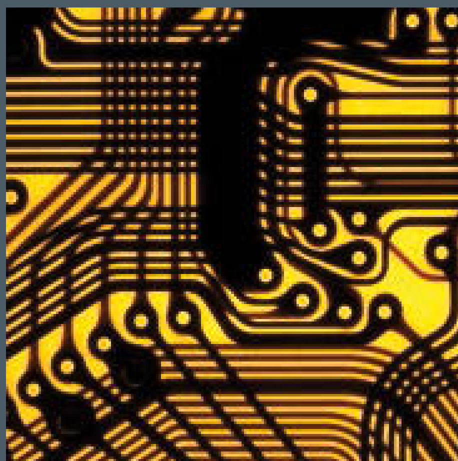
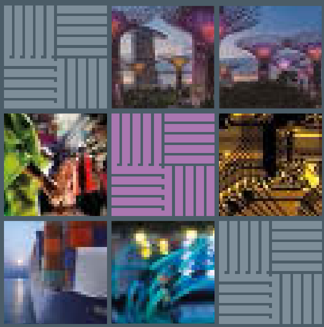
PACIFIC HORIZON INVESTMENT TRUST PLC



Annual Report and Financial Statements
31 July 2015

BAILLIE GIFFORD



Contents

Investor Disclosure Document

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

Notes

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

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

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

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

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

Company Summary

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

Investment Policy

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 Business Review on page 6.

Comparative Index

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

Management Details

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

Management Fee

The annual management fee payable is 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 63,288,853 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. The Company has also obtained shareholder approval to implement, at the Board's discretion, a bi-annual tender offer. At the forthcoming Annual General Meeting, the Directors are seeking to renew these authorities. Further information is given on pages 18 and 19.

Savings Vehicles

Pacific Horizon shares can be held through a variety of savings vehicles (see page 49).

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.

Strategic Report

This Strategic Report, which includes pages 2 to 15 and incorporates the Chairman's Statement, has been prepared in accordance with the Companies Act 2006.

Chairman's Statement

Performance

In the year to 31 July 2015, the Company's net asset value per share (NAV) fell 1.6%; during the same period the Company's comparative index, the MSCI All Country Asia ex Japan Index, decreased 0.9% in sterling terms. The share price increased by 2.2% and the discount narrowed from 11.5% to 8.2%.

For much of the financial year the Company was in a position to report positive absolute returns. It is, however, frustrating to note that weak performance at the end of July, which is the last month of the financial year, resulted in an overall annual loss for the portfolio. The Company's NAV performance was hit particularly hard by falls in the Chinese market in the last ten days of the month.

The Managers' Review on pages 8 to 10 provides a more detailed review of the Company's performance along with comment on the various markets in which the Company invests.

Revenue earnings per share decreased from 1.40p to 0.35p, as a result of moving into lower yielding companies. The Board is recommending that a final dividend of 0.35p (2014 – 1.40p) should be paid. The ongoing charges incurred by the Company were 1.02% (2014 – 1.01%).

Share Buy-backs and Discount

The Company obtained shareholder authority to implement bi-annual tender offers for up to 5% of the Company's shares at a 2% discount to NAV, less costs, at the Board's discretion in the event that the discount averaged more than 9% during the six month periods to 31 January and 31 July 2014 and 2015. Over the six month period to 31 July 2014 and 31 January 2015 the Company's average discount was 10.2% and 9.9% respectively and consequently the Board made the decision to implement tender offers in October 2014 and April 2015. The Company's average discount for the six month period to 31 July 2015 was 9.6% and it has again been decided to implement a further 5% tender offer, applicable to shareholders on the register on 11 August 2015. Details of how to tender your shares in respect of this 5% tender offer are contained within the Circular accompanying this Report.

Through tender offers implemented in respect of the six months to 31 July 2014 and 31 January 2015, the Company bought back a total of 6,837,299 ordinary shares, representing 9.75% of the issued share capital as at 31 July 2014, at a cost of £14,336,000.

In addition to the bi-annual tender offers, the Company has authority to buy back up to 14.99% of its shares on an ad hoc basis. The Board uses this authority opportunistically, taking into account not only the level of the discount but also the underlying liquidity and trading volumes in the Company's shares. This approach allows the Board to seek to address any imbalance between the supply and demand for the Company's shares that results in a large discount to NAV; the Board is also mindful that current and potential shareholders require ongoing liquidity.

Subject to receiving the necessary shareholder approval at the forthcoming Annual General Meeting (AGM), the Board intends to renew its authority to implement bi-annual 5% tender offers, on the same terms as approved at the 2014 AGM, for the six month periods to 31 January 2016 and 31 July 2016. Shareholders should note that these tender offers will, however, remain at the discretion of the Board and will be subject to prevailing market conditions, so they should place no expectation on these tender offers being implemented as a matter of course. If such a tender offer is implemented, a separate circular and tender form will be sent to shareholders which will set out the full terms and conditions of the tender offer and the procedure for tendering shares. At the forthcoming AGM, the Board will also be asking shareholders to renew the mandate to repurchase up to 14.99% of the outstanding shares. Further details on both resolutions are set out in the Directors' Report on pages 18 and 19.

Gearing

In May 2015 the Company increased its potential exposure to equities through the use of additional borrowings. The US$7,000,000 drawings with The Bank of New York Mellon were repaid and the Company entered into a new credit facility with The Royal Bank of Scotland Plc under which £10,500,000 and US$5,456,850 was drawn down. At the year end, net gearing was equal to 8% (2014: 2%) of shareholders' funds. Some of the gearing was used to invest in a basket of Korean biotech stocks.

Annual General Meeting

This year's AGM will take place on 6 November 2015 at the offices of Baillie Gifford & Co in Edinburgh at 10.45am. The Managers will make a presentation and, along with the Directors, will answer any questions from shareholders. I hope to see as many of you as possible there.

Outlook

Asian markets have been extremely volatile over the last year and continue to be so. This is despite some encouraging signs of growth from specific companies and selected sectors. The Chinese market moved up sharply in the early part of the year and then fell just as rapidly; this had a negative impact on Hong Kong's Hang Seng index where a number of companies in the portfolio are listed. The Company's other major exposure is to the Korean market where some of the gains were eroded by the weakness of the currency. The Indian investments continue to make progress, albeit more modest than in the previous year. Notwithstanding the recent and continuing volatility, the Directors continue to believe that these markets, and in particular the information technology stocks held within them, offer the potential for good returns.

Jean Matterson
Chairman
21 September 2015

Past performance is not a guide to future performance.

One Year Summary

	31 July 2015	31 July 2014	% change
Total assets*	£139.2m	£145.1m	
Borrowing	£14.0m	£4.1m	
Shareholders' funds	£125.2m	£140.9m	
Net asset value per ordinary share (NAV)	197.78p	200.95p	(1.6)
Share price	181.63p	177.75p	2.2
MSCI All Country Asia ex Japan Index (in sterling terms)	351.3	354.6	(0.9)
Dividend proposed per ordinary share in respect of the financial year	0.35p	1.40p	(75.0)
Revenue earnings per ordinary share	0.35p	1.40p	(75.0)
Ongoing charges	1.02%	1.01%	
Discount	8.2%	11.5%	
Active share†	88%	77%	

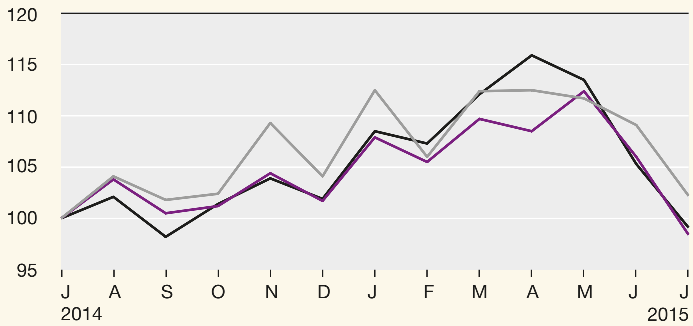
Year to 31 July	2015	2015	2014	2014
Year's high and low	**High**	**Low**	**High**	**Low**
Share price	213.25p	173.00p	182.50p	147.50p
Net asset value	234.02p	193.86p	202.58p	171.82p
Discount	6.3%	12.6%	6.8%	15.0%

	31 July 2015	31 July 2014
Net return per ordinary share		
Revenue return	0.35p	1.40p
Capital return	(0.99p)	18.32p
Total return	**(0.64p)**	**19.72p**

* Total assets less current liabilities, before deduction of borrowings.
† See Glossary on page 52.

One Year Performance

(figures rebased to 100 at 31 July 2014)



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

NAV (Cum Income)
Share price
Comparative index#

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

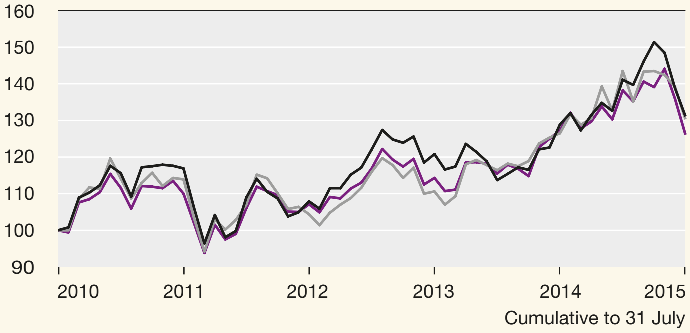
Past performance is not a guide to future performance.

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 2015.

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

(figures rebased to 100 at 31 July 2010)



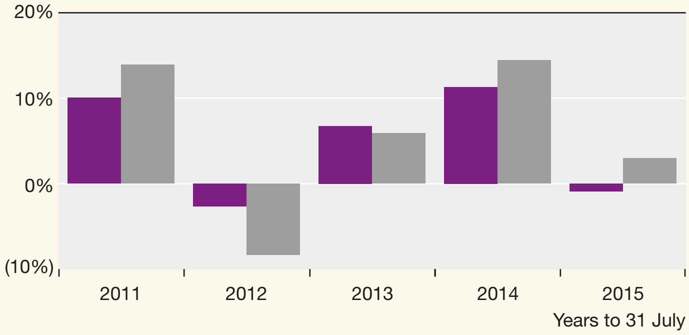
Source: Thomson Reuters Datastream/Morningstar/Baillie Gifford. Dividends are reinvested.

NAV total return

Share price total return

Comparative index total return*

Annual Share Price Total Return and NAV Total Return



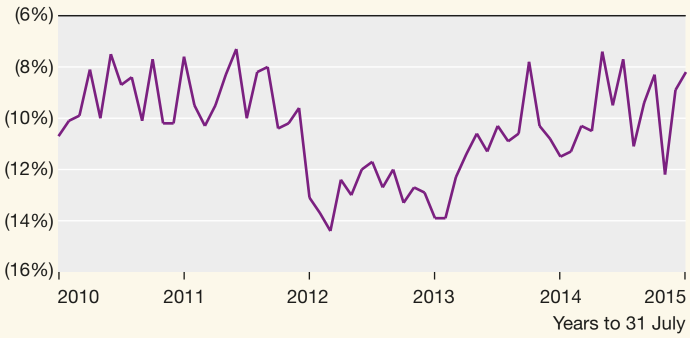
Source: Thomson Reuters Datastream/Morningstar/Baillie Gifford. Dividends are reinvested.

NAV total return

Share price total return

Discount to Net Asset Value

(figures plotted on a monthly basis)



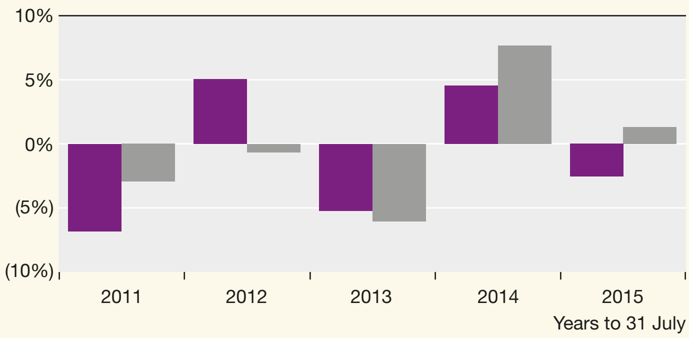
Source: Thomson Reuters Datastream/Baillie Gifford.

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 year to 31 July 2011 and compared to the MSCI All Country Asia ex Japan Index for the years 2012 to 2015)



Source: Thomson Reuters Datastream/Morningstar/Baillie Gifford. 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) † %
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)
2014	145,063	4,146	140,917	200.95	177.75	(11.5)
2015	**139,167**	**13,997**	**125,170**	**197.78**	**181.63**	**(8.2)**

* 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.

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 § %
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)	–
2014	2,550	1,019	1.40	1.40	1.01	2	3
2015	**1,886**	**231**	**0.35**	**0.35**	**1.02**	**8**	**11**

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 8, page 36).

‡ 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 2005 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 ^
2005	100	100	100	100	100	100	100	100
2006	121	122	118	120	107	110	103	103
2007	189	195	201	206	147	156	99	108
2008	153	157	151	155	129	140	130	112
2009	153	159	146	152	139	157	166	111
2010	186	196	171	181	164	188	112	116
2011	203	216	193	206	186	220	135	123
2012	195	210	175	189	167	203	134	126
2013	207	224	183	200	182	228	113	130
2014	228	250	208	229	190	243	95	133
2015	**225**	**249**	**212**	**235**	**188**	**247**	**24**	**135**
Compound annual returns								
5 year	3.9%	4.9%	4.5%	5.4%	2.8%	5.6%	(26.5%)	3.0%
10 year	8.4%	9.5%	7.8%	8.9%	6.5%	9.5%	(13.4%)	3.0%

^ 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.

Business Review

Business Model

Business and Status

The Company is an investment company within the meaning of Section 833 of the Companies Act 2006 and carries on business as an investment trust. Investment trusts are UK public listed companies and their shares are traded on the London Stock Exchange. They invest in a portfolio of assets in order to spread risk. The Company has a fixed share capital although, subject to shareholder approval, sought annually, it may purchase its own shares or issue shares and the Company has obtained shareholders' approval to implement, at the Board's discretion, bi-annual tender offers for up to 5% of the Company's shares in respect of the periods 31 January and 31 July 2014 and 2015. The price of shares is determined, like other listed shares, by supply and demand.

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

The Company is an Alternative Investment Fund (AIF) for the purposes of the EU Alternative Investment Fund Managers Directive (AIFMD).

Investment Objective

The Company's objective is to invest in the Asia-Pacific region (excluding Japan) and in the Indian Sub-continent in order to achieve capital growth. The Company is prepared to move freely between the markets of the region as opportunities for growth vary. The portfolio will normally consist 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 one company 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 created through diversification and the portfolio will typically consist of between 40 and 120 holdings. Although sector concentration and the thematic characteristics of the portfolio are carefully monitored, no maximum limits to stock or sector weights have been set by the Board except as imposed from time to time by banking covenants on borrowings.

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

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

Performance

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

Key Performance Indicators

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

- the movement in net asset value per ordinary share;
- the movement in the share price;
- the premium/(discount) of the share price to the net asset value per share;
- 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 3, 4 and 5 respectively.

Borrowings

The Company has a £20 million one year, uncommitted, unsecured revolving credit facility with The Bank of New York Mellon and a one year £14 million unsecured multi-currency revolving credit facility with The Royal Bank of Scotland Plc. At 31 July 2015 there were outstanding drawings of £10,500,000 and US$5,456,850 (£3,497,000) under The Royal Bank of Scotland facility (2014 – US$7,000,000 (£4,146,000) under The Bank of New York Mellon facility).

Principal Risks

As explained on pages 21 and 22 there is an ongoing process for identifying, evaluating and managing the risks faced by the Company. The principal risks associated with the Company are as follows:

Financial Risk – the Company's assets consist mainly of listed securities and its principal 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 are contained in note 18 to the Financial Statements on pages 40 to 44.

Regulatory Risk – failure to comply with applicable legal and regulatory requirements such as the tax rules for investment companies, the UKLA Listing Rules and the Companies Act could lead to the Company being subject to tax on capital gains, suspension of the Company's Stock Exchange Listing, financial penalties or a qualified audit report. Baillie Gifford's Business Risk, Internal Audit and Compliance Departments provide regular reports to the Audit Committee on Baillie Gifford's monitoring programmes.

Major regulatory change could impose disproportionate compliance burdens on the Company. In such circumstances representation is made to ensure that the special circumstances of investment trusts are recognised.

Operational Risk – failure of Baillie Gifford's 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. Baillie Gifford have a comprehensive business continuity plan which facilitates continued operation of the business in the event of a service disruption or major disaster. The Board reviews Baillie Gifford's Report on Internal Controls and the reports by other third party providers are reviewed by Baillie Gifford 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 renew the authority to implement tender offers.

Leverage Risk – the Company may borrow money for investment purposes. If the investments fall in value, any borrowings will magnify the extent of this loss. If borrowing facilities are not renewed, the Company may have to sell investments to repay borrowings.

All borrowings require the prior approval of the Board and leverage levels are discussed by the Board and Managers at every meeting. The majority of the Company's investments are in quoted securities that are readily realisable. Further information on leverage can be found on in note 19 on page 44 and the Glossary of Terms on page 52.

Employees, Human Rights and Community Issues

The Board recognises the requirement to provide information about employees, human rights and community issues. As the Company has no employees, all its Directors are non-executive and all its functions are outsourced, these requirements do not apply to the Company.

Gender Representation

The Board comprises four Directors, two male and two female. The Company has no employees. The Board's policy on diversity is set out on page 20.

Environmental, Social and Governance Policy

Details of the Company's policy on socially responsible investment can be found under Corporate Governance and Stewardship on page 22.

Future Developments of the Company

The outlook for the Company is set out in the Chairman's Statement on page 2 and the Managers' Review on pages 8 to 10.

Managers' Review

Overview

We believe that the Asian region has some of the most exciting markets in the world and that over the next decade three main themes will drive equity returns there: firstly, the growth of the economy as a result of innovation and technological improvement, especially in the two largest economies, China and India; secondly, extensive structural reforms, again mostly in India and China; and lastly, the growth of middle income consumers across the region. Over the course of the Company's financial year, portfolio exposure to these overarching themes has been increased. The growth characteristics exhibited by the holdings are more pronounced and the average company size is smaller, with the overall composition of the portfolio having even less commonality with the index.

The portfolio contains more growth companies which are dependent on innovation for their success. This move has been partly in response to the recognition that global trade and Asian domestic growth rates are slowing, that growth is becoming increasingly scarce, and most evident where it is driven by productivity and innovation.

The active share, which measures the deviation of the portfolio from the comparative index, has risen from 77% to 88%. As the active share increases we would expect not only greater near-term volatility of returns compared to the index but also improved performance. For instance, we are finding that technological change and changing economic structures, (for example, the move within China away from fixed asset investment to services) are disrupting the established business models of companies within many parts of the region.

Through focus on these trends we have found many more interesting opportunities within the medium to smaller companies than in larger companies, and believe strongly that, in growth markets, superior returns should be found within this market sector. Today the Company holds 65% of its investments in smaller and medium sized stocks; this compares to 53% 12 months ago.

Our technology holdings reduced overall performance, as markets concentrated on shorter term slowdowns in demand due to China economic weakness. NAVER was the biggest single detractor as its social media platform was de-rated due to worries over slower near-term growth and the need for more aggressive capital expenditure. We believe that the market currently fails to appreciate the potential comparative return on investment which this business has the ability to generate. The financial and industrial sector held back performance; the rally in Chinese banks had a negative impact on our comparative performance as did moves in Chinese state owned enterprises, areas where we have little or no exposure.

On the positive side, our healthcare investments had a strong year, rising on average 50%, and were the largest single positive contributor. Genexine was the best performing holding up 135%, in the year followed by Viromed. This performance supported our view that this sector is likely to see significant future profitable growth.

Stock selection in Korea was the biggest positive contributor to performance, followed by our limited ASEAN exposure. Hong Kong and China was the biggest relative detractor.

The Company continues with its philosophy of investing in companies with good long term growth prospects. The corporate characteristics we look for include strong growth potential, sustainable competitive advantages, attractive financials and sensible management. In addition, we target stocks with what we consider to be very significant long term opportunities for enhanced future profitability, where a wider range of positive potential outcomes may lead to current mispricing.

Investment Background

The last twelve months have been volatile for Asian economies. China has continued to slow in terms of GDP growth, whilst the stock market has been fickle, rising rapidly then falling within the year. The underlying investment environment, however, has been one of continued financial liberalisation, a trend we believe eventually will bring positive returns to investors.

The Chinese government has been active in determining its next five year plan and the trajectory in which it wants the country to head. In particular, we are interested in its 'Manufacturing 2020 plan', the core of which is to build infrastructure for a strong domestic economy: on advanced transport systems (high-speed rail, metro systems, efficient airports); sustainable technologies (new energy cars, new materials), and technologies that will decisively shift China's manufacturers up the value chain (new IT, robots, electronics, high end medical devices). This, we believe, is vitally important as to date manufacturing has been the principal driver of technical innovation, and technical innovation in turn has been the most important source of economic growth in most modern societies. China remains gripped in its transition from the old to the new economies, the former based on industrial commodities and the latter driven by new services and technology. We are heavily invested in the latter and have little exposure to the former.

This transition from an investment-led to an innovation-led Chinese economy significantly influences our investment approach. We have no holdings in the materials sector at present, driven by a belief that weakening investment spending from China will likely have a detrimental effect on the worldwide demand for commodities in general. We are cautious on the outlook for the heavy industrial sector given significant excess capacity in these areas.

In India, the GDP rate of growth has bottomed and is slowly improving. The new government of Narendra Modi has implemented much needed economic reforms, albeit at a slower speed than some expected. We believe that the reform process in India is one, which by necessity, will stretch over many years. The current government is unusual in an Indian context, in that it has not interfered in the business world; it has reduced its own bureaucracy and in doing so is indirectly helping the economic agenda. India remains in a cyclical and structural recovery with earnings poised to grow substantially and growth likely to outperform the broader region for many years to come.

We expect the US economy to continue to recover gradually, but at a pace that does not elicit either a strong wage response or a significant tightening cycle. Arguably, any significant rate rises are unlikely for the foreseeable future given the deflationary impact that a slowing China is having on commodity production.

We believe that the spread and use of smartphone technology globally will be seen as the defining economic and social change of our era. The positive network benefits of connecting 5 billion people to an instantaneous information system are only just beginning to be realised. For the next few years, much of the global economy will be rewritten and reorganised so that it can be traded over the mobile phone network; the digitalisation and visualisation of the global economy is accelerating.

These changes can be seen in the rapid pace of e-commerce expansion in China and India, the growth in data packets globally and in the rise of rapidly growing new economy companies. We think that Asian economies and companies are able to embrace these trends far quicker than developed markets, for two main reasons: firstly, there is little in terms of existing old economy infrastructure; and secondly, and maybe more importantly, the societal system has not fully developed and become comfortable with old technologies, such as the retail industry in the USA and Europe. Smartphones have expanded the quantity of information, providing vastly better prices and choice of goods and services to the average consumer and making retail activity an electronic process.

A good example of these trends would be the growth of JD.com and its e-commerce offering, its last mile bespoke delivery service is helping its revenue to double from US$18 billion in 2014 towards estimates of US$38 billion by 2016. Part of this rapid growth is due to the Chinese use of social media which allows a much quicker response to and acceptance of new economic and social ideas.

We see the rise of mobile communications use in Asia as an enabler in breaking down previous barriers to entry for many companies, increasing competition and forcing all companies to have a digital strategy. Given the technology and export focus of Korean and Taiwanese industry, these former 'Tiger economies' are well placed to capitalise on the regional corporate need to upgrade technology systems. Companies that should be beneficiaries include SK Hynix, Advantech and MediaTek.

We highlighted last year that the smaller emerging ASEAN markets were pricing in growth that we believed was unsustainable; as a result, the Company had low investment exposure here. We are 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. ASEAN markets have been weak this year, especially as a result of depreciation of their currencies. Malaysia is the standout candidate where a combination of falling commodity prices has coincided with high level corruption scandals. We believe these countries' credit cycles remain over extended and they do not appear to be benefiting from innovation led growth. The Company's exposure to these markets remains limited.

Portfolio Review

Technology companies now account for over 47% of the Company's investments by value. Rather than being a homogenous group, the underlying companies benefit from a number of different commercial advantages. The largest single holding for the Company in the sector is Tencent, the big Chinese gaming, social media and advertising giant – the leader in driving the mobile communications revolution in China with over 1 billion users. During the year we added to our large internet investments, Alibaba, Baidu and Just Dial, which we believe offer tremendous value given their long-term earnings growth. The consumer related internet companies now make up 25% of the portfolio. In our view, each investment demonstrates a combination of strong growth potential, excellent business models and an entrepreneurial management approach.

We bought Sunny Optical, a camera lens specialist for mobile phones and the world's leading camera module maker for the automotive industry. We have been reducing our holdings in Samsung Electronics over worries on the medium-term outlook for its smartphone business as Chinese competition increases. Elsewhere, we bought Himax, a company supplying components to a number of virtual reality headsets, which we expect will come to the market in 2016.

Our holdings in IT service companies have increased slightly and we believe that the need for outsourcing and increased digitalisation will continue to drive top-line growth for innovative Indian companies. In the year we also acquired holdings in Kingdee and Kingsoft, Chinese outsourcing software development companies that are providing innovation to domestic markets.

The financial sector represents another of the Company's largest positions although we do not hold banks in a number of the larger countries – China, Korea and Taiwan – where we feel returns are likely to be challenged or depressed for many years. In line with our investment approach, holdings are focused on the merits of the individual companies, be it the turnaround potential that new management brings at Federal Bank, or newer holdings like ICICI, where we see the company benefitting from Indian structural growth. Insurance is an altogether more exciting prospect for us; the Company holds significant positions in the Korean insurers Samsung Fire & Marine and Hyundai Marine & Fire and in Taiwan China Life Insurance. These should all benefit from 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.

In the energy sector we sold our investments in both China Petroleum and Chemical (Sinopec) and Daewoo Industrial after the reversal in Saudi Arabia policy towards the oil markets. We hold no assets related to the oil and gas industry and in the short-term believe that the market is being revalued at a much lower price. In the long-term, Western oil demand may have peaked due to rapid innovation in the transport industry. In China we are sceptical that the government will allow a gasoline auto industry to grow rapidly due to environmental costs and would expect in the medium-term that China overtakes California as the leader in the electric vehicle industry.

The healthcare sector which we originally invested into last year, was added to, with two additional holdings. Viromed is conducting phase 3 clinical trials into diabetic peripheral neuropathy and critical limb ischemia in the US this year. We invested in Seegene in Korea, the world's leading developer of leading edge diagnostics equipment. We continue to believe that new personalised medicine will have a revolutionary impact upon the pharma industry through the creation of drugs that cure disease rather than just alleviate symptoms. Our healthcare holdings now account for 8% of the portfolio.

The largest country exposures are Hong Kong and China, followed by Korea and then India. The Company retains little exposure to the smaller ASEAN markets. The Chinese/Hong Kong weight increased as we invested in more new economy companies. Our investment exposure to India grew as a result of additions and outperformance, whilst Taiwan was reduced to fund the increase in Hong Kong and China.

Environmental, Social and Governance Matters

As growth investors we are looking for companies whose products will benefit from strong future demand. These companies not only have to produce better and cheaper products and services than their competitors but they also have to be alert to the changing nature and views of the societies in which they exist. Companies who do not change, tend to fail either due to falling demand for their product or as a result of government intervention. When we invest we take into account the potential positive and negative impacts our companies have on the world today and how their commercial activities will be perceived in the future.

For our long-term investments to be successful they must add value to society. We see this in a variety of ways: the regenerative biotech companies we own, whose products may allow many people to gain otherwise unachievable medical benefits, our internet companies which provide goods and services to people at prices and quantities previously unobtainable, or our technology holdings that are helping to enable the greatest and most rapid increase in human connectivity and available information in human history.

Lastly, to be rewarded as a shareholder, minority interests must be upheld; we remain careful to make sure our investments are aligned with those of the majority shareholder and owners.

Outlook

Recently global markets have sold off violently, precipitated by the Chinese devaluation. This we believe is creating buying opportunities, especially true for the leading markets: US, Internet and Biotech sectors. Commodities and their associated countries remain in deep bear markets with only temporary respite possible. The upside from low oil prices in particular will eventually help the global consumer and help stabilise markets. Given this we feel the portfolio and our companies are well-positioned to benefit from the next upswing and survive the current patch of volatility.

It is our view that there is significant potential for positive returns from the markets in which we invest over the coming years. Our focus remains on investment in individual stocks which will benefit from the economic, social and technological changes which are in evidence across the region. The Company has taken on 10% gross gearing, at the time of draw down, and we see current volatility in the asset class as an ideal opportunity to add to positions in fast growing companies. Despite the short term volatility that we have experienced over the last twelve months, we believe that our philosophy, process and investment style will reward and benefit our shareholders over the medium to long term.

Review of Investments

A review of the Company's ten largest investments as at 31 July 2015 is given below and on the following page.

Tencent Holdings

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

Country	Hong Kong and China
Valuation	£9,057,000
% of total assets*	6.5%
(Valuation at 31 July 2014	£9,039,000)

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	£5,279,000
% of total assets*	3.8%
(Valuation at 31 July 2014	£4,568,000)

Alibaba Group

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

Country	Hong Kong and China
Valuation	£4,622,000
% of total assets*	3.3%
(Valuation at 31 July 2014	£Nil)

Hon Hai Precision Industries

Hon Hai Precision is the world's largest provider of electronic manufacturing services. It operates within a large and rapidly expanding market as mass electronic manufacturing is outsourced to lower cost areas of the world, such as China, where Hon Hai bases most of its facilities. We believe that Hon Hai has a clear advantage in manufacturing due to its scale and expect it to benefit from the rapid growth in robots and connected devices, including automated cars, in the future.

Country	Taiwan
Valuation	£4,067,000
% of total assets*	2.9%
(Valuation at 31 July 2014	£4,129,000)

Tech Mahindra

Tech Mahindra is the original IT offshoring company that was set up between Mahindra & Mahindra in India and the UK fixed-line telecom incumbent BT. In 2009 it acquired a strategic stake in the troubled Indian player Satyam, which was fully integrated in 2013, and substantial scope for efficiencies now exists. IT outsourcing continues to benefit from strong growth, and Tech Mahindra's scale, combined with a focus on manufacturing and telecoms, allows the company to break into new accounts and to drive a level of growth well above market expectations.

Country	India
Valuation	£3,790,000
% of total assets*	2.7%
(Valuation at 31 July 2014	£4,450,000)

Haier Electronics Group

Haier Electronics is China's leading white goods home appliance manufacturer, with a market share of around 25% in washing machines and water heaters. The company's key strength is their distribution, logistics and after-sales network in China's 3rd-and 4th-tier cities. With several thousand stores, distribution centres and after-sales points nationwide, the company is already in the unique position of being able to provide 24-hour delivery in over 50% of China's counties.

Country	Hong Kong and China
Valuation	£3,405,000
% of total assets*	2.4%
(Valuation at 31 July 2014	£2,520,000)

* Total assets less current liabilities, before deduction of borrowings.

Just Dial

Just Dial is an Indian local search business. The company started life as a provider of local listings via the phone but has rapidly moved online to become one of India's leading internet companies. The market is growing rapidly as India internet penetration accelerates, catalysed by increasing smartphone penetration, leading to rapid user growth at Just Dial. The company is already cash generative, but with less than 5% of its clients currently paying to list on their site, the opportunity to increase online monetisation is significant.

Country	India
Valuation	£3,382,000
% of total assets*	2.4%
(Valuation at 31 July 2014	£2,036,000)

China Life Insurance (Taiwan)

China Life is a relatively small Taiwanese company that introduced the 'participating' life policy to the Taiwanese market in the early 2000s after the controlling family brought in professional managers. Since then, the company has enjoyed a strong record of profitability, with the investment portfolio overhauled and a determined focus on selling innovative and profitable products. Relative to 'appraised value' and the growth prospects, the shares offer attractive upside.

Country	Taiwan
Valuation	£3,149,000
% of total assets*	2.3%
(Valuation at 31 July 2014	£2,528,000)

NAVER

NAVER is Korea's leading internet business with dominant market shares in search, maps, restaurant booking and other sites. It has comprehensively beaten competition such as Google, which we attribute in part to its entrepreneurial culture. Outside Korea, Line, NAVER's instant messaging app originating in Japan, has seen enormous success throughout Asia with c.500 million users. NAVER's ability to monetise the user base has been impressive and suggests the network could generate very significant cash flows over the coming years.

Country	Korea
Valuation	£3,073,000
% of total assets*	2.2%
(Valuation at 31 July 2014	£3,664,000)

Federal Bank

Established in 1931, Federal Bank is one of the oldest private sector banks with a particularly strong position in Southern India and a large market share of remittances. The bank has been run in a less efficient manner compared to some of the country's newer private banks, however new management has gradually been improving the bank's operating performance coupled with a better economic outlook, returns look set to rise and growth to accelerate.

Country	India
Valuation	£2,927,000
% of total assets*	2.1%
(Valuation at 31 July 2014	£2,703,000)

* Total assets less current liabilities, before deduction of borrowings.

List of Investments as at 31 July 2015

Name	Country	Business	2015 Value £'000	2015 % of total assets *
Tencent Holdings	HK/China	Internet business	9,057	6.5
Baidu	HK/China	Internet search provider	5,279	3.8
Alibaba Group	HK/China	Online and mobile commerce company	4,622	3.3
Hon Hai Precision Industries	Taiwan	Electronic manufacturing services company	4,067	2.9
Tech Mahindra	India	IT services provider	3,790	2.7
Haier Electronics Group	HK/China	Washing machine and water heater manufacturer	3,405	2.4
Just Dial	India	Local search and e-commerce provider	3,382	2.4
China Life Insurance (Taiwan)	Taiwan	Life insurance provider	3,149	2.3
NAVER	Korea	Internet company	3,073	2.2
Federal Bank	India	Commercial bank	2,927	2.1
JD.com	HK/China	Online direct sales company	2,914	2.1
SK Hynix	Korea	Electronic component and device manufacturer	2,869	2.1
ICICI Bank	India	Retail and corporate bank	2,709	1.9
Mahindra & Mahindra	India	Conglomerate	2,584	1.9
HCL Technologies	India	IT services provider	2,569	1.8
Advantech	Taiwan	Computer manufacturer	2,440	1.8
Jumei International Holding	HK/China	Online retailer of beauty products	2,363	1.7
MediaTek	Taiwan	Integrated circuit design house	2,228	1.6
Seegene	Korea	Develops molecular diagnostic reagents	2,200	1.6
Samsung Fire & Marine Insurance	Korea	Non-life insurance provider	2,149	1.5
CJ E&M	Korea	Media and entertainment business	2,083	1.5
Geely Automobile	HK/China	Automobile manufacturer	2,067	1.5
Qunar Cayman Islands	HK/China	Provides travel product information	1,950	1.4
Naturalendo Technology	Korea	Biotech company specialising in R&D	1,950	1.4
Taiwan Semiconductor Manufacturing	Taiwan	Semiconductor manufacturer	1,943	1.4
Cheil Industries	Korea	Leading lifestyles solutions company	1,942	1.4
Sunny Optical Technology	HK/China	Optical related products	1,907	1.4
Koh Young Technology	Korea	3D inspection machines	1,876	1.3
Kingdee International Software	HK/China	Develops and sells enterprise management software	1,843	1.3
Dragon Capital Vietnam Enterprise Investments	Vietnam	Vietnam investment fund	1,814	1.3
Hermes Microvision	Taiwan	Electron beam inspection tool manufacturer	1,790	1.3
Container Corporation of India	India	Transportation services	1,774	1.3
Indusind Bank	India	Commercial bank	1,756	1.3
Mahindra CIE Automotive	India	Provider of forging parts for trucks	1,602	1.2
Shriram Transport Finance	India	Hire purchase finance for trucks	1,589	1.1
Orion Corp	Korea	Consumer conglomerate	1,566	1.1
Mindtree	India	IT services provider	1,546	1.1
WH Group	HK/China	Pork processing company	1,532	1.1
Interpark	Korea	Internet-based shopping mall	1,531	1.1
Samsung Electronics	Korea	Electronics company	1,509	1.1
Genexine	Korea	Biopharmaceuticals	1,496	1.1
Techtronic Industries	HK/China	Power tool manufacturer	1,467	1.1
Dalian Wanda Commercial Properties	HK/China	Commercial property developer	1,459	1.0
Viromed	Korea	Biomedical research	1,447	1.0
China Vanke	HK/China	Residential property development company	1,348	1.0
Kingsoft	HK/China	Software company	1,340	1.0
Info Edge	India	Internet based service company	1,324	0.9

Name	Country	Business	2015 Value £'000	2015 % of total assets *
Phison Electronics	Taiwan	Semiconductor products	1,311	0.9
Persistent Systems	India	Provides outsourced software product development	1,282	0.9
Delta Electronics	Taiwan	Power supplies and video display product manufacturer	1,278	0.9
CAR Inc	HK/China	Car rental company	1,272	0.9
Himax Technologies	Taiwan	Develops and markets semiconductors	1,265	0.9
Legend Holdings	HK/China	Investment holding company	1,241	0.9
Bioneer	Korea	Biotechnology business	1,229	0.9
China Taiping Insurance International	HK/China	Insurance underwriter	1,209	0.9
SK Telecom	Korea	Telecoms operator	1,201	0.9
Pharmicell	Korea	Biopharmaceutical business	1,051	0.8
Nagacorp	HK/China	Hotels, restaurants and leisure	1,047	0.8
Sarine Technologies	Singapore	Develops measurement systems for diamond grading	1,038	0.7
Johnson Electric Holding	HK/China	Electric motor manufacturer	1,007	0.7
Infosys	India	Software developer	978	0.7
Brillance China Automotive	HK/China	Manufacture and sale of minibuses and automotive components	969	0.7
Hiwin Technologies	Taiwan	Automation equipment manufacturer	951	0.7
Theragen Etex	Korea	Pharmaceutical business	872	0.6
Green Cross Cell	Korea	Electric component manufacturer	776	0.6
Crystalgenomics	Korea	Biotechnology services	753	0.5
Hyundai Marine and Fire Insurance	Korea	Non-life insurance provider	539	0.4
Airtac International Group	Taiwan	Automation equipment manufacturer	379	0.3
Huadin Power International	HK/China	Electric utility	187	0.1
Elec and Eltek International	Singapore	Circuit board manufacturer	71	0.1
Philtown Properties†	Philippines	Property developer	0	0.0
Total Investments			**135,133**	**97.1**
Net Current Assets			4,034	2.9
Total Assets			**139,167**	**100.0**

HK/China denotes Hong Kong and China.

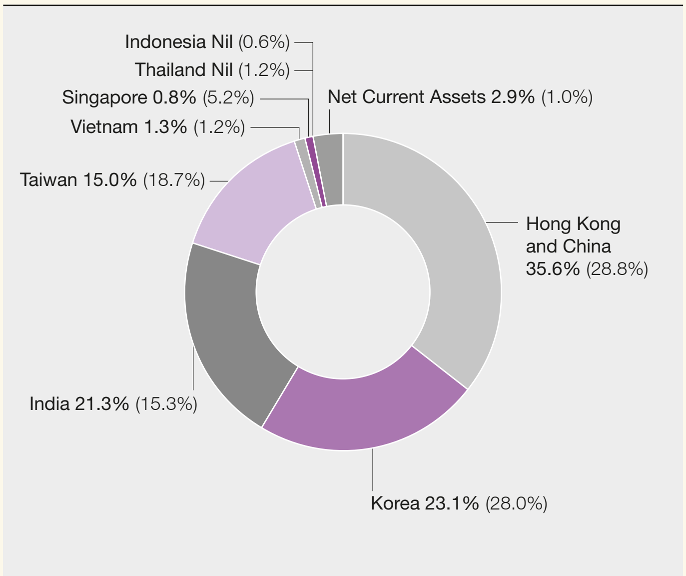
Details of the ten largest investments are given on pages 11 and 12 along with comparative valuations.

* Total assets less current liabilities, before deduction of borrowings.

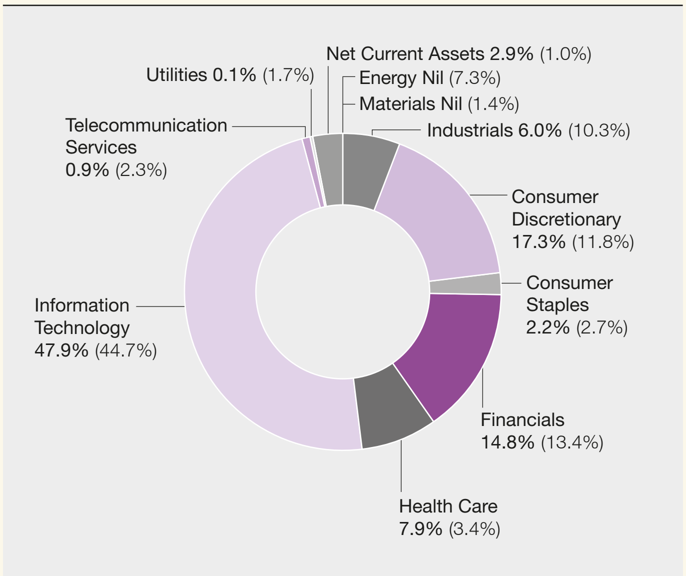
† Denotes unlisted investment.

Distribution of Portfolio

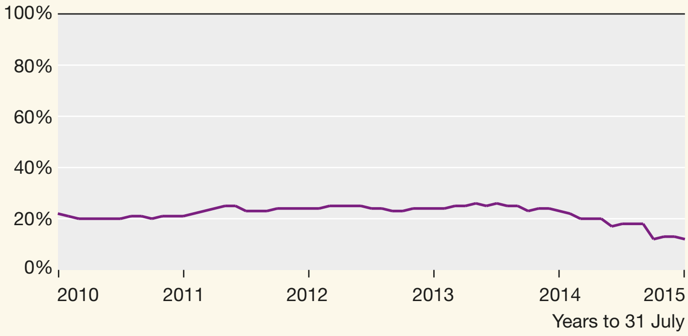
Geographical 2015 (2014)



Sectoral 2015 (2014)



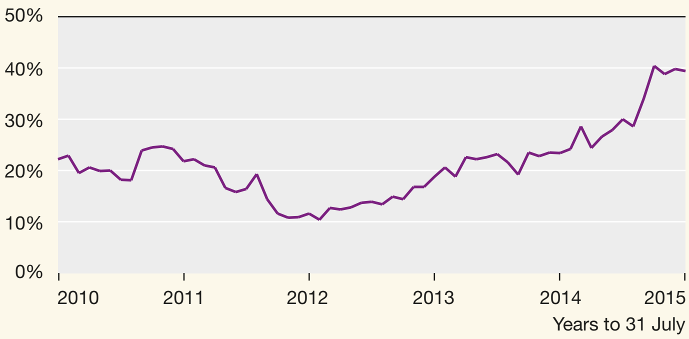
Overlap with MSCI All Country Asia ex Japan Index (in sterling terms)



Source: Baillie Gifford.

Turnover

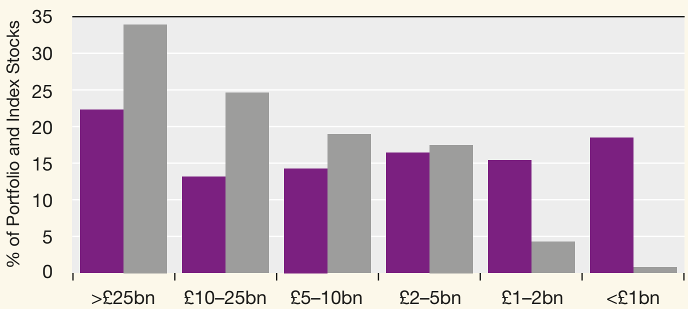
Rolling 12 months turnover over 5 years



Source: Baillie Gifford.

Size Splits (Market Capitalisation of Investments)

As at 31 July 2015



Source: Baillie Gifford.

Pacific Horizon

MSCI All Country Asia ex Japan

The Strategic Report which includes pages 2 to 15 was approved by the Board of Directors and signed on its behalf on 21 September 2015.

Jean Matterson
Chairman

Directors and Management

Directors

Jean Matterson

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

Edward Creasy

Edward Creasy was appointed a Director in 2010. He is Chairman of the Audit Committee and is the Senior Independent Director. He is the former chief executive officer of Kiln plc, a non-life insurer quoted on the London Stock Exchange until purchased by Tokio Marine Nichido Fire Insurance Co in March 2008. Until January 2011 he was chairman of Kiln Group and chairman of RJ Kiln & Co. Limited. He is Chairman of Charles Taylor PLC, deputy chairman of W.R. Berkley Syndicate Management, a director of W.R. Berkley Insurance (Europe), Ltd 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, Dunedin Income Growth Investment Trust PLC and Allianz Technology Trust plc.

All of the Directors are members of the Nomination Committee and with the exception of Mr DCP McDougall, all are members of the Audit Committee.

Managers and Secretaries

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

Baillie Gifford is one of the largest investment trust managers in the UK and currently manages seven 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 £120 billion at 31 July 2015. Based in Edinburgh, it is one of the leading privately owned investment management firms in the UK, with 40 partners and a staff of around 820.

The manager of Pacific Horizon's portfolio is Ewan Markson-Brown who took over as portfolio manager from Mike Gush on 18 March 2014. Ewan joined Baillie Gifford in September 2013 where he has specific responsibility for covering the Korean and ASEAN markets. Roderick Snell was appointed as deputy manager on 10 September 2013. Roderick has been a member of the Emerging Markets team at Baillie Gifford since 2008, with a focus on Asia Pacific.

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

Directors' Report

The Directors present their Report together with the Financial Statements of the Company for the year to 31 July 2015.

Corporate Governance

The Corporate Governance Report is set out on pages 20 to 22 and forms part of this Report.

Managers and Company Secretaries

The function of a management engagement committee is fulfilled by those members of the Board who are also members of the Audit Committee (the 'Qualifying Directors').

An Investment Management Agreement between the Company and Baillie Gifford & Co Limited; the Alternative Investment Fund Manager ('AIFM') and Company Secretaries, 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 Qualifying Directors. 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. 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 35.

The Board considers the Company's investment management and secretarial arrangements on an ongoing basis and a formal review is conducted by the Qualifying Directors annually. The following topics, amongst others are considered in the review: the quality of the personnel assigned to handle the Company's affairs; the investment process and the results achieved to date; and the administrative services provided by the Secretaries. Following the most recent review, it is the opinion of the Directors that the continuing appointment of Baillie Gifford & Co Limited as AIFM and the delegation of the investment management services to Baillie Gifford & Co, on the terms agreed, is in the interests of shareholders as a whole due to the strength of the investment management team, the Managers' commitment to the investment trust sector and the quality of the secretarial and administrative functions.

Depositary

In accordance with the AIFMD, the Company appointed BNY Mellon Trust & Depositary (UK) Limited as its Depositary with effect from 1 July 2014. The Depositary Agreement replaced the custody agreement with the Bank of New York Mellon SA/NV. The Depositary's responsibilities include cash monitoring, safe keeping of the Company's financial instruments, verifying ownership and maintaining a record of other assets and monitoring the Company's compliance with investment limits and leverage requirements. The Depositary has delegated the custody function to The Bank of New York Mellon SA/NV.

Directors

Information about the Directors who were in office during the year and up to the Financial Statements were signed, including their relevant experience, can be found on page 16.

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.

Following formal performance evaluation, the performance of Miss JGK Matterson and Mr DCP McDougall 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 maintains Directors' and Officers' liability insurance.

Conflicts of Interest

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

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

Dividends

The Board recommends a final dividend of 0.35p per ordinary share.

If approved, the recommended final dividend on the ordinary shares will be paid on 11 November 2015 to shareholders on the register at the close of business on 16 October 2015. The ex-dividend date is 15 October 2015. The Company's Registrar offers a Dividend Reinvestment Plan (see page 48) and the final date for election for this dividend is 21 October 2015.

Share Capital

Capital Structure

The Company's capital structure consists of 63,288,853 ordinary shares of 10p each (2014 – 70,126,152 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 46 and 47.

Major Interests in the Company's Shares

The Company has received notifications of the following interests in 3% or more of the voting rights of the Company as at 31 July 2015.

Name	Ordinary 10p shares held at 31 July 2015	% of issue
A & OT Investments Limited (direct)	9,704,202	15.3
City of London Investment Management Company Limited (indirect)	6,774,374	10.7
Wells Capital Management, Inc (indirect)	3,365,939	5.3
Rathbone Brothers Plc (indirect)	3,277,346	5.2
1607 Capital Partners, LLC (direct)	3,117,139	4.9
Legal & General Group Plc (L&G) (direct)	2,484,328	3.9
Investec Wealth & Investment Limited (direct)	1,923,257	3.0

There have been no changes to the major interests in the Company's shares intimated up to 18 September 2015 except the holding of City of London Investment Management Company Limited which reduced its indirect holding to 6,157,884 shares (9.7%).

Annual General Meeting

Resolutions 8 and 9 – Authority to allot shares and Disapplication of pre-emption rights

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 £701,261. This authority, which was conferred on them at the Annual General Meeting of the Company on 30 October 2014, is due to expire at the conclusion of the Annual General Meeting of the Company on 6 November 2015. Resolution No. 8 seeks to renew the Directors' general authority to allot shares up to an aggregate nominal amount of £632,888, being 10% of the Company's ordinary shares in issue at 18 September 2015. Resolution No. 9 seeks to renew the power to allot shares for cash on a non-pre-emptive basis also up to an aggregate nominal amount of £632,888. 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. 8 and the power granted by Resolution No. 9 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. 8 and 9 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. 8 which would effectively alter the control of the Company without the prior approval of shareholders in general meeting.

Resolution No. 8 is an Ordinary Resolution and requires only a simple majority; Resolution No. 9 is proposed as a Special Resolution and will not be passed unless 75% of those voting are in favour.

Resolution 10 – Market purchase of own shares by the Company

At the last Annual General Meeting the Company was granted authority to purchase up to 9,986,314 ordinary shares (equivalent to 14.99% of its issued share capital at that date), such authority to expire at the Annual General Meeting in respect of the year ending 31 July 2015. No shares were bought back during the year under review.

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 2016. 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. 10, 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, the Company'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.

Resolution 11 – Conditional Tender Offers

At the 2013 and 2014 Annual General Meetings, the Company obtained shareholders' approval to implement, at the Board's discretion, bi-annual tender offers for up to 5% of the Company's shares in respect of the six month periods to 31 January and 31 July 2014 and 2015. The Board implemented a 5% tender offer in October 2014 and April 2015 in respect of the tender periods to 31 July 2015 and 31 January 2015, buying back 6,837,299 ordinary shares (nominal value £684,000) at a total cost of £14,336,000. The Board has decided to implement a 5% tender offer in respect of the period to 31 July 2015, applicable to shareholders on the register on 11 August 2015. Details of how to tender your shares in respect of this 5% tender offer are contained within the Circular accompanying this Report.

The Directors are seeking shareholders' approval at the forthcoming Annual General Meeting to renew the Board's authority to implement two tender offers, for the six month periods to 31 January and 31 July 2016. 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 periods to 31 January and 31 July 2016 (or the preceding business day). 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 10 to purchase its own shares of 10 pence each (as explained in more detail on page 18), Special Resolution 11 grants the Board the authority to implement two tender offers for the six month periods ending 31 January 2016 and 31 July 2016 and to repurchase up to a maximum of 5% of the Company's issued share capital as at 31 January 2016 and 31 July 2016 (as appropriate).

If Resolution 11 is passed such authority will expire at the conclusion of the Company's next Annual General Meeting in 2016 unless renewed prior to that date.

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 2016 and 31 July 2016, which will set out the full terms and conditions of the tender offer and the procedure for tendering shares.

Articles of Association

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

Disclosure of Information to Auditor

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

Independent Auditor

The Auditor, 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.

Post Balance Sheet Events

The Directors confirm that there have been no post Balance Sheet events up to 21 September 2015.

Greenhouse Gas Emissions

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

Bribery Act

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

Recommendation

The Directors unanimously recommend shareholders 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.

By order of the Board
Jean Matterson
Chairman
21 September 2015

Corporate Governance Report

The Board is committed to achieving and demonstrating high standards of Corporate Governance. This statement outlines how the principles of the 2012 UK Corporate Governance Code (the 'Code'), which can be found at **www.frc.org.uk**, and the relevant principles of the Association of Investment Companies Code of Corporate Governance (the 'AIC Code') were applied throughout the financial year. The AIC Code provides a framework of best practice for investment companies and can be found at **www.theaic.co.uk**.

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 Alternative Investment Fund Manager ('AIFM'), Baillie Gifford & Co Limited, and, in the context of a Board comprising only non-executive Directors, there is no chief executive officer.

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 16.

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

Appointments to the Board

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

Under the provisions of the Company's Articles of Association, a Director appointed during the year is required to retire and seek election by shareholders at the next Annual General Meeting. Directors are required to submit themselves for re-election at least once every three years. Directors who have served for more than nine years 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 17.

Independence of Directors

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

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

Miss JGK Matterson, 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, 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 16 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	**7**	**2**	**1**
JGK Matterson	7	2	1
EG Creasy	6	2	1
DCP McDougall*	7	–	1
EC Scott	7	2	1

* Mr DCP McDougall is not a member of the Audit Committee.

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 pages 25 and 26.

Audit Committee

The report of the Audit Committee is set out on pages 23 and 24.

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

The Board oversees both the functions delegated to the Managers and Secretaries and, with effect from 1 July 2014, the controls managed by the AIFM in accordance with the Alternative Investment Fund Managers Directive (as detailed below). Baillie Gifford & Co's Internal Audit and Compliance Departments and the AIFM's permanent risk function provide the Audit Committee with regular reports on their monitoring programmes. The reporting procedures for these departments are defined and formalised within a service level agreement. Baillie Gifford & Co conducts an annual review of its system of internal controls which is documented within an internal controls report which complies with ISAE 3402 and Technical Release AAF 01/06 – Assurance Reports on Internal Controls of Service Organisations made available to Third Parties. This report is independently reviewed by Baillie Gifford & Co's auditors and a copy is submitted to the Audit Committee.

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

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

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

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

With effect from 1 July 2014, the Company entered into arrangements to comply with the Alternative Investment Fund Managers Directive. The Company appointed BNY Mellon Trust & Depositary (UK) Limited as its Depositary and Baillie Gifford & Co Limited as its AIFM.

The Depositary's responsibilities include cash monitoring, safe keeping of the Company's financial instruments, verifying ownership and maintaining a record of other assets and monitoring the Company's compliance with investment limits and leverage requirements. The Depositary is liable for the loss of financial instruments held in custody. The Depositary will ensure that any delegate segregates the assets of the Company. The Depositary has delegated the custody function to The Bank of New York Mellon SA/NV (London Branch) ('the Custodian'). The Custodian prepares a report on its key controls and safeguards which is independently reviewed by KPMG LLP.

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

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

The risk limits, which are set by the AIFM and approved by the Board, take into account the objectives, strategy and risk profile of the portfolio. These limits, including leverage (see note 19 on page 44), are monitored and the sensitivity of the portfolio to key risks is undertaken periodically as appropriate to ascertain the impact of changes in key variables in the portfolio. Exceptions from limits monitoring and stress testing are escalated to the AIFM and reported to the Board along with remedial measures being taken.

Going Concern

In accordance with the Financial Reporting Council's guidance on going concern and liquidity risk, the Directors have undertaken a rigorous review of the Company's ability to continue as a going concern. The Company's principal risks are market related and include market risk, liquidity risk and credit risk. An explanation of these risks and how they are managed is contained in note 18 to the Financial Statements.

The Company's assets, the majority of which are investments in quoted securities which are readily realisable, exceed its liabilities significantly. All borrowings require the prior approval of the Board. The Board approves borrowing and gearing limits and reviews regularly the amounts of any borrowing and the level of gearing as well as compliance with borrowing covenants. In accordance with the Company's Articles of Association, shareholders have the right to vote on the continuation of the Company every five years, the next vote being in 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.

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

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

Corporate Governance and Stewardship

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

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

By virtue of having a London stock market listing the Company has been invited to respond to the Carbon Disclosure Project's annual information request on climate change. The Managers, Baillie Gifford & Co, are signatories to Carbon Disclosure Project as well as the United Nations Principles for Responsible Investment.

By order of the Board
Jean Matterson
Chairman
21 September 2015

Audit Committee Report

The Audit Committee consists of all the Directors except Mr DCP McDougall. The members of the Committee consider that they have the requisite financial skills and experience to fulfil the responsibilities of the Committee. Mr EG Creasy is Chairman of the Audit Committee. The Committee's authority and duties are clearly defined within its written terms of reference which are available on request from the Company Secretaries and at **www.pacifichorizon.co.uk**. The terms of reference are reviewed annually.

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

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

Main Activities of the Committee

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

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

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

Internal Audit

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

Financial Reporting

The Committee considers that the most significant issues likely to affect the Financial Statements are the existence and valuation of investments, as they represent 97.1% of total assets.

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

The value of all listed investments at 31 July 2015 were agreed to external price sources and the holdings agreed to confirmations from the Company's custodian.

The Managers confirmed to the Committee that they were not aware of any material misstatements in the context of the Financial Statements as a whole.

Internal Controls and Risk Management

The Committee reviewed the effectiveness of the Company's risk management and internal controls systems as described on pages 21 and 22. No significant weaknesses were identified in the year under review.

External Auditor

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

- the audit plan for the current year;
- a report from the Auditor describing its arrangements to manage auditor independence and received confirmation of its independence; and
- the extent of non-audit services provided by the external Auditor. Non-audit fees for the year to 31 July 2015 were £18,750 and related to taxation and procedural services in connection with the tender offers implemented during the year. The Committee does not believe that this has impaired the Auditor's independence.

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

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

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

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

Ernst & Young LLP have been engaged as the Company's Auditor for 25 years. The audit partners responsible for the audit are rotated at least every five years in accordance with professional and regulatory standards in order to protect independence and objectivity and to provide fresh challenge to the business. The current lead audit partner, Mr Amarjit Singh, has been in place for three years and will continue as partner until the conclusion of the 2017 audit.

Ernst & Young LLP have confirmed that they believe they are independent within the meaning of regulatory and professional requirements and that the objectivity of the audit partner and staff is not impaired.

Having carried out the review described above, the Committee is satisfied that the Auditor remains independent and effective and as such, has not considered it necessary to conduct a tender process for the appointment of its Auditor at this stage. In accordance with FRC guidance, the Committee will consider conducting a tender process during the year to 31 July 2017 to coincide with the five year rotation cycle of the current partner, Mr Amarjit Singh.

The Committee is aware that EU regulations in relation to the statutory audits of EU listed companies will require the Company to change its audit firm by 2020.

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

Accountability and Audit

The respective responsibilities of the Directors and the Auditor in connection with the Financial Statements are set out on pages 27 to 29.

By order of the Board
Edward Creasy
Chairman of the Audit Committee
21 September 2015

Directors' Remuneration Report

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

Statement by the Chairman

The Directors' Remuneration Policy is subject to shareholder approval every three years or sooner if an alteration to the policy is proposed. The Remuneration Policy which is set out below was approved at the Annual General Meeting in October 2014 and no changes are proposed.

The Board reviewed the level of fees during the year and it was agreed there would be no change to the fees. The fees were last increased on 1 August 2014.

Directors' Remuneration Policy

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

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

The fees for the non-executive Directors are payable six monthly in arrears and are determined within the limit set out in the Company's Articles of Association which is currently £150,000 per annum in aggregate. Any change to this limit requires shareholder approval. Non-executive Directors are not eligible for any other remuneration or benefits apart from the reimbursement of allowable expenses. There are no performance conditions relating to Directors' fees and there are no long-term incentive schemes or pension schemes. No compensation is payable on loss of office.

The fees payable to Directors in respect of the year ended 31 July 2015 and the expected fees payable in respect of the year ending 31 July 2016 are set out in the table below. The fees payable to the Directors in the subsequent financial periods will be determined following an annual review of the Directors' fees.

	Expected fees for the year ending 31 July 2016 £	Fees as at 31 July 2015 £
Chairman's fee	30,000	30,000
Non-executive Director fee	20,000	20,000
Additional fee for the Chairman of the Audit Committee	2,500	2,500
Total aggregate annual fees that can be paid to the Directors in any year under the Directors' Remuneration Policy, as set out in the Company's Articles of Association	150,000	150,000

Annual Report on Remuneration

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

The law requires the Company's Auditor to audit certain of the disclosures provided in this report. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is included in the Independent Auditor's Report on pages 28 and 29.

Directors' Remuneration for the Year (audited)

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

Name	2015 Fees £	2015 Taxable benefits* £	2015 Total £	2014 Fees £	2014 Taxable benefits* £	2014 Total £
JGK Matterson (Chairman)	30,000	–	**30,000**	23,000	–	**23,000**
EG Creasy (Chairman of Audit Committee)	22,500	2,968	**25,468**	19,500	1,669	**21,169**
DCP McDougall	20,000	–	**20,000**	17,000	–	**17,000**
EC Scott	20,000	2,634	**22,634**	17,000	1,050	**18,050**
	92,500	**5,602**	**98,102**	**76,500**	**2,719**	**79,219**

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

Directors' Interests (audited)

The Directors at the end of the year under review and their interests in the Company are as shown in the following table. There have been no changes intimated in the Directors' interests up to 18 September 2015.

Name	Nature of interest	Ordinary 10p shares held at 31 July 2015	Ordinary 10p shares held at 1 August 2014
JGK Matterson	Beneficial	157,168	156,588
EG Creasy	Beneficial	16,400	16,400
DCP McDougall	Beneficial	823,853	823,853
EC Scott	Beneficial	6,103	6,103

Statement of Voting at Annual General Meeting

At the last Annual General Meeting, of the proxy votes received in respect of the Directors' Remuneration Policy, 99.5% were in favour, 0.4% were against and votes withheld were 0.1% and in respect of the Directors' Remuneration Report, 99.6% were in favour, 0.3% were against and votes withheld were 0.1%.

Relative Importance of Spend on Pay

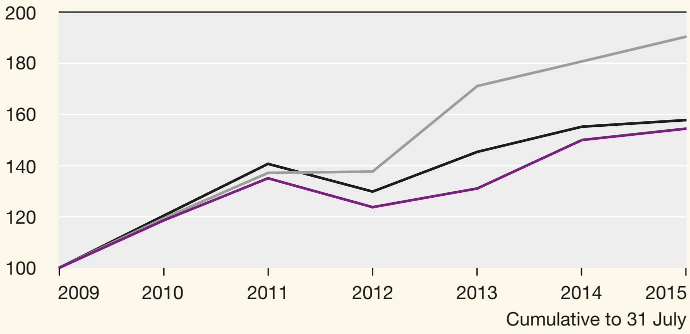
As the Company has no employees, the Directors do not consider it appropriate to present a table comparing remuneration paid to employees with distributions to shareholders.

Company Performance

The following graph compares, for the six financial years ended 31 July 2015, the share price total return (assuming all dividends are reinvested) to Pacific Horizon ordinary shareholders compared to the total shareholder return on a notional investment made up of shares in the component parts of the FTSE All-Share Index. This index was chosen for comparison purposes as it is a widely used measure of performance for UK listed companies. The Company's comparative index is provided for information purposes only.

Performance Graph

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



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

Pacific Horizon share price
FTSE All-Share
Comparative index*

* 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 pages 25 and 26 was approved by the Board of Directors and signed on its behalf on 21 September 2015.

Jean Matterson
Chairman

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

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration 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 Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these Financial Statements, the Directors are required to:

— select suitable accounting policies and then apply them consistently;

— make judgements and accounting estimates that are reasonable and prudent;

— state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and

— prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

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

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

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

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

— the Annual Report and Financial Statements taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy; and

— the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

By order of the Board
Jean Matterson
Chairman
21 September 2015

Independent Auditor's Report

to the members of Pacific Horizon Investment Trust PLC

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 2015 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;
- the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the information given in the Corporate Governance Statement set out on pages 21 and 22 with respect to the internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the Financial Statements.

What we have Audited

We have audited the Financial Statements of Pacific Horizon Investment Trust PLC ('the Company') for the year ended 31 July 2015 which comprise the Income Statement, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds, Cash Flow Statement and the related notes 1 to 19. 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 27, 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.

The 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 Company's Annual Report and Financial Statements to identify material inconsistencies with the audited Financial Statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Our Assessment of the Risk of Material Misstatement and our Audit Response

The risk identified in the table below represents the risk of material misstatement that had the greatest impact on our audit strategy and approach for the year ended 31 July 2015 (including the allocation of resources and directing the efforts of the engagement team). The table also includes our audit response to this risk:

Risk identified	Our response
The valuation of the assets held in the investment portfolio is the key driver of the Company's investment return. The value of the Company's investment portfolio at 31 July 2015 was £135m (movements in the investment portfolio are shown in note 9 to the Financial Statements).	*We agreed the year end prices of the investments to an independent source. We did not identify any material differences.*
Incorrect asset pricing or a failure to maintain proper legal title of the assets held by the Company could have a significant impact on portfolio valuation and, therefore, the return generated for shareholders.	*We agreed the number of shares held in each security to a confirmation of legal title received from the Company's custodian.*

Our Application of Materiality

We have defined the concept of materiality and performance materiality below.

We determined materiality for the Company to be £1,252,000 which is 1% of total shareholders' funds (2014 – £1,409,000 based on 1% of total shareholders' funds). We have derived our materiality calculation based on a proportion of total shareholders' funds as we consider it to be the most important financial metric on which shareholders would judge the performance of the Company.

We determined performance materiality for the Company to be 75% of materiality, or £939,000 (2014: 75% of materiality or £1,057,000).

In addition, we agreed with the Audit Committee that we would report any audit differences in excess of £63,000 (2014 – £70,000), as well as any differences below that threshold that, in our view, warranted reporting on qualitative grounds.

In accordance with the scope of our audit, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the Financial Statements.

We apply the concept of materiality for the purposes of obtaining sufficient evidence to give reasonable assurance that the Financial Statements are free from material misstatement. For this reason, we also define a separate performance materiality threshold which reflects our tolerance for misstatement in an individual account balance and is set as a proportion of our overall materiality.

Our objective in setting the performance materiality threshold is to identify the amount of testing required in respect of each balance to reduce to an appropriately low level the probability that the aggregate of any uncorrected and undetected misstatements in the Financial Statements as a whole exceeds our materiality level.

We evaluate any uncorrected misstatements and potential audit differences against both the quantitative measures of materiality discussed above and in the light of other relevant qualitative considerations.

We applied the concept of materiality in planning and performing our audit, in evaluating the effect of identified misstatements on our audit and of uncorrected misstatements on the Financial Statements, and in forming our audit opinion. When establishing our overall audit strategy, we determined the magnitude of omissions or uncorrected misstatements that we judged would be material to the Financial Statements as a whole. This provided a basis for determining the nature of our risk assessment procedures, identifying and assessing the risks of material misstatement and determining the nature, timing and extent of further audit procedures.

Matters on which we are required to report by exception

We are required by the International Standards on Auditing (UK and Ireland), the Companies Act 2006 and the Listing Rules to report to you by exception if certain matters are identified during the course of our audit. These matters are listed below and we have nothing to report in respect of any of these matters.

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

— materially inconsistent with the information in the audited Financial Statements; or

— apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or

— otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.

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 22 in relation to going concern; and

— the part of the Corporate Governance Statement relating to the Company's compliance with the ten provisions of the UK Corporate Governance Code specified for our review.

Amarjit Singh (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP
Statutory Auditor, London
21 September 2015

Income Statement

For the year ended 31 July

	Notes	2015 Revenue £'000	2015 Capital £'000	2015 Total £'000	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000
(Losses)/gains on investments	9	–	(338)	**(338)**	–	13,723	**13,723**
Currency losses	13	–	(322)	**(322)**	–	(388)	**(388)**
Income	2	1,886	–	**1,886**	2,550	–	**2,550**
Investment management fee	3	(1,032)	–	**(1,032)**	(1,029)	–	**(1,029)**
Other administrative expenses	4	(397)	–	**(397)**	(342)	–	**(342)**
Net return before finance costs and taxation		457	(660)	**(203)**	1,179	13,335	**14,514**
Finance costs of borrowing	5	(93)	–	**(93)**	(6)	–	**(6)**
Net return on ordinary activities before taxation		364	(660)	**(296)**	1,173	13,335	**14,508**
Tax on ordinary activities	6	(133)	–	**(133)**	(154)	–	**(154)**
Net return on ordinary activities after taxation		**231**	**(660)**	**(429)**	**1,019**	**13,335**	**14,354**
Net return per ordinary share	8	**0.35p**	**(0.99p)**	**(0.64p)**	**1.40p**	**18.32p**	**19.72p**

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 34 to 44 are an integral part of the Financial Statements.

Balance Sheet

As at 31 July

	Notes	2015 £'000	2015 £'000	2014 £'000	2014 £'000
Fixed assets					
Investments held at fair value through profit or loss	9		135,133		143,675
Current assets					
Debtors	10	276		431	
Cash and short term deposits	16/18	4,061		1,274	
		4,337		1,705	
Creditors					
Amounts falling due within one year	11	(14,300)		(4,463)	
Net current liabilities			(9,963)		(2,758)
Net assets			**125,170**		**140,917**
Capital and reserves					
Called up share capital	12		6,329		7,013
Share premium	13		3,166		3,166
Capital redemption reserve	13		19,464		18,780
Capital reserve	13		91,441		106,437
Revenue reserve	13		4,770		5,521
Shareholders' funds			**125,170**		**140,917**
Net asset value per ordinary share	14		**197.78p**		**200.95p**

The Financial Statements of Pacific Horizon Investment Trust PLC (Company Registration number 02342193) on pages 30 to 44 were approved and authorised for issue by the Board and were signed on 21 September 2015.

Jean Matterson
Chairman

The accompanying notes on pages 34 to 44 are an integral part of the Financial Statements.

Reconciliation of Movements in Shareholders' Funds

For the year ended 31 July 2015

	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 2014		7,013	3,166	–	18,780	106,437	5,521	**140,917**
Net return on ordinary activities after taxation		–	–	–	–	(660)	231	**(429)**
Shares purchased for cancellation	12	(684)	–	–	684	(14,336)	–	**(14,336)**
Dividends paid during the year	7	–	–	–	–	–	(982)	**(982)**
Shareholders' funds at 31 July 2015		**6,329**	**3,166**	**–**	**19,464**	**91,441**	**4,770**	**125,170**

For the year ended 31 July 2014

	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 2013		7,397	3,166	6,499	18,396	93,569	5,611	**134,638**
Net return on ordinary activities after taxation		–	–	–	–	13,335	1,019	**14,354**
Shares purchased for cancellation	12	(384)	–	(6,499)	384	(467)	–	**(6,966)**
Dividends paid during the year	7	–	–	–	–	–	(1,109)	**(1,109)**
Shareholders' funds at 31 July 2014		**7,013**	**3,166**	**–**	**18,780**	**106,437**	**5,521**	**140,917**

The accompanying notes on pages 34 to 44 are an integral part of the Financial Statements.

Cash Flow Statement

For the year ended 31 July

	Notes	2015 £'000	2015 £'000	2014 £'000	2014 £'000
Net cash inflow from operating activities	15		462		889
Servicing of finance					
Interest paid		(84)		–	
Net cash outflow from servicing of finance			(84)		–
Financial investment					
Acquisitions of investments		(70,065)		(38,780)	
Disposals of investments		78,263		41,909	
Net cash inflow from financial investment			8,198		3,129
Equity dividend paid	7		(982)		(1,109)
Net cash inflow before financing			7,594		2,909
Financing					
Shares bought back	12	(14,336)		(6,966)	
Bank loans repaid		(32,563)		–	
Bank loans drawn down		42,081		4,124	
Net cash outflow from financing			(4,818)		(2,842)
Increase in cash	16		**2,776**		**67**

Reconciliation of net cash flow to movement in net debt					
Increase in cash in the year	16		2,776		67
Translation difference	16		11		(366)
Increase in bank loans	16		(9,518)		(4,124)
Exchange movement on bank loans	16		(333)		(22)
Movement in net debt in the year			(7,064)		(4,445)
Net (debt)/funds at 1 August			(2,872)		1,573
Net debt at 31 July			**(9,936)**		**(2,872)**

The accompanying notes on pages 34 to 44 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 2015 have been prepared on the basis consistent with the accounting policies set out in the Company's Annual Financial Statements at 31 July 2014.

(a) Basis of Accounting

The Financial Statements are prepared on the assumption that approval as an investment trust will be retained.

The Financial Statements have been prepared in accordance with The Companies Act 2006, applicable UK accounting standards and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued by the Association of Investment Companies ('AIC') in January 2009.

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

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 or, in the case of FTSE 100 constituents and holdings on certain recognised overseas exchanges, last traded 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

	2015 £'000	2014 £'000
Income from financial assets designated at fair value through profit or loss		
Listed overseas dividends	1,886	2,550
Total income	**1,886**	**2,550**

3 Investment Management Fee

	2015 £'000	2014 £'000
Investment management fee	**1,032**	**1,029**

Details of the Investment Management Agreement are set out on page 17. The annual management fee is 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

	2015 £'000	2014 £'000
General administrative expenses	285	247
Directors' fees	93	77
Auditor's remuneration for audit services	19	18
	397	**342**

In the year ended 31 July 2015 the Company incurred non-audit fees of £18,750* (2014 – £12,750*) in respect of taxation and procedural services in connection with the tender offer implemented during the year. As such costs relate to the repurchase of the Company's own shares, they are capital in nature and are included within the cost of shares purchased for cancellation of £14,336,000 (2014 – £6,966,000) detailed in note 12 on page 39. There were no other non-audit fees in the year to 31 July 2015 or 31 July 2014.

* In accordance with the tender agreement, the costs relating to the tender offer are initially borne by the Company, however these costs are then re-apportioned to the shareholders participating in the tender offer as they are included in the calculation of the tender price.

5 Finance Costs of Borrowings

	2015 £'000	2014 £'000
Bank loans	**93**	**6**

6 Tax on Ordinary Activities

	2015 £'000	2014 £'000
Analysis of charge in the year		
Overseas taxation	**133**	**154**
Factors affecting the tax charge for the year		
The tax assessed for the year is higher (2014 – lower) than the average standard rate of corporation tax in the UK of 20.67% (2014 – 22.33%)		
The differences are explained below:		
Net return on ordinary activities before taxation	(296)	14,508
Net return on ordinary activities multiplied by the average standard rate of corporation tax in the UK of 20.67% (2014 – 22.33%)	(61)	3,240
Capital (losses)/gains not taxable	136	(2,978)
Overseas dividends not taxable	(390)	(547)
Taxable expenses in the year not utilised	315	285
Overseas tax	133	154
Current revenue tax charge for the year	**133**	**154**

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

At 31 July 2015 the Company had a potential deferred tax asset of £1,724,000 (2014 – £1,420,000) 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 20% (2014 – 20%).

7 Ordinary Dividends

	2015	2014	2015 £'000	2014 £'000
Amounts recognised as distributions in the year:				
Previous year's final (paid 5 November 2014)	**1.40p**	**1.50p**	**982**	**1,109**

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 £231,000 (2014 – £1,019,000).

	2015	2014	2015 £'000	2014 £'000
Amounts paid and proposed in respect of the financial year:				
Proposed final dividend per ordinary share (payable 11 November 2015)	**0.35p**	**1.40p**	**222**	**982**

8 Net Return per Ordinary Share

	2015 Revenue	2015 Capital	2015 Total	2014 Revenue	2014 Capital	2014 Total
Net return on ordinary activities after taxation	**0.35p**	**(0.99p)**	**(0.64p)**	**1.40p**	**18.32p**	**19.72p**

Revenue return per ordinary share is based on the net revenue return on ordinary activities after taxation of £231,000 (2014 – £1,019,000) and on 66,526,663 (2014 – 72,777,640) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

Capital return per ordinary share is based on the net capital loss for the financial year of £660,000 (2014 – net capital gain of £13,335,000) and on 66,526,663 (2014 – 72,777,640) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

Total return per ordinary share is based on the total loss for the financial year of £429,000 (2014 – total gain of £14,354,000) and on 66,526,663 (2014 – 72,777,640) 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.

9 Fixed Assets – Investments

As at 31 July 2015	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed equities	135,133	–	–	**135,133**
Total financial asset investments	**135,133**	**–**	**–**	**135,133**

As at 31 July 2014	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed equities	143,675	–	–	**143,675**
Total financial asset investments	**143,675**	**–**	**–**	**143,675**

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 below.

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 2014	95,823	5	**95,828**
Investment holding gains and losses at 1 August 2014	47,852	(5)	**47,847**
Fair value of investments at 1 August 2014	143,675	–	**143,675**
Movements in year:			
Purchases at cost	70,065	–	**70,065**
Sales – proceeds	(78,269)	–	**(78,269)**
– gains on sales	24,954	–	**24,954**
Changes in investment holding gains and losses	(25,292)	–	**(25,292)**
Fair value of investments at 31 July 2015	**135,133**	**–**	**135,133**
Cost of investments at 31 July 2015	112,573	5	**112,578**
Investment holding gains and losses at 31 July 2015	22,560	(5)	**22,555**
Fair value of investments at 31 July 2015	**135,133**	**–**	**135,133**

* The unlisted investment, Philtown Properties (formerly Philippine Townships), which is valued at £nil at 31 July 2015 and 31 July 2014, arose from a distribution by its parent RFM Corporation.

The Company incurred transaction costs on purchases of £157,000 (2014 – £65,000) and on sales of £239,000 (2014 – £97,000), being £396,000 (2014 – £162,000) in total.

9 Fixed Assets – Investments (continued)

Fair Value Hierarchy (continued)

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 2015	Value at 1 August 2014 £'000	Purchases £'000	Sales proceeds £'000	Gains/(losses) on sales £'000	Holding gains/(losses) £'000	Value at 31 July 2015 £'000
Unlisted equity	–	–	–	–	–	–

For the year to 31 July 2014	Value at 1 August 2013 £'000	Purchases £'000	Sales proceeds £'000	Gains/(losses) on sales £'000	Holding gains/(losses) £'000	Value at 31 July 2014 £'000
Unlisted equity	**23**	–	–	–	**(23)**	–

The gains and losses included in the above tables have all been recognised in the Income Statement on page 30.

	2015 £'000	2014 £'000
Net gains on investments designated at fair value through profit or loss on initial recognition		
Gains on sales	24,954	5,698
Changes in investment holding gains and losses	(25,292)	8,025
	(338)	**13,723**

In respect of the sales made during the year a net gain of £23,374,000 (2014 – net gain of £9,377,000) was included in investment holding gains and losses at the previous year end.

10 Debtors

	2015 £'000	2014 £'000
Amounts falling due within one year:		
Income accrued (net of withholding taxes)	249	408
Sales for subsequent settlement	6	–
Other debtors and prepayments	21	23
	276	**431**

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 2015 or 31 July 2014.

11 Creditors – Amounts falling due within one year

	2015 £'000	2014 £'000
The Bank of New York Mellon loan	–	4,146
The Royal Bank of Scotland Plc loan	13,997	–
Other creditors and accruals	303	317
	14,300	**4,463**

The Company has a £20 million one year uncommitted, unsecured floating rate revolving credit facility with The Bank of New York Mellon and a one year £14 million multi-currency revolving credit facility with The Royal Bank of Scotland Plc. At 31 July there were outstanding drawings of £10,500,000 and US$5,456,850 at interest rates of 0.97188% and 0.68625% per annum under The Royal Bank of Scotland Plc facility (2014 – US$7,000,000 at 1.5326% per annum under The Bank of New York Mellon facility. The main covenant relating to the loan is that borrowings should not exceed 20% of the Company's net assets value. There were no breaches in the loan covenants during the year.

Included in other creditors and accruals is £241,000 (2014 – £266,000) in respect of the investment management fee.

None of the above creditors at 31 July 2015 or 31 July 2014 are financial liabilities designated at fair value through profit or loss.

12 Called Up Share Capital

	2015 Number	2015 £'000	2014 Number	2014 £'000
Allotted, called up and fully paid ordinary shares of 10p each	**63,288,853**	**6,329**	**70,126,152**	**7,013**

The Company has authority to buy back up to 14.99% of its shares on an ad hoc basis and to implement, at the Board's discretion, bi-annual tender offers for up to 5% of its shares at a 2% discount to NAV, less costs, in the event that the discount averaged more than 9% during the six month periods to 31 January and 31 July in the years 2014 and 2015. The Board implemented a 5% tender offer in October 2014 and April 2015 in respect of the tender periods to 31 July 2014 and 31 January 2015. Through the exercise of both of these tenders the Company bought back a total of 6,837,299 (2014 – 3,845,850; 155,000 under the buy back authority and 3,690,850 through the exercise of a tender offer) ordinary shares at a total cost of £14,336,000 (2014 – £6,966,000). The nominal value of these shares was £684,000 and represented 9.75% of the issued share capital at 31 July 2014. At 31 July 2015 the Company had authority to buy back a further 9,986,314 ordinary shares.

The Company also has authority to allot shares under Section 551 of the Companies Act 2006. In the years to 31 July 2015 and 31 July 2014 no shares were issued.

13 Capital and Reserves

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
At 1 August 2014	7,013	3,166	18,780	106,437	5,521	**140,917**
Net gains on sales of investments	–	–	–	24,954	–	**24,954**
Changes in investment holding gains and losses	–	–	–	(25,292)	–	**(25,292)**
Exchange differences on bank loan	–	–	–	(333)	–	**(333)**
Other exchange differences	–	–	–	11	–	**11**
Shares purchased for cancellation	(684)	–	684	(14,336)	–	**(14,336)**
Revenue return on ordinary activities after taxation	–	–	–	–	231	**231**
Dividends paid during the year	–	–	–	–	(982)	**(982)**
At 31 July 2015	**6,329**	**3,166**	**19,464**	**91,441**	**4,770**	**125,170**

The capital reserve includes investments holding gains of £22,555,000 (2014 – £47,847,000) as disclosed in note 9.

The revenue reserve may be distributed by way of dividend.

14 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:

	2015 Net asset value per share	2014 Net asset value per share	2015 Net assets attributable £'000	2014 Net assets attributable £'000
Ordinary shares	**197.78p**	**200.95p**	**125,170**	**140,917**

The movements during the year of the assets attributable to the ordinary shares are shown in note 13.

Net asset value per ordinary share is based on the net assets as shown above and 63,288,853 (2014 – 70,126,152) ordinary shares, being the number of ordinary shares in issue at each date.

15 Reconciliation of Net Return before Finance Costs and Taxation to Net Cash Inflow from Operating Activities

	2015 £'000	2014 £'000
Net return on ordinary activities before finance costs and taxation	(203)	14,514
Losses/(gains) on investments	338	(13,723)
Currency losses	322	388
Decrease/(increase) in accrued income	176	(157)
Decrease in other debtors	2	12
Decrease in creditors	(23)	(9)
Overseas tax suffered	(150)	(136)
Net cash inflow from operating activities	**462**	**889**

16 Analysis of Change in Net (Debt)/Funds

	At 1 August 2014 £'000	Cash flows £'000	Translation difference £'000	At 31 July 2015 £'000
Cash at bank and in hand	1,274	2,776	11	**4,061**
Loans due within one year	(4,146)	(9,518)	(333)	**(13,997)**
	(2,872)	**(6,742)**	**(322)**	**(9,936)**

17 Related Party Transactions

The Directors' fees for the year are detailed in the Directors' Remuneration Report on page 25. 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.

18 Financial Instruments

As an Investment Trust, the Company invests in equities and makes other investments so as to achieve its investment objective of maximising capital appreciation from a focused and actively managed portfolio of investments from the Asia-Pacific region including the Indian Sub-continent. 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.

Details of the Company's investment portfolios are shown in note 9. The Company may, from time to time, enter into derivative transactions to hedge specific market, currency or interest rate risk. During the years to 31 July 2014 and 31 July 2015 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.

18 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 2015	Investments £'000	Cash and deposits £'000	Loans £'000	Other debtors and creditors * £'000	Net exposure £'000
Hong Kong dollar	32,357	13	–	21	**32,391**
Korean won	32,112	–	–	5	**32,117**
Indian rupee	29,812	–	–	89	**29,901**
US dollar	20,278	4,032	(3,497)	4	**20,817**
Taiwan dollar	19,536	–	–	133	**19,669**
Singapore dollar	1,038	–	–	–	**1,038**
Thai bhat	–	–	–	–	**–**
Indonesian rupiah	–	–	–	–	**–**
Total exposure to currency risk	135,133	4,045	(3,497)	252	**135,933**
Sterling	–	16	(10,500)	(279)	**(10,763)**
	135,133	**4,061**	**(13,997)**	**(27)**	**125,170**

* Includes net non-monetary assets of £13,000.

At 31 July 2014	Investments £'000	Cash and deposits £'000	Loans £'000	Other debtors and creditors * £'000	Net exposure £'000
Hong Kong dollar	32,882	756	–	–	**33,638**
Korean won	40,565	–	–	7	**40,572**
Indian rupee	22,117	–	–	73	**22,190**
US dollar	10,835	335	(4,146)	(6)	**7,018**
Taiwan dollar	27,159	166	–	284	**27,609**
Singapore dollar	8,195	–	–	44	**8,239**
Thai bhat	1,004	–	–	–	**1,004**
Indonesian rupiah	918	–	–	–	**918**
Total exposure to currency risk	143,675	1,257	(4,146)	402	**141,188**
Sterling	–	17	–	(288)	**(271)**
	143,675	**1,274**	**(4,146)**	**114**	**140,917**

* Includes net non-monetary assets of £13,000.

18 Financial Instruments (continued)

Currency Risk Sensitivity

At 31 July 2015, 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 2014.

	2015 £'000	2014 £'000
Hong Kong dollar	1,620	1,682
Korean won	1,606	2,029
Indian rupee	1,495	1,110
US dollar	1,041	351
Taiwan dollar	983	1,380
Singapore dollar	52	412
Thai bhat	–	50
Indonesian rupiah	–	46
	6,797	**7,060**

Interest Rate Risk

Interest rate movements may affect directly:

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

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

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

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

Financial Assets

The Company's interest rate risk exposure on its financial assets at 31 July 2015 amounted to £4,061,000 (2014 – £1,274,000), 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.

18 Financial Instruments (continued)

Financial Liabilities

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

Interest Rate Risk Profile

	2015 £'000	2014 £'000
Floating rate bank loan – sterling denominated	10,500	–
– US dollar denominated	3,497	4,146
	13,997	**4,146**

Maturity Profile

	2015 Within 1 year £'000	2014 Within 1 year £'000
Repayment of loans	13,997	4,146
Interest on loans	111	16
	14,108	**4,162**

Interest Rate Risk Sensitivity

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

An increase of 100 basis points in interest rates, with all other variables being held constant, would have decreased the Company's total net assets and total return on ordinary activities for the year ended 31 July 2015 by £99,000 (2014 – decrease of £29,000). This is mainly due to the Company's exposure to interest rates on its floating rate bank loan and cash balances. A decrease of 100 basis points would have had an equal but opposite effect.

Other Price Risk

Changes in market prices other than those arising from interest rate risk or currency risk may also affect the value of the Company's net assets. The Board manages the market price risks inherent in the investment portfolio by ensuring full and timely access to relevant information from the 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.

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 13 and 14. In addition, a geographical analysis of the portfolio and an analysis of the investment portfolio by broad industrial or commercial sector are contained in the Strategic Report.

108.0% (2014 – 102.0%) of the Company's net assets are invested in quoted equities. A 5% (2014 – 5%) increase in quoted equity valuations at 31 July 2015 would have increased total assets and total return on ordinary activities by £6,757,000 (2014 – £7,184,000). 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. 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. The Company's current borrowing facility is detailed in note 11 and the maturity profile of its borrowings are set out above. Under the terms of the borrowing facility, borrowings are repayable on demand at their current carrying value.

18 Financial Instruments (continued)

Credit Risk

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

This risk is managed as follows:

- Where the 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:

	2015 £'000	2014 £'000
Cash and short term deposits	4,061	1,274
Debtors and prepayments	276	431
	4,337	**1,705**

The maximum exposure in cash during the year was £9,615,000 (2014 – £8,148,000) and the minimum £150,000 (2014 – £230,000). None of the Company's financial assets are past due or impaired (2014 – none).

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. Short term borrowings have a fair value equal to par.

Capital Management

The capital of the Company is its share capital and reserves as set out in note 13 together with its borrowings (see note 11). The objective of the Company is to invest in the Asia-Pacific region (excluding Japan) and in the Indian Sub-continent in order to achieve capital growth. The Company's investment policy is set out on page 6. In pursuit of the Company's objective, the Board has a responsibility for ensuring the Company's ability to continue as a going concern and details of the related risks and how they are managed are set out on pages 21 and 22. The Company has the ability to buy back its shares (see pages 18 and 19) and changes to the share capital during the year are set out in note 12. The Company does not have any externally imposed capital requirements other than the covenants on its loan which are detailed in note 11.

19 Alternative Investment Fund Managers Directive (AIFMD)

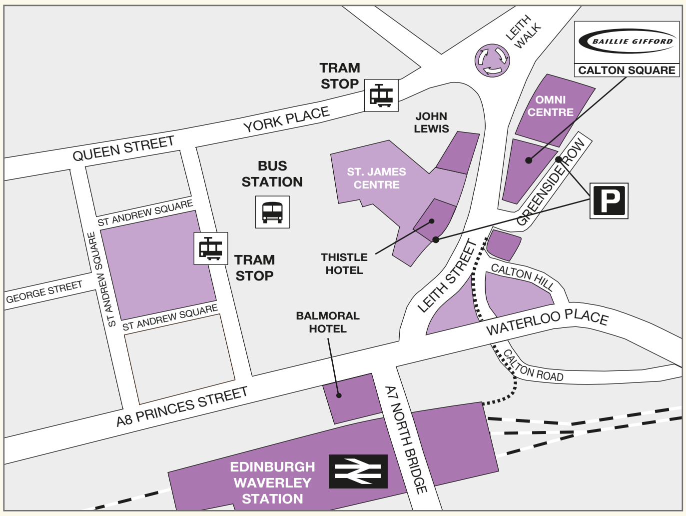
In accordance with the Alternative Investment Fund Managers Directive, information in relation to the Company's leverage and the remuneration of the Company's AIFM, Baillie Gifford & Co Limited, is required to be made available to investors. In accordance with the Directive, the AIFM's remuneration policy is available from Baillie Gifford & Co Limited on request (see contact details on the back cover) and the numerical remuneration disclosures in respect of the AIFM's first relevant reporting period (year ended 31 March 2016) will be made available in due course.

The Company's maximum and actual leverage (see Glossary of Terms on page 52) levels at 31 July 2015 are shown below:

Leverage Exposure

	Gross method	Commitment method
Maximum limit	2.50:1	2.00:1
Actual	1.11:1	1.11:1

Notice of Annual General Meeting



The Annual General Meeting of the Company will be held at the offices of Baillie Gifford & Co, Calton Square, 1 Greenside Row, Edinburgh EH1 3AN, on Friday, 6 November 2015 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.

	By Rail: Edinburgh Waverley – approximately a 5 minute walk away
	By Bus: Lothian Buses local services include: 1, 5, 7, 8, 10, 12, 14, 15, 15A, 16, 22, 25, 34
	By Tram: Stops at St Andrew Square and York Place
········	Access to Waverley Train Station on foot

Notice is hereby given that 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 Friday, 6 November 2015 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 Annual Report and Financial Statements of the Company for the financial year ended 31 July 2015, together with the Reports of the Directors and of the Independent Auditor thereon.
2. To approve the Directors' Annual Report on Remuneration for the financial year ended 31 July 2015.
3. To declare a final dividend of 0.35p 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 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.
7. To authorise the Directors to determine the remuneration of the Independent Auditor of the Company.
8. 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 £632,888, 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:

9. THAT, subject to the passing of resolution number 8 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 8 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 £632,888 being approximately 10% of the nominal value of the issued share capital of the Company, as at 18 September 2015.

10. 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 9,486,999, or, if less, the number representing 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 2016, 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.
11. 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 10 above and in accordance with the terms and conditions of the tender offers for the six month periods ended 31 January 2016 and 31 July 2016 (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 2016 (excluding any Shares held in treasury) or 31 July 2016 (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 2016 (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 Limited
Managers and Secretaries
28 September 2015

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 service 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 AGM. 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 AGM, 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 18 September 2015 (being the last practicable day prior to the publication of this notice) the Company's issued share capital consisted of 63,288,853 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 18 September 2015 were 63,288,853 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/she and his/her 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 49 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 page of the Managers' website at **www.pacifichorizon.co.uk**, Trustnet at **www.trustnet.co.uk** and on other financial websites. Monthly factsheets are also available on the Baillie Gifford website. These are available from Baillie Gifford on request.

Pacific Horizon Share Identifiers

ISIN	GB0006667470
Sedol	0666747
Ticker	PHI

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 0370 707 1229. This helpline also offers an automated self-service functionality (available 24 hours a day, 7 days a week) which allows you to:

— hear the latest share price;

— confirm your current share holding balance;

— confirm your payment history; and

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

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

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

— calculate the total market price of each shareholding;

— view price histories and trading graphs;

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

— update bank mandates and change address details; and

— use online dealing services.

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

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 0370 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 0370 707 1229.

CREST Proxy Voting

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

Analysis of Shareholders at 31 July

	2015 Number of shares held	2015 %	2014 Number of shares held	2014 %
Institutions	32,137,850	50.8	36,903,728	52.6
Intermediaries	18,890,986	29.8	21,048,259	30.0
Individuals	1,513,697	2.4	2,212,742	3.2
Baillie Gifford Share Plan/ISA	10,289,647	16.3	9,767,460	13.9
Marketmakers	456,673	0.7	193,963	0.3
	63,288,853	**100.0**	**70,126,152**	**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 £15,240 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 51).

Risks

- Past performance is not a guide to future performance.
- Pacific Horizon is a listed UK Company. 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 invested borrowings will increase the amount of this loss.
- Pacific Horizon can buy back its own shares and has discretion to implement a tender offer for up to five percent of its shares on a six monthly basis. 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 Pacific Horizon might receive upon their sale.
- Pacific Horizon can make use of derivatives which may impact on its performance.
- Charges are deducted from income. Where income is low, the expenses may be greater than the total income received, meaning Pacific Horizon may not pay a dividend and the capital value would be reduced.
- The aim of Pacific Horizon is to achieve capital growth. You should not expect a significant, or steady, annual income from the Company.

— Shareholders in Pacific Horizon have the right to vote every five years, on whether to continue Pacific Horizon, or wind it up. If the shareholders decide to wind the Company up, the assets will be sold and you will receive a cash sum in relation to your shareholding. The next vote will be held at the Annual General Meeting in 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. Further details of the risks associated with investing in the Company, including how charges are applied, can be found at **www.pacifichorizon.uk**, or by calling Baillie Gifford on 0800 917 2112. This information has been issued and approved by Baillie Gifford & Co Limited, the Managers and Secretaries, and does not in any way constitute investment advice.

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

The Financial Statements have been approved by the Directors of Pacific Horizon. The information and opinions expressed within this Annual Report and Financial Statements are subject to change without notice. This information has been issued and approved by Baillie Gifford & Co Limited, the Managers and Secretaries, and does not in any way constitute investment advice.

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. Both 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, can be found on the Company's page of the Managers' website at **www.pacifichorizon.co.uk**.

In the Investment Trust section you will find full monthly details on Pacific Horizon, including recent portfolio information and performance figures.

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 49.

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.

Glossary of Terms

Total Assets
Total assets less current liabilities, before deduction of all borrowings.

Net Asset Value
Net Asset Value (NAV) is the value of total assets less liabilities (including borrowings). The NAV per share is calculated by dividing this amount by the number of ordinary shares in issue.

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

Total Return
The total return is the return to shareholders after reinvesting the net dividend on the date that the share price goes xd.

Ongoing Charges Ratio
The total expenses (excluding borrowing costs) incurred by the Company as a percentage of the average net asset value (with debt at fair value).

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

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

Gearing represents borrowings at par less cash and cash equivalents expressed as a percentage of shareholders' funds.

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

Equity gearing is the Company's borrowings adjusted for cash and bonds expressed as a percentage of shareholders' funds.

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

Directors

Chairman:
JGK Matterson

EG Creasy
DCP McDougall OBE
EC Scott

Registered Office

Computershare
Investor Services PLC
Moor House
120 London Wall
London
EC2Y 5ET

Managers and Secretaries

Baillie Gifford & Co Limited
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: 0370 707 1229

Depositary

BNY Mellon Trust & Depositary
(UK) Limited
BNY Mellon Centre
160 Queen Victoria Street
London
EC4V 4LA

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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