

Improving consumer confidence will be key to accelerating economic growth and mobilising the c.US$7tn of additional household savings built up over the past couple of years. Time and patience is needed; after all China's serious Covid trauma only ended at the start of the year.

Increasing policy support is also likely to be a significant catalyst. Moderate financial easing is underway, but perhaps more importantly the government has clearly and very publicly stated its support for the private sector. Notably in July the CCP Central Committee and the State Council issued a joint statement on 'promoting the development and growth of the private economy'. It described the private sector as 'a driving force behind promoting the Chinese path to modernisation' and stated that the party wants to 'promote a bigger, better and stronger private sector'.

Combined with a less zealous regulatory approach in many other sectors, it seems clear that support is shifting behind the private sector, and the regulatory clampdown that particularly impacted technology and platform businesses for the past couple of years – and where we have significant holdings – is receding.

Despite these positive tailwinds, valuations remain extremely depressed. Stripping out cash and subsidiaries, Alibaba Group's core ecommerce business and Baidu's core online search business both trade on low single digit p/e multiples, while Ping An Insurance, China's leading private life insurance company, trades significantly below its book value.

We believe this presents us with a number of excellent long term investment opportunities and we increased our listed equity exposure to China by adding c.600 basis points ('bp') to Chinese companies. Most additions were made to internet firms, including Alibaba Group, JD.com (ecommerce), KE holdings (online property portal) and Baidu. We also added to two financial companies, the aforementioned Ping An Insurance and its subsidiary Ping An Bank. One new purchase was also made in Silergy, a leading designer of analogue chips in China (listed in Taiwan). Silergy has the largest market share among domestic designers and is likely to be a key beneficiary of Chinese attempts to become self-reliant in semiconductor chips.

Combined, these Chinese purchases took the portfolio's exposure to China to 34% compared to 17% eighteen months ago.

Just after period end, we also acquired a new holding in a private (unlisted) company, Micro Connect. The business makes loans to small and medium sized Chinese businesses which typically don't have access to formal credit in exchange for a daily percentage of the borrower's revenues (collected daily from the borrower's account) which are then packaged and sold on the Micro Connect exchange. The company was founded by the former long-time Hong Kong exchange CEO Charles Li, has a strong balance sheet and is already profitable.

Outside of China, we continue to believe Vietnam remains the best structural growth story of any Asian economy, driven by its successful export manufacturing base. After a period of significant market weakness, driven by a corruption clampdown and funding issues in the property sector, we took advantage of share price weakness by adding to our existing holding in Vinh Hoan (food processer) and making two new purchases: Mobile World, one of the country's leading electronics and grocery retailers; and FPT, Vietnam's largest information technology outsourcing company. This takes Vietnam to a 7% absolute position, and our second largest country overweight.

Funding came from three main sources. The most significant was a reduction to a number of smaller (<60bp) holdings in South Korea. These were across a range of sectors including green energy businesses (LG Energy Solutions, SK IE Technology and S-Fuelcell), cloud computing (Douzone Bizon) and speech recognition software (Flitto). However, due to some small additions to other names in South Korea, and the very strong performance of some of our holdings, notably EO Technics (laser manufacturer for semiconductors) and Samsung Engineering (engineering), our South Korea weighting increased modestly over the period to 18% absolute.

Towards the end of our financial year, we also exited our direct nickel exposures in Indonesia, selling both Nickel Industries and Vale Indonesia. We have become concerned by the huge capital investments into the nickel market, predominantly by the Chinese. In particular, it appears that the Chinese have successfully made the difficult process of High-Pressure Acid Leaching (which is used to convert non-battery grade nickel into battery grade nickel) commercially viable and this is likely to bring significantly more battery grade nickel to the market than expected.

We also reduced our exposure to India. Notable transactions included the sales of Zomato, the online food delivery businesses, as the company's unit economics are not as favourable as we hoped, and Star Health & Allied Insurance Co (health insurance). India, however, remains our second largest absolute (24%) and largest relative (+7.6pp) country position.

We are keeping our eye on several interesting developments in India. In particular, there are early signs that the country might finally be building up a successful export manufacturing industry. For years this has disappointed, with countries like Vietnam leading the way, but thanks to a number of government reforms and the establishment of several special economic zones, there are signs that manufacturing is starting to move to India. For example, Foxconn, Apple's iPhone manufacturer, is expanding in India with iPhone exports quadrupling to US$5bn for the fiscal year 2022–23. It is early days, but should India succeed in building up a strong export manufacturing base it has the potential to transform the economy over the coming years.

By sector, there have been limited changes, with the portfolio continuing to look different to many of our growth-focused peer funds. In absolute terms, our largest exposures remain focused on the themes of the rising middle class, technology and innovation. However, we have significant exposures to more cyclical industries including materials and industrials which make up the two largest relative positions within the portfolio.

Overall, the number of names in the portfolio reduced to 72 from 85 in the year to 31 July 2023. Private companies, of which there were five in the portfolio as at 31 July 2023, accounted for 5% of the portfolio, and invested gearing was nil.

Performance

As long-term growth investors, it is pleasing that over the past three and five years our portfolio generated significant value for shareholders. Recent periods have been more challenging as our growth style faced numerous headwinds, including soaring inflation and interest rates. This has been combined with generally poor Asian markets held back by increasing geopolitical tensions, weakness in China and a surging US Dollar syphoning liquidity from the region. Our portfolio maintains a strong growth bias; we have faith in the long-term growth prospects of the region and believe we are well placed to add significant value for shareholders when Asian markets turn.

As mentioned, over the year to 31 July 2023, the Company's NAV decreased by 3.6%, while the share price decreased by 8.9%, compared to the comparative index which rose by 0.8% in sterling terms – all figures total return. The majority of underperformance came from weakness in three significant holdings, all of which were among the top five absolute holdings at the start of the period: Jadestone (-ve 300bp to performance), Delhivery (-ve 230bp) and JD.com (-ve 110bp).

Jadestone is an oil exploration and production company, specialising in turning around small and medium sized assets, usually from larger companies looking to divest. Unfortunately, the company experienced a significant operational issue at its main cash producing asset, Montara in Australia, resulting in production halting for several months. The lack of cash strained the balance sheet at a time when the company was gearing up for a major investment phase to bring several new assets on stream, forcing it to undertake a rights issue. The next 12 months are critical with Jadestone's Akatara gas field due to come on stream in 2024 – the success of the company very much rests on this asset coming on stream in a timely manner.

Delhivery, India's largest private logistics company with a core focus on ecommerce logistics, was, until listing in May 2022, held in the portfolio as a private company. Due to strong share price performance, the company was a 5.5% holding at the start of the period. Unfortunately, Delhivery's quarterly results at the end of 2022 were weak. M&A integration challenges and a slowdown in broader ecommerce growth in India pushed the share price down by 52%. We are hopeful these issues are short term and with key private competitors finding funding far more difficult and Delhivery the clear number one player, we continue to have faith in the company (encouragingly, the shares have risen c.40% from their lows).

Like much of the technology space in China, JD.com was weak despite reasonable operational performance. Revenue growth was slower and competition increased at the margin, with ByteDance taking some low-end market share as it leveraged its large user base to enter the ecommerce market. Nevertheless, JD.com has focused on cost efficiencies resulting in improving profitability and is clearly demonstrating the benefits of its scale and in-house logistics capabilities.

By country, Singapore was the largest detractor due to the issues at Jadestone, followed by China.

More positively, a number of our companies performed strongly. Our top contributor to performance was Ramkrishna Forgings which rose 189% over the period. The company is one of the leading forging companies in India, focused on automotive and commercial vehicles. After completing a major capacity expansion over the past few years the company is seeing rapid sales growth amid a number of significant new order wins.

Other industrial companies in India also performed well, including Skipper, one of the leading manufacturers of telecom and power transmission towers, which rose +213% amid India's increasing demand for power infrastructure. Tata Motors was also strong as the domestic commercial vehicle and auto business continued to see buoyant demand while the company's electric vehicle investments impressed.

India was our second best performing market, but stock selection in South Korea was the most significant contributor. Samsung Engineering contributed 110bp thanks to continued strong order wins, especially from the Middle East and Mexico. EO Technics, which produces advanced lasers for semiconductor manufacturing, also contributed 110bp as the semiconductor cycle appears to have bottomed, and orders began to accelerate. We are excited for EO Technic's longer-term prospects; demand for its laser products is likely to hit an inflection point as semiconductors become smaller and more complex, at which point ceramic blades and drills will need to be replaced by lasers in the manufacturing process. We added significantly to this holding towards the end of the period.

By sector, Materials was the best performing mainly from strength in our copper companies MMG and Zijin Mining. This was followed by Real Estate, predominantly from strength in India, and Utilities where we had no holdings while the sector was down 18.5%. Our worst performing sectors were Energy due to the issues at Jadestone, followed by Communication Services and Consumer Discretionary due to the weakness in our Chinese names.

Environmental, social and governance ('ESG') considerations

Our long-term, active approach to investment is based on identifying and holding high quality growth businesses that enjoy sustainable competitive advantages in their marketplace.

To identify these kinds of businesses, we often look beyond current financial performance, undertaking proprietary research to build up our in-depth knowledge of an individual company and form a view of its long-term prospects. Material Environmental, Social and Governance matters which affect the financial condition or operating performance of a company, can positively or negatively influence long-term investment returns. Such issues are considered throughout the investment process through research, engagement and voting.

Our approach is guided by our ESG principles:

- Investment process founded on long-term ownership of growing businesses: we want to help these companies fulfil their potential and encourage them to ignore the short-term pressures of the market.
- Sustainability is central to our analytical task: businesses engaging in practices that are harmful to society may be capable of generating attractive returns in the short term but are unlikely to do so over the periods we seek to invest.
- We do not believe 'one size fits all': ESG practices need to be assessed on a case-by-case basis, not reliant on formulaic and backward-looking screens.
- Not seeking 'perfect' companies: we prefer to consider the likely direction of change in otherwise promising investments and engage accordingly.

Company engagement is key to our process. We encourage steps to maximise opportunities and minimise risks where we believe it is material to the success of the company. Engagement priorities are set through a combination of a subjective assessment of the materiality of an issue and our ability to influence, as well as use of more qualitative inputs to provide direction. We vote wherever possible and will vote against management if we believe that its actions are not in the interests of shareholders.

We are supported by a dedicated emerging markets ESG analyst and a further 40 analysts who are part of Baillie Gifford's wider ESG resource.

Baillie Gifford statement on stewardship

Baillie Gifford's overarching ethos is that we are 'Actual' investors. We have a responsibility to behave as supportive and constructively engaged long-term investors. We invest in companies at different stages of their evolution, across many different industries and geographies, and we focus on their unique circumstances and opportunities. Consequently, we are wary of prescriptive policies and rules, believing that these often run counter to thoughtful and beneficial corporate stewardship. Our approach favours a small number of simple principles which help shape our interactions with companies and give appropriate latitude to diverse processes of our different investment teams. These principles do not all have to be positively reflected in each holding our teams acquire.

Prioritisation of long-term value creation

We encourage our holdings to be ambitious, focusing on long-term value creation and capital deployment for growth. Helping management to resist demands from shareholders with shorter horizons than ours can at times be an important way to achieve better investment outcomes. We regard it as our responsibility to encourage holdings away from destructive financial engineering and towards activities that create genuine economic and stakeholder value over the long run. We are happy that our value will often be in supporting management when others don't.

A constructive and purposeful board

We believe that boards play a key role in supporting corporate success and representing the interests of all capital providers. There is no fixed formula, but we expect boards to have the resources, information, cognitive and experiential diversity they need to fulfil these responsibilities. We believe good governance works best when there are diverse skill sets and perspectives, paired with an inclusive culture and strong independent representation with sufficient time to assist, advise and constructively challenge the thinking of management.

Long-term focused remuneration with stretching targets

We look for remuneration policies that are simple, transparent and reward superior strategic and operational endeavour. We believe incentive schemes can be important drivers of behaviour, and encourage policies which create genuine long-term alignment with external capital providers. We are accepting of significant payouts to executives if these are commensurate with outstanding long-run value creation, but plans should not reward mediocre outcomes or short-termism. We generally think that performance hurdles should be skewed towards long-term results and that remuneration plans should be subject to shareholder approval.

Fair treatment of stakeholders

We believe it is in the long-term interests of all companies to maintain strong relationships with stakeholders – including employees, customers, suppliers, regulators and the communities they work within. We do not believe in one-size-fits-all policies and recognise that operating policies, governance and ownership structures may need to vary according to circumstance. Nonetheless, we believe the principles of fairness, transparency and accountability should be prioritised at all appropriate times.

Sustainable business practices

We believe an entity's long-term success is dependent on maintaining its social licence to operate and look for holdings to work within the spirit and not just the letter of the laws and regulations that govern them. We expect all holdings to consider how their actions impact society, both directly and indirectly, and how such actions may impact their long-term success. Environmental practices should recognise the current pace of change in opportunities, risks and societal expectations. Climate change, environmental impact, social inclusion, tax and fair treatment of workers should be addressed at board level, with appropriately ambitious policies and targets focused on the relevant material dimensions. Boards and senior management with superior prospects for long-term value creation should understand, regularly review and disclose information relevant to such targets publicly, alongside plans for ongoing improvement.

Proxy voting

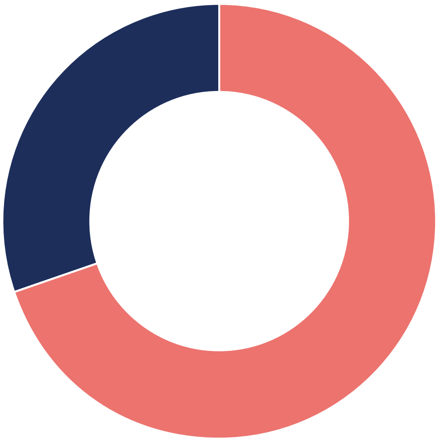
We believe that 'active ownership' of our clients' holdings is as important as selecting the right investments in the first instance. These guidelines are aligned with our stewardship principles and describe our approach to proxy voting and company engagement, the key levers of active ownership, often described as 'stewardship'.

While these guidelines are intended to provide an insight into how we approach voting on our clients' behalf, it is important to note that we assess every company individually. In voting, we will always evaluate proposals on a case-by-case basis, based on what we believe to be in the best long-term interests of our clients, rather than rigidly applying a policy.

A broad cross section of our investment staff are involved in our ongoing work on stewardship. In the same way that our investment approach is based around empowered and independent teams, our voting and engagement is led by the individual investment teams. In keeping with our decentralised and autonomous culture, our investment teams will, on occasion, elect to vote differently on the same general meeting resolutions. Where this happens, we report accordingly in the proxy voting disclosure on our website. We also have clear processes in place to identify, prevent and manage potential proxy voting related conflicts of interest to ensure that in all cases the firm acts in the clients' best interest. Baillie Gifford's firm-wide conflict of interest disclosure is available on our website.

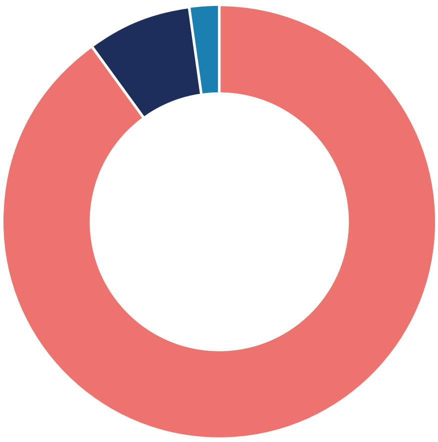
Prior to taking any voting action, we usually address specific ESG concerns by engaging directly with the company, using voting as an escalation mechanism if we have not seen sufficient progress.

Company meeting record



Number of meetings voted with management	100
Number of meetings with at least one against, withhold or abstain	43

Voting distribution



Number of votes for	90%
Number of votes against	8%
Number of votes abstain	2%

Environmental, social and governance engagement

By engaging with companies, we seek to build constructive relationships with them, to better inform our investment activities and, where necessary, effect change within our holdings, ultimately with the goal of achieving better returns for our shareholders. The three examples below demonstrate our stewardship approach through constructive, ongoing engagement.

Brilliance China Automotive – governance

Brilliance is a Chinese automotive company which manufactures and sells BMW vehicles and auto components. It has strategic partnerships and alliances with BMW, Toyota, and other global auto manufacturers.

Our escalation activities date from the suspension of trading in Brilliance China shares as at 31 March 2021, in response to various auditing and legal issues. Following several attempts to engage with the company and management informally, we wrote to the board of directors in July 2021 to emphasise the board's responsibility to maintain an ongoing dialogue with shareholders. In particular, we wanted clarification on when the internal investigation would be completed and an indicative timeline detailing the steps required to fulfil the Hong Kong Stock Exchange's resumption guidelines. We believed this information was crucial for shareholders to assess whether Brilliance's shares would resume trading. On 8 August 2022, we escalated our engagement further by sending separate letters to the boards of Brilliance and the Hong Kong Stock Exchange, reiterating our frustration with the company's communication with the market while its shares were suspended. We outlined our belief that the information disclosed was not sufficiently timely or complete for shareholders and investors to appraise the company's position. Accordingly, we requested a thorough public response outlining Brilliance's absolute commitment to work in the best interests of all shareholders and achieve the resumption of trading, as well as a detailed update to the market on its progress towards fulfilling the resumption guidance set out by the stock exchange.

In September 2022, Brilliance responded to our letter with substantial improvements in disclosure which assisted investors' knowledge and the market's understanding of the company's position. The Hong Kong Stock Exchange also outlined several actions ('resumption guidance') it required the company to complete for its shares to resume trading. Measures included: an independent investigation into the audit issues; publishing financial results; and conducting a forensic investigation. On 3 October 2022, the company fulfilled the resumption guidance, and its shares resumed trading. In November 2022, we spoke to investor relations ahead of the annual general meetings. Brilliance underwent significant restructuring, passed the many stringent requirements of the Hong Kong Stock Exchange to relist (including a comprehensive forensic audit), and in getting relisted, arguably showed a resolve to work in the interests of its shareholders.

Reliance Industries – the energy transition

We are deeply interested in companies that are helping to facilitate social and economic development, often from a low base, when we look at emerging Asia. This could be one of the important investment themes for investing in Asia over the coming decades. A country which is particularly interesting for us in this regard is India where there are many new online businesses that have come to market in recent years that are helping with this transition, spanning everything from insurance to food delivery.

But it's an older company that we think is most important here: Reliance Industries. This is a traditional energy company, where large cashflows are now being directed towards mobile technology, retail and green energy. When determining their scores, the rating agencies often focus on problems they find with a company's activities. In the case of Reliance, they have flagged controversies including missing emissions targets, a workplace fire, and fines for alleged regulatory breaches. These scores miss the company's potential to be a positive social and economic force, improving hundreds of millions of lives.

In 2016, Reliance rolled out a new mobile network in India that led data prices to collapse from an unaffordable US$3 per gigabyte to less than eight cents today. Domestic calls became free. This pulled India into the 21st century, as even the poorest Indians could finally get online. A new crop of digital businesses took off, and the country now claims to have the world's third-largest start-up ecosystem after the US and China. Reliance aims to become one of the world's largest green energy companies. It is spending US$10bn, over the next three years, in an attempt to generate 100KW of renewable energy by 2030.

Over the last year we engaged with Reliance to better understand the company's ESG and sustainability ambitions in more detail. We wanted to better understand the net zero by 2035 target and how this relates to each of the business units. And we have also discussed methane at some length. Reliance's ambition is critical for India's long-term sustainable development. We have also encouraged the firm to report its social impact and carbon emissions further.

Zijin Mining – maintaining a social license to operate at key sites

Zijin Mining is a large state-owned metals and mining company. Zijin Mining Group extracts, refines and sells gold, copper, lithium and other minerals in mainland China and other parts of the world. The historic focus has been on gold, but increasingly the growth is coming from copper. Most recently there have been aspirations to move into battery materials more widely, with an initial foray into lithium.

Earning and retaining local communities' informal support – what's known as a social licence to operate – is critical for any miner's long-term success. We have discussed with Zijin how it carries out human rights due diligence. We have also specifically questioned the firm about its approach to community engagement in Peru and water use in Inner Mongolia and have followed up with some additional questions for other mines.

The company has established community grievance mechanisms at all sites. In addition, it highlighted a commitment to following the 15 principles of the Global Industry Standards on Tailings Management. In April we wrote to the company to ask about: its plans for human rights impact assessments (for Bisha, Aurora, Buritica, Kolwezi and Porgera Mines); community engagement in Peru; water quality; and the recent allegations regarding illegal mining in Inner Mongolia. We received detailed answers to our questions and in October 2022 we met with the company. During the meeting, we learned more about the company's community relations management systems and environmental practices. The company highlighted differences between the company's practices and how these are assessed by third-party rating providers. We encouraged the company to provide more detailed updates on human rights due diligence work and discussed wider stakeholder engagement, including with rating agencies.

We were pleased with the transparency and openness of the company to discuss these issues. It was helpful to learn more about the approach to ESG management. We will seek to hear more about the ESG assessments being planned which would include human rights assessment and will continue to follow up further with the company on these topics.

One year summary

The following information illustrates how Pacific Horizon has performed over the year to 31 July 2023.

	31 July 2023	31 July 2022	% change
Shareholders' funds*	£580.4m	£610.6m	
Gearing‡	(2%)	(1%)	
Net asset value per ordinary share*	637.18p	664.65p	(4.1%)
Share price	586.00p	647.00p	(9.4%)
MSCI All Country Asia ex Japan Index (in sterling terms)†#	969.1	987.5	(1.9%)
Dividend proposed per ordinary share in respect of the financial year	3.25p	3.00p	
Revenue earnings per ordinary share	4.56p	4.21p	
Ongoing charges‡¶	0.72%	0.74%	
Discount‡¶	(8.0%)	(2.7%)	
Active share‡	82%	83%	

Year to 31 July	**2023**	**2022**
Total return#‡		
Net asset value per ordinary share¶	(3.6%)	(14.5%)
Share price¶	(8.9%)	(19.3%)
MSCI All Country Asia ex Japan Index (in sterling terms)†	0.8%	(8.2%)

* For a definition of terms see Glossary of Terms and Alternative Performance Measures on pages 123 and 124.

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

Source: Baillie Gifford/Refinitiv and relevant underlying index providers. See disclaimer on page 122.

‡ Alternative Performance Measure – see Glossary of Terms and Alternative Performance Measures on pages 123 and 124.

¶ Key Performance Indicator.

Past performance is not a guide to future performance.

Year to 31 July	2023	2023	2022	2022
Year's high and low	**High**	**Low**	**High**	**Low**
Net asset value per ordinary share*	699.18p	556.69p	871.11p	656.64p
Share price	693.00p	523.00p	948.00p	602.00p
Premium/(discount)‡¶	2.7%	(11.7%)	11.4%	(10.9%)

Year to 31 July	2023	2022
Net return per ordinary share		
Revenue return	4.56p	4.21p
Capital return	(30.05p)	(123.01p)
Total return	**(25.49p)**	**(118.80p)**

Net assets per ordinary share

(4.1%)

2023 637.18p
2022 664.65p

Share price per ordinary share

(9.4%)

2023 586.00p
2022 647.00p

Benchmark†

(1.9%)

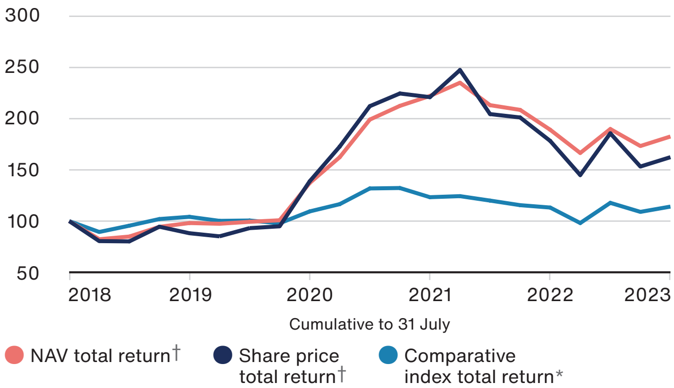
2023 969.1
2022 987.5

* For a definition of terms see Glossary of Terms and Alternative Performance Measures on pages 123 and 124.
† The MSCI All Country Asia ex Japan Index (in sterling terms) is the principal index against which performance is measured.
# Source: Baillie Gifford/Refinitiv and relevant underlying index providers. See disclaimer on page 122.
‡ Alternative Performance Measure – see Glossary of Terms and Alternative Performance Measures on pages 123 and 124.
¶ Key Performance Indicator.
Past performance is not a guide to future performance.

Five year summary

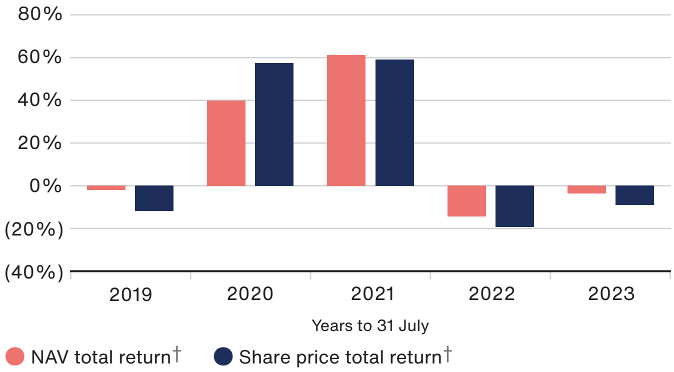
The following charts indicate how Pacific Horizon has performed relative to its comparative index* and the relationship between share price and net asset value over the five year period to 31 July 2023.

**Five year total return performance†
share price, net asset value and index***
(figures rebased to 100 at 31 July 2018)



Source: Baillie Gifford/Refinitiv and relevant underlying index providers#. Dividends are reinvested.

Annual share price and net asset value total returns†

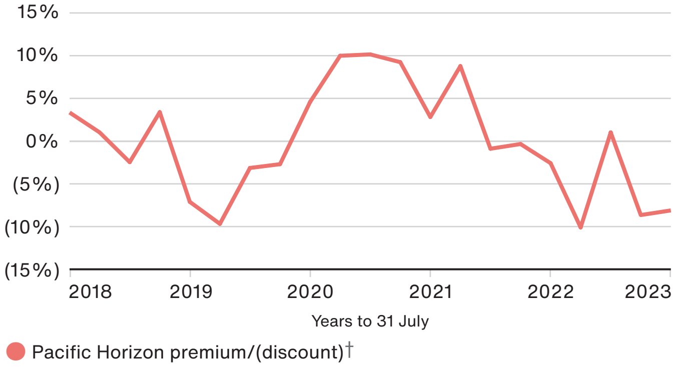


Source: Baillie Gifford/Refinitiv. Dividends are reinvested.

* The MSCI All Country Asia ex Japan Index (in sterling terms) is the principal index against which performance is measured.
† Alternative Performance Measure – see Glossary of Terms and Alternative Performance Measures on pages 123 and 124.
\# See disclaimer on page 122.
Past performance is not a guide to future performance.

Premium/(discount) to net asset value†

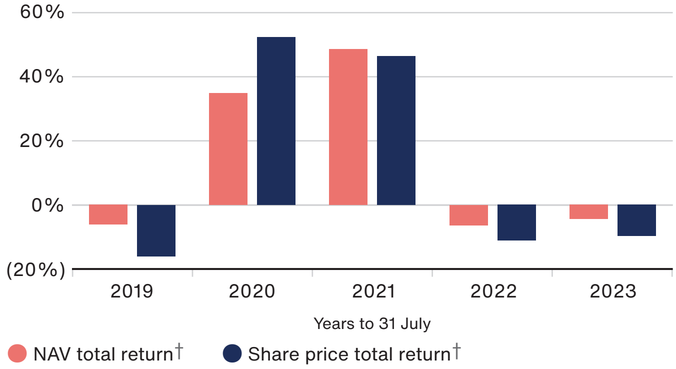
(figures plotted on a quarterly basis)



Source: Baillie Gifford/Refinitiv#.

Relative annual share price and net asset value total returns†

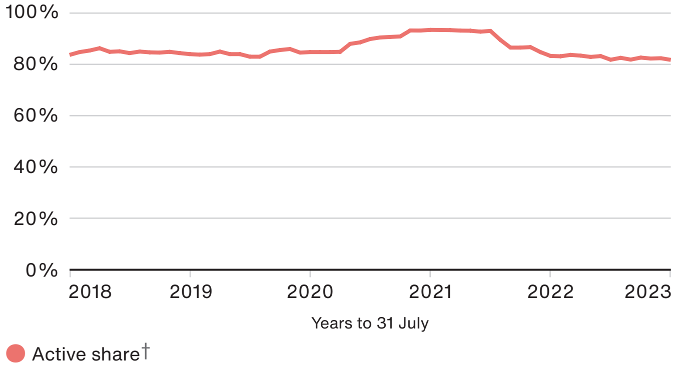
(compared to the MSCI All Country Asia ex Japan Index*)



Source: Baillie Gifford/Refinitiv and relevant underlying index providers#. Dividends are reinvested.

Five year active share†

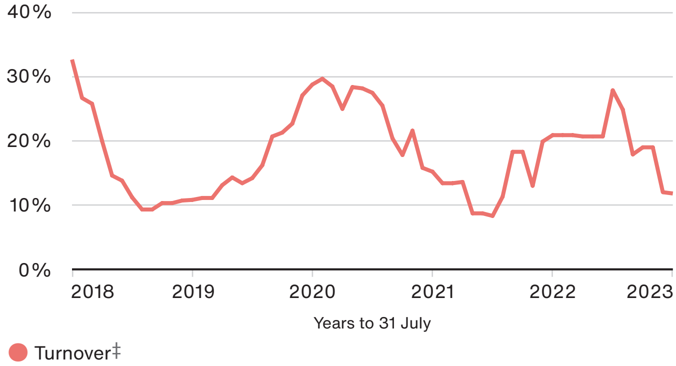
(compared to the MSCI All Country Asia ex Japan Index*)



Source: Baillie Gifford and relevant underlying index providers#.

Five year turnover‡

(rolling 12 months turnover, plotted on a monthly basis)



Source: Baillie Gifford.

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

† Alternative Performance Measure – see Glossary of Terms and Alternative Performance Measures on pages 123 and 124.

See disclaimer on page 122.

‡ For a definition of terms see Glossary of Terms and Alternative Performance Measures on pages 123 and 124.

Past performance is not a guide to future performance.

Ten year record

Capital

At 31 July	Total assets * £'000	Borrowings £'000	Shareholders' funds * £'000	Net asset value per share * p	Share price p	Premium/ (discount) * %
2013	134,638	–	134,638	182.01	156.75	(13.9)
2014	145,063	4,146	140,917	200.95	177.75	(11.5)
2015	139,167	13,997	125,170	197.78	181.63	(8.2)
2016	132,702	5,000	127,702	223.58	201.00	(10.1)
2017	182,523	14,773	167,750	309.15	286.00	(7.5)
2018	225,063	20,183	204,880	351.26	363.00	3.3
2019	223,755	20,405	203,350	344.50	320.00	(7.1)
2020	329,044	24,641	304,403	481.92	504.00	4.6
2021	748,014	60,783	687,231	777.15	802.00	3.2
2022	610,550	–	610,550	664.65	647.00	(2.7)
2023	**580,355**	**–**	**580,355**	**637.18**	**586.00**	**(8.0)**

Revenue

Gearing ratios

Year to 31 July	Gross revenue £'000	Available for ordinary shareholders £'000	Revenue earnings per ordinary share † p	Dividend paid and proposed per ordinary share (net) p	Ongoing charges * %	Gearing * %	Gross gearing * %
2013	2,967	1,242	1.66	1.50	1.15	(1)	–
2014	2,550	1,019	1.40	1.40	1.01	2	3
2015	1,886	231	0.35	0.35	1.02	8	11
2016	1,331	(182)	(0.30)	0.35	1.13	3	4
2017	1,559	(211)	(0.38)	–	1.07	7	9
2018	2,032	(328)	(0.60)	–	1.02	8	10
2019	2,473	8	0.01	–	0.99	8	10
2020	3,128	564	0.95	0.25	0.92	4	8
2021	3,561	(402)	(0.51)	–	0.78	4	9
2022	11,067	3,830	4.21	3.00	0.74	(1)	–
2023	**9,580**	**4,166**	**4.56**	**3.25**	**0.72**	**(2)**	**–**

* For a definition of terms see Glossary of Terms and Alternative Performance Measures on pages 123 and 124.

† The calculation of earnings per ordinary share is based on the revenue from ordinary activities after taxation and the weighted average number of ordinary shares (excluding treasury shares) (see note 7 on page 100).

Past performance is not a guide to future performance.

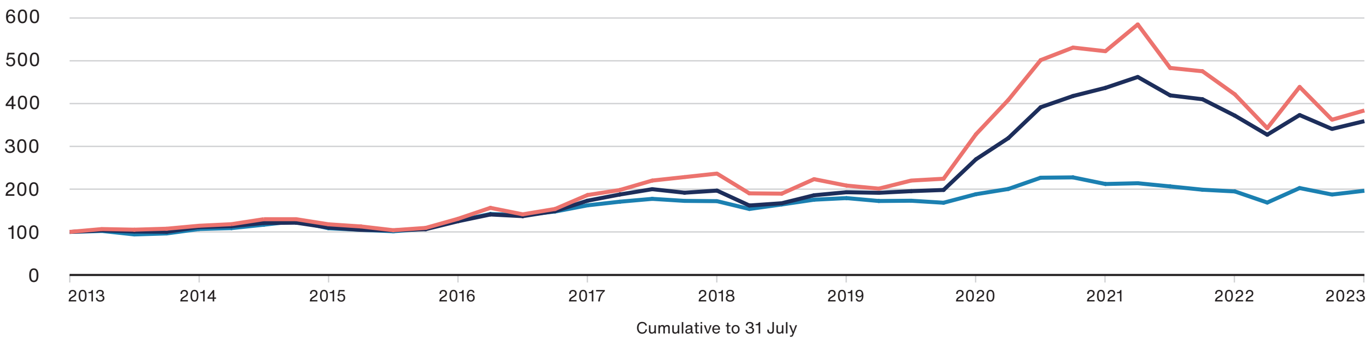
Cumulative performance (taking 2013 as 100)

At 31 July	Net asset value per share *	Net asset value total return *†	Share price	Share price total return *†	Comparative index †#	Comparative index total return †#	Retail price index †
2013	100	100	100	100	100	100	100
2014	110	111	113	114	104	107	103
2015	109	110	116	118	103	109	104
2016	123	125	128	131	116	126	105
2017	170	173	182	186	146	162	109
2018	193	197	232	236	151	172	113
2019	189	193	204	208	153	179	116
2020	265	270	322	328	157	188	118
2021	427	437	512	522	173	212	122
2022	365	372	413	421	155	195	137
2023	**350**	**359**	**374**	**384**	**152**	**196**	**150**

Compound annual returns (%)

5 year	12.7	12.8	10.1	10.2	0.1	2.7	5.8
10 year	13.4	13.6	14.1	14.4	4.3	7.0	4.1

Ten year total return performance*



Source: Refinitiv and underlying data providers. See disclaimer on page 122.
All figures are total return (see glossary of terms and alternative performance measures on pages 123 and 124).

* For a definition of terms see Glossary of Terms and Alternative Performance Measures on pages 123 and 124.
† Source: Refinitiv and relevant underlying index providers. See disclaimer on page 122.
# The MSCI All Country Asia ex Japan Index (in sterling terms) is the principal index against which performance is measured.
Past performance is not a guide to future performance.

Review of investments

A review of the Company's ten largest investments as at 31 July 2023.

© Samsung.

Samsung Electronics

Samsung is a global leader in semiconductors and electronics. Its core business is highly cash-generative, and the group has the financial and human capital that permits it to invest and innovate at scale.

Geography	Korea
Valuation	£36,937,000
% of total assets*	6.4%
(Valuation at 31 July 2022	£33,653,000)
(% of total assets at 31 July 2022	5.5%)
(Net purchases/sales in year to 31 July 2023	Nil)

Ping An Insurance

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

Geography	China
Valuation	£21,418,000
% of total assets*	3.7%
(Valuation at 31 July 2022	£6,372,000)
(% of total assets at 31 July 2022	1.0%)
(Net purchases in year to 31 July 2023	£13,716,000)

* For a definition of terms see Glossary of Terms and Alternative Performance Measures on pages 123 and 124.

Ramkrishna Forgings

Ramkrishna Forgings is one of India's largest manufacturers and exports of forging components. The company has been well managed, generates high returns and given significant capacity expansion and order wins is likely to experience strong growth.

Geography	India
Valuation	£19,091,000
% of total assets*	3.3%
(Valuation at 31 July 2022	£6,966,000)
(% of total assets at 31 July 2022	1.1%)
(Net sales in year to 31 July 2023	£558,000)

Delhivery

Delhivery is an Indian logistics company, and the leading independent provider of end-to-end delivery services, with a national network used by all ecommerce players. The scale and modernity of its network has allowed it to deliver both the lowest costs and a reliable delivery experience, making it one of the best-placed operators to benefit from the continued growth of Indian ecommerce.

This was previously a private company investment.

Geography	India
Valuation	£18,399,000
% of total assets*	3.2%
(Valuation at 31 July 2022	£33,717,000)
(% of total assets at 31 July 2022	5.5%)
(Net sales in year to 31 July 2023	£856,000)

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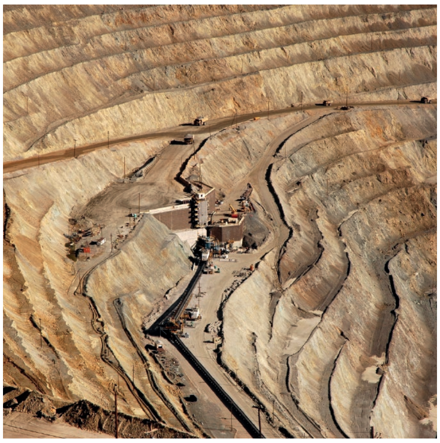
Dailyhunt (VerSe Innovation)

A private company investment, Dailyhunt is an Indian consumer media company. Its short form video and news aggregator apps are popular across the country.

Its localised and user-generated content ensures engagement, which is valued by advertisers looking to reach the Indian mass-market.

Geography	India
Valuation	£17,921,000
% of total assets*	3.0%
(Valuation at 31 July 2022	£25,235,000)
(% of total assets at 31 July 2022	4.1%)
(Net purchases/sales in year to 31 July 2023	Nil)

* For a definition of terms see Glossary of Terms and Alternative Performance Measures on pages 123 and 124.



Zijin Mining Group

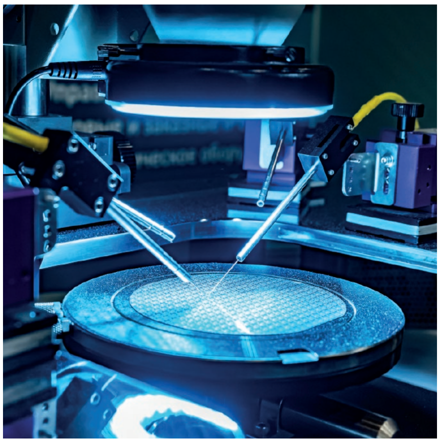
Zijin Mining is a diversified mining company, primarily engaged in the exploration and processing of copper, gold and zinc. The company has a broad portfolio of high quality mining assets, which are likely to generate strong production growth over the coming five years.

Geography	China
Valuation	£16,602,000
% of total assets*	2.9%
(Valuation at 31 July 2022	£12,014,000)
(% of total assets at 31 July 2022	2.0%)
(Net purchases/sales in year to 31 July 2023	Nil)

Tata Motors

Tata Motors is an Indian automotive manufacturer with a strong domestic business, which also owns Jaguar Land Rover. Jaguar Land Rover is likely to see strong profit growth with a new product cycle, combined with significant cost cutting. The domestic Indian business is seeing a strong cyclical recovery, and the company's efforts in electric vehicles appear to be the best in the country.

Geography	India
Valuation	£16,420,000
% of total assets*	2.8%
(Valuation at 31 July 2022	£13,230,000)
(% of total assets at 31 July 2022	2.2%)
(Net purchases in year to 31 July 2023	£6,918,000)



EO Technics

EO Technics manufactures lasers used in the manufacturing process of semiconductors, including wafer marking, drilling and dicing. As semiconductors become smaller and more complex, lasers will increasingly be needed to replace more traditional equipment including ceramic blades and drills, leading to rapid growth for EO Technics.

Geography	Korea
Valuation	£15,526,000
% of total assets*	2.7%
(Valuation at 31 July 2022	£5,001,000)
(% of total assets at 31 July 2022	0.8%)
(Net purchases in year to 31 July 2023	£4,089,000)

* For a definition of terms see Glossary of Terms and Alternative Performance Measures on pages 123 and 124.

Samsung Engineering

Samsung Engineering is an engineering company, providing services to Samsung Group companies and the hydrocarbon sectors predominantly in the Middle East and ASEAN.
The company continues to receive strong orders in these areas, while effort to develop expertise in sustainable energy solutions are making impressive progress.

Geography	Korea
Valuation	£14,926,000
% of total assets*	2.6%
(Valuation at 31 July 2022	£8,979,000)
(% of total assets at 31 July 2022	1.5%)
(Net sales in year to 31 July 2023	£1,097,000)

JD.com

JD.com is the largest Chinese retailer, via its dominant share in the online ecommerce 3C market, and it is the second-largest player in overall Chinese ecommerce.
It has a strong logistics network and a focus on customer service, which is driving increased revenue and market share.

Geography	China
Valuation	£14,910,000
% of total assets*	2.6%
(Valuation at 31 July 2022	£20,167,000)
(% of total assets at 31 July 2022	3.3%)
(Net purchases in year to 31 July 2023	£3,559,000)

* For a definition of terms see Glossary of Terms and Alternative Performance Measures on pages 123 and 124.

Portfolio executive summary

Performance

	1 year %	3 years %	5 years %	10 years %
Share price	(8.9)	17.0	62.4	283.8
NAV	(3.6)	32.9	82.4	258.5
Benchmark*	0.8	4.3	14.1	96.3

All figures are stated on a total return basis† for the period to 31 July 2023.

* Benchmark: MSCI All Country Asia ex Japan Index (in sterling terms).

† Alternative Performance Measure – see Glossary of Terms and Alternative Performance Measures on pages 123 and 124.

Source: Baillie Gifford/Refinitiv and relevant underlying index providers. See disclaimer on page 122.

Key contributors and detractors to performance – year to 31 July 2023

Contributors	Absolute performance %*
Ramkrishna Forgings	189.1
Samsung Engineering	81.9
EO Technics	93.3
Tata Motors	44.5
Skipper	213.7

Detractors	Absolute performance %*
Jadestone	(77.4)
Delhivery Ⓟ	(42.7)
JD.com	(34.1)
LONGi Green Energy	(56.2)
Dailyhunt (VerSe Innovation) Ⓤ	(29.0)

* Absolute performance (in sterling terms) has been calculated on a total return basis over the period 1 August 2022 to 31 July 2023. For the definition of total return see Glossary of Terms and Alternative Performance Measures on pages 123 and 124.

Ⓟ Denotes listed investment previously held in the portfolio as a private company investment.

Ⓤ Denotes private company investment.

Source: Revolution.

New buys

- FPT
- Jio Financial Services
- Mobile World Investment Corporation
- Silergy
- SK hynix
- TISCO

Additions

- Alibaba Group
- Baidu.com
- Chalice Mining
- Dada Nexus ADR
- EO Technics
- Indiabulls Real Estate
- Jadestone
- JD.com
- KE Holdings
- Meituan
- Military Commercial Joint Stock Bank
- Ping An Bank
- Ping An Insurance
- Tata Motors
- Vinh Hoan Corporation

Complete sales

- China Conch Environment Protection
- China Conch Venture
- Douzone Bizon
- Flitto
- Han's Laser Technology
- Huayu Automotive Systems
- Hypebeast
- Jiangxi Copper Co
- Kaspi.Kz JSC GDR
- Korea Zinc
- L&C Bio
- LG Chem
- Nickel Mines
- PT Aneka Tambang
- PT Vale Indonesia
- S-Fuelcell
- SK IE Technology
- Star Health & Allied Insurance Co (P)
- Zomato (P)

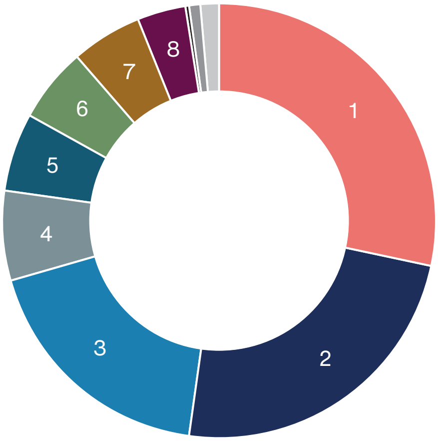
Reductions

- China Oilfield Services
- Delhivery (P)
- Lemon Tree Hotels
- Prestige Estate Projects
- Ramkrishna Forgings
- Phoenix Mills
- Merdeka Copper Gold
- Hyundai Mipo Dockyard
- Samsung Engineering
- MMG

(P) Denotes listed investment previously held in the portfolio as a private company investment.

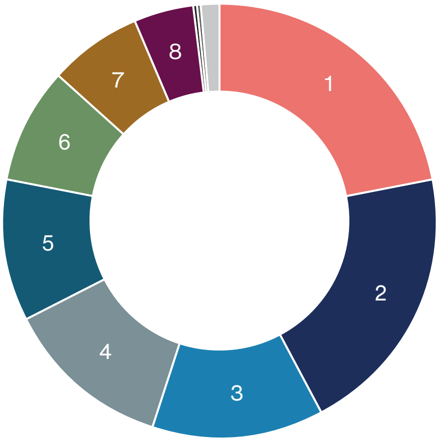
Distribution of total assets* and size splits

Geographical 2023



	Geographical	2023 %	2022 %
1	China	28.5	20.4
2	India	23.9	24.2
3	Korea	18.3	17.4
4	Vietnam	6.7	5.4
5	Taiwan	5.7	4.5
6	Indonesia	5.7	8.9
7	China 'A' shares	5.2	7.1
8	Singapore	3.5	6.5
9	Hong Kong	0.3	4.9
10	Other	0.9	0.4
11	Net Liquid Assets	1.3	0.3

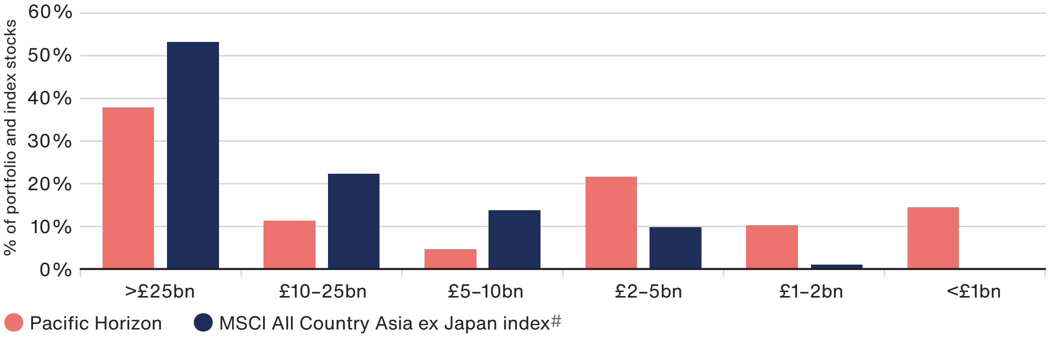
Sectoral 2023



	Sectoral	2023 %	2022 %
1	Information Technology	22.0	19.5
2	Consumer Discretionary	20.3	20.2
3	Financials	12.9	9.9
4	Materials	12.5	14.6
5	Industrials	10.6	13.5
6	Communication Services	8.6	9.6
7	Real Estate	6.9	4.6
8	Energy	4.3	6.9
9	Consumer Staples	0.5	0.3
10	Healthcare	0.1	0.6
11	Net liquid assets	1.3	0.3

Size splits (market capitalisation of investments)

As at 31 July 2023



Source: Baillie Gifford/Refinitiv and relevant underlying index providers.
See disclaimer on page 122.

* For a definition of terms see Glossary of Terms and Alternative Performance Measures on pages 123 and 124.

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

Valuing private companies

We aim to hold our private company investments at 'fair value' i.e. the price that would be paid in an open-market transaction. Valuations are adjusted both during regular valuation cycles and on an ad hoc basis in response to 'trigger events'. Our valuation process ensures that private companies are valued in both a fair and timely manner.

The valuation process is overseen by a valuations group at Baillie Gifford, which takes advice from an independent third party (S&P Global). The valuations group is independent from the investment team with all voting members being from different operational areas of the firm, and the investment managers only receive final notifications once they have been applied.

We revalue the private holdings on a three month rolling cycle, with one third of the holdings reassessed each month. During stable market conditions, and assuming all else is equal, each investment would be valued two times in a six month period. For investment trusts, the prices are also reviewed twice per year by the respective investment trust boards and are subject to the scrutiny of external auditors in the annual audit process.

Beyond the regular cycle, the valuations team also monitors the portfolio for certain 'trigger events'. These may include: changes in fundamentals; a takeover approach; an intention to carry out an Initial Public Offering ('IPO'); company news which is identified by the valuation team or by the portfolio managers, or meaningful changes to the valuation of comparable public companies. Any ad hoc change to the fair valuation of any holding is implemented swiftly and reflected in the next published net asset value. There is no delay.

The valuations team also monitors relevant market indices on a weekly basis and updates valuations in a manner consistent with our external valuer's (S&P Global) most recent valuation report where appropriate.

Continued market volatility has meant that recent pricing has moved much more frequently than would have been the case with the quarterly valuations cycle.

Pacific Horizon Investment Trust	
Instruments (lines of stock reviewed)	6
Revaluations performed	39
Percentage of portfolio revalued 2+ times	89%
Percentage of portfolio revalued 5+ times	33%

In the year to 31 July 2023, most revaluations have been decreases. A handful of companies have raised capital at an increased valuation. The average movement in both valuation and share price for those which have decreased in value is shown below.

	Average movement in company valuation	**Average movement in share price**
Pacific Horizon*	(29.7%)	(28.8%)

* Data reflecting period 1 August 2022 – 31 July 2023 to align with the Trust's reporting period end.

Share prices have decreased less than headline valuations, which is a result of holding classes of stock with preferential liquidation rights and therefore providing down side protection.

The share price movement reflects a probability weighted average of both the regular valuation, which would be realised in an IPO, and the downside protected valuation, which would normally be triggered in the event of a corporate sale or liquidation.

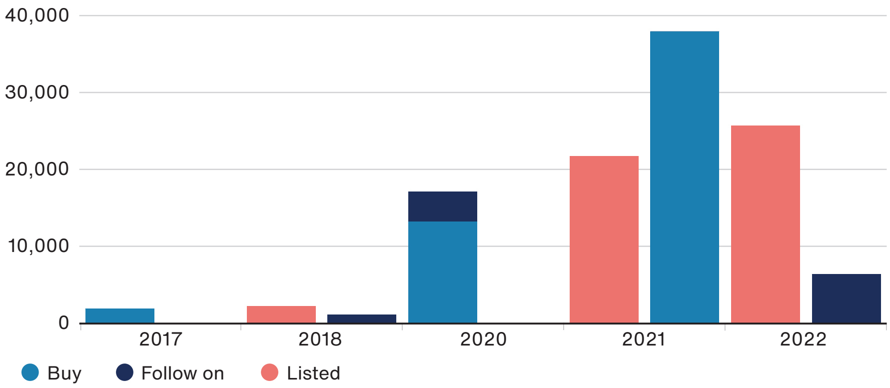
Private companies summary

Historical snapshot

Since our first investment in private companies in 2007, Pacific Horizon Investment Trust has deployed £65,600,000 of capital in this area.

Transaction value

Showing all transactions prior to report date (£'000).



04

private companies listed since initial purchase

05

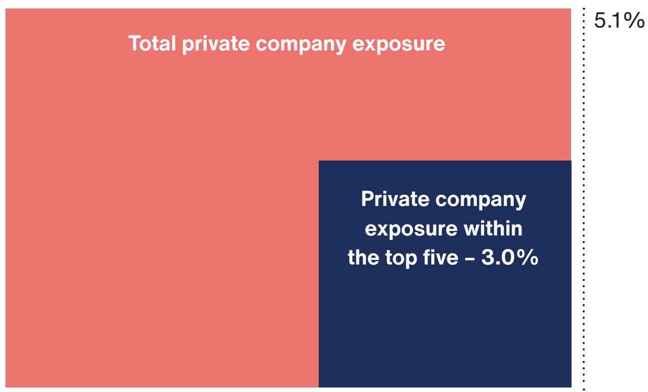
private companies currently held

Portfolio activity – year to 31 July 2023

No new capital was deployed in private companies during the year. No private companies listed or were taken-over during the year.

Concentration

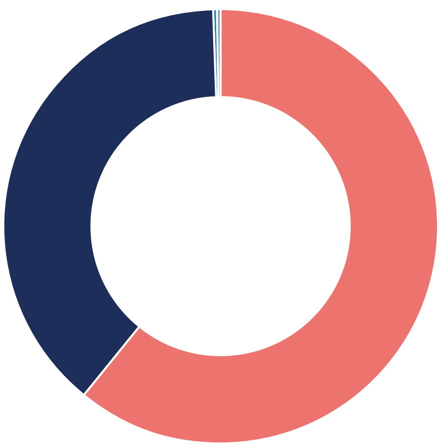
At 31 July 2023 we held 5 private companies which equated to 5.1% of total assets.



All figures stated as percentage of total assets, as at 31 July 2023.

Private exposure

(31 July 2023)

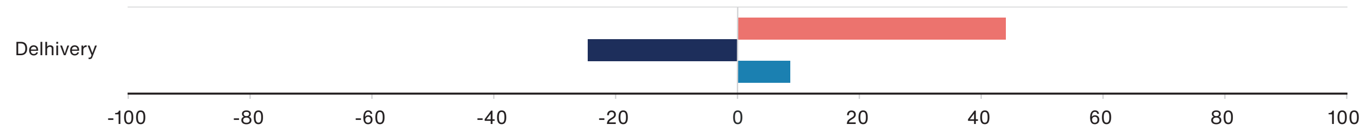


Dailyhunt (VerSe Innovation)	3.0% (£17,921,000)
ByteDance	2.0% (£11,413,000)
Chime Biologics	0.1% (£76,000)
Eden Biologics	<0.1% (£17,000)
Philtown Properties	(Nil)

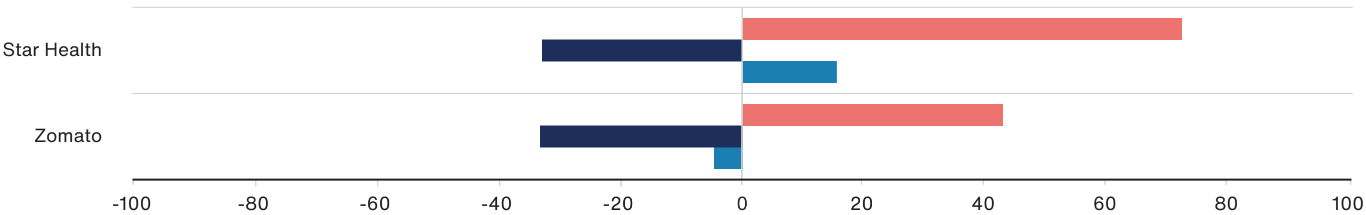
Performance of listed holdings held previously as private company investments from date of initial investment of each holding to 31 July 2023

(absolute performance in sterling terms as a %)

Listed holdings at 31 July 2023



Listed holdings sold in the year to 31 July 2023



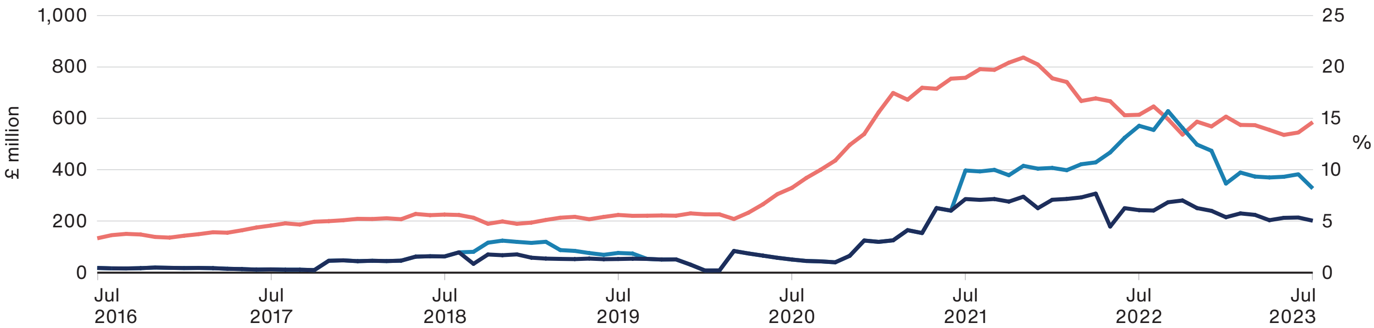
- Absolute performance from initial investment to initial public offering
- Absolute performance from initial public offering to 31 July 2023 or sale
- Total absolute performance from initial investment to 31 July 2023 or sale

Note: Absolute performance returns cannot be added together as they are geometric.

Source: Revolution/Baillie Gifford.

Private company securities and listed securities previously held as private company securities as a percentage of total assets*

(plotted quarterly from July 2016)



Source: Baillie Gifford.

- Total assets in sterling (left hand axis)
- Private company securities as a % of total assets (right hand axis)
- Private company securities and listed securities previously held in the portfolio as private comany securities as a % of total assets (right hand axis)

* See Glossary of Terms and Alternative Performance Measures on pages 123 to 124.

Size

Our private company exposure tends to be weighted to the upper end of the maturity curve, focussed on late stage private companies who are scaling up and becoming profitable.

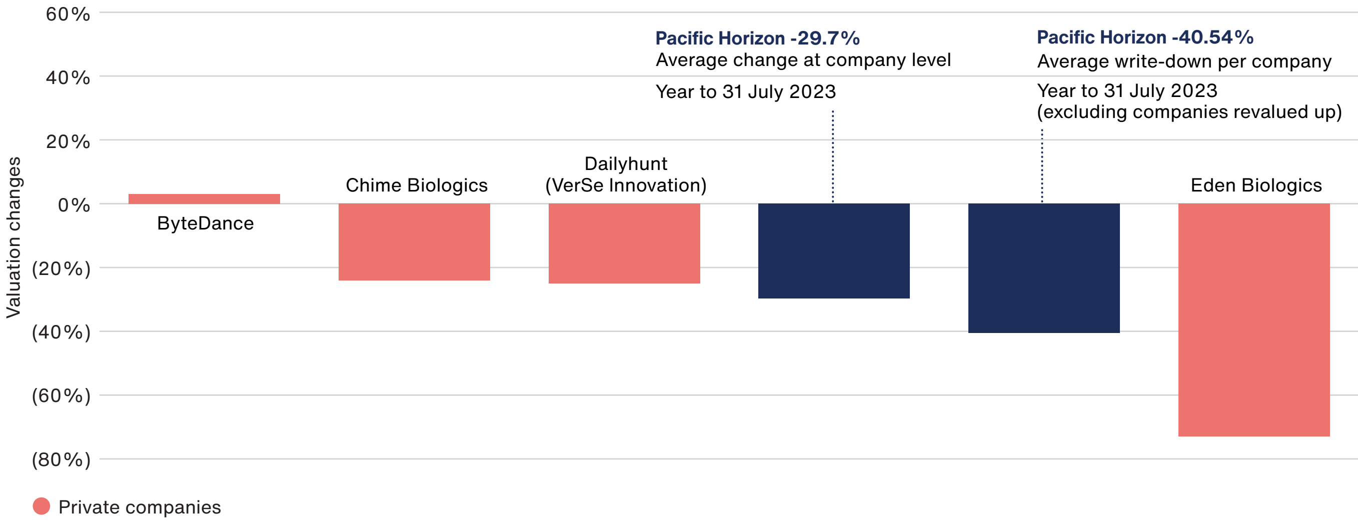
Cap	Total equity value (US$)	Portfolio %	Number of holdings
Micro	<$300m	0.1	3
Small	$300m–$2bn	–	–
Medium	$2bn–$10bn	–	–
Large	>$10bn	5.0	2
		5.1	**5**

As at 31 July 2023.

Overview

	2023 £'000	2022 £'000
Opening balance 1 August	37,243	54,101
Purchases at cost	–	6,373
Sales – proceeds received	–	–
– gains/(losses)	–	–
Change in listing	–	(23,341)
Change in fair value	(7,816)	110
Closing balance 31 July	**29,427**	**37,243**

Valuation movements – year to 31 July 2023



Source: Baillie Gifford. Pacific Horizon private company valuation changes, year to 31 July 2023.

Instruments valued	6
Revaluations performed	39

Valued up to 4 times	56%
Valued 5 times or more	33%

List of investments as at 31 July 2023

Name	Geography	Business	2023 Value £'000	2023 % of total assets
Samsung Electronics	Korea	Memory, phones and electronic components manufacturer	36,937	6.4
Ping An Insurance H Shares	China	Life insurance provider	21,418	3.7
Ramkrishna Forgings	India	Auto parts manufacturer	19,091	3.3
Delhivery Ⓟ	India	Logistics and courier services provider	18,399	3.2
Dailyhunt (VerSe Innovation) Series I Preferred Ⓤ	India	Indian news aggregator application	13,428	2.3
Dailyhunt (VerSe Innovation) Series Equity Ⓤ	India	Indian news aggregator application	2,462	0.4
Dailyhunt (VerSe Innovation) Series J Preferred Ⓤ	India	Indian news aggregator application	2,031	0.3
			17,921	3.0
Zijin Mining Group Co H Shares	China	Gold and copper miner	16,602	2.9
Tata Motors	India	Automobile manufacturer	16,420	2.8
EO Technics	Korea	Manufacturer and distributor of semiconductor laser markers	15,526	2.7
Samsung Engineering	Korea	Korean construction	14,926	2.6
JD.com	China	Online and mobile commerce	14,910	2.6
Alibaba Group	China	Online and mobile commerce	14,237	2.5
MMG	China	Chinese copper miner	14,237	2.5
Bank Rakyat	Indonesia	Consumer bank	13,684	2.4
Samsung SDI	Korea	Electrical equipment manufacturer	13,422	2.3
Reliance Industries	India	Indian petrochemical company	12,397	2.1
Indiabulls Real Estate	India	Domestic and commercial real estate provider	11,988	2.1
Li Ning	China	Sportswear apparel supplier	11,503	2.0
Sea Limited ADR	Singapore	Internet gaming and ecommerce	11,414	2.0
ByteDance Series E-1 Preferred Ⓤ	China	Social media	11,413	2.0
Merdeka Copper Gold	Indonesia	Indonesian miner	10,170	1.8
Lemon Tree Hotels	India	Owner and operator of a chain of Indian hotels and resorts	9,559	1.6
HDBank	Vietnam	Consumer bank	9,521	1.6
Phoenix Mills	India	Commercial property manager	9,448	1.6
Baidu.com	China	Internet provider	9,272	1.6
PT Astra International	Indonesia	Automobile distributor	8,782	1.5
Accton Technology	Taiwan	Server network equipment manufacturer	8,531	1.5

Name	Geography	Business	2023 Value £'000	2023 % of total assets
Dragon Capital Vietnam Enterprise Investments	Vietnam	Vietnam investment fund	8,232	1.4
Hoa Phat Group	Vietnam	Steel and related products manufacturer	8,150	1.4
KE Holdings	China	Real-estate platform	7,303	1.3
KE Holdings ADR	China	Real-estate platform	655	0.1
			7,958	1.4
Midea A Shares	China	Household appliance manufacturer	7,941	1.4
Prestige Estate Projects	India	Owner and operator of residential real estate properties	7,611	1.3
Skipper	India	Transmission and distribution structures provider	7,610	1.3
Meituan	China	Local services aggregator	7,560	1.3
Dada Nexus ADR	China	Chinese ecommerce distributor of online consumer products	7,315	1.3
TSMC	Taiwan	Semiconductor manufacturer	6,458	1.1
Zhejiang Supor Co A Shares	China	Chinese manufacturer of cookware and home appliance products	6,243	1.1
MediaTek	Taiwan	Taiwanese electronic component manufacturer	6,100	1.1
Jadestone	Singapore	Oil and gas explorer and producer	5,932	1.0
China Oilfield Services H Shares	China	Oilfield services	5,893	1.0
Hyundai Mipo Dockyard	Korea	Korean shipbuilder	5,536	1.0
Coupang	Korea	Ecommerce business	5,490	0.9
Military Commercial Joint Stock Bank	Vietnam	Retail and corporate bank	5,448	0.9
TISCO	Thailand	Retail and corporate bank	5,447	0.9
Koh Young Technology	Korea	3D inspection machine manufacturer	5,169	0.9
Silergy	Taiwan	Semiconductor manufacturer	4,979	0.9
Ningbo Peacebird Fashion A Shares	China	Chinese fashion	4,961	0.9
HDFC	India	Indian mortgage provider	4,872	0.8
LONGi Green Energy A Shares	China	Chinese semiconductor manufacturer	4,855	0.8
SK hynix	Korea	Semiconductor manufacturer	4,565	0.8
KH Vatec Company	Korea	Electronic component and device manufacturer	4,331	0.7
Geely Automobile	China	Automobile manufacturer	4,271	0.7
Kingdee International Software	China	Enterprise management software distributor	4,172	0.7
CIMC Vehicles H Shares	China	Manufacturer of trailers and trucks	4,154	0.7
SDI Corporation	Taiwan	Stationary and lead frames for semiconductors manufacturer	4,148	0.7

Name	Geography	Business	2023 Value £'000	2023 % of total assets
Ping An Bank A Shares	China	Consumer bank	3,767	0.6
Policybazaar	India	Online financial services platform	3,725	0.6
Mobile World Investment Corporation	Vietnam	Electronic and grocery retailer	3,400	0.6
Chalice Mining	China	Miner	3,311	0.6
Property Guru	Singapore	Real-estate platform	3,148	0.5
Vinh Hoan Corporation	Vietnam	Food producer	2,907	0.5
Tsugami Precision	China	Industrial machinery manufacturer	2,877	0.5
Wuxi Lead Intelligent Equipment Co A Shares	China	Manufacturer of electronic capacitors, solar energy and lithium battery equipment	2,421	0.4
AirTac International Group	Taiwan	Pneumatic components manufacturer	2,243	0.4
Techtronic Industries	Hong Kong	Power tool manufacturer	2,088	0.3
Jio Financial Services	India	Financial service business	1,273	0.2
Binh Minh Plastics Joint Stock Company	Vietnam	Plastic piping manufacturer	1,235	0.2
Nexteer Automotive	China	Producer of automotive components	1,111	0.2
Brilliance China Automotive	China	Minibus and automotive components manufacturer	1,076	0.2
FPT	Vietnam	IT service provider	944	0.1
Chime Biologics Ⓤ	China	Biopharmaceutical company	76	0.1
Eden Biologics Ⓤ	Taiwan	Biopharmaceutical company	17	<0.1
Philtown Properties Ⓤ	Philippines	Property developer	–	–
Total Investments			**572,748**	**98.7**
Net Liquid Assets*			**7,607**	**1.3**
Total Assets			**580,355**	**100.0**

Details of the ten largest investments are given on pages 28 to 31 along with comparative valuations.

* For a definition of terms see Glossary of Terms and Alternative Performance Measures on pages 123 and 124.

Ⓤ Denotes private company investment.

Ⓟ Denotes listed investment previously held in the portfolio as a private company investment.

	Listed equities %	Private company investments * %	Net liquid assets † %	Total assets %
31 July 2023	**93.6**	**5.1**	**1.3**	**100.0**
31 July 2022	93.6	6.1	0.3	100.0

Figures represent percentage of total assets.

* Includes holdings in ordinary shares and preference shares.

† For a definition of terms see Glossary of Terms and Alternative Performance Measures on pages 123 and 124.

Business review

Business model

Business and status

The Company is an investment company within the meaning of section 833 of the Companies Act 2006 and carries on business as an investment trust. Investment trusts are UK public listed companies and their shares are traded on the London Stock Exchange. They invest in a portfolio of assets in order to spread risk. The Company has a fixed share capital although, subject to shareholder approval, sought annually, it may purchase its own shares or issue shares. The price of the Company's shares is determined, like other listed shares, by supply and demand. The Company has been approved as an investment trust by HM Revenue & Customs subject to the Company continuing to meet the eligibility conditions. The Directors are of the opinion that the Company has continued to conduct its affairs so as to enable it to comply with the ongoing requirements of section 1158 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) (Tax) Regulations 2011.

The Company is an Alternative Investment Fund ('AIF') for the purposes of the UK Alternative Investment Fund Managers Regulations.

Purpose

The Company's purpose is to conduct business as an investment trust, investing its assets in accordance with its investment objective, in order to achieve capital growth for shareholders.

Investment objective

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

Investment policy

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

The portfolio contains companies which the managers have identified as offering the potential for long term capital appreciation, irrespective of whether they comprise part of any index. The portfolio is actively managed and will normally consist principally of quoted equity securities although unlisted companies, fixed interest holdings or other non-equity investments may be held. The maximum exposure to unlisted investments is 15% of total assets at the time of initial investment. The Company is also permitted to invest in other pooled vehicles (general, country and sector specific) that invest in the markets of the region.

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

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

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

Culture

As an externally managed investment company with no employees, Pacific Horizon's culture is expressed through its Board and its third party service providers, in particular its Managers, in their interactions with shareholders and other stakeholders. The Board's assessment of its own interactions is described in its Section 172 Statement on pages 52 to 54, and the Baillie Gifford Statement on Stewardship, which describes the Managers' culture of constructive engagement, is set out on page 17.

Borrowings

Facility	Lender	Maturing	2023	2022
£100 million	Royal Bank of Scotland International Limited	14 March 2025	No outstanding drawings	No outstanding drawings

The main covenants relating to the loan are that borrowings should not exceed 30% of the Company's adjusted net asset value and the Company's net asset value should be at least £300 million. There were no breaches in the loan covenants during the year.

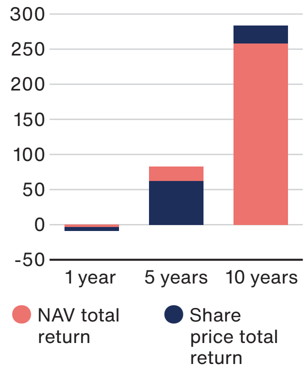
Performance

Key performance indicator

The Board uses key performance indicators (KPIs) to measure the progress and performance of the Company over time when discharging its duties as set out on page 67. These KPIs are established industry measures.

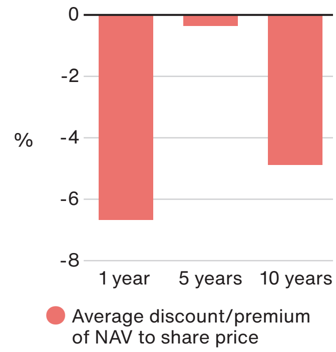
Share price and net asset value total returns (APM)

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



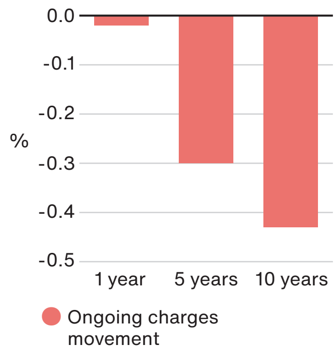
Share price discount/premium (APM)

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



Ongoing charges (APM)

Ongoing charges are the total recurring expenses (excluding the Company's cost of dealing in investments and borrowing costs) incurred by the Company as a percentage of the daily average net asset value.



The Board also has regard to the total return of the Company's principal comparative index (MSCI All Country Asia ex Japan Index (in sterling terms)) and considers the performance of comparable companies. Across these measures, the Board looks for relative outperformance over the long term, while remaining mindful that the nature of the investment policy and the growth characteristics of the portfolio investments may entail periods of underperformance over the short and medium term. The Board is satisfied with the Company's progress and performance.

Viability statement

Notwithstanding that the continuation of the Company is subject to approval of shareholders every five years, with the next vote at the Annual General Meeting in 2026, the Directors have, in accordance with provision 31 of the UK Corporate Governance Code, published by the Financial Reporting Council, assessed the prospects of the Company over a three year period. The Directors continue to believe this period to be appropriate as it is reflective of the Company's investment approach. In the absence of any adverse change to the regulatory environment and the favourable tax treatment afforded to UK investment trusts, such a period is one over which they do not expect there to be any significant change to the current principal risks and to the adequacy of the mitigating controls in place. The Directors do not envisage any change in the Company's strategy or objectives nor do they foresee any events that would prevent the Company from continuing in existence over that period.

In making this assessment regarding viability, the Directors have taken into account the Company's current position and have conducted a robust assessment of the Company's principal and emerging risks and uncertainties (as detailed on pages 47 to 51), in particular the impact of market risk where a significant fall in the Asia-Pacific (excluding Japan) and the Indian Sub-continent equity markets would adversely impact the value of the investment portfolio. The Directors have also considered the Company's investment objective and policy, the level of demand for the Company's shares, the nature of its assets, its liabilities and its projected income and expenditure. The vast majority of the Company's investments are readily realisable and can be sold to meet its liabilities as they fall due. The Company's primary third party suppliers, including its Managers and Secretaries, Custodian and Depositary, Registrar, Auditor and Broker, are not experiencing significant operational difficulties affecting their respective services to the Company. In addition, as substantially all of the essential services required by the Company are outsourced to third party service providers, key service providers can be replaced at relatively short notice where necessary.

Specific leverage and liquidity stress testing was conducted during the year, including consideration of increasing geopolitical tensions. The stress testing did not indicate any matters of material concern.

The Board monitors the level of discount/premium at which the shares trade and the Company has authority to buy back its existing shares, when deemed by the Board to be in the best interests of the Company and its shareholders. In the year to 31 July 2023, 979,012 ordinary shares, representing 1.1% of the issued share capital at 31 July 2022, were bought back at a total cost of £5,541,000.

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

Principal and emerging risks

As explained on page 71 there is a process for identifying, evaluating and managing the risks faced by the Company on a regular basis. The Directors have carried out a robust assessment of the principal and emerging risks facing the Company, including those that would threaten its business model, future performance, regulatory compliance, solvency or liquidity. There have been no material changes to the principal risks during the year. A description of these risks and how they are being managed or mitigated is set out below.

The Board considers the heightened macroeconomic and geopolitical concerns to be factors which exacerbate existing risks, rather than being new emerging risks, within the context of an investment trust. Their impact is considered within the relevant risks.

Financial risk

What is the risk?

The Company's assets consist mainly of listed securities (93.6% of the investment portfolio) and its principal and emerging financial risks are therefore market related and include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. An explanation of those risks and how they are managed is contained in note 18 to the Financial Statements on pages 104 to 111.

How is it managed?

The Board has, in particular, considered the impact of heightened market volatility during recent months due to macroeconomic factors such as higher inflation and interest rates and geopolitical concerns. In order to oversee this risk, the Board considers at each meeting various metrics including regional and industrial sector weightings, top and bottom stock contributors to performance along with sales and purchases of investments. Individual investments are discussed with the portfolio manager together with general views on the various investment markets and sectors. A strategy session is held annually.

Current assessment of risk

This risk is increasing due to increased market volatility as a result of heightened macroeconomic and geopolitical concerns.

Investment strategy risk

What is the risk?

Pursuit of an investment strategy to fulfil the Company's objective which the market perceives to be unattractive or inappropriate, or the ineffective implementation of an attractive or appropriate strategy, may lead to reduced returns for shareholders and, as a result, a decreased demand for the Company's shares. This may lead to the Company's shares trading at a widening discount to their net asset value.

How is it managed?

To mitigate this risk, the Board regularly reviews and monitors the Company's objective and investment policy and strategy, the investment portfolio and its performance, the level of discount/premium to net asset value at which the shares trade and movements in the share register and raises any matters of concern with the Managers.

Current assessment of risk

This risk is increasing as the market's appetite for growth stocks, typically held by the Company, has decreased during the recent period of heightened macroeconomic and geopolitical concern.

Increasing Risk   Decreasing Risk   No Change

Political and associated economic financial risk

What is the risk?

The Board is of the view that political change in areas in which the Company invests or may invest may have financial consequences for the Company.

How is it managed?

Political developments are closely monitored and considered by the Board, for example in respect of tensions between the USA and China regarding tariffs and unrest in Hong Kong and repercussions from the Russian invasion of Ukraine. It monitors portfolio diversification by investee companies' primary location, to mitigate against the negative impact of military action or trade barriers. The Board believes that the Company's portfolio, which predominantly comprises companies listed on the stock markets of the Asia Pacific region (excluding Japan) and the Indian Sub-continent, partially helps to mitigate such political risks.

Current assessment of risk

This risk is increasing due to the ongoing Russia-Ukraine military conflict and tensions between China and the US.

Discount risk

What is the risk?

The discount/premium at which the Company's shares trade relative to its net asset value can change. The risk of a widening discount is that it may undermine investor confidence in the Company.

How is it managed?

To manage this risk, the Board monitors the level of discount/premium at which the shares trade and the Company has authority to buy back its existing shares, when deemed by the Board to be in the best interests of the Company and its shareholders.

Current assessment of risk

The Company's discount widened during the year.

Regulatory risk

What is the risk?

Failure to comply with applicable legal and regulatory requirements such as the tax rules for investment trust companies, the FCA Listing Rules and the Companies Act could lead to suspension of the Company's Stock Exchange listing, financial penalties, a qualified audit report or the Company being subject to tax on capital gains.

How is it managed?

To mitigate this risk, Baillie Gifford's Business Risk, Internal Audit and Compliance Departments provide regular reports to the Audit Committee on Baillie Gifford's monitoring programmes. Major regulatory change could impose disproportionate compliance burdens on the Company. In such circumstances representation is made to ensure that the special circumstances of investment trusts are recognised. Shareholder documents and announcements, including the Company's published Interim and Annual Report and Financial Statements, are subject to stringent review processes and procedures are in place to ensure adherence to the Transparency Directive and the Market Abuse Directive with reference to inside information.

Current assessment of risk

All control procedures are working effectively. There have been no material regulatory changes that have impacted the Company during the year.

Increasing Risk | Decreasing Risk | No Change

Custody and depositary risk

What is the risk?

Safe custody of the Company's assets may be compromised through control failures by the Depositary, including breaches of cyber security.

How is it managed?

To mitigate this risk, the Audit Committee receives six-monthly reports from the Depositary confirming safe custody of the Company's assets held by the Custodian. Cash and portfolio holdings are independently reconciled to the Custodian's records by the Managers who also agree uncertificated private portfolio holdings to confirmations from investee companies. The Custodian's assured internal controls reports are reviewed by Baillie Gifford's Business Risk Department and a summary of the key points is reported to the Audit Committee and any concerns investigated.

Current assessment of risk

All control procedures are working effectively.

Operational risk

What is the risk?

Failure of Baillie Gifford's systems or those of other third party service providers could lead to an inability to provide accurate reporting and monitoring or a misappropriation of assets.

How is it managed?

To mitigate this risk, Baillie Gifford has a comprehensive business continuity plan which facilitates continued operation of the business in the event of a service disruption. The Audit Committee reviews Baillie Gifford's Report on Internal Controls and reports by other key third party providers are reviewed by Baillie Gifford on behalf of the Board and a summary of the key points is reported to the Audit Committee and any concerns investigated. The other key third party service providers have not experienced significant operational difficulties affecting their respective services to the Company.

Current assessment of risk

All control procedures are working effectively.

Increasing Risk | Decreasing Risk | No Change

Leverage risk

What is the risk?

The Company may borrow money for investment purposes. If the investments fall in value, any borrowings will magnify the impact of this loss. If borrowing facilities are not renewed, the Company may have to sell investments to repay borrowings. The Company can also make use of derivative contracts.

How is it managed?

To mitigate this risk, all borrowings require the prior approval of the Board and leverage levels are discussed by the Board and Managers at every meeting. Covenant levels are monitored regularly. The majority of the Company's investments are in quoted securities that are readily realisable. Further information on leverage can be found on page 118 and the Glossary of Terms and Alternative Performance Measures on pages 123 and 124.

Current assessment of risk

The Company's revolving loan facility remains undrawn.

Climate and governance risk

What is the risk?

Perceived problems on environmental, social and governance ('ESG') matters in an investee company could lead to that company's shares being less attractive to investors, adversely affecting its share price, in addition to potential valuation issues arising from any direct impact of the failure to address the ESG weakness on the operations or management of the investee company (for example in the event of an industrial accident or spillage). Repeated failure by the Managers to identify ESG weaknesses in investee companies could lead to the Company's own shares being less attractive to investors, adversely affecting its own share price.

How is it managed?

This is mitigated by the Managers' strong ESG stewardship and engagement policies which are available to view on the Managers' website, **bailliegifford.com**, and which have been reviewed and endorsed by the Company, and which have been fully integrated into the investment process. Due diligence includes assessment of the risks inherent in climate change (see page 55).

Current assessment of risk

The Investment Manager continues to employ strong ESG stewardship and engagement policies.

Increasing Risk Decreasing Risk No Change

Cyber security risk

What is the risk?	How is it managed?	Current assessment of risk
A cyber attack on Baillie Gifford's network or that of a third party service provider could impact the confidentiality, integrity or availability of data and systems.	To mitigate this risk, the Audit Committee reviews Reports on Internal Controls published by Baillie Gifford and other third party service providers. Cyber security due diligence is performed by Baillie Gifford on third party service providers which includes a review of crisis management and business continuity frameworks.	All control procedures are working effectively.

Emerging risk

What is the risk?	How is it managed?	Current assessment of risk
As explained on page 71 of the Annual Report and Financial Statements, the Board has regular discussions on principal risks and uncertainties, including any risks which are not an immediate threat but could arise in the longer term. The Board considers that the key emerging risks arise from the interconnectedness of global economies and the related exposure of the investment portfolio to external and emerging threats such as escalating geopolitical tensions, cyber security risks including developing AI and quantum computing capabilities, and new coronavirus variants or similar public health threats.	This is mitigated by the Managers' close links to the investee companies and their ability to ask questions on contingency plans. The Managers believe the impact of such events may be to slow growth rather than to invalidate the investment rationale over the long term.	No change in emerging risks.

Increasing Risk Decreasing Risk No Change

Promoting the success of the Company (section 172 statement)

Under section 172 of the Companies Act 2006, the directors of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters and to the extent applicable) to: a) the likely consequences of any decision in the long term, b) the interests of the company's employees, c) the need to foster the company's business relationships with suppliers, customers and others, d) the impact of the company's operations on the community and the environment, e) the desirability of the company maintaining a reputation for high standards of business conduct, and f) the need to act fairly as between members of the company.

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

The Board considers that the interests of the Company's key stakeholders are aligned, in terms of wishing to see the Company deliver sustainable long-term growth, in line with the Company's stated objective and strategy, and meet the highest standards of legal, regulatory, and commercial conduct, with the differences between stakeholders being merely a matter of emphasis on those elements.

The Board's methods for assessing the Company's progress in the context of its stakeholders' interests are set out below.

Stakeholder	Why we engage	How we engage and what we do
Shareholder	Shareholders are, collectively, the Company's owners: providing them with a return for their investment in accordance with the Company's investment policy and objective is the reason for its existence.	The Board places great importance on communication with shareholders. The Annual General Meeting provides an opportunity for the Board and Managers to present to shareholders on the Company's performance, future plans and prospects. It also allows shareholders the opportunity to meet with the Board and Managers and raise questions and concerns. The Chair is available to meet with shareholders as appropriate. The Managers meet regularly with shareholders and their representatives, reporting their views back to the Board. Directors also attend certain shareholder presentations, in order to gauge shareholder sentiment first hand. Shareholders may also communicate with members of the Board at any time by writing to them at the Company's registered office or to the Company's broker. These communication opportunities help inform the Board when considering how best to promote the success of the Company for the benefit of all shareholders over the long term.

Stakeholder	Why we engage	How we engage and what we do
Baillie Gifford – Managers and Secretaries	The Company's Board has delegated the management of the Company's portfolio, and the administration of the Company's operations including fulfilment of regulatory and taxation reporting requirements, to Baillie Gifford. Baillie Gifford is therefore responsible for the substantial activities of the Company and has the most immediate influence on its conduct towards the other stakeholders, subject to the oversight and strategic direction provided by the Board.	The Board seeks to engage with its Managers, and other service providers, in a collaborative and collegiate manner, encouraging open and constructive discussion and debate, while also ensuring that appropriate and regular challenge is brought and evaluation conducted. This approach aims to enhance service levels and strengthen relationships with the Company's providers, with a view to ensuring the interests of the Company's shareholders are best served by keeping cost levels proportionate and competitive, and by maintaining the highest standards of business conduct.
Portfolio companies	As all of the Company's operations are conducted by third party professional providers, it is the companies held in its investment portfolio which have the primary real-world impact in terms of social and environmental change, both positively and negatively, as well as generating, through their commercial success, the investment growth sought by the Company's shareholders. The investee companies have an interest in understanding their shareholders' investment rationale in order to assure themselves that long-term business strategies will be supported.	The Board is cognisant of the need to consider the impact of the Company's investment strategy and policy on wider society and the environment. The Board considers that its oversight of environmental, social and governance ('ESG') matters is an important part of its responsibility to all stakeholders. The Board's review of the Managers includes an assessment of their ESG approach and its application in making investment decisions. The Board regularly reviews Governance Engagement reports, which document the Managers' interactions with investee companies on ESG matters (see pages 20 and 21).
Brokers	The Company's brokers provide an interface between the Company's Board and its institutional shareholders.	The Company's brokers regularly attend Board meetings, and provide reports to those meetings, in order to keep the Board apprised of shareholder and wider market sentiment regarding the Company. They also arrange forums for shareholders to meet the Chair, or other Directors, outwith the normal general meeting cycle.
Registrars	The Company's registrars provide an interface with those shareholders who hold the Company's shares directly.	The Company Secretaries liaise with the registrars to ensure the frequency and accuracy of communications to shareholders is appropriate, and monitor shareholder correspondence to ensure that the level of service provided by the Registrars is acceptable. The Manager's risk function reviews the registrars' internal controls report and reports on the outcome of this review to the Board.
Auditor	The Company's Auditor has a responsibility to provide an opinion on whether the Company's Financial Statements as a whole are free from material misstatement, as set out in more detail in the Auditor's report to the Members on page 84.	The Company's Auditor meets with the Audit Chair and the Board, in the absence of the Managers where deemed necessary, and the Managers undertake to provide all information requested by the auditor in connection with the Company's annual audit promptly and to ensure that it is complete and accurate in all respects.

Stakeholder	Why we engage	How we engage and what we do
Depositary and Custodian	The depositary is responsible for the safekeeping of the Company's financial instruments, as set out in more detail on page 62.	The Board and Managers seek to engage with the Company's other service providers in a collaborative and collegiate manner, encouraging open and constructive discussion and debate, while also ensuring that appropriate and regular challenge is brought and evaluation conducted. This approach aims to enhance service levels and strengthen relationships with the Company's providers, with a view to ensuring the interests of the Company's shareholders are best served by keeping cost levels proportionate and competitive, and by maintaining the highest standards of business conduct.
Lenders	Lenders such as holders of debt instruments (debentures, bonds and private placement loan notes) and banks providing fixed or revolving credit facilities provide the Company's gearing as described on page 8 and have an interest in the Company's ongoing financial health and viability.	The Company's legal advisers review all legal agreements in connection with the Company's debt arrangements and advise the Board on the appropriateness of the terms and covenants therein. The Managers and Secretaries ensure that the frequency and accuracy of reporting on, for example, covenant certification, is appropriate and that correspondence from the lenders receives a prompt response.
AIC/industry peers	The Association of Investment Companies (AIC) and the Company's investment trust industry peers have an interest in the Company's conduct and performance, as adverse market sentiment towards one investment trust can affect attitudes towards the wider industry.	The Company is a member of the AIC, and the Directors and/or the Managers and Secretaries (as appropriate) participate in technical reviews, requests for feedback on proposed legislation or regulatory developments, corporate governance discussions and/or training.
Investment platforms	Investment platforms provide an interface with shareholders who invest in the Company indirectly.	The Managers liaise with the various investment platforms on strategies for improving communications with the Company's shareholders who hold their shares via these platforms. An annual timetable of key dates is published on the Company's website, for the ease of reference of such shareholders.
Wider society and the environment	No entity, corporate or otherwise, can exist without having an influence on the society in which it operates or utilising the planet's resources. Through its third-party relationships, as noted above, the Company seeks to be a positive influence and, in circumstances where that is not possible, to mitigate its negative impacts insofar as is possible.	The Board and Managers' interactions with the various stakeholders as noted above form the principal forms of direct engagement with wider society and in respect of the environment (commercial, financial, and in terms of planetary health and resources).

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

- the buying back of 979,012 of the Company's own shares into treasury at a discount to net asset value, for subsequent reissue, in order to ensure the Company's shareholders found liquidity for their shares when natural market demand was insufficient, and on terms that enhance net asset value for remaining shareholders.
- the raising of £1,376,000 from new share issuance on two separate occasions on a non pre-emptive basis at a premium to net asset value.

Employees, human rights and community issues

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

Gender representation

As at 31 July 2023, and the date of this report, the Board comprises five Directors, three male and two female. The Company has no employees. The Board's policy on diversity is set out on page 70.

Environmental, social and governance policy

Details of the Company's policy on socially responsible investment can be found under Corporate Governance and Stewardship on page 73 with more details of the Managers' approach to socially responsible investment set out under Environmental, Social and Governance Considerations in the Managers' review on page 16 and the Baillie Gifford statement on stewardship on page 17. The Managers are signatories to the United Nations Principles for Responsible Investment and the Carbon Disclosure Project, the Net Zero Asset Managers Initiative and are also members of the International Corporate Governance Network and the Asian Corporate Governance Association.

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

Climate change

The Board recognises that climate change poses a serious threat to our environment, our society and to economies and companies around the globe. Addressing the underlying causes is likely to result in companies that are high emitters of carbon facing greater societal and regulatory scrutiny and higher costs to account for the true environmental impact of their activities. The Managers published the Company's first TCFD Report in June 2023. This report is a means by which the portfolio's carbon footprint and exposure to climate risk are measured and reported. Companies disclosing their emission and communicating emissions plans will be a helpful place from which to begin more useful discussions with management teams, industry experts and regulators.

Although this can direct our efforts, the Managers believe that carbon footprint metrics in isolation are unhelpful – that some firms pollute more than others is a mostly meaningless observation. More significant is the ability of Pacific Horizon to deploy patient capital into innovative new technologies with the potential to accelerate the transition away from carbon. An external provider was engaged to map the carbon footprint of the portfolio. This analysis estimates that the carbon intensity of Pacific Horizon is 70.7% less than the index (MSCI All Country Asia ex Japan) and is based on 82.9% of the value of the Company's equity portfolio which reports on carbon emissions and other carbon related characteristics. Under the Streamlined Energy and Carbon Reporting ('SECR') regulations, the Company is not required to disclose energy and carbon information (see page 66).

Future developments of the Company

The outlook for the Company is set out in the Chairman's statement on page 10 and in the Managers' review on pages 11 to 16. The Strategic report which includes pages 7 to 55 was approved by the Board of Directors and signed on its behalf on 5 October 2023.

Angus Macpherson
Chairman

Governance report

This governance report, which includes pages 57 to 82 outlines the Board's approach to the governance of your Company. We believe that good governance builds better outcomes and we are committed to high standards of corporate governance and transparency.

Directors and management

Directors

Angus Macpherson

Chairman

Appointed 2017

Angus Macpherson was appointed a Director in 2017 and Chairman in 2019. He is chief executive of Noble and Company (UK) Limited, an independent Scottish corporate finance business. He is currently chairman of Henderson Diversified Income Trust plc and a non-executive director of Schroder Japan Trust plc and Hampden & Co PLC. He was based in Asia between 1995 and 2004 in Singapore and Hong Kong, latterly as Head of Capital Markets and Financing for Merrill Lynch for Asia.

Sir Robert Chote

Director

Appointed 2020

Sir Robert Chote was appointed a Director in 2020. He became chairman of the Northern Ireland Fiscal Council in 2021, chairman of the UK Statistic Authority in 2022 and was chairman of the Office for Budget Responsibility to 2020. He previously served as Director of the Institute for Fiscal Studies, as an advisor to the International Monetary Fund and as Economics Editor of the Financial Times. He is a senior adviser to governance reform consultancy FMA and a visiting professor at the Department of Political Economy, Kings College London. He serves on advisory boards at the Warwick Manufacturing Group and the Centre for Economic Performance of the London School of Economics.

Wee-Li Hee

Director

Appointed 2020

Wee-Li Hee was appointed a Director in 2020. She is an experienced Asian analyst and fund manager. Brought up in Singapore, she speaks fluent Mandarin and studied in the UK at the University of Leeds and the London School of Economics and Political Science. After graduation, in 2002 she joined First State Investments in Singapore as an analyst, subsequently moving to the firm's Edinburgh office in 2005. Having co-managed Scottish Oriental Smaller Companies Trust plc she became lead manager in 2014, stepping back as a result of family commitments to return to a co-manager role in 2017 and retiring at the end of 2019. She is a CFA Charterholder and a director of Melville Paisley Investments.

Angela Lane

Audit Committee Chair

Appointed 2018

Angela Lane was appointed a Director in 2018. She is Chairman of the Audit Committee and is the Senior Independent Director. She is a qualified accountant and has held several non-executive and advisory roles for small and medium capitalised companies across a range of industries. Previously she spent 18 years working as a private equity investor for 3i plc. She is a non-executive director and Chair of the Audit Committee of BlackRock Throgmorton Trust plc, Seraphim Space Investment Trust plc and Dunedin Enterprise Investment Trust PLC.

Joe Studwell

Director

Appointed 2018

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

All of the Directors are members of the Nomination, Management Engagement and Audit Committee.

Portfolio Managers

Roderick Snell

Investment Manager

Appointed 2013

Roddy is an Investment Manager in the Emerging Markets Equity Team. He joined Baillie Gifford in 2006 and became a partner of the firm in 2023. He has managed the Baillie Gifford Pacific Fund since 2010 and has been Manager of Pacific Horizon Investment Trust since 2021 (having been Deputy since 2013). Roddy also co-manages the China equity strategy. Prior to joining the team in 2008, he has also spent time in the UK and European Equity teams. Roddy graduated BSc (Hons) in Medical Biology from the University of Edinburgh in 2006.

Ben Durrant

Deputy Manager

Appointed 2023

Ben is an Investment Manager in the Emerging Markets Equity Team. He has co-managed the Baillie Gifford Pacific Fund since 2021, and became Deputy Manager of the Pacific Horizon Investment Trust in January 2023. He joined Baillie Gifford in 2017 and has also spent time in the UK, Global Discovery and Private Companies teams. Prior to joining Baillie Gifford, he previously worked for RBS in their Group Strategy and Corporate Finance Team. Ben is a Chartered Accountant and a CFA Charterholder, and graduated BSc (Hons) in Mathematics from the University of Edinburgh in 2012.

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

Baillie Gifford is one of the largest investment trust managers in the UK and currently manages thirteen close-ended investment companies. Baillie Gifford also manages open-ended investment companies, together with investment portfolios on behalf of pension funds, charities and other institutional clients, both in the UK and overseas. Funds under the management or advice of Baillie Gifford totalled around £217 billion. Based in Edinburgh, it is one of the leading privately owned investment management firms in the UK, with 57 partners and a staff of around 1,800.

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

Directors' report

The Directors present their Report together with the Financial Statements of the Company for the year to 31 July 2023.

Corporate governance

The Corporate Governance Report is set out on pages 67 to 73 and forms part of this Report.

Managers and company secretaries

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

The Investment Management Agreement sets out the matters over which the Managers have authority in accordance with the policies and directions of, and subject to restrictions imposed by, the Board. The Managers may terminate the Management Agreement on six months' notice and the Company may terminate on three months' notice. Compensation fees would only be payable in respect of the notice period if termination were to occur within a shorter notice period. The Board is of the view that calculating the fee with reference to performance would be unlikely to exert a positive influence on performance.

The annual management fee is 0.75% on the first £50 million of net assets, 0.65% on the next £200 million of net assets and 0.55% on the remaining net assets.

The Board considers the Company's investment management and secretarial arrangements on an ongoing basis and a formal review is conducted by the Management Engagement Committee annually.

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

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

Following the most recent review, it is the opinion of the Management Engagement Committee that the continuing appointment of Baillie Gifford & Co Limited as AIFM and Secretaries, and the delegation of the investment management services to Baillie Gifford & Co and the further sub-delegation of dealing activity and transaction reporting to Baillie Gifford Overseas Limited and Baillie Gifford Asia (Hong Kong) Limited, on the terms agreed, is in the interests of shareholders as a whole due to the strength of the investment management team, the Managers' commitment to the investment trust sector and the quality of the secretarial and administrative functions. In undertaking the review, the Directors also considered the execution of the agreed investment strategy and the relative performance over the medium term.

Depositary

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

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

Directors

Information about the Directors, including their relevant experience, can be found on pages 57 and 58.

All of the Directors are retiring at the Annual General Meeting ('AGM') and all are offering themselves for re-election. Following formal performance evaluation, the Chairman confirms that the Board considers that each Director's performance continues to be effective and that they remain committed to the Company and capable of devoting sufficient time to their roles. The Board therefore recommends their re-election to shareholders.

Director indemnification and insurance

The Company has entered into qualifying third party deeds of indemnity in favour of each of its Directors. The deeds, which were in force during the year to 31 July 2023 and up to the date of approval of this report, cover any liabilities that may arise to a third party, other than the Company, for negligence, default or breach of trust or duty. The Directors are not indemnified in respect of liabilities to the Company, any regulatory or criminal fines, any costs incurred in connection with criminal proceedings in which the Director is convicted or civil proceedings brought by the Company in which judgement is given against him/her. In addition, the indemnity does not apply to any liability to the extent that it is recovered from another person. The Company also maintains Directors' and Officers' liability insurance.

Conflicts of interest

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

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

Dividends

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

As highlighted previously, the Board does not intend to draw on the Company's revenue reserve to pay or maintain dividends. This year the net revenue available for distribution to shareholders amounted to £4,166,000, which is of sufficient magnitude to require a distribution to be made to maintain investment trust status.

The Directors are therefore recommending the payment of a final dividend of 3.25 pence per share. If approved, the recommended final dividend on the ordinary shares will be paid on 30 November 2023 to shareholders on the register at the close of business on 27 October 2023. The ex-dividend date is 26 October 2023. The Company's Registrar offers a Dividend Reinvestment Plan (see page 118) and the final date for elections for this dividend is 9 November 2023.

Share capital

Capital structure

The Company's capital structure as at 31 July 2023 consists of 91,081,949 ordinary shares of 10p each (2022 – 91,860,961 ordinary shares), see note 13. At 31 July 2023, 993,012 shares were held in treasury. (2022 – 214,000 shares held in Treasury) There are no restrictions concerning the holding or transfer of the Company's ordinary shares and there are no special rights attached to any of the shares.

Dividends

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

Capital entitlement

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

Voting

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

Major interests disclosed in the Company's shares

Name	Ordinary 10p shares held at 31 July 2023	% of issue
Sarasin and Partners LLP (indirect)*	7,757,676	8.5%

* Previously disclosed as A&OT Investments Limited (direct).

Analysis of shareholders at 31 July

	2023 Number of shares held	2023 %	2022 Number of shares held	2022 %
Institutions	40,501,832	44.5	15,385,298	16.7
Intermediaries	45,742,294	50.2	74,400,248	81.0
Individuals	4,500,977	4.9	1,750,123	1.9
Marketmakers	336,846	0.4	325,292	0.4
	91,081,949	100.0	91,860,961	100.0

Holdings above are stated as per the most recent notification to a Regulatory Information Service. There have been no changes to the major interests in the Company's shares disclosed up to 3 October 2023.

Annual General Meeting

The details of this year's AGM, including the proposed resolutions and information on the deadlines for proxy appointments, can be found on pages 113 to 116. Shareholders who hold shares in their own name on the main register will be provided with a Form of Proxy. If you hold shares through a share platform or other nominee, the Board would encourage you to contact these organisations directly as soon as possible to arrange for you to vote at the AGM. The resolutions relating to the renewal of the Directors' authorities to issue and buy back shares, are explained in more detail below.

Issuance of shares

At the last Annual General Meeting, the Directors were granted shareholders' approval for a general authority to issue shares and also an authority to issue shares or sell shares held in treasury on a non pre-emptive basis (without first offering such shares to existing shareholders pro-rata to their existing holdings) for cash up to an aggregate nominal amount of £916,432. Both authorities expire at the forthcoming Annual General Meeting and the Directors are seeking shareholders' approval to renew them for a further year, as detailed below.

During the year to 31 July 2023 the Company bought back 979,012 shares (representing 1.1% of the issued share capital at 31 July 2022) at a discount to net asset value at a cost of £5,541,000 which are held in treasury. In addition, the Company issued a total of 200,000 shares on a non pre-emptive basis (nominal value £20,000 representing 0.2% of the issued share capital at 31 July 2022) at a premium to net asset value (on the basis of debt valued at par value) on two separate occasions at a weighted average price of 688.00 pence per share raising net proceeds of £1,376,000. Between 1 August and 3 October 2023, no further shares were issued and 35,000 shares were bought back. 1,028,012 shares were held in treasury as at 3 October 2023.

Resolution 11 in the Notice of Annual General Meeting seeks a general authority for the Directors to issue ordinary shares up to an aggregate nominal amount of £910,469. This amount represents approximately 10% of the Company's total ordinary share capital in issue at 3 October 2023, being the latest practicable date prior to the publication of this document, and meets institutional guidelines. No issue of ordinary shares will be made pursuant to the authorisation in Resolution 11 which would effectively alter the control of the Company without the prior approval of shareholders in general meeting.

Resolution 12 which is being proposed as a special resolution, seeks to renew the Directors' authority to allot equity securities, or sell treasury shares, for cash without having to offer such shares to existing shareholders pro-rata to their existing holdings, up to a total nominal amount of £910,469 representing approximately 10% of the Company's total issued ordinary share capital as at 3 October 2023, being the latest practicable date prior to publication of this document.

The Directors consider that the authority proposed to be granted by Resolution 12 continues to be advantageous when the Company's shares trade at a premium to net asset value and the level of natural liquidity in the market is unable to meet demand. The Directors do not intend to use this authority to sell or issue ordinary shares on a non pre-emptive basis at a discount to net asset value. While the level of the authority being sought is greater than the 5% recommended by the Pre-Emption Group in their Statement of Principles on disapplying pre-emption rights, it is specifically recognised in the Statement of Principles that, where an investment trust is seeking authority to issue shares at a premium to the underlying net asset value per share, this should not normally raise concerns and the Directors consider the greater flexibility provided by this authority to be justified in the circumstances.

The authorities sought in Resolutions 11 and 12 will continue until the conclusion of the Annual General Meeting to be held in 2024 or on the expiry of 15 months from the passing of the resolutions, if earlier.

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

Market purchase of own shares by the Company

Resolution 13 seeks shareholders' approval (by way of a special resolution) to renew the authority to purchase up to 14.99 per cent. of the ordinary shares in issue (excluding treasury shares) as at 3 October 2023, being the latest practicable date prior to publication of this document (or, if less, up to 14.99 per cent. of the ordinary shares in issue (excluding treasury shares) on the date on which the resolution is passed). This authority will expire at the end of the Annual General Meeting of the Company to be held in 2024. Such purchases will only be made at a discount to the prevailing net asset value.

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

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

b. cancel such shares (or any of them).

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

Treasury shares do not receive distributions and the Company will not be entitled to exercise the voting rights attaching to them. In accordance with the Listing Rules, the maximum price (exclusive of expenses) that may be paid on the exercise of the authority shall be an amount equal to the higher of:

i. 5 per cent. above the average closing price on the London Stock Exchange of an ordinary share over the five business days immediately preceding the date of the purchase; and

ii. the higher of the price of the last independent trade and the highest current independent bid for such a share on the London Stock Exchange.

The minimum price (again exclusive of expenses) that may be paid will be the nominal value of an ordinary share. Purchases of ordinary shares will be made within guidelines established, from time to time, by the Board. The Company does not have any warrants or options in issue. The Directors intend that this authority, if conferred, will be exercised only if to do so would result in an increase in net asset value per ordinary share for the remaining shareholders and if it is in the best interest of shareholders generally.

Recommendation

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

Financial instruments

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

Future developments of the Company

The outlook for the Company is set out in the Chairman's statement on pages 7 to 10 and the Managers' review on pages 11 to 16.

Going concern

In accordance with the Financial Reporting Council's guidance on going concern and liquidity risk, the Directors have undertaken a rigorous review of the Company's ability to continue as a going concern.

The Company's principal and emerging risks are market related. An explanation of these risks and how they are managed is contained on pages 47 to 51 and in note 18 to the Financial Statements. The Board has, in particular, considered the impact of heightened market volatility over recent months due to macroeconomic and geopolitical concerns, but it does not believe the Company's going concern is affected.

The Company's assets, the majority of which are investments in quoted securities which are readily realisable, exceed its liabilities significantly. All borrowings require the prior approval of the Board. The Board approves borrowing and gearing limits and reviews regularly the amounts of any borrowing and the level of gearing as well as compliance with borrowing covenants. Stress testing was performed in the year and no matters were raised. The Company has continued to comply with the investment trust status requirements of section 1158 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) (Tax) Regulations 2011. The Company's primary third party suppliers, including its Managers and Secretaries, Custodian and Depositary, Registrar, Auditor and Broker, are not experiencing significant operational difficulties affecting their respective services to the Company. In accordance with the Company's Articles of Association, shareholders have the right to vote on the continuation of the Company every five years, the next vote being in 2026. The Financial Statements have been prepared on the going concern basis; having assessed the principal and emerging risks and other matters set out in the Viability Statement on page 46 (which assesses the prospects of the Company over a period of three years) it is the Directors' opinion that the Company will continue in operational existence for a period of at least twelve months from the date of approval of these Financial Statements.

Articles of Association

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

Disclosure of information to auditor

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

Independent Auditor

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

Post balance sheet events

The Directors confirm that there have been no post Balance Sheet events which require adjustment of, or disclosure in, the Financial Statements or notes thereto up to 5 October 2023.

Greenhouse Gas Emissions and Streamlined Energy & Carbon Reporting ('SECR')

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

Bribery act

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

Criminal Finances Act 2017

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

On behalf of the Board
Angus Macpherson
Chairman
5 October 2023

Corporate governance report

The Board is committed to achieving and demonstrating high standards of Corporate Governance. This statement outlines how the principles of the 2018 UK Corporate Governance Code ('Code'), which can be found at frc.org.uk, and the relevant principles of the Association of Investment Companies ('AIC') Code of Corporate Governance ('AIC Code') issued in 2019 were applied throughout the financial year. The AIC Code provides a framework of best practice for investment companies and can be found at theaic.co.uk.

Compliance

The FRC has confirmed that AIC member companies who report against the AIC Code will be meeting their obligations in relation to the UK Code (the AIC Code can be found at **theaic.co.uk**). The Board confirms that the Company has complied throughout the year under review with the relevant provisions of the Code and the recommendations of the AIC Code with the exception that the Company does not have a separate internal audit function as explained on page 71.

The Board

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

As at 31 July 2023 and up to the date of this report the Board comprises five Directors all of whom are non-executive and independent.

The Chairman, Mr RA Macpherson, is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda.

Ms AC Lane is the Senior Independent Director ('SID') and, as such, available to shareholders if they have concerns not properly addressed to the Chairman. The SID leads the Chairman's performance appraisal and chairs the Nomination Committee when it considers the Chairman's succession.

Board of Directors

Comprises independent non-executive directors

Chair: Angus Macpherson
Senior Independent Director: Angela Lane

Audit Committee

Chair: Angela Lane

Purpose: The primary purpose of a company's audit committee is to provide oversight of the financial reporting process, the audit process, the Company's system of internal controls and compliance with laws and regulations.

Management Engagement Committee

Chair: Angus Macpherson

Purpose: The role of the Management Engagement Committee is to ensure that the Managers remain suitable to manage the portfolio, that the management contract is competitive and reasonable for the shareholders, and that the Company maintains appropriate administrative and company secretarial support.

Nomination Committee

Chair: Angus Macpherson

Purpose: The main purpose of the Nomination Committee is to oversee Board recruitment and succession planning as well as Board appraisals including identifying training needs.

Third-party service providers appointed by the Board

Alternative Investment Fund Managers and Company Secretary:
Baillie Gifford & Co Limited (wholly owned subsidiary of Baillie Gifford & Co)

Dealing activity and transaction reporting:
Baillie Gifford Overseas Limited and Baillie Gifford Asia (Hong Kong) Limited

BDO LLP

Auditor

The Bank of New York Mellon (International) Limited

Depositary

Computershare Investor Services PLC

Registrar

JP Morgan Cazenove

Company Broker

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

The Directors believe that the Board has a balance of skills and experience that enable it to provide effective strategic leadership and proper governance of the Company. Information about the Directors, including their relevant experience, can be found on page 57.

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

Appointments to the Board

New Directors are appointed by the Board, following recommendation to the Board by the Nomination Committee. The terms and conditions of Directors' appointments are set out in formal letters of appointment which are available for inspection on request.

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

In accordance with the AIC Code of Corporate Governance, all Directors are subject to annual re-election.

The names of Directors retiring and offering themselves for re-election together with the reasons why the Board supports this are set out on page 62.

Independence of Directors

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

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

In accordance with the AIC Code of Corporate Governance, all Directors are subject to annual re-election. Following a formal performance evaluation, the Board concluded that its members continued to be independent in character and judgement and their skills and experience added significantly to the strength of the Board.

Meetings

There is an annual cycle of Board meetings which is designed to address, in a systematic way, overall strategy, review of investment policy, investment performance, marketing, revenue budgets, dividend policy and communication with shareholders.
The Board considers that it meets sufficiently regularly to discharge its duties effectively. The table below shows the attendance record for the core Board and Committee Meetings held during the year, excluding ancillary and sub-committee meetings. The Annual General Meeting was attended by all Directors.

Directors' attendance at meetings

	Board	Audit Committee	Nomination Committee	Management Engagement Committee
Number of meetings	**4**	**2**	**1**	**1**
RA Macpherson	4	2	1	1
RW Chote	4	2	1	1
W Hee	4	2	1	1
AC Lane	4	2	1	1
RF Studwell	4	2	1	1

Chairperson and Directors' tenure

The Nomination Committee has considered the question of tenure for directors and has concluded that there should not be a set maximum time limit for a director or chairperson to serve on the Board. The Nomination Committee keeps under review the balance of skills, knowledge, experience, performance and length of service of the Directors, ensuring the Board has the right combination of skills and preservation of knowledge and experience, balanced with the appointment of new Directors, bringing in fresh ideas and perspective.

Management Engagement Committee

All Directors are members of the Management Engagement Committee, which is chaired by the Chairman of the Board. The Board considers each member of the Committee to be independent. To discharge its duties, the Committee met during the year to consider: the performance and suitability of the Manager; the terms and conditions of the AIFM Agreement, including fees; and the Committee's Terms of Reference. The Committee's Terms of Reference are available on request from the Company and on the Company's page of the Managers' website: **pacifichorizon.co.uk**.

Nomination Committee

The Nomination Committee consists of all the non-executive Directors and the Chairman of the Board is Chairman of the Committee. The Committee meets on an annual basis and at such other times as may be required. The Committee has written terms of reference that include reviewing the composition of the Board, identifying and nominating new candidates for appointment to the Board, Board appraisal, planning for an orderly succession including overseeing development of a diverse pipeline for succession, and training. The Committee also considers whether Directors should be recommended for re-election by shareholders. The Committee is responsible for considering Directors' potential conflicts of interest and for making recommendations to the Board on whether or not potential conflicts are material to an individual Director's performance. The Committee's Terms of Reference are available on request from the Company and on the Company's page of the Managers' website: **pacifichorizon.co.uk**.

Diversity policy

Appointments to the Board are made on merit with due regard for the benefits of diversity including gender, social and ethnic backgrounds, cognitive and personal strengths. The priority in appointing new directors is to identify the candidate with the best range of skills and experience to complement existing Directors. Within the context of a small, entirely non-executive Board, a single appointment or retirement can have a significant impact on percentage representation, and a limited number of senior roles are available. The Board will endeavour to comply with the FCA Listing Rules diversity targets more often than not but notes that an orderly succession plan can, when implemented thoughtfully and having regard to the best interests of the Company and its shareholders, take a significant period of time to develop and may result in periods when the diversity targets are not met. Furthermore, the particular circumstances of directors may prevent them from being able to undertake the responsibilities of a senior role. In such circumstances, the value brought to the Board by their inclusion outweighs the ambition of meeting diversity targets.

Board composition

In order to fulfil its obligations, the Board recognises the importance of having a range of skilled and experienced Directors, balancing the benefits of length of service and knowledge of the Company with the desirability of ensuring regular refreshment of the Board. The Board reviews its composition annually.

The following disclosures are provided in respect of the FCA Listing Rules targets that: i) 40% of a board should be women; ii) at least one senior role should be held by a woman; and iii) at least one board member should be from a non-white ethnic background, as defined by the Office of National Statistics criteria.

As an externally managed investment company with no chief executive officer or chief financial officer, the roles which qualify as senior under FCA guidance are Chair and Senior Independent Director ('SID'). The Board also considers Audit Committee Chair to represent a senior role within this context.

The Board currently complies in all respects with the FCA Listing Rules targets.

Gender	Number	%	Senior roles
Men	3	60	1
Women	2	40	1
Prefer not to say	–	–	–

Ethnic background	Number	%	Senior roles
White	4	80	2
Asian/Asian British	1	20	–
Prefer not to say	–	–	–

Performance evaluation

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

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

Induction and training

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

Remuneration

As all the Directors are non-executive there is no requirement for a separate Remuneration Committee. Directors' fees are considered by the Board as a whole within the limits approved by shareholders. The Company's policy on remuneration is set out in the Directors' Remuneration Report on pages 77 to 80.

Audit Committee

The report of the Audit Committee is set out on pages 74 to 76.

Internal controls and risk management

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

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

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

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

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

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

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

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

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

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

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

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

The risk limits, which are set by the AIFM and approved by the Board, take into account the objectives, strategy and risk profile of the portfolio. These limits including leverage (see page 118) are monitored and the sensitivity of the portfolio to key risks is undertaken periodically as appropriate to ascertain the impact of changes in key variables in the portfolio. Exceptions from limits monitoring and stress testing undertaken by Baillie Gifford's Business Risk Department are escalated to the AIFM and reported to the Board along with remedial measures being taken.

Relations with shareholders

The Board places great importance on communication with shareholders. The Company's Managers meet regularly with shareholders and their representatives and report shareholders' views to the Board. The Chairman and Directors also attend shareholder presentations in London and Edinburgh with the Managers, as well as maintaining open lines of communication with market participants and investors in the Company, separate of the Managers' involvement, in order to ascertain views on corporate matters. The Chairman is available to meet with shareholders as appropriate. Shareholders wishing to communicate with any members of the Board may do so by writing to them at the Secretaries' address or through the Company's Corporate Broker, JP Morgan Cazenove (see contact details on page 125).

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

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

Corporate governance and stewardship

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

The Board believes that it is in the shareholders' interests to consider environmental, social and governance ('ESG') factors when selecting and retaining investments and has asked the Managers to take these issues into account as long as the investment objectives are not compromised. The Managers do not exclude companies from their investment universe purely on the grounds of ESG factors but adopt a positive engagement approach whereby matters are discussed with management with the aim of improving the relevant policies and management systems and enabling the Managers to consider how ESG factors could impact long term investment returns. The Managers' statement of compliance with the UK Stewardship code can be found on the Managers' website at **bailliegifford.com**. The Managers' policy has been reviewed and endorsed by the Board. Baillie Gifford & Co Limited as the Company's Manager has considered the Sustainable Finance Disclosures Regulation ('SFDR') and further details can be found on page 121.

On behalf of the Board
Angus Macpherson
Chairman
5 October 2023

Audit committee report

The Audit Committee consists of all the Directors. The members of the Committee consider that they have the requisite financial skills and experience to fulfil the responsibilities of the Committee. Ms AC Lane is Chairman of the Audit Committee.

The Committee's authority and duties are clearly defined within its written terms of reference which are available on request from the Company Secretaries and at **pacifichorizon.co.uk**. The terms of reference are reviewed annually.

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

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

Main activities of the committee

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

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

- the results announcements and the Annual and Interim Reports;
- the Company's accounting policies and practices;
- the regulatory changes impacting the Company;
- the fairness, balance and understandability of the Annual Report and Financial Statements and whether it provided the information necessary for shareholders to assess the Company's performance, business model and strategy;
- the effectiveness of the Company's internal control environment;
- the reappointment, remuneration and terms of engagement of the external Auditor;

- whether the audit services contract should be put out to tender;
- the policy on the engagement of the external Auditor to supply non-audit services;
- the independence and objectivity of the external Auditor and the effectiveness of the audit process;
- the need for the Company to have its own internal audit function;
- the internal controls reports received from the Managers and Custodian; and
- the arrangements in place within Baillie Gifford & Co whereby their staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

Internal audit

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

The external auditor has adopted a wholly substantive approach to testing and therefore the absence of an internal audit function has not had an impact on audit procedures.

Financial reporting

The Committee considers that the most significant areas of risk likely to impact the Financial Statements are the existence and valuation of investments, as they represent 98.7% of total assets, and the accuracy and completeness of income from investments.

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

The value of all the listed investments as at 31 July 2023 were agreed to external price sources. The Committee reviewed the Manager's valuation policy for investments in unlisted (private) companies (as described on page 36) and approved the valuation of the private investments following a detailed review of the valuation of each investment and relevant challenge where appropriate. The listed portfolio holdings were agreed to confirmations from the Company's custodian and the private company holdings were agreed to confirmations from the investee companies.

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

The Committee considered the factors, including the impact of increasing geopolitical tensions, that might affect the Company's viability over a period of three years and its ability to continue as a going concern for at least twelve months from the date of signing of the Financial Statements, together with reports from the Managers on the cash position and cash flow projections of the Company, the liquidity of its investment portfolio, compliance with debt covenants, availability of borrowing facilities, and the Company's ability to meet its obligations as they fall due. The Committee also reviewed the viability statement on page 46 and statement on going concern on page 65. Following this assessment, the Committee recommended to the Board the appropriateness of the going concern basis in preparing the Financial Statements and confirmed the accuracy of the viability statement and statement on going concern.

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

Internal controls and risk management

The Committee reviewed the effectiveness of the Company's risk management and internal controls systems as described on page 71. No significant weaknesses were identified in the year under review.

External auditor

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

- the Auditor's audit plan which includes a report from the Auditor describing its arrangements to manage auditor independence and received confirmation of its independence; and
- the extent of non-audit services provided by the external Auditor. There were no non-audit fees for the year to 31 July 2023.

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

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

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

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

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

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

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

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

Accountability and audit

The respective responsibilities of the Directors and the Auditor in connection with the Financial Statements are set out on pages 81 to 82.

On behalf of the Board
Angela Lane
Chairman of the Audit Committee
5 October 2023

Directors' remuneration report

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

The Directors' Remuneration Policy is subject to shareholder approval every three years or sooner if an alteration to the policy is proposed. As the Remuneration Policy was last approved at the Annual General Meeting in November 2020, shareholders' approval of the policy is being sought at the forthcoming Annual General Meeting. Your attention is drawn to Resolution 2 in the Notice of Annual General Meeting on page 113. The policy for which approval is being sought is set out below and is unchanged from that currently in force.

Directors' remuneration policy

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

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

Non-executive Directors are not eligible for any other remuneration or benefits apart from the reimbursement of allowable expenses. There are no performance conditions relating to Directors' fees and there are no long term incentive schemes or pension schemes. There is no notice period and no compensation is payable on loss of office.

Statement by the Chairman

The Board reviewed the level of fees during the year and it was agreed that the principal consideration when assessing the level of fees was balancing the cost of remuneration with ensuring that the Company had the ability to attract and retain directors with the necessary skills, knowledge and experience to fulfil the Board's responsibilities.

The Board were of the view that the investment policy of the Company was at least as complex, if not more complex, than the majority of investment trusts, as the Company's Managers invest in a large number of developed, emerging and frontier markets on its behalf, each with a distinct legal and regulatory framework. The Company also had exposure to both listed and private equities and could be exposed to complex securities such as convertible bonds. The Board, which periodically undertakes a skills audit, was of the opinion that the scope of oversight required for this necessitated a range of specialist skills to properly understand the investment activities of the Company.

Following discussion and consideration of:

- the change to CPI over the period, which had increased 8.7% in the twelve months to 31 May 2023;
- the responsibilities of the Directors, which had increased modestly year on year;
- the changes to the complexity of the activities of the Company, which was unchanged year on year;
- the long-term performance of the Company, which over the medium to long term was outperforming; and
- the market level of directors' fees, which according to the Trust Associates September 2022 report based on the data from around 300 investment companies in its database as at end March 2022, showed a median level of directors' fees of £30,000 per annum.

It was agreed that, as of 1 August 2023, the Directors' fees would be increased from £28,000 to £30,000 per annum, the Chairman's fee be increased from £42,000 to £45,000 per annum (being 50% more than the Director's fee) and the Audit Committee Chairman's fee be increased from £35,000 to £37,500 per annum (being 25% more than the Director's fee and because the Audit Committee Chairman is also the Company's Senior Independent Director). Fees were last increased on 1 August 2022.

Limits on Directors' remuneration

The fees for the non-executive Directors are payable monthly in arrears and are determined within the limit set out in the Company's Articles of Association which is currently £200,000 per annum in aggregate. Any change to this limit requires shareholder approval.

The fees paid to Directors in respect of the year ended 31 July 2023 and the expected fees payable in respect of the year ending 31 July 2024 are set out in the table below. The fees payable to the Directors in the subsequent financial periods will be determined following an annual review of the Directors' fees.

	Expected fees for the year ending 31 July 2024 £	**Fees as at 31 July 2023 £**
Chairman's fee	45,000	42,000
Non-executive Director fee	30,000	28,000
Additional fee for Audit Committee Chair	7,500	7,000
Total aggregate annual fees that can be paid to the Directors in any year under the Directors' Remuneration Policy, as set out in the Company's Articles of Association	200,000	200,000

Annual report on remuneration

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

The law requires the Company's Auditor to audit certain of the disclosures provided in this report. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is included in the Independent Auditor's Report on pages 84 to 90.

Directors' remuneration for the year (audited)

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

Name	2023 Fees £	2023 Taxable benefits * £	2023 Total £	% change in year	2022 Fees £	2022 Taxable benefits * £	2022 Total £
RA Macpherson	42,000	654	**42,654**	12.7	37,500	337	**37,837**
RW Chote	28,000	3,751	**31,751**	9.2	25,000	4,072	**29,072**
W Hee	28,000	–	**28,000**	10.9	25,000	254	**25,254**
AC Lane	35,000	2,876	**37,876**	11.4	30,000	3,989	**33,989**
RF Studwell	28,000	2,606	**30,606**	6.8	25,000	3,662	**28,662**
	161,000	**9,887**	**170,887**	**10.4**	**142,500**	**12,314**	**154,814**

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

Annual percentage change in remuneration

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

Name	% from 2022 to 2023	% from 2021 to 2022	% from 2020 to 2021
RA Macpherson	12.7	9.7	10.6
RW Chote*	9.2	85.3	n/a
W Hee†	10.9	9.8	500.1
AC Lane#	11.4	35.3	1.5
RF Studwell	6.8	24.6	(5.9)

* Appointed 25 November 2020, receiving 8 months of remuneration in the year to July 2021 of £15,687 and 12 months of remuneration the following year of £29,072, being an 85.3% increase.

† Appointed 1 June 2020, receiving 2 months of remuneration in the year to July 2020 of £3,833 and 12 months of remuneration the following year of £23,000, being a 500.1% increase.

Audit Committee Chair from 10 November 2020, receiving 8 months of an additional Audit Committee Chair fee of £5,000 in the year to July 2021 and 12 months of an additional £7,000 fee in the year to July 2022 being a 35.3% increase.

Directors' interests (audited)

The Directors at the end of the year under review and their interests in the Company are as shown in the following table. There have been no changes intimated in the Directors' interests up to 3 October 2023.

Name	Nature of interest	Ordinary 10p shares held at 31 July 2023	Ordinary 10p shares held at 1 August 2022
RA Macpherson	Beneficial	42,000	42,000
RW Chote	Beneficial	500	–
W Hee	Beneficial	10,000	5,000
AC Lane	Beneficial	8,862	8,834
RF Studwell	Beneficial	5,000	5,000

As per the Articles of Association, it is not a requirement for Directors to hold shares in the Company.

Statement of voting at Annual General Meeting

At the last Annual General Meeting, of the proxy votes received in respect of the Directors' Remuneration Report, 99.2% were in favour, 0.5% were against and votes withheld were 0.3%. At the last Annual General Meeting at which the Directors' Remuneration Policy was considered (November 2020), 99.3% of the proxy votes were in favour, 0.3% were against and votes withheld were 0.4%.

Relative importance of spend on pay

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

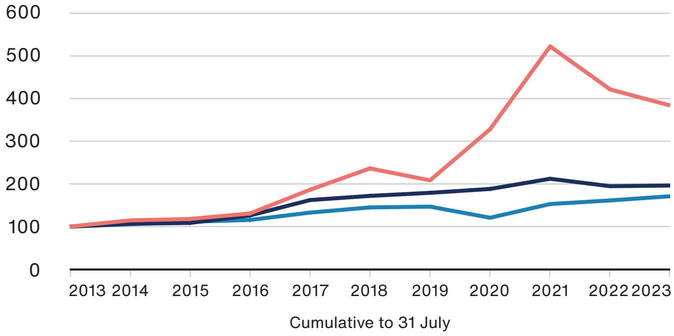
	2023 £'000	2022 £'000	Change %
Directors' remuneration	171	155	10.4
Dividends payable/paid to shareholders	2,959	2,745	7.8

Company performance

The following graph compares, for the ten financial years ended 31 July 2023, the share price total return (assuming all dividends are reinvested) to Pacific Horizon ordinary shareholders compared to the total shareholder return on a notional investment made up of shares in the component parts of the FTSE All-Share Index. This index was chosen for comparison purposes as it is a widely used measure of performance for UK listed companies. The Company's comparative index is provided for information purposes only.

Performance graph

Pacific Horizon's Share Price, FTSE All-Share Index and Comparative Index (figures rebased to 100 at 31 July 2013)



Source: Refinitiv and underlying data providers. See disclaimer on page 122.
All figures are total return (see glossary of terms and alternative performance measures on pages 123 and 124).

Past performance is not a guide to future performance.

Approval

The Directors' Remuneration Report on pages 77 to 80 was approved by the Board of Directors and signed on its behalf on 5 October 2023.

Angus Macpherson
Chairman

Statement of Directors' responsibilities

in respect of the Annual Report and the Financial Statements

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

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have prepared the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and applicable law).

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- prepare a Directors' Report, a Strategic Report and a Directors' Remuneration Report which comply with the requirements of the Companies Act 2006.

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.

The Directors are responsible for ensuring the Annual Report and the Financial Statements are made available on a website. Financial Statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of Financial Statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the Financial Statements contained therein. The Directors have delegated responsibility to the Managers for the maintenance and integrity of the Company's page of the Managers' website.

Directors' confirmations

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

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

On behalf of the Board
Angus Macpherson
Chairman
5 October 2023

Notes

The following notes relate to financial statements published on a website and are not included in the printed version of the Annual Report and Financial Statements:

- The maintenance and integrity of the Baillie Gifford & Co website is the responsibility of Baillie Gifford & Co; the work carried out by the auditor does not involve consideration of these matters and accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Financial report

The Financial Statements for the year to 31 July 2023 are set out on pages 91 to 111 have been prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Independent Auditor's report

to the members of Pacific Horizon Investment Trust PLC

Opinion on the Financial Statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 July 2023 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.

We have audited the Financial Statements of Pacific Horizon Investment Trust PLC (the 'Company') for the year ended 31 July 2023 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standard, including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 15 November 2017 to audit the Financial Statements for the year ended 31 July 2018 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is six years, covering the years ended 31 July 2018 to 31 July 2023. We remain independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Company.

Conclusions relating to going concern

In auditing the Financial Statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Evaluating the appropriateness of the Directors' method of assessing going concern in light of market volatility and the present uncertainties in economic recovery by reviewing the information used by the Directors in completing their assessment;
- Reviewing the forecasted cash flows that support the Directors' assessment of going concern, challenging assumptions and judgements made in the forecasts, and scenarios considered, assessing them for reasonableness. In particular, we considered the liquidity of the portfolios and the available cash resources relative to the forecast expenditure which was assessed against the prior year for reasonableness;
- Performing stress testing on forecasted cash flows to take into account the impact of increased inflation;
- Assessing the accuracy of historical forecasting by agreeing to actual results; and
- Performing an assessment of the Company's ability to meet its short-term obligations by assessing the net asset position and available cash balance.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the Financial Statements are authorised for issue.

In relation to the Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the Financial Statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

		2023	2022
Key audit matters	Valuation and ownership of investments	√	√
Materiality	Company Financial Statements as a whole £5.8m (2022 – £6.1m) based on 1% (2022 – 1%) of net assets		

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company's system of internal control, and assessing the risks of material misstatement in the Financial Statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit addressed the Key Audit Matter
Valuation and ownership of investments (Note 1 and Note 9) The investment portfolio at the year-end comprised quoted equity investments valued at £543.3m and private company investments valued at £29.4m. We considered the valuation and ownership of investments to be the most significant audit area as investments represent the most significant balance in the Financial Statements and underpin the principal activity of the entity. Whilst we do not consider the valuation of the quoted equity investments to be subject to a significant degree of estimation or judgement, there is a risk that the prices used by the Company are not reflective of the fair value of those investments as at the year end. The unquoted investments have significant judgement involved in selecting a valuation methodology and a high level of estimation uncertainty involved in determining their valuations. There is also a risk that errors made in the recording of investment holdings result in the incorrect reflection of investments owned by the Company. For these reasons and the materiality of the balance in relation to the Financial Statements as a whole, we considered this to be a key audit matter.	We responded to this matter by testing the valuation and ownership of the portfolio of investments. We performed the following procedures: With respect to the quoted equity investments we: • Confirmed the year-end bid price was used by agreeing to externally quoted prices; • Assessed if there were contra indicators, such as liquidity considerations, to suggest bid price is not the most appropriate indication of fair value by considering the realisation period for individual holdings; • Obtained direct confirmation of the number of shares held per equity investment from the custodian regarding all investments held at the balance sheet date; and • Recalculated the valuation by multiplying the number of shares held per the statement obtained from the custodian by the valuation per share. With respect to a sample of the Level 3 private company unquoted investments, we performed the following procedures: • Considered the appropriateness of the valuation methodology applied under the International Private Equity and Venture Capital Valuation ('IPEV') Guidelines and the accounting framework; • Tested the accuracy of the application of the valuation methodology selected; • Corroborated factual inputs to the valuations to appropriate sources and challenged subjective inputs including comparison to independent information where appropriate and performing stress and reverse stress testing; and • Where management used inputs from external experts, we assessed the competence, and expertise of the expert inclnuding consideration of relevant experience and qualifications held. We considered the independence and objectivity of the expert. We considered the appropriateness of the methodology and assumptions employed by the expert through review of the accounting framework and valuation guidelines followed. **Key observations:** Based on our procedures performed we did not identify any matters to suggest the valuation or ownership of the quoted equity or private company investments was not appropriate.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the Financial Statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the Financial Statements as a whole.

Based on our professional judgement, we determined materiality for the Financial Statements as a whole and performance materiality as follows:

	Company Financial Statements 2023	2022
Materiality	£5.8m	£6.1m
Basis for determining materiality	1% of the value of net assets	1% of the value of net assets
Rationale for the benchmark applied	As an investment trust, the net asset value is the key measure of performance for users of the Financial Statements.	
Performance materiality	£4.35m	£4.57m
Basis for determining performance materiality	75% of materiality	75% of materiality
Rationale for the percentage applied for performance materiality	The level of performance materiality applied was set after having considered a number of factors including the expected total value of known and likely misstatements and the level of transactions in the year.	

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £207k (2022 – £256k). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds

Other information

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

We have nothing to report in this regard.

Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the Financial Statements or our knowledge obtained during the audit.

Going concern and longer-term viability

- The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified; and
- The Directors' explanation as to their assessment of the Company's prospects, the period this assessment covers and why the period is appropriate.

Other code provisions

- Directors' statement on fair, balanced and understandable;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems; and
- The section describing the work of the Audit Committee.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic Report and Directors' Report

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

Directors' remuneration

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

Matters on which we are required to report by exception

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

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

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the Financial Statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Company and the industry in which it operates;
- Discussion with management and those charged with governance;
- Obtaining and understanding of the Company's policies and procedures regarding compliance with laws and regulations;

We considered the significant laws and regulations to be Companies Act 2006, sections 1158 and 1159 of the Corporation Tax Act, the DTR rules, the principles of the AIC Code of Corporate Governance, industry practice represented by the AIC SORP and the applicable accounting framework.

Our procedures in respect of the above included:

- Agreement of the financial statement disclosures to underlying supporting documentation;
- Enquiries of management and those charged with governance relating to the existence of any non-compliance with laws and regulations;
- Reviewing minutes of meeting of those charged with governance throughout the period for instances of non-compliance with laws and regulations; and
- Reviewing the calculation in relation to Investment Trust status compliance to check that the Company was meeting its requirements to retain its Investment Trust status.

Fraud

We assessed the susceptibility of the financial statement to material misstatement including fraud.

Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Company's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud;
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud; and
- Discussion amongst the engagement team as to how and where fraud might occur in the Financial Statements.

Based on our risk assessment, we considered the areas most susceptible to be management override of controls and the valuation of private company investments.

Our procedures in respect of the above included:

- The procedures set out in the Key Audit Matters section above for private company investments;
- Review of estimates and judgements applied by management in the Financial Statements to assess their appropriateness and the existence of any systematic bias;
- Review and consideration of the appropriateness of adjustments made in the preparation of the Financial Statements; and
- Review of unadjusted audit differences, if any, for indications of bias or deliberate misstatement.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the Financial Statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the Financial Statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: **frc.org.uk/auditorsresponsibilities**. This description forms part of our auditor's report.

Use of our report

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

Chris Meyrick (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Edinburgh, UK
5 October 2023

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

Income statement

For the year ended 31 July

	Notes	2023 Revenue £'000	2023 Capital £'000	2023 Total £'000	2022 Revenue £'000	2022 Capital £'000	2022 Total £'000
Losses on investments	9	–	(25,404)	**(25,404)**	–	(118,594)	**(118,594)**
Currency (losses)/gains	14	–	(791)	**(791)**	–	1,292	**1,292**
Income	2	9,580	–	**9,580**	11,067	–	**11,067**
Investment management fee	3	(3,419)	–	**(3,419)**	(4,036)	–	**(4,036)**
Other administrative expenses	4	(762)	–	**(762)**	(1,093)	–	**(1,093)**
Net return before finance costs and taxation		**5,399**	**(26,195)**	**(20,796)**	**5,938**	**(117,302)**	**(111,364)**
Finance costs of borrowings	5	(403)	–	**(403)**	(756)	–	**(756)**
Net return before taxation		**4,996**	**(26,195)**	**(21,199)**	**5,182**	**(117,302)**	**(112,120)**
Tax	6	(830)	(1,256)	**(2,086)**	(1,352)	5,288	**3,936**
Net return after taxation		**4,166**	**(27,451)**	**(23,285)**	**3,830**	**(112,014)**	**(108,184)**
Net return per ordinary share	**7**	**4.56p**	**(30.05p)**	**(25.49p)**	**4.21p**	**(123.01p)**	**(118.80p)**

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

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

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

The accompanying notes on pages 95 to 111 are an integral part of the Financial Statements.

Balance sheet

As at 31 July

	Notes	2023 £'000	2023 £'000	2022 £'000	2022 £'000
Fixed assets					
Investments held at fair value through profit or loss	9		572,748		608,539
Current assets					
Debtors	10	420		1,248	
Cash and cash equivalents	18	12,442		5,399	
		12,862		6,647	
Creditors					
Amounts falling due within one year:					
Other creditors and accruals	11	(1,163)		(1,620)	
Net current assets			11,699		5,027
Total assets less current liabilities			**584,447**		**613,566**
Creditors					
Amounts falling due after more than one year:					
Provision for tax liability	12		(4,092)		(3,016)
Net assets			**580,355**		**610,550**
Capital and reserves					
Share capital	13		9,208		9,208
Share premium account	14		254,120		253,946
Capital redemption reserve	14		20,367		20,367
Capital reserve	14		287,783		319,573
Revenue reserve	14		8,877		7,456
Shareholders' funds			**580,355**		**610,550**
Net asset value per ordinary share	**15**		**637.18p**		**664.65p**

The Financial Statements of Pacific Horizon Investment Trust PLC (Company Registration number 02342193) on pages 91 to 111 were approved and authorised for issue by the Board and were signed on 5 October 2023.

Angus Macpherson
Chairman

The accompanying notes on pages 95 to 111 are an integral part of the Financial Statements.

Statement of changes in equity

For the year ended 31 July 2023

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 August 2022		9,208	253,946	20,367	319,573	7,456	**610,550**
Net return after taxation		–	–	–	(27,451)	4,166	**(23,285)**
Ordinary shares bought back into treasury	13	–	–	–	(5,541)	–	**(5,541)**
Ordinary shares sold from treasury	13	–	174	–	1,202	–	**1,376**
Ordinary shares issued	13	–	–	–	–	–	**–**
Dividends paid during the year	8	–	–	–	–	(2,745)	**(2,745)**
Shareholders' funds at 31 July 2023		**9,208**	**254,120**	**20,367**	**287,783**	**8,877**	**580,355**

For the year ended 31 July 2022

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 August 2021		8,843	221,354	20,367	433,041	3,626	**687,231**
Net return after taxation		–	–	–	(112,014)	3,830	**(108,184)**
Ordinary shares bought back into treasury	13	–	–	–	(1,454)	–	**(1,454)**
Ordinary shares sold from treasury	13	–	–	–	–	–	**–**
Ordinary shares issued	13	365	32,592	–	–	–	**32,957**
Dividends paid during the year	8	–	–	–	–	–	**–**
Shareholders' funds at 31 July 2022		**9,208**	**253,946**	**20,367**	**319,573**	**7,456**	**610,550**

The accompanying notes on pages 95 to 111 are an integral part of the Financial Statements.

Cash flow statement

For the year ended 31 July

	Notes	2023 £'000	2023 £'000	2022 £'000	2022 £'000
Cash flows from operating activities					
Net return before taxation		(21,199)		(112,120)	
Net losses on investments		25,404		118,594	
Currency losses/(gains)		791		(1,292)	
Finance costs of borrowings	5	403		756	
Overseas withholding tax incurred		(881)		(1,288)	
Indian tax paid on transactions		(180)		(774)	
Changes in debtors		523		(580)	
Change in creditors		(11)		(9)	
Cash from operations*		4,850		3,287	
Interest paid		(403)		(765)	
Net cash inflow from operating activities			**4,447**		**2,522**
Cash flows from investing activities					
Acquisitions of investments		(89,277)		(197,017)	
Disposals of investments		99,574		196,116	
Net cash inflow/(outflow) from investing activities			**10,297**		**(901)**
Cash flows from financing activities					
Ordinary shares bought back into treasury	13	(5,541)		(1,454)	
Ordinary shares sold from treasury	13	1,376		–	
Proceeds from ordinary shares issued	13	–		32,957	
Borrowings drawn down		–		119,372	
Borrowings repaid		–		(182,957)	
Equity dividends paid	8	(2,745)		–	
Net cash outflow from financing activities			**(6,910)**		**(32,082)**
Increase/(decrease) in cash and cash equivalents			**7,834**		**(30,461)**
Exchange movements			(791)		4,094
Cash and cash equivalents at 1 August			5,399		31,766
Cash and cash equivalents at 31 July			**12,442**		**5,399**

* Cash from operations includes dividends received of £9,925,000 (2022 – £10,279,000) and interest received of £163,000 (2022 – £6,000).

The accompanying notes on pages 95 to 111 are an integral part of the Financial Statements.

Notes to the Financial Statements

01 Principal accounting policies

The Financial Statements for the year to 31 July 2022 have been prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' on the basis of the accounting policies set out below which are unchanged from the prior year and have been applied consistently.

a. Basis of accounting

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

The Company's principal risks are market related and include market risk, liquidity risk and credit risk. An explanation of these risks and how they are managed is contained on pages 104 to 111 in note 18 to the Financial Statements. The Board has, in particular, considered the impact of heightened market volatility over recent months due to macroeconomic and geopolitical concerns, but does not believe that the Company's going concern status is affected.

The Company's assets, the majority of which are investments in quoted securities which are readily realisable, exceed its liabilities significantly. All borrowings require the prior approval of the Board. The Board approves borrowing and gearing limits and reviews regularly the amounts of any borrowing and the level of gearing as well as compliance with borrowing covenants. The Company has continued to comply with the investment trust status requirements of section 1158 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) (Tax) Regulations 2011. The Company's primary third party suppliers, including its Managers and Secretaries, Custodian and Depositary, Registrar, Auditor and Broker, are not experiencing significant operational difficulties affecting their respective services to the Company. In accordance with the Company's Articles of Association, shareholders have the right to vote on the continuation of the Company every five years, the next vote being in 2026. The Financial Statements have been prepared on the going concern basis; having assessed the principal and emerging risks and other matters set out in the Viability Statement on page 46 (which assesses the prospects of the Company over a period of three years) it is the Directors' opinion that the Company will continue in operational existence for a period of at least twelve months from the date of approval of these Financial Statements.

The Financial Statements have been prepared in accordance with the Companies Act 2006, applicable UK Accounting Standards and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued by the Association of Investment Companies ('AIC') in November 2014 and updated in July 2022 with consequential amendments.

In order to reflect better the activities of the Company and in accordance with guidance issued by the AIC, supplementary information which analyses the profit and loss account between items of a revenue and capital nature has been presented in the Income Statement. The allocation of items to revenue and capital is reviewed on an annual basis and is considered to remain appropriate for the current year.

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

b. Financial instruments

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

c. Significant accounting estimates and judgements

The preparation of the Financial Statements requires the use of estimates, assumptions and judgements. These estimates, assumptions and judgements affect the reported amounts of assets and liabilities, at the reporting date. While estimates are based on best judgement using information and financial data available, the actual outcome may differ from these estimates. The key sources of estimation and uncertainty relate to the assumptions used in the determination of the fair value of the unlisted investments, which are detailed in note 9 on page 100.

Judgements

The Directors consider that the preparation of the Financial Statements involves the following key judgements:

i. the determination of the functional currency of the Company as sterling (see rationale in 1(a) above); and

ii. the fair valuation of the unlisted investments.

The key judgements in the fair valuation process are:

i. the Managers' determination of the appropriate application of the International Private Equity and Venture Capital Guidelines 2022 ('IPEV') to each unlisted investment; and

ii. the Directors' consideration of whether each fair value is appropriate following detailed review and challenge. The judgement applied in the selection of the methodology used for determining the fair value of each unlisted investment can have a significant impact upon the valuation.

Estimates

The key estimate in the Financial Statements is the determination of the fair value of the unlisted investments by the Managers for consideration by the Directors. This estimate is key as it significantly impacts the valuation of the unlisted investments at the Balance Sheet date. The fair valuation process involves estimation using subjective inputs that are unobservable (for which market data is unavailable). The main estimates involved in the selection of the valuation process inputs are:

i. the selection of appropriate comparable companies in order to derive revenue multiples and meaningful relationships between enterprise value, revenue and earnings growth. Comparable companies are chosen on the basis of their business characteristics and growth patterns;

ii. the selection of a revenue metric (either historic or forecast);

iii. the application of an appropriate discount factor to reflect the reduced liquidity of unlisted companies versus their listed peers;

iv. the estimation of the probability assigned to an exit being through an initial public offering ('IPO') or a company sale;

v. the selection of an appropriate industry benchmark index to assist with the valuation validation or the application of valuation adjustments, particularly in the absence of established earnings or closely comparable peers; and

vi. the calculation of valuation adjustments derived from milestone analysis (i.e. incorporating operational success against the plan/forecasts of the business into the valuation).

d. Investments

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

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

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

e. Cash and cash equivalents

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

f. Income

i. Income from equity investments is brought into account on the date on which the investments are quoted ex-dividend or, where no ex-dividend date is quoted, when the Company's right to receive payment is established.

ii. If scrip dividends are taken in lieu of dividends in cash, the net amount of the cash dividend declared is credited to the revenue column of the Income Statement. Any excess in the value of the shares received over the amount of the cash dividend foregone is recognised in the capital column of the Income Statement.

iii. Special dividends are treated as capital or income depending on the facts of each particular case.

iv. Unfranked investment income and overseas dividends include the taxes deducted at source.

v. Interest from fixed interest securities is recognised on an accruals basis using the effective interest rate basis.

vi. Underwriting commission and interest receivable on deposits are recognised on an accruals basis.

g. Expenses

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

h. Borrowing and finance costs

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

i. Taxation

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

j. Deferred taxation

Deferred taxation is provided on all timing differences, based on the taxable profit and the total comprehensive income as stated in the Financial Statements, calculated at the current tax rate relevant to the realisation of the benefit or liability. Deferred tax assets are recognised only to the extent that it will be more likely than not that there will be taxable profits from which underlying timing differences can be deducted.

k. Foreign currencies

Transactions involving foreign currencies are converted at the rate ruling at the time of the transaction. Assets and liabilities in foreign currencies are translated at the closing rates of exchange at the balance sheet date. Any gain or loss arising from a change in exchange rate subsequent to the date of the transaction is included as an exchange gain or loss in the Income Statement as capital or revenue as appropriate.

l. Capital redemption reserve

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

m. Capital reserve

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

n. Revenue reserve

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

o. Single segment reporting

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

p. Dividend distributions

Final dividends are recognised in the period in which the dividends are approved by the Company's shareholders.

02 Income

	2023 £'000	2022 £'000
Income from investments		
Overseas dividends	9,417	11,060
Other income		
Deposit interest	163	7
Total income	**9,580**	**11,067**
Total income comprises:		
Dividends from financial assets designated at fair value through profit or loss	9,417	11,060
Interest from financial assets not at fair value through profit or loss	163	7
	9,580	**11,067**

03 Investment management fee

	2023 £'000	2022 £'000
Investment management fee	**3,419**	**4,036**

Details of the Investment Management Agreement are set out on page 61. The annual management fee is 0.75% on the first £50 million of net assets, 0.65% on the next £200 million of net assets and 0.55% on the remaining net assets. Management fees are calculated and payable on a quarterly basis.

04 Other administrative expenses

	2023 £'000	2022 £'000
General administrative expenses	142	173
Custody charges	255	543
Directors' fees	161	143
Marketing*	71	85
Depositary fee	70	110
Auditor's remuneration for audit services†	50	32
Registrar's fees	13	7
	762	**1,093**

* The Company is part of a marketing programme which includes all the investment trusts managed by the Manager. The marketing strategy has an ongoing objective to stimulate demand for the Company's shares. The cost of this marketing strategy is borne in partnership by the Company and the Manager. The Manager matches the Company's marketing contribution and provides the resource to manage and run the programme.

† Auditor's remuneration above is exclusive of VAT. There were no non-audit fees paid to the Auditor during the year (2022 – nil).

05 Finance costs of borrowings

	2023 £'000	2022 £'000
Royal Bank of Scotland International Limited non-utilisation fee* (see note 11)	**403**	**756**

* The prior year included £300,000 pertaining to the arrangement fee of the loan.

06 Tax

	2023 Revenue £'000	2023 Capital £'000	2023 Total £'000	2022 Revenue £'000	2022 Capital £'000	2022 Total £'000
Overseas taxation	830	–	**830**	1,352	–	**1,352**
Indian tax paid and provided for	–	1,256	**1,256**	–	(5,288)	**(5,288)**
	830	**1,256**	**2,086**	**1,352**	**(5,288)**	**(3,936)**

	2023 £'000	2022 £'000
Factors affecting the tax charge for the year		
The tax assessed for the year is higher (2022 – higher) than the average standard rate of corporation tax in the UK of 21%* (2022 – 19.00%). The differences are explained below:		
Net return before taxation	**(21,199)**	**(112,120)**
Net return multiplied by the average standard rate of corporation tax in the UK of 21%* (2022 – 19.00%)	(4,449)	(21,303)
Capital loss not deductible	5,498	22,287
Overseas dividends not taxable in the UK	(1,977)	(2,101)
Current year management expenses and non-trade loan relationship deficits not utilised	928	1,117
Overseas withholding tax incurred	830	1,352
Revenue tax charge for the year	**830**	**1,352**
Increase/(decrease) in provision for tax liability in respect of Indian capital gains tax	1,076	(6,062)
Payments of Indian tax in the period	180	774
Capital tax charge for the year	**1,256**	**(5,288)**
Total tax	**2,086**	**(3,936)**

* A tax rate of 21% reflects the increase in the UK corporation tax rate from 19% to 25% from 1 April 2023.

As an investment trust, the Company's capital gains are not taxable in the United Kingdom. Interest on the corporation tax repayment is included within interest income. The capital tax charge results from the provision for tax liability in respect of Indian capital gains tax as detailed in note 12.

Factors that may affect future tax charges

At 31 July 2023 the Company had a potential deferred tax asset of £8,258,000 (2022 – £7,152,000) in respect of taxable losses which are available to be carried forward and offset against future taxable profits. A deferred tax asset has not been provided on these losses as it is considered unlikely that the Company will make suitable taxable revenue profits in excess of deductible expenses in future periods. The potential deferred tax asset has been calculated using a corporation tax rate of 25% (2022 – 25%).

07 Net return per ordinary share

	2023 Revenue	2023 Capital	2023 Total	2022 Revenue	2022 Capital	2022 Total
Net return after taxation	**4.56p**	**(30.05p)**	**(25.49p)**	4.21p	(123.01p)	(118.80p)

Revenue return per ordinary share is based on the net revenue profit after taxation of £4,166,000 (2022 – net revenue profit of £3,830,000) and on 91,364,427 (2022 – 91,063,205) ordinary shares, being the weighted average number of ordinary shares in issue (excluding treasury shares) during the year.

Capital return per ordinary share is based on the net capital loss for the financial year of £27,451,000 (2022 – net capital loss of £112,014,000) and on 91,364,427 (2022 – 91,063,205) ordinary shares, being the weighted average number of ordinary shares in issue (excluding treasury shares) during the year.

Total return per ordinary share is based on the total loss for the financial year of £23,285,000 (2022 – total loss of £108,184,000) and on 91,364,427 (2022 – 91,063,205) ordinary shares, being the weighted average number of ordinary shares in issue (excluding treasury shares) during the year.

There are no dilutive or potentially dilutive shares in issue.

08 Ordinary dividends

	2023	2022	2023 £'000	2022 £'000
Amounts recognised as distributions in the year:				
Previous year's final dividend (paid 29 November 2022)	3.00p	–	2,745	–

We set out below the total dividends proposed in respect of the financial year, which is the basis on which the requirements of section 1158 of the Corporation Tax Act 2010 are considered. There is a revenue surplus for the year to 31 July 2023 of £4,166,000 which is available for distribution by way of a dividend payment (2022– a revenue surplus of £3,830,000).

	2023	2022	2023 £'000	2022 £'000
Amounts paid and payable in respect of the financial year:				
Proposed final dividend per ordinary share (payable 30 November 2023)	3.25p	3.00p	2,959	2,745

09 Fixed assets – investments

As at 31 July 2023	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed equities*	542,048	1,273	–	**543,321**
Unlisted company equities	–	–	2,555	**2,555**
Unlisted company preference shares#	–	–	26,872	**26,872**
Total financial asset investments	**542,048**	**1,273**	**29,427**	**572,748**

As at 31 July 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed equities	570,801	495	–	**571,296**
Unlisted company equities	–	–	4,051	**4,051**
Unlisted company preference shares#	–	–	33,192	**33,192**
Total financial asset investments	**570,801**	**495**	**37,243**	**608,539**

* During the period, Brilliance China listed on the Hong Kong stock exchange having de-listed on 31 March 2021 and there was a demerger with Reliance Industries, where shares of Jio Financial Services were acquired but the company did not list until 21 August 2023.

The investments in preference shares include liquidation preference rights that determine the repayment (or multiple thereof) of the original investment in the event of a liquidation event such as a take-over.

During the year to 31 July 2023 no investments (31 July 2022 – £23,341,000) were transferred from Level 3 to Level 1 on becoming listed.

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

09 Fixed assets – investments (continued)

Fair value hierarchy

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

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

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

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

The Company's unlisted ordinary share investments at 31 July 2023 were valued using a variety of techniques. These include using comparable company performance, comparable scenario analysis, and assessment of milestone achievement at investee companies. The determinations of fair value included assumptions that the comparable companies and scenarios chosen for the performance assessment provide a reasonable basis for the determination of fair value. In some cases the latest dealing price is considered to be the most appropriate valuation basis, but only following assessment using the techniques described above.

	Listed equities £'000	Unlisted equities £'000	2023 Total £'000	2022 Total £'000
Cost of investments at 1 August 2022	458,265	30,580	**488,845**	437,843
Investment holding gains and losses at 1 August 2022	113,031	6,663	**119,694**	287,279
Value of investments at 1 August 2022	**571,296**	**37,243**	**608,539**	**725,122**
Movements in year:				
Purchases at cost	88,831	–	**88,831**	197,463
Sales – proceeds received	(99,218)	–	**(99,218)**	(195,452)
– gains on investments	14,553	–	**14,553**	48,991
Change in fair value	(32,141)	(7,816)	**(39,957)**	(167,585)
Value of investments at 31 July 2023	543,321	29,427	572,748	608,539
Cost of investments at 31 July 2023	462,431	30,580	**493,011**	488,845
Investment holding gains and losses at 31 July 2023	80,890	(1,153)	**79,737**	119,694
Value of investments at 31 July 2023	543,321	29,427	572,748	608,539

Transaction costs on purchases and sales were £118,000 (2022 – £225,000) and £188,000 (2022 – £308,000) respectively, total transaction costs being £306,000 (2022 – £533,000) expensed as per the accounting policy (see page 96). The Company received £99,218,000 (2022 – £195,452,000) from investments sold during the year. The book cost of these investments when they were purchased was £84,665,000 (2022 – £146,461,000). These investments have been revalued over time and, until they were sold, any unrealised gains/losses were included in the fair value of the investments.

	2023 £'000	2022 £'000
Net gains/(losses) on investments held at fair value through profit or loss		
Realised gains on sales	14,553	48,991
Changes in investment holding gains and losses	(39,957)	(167,585)
	(25,404)	(118,594)

Significant holdings disclosure requirements – AIC SORP

Details are disclosed below in accordance with the requirements of paragraph 82 of the AIC Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (updated in July 2022) in relation to unlisted investments included in the ten largest holdings disclosed on page 40. As required, this disclosure includes turnover, pre-tax profits and net assets attributable to investors as reported within the most recently audited Financial Statements of the investee companies, where possible.

09 Fixed assets – investments (continued)

As at 31 July 2023

Name	Business	Latest Financial Statements	Book cost £'000	Market Value £'000	Income recognised from holding in the period £'000	Turnover ('000)	Pre-tax profit/ (loss) ('000)	Net assets attributable to shareholders ('000)
Dailyhunt (VerSe Innovation)	Indian news aggregator application	n/a	20,987	17,921	Nil	Information not publicly available		

As at 31 July 2022

Name	Business	Latest Financial Statements	Book cost £'000	Market Value £'000	Income recognised from holding in the period £'000	Turnover ('000)	Pre-tax profit/ (loss) ('000)	Net assets attributable to shareholders ('000)
Dailyhunt (VerSe Innovation)	Indian news aggregator application	n/a	20,987	25,235	Nil	Information not publicly available		

10 Debtors

	2023 £'000	2022 £'000
Amounts falling due within one year:		
Income accrued (net of withholding taxes)	234	691
Sales for subsequent settlement	–	402
Other debtors and prepayments	186	155
	420	**1,248**

None of the above debtors are financial assets designated at fair value through profit or loss. The carrying amount of debtors is a reasonable approximation of fair value. There were no debtors that were past due or impaired at 31 July 2023 or 31 July 2022.

11 Creditors – amounts falling due within one year

	2023 £'000	2022 £'000
Royal Bank of Scotland International Limited multi-currency revolving credit facility non-utilisation fee	52	52
Investment purchases awaiting settlement	–	446
Investment management fee	873	915
Other creditors and accruals	238	207
	1,163	**1,620**

The Company has a multi-currency revolving credit facility with The Royal Bank of Scotland International Limited for up to £100 million, with a non-utilisation rate of 0.4%. This facility expires in March 2025. At 31 July 2023 there were no outstanding drawings (31 July 2022 – nil). The main covenants relating to the loan are that borrowings should not exceed 30% of the Company's adjusted net asset value and the Company's net asset value should be at least £300 million.

There were no breaches in the loan covenants during the year.

None of the above creditors at 31 July 2023 or 31 July 2022 are financial liabilities designated at fair value through profit or loss.

12 Provision for tax liability

The tax liability provision at 31 July 2023 of £4,092,000 (31 July 2022 – £3,016,000) relates to a potential liability for Indian capital gains tax that may arise on the Company's Indian investments should they be sold in the future, based on the net unrealised taxable capital gain at the period end and on enacted Indian tax rates (long term capital gains are taxed at 10% and short term capital gains are taxed at 15%). The amount of any future tax amounts payable may differ from this provision, depending on the value and timing of any future sales of such investments and future Indian tax rates.

13 Share capital

	2023 Number	2023 £'000	2022 Number	2022 £'000
Allotted, called up and fully paid ordinary shares of 10p each	91,081,949	9,108	91,860,961	9,186
Treasury shares of 10p each	993,012	100	214,000	22
	92,074,961	**9,208**	**92,074,961**	**9,208**

In the year to 31 July 2023, the Company issued 200,000 ordinary shares from treasury with a nominal value of £20,000, representing 0.2% of the issued share capital at 31 July 2022, at a premium to net asset value, raising net proceeds of £1,376,000 (2022 – 3,645,257 ordinary shares with a nominal value of £365,000, representing 4.1% of the issued share capital, raising net proceeds of £32,957,000).

In the year to 31 July 2023, 979,012 ordinary shares, representing 1.1% of the issued share capital at 31 July 2022, were bought back at a total cost of £5,541,000 and are held in treasury (2022 – 214,000 shares, representing 0.2% of the issued share capital at 31 July 2021, were bought back during the year at a total cost of £1,454,000 and subsequently reissued from treasury). At 31 July 2023 the Company had authority to allot or sell from treasury 8,964,320 ordinary shares without application of pre-emption rights and to buy back 13,374,618 ordinary shares on an ad hoc basis. Under the provisions of the Company's Articles of Association share buy-backs are funded from the capital reserve.

Between 1 August 2023 and 3 October 2023, no further shares were issued and 35,000 shares were bought back.

14 Capital and reserves

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
At 1 August 2022	9,208	253,946	20,367	319,573	7,456	**610,550**
Net gains on sales of investments	–	–	–	14,553	–	**14,553**
Changes in investment holding gains and losses	–	–	–	(39,957)	–	**(39,957)**
Other exchange differences	–	–	–	(791)	–	**(791)**
Indian CGT paid and provided for	–	–	–	(1,256)	–	**(1,256)**
Ordinary shares bought back into treasury	–	–	–	(5,541)	–	**(5,541)**
Ordinary shares sold from treasury	–	174	–	1,202	–	**1,376**
Revenue return after taxation	–	–	–	–	4,166	**4,166**
Dividends paid during the year	–	–	–	–	(2,745)	**(2,745)**
At 31 July 2023	**9,208**	**254,120**	**20,367**	**287,783**	**8,877**	**580,355**

The capital reserve includes non-distributable investment holding gains of £79,737,000 (2022 – gains of £119,694,000) as disclosed in note 9.

The revenue reserve and capital reserve (to the extent it constitutes realised profits) may be distributed by way of dividend.

15 Net asset value per ordinary share

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

	2023 Net asset value per share	2022 Net asset value per share	2023 Net assets attributable £'000	2022 Net assets attributable £'000
Ordinary shares	**637.18p**	**664.65p**	**580,355**	**610,550**

The movements during the year of the assets attributable to the ordinary shares are shown in note 14.

Net asset value per ordinary share is based on the net assets as shown above and 91,081,949 (2022 – 91,860,961) ordinary shares (excluding treasury shares), being the number of ordinary shares in issue at each date.

16 Analysis of change in net debt

	At 1 August 2022 £'000	Cash flows £'000	Exchange movement £'000	At 31 July 2023 £'000
Cash at bank and in hand	**5,399**	**7,834**	**(791)**	**12,442**

17 Transactions with related parties and the managers and secretaries

The Directors' fees for the year are detailed in the Directors' remuneration report on page 78. No Director has a contract of service with the Company. During the year no Director was interested in any contract or other matter requiring disclosure under section 412 of the Companies Act 2006.

Details of the management contract are set out in the Directors' report on page 61. The management fee payable to the Manager by the Company for the year, as disclosed in note 3, was £3,419,000 (2022 – £4,036,000) of which £873,000 (2022 – £915,000) was outstanding at the year end, as disclosed in note 11.

The Company is part of a marketing programme which includes all the investment trusts managed by the Manager. The Company's marketing contribution, recharged by the Manager, was £71,000 (£85,000) as disclosed in note 4.

18 Financial instruments

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

These risks are categorised here as market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. The Board monitors closely the Company's exposures to these risks but does so in order to reduce the likelihood of a permanent loss of capital rather than to minimise short term volatility. Risk provides the potential for both losses and gains. In assessing risk, the Board encourages the Managers to exploit the opportunities that risk affords.

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

Market risk

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

Details of the Company's investment portfolio are shown in note 9 and on pages 40 to 42.

The Company may, from time to time, enter into derivative transactions to hedge specific market, currency or interest rate risk. During the years to 31 July 2022 and 31 July 2023 no such transactions were entered into. The Company's Managers may not enter into derivative transactions without the prior approval of the Board.

18 Financial instruments (continued)

i. Currency risk

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

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

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

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

At 31 July 2023	Investments £'000	Cash and cash equivalents £'000	Other debtors and creditors £'000	Net exposure £'000
Hong Kong dollar	142,684	–	–	**142,684**
Indian rupee	140,313	449	(4,052)	**136,710**
Korean won	100,409	–	162	**100,571**
US dollar	39,512	9,948	–	**49,460**
Indonesian rupiah	32,637	–	–	**32,637**
Taiwan dollar	32,476	124	–	**32,600**
Vietnam dong	31,605	1,862	32	**33,499**
Chinese yuan	30,189	–	–	**30,189**
Thai baht	5,447	–	–	**5,447**
Australian dollar	3,311	–	–	**3,311**
Chinese renminbi	–	–	–	**–**
Total exposure to currency risk	**558,583**	**12,383**	**(3,858)**	**567,108**
Sterling	14,165	59	(977)	**13,247**
	572,748	**12,442**	**(4,835)**	**580,355**

At 31 July 2022	Investments £'000	Cash and cash equivalents £'000	Other debtors and creditors £'000	Net exposure £'000
Hong Kong dollar	134,762	–	507	**135,269**
Indian rupee	135,511	27	(3,001)	**132,537**
Korean won	101,103	–	168	**101,271**
US dollar	55,455	4,328	402	**60,185**
Indonesian rupiah	46,508	–	–	**46,508**
Taiwan dollar	26,817	157	–	**26,974**
Vietnam dong	25,185	138	–	**25,323**
Chinese yuan	43,141	200	–	**43,341**
Australian dollar	9,995	–	–	**9,995**
Chinese renminbi	–	446	(446)	**–**
Total exposure to currency risk	**578,477**	**5,296**	**(2,370)**	**581,403**
Sterling	30,062	103	(1,018)	**29,147**
	608,539	**5,399**	**(3,388)**	**610,550**

18 Financial instruments (continued)

i. Currency risk (continued)

Currency risk sensitivity

At 31 July 2023, if sterling had strengthened by 5% in relation to all currencies, with all other variables held constant, total net assets and total return would have decreased by the amounts shown below. A 5% weakening of sterling against all currencies, with all other variables held constant, would have had an equal but opposite effect on the Financial Statement amounts. The level of change is considered to be reasonable based on observations of current market conditions. The analysis is performed on the same basis for 2022.

	2023 £'000	2022 £'000
Hong Kong dollar	7,134	6,763
Indian rupee	6,836	6,627
Korean won	5,029	5,064
US dollar	2,473	3,009
Indonesian rupiah	1,632	2,325
Taiwan dollar	1,630	1,349
Vietnam dong	1,675	1,266
Chinese yuan	1,509	2,167
Thai baht	272	–
Australian dollar	165	500
	28,355	**29,070**

ii. Interest rate risk

Interest rate movements may affect directly:

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

Interest rate movements may also impact upon the market value of investments outwith fixed income securities. The effect of interest rate movements upon the earnings of a company may have a significant impact upon the valuation of that company's equity. The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions and when entering borrowing agreements. The Board reviews on a regular basis the amount of investments in cash and fixed income securities and the income receivable on cash deposits, floating rate notes and other similar investments.

The Company may finance part of its activities through borrowings at approved levels. The amount of any such borrowings and the approved levels are monitored and reviewed regularly by the Board. Movements in interest rates, to the extent that they affect the market value of the Company's fixed rate borrowings, may also affect the amount by which the Company's share price is at a discount or a premium to the net asset value (assuming that the Company's share price is unaffected by movements in interest rates).

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

Financial assets

	2023 Fair value £'000	2023 Weighted average interest rate	2023 Weighted average fixed rate period *	2022 Fair value £'000	2022 Weighted average interest rate	2022 Weighted average fixed rate period *
Cash and cash equivalents:						
Overseas currencies	12,383	3.9%	n/a	5,296	1.4%	n/a
Sterling	59	4.3%	n/a	103	0.5%	n/a
	12,442			**5,399**		

* Based on expected redemption date.

18 Financial Instruments (continued)

ii. Interest rate risk (continued)

Financial liabilities

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

Maturity profile

	2023 Within 1 year £'000	2022 Within 1 year £'000
Royal Bank of Scotland International Limited non-utilisation fee	52	52

Interest rate risk sensitivity

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

An increase of 100 basis points in interest rates, with all other variables being held constant, would have increased the Company's total net assets and total return for the year ended 31 July 2023 by £124,000 (2022 – an increase of £54,000). This is mainly due to the Company's exposure to interest rates on its floating rate bank loan and cash balances. A decrease of 100 basis points would have had an equal but opposite effect.

iii. Other price risk

Changes in market prices other than those arising from interest rate risk or currency risk may also affect the value of the Company's net assets. The Board manages the market price risks inherent in the investment portfolio by ensuring full and timely access to relevant information from the Managers. The Company's portfolio of unlisted level 3 investments is not necessarily affected by market performance, however the valuations are affected by the performance of the underlying securities in line with the valuation criteria in note 1(c). The Board meets regularly and at each meeting reviews investment performance, the investment portfolio and the rationale for the current investment positioning to ensure consistency with the Company's objectives and investment policies. The portfolio does not seek to reproduce the index. Investments are selected based upon the merit of individual companies and therefore performance may well diverge from the comparative index.

Other price risk sensitivity

A full list of the Company's investments is given on pages 40 to 42. In addition, a geographical analysis of the portfolio and an analysis of the investment portfolio by broad industrial or commercial sector are contained on page 34.

93.6% (2022 – 93.6%) of the Company's net assets are invested in quoted equities. A 5% (2022 – 5%) increase in quoted equity valuations at 31 July 2023 would have increased total assets and total return on ordinary activities by £27,166,000 (2022 – £28,565,000). A decrease of 5% would have had an equal but opposite effect. The level of change is considered to be reasonable based on observations of current market conditions.

5.1% (2022 – 6.1%) of the Company's net assets are invested in private company investments. The fair valuation of the private company investments is influenced by the estimates, assumptions and judgements made in the fair valuation process (see note 1(c) on page 95).

A sensitivity analysis is provided below which recognises that the valuation methodologies employed involve subjectivity in their significant unobservable inputs and illustrates the sensitivity of the valuations to these inputs. The inputs have been flexed by +/-10% with the exception of the Recent Transaction Price valuation approach as it does not involve significant subjectivity. The table also provides the range of values for the key unobservable inputs.

18 Financial Instruments (continued)

iii. Other price risk (continued)

Other price risk sensitivity (continued)

As at 31 July 2023	Significant unobservable inputs*						
Valuation technique	**Fair value as at 31 July 2023 £'000**	**Key unobservable inputs**	**Other unobservable inputs†**	**Range**	**Weighted average range#**	**Sensitivity %**	**Sensitivity to changes in significant unobservable inputs**
Market approach using comparable trading multiples	29,351	EV/LTM revenue multiple‡	a,b,c,d	2.4x – 4.3x	3.6x	10%	If EV/LTM multiples changed by +/-10%, the fair value would change by £2,339,045 and -£2,337,300.
		Transaction implied premium and discounts	g	88%	n/a	10%	If the transaction implied premium is changed by +/-10%, the fair value would change by £845,528 and -£843,783.
		Illiquidity discounts	e	-10%	n/a	10%	If the illiquidity discount is changed by +/-10%, the fair value would change by +/-£126,999.
Benchmark performance	76	Selection of comparable companies§	a,b,c,f	-4.7%	n/a	10%	If input comparable company performance changed by +/-10%, the fair value would change by +/-£16,080.

† See explanation for other unobservable inputs on page 110.

\# Weighted average is calculated by reference to the fair value of holdings as at the respective year-end. This therefore gives a clearer indication of the typical multiple or adjustment being applied across the portfolio.

‡ Enterprise value (EV) divided by the last twelve months (LTM) revenue.

§ See explanation for the selection of comparable companies on page 110 section 'c'. The percentage movements reflect the movement in overall company value for the basket of comparable companies relevant to each holding since the most recent transaction or since the last assessed.

* **Significant unobservable inputs**

The variable inputs applicable to each broad category of valuation basis will vary dependent on the particular circumstances of each private company valuation. An explanation of each of the key unobservable inputs is provided below and includes an indication of the range in value for each input, where relevant. The assumptions made in the production of the inputs are described in note 1(c) on page 95.

18 Financial Instruments (continued)

iii. Other price risk (continued)

Other price risk sensitivity (continued)

As at 31 July 2022 Valuation technique	Fair value as at 31 July 2022 £'000	Significant unobservable inputs* Key unobservable inputs	Other unobservable inputs†	Range	Weighted average range#	Sensitivity %	Sensitivity to changes in significant unobservable inputs
Market approach using comparable trading multiples	11,869	EV/LTM revenue multiple‡	a,b,c,d	3.4x – 10.8x	3.5x	10%	If EV/LTM multiples changed by +/-10%, the fair value would change by £1,124,459 and -£1,124.889.
		Illiquidity discounts	e	-10%	n/a	10%	If the transaction implied premium/discount is changed by +/-10%, the fair value would change by £132,087 and -£131,657.
Comparable company performance	139	Selection of comparable companies§	a,b,c,f	-23%	n/a	10%	If input comparable company performance changed by +/-10%, the fair value would change by £22,748 and -£22,745.
Recent transaction price	25,235	n/a	a,b	n/a	n/a	n/a	n/a

† See explanation for other unobservable inputs on page 110.

\# Weighted average is calculated by reference to the fair value of holdings as at the respective year-end. This therefore gives a clearer indication of the typical multiple or adjustment being applied across the portfolio.

‡ Enterprise value (EV) divided by the last twelve months (LTM) revenue.

§ See explanation for the selection of comparable companies on page 110 section 'c'. The percentage movements reflect the movement in overall company value for the basket of comparable companies relevant to each holding since the most recent transaction or since the last assessed.

* **Significant unobservable inputs**

The variable inputs applicable to each broad category of valuation basis will vary dependent on the particular circumstances of each private company valuation. An explanation of each of the key unobservable inputs is provided below and includes an indication of the range in value for each input, where relevant. The assumptions made in the production of the inputs are described in note 1(c) on page 95.

18 Financial Instruments (continued)

iii. Other price risk (continued)

Other price risk sensitivity (continued)

a. Application of valuation basis

Each investment is assessed independently, and the valuation basis applied will vary depending on the circumstances of each investment. When an investment is pre-revenue, the focus of the valuation will be on assessing the recent transaction and the achievement of key milestones since investment. Adjustments may also be made depending on the performance of comparable benchmarks and companies. For those investments where a trading multiples approach can be taken, the methodology will factor in revenue, earnings or net assets as appropriate for the investment, and where a suitable correlation can be identified with the comparable companies then a regression analysis will be performed. Discounted cash flows will also be considered where appropriate forecasts are available.

b. Probability estimation of liquidation events

The probability of a liquidation event such as a company sale, or alternatively an initial public offering ('IPO'), is a key variable input in the Transaction-based and Multiples-based valuation techniques. The probability of an IPO versus a company sale is typically estimated from the outset to be 50:50 if there has been no indication by the company of pursuing either of these routes. If the company has indicated an intention to IPO, the probability is increased accordingly to 75% and if an IPO has become a certainty the probability is increased to 100%. Likewise, in a scenario where a company is pursuing a trade sale the weightings will be adjusted accordingly in favour of a sale scenario, or in a situation where a company is underperforming expectations significantly and therefore deemed very unlikely to pursue an IPO. The Company typically invests in higher ranking preference shares which carry more protection, and this can therefore influence the end valuation.

c. Selection of comparable companies

The selection of comparable companies is assessed individually for each investment at the point of investment, and the relevance of the comparable companies is continually evaluated at each valuation. The key criteria used in selecting appropriate comparable companies are the industry sector in which they operate, the geography of the company's operations, the respective revenue and earnings growth rates and the operating margins. Typically, between 4 and 10 comparable companies will be selected for each investment, depending on how many relevant comparable companies are identified. The resultant revenue or earnings multiples or share price movements derived will vary depending on the companies selected and the industries they operate in.

d. Estimated sustainable earnings

The selection of sustainable revenue or earnings will depend on whether the company is sustainably profitable or not, and where it is not then revenues will be used in the valuation. The valuation approach will typically assess companies based on the last twelve months of revenue or earnings, as they are the most recent available and therefore viewed as the most reliable. Where a company has reliably forecasted earnings previously or there is a change in circumstance at the business which will impact earnings going forward, then forward estimated revenue or earnings may be used instead.

e. Application of illiquidity discount

The application of an illiquidity discount will be applied either through the calibration of a valuation against the most recent transaction, or by application of a specific discount. The discount applied where a calibration (see 'g' below) is not appropriate is typically 10%, reflecting that the majority of the investments held are substantial companies with some secondary market activity.

f. Selection of appropriate benchmarks

The selection of appropriate benchmarks is assessed individually for each investment. The industry and geography of each company are key inputs to the benchmark selection, with either one or two key indices or benchmarks being used for comparison.

g. Transaction implied premium and discount

Where there is an implied company valuation available as a result of an external arm's length transaction, the ongoing valuation will be calibrated to this by deriving a company valuation with reference to the average multiple from a set of comparable companies and comparing this to a transaction implied valuation, and could result in an implied premium or discount compared to comparable companies at the point of transaction. This discount or premium will be considered in future valuations, and may be reduced due to factors such as period of time since the transaction and company performance. Where a calibrated approach is not appropriate, a discount for illiquidity will be applied as noted in (e) above.

Liquidity risk

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

The Company has the power to take out borrowings, which give it access to additional funding when required. The Company's current borrowing facility is detailed in note 11 and the maturity profile of its borrowings is set out above. Under the terms of the borrowing facility, borrowings are repayable on demand at their current carrying value.

18 Financial Instruments (continued)

Credit risk

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

This risk is managed as follows:

- where the Managers make an investment in a bond or other security with credit risk, that credit risk is assessed and then compared to the prospective investment return of the security in question;
- the Depositary is liable for the loss of financial instruments held in custody. The Depositary will ensure that any delegate segregates the assets of the Company. The Managers monitor the Company's risk by reviewing the Custodian's internal control reports and reporting its findings to the Board;
- investment transactions are carried out with a large number of brokers whose creditworthiness is reviewed by the Managers. Transactions are ordinarily undertaken on a delivery versus payment basis whereby the Company's custodian bank ensures that the counterparty to any transaction entered into by the Company has delivered on its obligations before any transfer of cash or securities away from the Company is completed;
- the creditworthiness of the counterparty to transactions involving derivatives, structured notes and other arrangements, wherein the creditworthiness of the entity acting as broker or counterparty to the transaction is likely to be of sustained interest, are subject to rigorous assessment by the Managers; and
- cash is only held at banks that are regularly reviewed by the Managers.

Credit risk exposure

The maximum exposure to credit risk at 31 July was:

	2023 £'000	2022 £'000
Cash and cash equivalents	12,442	5,399
Debtors and prepayments	420	1,248
	12,862	**6,647**

None of the Company's financial assets are past due or impaired (2022 – none).

Fair value of financial assets and financial liabilities

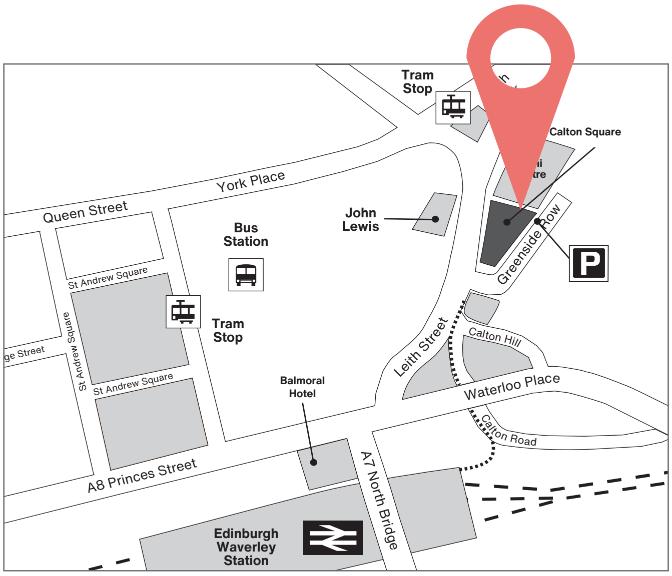
The Directors are of the opinion that the carrying amount of financial assets and liabilities of the Company in the Balance Sheet approximate their fair value.

Capital management

The capital of the Company is its share capital and reserves as set out in note 14 together with its borrowings (see note 11). The objective of the Company is to invest in the Asia-Pacific region (excluding Japan) and in the Indian Sub-continent in order to achieve capital growth. The Company's investment policy is set out on pages 43 and 44. In pursuit of the Company's objective, the Board has a responsibility for ensuring the Company's ability to continue as a going concern and details of the related risks and how they are managed are set out on pages 47 to 51. The Company has the authority to issue and buy back its shares (see page 64) and changes to the share capital during the year are set out in notes 13 and 14. The Company does not have any externally imposed capital requirements other than the covenants on its loan which are detailed in note 11.

Shareholder information

Notice of Annual General Meeting



By Rail:
Edinburgh Waverley – approximately a 5 minute walk away

By Bus:
Lothian Buses local services include:
1, 3, 5, 7, 8, 10, 14, 15, 16, 25, 34

By Tram:
Stops at St Andrew Square and Picardy Place

Access to Waverley Train Station on foot

The Annual General Meeting of the Company will be held at the offices of Baillie Gifford & Co, Calton Square, 1 Greenside Row, Edinburgh EH1 3AN, on Thursday, 23 November 2023 at 11.30am.

The Board encourages all shareholders to submit proxy voting forms as soon as possible and, in any event, by no later than 11.30am on 21 November 2023. We would encourage shareholders to monitor the Company's website at pacifichorizon.co.uk. Should shareholders have questions for the Board or the Managers or any queries as to how to vote, or how to attend the meeting, they are welcome as always to submit them by email to trustenquiries@bailliegifford.com or call 0800 917 2112. Baillie Gifford may record your call.

Notice is hereby given that an Annual General Meeting of Pacific Horizon Investment Trust PLC (the 'Company') will be held at the offices of Baillie Gifford & Co, Calton Square, 1 Greenside Row, Edinburgh EH1 3AN on Thursday, 23 November 2023 at 11.30am for the purposes of considering and, if thought fit, passing the following Resolutions, of which Resolutions 1 to 12 will be proposed as ordinary resolutions and Resolutions 13 and 14 will be proposed as special resolutions:

Ordinary business

01. To receive and adopt the Company's Annual Report and Financial Statements for the financial year ended 31 July 2023, together with the Reports of the Directors and the Independent Auditor's Report thereon.

02. To approve the Directors' Remuneration Policy.

03. To approve the Directors' Annual Report on Remuneration for the financial year ended 31 July 2023.

04. To declare a final dividend of 3.25p per ordinary share.

05. To re-elect Mr RA Macpherson as a Director of the Company.

06. To re-elect Sir RW Chote as a Director of the Company.

07. To re-elect Ms W Hee as a Director of the Company.

08. To re-elect Ms AC Lane as a Director of the Company.

09. To re-elect Mr RF Studwell as a Director of the Company.

10. To reappoint BDO LLP as Independent Auditor of the Company to hold office until the conclusion of the next Annual General Meeting at which the Financial Statements are laid before the Company.

11. To authorise the Directors to determine the remuneration of the Independent Auditor of the Company.

12. That:

    a. the Directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the 'Act') to allot shares in the Company, or to grant rights to subscribe for or convert any security into shares in the Company, up to a maximum nominal amount of £910,469; and

    b. the authority given by this Resolution:

        i. shall be in addition to all pre-existing authorities under section 551 of the Act; and

        ii. unless renewed, revoked or varied in accordance with the Act, shall expire on 23 February 2025 or, if earlier, at the conclusion of the Annual General Meeting of the Company to be held in 2024 save that the Company may, before such expiry, make any offer or enter into an agreement which would or might require the allotment of shares in the Company, or the grant of rights to subscribe for or to convert any security into shares in the Company, after such expiry.

13. That, subject to the passing of Resolution 11 above, (the 'Allotment Authority'), the Directors be given power pursuant to sections 570 and 573 of the Companies Act 2006 (the 'Act') to allot equity securities (within the meaning of section 560(1) of the Act) for cash pursuant to the Allotment Authority, and to sell treasury shares for cash, as if section 561(1) of the Act did not apply to such allotment or sale, provided that such power:

    a. shall be limited to the allotment of equity securities or the sale of treasury shares up to an aggregate nominal amount of £910,469;

    b. shall be in addition to all pre-existing powers under sections 570 and 573 of the Act; and

    c. shall expire at the same time as the Allotment Authority, save that the Company may before expiry of the power conferred on the Directors by this Resolution make an offer or agreement which would or might require equity securities to be allotted after such expiry.

14. That, in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date hereof, the Company be generally and unconditionally authorised, in accordance with section 701 of the Companies Act 2006 (the 'Act') to make market purchases (within the meaning of section 693(4) of the Act) of its ordinary shares, (either for retention as treasury shares for future reissue, resale, transfer or for cancellation), provided that:

    a. the maximum number of ordinary shares hereby authorised to be purchased is 13,647,937 or, if less, the number representing approximately 14.99 per cent. of the issued share capital of the Company on the date on which this Resolution is passed;

    b. the minimum price (excluding expenses) which may be paid for each ordinary share shall be the nominal value of that share;

    c. the maximum price (excluding expenses) which may be paid for any ordinary share purchased pursuant to this authority shall not be more than the higher of:

        i. 5 per cent. above the average closing price on the London Stock Exchange of an ordinary share over the five business days immediately preceding the date of purchase; and

        ii. the higher price of the last independent trade of an ordinary share and the highest current independent bid for such a share on the London Stock Exchange; and

    d. unless previously varied, revoked or renewed by the Company in general meeting, the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2023 save that the Company may, prior to the expiry of such authority, enter into a contract or contracts to purchase ordinary shares under such authority which will or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of ordinary shares pursuant to any such contract or contracts.

By Order of the Board
Baillie Gifford & Co Limited
Company Secretaries
17 October 2023

Notes

01. As a member you are entitled to appoint a proxy or proxies to exercise all or any of your rights to attend, speak and vote at the AGM. A proxy need not be a member of the Company but must attend the AGM to represent you. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You can only appoint a proxy using the procedure set out in these notes and the notes to the proxy form. You may not use any electronic address provided either in this notice or any related documents (including the Financial Statements and proxy form) to communicate with the Company for any purpose other than those expressly stated.

02. To be valid any proxy form or other instrument appointing a proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, must be received by post or (during normal business hours only) by hand at the Registrars of the Company at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY or **eproxyappointment.com** no later than 11.30am on 21 November 2023 (or 48 hours (excluding non-working days) before any adjourned meeting).

03. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual and/or by logging on to the website **euroclear.com/CREST**. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

04. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's registrar (ID 3RA50) no later than 11.30am on 21 November 2023 (or 48 hours (excluding non-working days) before any adjourned meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

05. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his/her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST service by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

06. 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.

07. The return of a completed proxy form or other instrument of proxy will not prevent you attending the AGM and voting in person if you wish.

08. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 and section 311 of the Companies Act 2006 the Company specifies that to be entitled to attend and vote at the AGM (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company no later than 48 hours (excluding non-working days) prior to the commencement of the AGM or any adjourned meeting. Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

09. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

10. The statement of the rights of shareholders in relation to the appointment of proxies in Notes 1 and 2 above does not apply to Nominated Persons. The rights described in those Notes can only be exercised by shareholders of the Company.

11. Under section 527 of the Companies Act 2006, members meeting the qualification criteria set out at note 12 below may require the Company to publish, on its website, (without payment) a statement (which is also passed to the Auditor) setting out any matter relating to the audit of the Company's Financial Statements, including the Auditor's Report and the conduct of the audit. Such requests must be made in writing and must state your full name and address.

12. In order to be able to exercise the members' rights in note 11, the relevant request must be made by: (a) members representing at least 5% of the total voting rights of all the members who have a right to vote on the resolution to which the requests relate; or (b) at least 100 members who have a right to vote on the resolution to which the requests relate and hold shares in the Company on which there has been paid up an average sum, per member, of at least £100. Such requests should be sent to the Company at Calton Square, 1 Greenside Row, Edinburgh, EH1 3AN.

13. Information regarding the Annual General Meeting, including information required by section 311A of the Companies Act 2006, is available from the Company's page of the Managers' website at **pacifichorizon.co.uk**.

14. Members have the right to ask questions at the meeting in accordance with section 319A of the Companies Act 2006.

15. 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.

16. As at 3 October 2023 (being the last practicable date prior to the publication of this notice) the Company's issued share capital consisted of 91,046,949 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 3 October 2023 were 91,046,949 votes.

17. Any person holding 3 per cent. or more of the total voting rights of the Company who appoints a person other than the Chairman of the meeting as his/her proxy will need to ensure that both he/she and his/her proxy complies with their respective disclosure obligations under the UK Disclosure Guidance and Transparency Rules.

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

Further shareholder information

Pacific Horizon is an investment trust. Investment trusts offer investors the following:

- participation in a diversified portfolio of shares;
- constant supervision by experienced professional managers; and
- the Company is free from UK capital gains tax on capital profits realised within its portfolio although investors are still liable for capital gains tax on profits when selling their investment.

How to invest

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

Sources of further information on the Company

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

Pacific Horizon Share Identifiers

ISIN	GB0006667470
Sedol	0666747
Ticker	PHI

Legal Entity Identifier VLGEI9B8R0REWKB0LN95

Key dates

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

Capital gains tax

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

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

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

Ordinary share	55.00p
Warrant	17.00p

Share register enquiries

Computershare Investor Services PLC maintains the share register on behalf of the Company. In the event of queries regarding shares registered in your own name, please contact the Registrars on 0370 707 1229. This helpline also offers an automated self-service functionality (available 24 hours a day, 7 days a week) which allows you to:

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

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

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

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

Dividend reinvestment plan

Computershare operate a Dividend Reinvestment Plan which can be used to buy additional shares instead of receiving your dividend via cheque or into your bank account. For further information log on to **investorcentre.co.uk** and follow the instructions or telephone **0370 702 0000**.

Electronic proxy voting

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

CREST proxy voting

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

Data protection

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

Alternative investment fund managers regulations (AIFMR)

In accordance with the UK Alternative Investment Fund Managers Regulations, information in relation to the Company's leverage and the remuneration of the Company's AIFM, Baillie Gifford & Co Limited, is required to be made available to investors.
In accordance with the Regulations, the AIFM's remuneration policy is available on the Managers' website at **bailliegifford.com** or on request (see contact details on page 125). The numerical remuneration disclosures in respect of the AIFM's relevant reporting period (year ended 31 March 2023) are also available at **bailliegifford.com**.

The Company's maximum and actual leverage (see Glossary of Terms and Alternative Performance Measures on pages 123 and 124) levels at 31 July 2023 are shown below:

Leverage exposure

	Gross method	Commitment method
Maximum limit	2.50:1	2.50:1
Actual	1.07:1	1.07:1

Automatic Exchange of Information

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

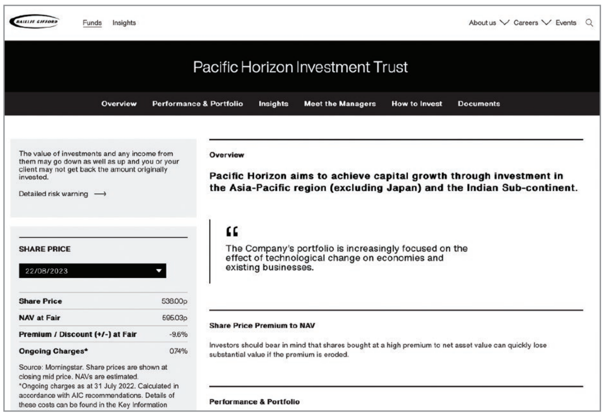
The legislation requires investment trust companies to provide personal information to HMRC on certain investors who purchase shares in investment trusts. Accordingly, Pacific Horizon Investment Trust PLC will have to provide information annually to the local tax authority on the tax residencies of a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

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

For further information, please see HMRC's Quick Guide: Automatic Exchange of Information – information for account holders **gov.uk/guidance/automatic-exchange-of-information-account-holders**.

Communicating with shareholders

Trust magazine



Pacific Horizon Investment Trust web page at **pacifichorizon.co.uk**

Trust magazine

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

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

Suggestions and questions

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

Pacific Horizon on the Web

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

Client relations team contact details

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

Telephone: 0800 917 2112
Your call may be recorded for training or monitoring purposes.

Email: **trustenquiries@bailliegifford.com**
Website: **bailliegifford.com**

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

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

The Indonesian companies powering the green transition

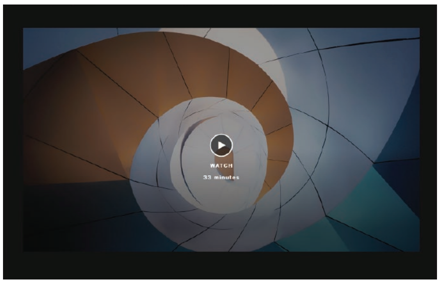
by Roderick Snell

The island nation's natural wealth makes it crucial to a low-carbon future.

The history of Pacific Horizon Investment Trust

by John Newlands

How Baillie Gifford's Asia-focused investment trust rode the tiger of growth.



Asia ex Japan: opportunities and challenges

by Roderick Snell

Join Roderick Snell, manager of Pacific Horizon Investment Trust PLC as he discusses how the trust seeks out the fastest growing companies in the most rapidly growing and populous region of the world.

Sustainable Finance Disclosure Regulation (‘SFDR’)

The EU Sustainable Finance Disclosure Regulation (‘SFDR’) does not have a direct impact in the UK due to Brexit, however, it applies to third-country products marketed in the EU. As Pacific Horizon is marketed in the EU by the AIFM, BG & Co Limited, via the National Private Placement Regime (‘NPPR’) the following disclosures have been provided to comply with the high-level requirements of SFDR.

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

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

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

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

More detail on the Investment Manager’s approach to sustainability can be found in the ESG Principles and Guidelines document, available publicly on the Baillie Gifford website **bailliegifford.com**.

The underlying investments do not take into account the EU criteria for environmentally sustainable economic activities established under the EU Taxonomy Regulation.

Third party data provider disclaimer

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

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

Without limiting the foregoing, no Provider shall have any liability whatsoever to you, whether in contract (including under an indemnity), in tort (including negligence), under a warranty, under statute or otherwise, in respect of any loss or damage suffered by you as a result of or in connection with any opinions, recommendations, forecasts, judgements, or any other conclusions, or any course of action determined, by you or any third party, whether or not based on the content, information or materials contained herein.

MSCI Index data

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Glossary of terms and alternative performance measures ('APM')

Total assets

This is the Company's definition of Adjusted Total Assets, being the total value of all assets held less all liabilities (other than liabilities in the form of borrowings).

Shareholders' funds and Net Asset Value

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

Net liquid assets

Net liquid assets comprise current assets less current liabilities (excluding borrowings) and provisions for deferred liabilities.

Discount/premium (APM)

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

	2023	2022
Net asset value per ordinary share (a)	637.18p	664.65p
Share price (b)	586.00p	647.00p
(Discount)/premium ((b) – (a)) ÷ (a)	**(8.0%)**	**(2.7%)**

Turnover

Turnover is calculated as the minimum of purchases and sales in a month, divided by the average market value of the portfolio, summed to get rolling 12 month turnover data.

Ongoing charges (APM)

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

	2023 £'000	2022 £'000
Investment management fee	3,419	4,036
Other administrative expenses	762	1,093
Total expenses (a)	**4,181**	**5,129**
Average net asset value (b)	578,071	691,596
Ongoing charges ((a) ÷ (b) expressed as a percentage)	**0.72%**	**0.74%**

China 'A' shares

'A' Shares are shares of mainland China-based companies that trade on the Shanghai Stock Exchange and the Shenzhen Stock Exchange. Since 2003, select foreign institutions have been able to purchase them through the Qualified Foreign Institutional Investor system.

Treasury shares

The Company has the authority to make market purchases of its ordinary shares for retention as Treasury Shares for future reissue, resale, transfer, or for cancellation. Treasury Shares do not receive distributions and the Company is not entitled to exercise the voting rights attaching to them.

Unlisted (private) company

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

Total return (APM)

The total return is the return to shareholders after reinvesting the net dividend on the date that the share price goes ex-dividend. In periods where no dividend is paid, the total return equates to the capital return.

		2023 NAV	2023 Share price	2022 NAV	2022 Share price
Closing NAV per share/share price	(a)	637.18p	586.00p	664.65p	647.00p
Dividend adjustment factor*	(b)	1.0056	1.0057	1.0000	1.0000
Adjusted closing NAV per share/share price	**(c) = (a) x (b)**	**640.75p**	**589.34p**	**664.65p**	**647.00p**
Opening NAV per share/share price	(d)	664.65p	647.00p	777.15p	802.00p
Total return	**(c) ÷ (d) -1**	**(3.6%)**	**(8.9%)**	**(14.5%)**	**(19.3%)**

* The dividend adjustment factor is calculated on the assumption that the final dividend of 3.00p (31 July 2022 – nil) paid by the Company during the period was reinvested into shares of the Company at the cum income NAV per share/share price, as appropriate, at the ex-dividend date.

Gearing (APM)

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

Gearing is borrowings at book less cash and brokers' balances expressed as a percentage of shareholders' funds.

	2023 £'000	2022 £'000
Borrowings (at book cost) (a)	–	–
Less: cash and cash equivalents	(12,442)	(5,399)
Less: sales for subsequent settlement	–	(402)
Add: purchases for subsequent settlement	–	446
Adjusted borrowings (b)	(12,442)	(5,355)
Shareholders' funds (c)	580,355	610,550
Gearing: (b) as a percentage of (c)	**(2%)**	**(1%)**

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

	2023 £'000	2022 £'000
Borrowings (at book value) (a)	–	–
Shareholders' funds (b)	580,355	610,550
Gross gearing: (a) as a percentage of (b)	–	**–**

Leverage (APM)

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

Active share (APM)

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

Compound annual return (APM)

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

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