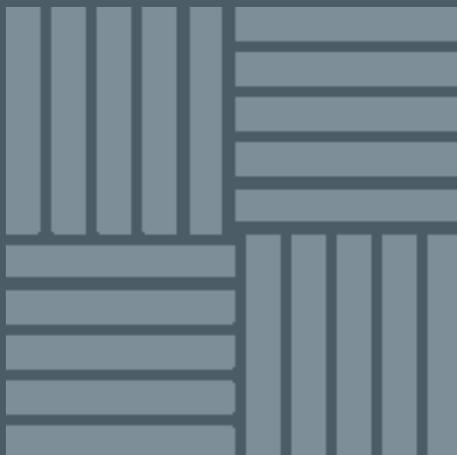
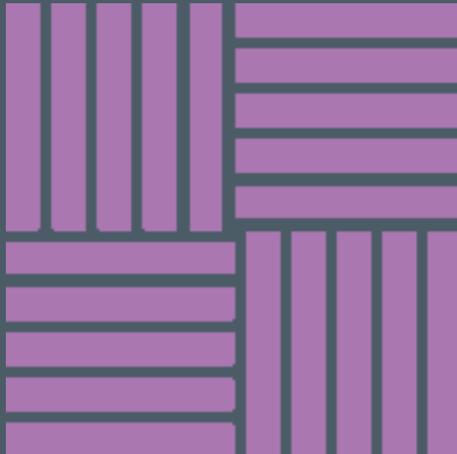
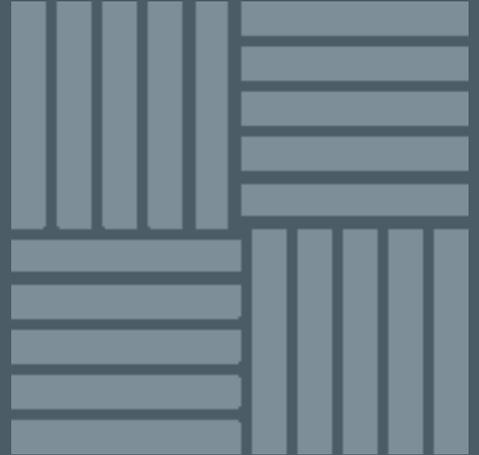


PACIFIC HORIZON INVESTMENT TRUST PLC





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Investor Disclosure Document

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

Notes

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

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

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

If you have sold or otherwise transferred all of your ordinary shares in Pacific Horizon Investment Trust PLC, please forward this document, together with any accompanying documents, 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 7.

Comparative Index

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

Management Details

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

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 and payable on a quarterly basis.

Capital Structure

At the year end the Company's share capital consisted of 57,118,191 ordinary shares of 10p each which are issued and fully paid. The Company currently has powers to buy back a limited number of its own ordinary shares for cancellation at a discount to net asset value per share (NAV) as well as to issue shares at a premium to NAV. At the forthcoming Annual General Meeting, the Directors are seeking to renew these authorities. Further information is contained within the Circular sent to shareholders with this Annual Report.

The Company also has shareholder approval to implement, at the Board's discretion, a bi-annual tender offer. The Board is not proposing to seek authority for the existing bi-annual 5% tender to be continued for a period of at least the next three years but it is the intention that the Directors will propose a 25% tender to be triggered if the Company's NAV, calculated at fair value cum-income, total return fails to exceed the Company's comparative index by at least 1% per annum over a three year period to 31 July 2019 on a cumulative basis. Details of this are contained in the Circular sent to shareholders with this Annual Report.

Savings Vehicles

Pacific Horizon shares can be held through a variety of savings vehicles (see page 48).

AIC

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

Duration of the Company

At the Annual General Meeting of the Company held on 17 October 2011, the shareholders approved the resolution postponing until the date of the Annual General Meeting of the Company to be held in 2016 or 30 November 2016, whichever is earlier, or such later date as the shareholders may resolve, the obligation of the Directors to convene an Extraordinary General Meeting at which a resolution will be proposed pursuant to section 84 of the Insolvency Act 1986 to wind the Company up voluntarily.

The Directors are proposing a resolution at this year's Annual General Meeting to postpone the obligation of the Directors to convene such a meeting for a further five years. Further information is contained within the Circular sent to shareholders with this Annual Report.

Strategic Report

This Strategic Report, which includes pages 2 to 16 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 2016, the Company's net asset value per share (NAV) total return was 13.3%. During the same period the Company's comparative index, the MSCI All Country Asia ex Japan Index, total return was 16.2% in sterling terms. The share price total return was 10.9%, and the discount widened from 8.2% to 10.1%. Over the five years to 31 July 2016 the Company's NAV and share price returned 29.8% and 26.8% respectively; over the same period the Company's comparative index, the MSCI All Country Asia ex Japan Index, returned 30.3% in sterling terms.

The Managers' Review on pages 10 and 11 provides a more detailed review of the Company's performance along with comment on the various markets in which the Company invests.

Earnings per share decreased from 0.35p to a deficit of 0.30p. The Company's objective is to invest for capital growth rather than income and all expenses, including borrowing costs, are charged to revenue. The Company has revenue reserves and the Board is recommending that a final dividend of 0.35p (2015 – 0.35p) be paid on this occasion. Any dividend payable in future will be determined as being the minimum permissible in order to maintain investment trust status and be paid by way of one final payment per year. As the Company's objective is to achieve capital growth, it is not recommended that investors consider investing in this Company if they require income from this investment.

The ongoing charges increased to 1.13% (2015 – 1.02%). Although the Company's NAV per share increased over the financial year, shareholders' funds averaged less than in the prior year partly as a result of the bi-annual tender offers. Consequently, the fixed administrative expenses accounted for a higher proportion of shareholders' funds.

The Board and Managers believe that the long term stock picking approach, focussing on growth companies in the Asia Pacific ex Japan region and markets of the Indian Sub-continent, will generate competitive positive long term returns. Although the Company can invest in a broad spread of markets and sectors, it remains differentiated from its peers at present not only through its geographic exposure (being mainly China/Hong Kong, South Korea, Taiwan, India and increasingly Vietnam), but also as a result of its focus on asset light innovating companies. There continues to be a bias to companies which have the potential to benefit significantly from the growing wealth and sophistication of the Asian consumer. The overlap between the Company's portfolio and index was 19% as at 31 July 2016, meaning that the active share was over 81%, again demonstrating a very distinct investment style.

Continuation of the Company

At this year's Annual General Meeting ('AGM') the Directors are proposing, in accordance with the Articles, that the life of the Company be extended for a further five years. Having conducted a thorough review of the Managers' approach and resources, the Board judges them to have the right team to manage a portfolio in what it considers to be a region with superior long term prospects for investment.

Your Directors therefore believe that it is desirable to extend the Company's life and recommend that shareholders vote in favour of the extension for a further period of five years. A fuller outline of the proposal is set out in the circular containing the Notice of the AGM accompanying this Report.

Tender Mechanism

At the Company's 2015 AGM, shareholders once again authorised the implementation of bi-annual tender offers for up to 5% of the Company's shares at a 2% discount to NAV, less costs. The decision to implement the tender was 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 2016. Over the six month periods to 31 July 2015 and 31 January 2016 the Company's average discounts were 9.6% and 10.3% respectively and consequently the Board implemented tender offers in October 2015 and April 2016. The Company's average discount for the six month period to 31 July 2016 was 11.9% and the Board has again decided to implement a 5% tender offer, applicable to shareholders on the register on 9 August 2016. Details of how to tender your shares in respect of this 5% tender offer are contained within the Tender Offer Circular accompanying this Report.

Through tender offers implemented on 31 July 2015 and 31 January 2016, the Company bought back a total of 6,170,662 ordinary shares, representing 9.7% of the issued share capital as at 31 July 2015, at a cost of £11,618,000.

Following consultation with a number of shareholders, the Board is not proposing to seek authority for the existing bi-annual 5% tender to be continued for a period of at least the next three years. Some investors have commented that they require the Company to have liquidity and scale and have found the existing size and/or frequency of tenders unhelpful. In addition, they felt that the trigger for tenders can be over influenced by market sentiment towards the asset class, rather than by the Company's performance. Instead, the Board is proposing a tender that will be triggered if the Company's NAV, calculated at fair value cum-income, total return fails to exceed the Company's comparative

Past performance is not a guide to future performance.

index by at least 1% per annum over a three year period to 31 July 2019 on a cumulative basis. If this performance target is not met, it is the intention that the Directors will propose a 25% tender of the Company's issued share capital at the time of calculation. The tender would be at a 2% discount to NAV less costs.

This would be subject to shareholders' approval of the tender authority that will be put to shareholders at the 2018 AGM. If the authority is obtained and the tender is subsequently triggered, 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.

Share Buy-backs

At the forthcoming AGM, the Board will be asking shareholders to renew the mandate to repurchase up to 14.99% of the outstanding 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 whilst being cognisant that current and potential shareholders require continuing liquidity.

Gearing

The Board sets the gearing parameters within which the portfolio managers are permitted to operate and these are reviewed at each Board meeting. At present, the agreed range of equity gearing is minus 15% to plus 10%. At the year end, equity gearing was relatively low at 2.9%, having started the year at 7.9%. Gearing ranged between a negative of 8.3% (i.e. holding net cash) and a positive of 8.1%. Gearing is achieved through the use of bank borrowings. At present the Company has a Royal Bank of Scotland £10 million multi-currency revolving credit facility, of which £5 million was drawn at 31 July 2016. In addition the Company benefits from a £10 million one year uncommitted revolving credit facility with The Bank of New York Mellon which was undrawn at 31 July 2016.

Annual General Meeting

This year's AGM will take place on 9 November 2016 at the offices of Baillie Gifford & Co in Edinburgh at 11.00am. I would encourage shareholders to arrive by 10.50am to allow time to register. The Managers will make a presentation and, along with the Directors, will answer any questions from shareholders. I hope to see as many of you as possible there.

Outlook

Over the year, the performance of stockmarkets across Asia was mixed. In local currency terms, the Chinese and Hong Kong markets were weaker, whilst South Korea and India were largely unchanged, albeit with some volatility during the year. These are the areas where we have most of our exposure. The headline

economic numbers indicate reasonable growth potential and we believe that there are good opportunities across the Asian markets to find entrepreneurial companies on valuations which look reasonably priced. Our exposure to technologies of differing types – such as internet search tools, online services and biotechnology – offer us plenty of scope to invest in growing businesses with the opportunity to take market share from traditional businesses and benefit from the disruption which is now occurring internationally.

Jean Matterson
Chairman
15 September 2016

One Year Summary

	31 July 2016	31 July 2015	% change
Total assets*	£132.7m	£139.2m	
Borrowing	£5.0m	£14.0m	
Shareholders' funds	£127.7m	£125.2m	
Net asset value per ordinary share (NAV)	223.58p	197.78p	13.0
Share price	201.00p	181.63p	10.7
MSCI All Country Asia ex Japan Index (in sterling terms)	396.8	351.3	13.0
Dividend proposed per ordinary share in respect of the financial year	0.35p	0.35p	–
Revenue earnings per ordinary share	(0.30p)	0.35p	(185.7)
Ongoing charges	1.13%	1.02%	
Discount	10.1%	8.2%	
Active share†	81%	88%	

Year to 31 July	2016	2015
Total return (%)#		
Net asset value per ordinary share	13.3	(0.9)
Share price	10.9	3.0
MSCI All Country Asia ex Japan Index (in sterling terms)	16.2	1.7

Year to 31 July	2016	2016	2015	2015
Year's high and low	High	Low	High	Low
Share price	201.00p	143.25p	213.25p	173.00p
Net asset value	227.16p	161.16p	234.02p	193.86p
Discount	5.2%	14.6%	6.3%	12.6%

	31 July 2016	31 July 2015
Net return per ordinary share		
Revenue return	(0.30p)	0.35p
Capital return	24.25p	(0.99p)
Total return	23.95p	(0.64p)

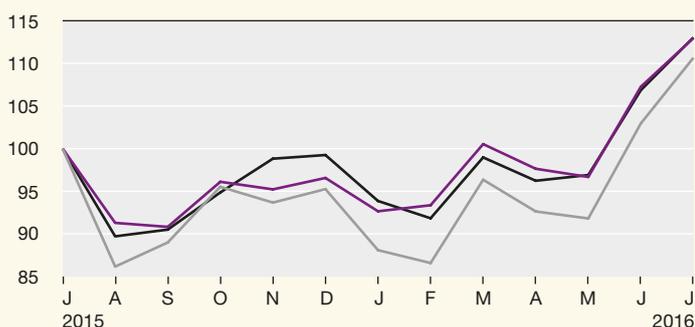
* Total assets less current liabilities, before deduction of borrowings.

† See Glossary on page 51.

Source: Morningstar.

One Year Performance

(figures rebased to 100 at 31 July 2015)



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).

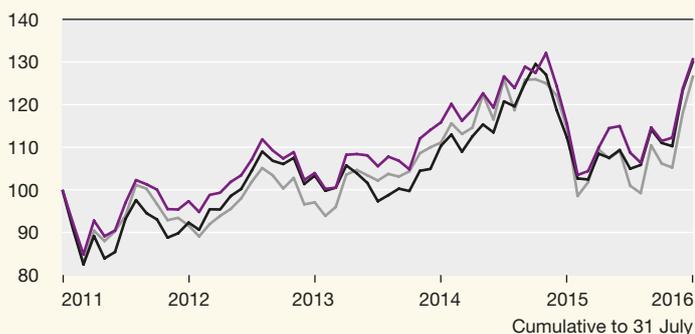
Past performance is not a guide to future performance.

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 2016.

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

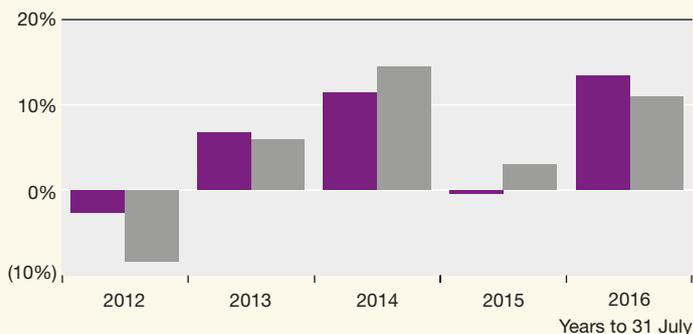
(figures rebased to 100 at 31 July 2011)



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)

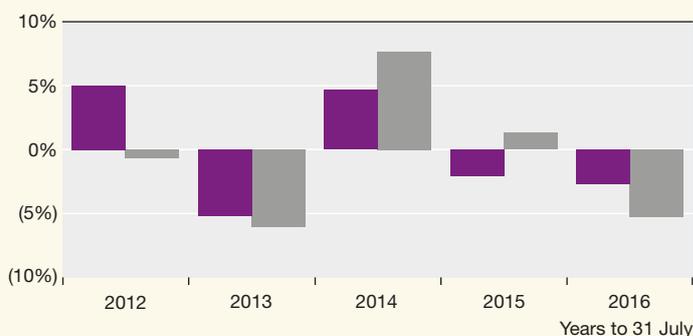


Source: Thomson Reuters Datastream/Baillie Gifford.

- 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 Asia ex Japan Index)



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

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

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) † %
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)
2016	132,702	5,000	127,702	223.58	201.00	(10.1)

* 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

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 ‡ %
2006	2,887	1,160	1.51	1.10	1.32
2007	3,031	1,124	1.45	1.10	1.26
2008	3,602	1,491	1.91	1.30	1.21
2009	3,579	1,915	2.44	1.80	1.31
2010	2,999	1,295	1.65	1.30	1.24
2011	3,441	1,546	1.98	1.50	1.22
2012	3,234	1,491	1.97	1.50	1.26
2013	2,967	1,242	1.66	1.50	1.15
2014	2,550	1,019	1.40	1.40	1.01
2015	1,886	231	0.35	0.35	1.02
2016	1,331	(182)	(0.30)	0.35	1.13

Gearing Ratios

Gearing ¶ %	Potential gearing § %
6	9
(1)	–
(5)	–
(2)	–
(2)	–
(1)	–
(2)	–
(1)	–
2	3
8	11
3	4

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 38).

‡ 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 2006 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 ^
2006	100	100	100	100	100	100	100	100
2007	157	160	170	171	138	142	96	104
2008	126	128	128	130	121	128	126	108
2009	127	130	123	127	131	143	162	108
2010	154	161	144	151	153	172	109	113
2011	168	177	163	172	174	201	131	119
2012	162	172	148	157	157	185	130	123
2013	171	184	155	167	171	207	110	126
2014	189	205	176	191	178	221	93	129
2015	186	204	179	196	176	225	23	131
2016	210	231	199	218	199	261	(20)	133

Compound annual returns

5 year	4.6%	5.5%	4.0%	4.9%	2.6%	5.4%	n/a	2.3%
10 year	7.7%	8.7%	7.1%	8.1%	7.1%	10.1%	n/a	2.9%

^ 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. 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 to 2016. 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 for the purposes of the EU Alternative Investment Fund Managers Directive.

Investment Objective

The Company's objective is to invest in the Asia-Pacific region (excluding Japan) and in the Indian Sub-continent in order to achieve capital growth. The Company is prepared to move freely between the markets of the region as opportunities for growth vary. The portfolio will normally consist 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 4, 5 and 6 respectively.

Borrowings

The Company has a one year £10 million unsecured multi-currency revolving credit facility with The Royal Bank of Scotland Plc and a £10 million one year, uncommitted, unsecured revolving credit facility with The Bank of New York Mellon. At 31 July 2016 there were outstanding drawings of £5,000,000 (2015 – £10,500,000 and US\$5,456,850 (£3,497,000)) under The Royal Bank of Scotland facility. There were no drawings under The Bank of New York Mellon facility at either date.

Principal Risks

As explained on pages 22 and 23 there is an ongoing process for identifying, evaluating and managing the risks faced by the Company. The Directors have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. A description of these risks and how they are being managed or mitigated is set out below:

Financial Risk – the Company's assets consist mainly of listed securities and its principal financial risks are therefore market related and include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. An explanation of those risks and how they are managed is

contained in note 16 to the Financial Statements on pages 41 to 45. As oversight of this risk, the Board considers at each meeting various metrics including regional and industrial sector weightings, top and bottom stock contributors to performance along with sales and purchases of investments. Individual investments are discussed with the portfolio managers together with their general views on the various investment markets and sectors. A strategy review is held annually.

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

Custody and Depositary Risk – safe custody of the Company's assets may be compromised as a result of control failures by the Depositary, including cyber hacking. To monitor potential risk, the Board receives six monthly reports from the Depositary confirming safe custody of the Company's assets. Cash and portfolio holdings are independently reconciled to the Custodian's records by the Managers. The Custodian's audited internal controls reports are reviewed by Baillie Gifford's Internal Audit Department and a summary of the key points is reported to the Audit Committee and any concerns investigated. In addition, the existence of assets is subject to annual external audit.

Operational Risk – failure of Baillie Gifford's systems or those of other third party service providers could lead to an inability to provide accurate reporting and monitoring or a misappropriation of assets. To mitigate this risk, Baillie Gifford has a comprehensive business continuity plan which facilitates continued operation of the business in the event of a service disruption or major disaster. The 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/Premium Volatility – the discount/premium at which the Company's shares trade can widen. The Board monitors the level of discount/premium and the Company has authority to buy back its own shares, as well as to issue shares at a premium, when deemed to be in the best interest of all of its shareholders.

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. The Company can also make use of derivative contracts. 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 in note 17 on page 45 and the Glossary of Terms on page 51.

Political and Associated Economic Risk – the Board is of the view that political change in areas in which the Company invests or may invest may have practical consequences for the Company. Political developments are closely monitored and considered by the Board. The Board has noted the results of the UK referendum on continuing membership of the European Union. Whilst there is considerable uncertainty at present, the Board will continue to monitor developments as they occur and assess the potential consequences for the Company's future activities.

Viability Statement

Notwithstanding that the continuation of the Company is subject to approval of shareholders every five years, with the next vote at the Annual General Meeting in November 2016, the Directors have, in accordance with provision C.2.2 of the UK Corporate Governance Code, published by the Financial Reporting Council in September 2014, assessed the prospects of the Company over a three year period. The Directors believe this period to be appropriate as it is reflective of the Company's investment approach. In the absence of any adverse change to the regulatory environment and the favourable tax treatment afforded to UK investment trusts, such a period is one over which they do not expect there to be any significant change to the current principal risks and to the adequacy of the mitigating controls in place. The Directors do not envisage any change in the Company's strategy or objectives nor do they foresee any events that would prevent the Company from continuing in existence over that period.

In making this assessment, the Directors have taken into account the Company's current position and have conducted a robust assessment of the Company's principal risks and uncertainties (as detailed on pages 7 and 8), in particular the impact of market risk where a significant fall in the Asia-Pacific (excluding Japan) and the Indian Sub-continent equity markets would adversely impact the value of the investment portfolio. The Directors have also considered the Company's investment objective and policy, the level of demand for the Company's shares, the nature of its assets, its liabilities and its projected income and expenditure. The vast majority of the Company's investments are readily realisable and can be sold to meet its liabilities as they fall due, the main liability currently being the short term bank borrowings. In addition, substantially all of the essential services required by the Company are outsourced to third party service providers; this allows key service providers to be replaced at relatively short notice where necessary.

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

Employees, Human Rights and Community Issues

The Board recognises the requirement to provide information about employees, human rights and community issues. As the Company has no employees, all its Directors are non-executive and all its functions are outsourced, 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 22.

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 23.

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

Managers' Review

Overview

Management of Pacific Horizon's portfolio is focussed on finding and investing in attractive growth companies within Asia Ex-Japan and the Indian Sub-continent. We believe that investing for the long-term in companies that can deliver significantly faster growth than the market will, over time, deliver rewards. We are looking to invest in companies that have the potential to grow their revenue and earnings at around 15% per annum for at least the next five years and where we feel the growth prospects have not been fully recognised. This investment approach can lead to significant concentration in certain areas of the market.

Over the Company's financial year the NAV total return was 13.3% compared with 16.2% for the comparative index in sterling terms. We are disappointed with this relative performance, but we believe that our investment stance will be vindicated over the longer-term. As at the Company's year end we had equity gearing of 2.9% and we would look to be adding investment exposure if there were to be any significant weakness in markets or were we to find opportunities to invest in new exciting companies with significant growth potential.

The Portfolio

The weighting in technology companies increased from 47.9% to 50.9% following outperformance of the sector during the year and additions to our Chinese holdings. The consumer internet names in China now represent the largest concentration in our portfolio at 22%; we see significant upside from both earnings growth and a potential re-rating of valuations in this sector, which have been significantly de-rated over the last year due to fear of an overall Chinese slowdown. We feel that the sector represents one of the most compelling long-term investments within our region.

Tencent Holdings, which is the portfolio's largest holding at just over 10%, significantly beat consensus earnings expectations recently, growing its revenues by 52% and net profit by 47% year on year, which is impressive for a \$250bn company. With the second largest user base in the world after Facebook, we see tremendous opportunity for Tencent to monetise its network through games, video, music and advertising. Alibaba accounts for 3% of the portfolio and announced recent revenue growth of 59%. Five of the Company's top six largest holdings and 25% of the portfolio as a whole represent companies that profit from the supply of information through their respective networks.

Our technology holdings, in China and elsewhere, helped our overall performance, with Sunny Optical, Tencent and NAVER being our top contributors to overall performance. On the other hand, not holding sufficient positions in TSMC and Samsung Electronics and severe weakness in some of our Chinese names: JD.com, Kingdee, Kingsoft and Jumei International dampened portfolio returns.

Within China we bought China Harmony New Energy Auto, a leading car dealer and after-market operator in China, which is investing in a partnership with Tencent and Hon Hai to create a leading electric vehicle. We bought the stock on a price earnings ratio of 8x and with potential three year earnings growth of 20% per annum.

Korean investments represent some 30% of the portfolio and we continue to find plenty of interesting innovative growth companies in this market; this is at odds with the consensus judgement on

the country. We took a position in Finetex EnE which is one of the world's leading companies in nano-materials. We believe the company is in late stage negotiations to supply innovative materials to Nike, improved performance facial masks in Korea and China, and has the potential to revolutionise the membranes and materials used in air conditioning systems.

We hold a number of smaller technology companies in Korea, where we believe the growth potential is underappreciated; for example, Koh Young, a \$500m company where our holding represents 2.2% of the portfolio, the world leader in automated 3D inspection equipment. Koh Young's combination of leading algorithms and hardware has led it to achieve a 49% market share in the Silicon Paste Inspection industry and potential leadership in adjacent semiconductor inspection markets.

Our Korean healthcare investments experienced a mixed year. We hold 9.2% of the portfolio in a number of small biotech companies in both Korea and Taiwan, all of which we believe are at or close to the leading edge of their technology specialisation or have a distinct technological manufacturing advantage. The volatility of this sector and the size of the individual companies has meant that they are under-researched and tend to have been overlooked by many institutional investors. By taking a long-term approach and by investing alongside management we believe we can add significant value to the Company over time from these investments.

We repositioned our Indian exposure away from the IT services sector where, after many years of positive performance, we became worried that the longer-term growth outlook was slowing due to changes in the outsourcing model and the need to invest in digitalisation which favoured larger and western players. Consequently, Tech Mahindra and HCL Technologies were sold and our Indian weighting reduced from 21.3% to 14.3%. We purchased a holding in Arvind Ltd, a leading textile and consumer brand company in India. There appears to be a general economic trigger point of a per capita income of \$1,500 per annum when demand for apparel takes off quite rapidly and we believe India is at this turning point. We feel that the market may be underestimating the effect on margins and asset turnover that this increase in demand can have and hence improve profitability. We like the longer-term outlook for the Indian market and will be looking for interesting companies on any valuation pull-back.

We increased our Vietnamese market exposure from 1.3% to 4.8% of the portfolio. We believe that Vietnam is at a very early stage of becoming part of the global market. Given its large and educated workforce and the geographical benefits of being near the centre of Asia, we see probability of a very positive long-term outlook for the country. The Vietnam Hanoi Index is currently cheap at a price earnings ratio of around 11x and is under-researched by foreign investors. We have an indirect holding via the Dragon Capital Vietnam Enterprise Investments where we are impressed by the domestic managers' ability to source interesting ideas; their long-term active approach fits our philosophy. We have also acquired holdings in two domestic companies, Military Commercial Joint Stock Bank, the fourth largest bank and largest private sector operator in the country, and Vingroup, a real-estate and consumer conglomerate, which we believe has the potential to increase its earnings significantly.

In Taiwan we added an innovative biotech manufacturing company called TTY Biopharm to our portfolio. It is a leading global manufacturer of liposomal products with a significant technological edge that has allowed it to be the key licensed partner for Johnson & Johnson's Doxil drug. With this technological manufacturing know-how, we see significant market opportunities for a pipeline of high margin drugs to deliver 20% plus earnings growth in the long term.

Our largest country exposures are in China/Hong Kong, followed by Korea and then Taiwan. With the exception of Vietnam we retain little exposure to the smaller ASEAN markets. Our investment philosophy means that we inevitably focus on technology and currently 50.9% of the portfolio is invested in this sector. After technology, consumer discretionary and financials make up the largest sector investments.

We believe that the broader economic environment is driven by cycles of innovation rather than being the creator of change. For example, many of the structural issues affecting China and much of Asia today are the result of a technological shift to a more productive economic structure which is leaving investments in fixed assets, heavy industry and other "old economy" assets in severe overcapacity. Within this changing economic structure the affluent Asian consumer stands out as a key beneficiary of rising wealth and increased penetration of technology. Around 30% of the portfolio is invested in consumer, outside of technology, companies that benefit from the rise of the middle class in Asia.

We are also looking for companies that are innovating and moving up their respective value chain. Geely Automotive, a leading Chinese automotive manufacturer, has managed to upgrade its manufacturing capability substantially following its acquisition of Volvo and is launching new sports utility vehicle models, a segment in the car market that is forecast to grow above 20% for the next few years due to the rise in the affluent middle-class. Positive shorter-term growth prospects are starting to be recognised by the market; however, the company's strategic goal to make electric vehicles 90% of its output by 2020 is still being under-appreciated by investors.

Financials represent our third largest sector position although we do not hold investments in banks in a number of the larger countries, including China, Korea and Taiwan, where we feel returns are likely to be challenged or depressed for many years. In line with our investment approach, our holdings are focused on the merits of the individual companies, for example, in India, where we see the return of a structural growth story, and in Vietnam. We find the insurance industry a more compelling investment proposition. We hold significant positions in the Korean insurers, Samsung Fire & Marine and Hyundai Marine & Fire, and in Taiwan's China Life Insurance. These should all benefit from a number of fundamental social and economic changes in the coming years, such as demographics, increased financial sophistication and increasing wealth; we are of the view that there will be significant development of the insurance markets to provide mitigation for the increased risks to which a more wealthy society is exposed.

Investment Approach

The growth characteristics of the portfolio remain strong with historic earnings growth at 11%, almost double the market's 5.7%, and one year forecast earnings growth at 12.2%, double that for the comparative index, the MSCI All Country Asia ex

Japan Index. The price earnings ratio of the Company is 19.2x on the current year, versus 13x for the comparative index. Over the longer-term time frame, we believe the higher growth potential of our holdings more than justifies the additional multiple.

Our comparative index has changed materially over the year with the average company size moving from around £35bn to £45bn largely due to the inclusion of US-listed Chinese internet names, several of which we own, and the outperformance of large capitalisation stocks. Over 20% of our portfolio is invested in companies with a market capitalisation below £1bn; a further 34% is invested in companies with a market capitalisation less than £10bn. This compares with 0.1% and 35% respectively for the comparative index. The portfolio's active share has decreased slightly, to 81%, largely due to the inclusion of the Chinese US-listed internet companies within the comparative index.

We continue to implement our strategy of investing in companies with good long-term growth prospects. The corporate characteristics we look for include strong growth potential, sustainable competitive advantage, attractive financials and sensible management. In addition, we target stocks that we consider to have very significant long-term opportunities to enhance future profitability.

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 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 impact these 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 the companies in which we invest must add value to society. We see this being achieved 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, and our technology holdings that are helping to enable the greatest and most rapid increase in human connectivity and information availability in human history.

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

Outlook

It is our view that there is significant potential for positive returns from the region 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. After almost five years of slow GDP growth we feel that the region may be gradually recovering. Cheap assets and an improving growth profile may be all that is needed to generate strong positive absolute returns to investors. We believe that our philosophy, process and investment style will reward our shareholders over the medium to long-term.

Review of Investments

A review of the Company's ten largest investments as at 31 July 2016 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	£13,457,000
% of total assets*	10.1%
(Valuation at 31 July 2015)	£9,057,000)

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	£5,413,000
% of total assets*	4.1%
(Valuation at 31 July 2015)	£3,073,000)

Baidu ADR

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	£4,855,000
% of total assets*	3.7%
(Valuation at 31 July 2015)	£5,279,000)

Alibaba Group ADR

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

Country	Hong Kong and China
Valuation	£4,012,000
% of total assets*	3.0%
(Valuation at 31 July 2015)	£4,622,000)

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	£3,849,000
% of total assets*	2.9%
(Valuation at 31 July 2015)	£4,067,000)

JD.com

JD.com is the largest online e-commerce company in the 3C market and it is the second player in overall Chinese e-commerce. They have a strong logistics network and a focus on customer service, which is driving increased revenue market share. New investments in SME finance and online food delivery could create exciting new market opportunities.

Country	Hong Kong and China
Valuation	£3,729,000
% of total assets*	2.8%
(Valuation at 31 July 2015)	£2,914,000)

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

Dragon Capital Vietnam Enterprise Investments

The Vietnam fund is one of the lead investment trusts specialising in listed and unlisted Vietnamese assets. The company takes a pro-active role in its investments often taking board seats. Historic performance relative to the market has been strong. We like the Vietnamese investment story: good demographics, a liberalising economy, and cheap stock market.

Country	Vietnam
Valuation	£3,707,000
% of total assets*	2.8%
(Valuation at 31 July 2015)	£1,814,000)

Sunny Optical Technology

Sunny optical is a leading vision company. It is a number two player to Largan in the Smartphone lenses market, where it is gaining market share, a leader in the fast growing auto-camera market and has investments in the augmented reality/virtual reality area. We expect it can continue to grow profitably in these exciting growth markets.

Country	Hong Kong and China
Valuation	£3,368,000
% of total assets*	2.5%
(Valuation at 31 July 2015)	£1,907,000)

Geely Automobile

Geely is a leading private automobile manufacturer in China. It acquired Volvo and has been incorporating the technology into its vehicles; this has led to two positive product launches. We expect upside from the full implementation of the Volvo platform in the next few years. By 2020 Geely expects to be producing 100% electric vehicles and a domestic leader in the field.

Country	Hong Kong and China
Valuation	£3,047,000
% of total assets*	2.3%
(Valuation at 31 July 2015)	£2,067,000)

Koh Young Technology

Koh Young is a leading Korean inspection equipment provider. It was the first company to invent and implement a 3D inspection tool. It holds a dominant position in the 3D SPI (Solder Paste Inspection) market and is growing rapidly in the 3D AOI (Automated Optical Inspection) market, especially the automotive segment. It will soon enter the manual optical inspection market as its technology will be used to screen Smartphone casings. In the longer term it is likely to enter the medical device market.

Country	Korea
Valuation	£2,952,000
% of total assets*	2.2%
(Valuation at 31 July 2015)	£1,876,000)

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

List of Investments as at 31 July 2016

Name	Country	Business	2016 Value £'000	2016 % of total assets*
Tencent Holdings	HK/China	Online gaming and social networking	13,457	10.1
NAVER	Korea	Online search and messaging	5,413	4.1
Baidu ADR	HK/China	Internet search engine	4,855	3.7
Alibaba Group ADR	HK/China	Online and mobile commerce	4,012	3.0
Hon Hai Precision Industries	Taiwan	Electronic manufacturing	3,849	2.9
JD.com	HK/China	Online mobile commerce	3,729	2.8
Dragon Capital Vietnam Enterprise Investments	Vietnam	Vietnam investment fund	3,707	2.8
Sunny Optical Technology	HK/China	Small optical lenses manufacturer	3,368	2.5
Geely Automobile	HK/China	Automobile manufacturer	3,047	2.3
Koh Young Technology	Korea	3D inspection machine manufacturer	2,952	2.2
China Life Insurance (Taiwan)	Taiwan	Life insurance provider	2,760	2.1
Mahindra & Mahindra	India	Tractor and SUV manufacturer	2,688	2.0
Advantech	Taiwan	Computer manufacturer	2,636	2.0
SK Hynix	Korea	Electronic component and device manufacturer	2,609	2.0
Reliance Industries	India	Indian petrochemical conglomerate	2,602	2.0
Taiwan Semiconductor Manufacturing	Taiwan	Semiconductor foundry	2,383	1.8
Ctrip.com International ADR	HK/China	Chinese online travel agency	2,332	1.8
ICICI Bank	India	Retail and corporate bank	2,270	1.7
Indusind Bank	India	Commercial bank focusing on consumer lending	2,046	1.5
Samsung Fire & Marine Insurance	Korea	Non-life insurance provider	2,006	1.5
CJ E&M	Korea	Media and entertainment creator and supplier	1,962	1.5
Samsung Electronics	Korea	Memory, phones and electronic components manufacturer	1,929	1.5
Techtronic Industries	HK/China	Power tool manufacturer	1,892	1.4
WH Group	HK/China	Pork processor and distributor	1,872	1.4
Bioneer	Korea	Drug researcher and development	1,861	1.4
Himax Technologies ADR	Taiwan	Markets semiconductors	1,683	1.3
Medy-Tox	Korea	Global biopharmaceutical company	1,674	1.3
Infosys	India	Software development	1,632	1.2
Container Corporation of India	India	Transportation services provider	1,565	1.2
Seegene	Korea	In vitro diagnostic screening producer	1,549	1.2
Samsung C&T	Korea	Korean conglomerate	1,544	1.2
MediaTek	Taiwan	Integrated circuit design house	1,526	1.1
EO Technics	Korea	Laser equipment manufacturer and distributor	1,493	1.1
Finetex EnE	Korea	Nano-technology material manufacturer	1,492	1.1
Genexine	Korea	Therapeutic vaccine researcher and developer	1,479	1.1
Vingroup	Vietnam	Property developer	1,451	1.1
NCSoft	Korea	Online games developer	1,426	1.1
Phison Electronics	Taiwan	Designer and manufacturer of flash memory controllers	1,411	1.1
Mindtree	India	IT services provider	1,356	1.0
Eclat Textile	Taiwan	Textile manufacturer	1,322	1.0
China Harmony New Energy Auto	HK/China	Luxury car dealership	1,300	1.0
Delta Electronics	Taiwan	Power supplies and video display product manufacturer	1,292	1.0
Persistent Systems	India	Outsourced software product developer	1,280	1.0
Info Edge	India	Jobseekers, housing sales and restaurant online review provider	1,254	0.9
Military Commercial Joint Stock Bank	Vietnam	Retail and corporate bank	1,245	0.9
Orion Corp	Korea	Consumer conglomerate	1,231	0.9
Intron Biotechnology	Korea	Antibiotics drug researcher	1,226	0.9

Name	Country	Business	2016 Value £'000	2016 % of total assets*
Duzonbizon	Korea	Enterprise resource planning software developer	1,194	0.9
Arvind	India	Consumer textile brand owner and manufacturer	1,186	0.9
SK Telecom	Korea	Telecoms operator	1,171	0.9
Kingdee International Software	HK/China	Enterprise management software distributor	1,130	0.8
Mahindra CIE Automotive	India	Truck parts manufacturer	1,092	0.8
Haier Electronics Group	HK/China	Washing machine and water heater manufacturer	1,035	0.8
Hansol Technics	Korea	Electrical components manufacturer	937	0.7
Sarine Technologies	Singapore	Diamond grading measurement systems developer	921	0.7
Hermes Microvision	Taiwan	Electron beam inspection tool manufacturer	892	0.7
HTC	Taiwan	Smartphone and virtual reality manufacturer	844	0.6
Interpark	Korea	Internet-based shopping mall	835	0.6
Johnson Electric Holding	HK/China	Electric motor manufacturer	802	0.6
Kingsoft	HK/China	Gaming, cloud and digital advertiser	796	0.6
Qurient	Korea	Antibiotics and cancer drug researcher	693	0.5
Theragen Etex	Korea	Genetics researcher and developer	674	0.5
TTY Biopharm	Taiwan	Manufacturer of specialist genetics	656	0.5
ST Pharm	Korea	Manufacturer of specialist pharmaceutical ingredients	652	0.5
Viromed	Korea	Drug developer of recombinant DNA	613	0.5
JHL Biotech	Taiwan	Biologics manufacturer	565	0.4
Crystalgenomics	Korea	Proteomic drug discovery investigator	557	0.4
Hyundai Marine and Fire Insurance	Korea	Non-life insurance provider	504	0.4
Philtown Properties†	Philippines	Property developer	0	0.0
Total Investments			131,417	99.0
Net Current Assets			1,285	1.0
Total Assets			132,702	100.0

HK/China denotes Hong Kong and China.

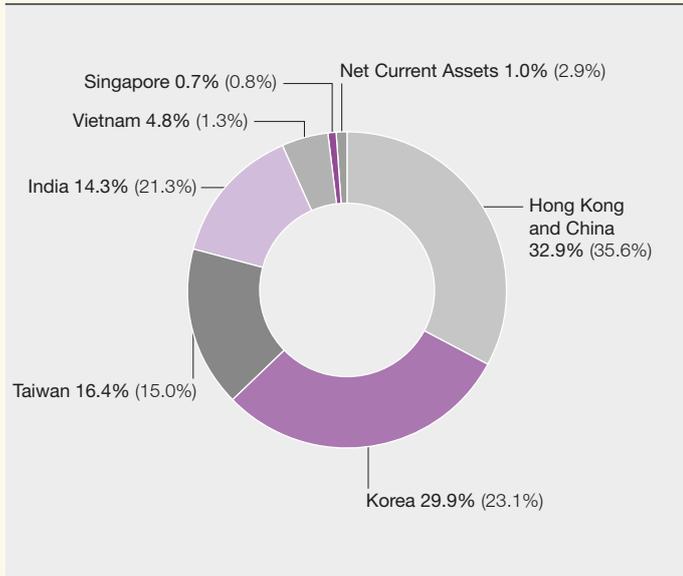
Details of the ten largest investments are given on pages 12 and 13 along with comparative valuations.

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

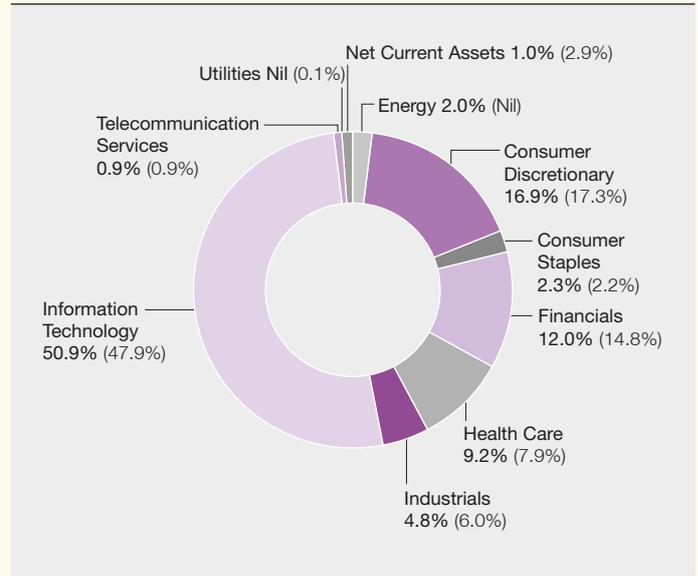
† Denotes unlisted investment.

Distribution of Portfolio

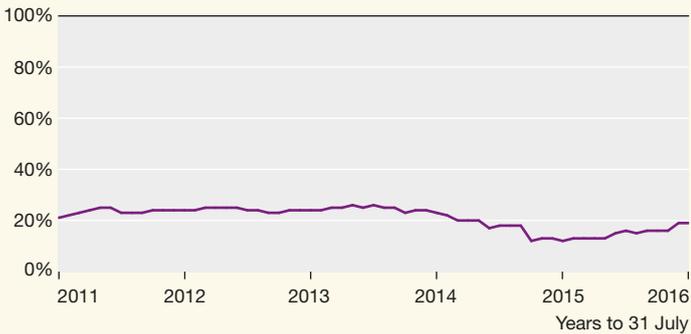
Geographical 2016 (2015)



Sectoral 2016 (2015)



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



Source: Baillie Gifford.

Turnover

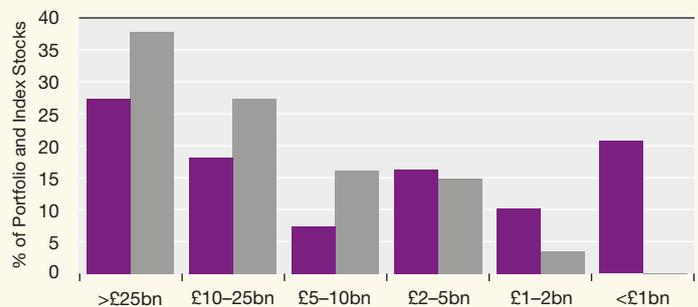
Rolling 12 months turnover over 5 years



Source: Baillie Gifford.

Size Splits (Market Capitalisation of Investments)

As at 31 July 2016



Source: Baillie Gifford.

■ Pacific Horizon
■ MSCI All Country Asia ex Japan

The Strategic Report which includes pages 2 to 16 was approved by the Board of Directors and signed on its behalf on 15 September 2016.

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, Ecclesiastical Insurance Group plc and Ecclesiastical Insurance Office 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 Independent Investment Trust PLC and The European Investment Trust plc and he is a director of The Monks 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 £140 billion at 31 July 2016. Based in Edinburgh, it is one of the leading privately owned investment management firms in the UK, with 41 partners and a staff of around 900.

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

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

Directors' Report

The Directors present their Report together with the Financial Statements of the Company for the year to 31 July 2016.

Corporate Governance

The Corporate Governance Report is set out on pages 21 to 23 and forms part of this Report.

Managers and Company Secretaries

Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, has been appointed as the Company's Alternative Investment Fund Manager ('AIFM') and Company Secretaries. Baillie Gifford & Co Limited has delegated portfolio management services to Baillie Gifford & Co.

The Investment Management Agreement sets out the matters over which the Managers have authority in accordance with the policies and directions of, and subject to restrictions imposed by, the 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 within a shorter notice period. The annual management fee is 0.95% on the first £50m of net assets and 0.65% on the balance calculated and payable on a quarterly basis. The Board is of the view that calculating the fee with reference to performance would be unlikely to exert a positive influence on performance.

The 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'). 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, and as noted in the Chairman's and Manager's Reports, the performance of the Company over the last year has been disappointing when compared to both the benchmark and the peer group. The Directors, however, remain of the view that the capability and the continuity of personnel of the investment management team will deliver superior performance in the longer term. The Board is assured that the Managers remain committed to the investment trust sector and have full confidence in the quality of the secretarial and administrative functions. The Directors believe, therefore, 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.

Depositary

BNY Mellon Trust & Depositary (UK) Limited has been appointed as the Company's Depositary. 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 date the Financial Statements were signed, including their relevant experience, can be found on page 17.

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

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

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

Director Indemnification and Insurance

The Company has entered into qualifying third party deeds of indemnity in favour of each of its Directors. The deeds, which were in force during the year to 31 July 2016 and up to the date of approval of this report, cover any liabilities that may arise to a third party, other than the Company, for negligence, default or breach of trust or duty. The Directors are not indemnified in respect of liabilities to the Company, any regulatory or criminal fines, any costs incurred in connection with criminal proceedings in which the Director is convicted or civil proceedings brought by the Company in which judgement is given against him/her. In addition, the indemnity does not apply to any liability to the extent that it is recovered from another person. The Company 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 2016 to shareholders on the register at the close of business on 14 October 2016. The ex-dividend date is 13 October 2016. The Company's Registrar offers a Dividend Reinvestment Plan (see page 47) and the final date for election for this dividend is 21 October 2016.

Share Capital

Capital Structure

The Company's capital structure as at 31 July 2016 consists of 57,118,191 ordinary shares of 10p each (2015 – 63,288,853 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 the inside front cover of the Circular sent to shareholders with this Annual Report.

Major Interests Disclosed 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 2016.

Name	Ordinary 10p shares held at 31 July 2016	% of issue
A & OT Investments Limited (direct)	8,414,527	14.7
City of London Investment Management Company Limited (indirect)	6,902,674	12.1
Wells Capital Management, Inc (indirect)	3,365,939	5.9
Rathbone Brothers Plc (indirect)	3,277,346	5.7
1607 Capital Partners, LLC (indirect)	3,117,139	5.5
Legal & General Group Plc (L&G) (direct)	2,484,328	4.3
Investec Wealth & Investment Limited (direct)	1,923,257	3.4

There have been no changes to the major interests in the Company's shares intimated up to 15 September 2016.

Buy-backs, Issuances and Share Tenders

The Company currently has powers to buy back up to 14.99% of its own ordinary shares for cancellation at a discount to net asset value per share (NAV) on an ad hoc basis as well as to issue shares at a premium to NAV. During the year to 31 July 2016 no shares were bought back under the buy-back authority and no shares were issued. At 31 July 2016 the Company had authority to buy back a further 9,012,649 ordinary shares. At the forthcoming Annual General Meeting, the Directors are seeking to renew these authorities, details of these resolutions are contained in the Circular sent to shareholders with this Annual Report.

The Company also has authority to implement, at the Board's discretion, bi-annual tender offers for up to 5% of its shares at a 2% discount to net asset value, 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, 2015 and 2016. The Board implemented a 5% tender offer in October 2015 and April 2016 in respect of the tender periods to 31 July 2015 and 31 January 2016. Through the exercise of both of these tenders the Company bought back a total of 6,170,662 (2015 – 6,837,299) ordinary shares at a total cost of £11,618,000 (2015 – £14,336,000). The nominal value of these shares was £617,000 and represented 9.75% of the issued share capital at 31 July 2015. The Board is not proposing to seek shareholder authority for the existing bi-annual 5% tender to be continued for a period of at least the next three years but it is the intention that the Directors will propose a 25% tender to be triggered if the Company's NAV, calculated at fair value cum-income, total return fails to exceed the Company's comparative index by at least 1% per annum over a three year period to 31 July 2019 on a cumulative basis. Details of this are contained in the Circular sent to shareholders with this Annual Report.

Financial Instruments

The Company's financial instruments comprise its investment portfolio, cash balances, bank borrowings and debtors and creditors that arise directly from its operations such as sales and purchases awaiting settlement and accrued income. The financial risk management objectives and policies arising from its financial instruments and the exposure of the Company to risk are disclosed in note 16 to the accounts.

Future Developments of the Company

The outlook for the Company is set out in the Chairman's Statement on pages 2 and 3 and the Managers' Review on pages 10 and 11.

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 16 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 on 9 November 2016. The Directors have no reason to believe that the continuation resolution will not be passed this year. 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 a period of at least twelve months from the date of approval of these Financial Statements.

If the continuation resolution is not passed, the Articles provide that the Directors shall convene an Extraordinary General Meeting at which a resolution will be proposed to wind up the Company voluntarily.

Annual General Meeting

Information relating to the Company's Annual General Meeting to be held on 9 November 2016 is contained within the Circular sent to shareholders with this Annual Report.

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.

The Audit Committee will conduct a tender process during the year to 31 July 2017 to coincide with the five year rotation cycle of the current audit partner, Mr Amjarit Singh.

Post Balance Sheet Events

The Directors confirm that there have been no post Balance Sheet events up to 15 September 2016.

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 2010

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.

By order of the Board
Jean Matterson
Chairman
15 September 2016

Corporate Governance Report

The Board is committed to achieving and demonstrating high standards of Corporate Governance. This statement outlines how the principles of the 2014 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 17.

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.

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

Independence of Directors

All the Directors are considered by the Board to be independent of the Managers and free of any business or other relationship 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 17 of this report, interfere with the discharge of their duties to the Company and the Board is satisfied they are capable of devoting sufficient time to the Company.

Meetings

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

Directors' Attendance at Meetings

	Board	Audit Committee	Nomination Committee
Number of meetings	6	2	1
JGK Matterson	6	2	1
EG Creasy	6	2	1
DCP McDougall*	6	–	1
EC Scott	6	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 composition of the Board, identifying and nominating new candidates for appointment to the Board, Board appraisal, succession planning and training. The

Committee also considers whether Directors should be recommended for re-election by shareholders. The Committee is responsible for considering Directors' potential conflicts of interest and for making recommendations to the Board on whether or not potential conflicts are material to individual Director's performance.

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

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

Performance Evaluation

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

The appraisals and evaluations considered, amongst other criteria, the balance of skills of the Board, training and development requirements, the contribution of individual Directors and the overall effectiveness of the Board and 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 26 and 27.

Audit Committee

The report of the Audit Committee is set out on pages 24 and 25.

Internal Controls and Risk Management

The Directors acknowledge their responsibility for the Company's risk management and internal control 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 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting'.

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

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

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

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

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

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

To comply with the Alternative Investment Fund Managers Directive, the 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, are monitored and the sensitivity of the portfolio to key risks is undertaken periodically to ascertain the impact of changes in key variables in the portfolio. Exceptions from limits monitoring and stress testing undertaken by Baillie Gifford's Business Risk Department are escalated to the AIFM and reported to the Board along with remedial measures being taken.

Relations with Shareholders

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

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

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

Corporate Governance and Stewardship

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

The Company believes that it is in the shareholders' interests to consider environmental, social and governance ("ESG") factors when selecting and retaining investments and have asked the Managers to take these issues into account as long as the investment objectives are not compromised. The Managers do not exclude companies from their investment universe purely on the grounds of ESG factors but adopt a positive engagement approach whereby matters are discussed with management with the aim of improving the relevant policies and management systems and enabling the Managers to consider how ESG factors

could impact long term investment returns. The Managers' statement of compliance with the UK Stewardship code can be found on the Managers' website at www.bailliegifford.com. The Managers' policy has been reviewed and endorsed by the Board.

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 the Carbon Disclosure Project as well as the United Nations Principles for Responsible Investment.

By order of the Board
Jean Matterson
Chairman
15 September 2016

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 both 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 Interim Reports;
- the Company's accounting policies and practices;
- the regulatory changes impacting the Company;
- the fairness, balance and understandability of the Annual Report and Financial Statements and whether it provided the information necessary for shareholders to assess the Company's performance, business model and strategy;
- the effectiveness of the Company's internal control environment;
- 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 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 99.0% 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 2016 were agreed to external price sources and the holdings agreed to confirmations from the Company's custodian.

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

Internal Controls and Risk Management

The Committee reviewed the effectiveness of the Company's risk management and internal controls systems as described on pages 22 and 23. 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 2016 were £16,850 and related to taxation and procedural services in connection with the tender offers implemented during the year (see note 4 on page 37). 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 26 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 four 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 conduct 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 28 to 31.

By order of the Board
Edward Creasy
Chairman of the Audit Committee
15 September 2016

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.

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.

Limits on Directors' Remuneration

The fees for the non-executive Directors are payable six monthly in arrears and are determined within the limit set out in the Company's Articles of Association which is currently £150,000 per annum in aggregate. Any change to this limit requires shareholder approval. The fees payable to Directors in respect of the year ended 31 July 2016 and the expected fees payable in respect of the year ending 31 July 2017 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 2017 £	Fees as at 31 July 2016 £
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 29 to 31.

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	2016 Fees £	2016 Taxable benefits* £	2016 Total £	2015 Fees £	2015 Taxable benefits* £	2015 Total £
JGK Matterson (Chairman)	30,000	–	30,000	30,000	–	30,000
EG Creasy (Chairman of Audit Committee)	22,500	4,660	27,160	22,500	2,968	25,468
DCP McDougall	20,000	–	20,000	20,000	–	20,000
EC Scott	20,000	3,282	23,282	20,000	2,634	22,634
	92,500	7,942	100,442	92,500	5,602	98,102

* 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 15 September 2016.

Name	Nature of interest	Ordinary 10p shares held at 31 July 2016	Ordinary 10p shares held at 1 August 2015
JGK Matterson	Beneficial	157,328	157,168
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 Report, 99.3% were in favour, 0.6% were against and votes withheld were 0.1%.

At the Annual General Meeting held on 30 October 2014, 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%.

Relative Importance of Spend on Pay

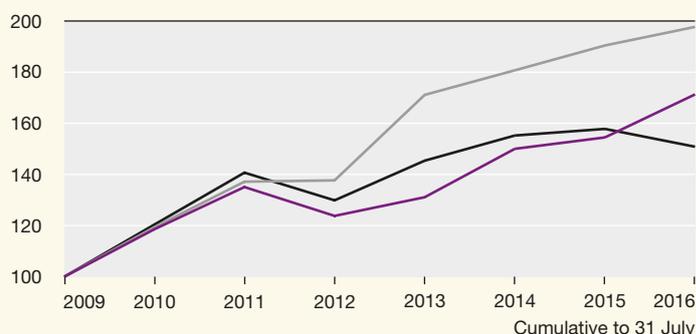
As the Company has no employees, the Directors do not consider it appropriate to present a table comparing remuneration paid to employees with distributions to shareholders.

Company Performance

The following graph compares, for the seven financial years ended 31 July 2016, 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 Index

— 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 26 and 27 was approved by the Board of Directors and signed on its behalf on 15 September 2016.

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

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

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

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

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

By order of the Board
Jean Matterson
Chairman
15 September 2016

Notes

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

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

Independent Auditor's Report

to the members of Pacific Horizon Investment Trust PLC

Our opinion on the Financial Statements

In our opinion:

- the Financial Statements give a true and fair view of the state of the Company's affairs as at 31 July 2016 and of the Company's net return for the year then ended;
- the Financial Statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

Pacific Horizon Investment Trust PLC's Financial Statements comprise:

Income Statement for the year ended 31 July 2016
Balance Sheet as at 31 July 2016
Statement of Changes in Equity for the year ended 31 July 2016
Cash Flow Statement for the year ended 31 July 2016
Related notes 1 to 17 to the Financial Statements

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

Overview of our audit approach

Risks of material misstatement	Incorrect valuation and existence of the investment portfolio
Audit scope	We performed an audit of Pacific Horizon Investment Trust PLC
Materiality	Materiality of £1,277,000 which represents 1% of equity shareholders' funds (2015 – £1,252,000)

Our assessment of risk of material misstatement

We identified the risks of material misstatement described below as those with the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team. In addressing these risks, we have performed the procedures below which were designed in the context of the Financial Statements as a whole and, consequently, we do not express any opinion on these individual areas.

Risk	Our response to the risk	What we concluded to the Audit Committee
Incorrect valuation and existence of the investment portfolio (as described on page 24 in the Audit Committee Report).	<i>We performed the following procedures:</i>	<i>The results of our procedures are:</i>
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 2016 was £131.4m (£135.1m) and consisted predominantly of listed securities (movements in the investment portfolio are shown in Note 9 to the Financial Statements).	<i>We have used an independent source to check 100% of the prices used in the valuation of the Company's portfolio as at 31 July 2016. We highlighted the existence of one unlisted investment in the portfolio; Philtown Properties which has been valued at £nil (2015 – £nil). We have reviewed the minutes of the Audit Committee. The valuation is in line with the Company's Accounting Policy.</i>	<i>For all investments, we noted no material differences in market value between the prices used and the prices agreed to an independent source.</i>
Incorrect valuation of the assets or a failure to maintain proper legal title of the assets held by the Company could have a significant impact on the portfolio valuation and, therefore, the return generated for shareholders and the net asset value.	<i>We agreed the number of shares held in each security to a confirmation of legal title received from both the Company's Custodian and Depository as at 31 July 2016.</i>	<i>We have not identified any differences between the Custodian and Depository confirmations and the Company's underlying financial records.</i>

The scope of our audit

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the Financial Statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls and changes in the business environment when assessing the level of work to be performed.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the Financial Statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined planning materiality for the Company to be £1,277,000 (2015 – £1,252,000), which is 1% of equity shareholders' funds. We derived our materiality calculation from a proportion of total equity as we consider this to be the key measurement of the Company's performance.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that overall performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Company should be 75% of planning materiality, being £958,000 (2015 – £939,000). We have set performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected.

Given the importance of the distinction between revenue and capital for the Company we also applied a separate testing threshold of £13,000 for the revenue column of the Income Statement, being 1% of revenue income (2015 – £18,000, being 5% of the revenue return on ordinary activities before taxation).

Reporting threshold

An amount below which identified misstatements are considered to be clearly trivial.

We agreed with the Audit Committee that we would report all audit differences in excess of £64,000 (2015 – £63,000) as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Scope of the audit of the Financial Statements

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

Respective responsibilities of Directors and Auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 28 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.

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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

ISAs (UK and Ireland) reporting	<p>We are required to report to you if, in our opinion, financial and non-financial information in the Annual Report is:</p> <ul style="list-style-type: none"> — 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. <p>In particular, we are required to report whether we have identified any inconsistencies between our knowledge acquired in the course of performing the audit and the Directors' Statement that they consider the Annual Report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the entity's performance, business model and strategy; and whether the Annual Report appropriately addresses those matters that we communicated to the Audit Committee that we consider should have been disclosed.</p>	<i>We have no exceptions to report.</i>
Companies Act 2006 reporting	<p>We are required to report to you if, in our opinion:</p> <ul style="list-style-type: none"> — adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or — the Company's Financial Statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or — certain disclosures of Directors' remuneration specified by law are not made; or — we have not received all the information and explanations we require for our audit; or — a Corporate Governance Statement has not been prepared by the Company. 	<i>We have no exceptions to report.</i>

Listing Rules review requirements	<p>We are required to review:</p> <ul style="list-style-type: none"> — the Directors' Statement in relation to going concern set out on page 19, and longer-term viability, set out on page 8; and — the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. 	<i>We have no exceptions to report.</i>
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Statement on the Directors' Assessment of the Principal Risks that would Threaten the Solvency or Liquidity of the Entity

ISAs (UK and Ireland) reporting	<p>We are required to give a statement as to whether we have anything material to add or to draw attention to in relation to:</p> <ul style="list-style-type: none"> — the Directors' confirmation in the Annual Report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity; — the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated; — the Directors' Statement in the Financial Statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the Financial Statements; and — the Directors' explanation in the Annual Report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions. 	<i>We have nothing material to add or to draw attention to.</i>
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Amarjit Singh (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP
Statutory Auditor, London
15 September 2016

Income Statement

For the year ended 31 July

	Notes	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000	2015 Revenue £'000	2015 Capital £'000	2015 Total £'000
Gains/(losses) on investments	9	–	13,414	13,414	–	(338)	(338)
Currency gains/(losses)	13	–	1,140	1,140	–	(322)	(322)
Income	2	1,331	–	1,331	1,886	–	1,886
Investment management fee	3	(899)	–	(899)	(1,032)	–	(1,032)
Other administrative expenses	4	(389)	–	(389)	(397)	–	(397)
Net return before finance costs and taxation		43	14,554	14,597	457	(660)	(203)
Finance costs of borrowing	5	(127)	–	(127)	(93)	–	(93)
Net return on ordinary activities before taxation		(84)	14,554	14,470	364	(660)	(296)
Tax on ordinary activities	6	(98)	–	(98)	(133)	–	(133)
Net return on ordinary activities after taxation		(182)	14,554	14,372	231	(660)	(429)
Net return per ordinary share	8	(0.30p)	24.25p	23.95p	0.35p	(0.99p)	(0.64p)

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

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

A Statement of Comprehensive Income is not required as there is no other comprehensive income.

The accompanying notes on pages 36 to 45 are an integral part of the Financial Statements.

Balance Sheet

As at 31 July

	Notes	2016 £'000	2016 £'000	2015 £'000	2015 £'000
Fixed assets					
Investments held at fair value through profit or loss	9		131,417		135,133
Current assets					
Debtors	10	359		276	
Cash and cash equivalents	16	1,323		4,061	
			1,682		4,337
Creditors					
Amounts falling due within one year	11	(5,397)		(14,300)	
Net current liabilities			(3,715)		(9,963)
Net assets			127,702		125,170
Capital and reserves					
Called up share capital	12		5,712		6,329
Share premium	13		3,166		3,166
Capital redemption reserve	13		20,081		19,464
Capital reserve	13		94,377		91,441
Revenue reserve	13		4,366		4,770
Shareholders' funds			127,702		125,170
Net asset value per ordinary share		14	223.58p		197.78p

The Financial Statements of Pacific Horizon Investment Trust PLC (Company Registration number 02342193) on pages 32 to 45 were approved and authorised for issue by the Board and were signed on 15 September 2016.

Jean Matterson
Chairman

The accompanying notes on pages 36 to 45 are an integral part of the Financial Statements.

Statement of Changes in Equity

For the year ended 31 July 2016

	Notes	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 August 2015		6,329	3,166	19,464	91,441	4,770	125,170
Net return on ordinary activities after taxation		–	–	–	14,554	(182)	14,372
Shares purchased for cancellation	12	(617)	–	617	(11,618)	–	(11,618)
Dividends paid during the year	7	–	–	–	–	(222)	(222)
Shareholders' funds at 31 July 2016		5,712	3,166	20,081	94,377	4,366	127,702

For the year ended 31 July 2015

	Notes	Called up share capital £'000	Share premium £'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

The accompanying notes on pages 36 to 45 are an integral part of the Financial Statements.

Cash Flow Statement

For the year ended 31 July

	Notes	2016 £'000	2016 £'000	2015 £'000	2015 £'000
Cash flows from operating activities					
Net return on ordinary activities before taxation*			14,470		(296)
Net (gains)/losses on investments			(13,414)		338
Currency (gains)/losses			(1,140)		322
Finance costs of borrowings			127		93
Overseas tax incurred			(84)		(150)
Changes in debtors and creditors			(86)		155
Cash from operations			(127)		462
Interest paid			(134)		(84)
Net cash (outflow)/inflow from operating activities			(261)		378
Cash flows from investing activities					
Acquisitions of investments		(29,853)		(70,065)	
Disposals of investments		47,072		78,263	
Net cash inflow from investing activities			17,219		8,198
Cash flows from financing activities					
Equity dividends paid	7	(222)		(982)	
Shares purchased for cancellation	12	(11,618)		(14,336)	
Borrowings (repaid)/drawn down		(9,369)		9,518	
Net cash outflow from financing activities			(21,209)		(5,800)
(Decrease)/increase in cash and cash equivalents					
Exchange movements			1,513		11
Cash and cash equivalents at 1 August			4,061		1,274
Cash and cash equivalents at 31 July			1,323		4,061

* Dividends received in the year amounted to £1,220,000 (2015 – £2,062,000).

The accompanying notes on pages 36 to 45 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 2016 have been prepared on the basis of the accounting policies set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The Financial Reporting Standard applicable in the UK and Republic of Ireland ('FRS 102') has been introduced which the Company must adopt for its financial year ending 31 July 2016. Following the application of the new reporting standard and the AIC's issued Statement of Recommended Practice, there has been no change to the Company's Income Statement, Balance Sheet or Statement of Changes in Equity (previously called the Reconciliation of Movements in Shareholders' Funds) for the period previously reported. The Cash Flow Statement reflects the presentational requirements of FRS 102, which are different to FRS 1. In addition, the Cash Flow Statement reconciles to cash and cash equivalents whereas under previous UK GAAP the Cash Flow Statement reconciled to net funds/debt. Note 13 'Capital and Reserves' identifies which reserves are distributable. The Company has already adopted the amendments to Section 34 of FRS 102 regarding fair value hierarchy disclosures (see note 9 on page 39).

(a) Basis of Accounting

All of the Company's operations are of a continuing nature and the Financial Statements are prepared on a going concern basis under the historical cost convention, modified to include the revaluation of fixed asset investments and at fair value through profit or loss, and on the assumption that approval as an investment trust under section 1158 of the Corporation Tax Act 2010 will be retained. In accordance with the Company's Articles of Association, shareholders have the right to vote on the continuance of the Company, currently every five years, the next vote being 9 November 2016. The Directors have no reason to believe that the continuation resolution will not be passed this year.

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

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

The Company has chosen to adopt sections 11 and 12 of FRS 102 in respect of financial instruments. Investment purchases and sales are recognised on a trade date basis. Expenses incidental to purchase and sale are written off to capital at the time of acquisition or disposal. Gains and losses on investments are recognised in the Income Statement as capital items.

Investments are designated as held at fair value through profit or loss on initial recognition and are measured at subsequent reporting dates at fair value. The fair value of listed security investments is bid price or, in the case of FTSE 100 constituents and holdings on certain recognised overseas exchanges, last traded price. Unlisted investments are valued at fair value by the Directors following a detailed review and appropriate challenge of the valuations proposed by the Managers. The Managers'

unlisted investment policy applies methodologies consistent with the International Private Equity and Venture Capital Valuation guidelines ('IPEV'). These methodologies can be categorised as follows: (a) market approach (price of recent investment, multiples, industry valuation benchmarks and available market prices); (b) income approach (discounted cash flows); and (c) replacement cost approach (net assets).

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) Cash and Cash Equivalents

Cash equivalents comprise short term highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

(d) 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.

(e) Income

- (i) Income from equity investments is brought into account on the date on which the investments are quoted ex-dividend or, where no ex-dividend date is quoted, when the Company's right to receive payment is established.
- (ii) If scrip dividends are taken in lieu of dividends in cash, the net amount of the cash dividend declared is credited to the revenue column of the Income Statement. Any excess in the value of the shares received over the amount of the cash dividend foregone is recognised in the capital column of the Income Statement.
- (iii) Special dividends are treated as repayments of capital or income depending on the facts of each particular case.
- (iv) Interest from fixed interest securities is recognised on an accruals basis using the effective interest rate basis.
- (v) Unfranked investment income and overseas dividends include the taxes deducted at source.
- (vi) Underwriting commission and interest receivable on deposits are recognised on an accruals basis.

(f) Expenses

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

(g) 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.

(h) 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.

(i) 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.

(j) 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.

(k) 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

	2016 £'000	2015 £'000
Income from financial assets designated at fair value through profit or loss		
Listed overseas dividends	1,331	1,886
Total income	1,331	1,886

3 Investment Management Fee

	2016 £'000	2015 £'000
Investment management fee	899	1,032

Details of the Investment Management Agreement are set out on page 18. The annual management fee is 0.95% on the first £50m of net assets and 0.65% on the balance. Management fees are calculated and payable on a quarterly basis.

4 Other Administrative Expenses

	2016 £'000	2015 £'000
General administrative expenses	276	285
Directors' fees	93	93
Auditor's remuneration for audit services	20	19
	389	397

In the year ended 31 July 2016 the Company incurred non-audit fees of £16,850* (2015 – £18,750*) 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 £11,618,000 (2015 – £14,336,000) detailed in note 12 on page 40. There were no other non-audit fees in the year to 31 July 2016 or 31 July 2015.

* 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

	2016 £'000	2015 £'000
Bank loans (see note 11)	127	93

6 Tax on Ordinary Activities

	2016 £'000	2015 £'000
Analysis of charge in the year		
Overseas taxation	98	133
Factors affecting the tax charge for the year		
The tax assessed for the year is lower (2015 – higher) than the average standard rate of corporation tax in the UK of 20.00% (2015 – 20.67%). The differences are explained below:		
Net return on ordinary activities before taxation	14,470	(296)
Net return on ordinary activities multiplied by the average standard rate of corporation tax in the UK of 20.00% (2015 – 20.67%)	2,894	(61)
Capital (gains)/losses not taxable	(2,911)	136
Overseas dividends not taxable	(266)	(390)
Taxable expenses in the year not utilised	283	315
Overseas tax	98	133
Revenue tax charge for the year	98	133

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

Factors that may affect future tax charges

At 31 July 2016 the Company had a potential deferred tax asset of £1,806,000 (2015 – £1,724,000) 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 18% (2015 – 20%).

7 Ordinary Dividends

	2016	2015	2016 £'000	2015 £'000
Amounts recognised as distributions in the year:				
Previous year's final (paid 11 November 2015)	0.35p	1.40p	222	982

Also set out below are 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. There is no revenue available for distribution by way of dividend for the year (2016 – revenue loss of £182,000; 2015 – revenue gain of £231,000).

	2016	2015	2016 £'000	2015 £'000
Amounts paid and proposed in respect of the financial year:				
Proposed final dividend per ordinary share (payable 11 November 2016)	0.35p	0.35p	200	222

8 Net Return per Ordinary Share

	2016 Revenue	2016 Capital	2016 Total	2015 Revenue	2015 Capital	2015 Total
Net return on ordinary activities after taxation	(0.30p)	24.25p	23.95p	0.35p	(0.99p)	(0.64p)

Revenue return per ordinary share is based on the net revenue loss on ordinary activities after taxation of £182,000 (2015 – net revenue gain £231,000) and on 60,007,258 (2015 – 66,526,663) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

Capital return per ordinary share is based on the net capital gain for the financial year of £14,554,000 (2015 – net capital loss of £660,000) and on 60,007,258 (2015 – 66,526,663) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

Total return per ordinary share is based on the total gain for the financial year of £14,372,000 (2015 – total loss of £429,000) and on 60,007,258 (2015 – 66,526,663) 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 2016	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed equities	131,417	–	–	131,417
Total financial asset investments	131,417	–	–	131,417

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

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

Fair Value Hierarchy

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

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

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

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

	Listed overseas £'000	Unlisted* £'000	Total £'000
Cost of investments at 1 August 2015	112,573	5	112,578
Investment holding gains and losses at 1 August 2015	22,560	(5)	22,555
Fair value of investments at 1 August 2015	135,133	–	135,133
Movements in year:			
Purchases at cost	29,936	–	29,936
Sales – proceeds	(47,066)	–	(47,066)
– losses on sales	(2,839)	–	(2,839)
Changes in investment holding gains and losses	16,253	–	16,253
Fair value of investments at 31 July 2016	131,417	–	131,417
Cost of investments at 31 July 2016	92,604	5	92,609
Investment holding gains and losses at 31 July 2016	38,813	(5)	38,808
Fair value of investments at 31 July 2016	131,417	–	131,417

*The unlisted investment, Philtown Properties (formerly Philippine Townships), which is valued at £nil at 31 July 2016 and 31 July 2015, arose from a distribution by its parent RFM Corporation.

The Company incurred transaction costs on purchases of £46,000 (2015 – £157,000) and on sales of £133,000 (2015 – £239,000), being £179,000 (2015 – £396,000) in total.

	2016 £'000	2015 £'000
Net gains on investments designated at fair value through profit or loss on initial recognition		
(Losses)/gains on sales	(2,839)	24,954
Changes in investment holding gains and losses	16,253	(25,292)
	13,414	(338)

In respect of the sales made during the year a net gain of £4,589,000 (2015 – net gain of £23,374,000) was included in investment holding gains and losses at the previous year end.

10 Debtors

	2016 £'000	2015 £'000
Amounts falling due within one year:		
Income accrued (net of withholding taxes)	345	249
Sales for subsequent settlement	–	6
Other debtors and prepayments	14	21
	359	276

None of the above debtors are financial assets designated at fair value through profit or loss. The carrying amount of debtors is a reasonable approximation of fair value. There were no debtors that were past due or impaired at 31 July 2016 or 31 July 2015.

11 Creditors – Amounts falling due within one year

	2016 £'000	2015 £'000
The Royal Bank of Scotland Plc loan	5,000	13,997
Purchases for subsequent settlement	83	–
Other creditors and accruals	314	303
	5,397	14,300

The Company has a one year £10 million multi-currency revolving credit facility with The Royal Bank of Scotland Plc (2015 – one year £14 million multi-currency revolving credit facility with The Royal Bank of Scotland Plc) and a £10 million one year uncommitted, unsecured floating rate revolving credit facility with The Bank of New York Mellon (2015 – £20 million one year uncommitted, unsecured floating rate revolving credit facility with The Bank of New York Mellon). At 31 July 2016 there were outstanding drawings of £5,000,000 at an interest rate of 1.02906% (2015 – £10,500,000 and US\$5,456,850 at interest rates of 0.97188% and 0.68625% per annum respectively) under The Royal Bank of Scotland Plc facility. There were no drawings under The Bank of New York Mellon facility at either date. The main covenant relating to the loan is that borrowings should not exceed 20% of the Company's net asset value. There were no breaches in the loan covenants during the year.

Included in other creditors and accruals is £245,000 (2015 – £241,000) in respect of the investment management fee.

None of the above creditors at 31 July 2016 or 31 July 2015 are financial liabilities designated at fair value through profit or loss.

12 Called Up Share Capital

	2016 Number	2016 £'000	2015 Number	2015 £'000
Allotted, called up and fully paid ordinary shares of 10p each	57,118,191	5,712	63,288,853	6,329

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 net asset value, 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, 2015 and 2016. The Board implemented a 5% tender offer in October 2015 and April 2016 in respect of the tender periods to 31 July 2015 and 31 January 2016. Through the exercise of both of these tenders during the year the Company bought back a total of 6,170,662 (2015 – 6,837,299) ordinary shares at a total cost of £11,618,000 (2015 – £14,336,000). The nominal value of these shares was £617,000 and represented 9.75% of the issued share capital at 31 July 2015. At 31 July 2016 the Company had authority to buy back a further 9,012,649 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 2016 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 2015	6,329	3,166	19,464	91,441	4,770	125,170
Net losses on sales of investments	–	–	–	(2,839)	–	(2,839)
Changes in investment holding gains and losses	–	–	–	16,253	–	16,253
Exchange differences on bank loan	–	–	–	(373)	–	(373)
Other exchange differences	–	–	–	1,513	–	1,513
Shares purchased for cancellation	(617)	–	617	(11,618)	–	(11,618)
Revenue return on ordinary activities after taxation	–	–	–	–	(182)	(182)
Dividends paid during the year	–	–	–	–	(222)	(222)
At 31 July 2016	5,712	3,166	20,081	94,377	4,366	127,702

The capital reserve includes investments holding gains of £38,808,000 (2015 – £22,555,000) 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:

	2016 Net asset value per share	2015 Net asset value per share	2016 Net assets attributable £'000	2015 Net assets attributable £'000
Ordinary shares	223.58p	197.78p	127,702	125,170

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 57,118,191 (2015 – 63,288,853) ordinary shares, being the number of ordinary shares in issue at each date.

15 Related Party Transactions

Details of the management contract are set out in the Directors' Report on page 18. The management fee payable to the Manager by the Company for the year, as disclosed in note 3, was £899,000 (2015 – £1,032,000) of which £245,000 (2015 – £241,000) was outstanding at the year end, as disclosed in note 11.

The Directors' fees for the year are detailed in the Directors' Remuneration Report on page 26. 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.

16 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.

16 Financial Instruments (continued)

Market Risk

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

Details of the Company's investment portfolios are shown in note 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 2015 and 31 July 2016 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 Managers monitor the Company's exposure to foreign currencies and report to the Board on a regular basis. The Managers assess the risk to the Company of the foreign currency exposure by considering the effect on the Company's net asset value and income of a movement in the rates of exchange to which the Company's assets, liabilities, income and expenses are exposed. However, the country in which a company is listed is not necessarily where it earns its profits. The movement in exchange rates on overseas earnings may have a more significant impact upon a company's valuation than a simple translation of the currency in which the company is quoted.

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

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

At 31 July 2016	Investments £'000	Cash and deposits £'000	Loans £'000	Other debtors and creditors * £'000	Net exposure £'000
Korean won	39,676	–	–	5	39,681
Hong Kong dollar	28,699	83	–	(59)	28,723
Taiwan dollar	20,136	–	–	260	20,396
Indian rupee	18,971	–	–	31	19,002
US dollar	16,611	1,220	–	12	17,843
Vietnam dong	2,696	–	–	–	2,696
Singapore dollar	921	–	–	–	921
Total exposure to currency risk	127,710	1,303	–	249	129,262
Sterling	3,707	20	(5,000)	(287)	(1,560)
	131,417	1,323	(5,000)	(38)	127,702

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

At 31 July 2015	Investments £'000	Cash and deposits £'000	Loans £'000	Other debtors and creditors * £'000	Net exposure £'000
Korean won	32,112	–	–	5	32,117
Hong Kong dollar	32,357	13	–	21	32,391
Taiwan dollar	19,536	–	–	133	19,669
Indian rupee	29,812	–	–	89	29,901
US dollar	20,278	4,032	(3,497)	4	20,817
Vietnam dong	–	–	–	–	–
Singapore dollar	1,038	–	–	–	1,038
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.

16 Financial Instruments (continued)

Currency Risk Sensitivity

At 31 July 2016, 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 2015.

	2016 £'000	2015 £'000
Korean won	1,984	1,606
Hong Kong dollar	1,436	1,620
Taiwan dollar	1,020	983
Indian rupee	950	1,495
US dollar	892	1,041
Vietnam dong	135	–
Singapore dollar	46	52
	6,463	6,797

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 2016 amounted to £1,323,000 (2015 – £4,061,000), comprising of its cash and short term deposits.

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

16 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

	2016 £'000	2015 £'000
Floating rate bank loan – sterling denominated	5,000	10,500
– US dollar denominated	–	3,497
	5,000	13,997

Maturity Profile

	2016 Within 1 year £'000	2015 Within 1 year £'000
Repayment of loans	5,000	13,997
Interest on loans	56	111
	5,056	14,108

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 2016 by £99,000 (2015 – 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 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 14 and 15. 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.

102.9% (2015 – 108.0%) of the Company's net assets are invested in quoted equities. A 5% (2015 – 5%) increase in quoted equity valuations at 31 July 2016 would have increased total assets and total return on ordinary activities by £6,571,000 (2015 – £6,757,000). 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 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.

16 Financial Instruments (continued)

Credit Risk

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

This risk is managed as follows:

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

Credit Risk Exposure

The exposure to credit risk at 31 July was:

	2016 £'000	2015 £'000
Cash and short term deposits	1,323	4,061
Debtors and prepayments	359	276
	1,682	4,337

The maximum exposure in cash during the year was £23,434,000 (2015 – £9,615,000) and the minimum £1,323,000 (2015 – £150,000). None of the Company's financial assets are past due or impaired (2015 – none).

Fair Value of Financial Assets and Financial Liabilities

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

Capital Management

The capital of the Company is its share capital and reserves as set out in note 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 7. In pursuit of the Company's objective, the Board has a responsibility for ensuring the Company's ability to continue as a going concern and details of the related risks and how they are managed are set out on page 19, pages 7 and 8 and pages 22 and 23, respectively. The Company has the ability to buy back its shares (see page 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.

17 Alternative Investment Fund Managers Directive (AIFMD)

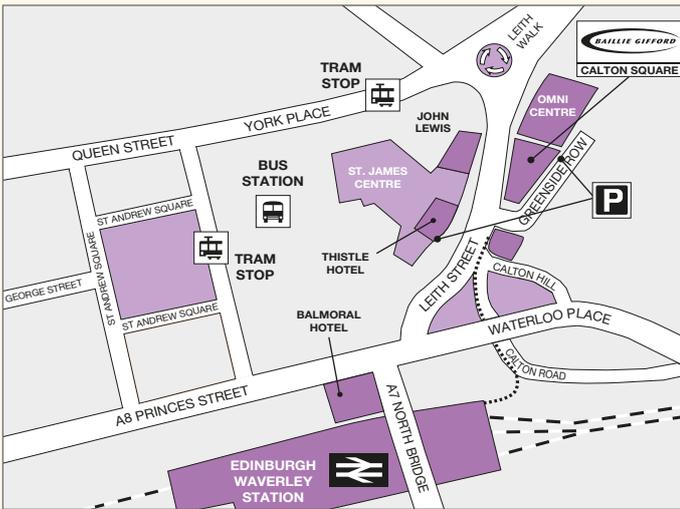
In accordance with the Alternative Investment Fund Managers Directive, information in relation to the Company's leverage and the remuneration of the Company's AIFM, Baillie Gifford & Co Limited, is required to be made available to investors. In accordance with the Directive, the AIFM's remuneration policy is available at www.bailliegifford.com 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) are also available at www.bailliegifford.com.

The Company's maximum and actual leverage (see Glossary of Terms on page 51) levels at 31 July 2016 are shown below:

Leverage Exposure

	Gross method	Commitment method
Maximum limit	2.50:1	2.00:1
Actual	1.04:1	1.04:1

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 Wednesday, 9 November 2016 at 11.00am.

Details of the resolutions to be proposed at the Annual General Meeting are contained in the Circular sent to shareholders with this Annual Report.

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

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 48 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

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

Capital Gains Tax

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

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

Market values on 17 April 1996 (first day of dealing) were as follows (Source: Thomson Reuters 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 Report and Financial Statements, in electronic format;
- update bank mandates and change address details; and
- use online dealing services.

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

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

	2016 Number of shares held	2016 %	2015 Number of shares held	2015 %
Institutions	29,090,762	50.9	32,137,850	50.8
Intermediaries	16,092,007	28.2	18,890,986	29.8
Individuals	1,670,419	2.9	1,513,697	2.4
Baillie Gifford Share Plan/ISA	10,191,006	17.9	10,289,647	16.3
Marketmakers	73,997	0.1	456,673	0.7
	57,118,191	100.0	63,288,853	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 50).

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

Pacific Horizon can buy back its own shares and has discretion to implement a tender offer for up to 5% of its shares for the six month periods to 31 January 2016 and 31 July 2016. 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 on 9 November 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.co.uk, or by calling Baillie Gifford on 0800 917 2112. This information has been issued and approved by Baillie Gifford & Co Limited, the Managers and Secretaries, and does not in any way constitute investment advice.

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

The Financial Statements have been approved by the Directors of Pacific Horizon. The information and opinions expressed within this Annual Report and Financial Statements is subject to change without notice. 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 48.

The Common Reporting Standard

On 1 January 2016 a new piece of tax legislation, The OECD Common Reporting Standard for Automatic Exchange of Financial Account Information ('The Common Reporting Standard'), came into effect.

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

Literature in Alternative Formats

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

Client Relations Team Contact Details

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

Telephone: 0800 917 2112

Your call may be recorded for training or monitoring purposes.

Email: trustenquiries@bailliegifford.com

Website: www.bailliegifford.com

Fax: 0131 275 3955

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.

All new shareholders, excluding those whose shares are held in CREST, who come on to the share register with effect from 1 January 2016 will be sent a certification form for the purposes of collecting this information.

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

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 up.

Ongoing Charges

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
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Alternative Investment Fund Managers and Secretaries

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25 Churchill Place
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Company Details

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Company Registration
No. 02342193
ISIN GB0006667470
Sedol 0666747
Ticker PHI

Further Information

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