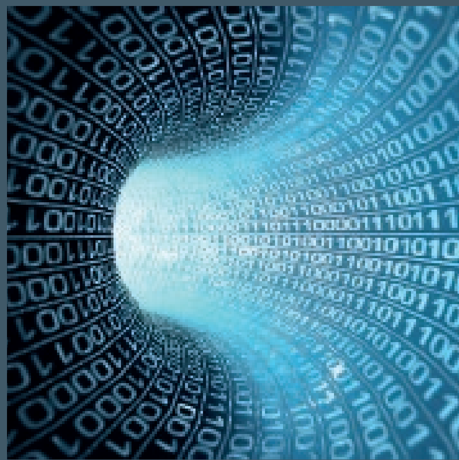
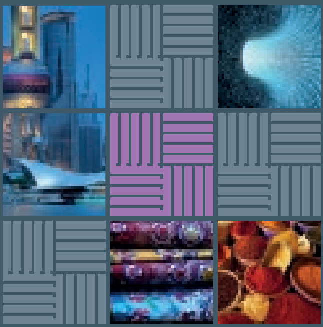
PACIFIC HORIZON INVESTMENT TRUST PLC



Annual Report and Financial Statements
31 July 2013

BAILLIE GIFFORD



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.

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

If you have sold or otherwise transferred all of your ordinary shares in Pacific Horizon Investment Trust PLC, please forward this document, together with any accompanying documents, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was or is being effected for delivery to the purchaser or transferee.

Company Data
at 31 July 2013

Shareholders' funds	**£135m**
Market capitalisation	**£116m**

Company Summary

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

The Company is prepared to move freely between the markets of the region as opportunities for growth vary. The portfolio will normally consist entirely of quoted securities.

Further details of the Company's investment policy are given in the Directors' Report.

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

Management Details
Baillie Gifford & Co are appointed as investment managers and secretaries to the Company. The Managers may terminate the Management Agreement on six months' notice and the Company may terminate on three months' notice.

Management Fee
With effect from 1 April 2013, the annual management fee payable to Baillie Gifford & Co was reduced from a flat rate of 1% of net assets to a rate of 0.95% on the first £50m of net assets and 0.65% on the balance. Management fees are calculated on a quarterly basis.

Capital Structure
At the year end the Company's share capital consisted of 73,972,002 ordinary shares of 10p each which are issued and fully paid. The Company currently has powers to buy back a limited number of its own ordinary shares for cancellation at a discount to net asset value per share (NAV) as well as to issue shares at a premium to NAV. At the forthcoming Annual General Meeting, the Directors are seeking to renew these authorities and to obtain a further authority to implement regular tender offers.

Savings Vehicles
Pacific Horizon shares can be held through a variety of savings vehicles (see page 42).

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

Duration of the Company
Shareholders are given the opportunity to vote on the continuation of the Company every five years. The next vote will be at the Annual General Meeting of the Company to be held in 2016 or 30 November 2016, whichever is earlier, or such later date as the shareholders may resolve.

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

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

Year's Summary

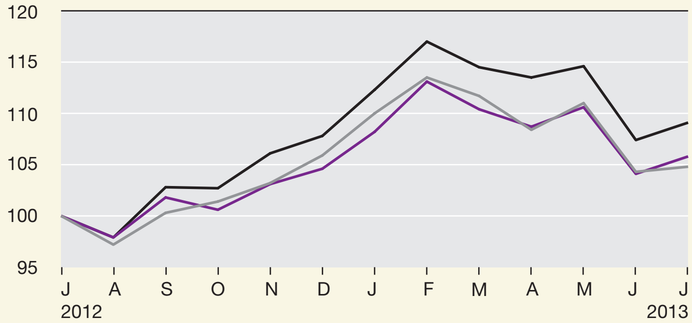
	31 July 2013	31 July 2012	% change
Shareholders' funds	£134.6m	£129.1m	
Net asset value per ordinary share (NAV)	182.01p	172.01p	5.8
Share price	156.75p	149.50p	4.8
MSCI All Country Asia ex Japan Index (in sterling terms)	341.0	312.60	9.1
Dividend proposed per ordinary share in respect of the financial year	1.50p	1.50p	–
Revenue earnings per ordinary share	1.66p	1.97p	(15.7)
Ongoing charges	1.15%	1.26%	
Discount	13.9%	13.1%	

Year to 31 July	2013	2013	2012	2012
Year's high and low	**High**	**Low**	**High**	**Low**
Share price	175.00p	143.75p	166.00p	130.00p
Net asset value	197.85p	166.86p	183.22p	143.78p
Discount	9.4%	15.1%	5.9%	14.1%

	31 July 2013	31 July 2012
Net return per ordinary share		
Revenue return	1.66p	1.97p
Capital return	9.62p	(7.71p)
Total return	**11.28p**	**(5.74p)**

One Year Performance

(figures rebased to 100 at 31 July 2012)



Source: Thomson Reuters Datastream/Baillie Gifford & Co.
Dividends are not reinvested.

NAV (Cum Income)

Share price

Comparative index*

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

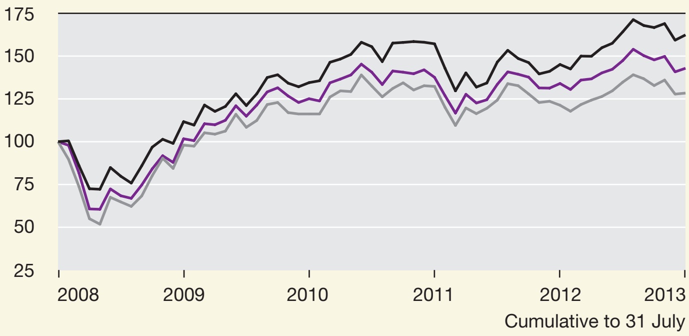
Past performance is not a guide to future performance.

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 2013.

5 Year Total Return Performance Share Price, Net Asset Value and Index

(figures rebased to 100 at 31 July 2008)



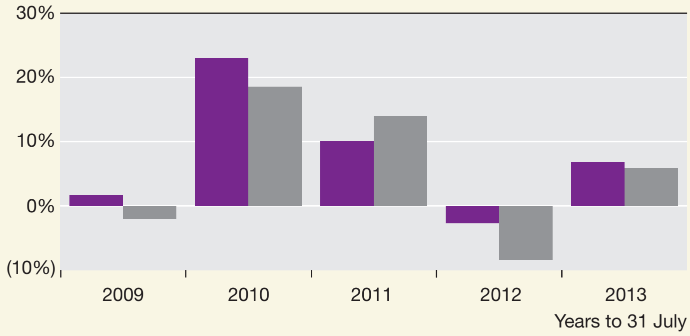
Source: Thomson Reuters Datastream/Baillie Gifford & Co.
Dividends are reinvested.

NAV total return

Share price total return

Comparative index total return*

Annual Share Price Total Return and NAV Total Return



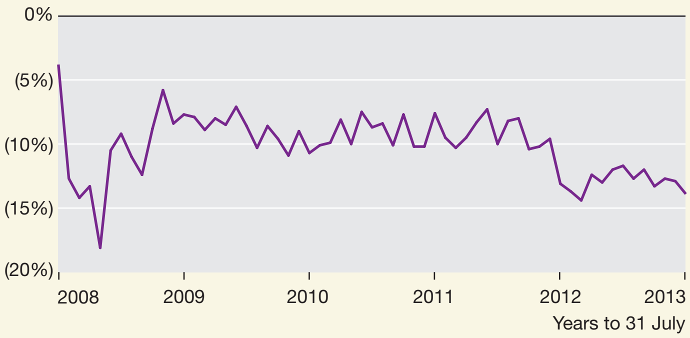
Source: Thomson Reuters Datastream/Baillie Gifford & Co.
Dividends are reinvested.

NAV total return

Share price total return

Discount to Net Asset Value

(figures plotted on a monthly basis)



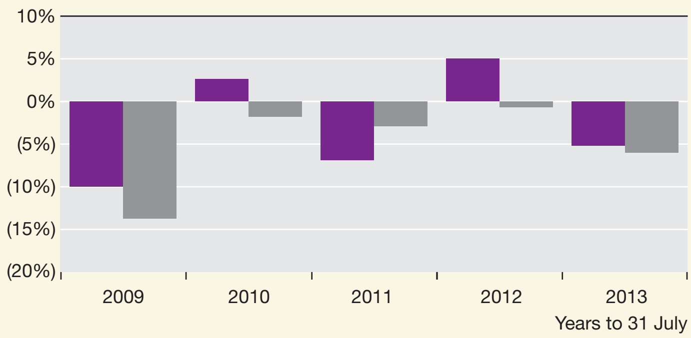
Source: Thomson Reuters Datastream/Baillie Gifford & Co.

Pacific Horizon discount

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

Relative Annual Share Price Total Return and NAV Total Return

(compared to the MSCI All Country Far East ex Japan Index total return (in sterling terms) for the years 2009 to 2011 and compared to the MSCI All Country Asia ex Japan Index for the years 2012 and 2013)



Source: Thomson Reuters Datastream/Baillie Gifford & Co.
Dividends are reinvested.

NAV total return compared to the total return on the comparative index

Share price total return compared to the total return on the comparative index

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

Past performance is not a guide to future performance.

Ten Year Record

Capital

At 31 July	Total assets * £'000	Bank loans £'000	Shareholders' funds £'000	Net asset value per share p	Share price p	Premium/ (discount) † %
2003	40,801	–	40,801	53.34	48.25	(9.5)
2004	47,305	–	47,305	61.84	56.75	(8.2)
2005#	67,374	–	67,374	88.09	85.50	(2.9)
2006	88,971	7,581	81,390	106.41	101.25	(4.8)
2007	130,077	–	130,077	166.90	171.75	2.9
2008	105,168	–	105,168	134.34	129.25	(3.8)
2009	105,851	–	105,851	135.21	124.75	(7.7)
2010	127,939	–	127,939	163.42	146.00	(10.7)
2011	137,350	–	137,350	178.53	165.00	(7.6)
2012	129,097	–	129,097	172.01	149.50	(13.1)
2013	**134,638**	**–**	**134,638**	**182.01**	**156.75**	**(13.9)**

* Total assets comprise total assets less current liabilities and deferred tax, before deduction of bank loans.

† Premium/(discount) is the difference between Pacific Horizon's quoted share price and its underlying net asset value expressed as a percentage of net asset value.

The figures prior to 2005 have not been restated for changes in accounting policies implemented in 2006.

Revenue

Gearing Ratios

Year to 31 July	Gross revenue £'000	Available for ordinary shareholders £'000	Revenue earnings per ordinary share ‡ p	Dividend per ordinary share net p	Ongoing charges ¶ %	Gearing § %	Potential gearing ^ %
2003	1,263	514	0.67	0.45	1.49	(2)	–
2004	1,858	786	1.03	0.70	1.42	(1)	–
2005	2,384	1,123	1.47	1.10	1.32	(1)	–
2006	2,887	1,160	1.51	1.10	1.32	6	9
2007	3,031	1,124	1.45	1.10	1.26	(1)	–
2008	3,602	1,491	1.91	1.30	1.21	(5)	–
2009	3,579	1,915	2.44	1.80	1.31	(2)	–
2010	2,999	1,295	1.65	1.30	1.24	(2)	–
2011	3,441	1,546	1.98	1.50	1.22	(1)	–
2012	3,234	1,491	1.97	1.50	1.26	(2)	–
2013	**2,967**	**1,242**	**1.66**	**1.50**	**1.15**	**(1)**	**–**

‡ The calculation of earnings per share is based on the net revenue from ordinary activities after taxation and the weighted average number of ordinary shares (see note 7, page 30).

¶ Total operating costs divided by average net asset value (with debt at fair value).

§ Total assets (including all debt used for investment purposes) less all cash and cash equivalents divided by shareholders' funds.

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

Cumulative Performance (taking 2003 as 100)

At 31 July	Net asset value per share	Net asset value total return **	Share price **	Share price total return **	Comparative Index †† (in sterling terms) **	Comparative Index †† (in sterling terms) total return **	Revenue earnings per ordinary share	Retail price index **
2003	100	100	100	100	100	100	100	100
2004	116	117	118	119	100	103	154	103
2005	165	167	177	181	138	147	219	106
2006	199	204	210	217	147	161	225	109
2007	313	326	356	371	204	229	216	114
2008	252	261	268	281	178	206	285	118
2009	253	266	259	275	193	230	364	118
2010	306	327	303	326	226	276	246	123
2011	335	360	342	372	257	323	296	130
2012	322	350	310	341	231	298	294	134
2013	**341**	**373**	**325**	**361**	**252**	**334**	**248**	**138**
Compound annual returns								
5 year	6.3%	7.4%	3.9%	5.1%	7.2%	10.2%	(2.8%)	3.1%
10 year	13.1%	14.1%	12.5%	13.7%	9.7%	12.8%	9.5%	3.3%

** Source: Thomson Reuters Datastream.

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

Past performance is not a guide to future performance.

Chairman's Statement

Performance

In the year to 31 July 2013 the Company's net asset value per share (NAV) rose 5.8% compared to a rise in the comparative index, MSCI All Country Asia ex Japan Index (in sterling terms), of 9.1% over the same period. The share price increased by 4.8% and the discount widened from 13.1% to 13.9%. The Managers' Review on pages 6 and 7 contains a detailed explanation of performance along with thoughts on markets.

Gearing was not used during the year and, at the year end, cash and equivalents were equal to 1.4% of shareholders' funds. Earnings per share decreased from 1.97p to 1.66p. The Board is recommending that a dividend of 1.50p should be paid, the same as last year.

The performance of the Company over the year was unsatisfactory when compared to that of our competitors and against our chosen comparative index. The reasons for this are explained in the Managers' Review. The Board considers that, subject to receiving the necessary shareholder approval at the forthcoming AGM, it is appropriate to introduce a bi-annual tender offer at a 2% discount to NAV, less costs, if the discount averages more than 9% during the six month periods to 31 January and 31 July of each year (or the preceding business day), the discount being calculated by reference to the fair value cum income NAV. Each tender offer would be for up to 5% of the Company's shares and the first such tender would be in respect of the six month period to 31 January 2014. The Board does not believe that the continuous buying back of shares in the market achieves the same benefits for shareholders as a bi-annual tender: it therefore proposes to give shareholders the opportunity to tender shares for sale on a regular basis should they wish to do so. Shareholders should note that these tender offers will, however, remain at the discretion of the Board and will be subject to the prevailing market conditions at the time, so they should place no expectation on these tender offers being implemented. Further details of the proposed tender mechanism are set out in the Directors' Report on page 20. If such tender offers are implemented, a separate circular and tender form will be sent to shareholders following the relevant six month period to 31 January 2014 and 31 July 2014, which will set out the full terms and conditions of the tender offer and the procedure for tendering shares.

During the year the Company bought back a total of 1,080,000 ordinary shares, representing 1.4% of the issued share capital as at 31 July 2012, at a cost of £1,753,000. At the forthcoming AGM, the Board will be asking shareholders to renew the mandate to repurchase up to 14.99% of the outstanding shares. This will be done in addition to the proposed tender mechanism as the Board believes that it would be in the overall best interest of shareholders to commit to buying back shares in an opportunistic fashion rather than to just establish and implement a published formula for redemptions.

The Board holds regular discussions with the Managers about the performance of the Company and the potential consequences of future unsatisfactory results. The Board is satisfied that the Managers' investment process, philosophy and investment style, with a focus on stock selection rather than top down macro views on sectors and countries, is a sensible strategic approach for investing in the region. Whilst the Board believes that the investment strategy will achieve both satisfactory and much improved results in the longer term, the timing of any improvement is uncertain.

Management Fee

With effect from 1 April 2013, the annual management fee payable by the Company has been reduced from a flat rate of 1% of net assets to a rate of 0.95% on the first £50m of net assets and 0.65% on the balance. The fee will continue to be calculated and paid on a quarterly basis. The Board welcomes the Managers' flexibility and willingness to reduce the fee and believes that it will be beneficial to shareholders. The advent of the Retail Distribution Review emphasises the necessity for investment trusts to continue to be competitive with other savings products.

Regulation

The Board has been in discussions with the Managers on how best to address the requirements of the EU Alternative Investment Fund Managers Directive. This came into law in July 2013 although the Company has until July 2014 to comply fully with the legislation. The Directive requires the Company to appoint an Alternative Investment Fund Manager (AIFM) who will be responsible for portfolio and risk management and will be regulated under the Directive. Having taken external advice, the Board is currently of the view that Baillie Gifford is best positioned to act as the Company's AIFM.

Annual General Meeting

This year's AGM will take place on 29 October 2013 at the offices of Baillie Gifford & Co in Edinburgh at 10.45am. The Manager will make a presentation and, along with the Directors, will answer any questions from shareholders. I hope to see as many of you as possible there.

Outlook

The Managers remain focussed on investing in companies that have the potential to grow over the medium to longer term. The Board remains optimistic about the growth prospects for companies in the region and the ability of our Managers to capitalise on investment in sound companies at attractive valuations.

Jean Matterson
Chairman
13 September 2013

Past performance is not a guide to future performance.

Managers' Review

Overview

Performance relative to the comparative index was disappointing over the period, with much of the underperformance occurring in the first half of the Company's year. This reverses some of the stronger relative performance achieved in the prior year. Consistent with our fundamental, bottom up investment style it is stock specifics that have driven returns, rather than sector or geographic exposures.

In recent periods the Company's investment philosophy has been out of favour with much of the investment community. Companies displaying 'earnings certainty' are particularly attractive safe havens at a time of global economic volatility. The consumer staples sector – a low exposure for the Company – has been a good example of this trend where companies showing healthy albeit unexciting growth have been rerated as investors seek less perceived risk in an uncertain investment environment. The characteristics we look for when investing in companies include strong growth potential, sustainable competitive advantages, attractive financials and sensible management. In addition, we continue to target stocks with very significant long term opportunities, where a wider range of potential outcomes leads to a mispricing of that opportunity. The market tendency to focus on near term uncertainty, rather than look out towards the possibility of very significant cash flow generation over the long term, leads to excellent investment opportunities in some of the highest quality growth companies. It is these companies that have struggled in this period of macroeconomic uncertainty.

Investment Environment

In general, the economies of the Asia Pacific region have performed well over the last year. Notwithstanding this, investment appetite for the region is fickle as sentiment continues to be heavily influenced by events in the more developed markets. The impact of Federal Reserve Chairman Ben Bernanke's statement regarding the timing of the end of quantitative easing in the US – itself in response to a better performing US economy – highlighted the issue, with markets across the world reacting negatively to the prospect of reduced liquidity, only to rebound as the statement was later clarified. An environment where global liquidity is less abundant is likely to be troublesome for those economies where growth has become excessively reliant on overseas funding to support development. More significant is the change in expectations regarding the strength of the US recovery and the likely positive impact on the US dollar. A stronger US recovery could be very positive for a wide range of businesses in Asia, especially in the technology sector, where we have been adding exposure. Examples of our technology focussed holdings include the Taiwanese integrated circuit design company MediaTek, Chinese internet business Tencent, Indian IT services business Tech Mahindra and Taiwan Semiconductor Manufacturing (TSMC), a Taiwanese foundry which manufactures semiconductor chips.

The expected rate and composition of economic growth of China has a significant impact on the investment environment for a large number of companies in the Company's investment universe. Economic growth has moderated and expectations are for this to continue. The newly installed leadership appears comfortable with anything in excess of 7% for the annual rate of GDP growth, which is a healthy level. Far more important, however, are the consequences of the transition from an investment-led to a consumer-led economy, a slow but necessary process. The Company currently has no holdings in the materials sector, driven by a belief that weakening investment spending from China will likely have a significantly detrimental effect on the demand for commodities in general. We are cautious on the outlook for the high-end property and luxury retail sectors. These are areas that have benefited hugely from excess profits accruing to a narrow segment of society and the current returns are unlikely to be sustained. Our preference is to invest in those areas likely to benefit from favourable policy, such as Kunlun Energy and Towngas China in the gas industry, or those operating in the internet environment, such as Baidu and Tencent. On this note, the new leadership has clearly demonstrated appetite for reform with further liberalisation of pricing in both the energy and financial sectors.

Given the technology and export exposure of Korea and Taiwan, these former 'Tiger economies' are well placed to capitalise on a stronger than anticipated recovery from the US. With many of the largest businesses enjoying significant export growth, this may be a very interesting area for investors. North Korea is a wild card, although it has been relatively quiet of late. Although the advent of 'Abenomics' in Japan caused considerable market volatility, particularly given the moves in the currency, we believe that the strength of the competitive advantages commanded by the businesses in which we invest bodes well for their future performance. Finally, in Taiwan, progress on cross strait reforms has continued with mutual easing of banking regulations and ownership restrictions, a positive step over the long term.

We noted at this time last year a frustration at a lack of suitable investment opportunities in India. Little has changed at the macroeconomic or political level: growth is disappointing relative to potential, the twin deficits are an issue and politics is an area fraught with tensions. India's central bank had been cutting rates aggressively in 2013 but more recently has tightened liquidity in an attempt to protect its currency, which is now at the weakest level it has been over the past two decades. Valuations are, however, starting to look much more attractive, particularly for those businesses that have significant dollar earning streams and which are likely to perform better should the US continue to recover.

The other challenge we highlighted last year was the investor euphoria surrounding some of the smaller emerging ASEAN markets, particularly in light of the Company's low exposure here. We have been resolute in our view that, in the absence of social and political reform, these economies are doing little more than storing up problems for the future. Foreign investment flows have added additional 'froth' to both debt and equity valuations which, in our view, makes the better performing companies, despite their fundamental attractions, look expensive. Over the past year the Philippines has been a very strong performer, but other ASEAN markets have been less impressive, particularly Indonesia which only rose 5.9% in sterling terms (11.3% in local currency terms), lagging the Asia Pacific Region as a whole by a sizeable margin.

Portfolio Review

Technology companies now account for over one third of the Company, a function of the number of exciting opportunities for investment in this sector. Rather than being a homogenous group, the underlying companies benefit from a number of different commercial advantages. The largest single holding for the Company is Samsung Electronics, a company that has invested billions of dollars over many years and is now benefiting from the success of its Galaxy range of smartphones and tablets. It is perhaps the only credible competitor to Apple's iPhone and iPad, underlining the progress the business has made over the past decade. Other globally competitive holdings include TSMC, the world's largest foundry business, and Hon Hai Precision Industries, the world's largest electronic manufacturing service provider. It is difficult to imagine a home anywhere in the developed world that does not contain at least one product that has passed through the facilities of one of these two companies. Other holdings that are beneficiaries of the success of these technological developments include SFA Engineering, a factory automation and logistics systems manufacturer, Global Display, a technology component manufacturer and ASM Pacific Technology, a semiconductor equipment manufacturer. A second group of companies in the technology sector are the internet businesses Baidu, Tencent and NHN. The investment merit of the internet has been reflected in the portfolio for a number of years, and stems from strong growth potential, excellent business models and entrepreneurial management teams. A new addition to the technology holdings during the year has been the Indian IT service providers Tech Mahindra and HCL Technologies. Both are likely to benefit as investment spending in Western markets starts to increase after a number of unproductive years. Another technology company to appear in the top ten list of holdings is MediaTek. This business is benefiting from many of the same opportunities as Samsung Electronics and TSMC, particularly the global shift to mobile computing, although the difference is that this company caters for lower end customers in developing markets.

Financials is the next largest sector, although the Company holds no banks in a number of the larger countries – China, Korea and Taiwan – where we feel returns are likely to be structurally challenged or depressed for many years. Holdings are again focused on the merits of the individual companies, be it the turnaround potential that new management brings at Federal Bank or the very long duration growth opportunity available from Renminbi liberalisation at Bank of China (Hong Kong). Insurance is an altogether more exciting prospect for us; the Company holds significant positions in Korean insurers Samsung Fire & Marine and Hyundai Marine and Fire, Chinese insurer Ping An and China Life Insurance (Taiwan). These should all benefit from a number of fundamental social and economic changes in the coming years, such as demographics, increased financial sophistication, increasing wealth and consequent development of the insurance markets to provide mitigation for the increased risks to which a more wealthy society is exposed.

The overall shape of the portfolio has not changed significantly since last year. The largest country exposures are Hong Kong and China, followed by Korea and then Taiwan. The Company retains little exposure to the smaller ASEAN markets. The weighting in India has increased from 3.3% to 9.1% during the year as opportunities have arisen. By sector, aside from the largest two sectors discussed above, there have only been minor changes; excessive valuations amongst companies in the consumer sectors have led to a reduction and, as previously mentioned, there are now no holdings in the materials sector. The turnover level has increased from the very low levels reported last year, with 14 new holdings purchased and 18 sold over the period. The number of holdings in the portfolio has again been managed down to 65, which is an appropriate level for a higher conviction strategy.

Outlook

We recognise that recent performance has been unsatisfactory. We are nonetheless convinced that our philosophy, process and investment style constitute the correct strategic approach to deliver strong performance in the future. We strongly believe that changing investment style is one of the most dangerous traps to fall into when performance has been disappointing and we do not want to make this mistake. The portfolio is invested in a group of attractive businesses that we believe will generate superior returns over the long term. Good operational performance at a number of our holdings has yet to be rewarded in share price terms and the market's dislike of uncertainty has resulted in a number of our holdings appearing severely underpriced. We are confident that our long term, fundamental approach to investing will yield very acceptable results for shareholders.

Review of Investments

A review of the Company's ten largest investments as at 31 July 2013 is given below and on the following page.

Samsung Electronics

Samsung Electronics is one of the leading electronics companies in the world. Its principal products include memory chips for computers, LCD panels for computer monitors and TVs and mobile phones. With a strong balance sheet, valuable brand, scalable business model and stable management team, the company generates returns well in excess of its cost of capital.

Country	Korea
Valuation	£8,568,000
% of total assets*	6.4%
(Valuation at 31 July 2012	£9,015,000)

Taiwan Semiconductor Manufacturing ('TSMC')

TSMC is the largest foundry company in the world, manufacturing semiconductor chips for some of the world's largest design companies. The company benefits from competitive advantages derived from technology leadership, scale and efficiency which enable it to lower costs faster than its competitors. TSMC operates in a cyclical industry, though its business model and the continued outsourcing of semiconductor manufacturing has enabled it to demonstrate that it can achieve good returns and growth through the cycle.

Country	Taiwan
Valuation	£6,858,000
% of total assets*	5.1%
(Valuation at 31 July 2012	£5,262,000)

Kunlun Energy Company

Kunlun Energy Company has two main divisions: the oil and gas exploration and production assets and the increasingly important natural gas business. The immature downstream gas market in China remains an attractive industry in which to operate, especially for Kunlun Energy given the strong relationship with CNPC, one of China's leading state controlled oil and gas companies. The company has benefitted from continued gas asset injections from its parent company, resulting in strong growth whilst being able to deploy capital at favourable rates of return.

Country	Hong Kong and China
Valuation	£4,495,000
% of total assets*	3.3%
(Valuation at 31 July 2012	£4,778,000)

BOC Hong Kong (Holdings)

BOC Hong Kong (Holdings) holds a strong number two position in Hong Kong, which enjoys a stable and highly profitable banking system. The long term prospects for economic growth in Hong Kong are favourable with trade likely to continue to grow across economic cycles and the proximity to China being a significant advantage. In addition, assisted by its unique relationship with its parent company, Bank of China, it is well placed to benefit from the continued internationalisation of the Renminbi.

Country	Hong Kong and China
Valuation	£3,979,000
% of total assets*	3.0%
(Valuation at 31 July 2012	£3,026,000)

China Mobile

China Mobile is the dominant provider of mobile telephony in China and its size and position give it material economies of scale in what is an immense but still fast growing market. The company is stimulating user demand for new services, and is generating significant cash flows that will enable it to invest in the future growth of the company. The migration to 4G technology in China is likely to mean an end to the competitive disadvantage associated with China Mobile's bespoke 3G network whilst also opening up a significant growth opportunity in data services.

Country	Hong Kong and China
Valuation	£3,974,000
% of total assets*	3.0%
(Valuation at 31 July 2012	£2,903,000)

Tencent Holdings

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

Country	Hong Kong and China
Valuation	£3,947,000
% of total assets*	2.9%
(Valuation at 31 July 2012	£2,517,000)

* Total assets less current liabilities.

Baidu

Baidu is the leading internet search platform in China. It benefits from a rapidly expanding internet community and customer base. The company is the clear leader in its market, with attractive financial characteristics and the ability to reinvest capital at very high incremental rates of return.

Country	Hong Kong and China
Valuation	£3,840,000
% of total assets*	2.9%
(Valuation at 31 July 2012	£3,384,000)

Hyundai Mobis

Hyundai Mobis is a leading auto parts and module supplier to Hyundai Motor and Kia, and is also starting to win contracts from other auto companies. It is a direct beneficiary of the continued success of the Hyundai and Kia marques and, in addition, is a key asset within the Hyundai Motor Group. To date, the business has generated decent returns on capital and has strong cash flow.

Country	Korea
Valuation	£3,629,000
% of total assets*	2.7%
(Valuation at 31 July 2012	£3,821,000)

China National Offshore Oil Corporation ('CNOOC')

CNOOC engages in the exploration, development and production of crude oil and natural gas in offshore regions in China and overseas. The group boasts a strengthening reserve and production profile in both oil and gas after a number of successful new finds and has a privileged position in the offshore energy development sector in China, a largely underexplored region. It is also assessing potential overseas acquisitions.

Country	Hong Kong and China
Valuation	£3,212,000
% of total assets*	2.4%
(Valuation at 31 July 2012	£3,491,000)

MediaTek

MediaTek designs integrated circuit chips for a wide variety of electronic products. The bulk of revenues and profits are derived from mobile handset chips, which are mainly sold to Chinese vendors. The company already has an impressive track record of innovation and, given the prospect of improved cross-straits relations and investment in the coming years, there is a significant opportunity for MediaTek to increase market share, both in the Chinese market and internationally. In addition, further consolidation in the handset chipset industry, opportunities in tablets and the migration to latest technologies should also be beneficial.

Country	Taiwan
Valuation	£3,160,000
% of total assets*	2.3%
(Valuation at 31 July 2012	£2,164,000)

* Total assets less current liabilities.

List of Investments as at 31 July 2013

Name	Country	Business	2013 Value £'000	2013 % of total assets*
Samsung Electronics	Korea	Electronics company	8,568	6.4
Taiwan Semiconductor Manufacturing	Taiwan	Semiconductor manufacturer	6,858	5.1
Kunlun Energy Company	HK/China	Energy business	4,495	3.3
BOC Hong Kong (Holdings)	HK/China	Commercial bank	3,979	3.0
China Mobile	HK/China	Wireless telecommunications provider	3,974	3.0
Tencent Holdings	HK/China	Internet business	3,947	2.9
Baidu	HK/China	Internet search provider	3,840	2.9
Hyundai Mobis	Korea	Automotive parts producer	3,629	2.7
CNOOC	HK/China	Oil and gas exploration and production	3,212	2.4
MediaTek	Taiwan	Integrated circuit design house	3,160	2.3
Tech Mahindra	India	IT services provider	3,112	2.3
Hyundai Glovis	Korea	Logistics company	2,954	2.2
China Life Insurance (Taiwan)	Taiwan	Life insurance provider	2,851	2.1
Hyundai Marine and Fire Insurance	Korea	Non-life insurance provider	2,747	2.1
Reliance Industries	India	Oil and gas exploration and production	2,741	2.0
Towngas China	HK/China	Gas distributor	2,659	2.0
ASM Pacific Technology	HK/China	Semiconductor equipment manufacturer	2,592	1.9
China Petroleum & Chemical Corporation	HK/China	Integrated oil and gas producer	2,490	1.8
Samsung Fire & Marine	Korea	Non-life insurance provider	2,452	1.8
Singapore Exchange	Singapore	Stock exchange	2,166	1.6
Security Bank	Philippines	Commercial bank	2,048	1.5
CIMB Group	Malaysia	Commercial bank	1,993	1.5
Hon Hai Precision Industries	Taiwan	Electronic manufacturing services company	1,977	1.5
Airtac International Group	Taiwan	Automation equipment manufacturer	1,861	1.4
M1	Singapore	Wireless telecommunications provider	1,851	1.4
Orion Corp	Korea	Consumer conglomerate	1,844	1.4
Hiwin Technologies	Taiwan	Automation equipment manufacturer	1,804	1.3
SATS Limited	Singapore	Airport services provider	1,790	1.3
Ping An Insurance	HK/China	Life insurance provider	1,783	1.3
Ascendas Real Estate	Singapore	Real estate investment trust	1,752	1.3
Federal Bank	India	Commercial bank	1,747	1.3
Galaxy Entertainment Group	HK/China	Casino operator	1,696	1.2
Advantech	Taiwan	Computer manufacturer	1,681	1.2
HCL Technologies	India	IT services provider	1,624	1.2
Henegan International Group	HK/China	Personal hygiene products	1,584	1.2
Phison Electronics	Taiwan	Semiconductor products	1,577	1.2
Nagacorp	HK/China	Hotels, restaurants and leisure	1,558	1.2
Dragon Capital Vietnam Enterprise Investments	Vietnam	Vietnam investment fund	1,546	1.1
NHN†	Korea	Internet search provider	1,516	1.1
Dragon Capital Vietnam Growth Fund	Vietnam	Vietnam investment fund	1,480	1.1
Express Transindo Utama	Indonesia	Taxi operator	1,448	1.1
GCL-Poly Energy Holdings	HK/China	Renewable energy equipment	1,415	1.1
Mahindra & Mahindra	India	Indian conglomerate	1,408	1.1
SFA Engineering	Korea	Factory automation and logistics systems manufacturer	1,407	1.0
China Railway Construction	HK/China	Construction company	1,405	1.0
Digi.com	Malaysia	Wireless telecommunications provider	1,390	1.0
Sembcorp Marine	Singapore	Shipbuilder	1,380	1.0

Name	Country	Business	2013 Value £'000	2013 % of total assets*
CapitaMall Trust	Singapore	Real estate investment trust	1,363	1.0
Great Eagle	HK/China	Property investment company	1,335	1.0
Bangkok Bank	Thailand	Commercial bank	1,309	1.0
Siam Commercial Bank	Thailand	Commercial bank	1,282	1.0
Hong Kong Exchanges and Clearing	HK/China	Stock exchange	1,272	0.9
Venture Corporation	Singapore	Electronic manufacturing services company	1,132	0.9
VST Industries	India	Cigarette and tobacco producer	1,113	0.8
Global Display	Korea	Technology component manufacturer	1,075	0.8
Bank Rakyat Indonesia	Indonesia	Commercial bank	1,029	0.8
China Shenhua Energy	HK/China	Coal producer	912	0.7
Geely Automobile	HK/China	Automobile manufacturer	802	0.6
MCOT	Thailand	Broadcaster	734	0.5
Asustek Computer	Taiwan	Computer manufacturer	719	0.5
Mermaid Maritime	Thailand	Oil equipment and services	684	0.5
Niko Resources	India	Oil and gas exploration and production	440	0.4
Ports Design	HK/China	Apparel retailer	338	0.3
Elec and Eltek International	Singapore	Circuit board manufacturer	278	0.2
Philippine Townships#	Philippines	Property developer	23	–
Total Investments			**132,831**	**98.7**
Net Current Assets			1,807	1.3
Total Assets*			**134,638**	**100.0**

HK/China denotes Hong Kong and China.

Details of the ten largest investments are given on pages 8 and 9 along with comparative valuations.

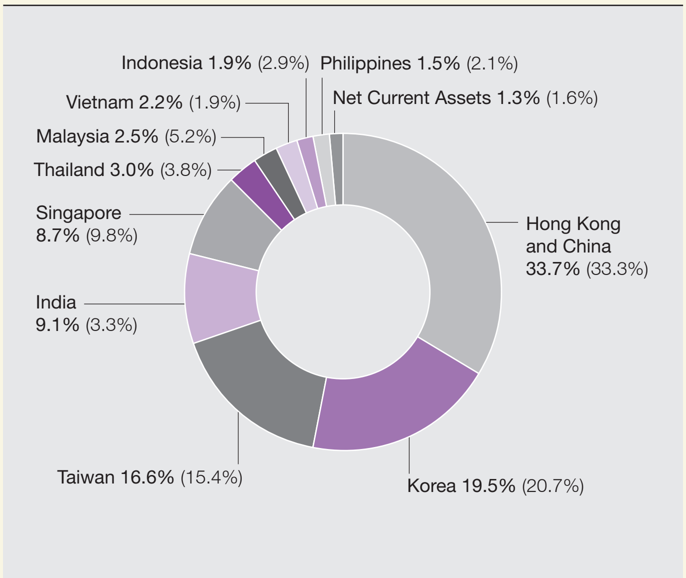
* Total assets less current liabilities.

† Trading in the shares of NHN was suspended on 30 July 2013 pending it being split into two companies. Shares in both of these companies started trading on 29 August 2013. There was no impairment in value as a result of this restructuring exercise.

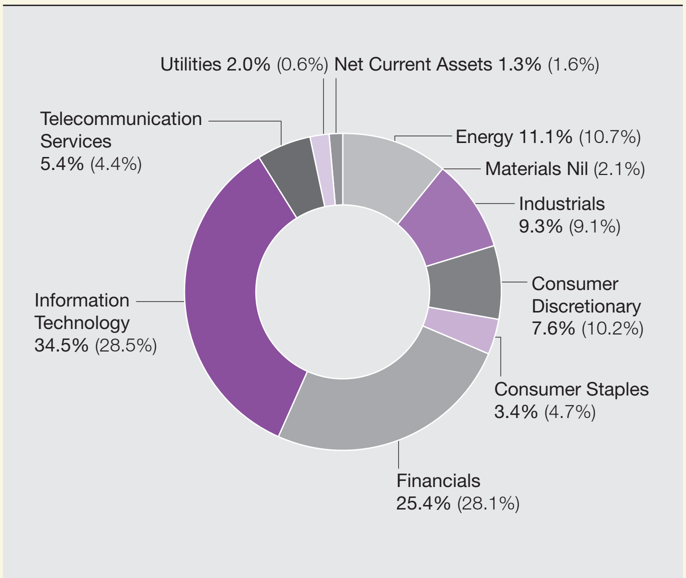
# Denotes unlisted security.

Distribution of Portfolio

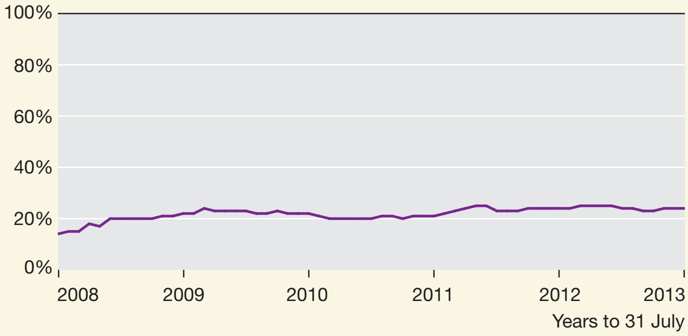
Geographical 2013 (2012)



Sectoral 2013 (2012)



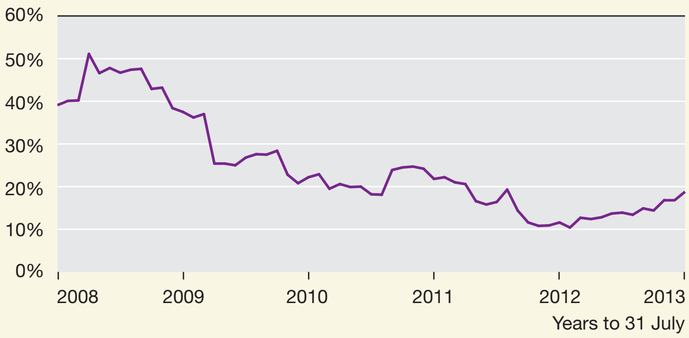
Overlap with MSCI All Country Asia ex Japan Index (in sterling terms)



Source: Baillie Gifford & Co.

Turnover

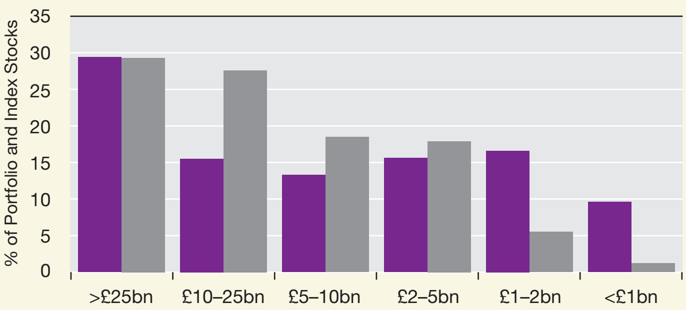
Rolling 12 months turnover over 5 years



Source: Baillie Gifford & Co.

Size Splits (Market Capitalisation of Investments)

As at 31 July 2013



Source: Baillie Gifford & Co.

Pacific Horizon

MSCI All Country Asia ex Japan

Directors and Managers

Directors

Jean Matterson

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

Edward Creasy

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

Douglas McDougall OBE

Douglas McDougall was appointed a Director in 1992. He is chairman of The Scottish Investment Trust plc, The Independent Investment Trust PLC and The European Investment Trust plc. He is a director of The Monks Investment Trust PLC and Herald Investment Trust plc. From 1969 to 1999 he was a partner in Baillie Gifford & Co and from 1989 to 1999 was joint senior partner and chief investment officer. He is a former chairman of the Investment Management Regulatory Organisation, the Fund Managers' Association and the Association of Investment Companies.

Elisabeth Scott

Elisabeth Scott was appointed a Director in 2011. She was managing director and country head of Schroder Investment Management (Hong Kong) Limited from 2005 to 2008 and chair of the Hong Kong Investment Funds Association from 2005 to 2007. She worked in the Hong Kong asset management industry from 1992 to 2008. She is a director of Fidelity China Special Situations PLC and Dunedin Income Growth Investment Trust PLC.

All of the Directors were members of the Audit and Nomination Committees during the year. Douglas McDougall stood down from the Audit Committee on 5 September 2013.

Directors' Service Details

Name	Date of appointment	Due date for re-election
JGK Matterson	2 September 2003	AGM 2013
EG Creasy	11 March 2010	AGM 2013
DCP McDougall	25 November 1992	AGM 2013
EC Scott	10 March 2011	AGM 2014

Managers and Secretaries

Pacific Horizon is managed by Baillie Gifford & Co, an investment management firm formed in 1927 out of the legal firm Baillie & Gifford, WS, which had been involved in investment management since 1908.

Baillie Gifford is one of the largest investment trust managers in the UK and currently manages eight investment trusts. Baillie Gifford also manages unit trusts and Open Ended Investment Companies, together with investment portfolios on behalf of pension funds, charities and other institutional clients, both in the UK and overseas. Funds under the management or advice of Baillie Gifford totalled around £100 billion at 31 July 2013. Based in Edinburgh, it is one of the leading privately owned investment management firms in the UK, with 39 partners and a staff of over 700.

The manager of Pacific Horizon's portfolio is Mike Gush. Mike has been a member of the Emerging Markets Team at Baillie Gifford since 2005. Roderick Snell was appointed as deputy manager on 10 September 2013. Roderick has been a member of the same team since 2008, with a focus on Asia Pacific.

Baillie Gifford have been Managers and Secretaries to the Company since August 1992.

The firm of Baillie Gifford & Co is 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 2013.

Business Review

Business and Status

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

The Company carries on business as an investment trust. It was approved as an investment trust under Section 1158 of the Corporation Tax Act 2010 for the year ended 31 July 2012, subject to matters that may arise from any subsequent enquiry by HM Revenue & Customs into the Company's tax return. In accordance with recent changes to Section 1158, the Company has obtained approval as an investment trust from HM Revenue & Customs for all accounting periods commencing on or after 1 August 2012. The Company intends to conduct its affairs so as to enable it to comply with the ongoing requirements of Section 1158.

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 entirely 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 such companies is 15% of gross assets.

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 entirely of quoted equity securities although unlisted companies, fixed interest holdings, or other non equity investments, may be held. 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 achieved by diversification and the portfolio will typically consist of between 40 and 120 holdings. Although sector concentration and the thematic characteristics of the portfolio are carefully monitored, no maximum limits to stock or sector weights have been set by the Board except as imposed from time to time by banking covenants on borrowings.

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

The Company has a maximum approved equity gearing level of 50% of shareholders' funds but, in the absence of exceptional market conditions, equity gearing is typically less than 25% of shareholders' funds. Borrowings are invested in securities when it is considered that investment grounds 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. There were no borrowings in place during the year.

Details of investment strategy and activity this year can be found in the Chairman's Statement on page 5 and the Managers' Review on pages 6 and 7. A detailed analysis of the Company's Investment Portfolio is set out on pages 10 to 12.

Performance

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

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

- the movement in net asset value per ordinary share;
- the movement in the share price;
- the premium/(discount);
- the movement in the comparative index (MSCI All Country Asia ex Japan Index (in sterling terms)); and
- the ongoing charges.

The one, five and ten year records for the KPIs can be found on pages 2, 3 and 4 respectively.

Results and Dividends

The net asset value per share increased by 5.8% during the year, compared to an increase in the benchmark of 9.1%; at 31 July 2013 the discount was 13.9%.

The Board recommends a final dividend of 1.50p per ordinary share.

If approved, the recommended final dividend on the ordinary shares will be paid on 4 November 2013 to shareholders on the register at the close of business on 11 October 2013. The ex-dividend date is 9 October 2013. The Company's Registrar offers a Dividend Reinvestment Plan (see page 41) and the final date for election for this dividend is 18 October 2013.

Review of the Year and Future Trends

A review of the main features of the year and the investment outlook is contained in the Chairman's Statement on page 5 and the Managers' Review on pages 6 and 7.

Principal Risks and Uncertainties

The Company's assets consist mainly of listed securities and its principal financial risks are therefore market related and include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. An explanation of those risks and how they are managed is contained in note 17 to the financial statements on pages 34 to 37.

Other risks faced by the Company include the following:

Regulatory Risk – failure to comply with applicable legal and regulatory requirements could lead to suspension of the

Company's Stock Exchange Listing, financial penalties or a qualified audit report. Breach of Section 1159 of the Corporation Tax Act 2010 could lead to the Company being subject to tax on capital gains.

The Managers monitor compliance with the provisions of Section 1158. Baillie Gifford's Business Risk & Internal Audit and Regulatory Risk 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.

Operational/Financial Risk – failure of the Managers' accounting systems or those of other third party service providers could lead to an inability to provide accurate reporting and monitoring or a misappropriation of assets. The Managers have a comprehensive business continuity plan which facilitates continued operations of the business in the event of a service disruption or major disaster. The Board reviews the Managers' Report on Internal Controls and the reports by other key third party providers are reviewed by the Managers on behalf of the Board.

Discount Volatility – the discount at which the Company's shares trade can widen. The Board monitors the level of discount and the Company has authority to buy back its own shares. In addition, the Board is seeking shareholders' approval at the forthcoming Annual General Meeting to be given the authority to implement regular tender offers.

Employees

The Company has no employees.

Social and Community Issues

As an investment trust, the Company has no direct social or community responsibilities. The Company, however, believes that it is in the shareholders' interests to consider environmental, social and governance factors when selecting and retaining investments. Details of the Company's policy on socially responsible investment can be found under Corporate Governance and Stewardship on page 18.

Corporate Governance

The Board is committed to achieving and demonstrating high standards of Corporate Governance. This statement outlines how the principles of the June 2010 UK Corporate Governance Code (the 'Code'), which can be found at **www.frc.org.uk**, and the principles of the 2010 Association of Investment Companies Code of Corporate Governance (the 'AIC Code') were applied throughout the financial year. The AIC Code provides a framework of best practice for investment companies and can be found at **www.theaic.co.uk**.

Compliance

The Board confirms that the Company has complied throughout the year under review with the relevant provisions of the Code and the recommendations of the AIC Code.

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.

The Board comprises four Directors all of whom are non-executive and independent. The Chairman, Miss JGK Matterson is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda. Mr EG Creasy is the Senior Independent Director.

The executive responsibility for investment management has been delegated to the Company's Managers and Secretaries, Baillie Gifford & Co, and, in the context of a Board 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 13.

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

Appointments

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

Under the provisions of the Company's Articles of Association, a Director appointed during the year is required to retire and seek election by shareholders at the next Annual General Meeting. Directors are required to submit themselves for re-election at least once every three years. Directors who have served for more than nine years or who are directors of another investment trust managed by Baillie Gifford offer themselves for re-election annually.

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

The names of Directors retiring and offering themselves for re-election together with the reasons why the Board supports the re-elections are set out on page 18.

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 that could interfere with the exercise of their independent judgement.

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

Miss JGK Matterson, having served on the Board for more than nine years and Mr DCP McDougall, having served on the Board for more than nine years and being a director of The Monks Investment Trust PLC, which is also managed by Baillie Gifford & Co, offer themselves for re-election annually. Following formal performance evaluation, the Board has concluded that Miss JGK Matterson and Mr DCP McDougall continue to be independent in character and judgement and their skills and extensive financial services experience add significantly to the strength of the Board.

The Board believes that none of the other commitments of Miss JGK Matterson and Mr DCP McDougall, as set out on page 13 of this report, interfere with the discharge of their duties to the Company and the Board is satisfied they are capable of devoting sufficient time to the Company.

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 Board and Committee Meetings held during the year. The Annual General Meeting was attended by all Directors.

Directors' Attendance at Meetings

	Board	Audit Committee	Nomination Committee
Number of meetings	**6**	**2**	**1**
JGK Matterson	6	2	1
EG Creasy	6	2	1
DCP McDougall*	6	2	1
EC Scott	6	2	1

* Mr DCP McDougall stood down from the Audit Committee on 5 September 2013.

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 at least annually and at such other times as may be required. The Committee has written terms of reference that include reviewing the Board, identifying and nominating new candidates for appointment to the Board, Board appraisal, succession planning and training. The Committee also considers whether Directors should be recommended for re-election by shareholders. The Committee is responsible for considering Directors' potential conflicts of interest and for making recommendations to the Board on whether or not potential conflicts should be authorised. The Committee's terms of reference are available on request from the Company and are on the Company's page of the Managers' website: **www.pacifichorizon.co.uk**.

Performance Evaluation

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

The appraisals and evaluations considered, amongst other criteria, the balance of skills of the Board, training and development requirements, the contribution of individual Directors and the overall effectiveness of the Board and the Committees. Following this process it was concluded that the performance of each Director, the Chairman, the Board and the Committees continues to be effective and each Director and the Chairman remain 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. Briefings were provided during the year on industry and regulatory matters. Directors receive other relevant training as necessary.

Remuneration

As all the Directors are non-executive there is no requirement for a separate Remuneration Committee. Directors' fees are considered by the Board as a whole within the limits approved by shareholders. The Company's policy on remuneration is set out in the Directors' Remuneration Report on page 21.

Internal Controls and Risk Management

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

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

The Directors confirm that they have reviewed the effectiveness of the Company's risk management and internal controls systems and they have procedures in place to review their effectiveness on a regular basis. No significant weaknesses were identified in the year under review.

The practical measures to ensure compliance with regulation and company law, and to provide effective and efficient operations and investment management, have been delegated to the Managers and Secretaries, Baillie Gifford & Co, under the terms of the Management Agreement.

The practical measures in relation to the design, implementation and maintenance of control policies and procedures to safeguard the assets of the Company and to manage its affairs properly, including the maintenance of effective operational and compliance controls and risk management, have also been delegated to Baillie Gifford & Co. The Board acknowledges its responsibilities to supervise and control the discharge by the Managers and Secretaries of their obligations.

Baillie Gifford & Co's Business Risk & Internal Audit and Regulatory Risk Departments provide the Board with regular reports on Baillie Gifford & Co's monitoring programmes. The reporting procedures for these departments are defined and formalised within a service level agreement. Baillie Gifford & Co conducts an annual review of its system of internal controls which is documented within an internal controls report which complies with ISAE 3402 and Technical Release AAF 01/06 – Assurance Reports on Internal Controls of Service Organisations made available to Third Parties. This report is independently reviewed by Baillie Gifford & Co's auditors and a copy is submitted to the Audit Committee.

The Company's investments are segregated from those of Baillie Gifford & Co and its other clients through the appointment of The Bank of New York Mellon SA/NV as independent custodian of the Company's investments. The custodian prepares a report on its internal controls which is independently reviewed by KPMG LLP.

A detailed risk map is prepared which identifies the significant risks faced by the Company and the key controls employed to manage these risks.

These procedures ensure that consideration is given regularly to the nature and extent of the risks facing the Company and that they are being actively monitored. Where changes in risk have been identified during the year they also provide a mechanism to assess whether further action is required to manage the risks identified. The Board confirms that these procedures have been in place throughout the Company's financial year and continue to be in place up to the date of approval of this Report.

Internal Audit

The Audit Committee carries out an annual review of the need for an internal audit function. The Audit Committee continues to believe that the Managers' compliance and internal control systems and internal audit function 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.

Accountability and Audit

The respective responsibilities of the Directors and the Auditor in connection with the Financial Statements are set out on pages 22 and 23.

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 assets, the majority of which are investments in quoted securities which are readily realisable, exceed its liabilities significantly. The Company has no loans. 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 2016. After making enquiries and considering the future prospects of the Company and notwithstanding the above, the financial statements have been prepared on the going concern basis as it is the Directors' opinion that the Company will continue in operational existence for the foreseeable future.

Audit Committee

An Audit Committee has been established which, until Mr DCP McDougall stood down from the Committee on 5 September 2013, consisted of all the independent Directors. The members of the Audit Committee consider that they have the requisite financial skills and experience to fulfil the responsibilities of the Committee. Mr EG Creasy is Chairman of the Audit Committee. The Committee's authority and duties are clearly defined within its written terms of reference which are available on request from the Company and are on the Company's page of the Managers' website: **www.pacifichorizon.co.uk**.

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

— monitoring the integrity of the half-yearly and annual financial statements and any formal announcements relating to the Company's financial performance;

— reviewing the adequacy and effectiveness of internal control and risk management systems;

— making recommendations to the Board in relation to the appointment of the external auditor and approving the remuneration and terms of their engagement;

— developing and implementing policy on the engagement of the external auditor to supply non-audit services (there were no non-audit services during the year);

— reviewing and monitoring the independence, objectivity and effectiveness of the external auditor;

— reviewing the arrangements in place within Baillie Gifford & Co whereby their staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters insofar as they may affect the Company;

— reviewing annually the terms of the Investment Management Agreement; and

— considering annually whether there is a need for the Company to have its own internal audit function.

Ernst & Young LLP are engaged as the Company's Auditor. Having considered the experience and tenure of the audit partner and staff and the nature and level of services provided, the Committee remains satisfied with the Auditor's effectiveness. The audit partner responsible for the audit is rotated every five years and the current lead partner, Amarjit Singh, was appointed during the year. There are no contractual obligations restricting the Company's choice of external auditor. The Committee receives confirmation from the Auditor that they have complied with the relevant UK professional and regulatory requirements on independence. The Committee does not believe that there has been any impairment to the Auditor's independence.

Relations with Shareholders

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

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

Corporate Governance and Stewardship

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

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

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.

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.

Investment Managers

During the year the whole Board fulfilled the function of the Management Engagement Committee. In future, those members of the Board who are also members of the Audit Committee will fulfil this function.

An Investment Management Agreement between the Company and Baillie Gifford & Co sets out the matters over which the Managers have authority in accordance with the policies and directions of, and subject to restrictions imposed by, the Board. The 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 sooner. With effect from 1 April 2013, the annual management fee was reduced from 1% of net assets to 0.95% on the first £50 million of net assets and 0.65% on the balance. The Board is of the view that calculating the fee with reference to performance would be unlikely to exert a positive influence on performance. Details of the fees paid are shown on page 29.

The Board considers the Company's investment management and secretarial arrangements on an ongoing basis and a formal review is carried out annually. The Board considers, amongst others, the following topics in its 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. Over the past year, the Board has noted that returns from the investment portfolio have underperformed the chosen comparative index. Following the most recent review, it is the opinion of the Directors that the continuing appointment of Baillie Gifford & Co as Managers, on the terms agreed, is in the interests of shareholders as a whole due to their determination to address performance issues, their commitment to the investment trust sector and the quality of the secretarial and administrative functions.

Directors' Interests

Name	Nature of interest	Ordinary 10p shares held at 31 July 2013	Ordinary 10p shares held at 1 August 2012
JGK Matterson	Beneficial	155,906	155,188
EG Creasy	Beneficial	16,400	16,400
DCP McDougall	Beneficial	823,853	823,853
EC Scott	Beneficial	6,103	6,103

The Directors at the end of the year under review, and their interests in the Company at 31 July, were as shown above. There have been no further changes intimated in the Directors' interests up to 11 September 2013.

Directors

Information about the Directors, including their relevant experience, can be found on page 13.

Miss JGK Matterson, having served for more than nine years and Mr DCP McDougall, having served for more than nine years and being a director of another investment trust managed by Baillie Gifford, are subject to annual re-election and will therefore be retiring at the Annual General Meeting and will offer themselves for re-election.

Mr EG Creasy, having served for three years since he was elected by shareholders, will be retiring at the Annual General Meeting and offering himself for re-election.

Following formal performance evaluation, the performance of Miss JGK Matterson, Mr DCP McDougall and Mr EG Creasy are considered to be effective and they remain committed to the Company. Their contribution to the Board is greatly valued and the Board recommends their re-election to shareholders.

Director Indemnification and Insurance

The Company has entered into deeds of indemnity in favour of each of its Directors. The deeds 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.

Major Interests in the Company's Shares

Name	Ordinary 10p shares held at 31 July 2013	% of issue
City of London Investment Management Company Limited (indirect)	11,901,400	16.1
A & OT Investments Limited (direct)	11,809,654	16.0
Rathbone Brothers Plc (indirect)	3,277,346	4.4
Investec Wealth & Investment Limited (indirect)	2,983,075	4.0
Legal & General Group Plc (L&G) (direct)	2,484,328	3.4

The above information had been intimated to the Company as at 31 July 2013. There have been no changes intimated up to 11 September 2013.

Share Capital

Capital Structure

The Company's capital structure consists of 73,972,002 ordinary shares of 10p each (2012 – 75,052,002 ordinary shares).

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.

Information on the deadlines for proxy appointments can be found on pages 39 and 40.

Share Issuance and Market Purchases of Own Shares

The Directors wish to draw shareholders' attention to Resolutions No. 9, 10 and 11 in the Notice of Annual General Meeting. At present, the Directors have authority under Section 551 of the Companies Act 2006 to issue ordinary shares up to an aggregate nominal amount of £750,520. This authority, which was conferred on them at the Annual General Meeting of the Company on 31 October 2012, is due to expire at the conclusion of the Annual General Meeting of the Company on 29 October 2013. Resolution No. 9 seeks to renew the Directors' general authority to allot shares up to an aggregate nominal amount of £739,720 being 10% of the Company's ordinary shares in issue at the date of this report. Resolution No. 10 seeks to renew the power to allot shares for cash on a non-pre-emptive basis also up to an aggregate nominal amount of £739,720. The Company does not hold any shares in treasury. Further issues of shares will only be made at a premium to the net asset value per share. The authority contained in Resolution No. 9 and the power granted by Resolution No. 10 will continue until the conclusion of the Company's next Annual General Meeting after the passing of this resolution or on the expiry of 15 months from the passing of this resolution, if earlier.

The Directors envisage using the authority and the power, which will be conferred by Resolutions No. 9 and 10 at times when the share price stands at a premium to net asset value. This would be asset enhancing and improve liquidity in the Company's shares. The Directors will not make any issue of new ordinary shares to investors unless they consider it advantageous to the Company to do so, and no issue of ordinary shares will be made pursuant to the authorisation in Resolution No. 9 which would effectively alter the control of the Company without the prior approval of shareholders in general meeting.

Resolution No. 9 is an Ordinary Resolution and requires only a simple majority; Resolution No. 10 is proposed as a Special Resolution and will not be passed unless 75% of those voting are in favour.

During the year to 31 July 2013 the Company bought back 1,080,000 ordinary shares (nominal value £108,000) on the London Stock Exchange for cancellation. The total consideration for these shares was £1,753,000. Between 1 August 2013 and the date of this report no further shares have been bought back.

The shares in question were purchased at a price (after allowing for costs) below the net asset value and subsequently cancelled, thereby reducing the issued share capital (see note 11 on page 32). As a result of such purchases in the year to 31 July 2013 the net asset value of the Company has increased by approximately 0.2%.

The Directors are seeking shareholders' approval at the Annual General Meeting to renew the authority to purchase up to 14.99% of the Company's ordinary shares in issue at the date of the passing of the resolution, such authority to expire at the Annual General Meeting of the Company to be held in 2014. Shares which are bought back will not be held in treasury and will be cancelled.

Under the Listing Rules of the UK Listing Authority of the Financial Conduct Authority, the maximum price that may be paid on the exercise of the authority must not exceed 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 of the price of the last independent trade and the highest current independent bid on the London Stock Exchange.

The minimum price that may be paid will be 10p per share. Purchases of shares will be made within guidelines established, from time to time, by the Board. Your attention is drawn to Special Resolution No. 11, in the Notice of Annual General Meeting.

The principal reasons for share buy backs are:

(i) to address any imbalance between the supply of, and the demand for, Pacific Horizon's shares that results in a large discount of the quoted market price to the published net asset value per share; and

(ii) to enhance net asset value for continuing shareholders by purchasing shares at a discount to the prevailing net asset value.

Regular Tender Offers

The Board intends, on a six monthly basis, commencing in January 2014, to offer shareholders the opportunity to sell some or all of their investment in the Company. The Board expects that this will strengthen its ability to manage the discount to net asset value at which the Company's ordinary shares may trade from time to time.

Subject to certain limitations set out below, the Directors intend to invite shareholders to tender for purchase for cash all or part of their holdings of shares. The price at which shares will be purchased will be an amount equal to the realisation value of the assets attributable to the shares tendered as at the close of business on the relevant tender offer calculation date, subject to a discount of 2% and less the direct costs and expenses of effecting the tender offer.

The Board will consider implementing a tender offer if the Company's ordinary shares trade at an average daily discount of more than 9% relative to the fair value cum income NAV over the six month period to 31 January and 31 July of each year (or the preceding business day) commencing with the six month period to 31 January 2014. It is the Directors' current intention that each six monthly tender offer will be restricted to a maximum of 5% in aggregate of the shares in issue as at the relevant tender offer calculation date (excluding any shares held in treasury).

Shares tendered in excess of the limit set by the Directors in respect of a particular tender offer will be scaled back pro rata in proportion to the excess amount tendered. Implementation of tender offers will be subject to prior shareholder approval, by way of a special resolution, at each Annual General Meeting.

In order to implement the tender offers, a market maker selected by the Board will, as principal, purchase at the tender price (calculated on the basis described above) the shares tendered and, following completion of these purchases, will sell the relevant shares on to the Company at the same price by way of an on-market transaction. The shares will subsequently be bought back by the Company from the market maker at the same price and cancelled.

The tender offers will be conducted in accordance with the UKLA's Listing Rules and the rules of the London Stock Exchange. Investors should note that the operation of the regular tender offers is subject to the Directors' discretion. In addition, in accordance with the Companies Act, shares may only be purchased by the Company out of the proceeds of a fresh issue of shares made for the purpose of repurchase or out of distributable profits.

Therefore, in addition to the authority that is being sought by the Company under Resolution 11 to purchase its own shares of 10 pence each (as explained in more detail on page 19), Special Resolution 12 grants the Board the authority to implement two tender offers, the first for the period ending 31 January 2014 and the second for the period ending 31 July 2014 and to repurchase up to a maximum of 5% of the Company's issued share capital as at 31 January 2014 and 31 July 2014 (as appropriate).

If Resolution 12 is passed such authority will expire at the conclusion of the Company's next Annual General Meeting in 2014 unless renewed prior to that date. It is expected that a further special resolution will be proposed at the AGM in 2014 in respect of the tender offer dates on 31 January 2015 and 31 July 2015.

If such tender offers are implemented, a separate circular and tender form will be sent to shareholders following the relevant six month period to 31 January 2014 and 31 July 2014, which will set out the full terms and conditions of the tender offer and the procedure for tendering shares.

Recommendation

The Directors unanimously recommend you to vote in favour of the resolutions to be proposed at the Annual General Meeting as it is their view that the resolutions are in the best interest of shareholders as a whole.

Creditor Payment Policy

It is the Company's payment policy for the forthcoming financial year to obtain the best terms for all business. In general, the Company agrees with its suppliers the terms on which business will take place and it is its policy to abide by these terms. The Company had no trade creditors at either 31 July 2012 or 31 July 2013.

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, Ernst & Young LLP, is willing to continue in office and in accordance with Section 489 and Section 491(1) of the Companies Act 2006 resolutions concerning their re-appointment and remuneration will be submitted to the Annual General Meeting.

By order of the Board
Jean Matterson
Chairman
13 September 2013

Directors' Remuneration Report

The Board has prepared this report, in accordance with the requirements of Section 421 of the Companies Act 2006. 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. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is included in their report on page 23.

Remuneration Committee

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

Policy on Directors' Fees

The Board's policy is that the remuneration of 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. It should also 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. It is intended that this policy will continue for the year ending 31 July 2014 and subsequent years.

The fees for the non-executive Directors are determined within an aggregate limit set out in the Company's Articles of Association, which currently stands at £150,000 per annum.

The Board carried out a review of the level of Directors' fees during the year and concluded that the fees should remain unchanged at £23,000 for the Chairman and £17,000 for each Director, with an additional fee for the Chairman of the Audit Committee of £2,500. The last increase was effective from 1 August 2010.

Directors' Remuneration for the Year (audited)

Name	2013 £	2012 £
Directors who served during the year		
JGK Matterson (Chairman)	23,000	23,000
EG Creasy (Chairman of Audit Committee)	19,500	19,500
DCP McDougall	17,000	17,000
EC Scott	17,000	17,000
GTE Smith (retired 17 October 2011)	–	3,633
	76,500	**80,133**

The Directors who served in the year received the above remuneration in the form of fees.

Sums Paid to Third Parties (audited)

The Director's fees payable to Mr GTE Smith were paid to Baillie Gifford & Co. The payment was for making his services available as Director of the Company.

Directors' Service Contracts

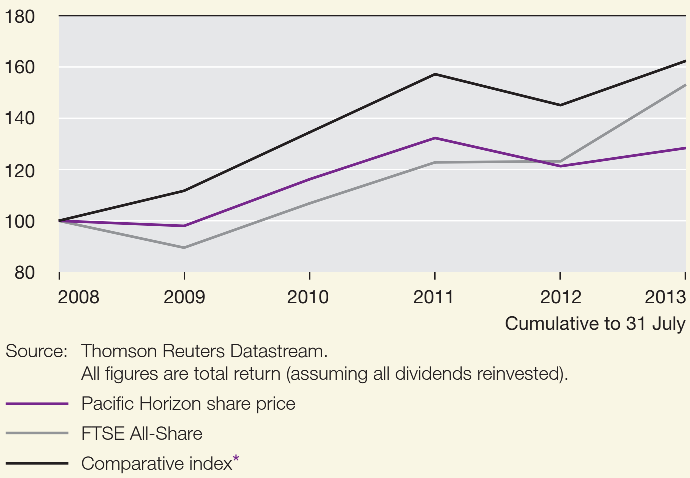
It is the Board's policy that none of the Directors has a service contract. All of the Directors have been provided with appointment letters and the terms of their appointment provide that a Director shall retire and be subject to election at the first Annual General Meeting after their appointment. Thereafter they are obliged to retire by rotation every three years, and, if they wish, to offer themselves for re-election. Directors with more than nine years' service will submit themselves for re-election annually. Directors who are also a director of another investment trust managed by Baillie Gifford submit themselves for re-election annually. There is no notice period and no provision for compensation upon early termination of appointment.

Company Performance

The graph below compares, for the five financial years ended 31 July 2013, the total return (assuming all dividends are reinvested) to ordinary shareholders compared to the total shareholder return on a notional investment made up of shares in the component parts of the 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 based to 100 at 31 July 2008)



Source: Thomson Reuters Datastream.
All figures are total return (assuming all dividends reinvested).

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

Past performance is not a guide to future performance.

Approval

The Directors' Remuneration Report on page 21 was approved by the Board of Directors and signed on its behalf on 13 September 2013.

By order of the Board
Jean Matterson
Chairman
13 September 2013

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

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards). 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; and

— state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable laws and regulations, the Directors are responsible for preparing a Directors' Report (including a Business Review), a Directors' Remuneration Report and a Corporate Governance Statement that comply with that law and those regulations.

The Directors have delegated responsibility to the Managers for the maintenance and integrity of the Company's page of the Managers' website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The work carried out by the Auditor does not involve any consideration of these matters and, accordingly, the Auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

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

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

— the Directors' 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.

By order of the Board
Jean Matterson
Chairman
13 September 2013

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.

Independent Auditor's Report

to the members of Pacific Horizon Investment Trust PLC

We have audited the financial statements of Pacific Horizon Investment Trust PLC for the year ended 31 July 2013 which comprise the Income Statement, Balance Sheet, Reconciliation of Movements in Shareholders' Funds, Cash Flow Statement and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective Responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 22, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implication for our report.

Opinion on 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 2013 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required 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.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 17, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to the shareholders by the Board on Directors' remuneration.

Amarjit Singh (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP
Statutory Auditor, London
13 September 2013

Income Statement

For the year ended 31 July

	Notes	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000
Gains/(losses) on investments	8	–	7,229	**7,229**	–	(5,919)	**(5,919)**
Currency (losses)/gains	12	–	(51)	**(51)**	–	89	**89**
Income	2	2,967	–	**2,967**	3,234	–	**3,234**
Investment management fee	3	(1,246)	–	**(1,246)**	(1,282)	–	**(1,282)**
Other administrative expenses	4	(314)	–	**(314)**	(302)	–	**(302)**
Net return on ordinary activities before taxation		1,407	7,178	**8,585**	1,650	(5,830)	**(4,180)**
Tax on ordinary activities	5	(165)	–	**(165)**	(159)	–	**(159)**
Net return on ordinary activities after taxation		**1,242**	**7,178**	**8,420**	**1,491**	**(5,830)**	**(4,339)**
Net return per ordinary share	7	**1.66p**	**9.62p**	**11.28p**	**1.97p**	**(7.71p)**	**(5.74p)**

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

All revenue and capital items in this statement derive from continuing operations. No operations were acquired or discontinued during the year.

A Statement of Total Recognised Gains and Losses is not required as all gains and losses of the Company have been reflected in the above statement.

The accompanying notes on pages 28 to 37 are an integral part of the financial statements.

Balance Sheet

As at 31 July

	Notes	2013 £'000	2013 £'000	2012 £'000	2012 £'000
Fixed assets					
Investments held at fair value through profit or loss	8		132,831		126,995
Current assets					
Debtors	9	554		409	
Cash and short term deposits	15/17	1,573		2,061	
		2,127		2,470	
Creditors					
Amounts falling due within one year	10	(320)		(368)	
Net current assets			1,807		2,102
Total net assets			**134,638**		**129,097**
Capital and reserves					
Called up share capital	11		7,397		7,505
Share premium	12		3,166		3,166
Special distributable reserve	12		6,499		8,252
Capital redemption reserve	12		18,396		18,288
Capital reserve	12		93,569		86,391
Revenue reserve	12		5,611		5,495
Shareholders' funds			**134,638**		**129,097**
Net asset value per ordinary share	13		**182.01p**		**172.01p**

The Financial Statements of Pacific Horizon Investment Trust PLC (Company Registration number 02342193) were approved and authorised for issue by the Board and signed on 13 September 2013.

Jean Matterson
Chairman

The accompanying notes on pages 28 to 37 are an integral part of the financial statements.

Reconciliation of Movements in Shareholders' Funds

For the year ended 31 July 2013

	Notes	Called up share capital £'000	Share premium £'000	Special distributable reserve £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 August 2012		7,505	3,166	8,252	18,288	86,391	5,495	**129,097**
Net return on ordinary activities after taxation		–	–	–	–	7,178	1,242	**8,420**
Shares purchased for cancellation	11	(108)	–	(1,753)	108	–	–	**(1,753)**
Dividends paid during the year	6	–	–	–	–	–	(1,126)	**(1,126)**
Shareholders' funds at 31 July 2013		**7,397**	**3,166**	**6,499**	**18,396**	**93,569**	**5,611**	**134,638**

For the year ended 31 July 2012

	Notes	Called up share capital £'000	Share premium £'000	Special distributable reserve £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 August 2011		7,693	3,166	11,020	18,100	92,221	5,150	**137,350**
Net return on ordinary activities after taxation		–	–	–	–	(5,830)	1,491	**(4,339)**
Shares purchased for cancellation	11	(188)	–	(2,768)	188	–	–	**(2,768)**
Dividends paid during the year	6	–	–	–	–	–	(1,146)	**(1,146)**
Shareholders' funds at 31 July 2012		**7,505**	**3,166**	**8,252**	**18,288**	**86,391**	**5,495**	**129,097**

The accompanying notes on pages 28 to 37 are an integral part of the financial statements.

Cash Flow Statement

For the year ended 31 July

	Notes	2013 £'000	2013 £'000	2012 £'000	2012 £'000
Net cash inflow from operating activities	14		1,218		1,547
Financial investment					
Acquisitions of investments		(28,464)		(18,009)	
Disposals of investments		29,688		20,899	
Realised currency (loss)/gain		(51)		89	
Net cash inflow from financial investment			1,173		2,979
Equity dividend paid	6		(1,126)		(1,146)
Net cash inflow before financing			1,265		3,380
Financing					
Shares bought back	11	(1,753)		(2,768)	
Net cash outflow from financing			(1,753)		(2,768)
(Decrease)/increase in cash	15		**(488)**		**612**

Reconciliation of net cash flow to movement in net funds					
(Decrease)/increase in cash in the year	15		(488)		612
Movement in net funds in the year			(488)		612
Net funds at 1 August			2,061		1,449
Net funds at 31 July			**1,573**		**2,061**

The accompanying notes on pages 28 to 37 are an integral part of the financial statements.

Notes to the Financial Statements

1 Principal Accounting Policies

The financial statements for the year to 31 July 2013 have been prepared on the basis consistent with the accounting policies set out in the Company's Annual Financial Statements at 31 July 2012.

(a) Basis of Accounting

The financial statements are prepared on the assumption that approval as an investment trust will continue to be granted.

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 in January 2009).

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

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

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

(b) Investments

Investment purchases and sales are recognised on a trade date basis. 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. The fair value of unlisted security investments uses valuation techniques, determined by the Directors, based upon latest dealing prices, stockbroker valuations, net asset values and other information, as appropriate in line with the relevant principles of the International Private Equity and Venture Capital Valuation Guidelines.

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.

(c) Derivatives

The Company may use derivatives for the purpose of efficient portfolio management (including reducing, transferring or eliminating risk in its investments and protection against currency risk) and to achieve capital growth.

Such instruments are recognised on the date of the contract that creates the Company's obligation to pay or receive cash flows and are measured as financial assets or liabilities at fair value through profit or loss at subsequent reporting dates, while the relevant contracts remain open. The fair value is determined by reference to the open market value of the contract.

Where the investment rationale for the use of derivatives is to hedge specific risks pertaining to the Company's portfolio composition, hedge accounting will only be adopted where the derivative instrument relates specifically to a single item, or group of items, of equal and opposite financial exposure, and where the derivative instrument has been explicitly designated as a hedge of such item(s) at the date of initial recognition. In all other circumstances changes in the fair value of derivative instruments are recognised immediately in the Income Statement as capital or revenue as appropriate.

(d) Income

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

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

(iii) Unfranked investment income includes the taxes deducted at source.

(iv) Underwriting commission and interest receivable on deposits are recognised on an accruals basis.

(v) 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.

(e) Expenses

All expenses are accounted for on an accruals basis and are charged through the revenue column of the Income Statement except where they relate directly to the acquisition or disposal of an investment (transaction costs), in which case they are taken to the Income Statement as a capital item.

(f) Finance Costs

Finance costs are accounted for on an accruals basis on an effective interest rate basis and are charged through the revenue column of the Income Statement.

(g) 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.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or right to pay less, tax in future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences arising between the Company's taxable profits and its results as stated in the financial statements which are capable of reversal in one or more subsequent periods. Deferred tax is measured without discounting and based on enacted tax rates.

(h) 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.

(i) Capital Reserve

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

(j) Single Segment Reporting

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

2 Income

	2013 £'000	2012 £'000
Income from financial assets designated at fair value through profit or loss		
Listed overseas dividends	2,967	3,234
Total income	**2,967**	**3,234**

3 Investment Management Fee

	2013 £'000	2012 £'000
Investment management fee	**1,246**	**1,282**

Baillie Gifford & Co are appointed as investment managers and secretaries to the Company. The Managers may terminate the Management Agreement on six months' notice and the Company may terminate on three months' notice. With effect from 1 April 2013, the annual management fee was reduced from a flat rate of 1% of net assets to a rate of 0.95% on the first £50m of net assets and 0.65% on the balance. Management fees are calculated on a quarterly basis.

4 Other Administrative Expenses

	2013 £'000	2012 £'000
General administrative expenses	219	205
Directors' fees	77	80
Auditor's remuneration for audit services	18	17
	314	**302**

There were no non-audit fees in the year to 31 July 2013 or 31 July 2012.

5 Tax on Ordinary Activities

	2013 £'000	2012 £'000
Analysis of charge in the year		
Overseas taxation	**165**	**159**
Factors affecting the tax charge for the year		
The tax assessed for the year is lower (2012 – higher) than the average standard rate of corporation tax in the UK of 23.67% (2012 – 25.33%)		
The differences are explained below:		
Total return on ordinary activities before taxation	8,585	(4,180)
Net return on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23.67% (2012 – 25.33%)	2,032	(1,059)
Capital (gains)/losses not taxable	(1,699)	1,477
Overseas dividends not taxable	(663)	(777)
Taxable expenses in the year not utilised	330	359
Overseas tax	165	159
Current revenue tax charge for the year	**165**	**159**

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

At 31 July 2013 the Company had a potential deferred tax asset of £1,339,000 (2012 – £1,063,000) 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 23% (2012 – 24%).

6 Ordinary Dividends

	2013	2012	2013 £'000	2012 £'000
Amounts recognised as distributions in the period:				
Previous year's final (paid 2 November 2012)	**1.50p**	**1.50p**	**1,126**	**1,146**

We also set out below the total dividends paid and proposed in respect of the financial year, which is the basis on which the requirements of Section 1158 of the Corporation Tax Act 2010 are considered. The revenue for the year available for distribution by way of dividend is £1,242,000 (2012 – £1,491,000).

	2013	2012	2013 £'000	2012 £'000
Amounts paid and proposed in respect of the financial year:				
Proposed final dividend per ordinary share (payable 4 November 2013)	**1.50p**	**1.50p**	**1,110**	**1,126**

7 Net Return per Ordinary Share

	2013 Revenue	2013 Capital	2013 Total	2012 Revenue	2012 Capital	2012 Total
Net return on ordinary activities after taxation	**1.66p**	**9.62p**	**11.28p**	**1.97p**	**(7.71p)**	**(5.74p)**

Revenue return per ordinary share is based on the net revenue return on ordinary activities after taxation of £1,242,000 (2012 – £1,491,000) and on 74,625,072 (2012 – 75,638,600) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

Capital return per ordinary share is based on the net capital gain for the financial year of £7,178,000 (2012 – net capital loss of £5,830,000) and on 74,625,072 (2012 – 75,638,600) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

Total return per ordinary share is based on the total gain for the financial year of £8,420,000 (2012 – total loss of £4,339,000) and on 74,625,072 (2012 – 75,638,600) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

There are no dilutive or potentially dilutive shares in issue.

8 Fixed Assets – Investments

As at 31 July 2013	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed equities	131,292	1,516	–	**132,808**
Unlisted equities	–	–	23	**23**
Total financial asset investments	**131,292**	**1,516**	**23**	**132,831**

As at 31 July 2012	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed equities	126,972	–	–	**126,972**
Unlisted equities	–	–	23	**23**
Total financial asset investments	**126,972**	**–**	**23**	**126,995**

Investments in securities are financial assets designated at fair value through profit or loss on initial recognition. In accordance with Financial Reporting Standard 29 'Financial Instruments: Disclosures', the preceding tables provide an analysis of these investments based on the fair value hierarchy described on page 31, which reflects the reliability and significance of the information used to measure their fair value.

8 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 – investments with quoted prices in an active market;

Level 2 – investments whose fair value is based directly on observable current market prices or is indirectly being derived from market prices; and

Level 3 – investments whose fair value is determined using a valuation technique based on assumptions that are not supported by observable current market prices or are not based on observable market data.

	Listed overseas £'000	Unlisted * £'000	Total £'000
Cost of investments at 1 August 2012	90,019	5	**90,024**
Investment holding gains and losses at 1 August 2012	36,953	18	**36,971**
Fair value of investments at 1 August 2012	126,972	23	**126,995**
Movements in year:			
Purchases at cost	28,464	–	**28,464**
Sales – proceeds	(29,857)	–	**(29,857)**
– gains on sales	4,378	–	**4,378**
Changes in investment holding gains and losses	2,851	–	**2,851**
Fair value of investments at 31 July 2013	**132,808**	**23**	**132,831**
Cost of investments at 31 July 2013	93,004	5	**93,009**
Investment holding gains and losses at 31 July 2013	39,804	18	**39,822**
Fair value of investments at 31 July 2013	**132,808**	**23**	**132,831**

* The unlisted investment, Philippine Townships, arose from a distribution by its parent RFM Corporation.

The Company incurred transaction costs on purchases of £69,000 (2012 – £31,000) and on sales of £71,000 (2012 – £68,000), being £140,000 (2012 – £99,000) in total.

The following tables show a reconciliation from the opening balances to the closing balances for fair value measurements in Level 3 of the fair value hierarchy.

For the year to 31 July 2013	Value at 1 August 2012 £'000	Purchases £'000	Sales proceeds £'000	Gains/(losses) on sales £'000	Holding gains/(losses) £'000	Value at 31 July 2013 £'000
Unlisted equity	**23**	**–**	**–**	**–**	**–**	**23**

For the year to 31 July 2012	Value at 1 August 2011 £'000	Purchases £'000	Sales proceeds £'000	Gains/(losses) on sales £'000	Holding gains/(losses) £'000	Value at 31 July 2012 £'000
Listed equity	312	–	(184)	(1,654)	1,526	**–**
Unlisted equity	22	–	–	–	1	**23**
	334	**–**	**(184)**	**(1,654)**	**1,527**	**23**

The gains and losses included in the above tables have all been recognised in the Income Statement on page 24.

8 Fixed Assets – Investments (continued)

Fair Value Hierarchy (continued)

	2013 £'000	2012 £'000
Net gains/(losses) on investments designated at fair value through profit or loss on initial recognition		
Gains/(losses) on sales	4,378	(5,255)
Changes in investment holding gains and losses	2,851	(664)
	7,229	**(5,919)**

In respect of the sales made during the year a net gain of £4,631,000 (2012 – net loss of £2,347,000) was included in investment holding gains and losses at the previous year end.

9 Debtors

	2013 £'000	2012 £'000
Amounts falling due within one year:		
Income accrued (net of withholding taxes)	269	310
Sales for subsequent settlement	175	–
Distribution of capital for subsequent settlement	75	81
Other debtors and prepayments	35	18
	554	**409**

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 2013 or 31 July 2012.

10 Creditors – Amounts falling due within one year

	2013 £'000	2012 £'000
Other creditors and accruals	**320**	**368**

The Company has a £20 million uncommitted revolving credit facility with The Bank of New York Mellon. There were no borrowings in the year to 31 July 2013 or 31 July 2012.

Included in other creditors and accruals is £256,000 (2012 – £323,000) in respect of the investment management fee.

None of the above creditors at 31 July 2013 or 31 July 2012 are financial liabilities designated at fair value through profit or loss.

11 Called Up Share Capital

	2013 Number	2013 £'000	2012 Number	2012 £'000
Allotted, called up and fully paid ordinary shares of 10p each	**73,972,002**	**7,397**	**75,052,002**	**7,505**

The Company has authority to allot shares under Section 551 of the Companies Act 2006. The Board has authorised the use of this authority to issue new shares at a premium of not less than 5% to net asset value in order to enhance the net asset value per share for existing shareholders and improve the liquidity of the Company's shares. In the years to 31 July 2013 and 31 July 2012 no shares were issued.

The Company has authority to buy back its ordinary shares. The authority was last renewed at the Annual General Meeting on 31 October 2012 in respect of 11,250,295 shares (equivalent to 14.99% of its issued share capital at that date). In the year to 31 July 2013 a total of 1,080,000 (2012 – 1,880,000) ordinary shares with a nominal value of £108,000 (2012 – £188,000) were bought back at a total cost of £1,753,000 (2012 – £2,768,000). At 31 July 2013 the Company had authority to buy back a further 10,170,295 ordinary shares.

12 Capital and Reserves

	Called up share capital £'000	Share premium £'000	Special distributable reserve £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
At 1 August 2012	7,505	3,166	8,252	18,288	86,391	5,495	**129,097**
Net gains on sales of investments	–	–	–	–	4,378	–	**4,378**
Changes in investment holding gains and losses	–	–	–	–	2,851	–	**2,851**
Exchange differences	–	–	–	–	(51)	–	**(51)**
Shares purchased for cancellation	(108)	–	(1,753)	108	–	–	**(1,753)**
Revenue return on ordinary activities after taxation	–	–	–	–	–	1,242	**1,242**
Dividends paid during the year	–	–	–	–	–	(1,126)	**(1,126)**
At 31 July 2013	**7,397**	**3,166**	**6,499**	**18,396**	**93,569**	**5,611**	**134,638**

The capital reserve includes investments holding gains of £39,822,000 (2012 – £36,971,000) as disclosed in note 8.

The special distributable reserve, which arose from the reduction of the share premium account in 2001 may be used to fund share buybacks.

The revenue reserve may be distributed by way of dividend.

13 Net Asset Value per Ordinary Share

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

	2013 Net asset value per share	2012 Net asset value per share	2013 Net assets attributable £'000	2012 Net assets attributable £'000
Ordinary shares	**182.01p**	**172.01p**	**134,638**	**129,097**

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

Net asset value per ordinary share is based on the net assets as shown above and 73,972,002 (2012 – 75,052,002) ordinary shares, being the number of ordinary shares in issue at each date.

14 Reconciliation of Net Return before Taxation to Net Cash Inflow from Operating Activities

	2013 £'000	2012 £'000
Net return on ordinary activities before taxation	8,585	(4,180)
(Gains)/losses on investments	(7,229)	5,919
Currency losses/(gains)	51	(89)
Decrease in accrued income	39	319
(Increase)/decrease in other debtors	(17)	6
Decrease in creditors	(48)	(228)
Overseas tax suffered	(163)	(200)
Net cash inflow from operating activities	**1,218**	**1,547**

15 Analysis of Change in Net Funds

	2013 £'000	2012 £'000
Cash and short term deposits 1 August 2012	2,061	1,449
Cash flows	(488)	612
Cash and short term deposits 31 July 2013	**1,573**	**2,061**

16 Related Party Transactions

The Directors' fees for the year are detailed in the Directors' Remuneration Report on page 21. 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.

17 Financial Instruments

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

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

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

Market Risk

The fair value or future cash flows of a financial instrument or other investment held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements – currency risk, interest rate risk and other price risk. The Board of Directors reviews and agrees policies for managing these risks and the Company's Investment 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.

The Company may, from time to time, enter into derivative transactions to hedge specific market, currency or interest rate risk. During the year to 31 July 2013 no such transactions were entered into.

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

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 Investment Managers monitor the Company's exposure to foreign currencies and report to the Board on a regular basis. The Investment 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. The Company had no borrowings in the year to 31 July 2013 or 31 July 2012.

17 Financial Instruments (continued)

Currency risk (continued)

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

At 31 July 2013	Investments £'000	Cash and deposits £'000	Other debtors and creditors * £'000	Net exposure £'000
Hong Kong dollar	41,448	1,193	62	**42,703**
Korean won	26,192	–	3	**26,195**
Taiwan dollar	22,488	200	166	**22,854**
Singapore dollar	12,118	–	79	**12,197**
Indian rupee	11,745	6	64	**11,815**
US dollar	7,144	105	–	**7,249**
Thai bhat	3,325	–	157	**3,482**
Malaysian ringgit	3,383	–	–	**3,383**
Indonesian rupiah	2,477	2	8	**2,487**
Other overseas currencies	2,511	–	–	**2,511**
Total exposure to currency risk	132,831	1,506	539	**134,876**
Sterling	–	67	(305)	**(238)**
	132,831	**1,573**	**234**	**134,638**

* Includes net non-monetary assets of £9,000.

At 31 July 2012	Investments £'000	Cash and deposits £'000	Other debtors and creditors * £'000	Net exposure £'000
Hong Kong dollar	39,539	1,630	–	**41,169**
Korean won	26,773	–	3	**26,776**
Taiwan dollar	19,886	258	150	**20,294**
Singapore dollar	12,908	–	183	**13,091**
Indian rupee	3,260	7	20	**3,287**
US dollar	6,117	–	(3)	**6,114**
Thai bhat	4,335	–	–	**4,335**
Malaysian ringgit	6,704	154	16	**6,874**
Indonesian rupiah	3,729	2	–	**3,731**
Other overseas currencies	3,744	–	19	**3,763**
Total exposure to currency risk	126,995	2,051	388	**129,434**
Sterling	–	10	(347)	**(337)**
	126,995	**2,061**	**41**	**129,097**

* Includes net non-monetary assets of £14,000.

17 Financial Instruments (continued)

Currency Risk Sensitivity

At 31 July 2013, if sterling had strengthened by 5% in relation to all currencies, with all other variables held constant, total net assets and total return on ordinary activities would have decreased by the amounts shown below. A 5% weakening of sterling against all currencies, with all other variables held constant, would have had an equal but opposite effect on the financial statement amounts. The analysis is performed on the same basis for 2012.

	2013 £'000	2012 £'000
Hong Kong dollar	2,135	2,058
Korean won	1,310	1,339
Taiwan dollar	1,143	1,015
Singapore dollar	610	655
Indian rupee	591	164
US dollar	362	306
Thai bhat	174	217
Malaysian ringgit	169	344
Indonesian rupiah	124	186
Other overseas currencies	126	188
	6,744	**6,472**

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 Company's total interest rate risk exposure at 31 July 2013 amounted to £1,573,000 (2012 – £2,061,000), comprising of its cash and short term deposits.

The cash deposits generally comprise call or short term money market deposits of less than one month which are repayable on demand. The benchmark rate which determines the interest payments received on cash balances is the bank base rate.

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.

If interest rates had been 100 basis points higher or lower (2012 – 100 basis points) and all other variables were held constant, the Company's total net assets and total return on ordinary activities for the year ended 31 July 2013 would increase/decrease by £16,000 (2012 – increase/decrease by £21,000). This is mainly due to the Company's exposure to interest rates on its floating rate cash balances.

Other Price Risk

Changes in market prices other than those arising from interest rate risk or currency risk may also affect the value of the Company's net assets.

The Board manages the market price risks inherent in the investment portfolio by ensuring full and timely access to relevant information from the Investment Managers. The Board meets regularly and at each meeting reviews investment performance, the investment portfolio and the rationale for the current investment positioning to ensure consistency with the Company's objectives and investment policies.
The portfolio does not seek to reproduce the index. Investments are selected based upon the merit of individual companies and therefore performance may well diverge from the comparative index.

17 Financial Instruments (continued)

Other Price Risk Sensitivity

Fixed asset investments are valued at bid prices which equate to their fair value. A full list of the Company's investments is given on pages 10 and 11. In addition, a geographical analysis of the portfolio and an analysis of the investment portfolio by broad industrial or commercial sector are shown on page 12.

98.6% (2012 – 98.4%) of the Company's net assets are invested in quoted equities. A 5% (2012 – 5%) increase in quoted equity valuations at 31 July 2013 would have increased total assets and total return on ordinary activities by £6,640,000 (2012 – £6,349,000). A decrease of 5% would have had an equal but opposite effect.

Liquidity Risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. All liabilities are repayable on demand at a consideration equal to the carrying value shown in the financial statements.

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 Investment 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.

Credit Risk

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

This risk is managed as follows:

- Where the Investment 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 Company's listed investments are held on its behalf by the Company's custodian, The Bank of New York Mellon SA/NV (acting as agent). Bankruptcy or insolvency of the custodian may cause the Company's rights with respect to securities held by the custodian to be delayed. The Investment 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 Investment 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 Investment Managers.
- Cash is only held at banks that have been identified by the Managers as reputable and of high credit quality.

Credit Risk Exposure

The exposure to credit risk at 31 July was:

	2013 £'000	2012 £'000
Cash and short term deposits	1,573	2,061
Debtors and prepayments	554	409
	2,127	**2,470**

The maximum exposure in cash during the year was £3,467,000 (2012 – £2,638,000) and the minimum £25,000 (2012 – (£67,000)). None of the Company's financial assets are past due or impaired.

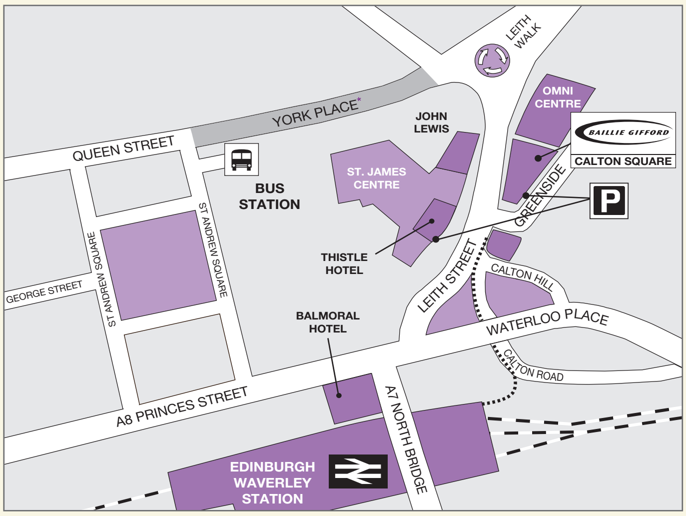
Fair Value of Financial Assets and Financial Liabilities

The Directors are of the opinion that the financial assets and liabilities of the Company are stated at fair value in the balance sheet.

Capital Management

The Company does not have any externally imposed capital requirements. The capital of the Company is the ordinary share capital as detailed in note 11 and the reserves in note 12. It is managed in accordance with its investment policy in pursuit of its investment objective, both of which are detailed on page 14. Shares may be issued and/or repurchased as explained on pages 19 and 20.

Notice of Annual General Meeting



The Annual General Meeting of the Company will be held at the offices of Baillie Gifford & Co, Calton Square, 1 Greenside Row, Edinburgh EH1 3AN, on Tuesday, 29 October 2013 at 10.45am.

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

Baillie Gifford may record your call.

*Please note: Traffic disruptions and road closures may be in place on York Place due to the Edinburgh Tramwork Project.

Notice is hereby given that the Annual General Meeting of Pacific Horizon Investment Trust PLC will be held within the offices of Baillie Gifford & Co, Calton Square, 1 Greenside Row, Edinburgh EH1 3AN, on Tuesday, 29 October 2013 at 10.45am for the following purposes:

Ordinary Business

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

1. To receive and adopt the Financial Statements of the Company for the year to 31 July 2013, together with the Reports of the Directors and of the Independent Auditor thereon.
2. To approve the Directors' Remuneration Report for the year to 31 July 2013.
3. To declare a final dividend of 1.50p per ordinary share.
4. To re-elect Miss JGK Matterson as a Director.
5. To re-elect Mr DCP McDougall as a Director.
6. To re-elect Mr EG Creasy as a Director.
7. To reappoint Ernst & Young 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.
8. To authorise the Directors to determine the remuneration of the Independent Auditor of the Company.
9. THAT, in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date hereof, the Directors of the Company be and they are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the 'Act') to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company ('Securities') provided that such authority shall be limited to the allotment of shares and the grant of rights in respect of shares with an aggregate nominal value of up to £739,720, such authority to expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on the expiry of 15 months from the passing of this resolution, whichever is the earlier, unless previously revoked, varied or extended by the Company in a general meeting, save that the Company may at any time prior to the expiry of this authority make an offer or enter into an agreement which would or might require Securities to be allotted or granted after the expiry of such authority and the Directors shall be entitled to allot or grant Securities in pursuance of such an offer or agreement as if such authority had not expired.

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

10. THAT, subject to the passing of resolution number 9 above, and in substitution for any existing power but without prejudice to the exercise of any such power prior to the date hereof, the Directors of the Company be and they are hereby generally empowered, pursuant to Section 570 of the Companies Act 2006 (the 'Act'), to allot equity securities (as defined in Section 560 of the Act), including the grant of rights to subscribe for, or to convert securities into ordinary shares held by the Company as treasury shares (as defined in Section 724 of the Act) for cash pursuant to the authority given by resolution number 9 above as if Section 561(1) of the Act did not apply to any such allotment of equity securities, provided that this power:
    (a) expires at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on the expiry of 15 months from the passing of this resolution, whichever is the earlier, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred hereby had not expired; and
    (b) shall be limited to the allotment of equity securities up to an aggregate nominal value of £739,720 being approximately 10% of the nominal value of the issued share capital of the Company, as at 11 September 2013.

11. 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 and is hereby generally and unconditionally authorised, pursuant to and 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 fully paid ordinary shares of 10 pence each in the capital of the Company ('ordinary shares'), provided that:
    - (a) the maximum aggregate number of ordinary shares hereby authorised to be purchased is 11,088,403 being approximately 14.99% of the issued ordinary 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 is 10 pence;
    - (c) the maximum price (excluding expenses) which may be paid for each ordinary share 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 of the last independent trade and the highest current independent bid on the London Stock Exchange; and
    - (d) unless previously varied, revoked or renewed by the Company in a general meeting, the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in respect of the financial year ending 31 July 2014, save that the Company may, prior to such expiry, enter into a contract 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.
12. THAT, in addition to the authority given to the Company to purchase its own ordinary shares of 10 pence each (the 'Shares') pursuant to resolution 11 above and in accordance with the terms and conditions of the tender offers for the six month periods ended 31 January 2014 and 31 July 2014 (together the 'Tender Offers') which will be set out in a circular to be sent to Shareholders by the Company relating to the relevant Tender Offer (the 'Circular'), the Company be and is hereby authorised for the purpose of section 701 of the Companies Act 2006 (the '2006 Act') to make market purchases (within the meaning of section 693(4) of the 2006 Act) of its issued Shares provided that:
    - (a) the maximum number of Shares hereby authorised to be purchased pursuant to each Tender Offer is 5% of the Shares in issue as at 31 January 2014 (excluding any Shares held in treasury) or 31 July 2014 (excluding Shares held in treasury) as appropriate;
    - (b) the price which shall be paid for a Share shall be the relevant Tender Price as defined in the Circular (which in each case shall be both the maximum and the minimum price for the purposes of section 701 of the 2006 Act); and
    - (c) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company in 2014 (unless such authority is renewed prior to such time) save that the Company may, prior to such expiry, enter into a contract to purchase Shares which will or may be completed or executed wholly or partly after such expiry.

By order of the Board
Baillie Gifford & Co
Managers and Secretaries
26 September 2013

Notes

1. As a member you are entitled to appoint a proxy or proxies to exercise all or any of your rights to attend, speak and vote at the AGM. A proxy need not be a member of the Company but must attend the AGM to represent you. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You can only appoint a proxy using the procedure set out in these notes and the notes to the proxy form. You may not use any electronic address provided either in this notice or any related documents (including the financial statements and proxy form) to communicate with the Company for any purpose other than those expressly stated.
2. To be valid any proxy form or other instrument appointing a proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, must be received by post or (during normal business hours only) by hand at the Registrars of the Company at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY or **www.eproxyappointment.com** no later than two days (excluding non-working days) before the time of the meeting or any adjourned meeting.
3. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual and/or by logging on to the website **www.euroclear.com/CREST**. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

4. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's registrar (ID 3RA50) no later than two days (excluding non-working days) before the time of the meeting or any adjournment. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
5. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
6. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
7. The return of a completed proxy form or other instrument of proxy will not prevent you attending the AGM and voting in person if you wish.
8. Shareholders participating in the Baillie Gifford Investment Trust Share Plan, Children's Savings Plan or the Baillie Gifford Investment Trust ISA who wish to vote and/or attend the meeting must complete and return the enclosed reply-paid Form of Direction.
9. 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 Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company no later than two days (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.
10. Any person to whom this notice is sent or 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.
11. 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.
12. The members of the Company may require the Company to publish, on its website, (without payment) a statement (which is also passed to the Auditor) setting out any matter relating to the audit of the Company's accounts, including the Auditor's report and the conduct of the audit. The Company will be required to do so once it has received such requests from either members representing at least 5% of the total voting rights of the Company or at least 100 members who have a relevant right to vote and hold shares in the Company on which there has been paid up an average sum per member of at least £100. Such requests must be made in writing and must state your full name and address and be sent to the Company at Calton Square, 1 Greenside Row, Edinburgh EH1 3AN.
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 **www.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. As at 11 September 2013 (being the last practicable day prior to the publication of this notice) the Company's issued share capital consisted of 73,972,002 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 11 September 2013 were 73,972,002 votes.
16. Any person holding 3% or more of the total voting rights of the Company who appoints a person other than the Chairman of the meeting as his proxy will need to ensure that both he and his proxy complies with their respective disclosure obligations under the UK Disclosure and Transparency Rules.
17. No Director has a contract of service with the Company.

Further Shareholder Information

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

— participation in a diversified portfolio of shares;

— constant supervision by experienced professional managers; and

— the Company is free from capital gains tax on capital profits realised within its portfolio although investors are still liable for capital gains tax on profits when selling their investment.

How to Invest

The Company's shares are traded on the London Stock Exchange. They can be bought by placing an order with a stockbroker, by asking a professional adviser to do so, or through the Baillie Gifford savings vehicles (see page 42 for details). 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 website at **www.pacifichorizon.co.uk**, Trustnet at **www.trustnet.co.uk** and on other financial websites. Monthly factsheets are also available on the Baillie Gifford website. These are available from Baillie Gifford on request.

Pacific Horizon Share Identifiers

ISIN	GB0006667470
Sedol	0666747
Ticker	PHI

Key Dates

Ordinary shareholders normally receive a dividend in respect of each financial year which is usually paid at the end of October or early November. The Annual General Meeting is normally held in October or early November.

Capital Gains Tax

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

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

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

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 0870 707 1229. This helpline also offers an automated self-service functionality (available 24 hours a day, 7 days a week) which allows you to:

— hear the latest share price;

— confirm your current share holding balance;

— confirm your payment history; and

— order Change of Address, Dividend Bank Mandate and Stock Transfer forms.

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

— view your share portfolio and see the latest market price of your shares;

— calculate the total market price of each shareholding;

— view price histories and trading graphs;

— register to receive communications from the Company, including the Annual reports, in electronic format;

— update bank mandates and change address details;

— use online dealing services; and

— pay dividends directly into your overseas bank account in your chosen local currency.

To take advantage of this service, please log in at **www.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 operates a Dividend Reinvestment Plan which can be used to buy additional shares instead of receiving your dividend via cheque or into your bank account. For further information log in to **www.investorcentre.co.uk** and follow the instructions or telephone 0870 707 1694.

Electronic Proxy Voting

If you hold stock in your own name you can choose to vote by returning proxies electronically at **www.eproxyappointment.com**. If you have any questions about this service please contact Computershare on 0870 707 1229.

CREST Proxy Voting

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

Analysis of Shareholders at 31 July

	2013 Number of shares held	2013 %	2012 Number of shares held	2012 %
Institutions	39,524,197	53.4	36,759,589	49.0
Intermediaries	22,690,003	30.7	26,041,849	34.7
Individuals	2,503,994	3.4	2,790,401	3.7
Baillie Gifford Share Plan/ISA	8,973,247	12.1	8,971,704	12.0
Marketmakers	280,561	0.4	488,459	0.6
	73,972,002	**100.0**	**75,052,002**	**100.0**

Cost-effective Ways to Buy and Hold Shares in Pacific Horizon

Baillie Gifford Savings Management Limited offers a number of plans that enable you to buy and hold shares of Pacific Horizon cost-efficiently. Purchases and sales are normally subject to a dealing price spread and Government stamp duty of 0.5% is payable on purchases.

The Baillie Gifford Investment Trust Share Plan

— No initial charge

— No annual wrapper charge

— Normally cheaper than dealing through a stockbroker

— Invest a lump sum from £250 or monthly from just £30

— No maximum investment limits

— Stop and start saving at any time with no charge

— Twice weekly dealing (usually Tuesday and Friday)

— A withdrawal charge of just £22

The Baillie Gifford Investment Trust ISA

— Tax-efficient investment

— No set-up charge

— Flat rate annual management charge currently of £32.50 + VAT

— Lump sum investment from £2,000 currently up to a maximum of £11,520 each tax year

— Save monthly from £100

— A withdrawal charge of just £22

ISA Transfers

— Transfer existing ISAs from other plan managers into the Baillie Gifford ISA

— Consolidate your plans into a managed global investment

— Minimum transfer value £2,000

The Baillie Gifford Children's Savings Plan

— An excellent way for parents, grandparents or other adults to invest for a child

— No initial charge

— No annual wrapper charge

— The option of a designated account or a bare trust in favour of the child

— Flexible investment options: lump sum from £100 or monthly saving from just £25

— A withdrawal charge of just £22

Online Management Service

You can also open and manage your Share Plan, Children's Savings Plan* and/or ISA online, through our secure Online Management Service (OMS) which can be accessed through the Baillie Gifford website at **www.bailliegifford.com/oms**. As well as being able to view the details of your plan online, the service also allows you to:

— obtain current valuations;

— make lump sum investments, except where there is more than one holder;

— sell part or all of your holdings, except where there is more than one holder;

— switch between investment trusts, except where there is more than one holder; and

— update certain personal details e.g. address and telephone number.

*Please note that a bare trust cannot be opened via OMS. A bare trust application form must be completed. Certain restrictions apply for accounts where there is more than one holder.

Further information

If you would like more information on any of the plans described, please contact the Baillie Gifford Client Relations Team (see contact details on page 44).

Risks

— Past performance is not a guide to future performance.

— Pacific Horizon is a listed UK Company. As a result, the value of its shares, and any income from them, can fall as well as rise and investors may not get back the amount invested.

— Pacific Horizon invests in overseas securities. Changes in the rates of exchange may also cause the value of your investment (and any income it may pay) to go down or up.

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

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

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

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

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

— The generation of income is less important than Pacific Horizon's aim of achieving capital growth. You should not expect a significant, or steady, annual income from the Company.

— Shareholders in Pacific Horizon have the right to vote every five years, on whether to continue Pacific Horizon, or wind it up. If the shareholders decide to wind the Company up, the assets will be sold and you will receive a cash sum in relation to your shareholding. The next vote will be held at the Annual General Meeting in 2016.

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

Details of other risks that apply to investment in these savings vehicles are contained in the product brochures.

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

Baillie Gifford Savings Management Limited (BGSM) is the manager of The Baillie Gifford Investment Trust Share Plan, The Baillie Gifford Children's Savings Plan and The Baillie Gifford Investment Trust ISA. BGSM is wholly owned by Baillie Gifford & Co, the Managers and Secretaries of Pacific Horizon Investment Trust PLC. BGSM and Baillie Gifford & Co are authorised and regulated by the Financial Conduct Authority and both are based at Calton Square, 1 Greenside Row, Edinburgh EH1 3AN.

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

Communicating with Shareholders

Trust Magazine

Trust is the Baillie Gifford investment trust magazine which is published three times 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. For a copy of *Trust*, please contact the Baillie Gifford Client Relations Team (see contact details opposite).

An online version of *Trust* can be found at **www.bgtrustonline.com**.

Pacific Horizon on the Web

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

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.

Suggestions and Questions

Any suggestions on how communications with shareholders can be improved are welcomed, so 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, either about Pacific Horizon or the plans described on page 42.

Literature in Alternative Formats

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

Client Relations Team Contact Details

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

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

Email: trustenquiries@bailliegifford.com
Website: www.bailliegifford.com
Fax: 0131 275 3955

Client Relations Team
Baillie Gifford Savings Management Limited
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 or if you have any questions about the suitability of any of these plans for you, please ask an authorised intermediary.

Directors

Chairman:
Miss JGK Matterson

EG Creasy
DCP McDougall OBE
Ms EC Scott

Registered Office

Computershare
Investor Services PLC
2nd Floor
Vintners' Place
68 Upper Thames Street
London
EC4V 3BJ

Managers and Secretaries

Baillie Gifford & Co
Calton Square
1 Greenside Row
Edinburgh
EH1 3AN
Tel: 0131 275 2000
www.bailliegifford.com

Registrar

Computershare
Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ
Tel: 0870 707 1229

Broker

JP Morgan Cazenove
25 Bank Street
Canary Wharf
London
E14 5JP

Independent Auditor

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Company Details

www.pacifichorizon.co.uk
Company Registration
No. 02342193
ISIN GB0006667470
Sedol 0666747
Ticker PHI

Further Information

Client Relations Team
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Edinburgh EH1 3AN
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