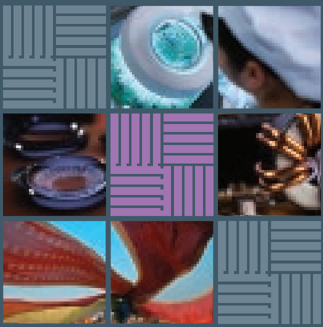
PACIFIC HORIZON INVESTMENT TRUST PLC

Annual Report and Financial Statements
31 July 2017



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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

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

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

With effect from 1 January 2017 the annual management fee is 0.95% on the first £50m of net assets, 0.65% on the next £200m of net assets and 0.55% on the remaining net assets. Prior to 1 January 2017 the fee was 0.95% on the first £50m of net assets and 0.65% on the remaining net assets. Management fees are calculated and payable quarterly.

Capital Structure

At the year end the Company's share capital consisted of 54,262,282 ordinary shares of 10p each which are issued and fully paid. The Company currently has powers to buy back a limited number of its own ordinary shares for cancellation at a discount to net asset value per share (NAV) as well as to issue shares at a premium to NAV. At the forthcoming Annual General Meeting, the Directors are seeking to renew these authorities and to allow shares bought back to be held in and sold out of treasury. Further information is given on pages 20 and 21.

The Directors have proposed that a 25% tender will be implemented 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.

Savings Vehicles

Pacific Horizon shares can be held through a variety of savings vehicles (see page 53).

AIC

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

Duration of the Company

At the Annual General Meeting held on 9 November 2016, the shareholders approved the resolution postponing until the date of the Annual General Meeting of the Company to be held in 2021 or 30 November 2021, 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.

Strategic Report

This Strategic Report, which includes pages 2 to 17 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 2017, the Company's net asset value per share (NAV) total return was 38.5%. During the same period, the total return of the Company's comparative index, the MSCI All Country Asia ex Japan Index*, was 28.6% in sterling terms. The share price total return was 42.5%, and the discount narrowed from 10.1% to 7.5%. The Board is encouraged by the performance of the invested portfolio.

The strong relative and absolute performance over the course of the year was largely a consequence of good stock selection, particularly in Hong Kong and China where exposure to certain Consumer Discretionary and Information Technology names proved beneficial. Three of the Company's holdings more than doubled their share price over the period: Sunny Optical Technology, which specialises in optical lenses and has a leading market share in the fast growing car camera market; Geely Automobile, whose parent owns Volvo, a Chinese car manufacturer targeting the mass-market sedan and Sports Utility Vehicle markets; and JD.com, one of the leading e-commerce companies in China. The shares of a further ten holdings appreciated by more than 50%. The use of gearing also helped performance.

Over the five years to 31 July 2017 the Company's NAV and share price have returned 84.6% and 97.2% respectively; over the same period the Company's comparative index, the MSCI All Country Asia ex Japan Index, has returned 81.5% in sterling terms. The Managers' Review on pages 10 to 12 provides a more detailed review of the Company's performance along with thoughts on the outlook and areas the Managers are finding of interest.

Earnings and Dividend

The Company's objective is to invest for capital growth rather than income, and all expenses, including borrowing costs, are charged to revenue. As highlighted in my report last year, any dividend payable in future would be determined as being the minimum permissible in order to maintain investment trust status. This year, revenue earnings per share were in deficit of 0.38p (0.30p in 2016) as a result of costs exceeding the income received. As a consequence, no final dividend is being proposed. The Board recommends that investors should not consider investing in this Company if they require income.

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% (i.e. holding net cash) to plus 10%. At the year end, equity gearing was 7.1%, having started the year at 2.9%; it varied between a positive of 1.0% and 8.1% over the year. Gearing is achieved through the use of bank borrowings. At present the Company has a Royal Bank of Scotland £15 million multi-currency revolving credit facility, of which £15 million by value had been drawn in GBP and USD at 31 July 2017.

Management Fee

During the year an amendment was made to the management agreement with the introduction of a reduced third tier of charges of 0.55% at £250m of net assets. The annual management fee payable by the Company is now charged at a rate of 0.95% on the first £50m of net assets, at 0.65% on the next £200m of net assets and at 0.55% on the remaining net assets. The fee will continue to be calculated and paid on a quarterly basis. Although not having an immediate impact on costs, the Board welcomes the Managers' aspirations to grow the Company and to share the benefits of scale with investors.

Annual General Meeting

This year's AGM will take place on 15 November 2017 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.

Tender Mechanism

As highlighted in my report last year, should the Company's NAV total return performance fail to beat the Company's comparative index by at least 1% per annum over a three year period to 31 July 2019 on a cumulative basis, the Board 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 and subject to receiving shareholder authority. At present the Company is 8.9 percentage points ahead of the required hurdle. If the tender is triggered, and authority is obtained, 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.

Any future tender offer will remain subject to the discretion of the Board. The Board intends to consult as many shareholders as is practical in advance of any action; a tender will only be carried out where the Board considers the tender offer to be in the best interests of the Company and shareholders as a whole.

Share Buy-backs and Issuance from Treasury

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 and to also permit the re-issuance of any shares held in Treasury. The Board uses the

* See disclaimer on page 56.
For a definition of terms see Glossary of Terms on page 57.
Past performance is not a guide to future performance.

buyback 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.

The Board also believes that the Company would benefit from the flexibility of being able to re-issue any shares that might be held in Treasury. In order to avoid dilution to existing investors, shares held in Treasury would only be re-issued at a premium to net asset value and after associated costs. Any re-issuance would therefore be asset enhancing and help dilute the Company's costs across a larger asset base, reducing the ongoing charges.

Changes to the Board

Douglas McDougall will be retiring from the Board at the conclusion of this year's AGM. On behalf of myself and his fellow Directors, I would like to thank him for his long service and wise counsel to the Company as Director and former Chairman.

I am pleased to welcome one new Director to the Board. Angus Macpherson, who is Chief Executive of Noble and Company (UK) Limited, an independent Scottish corporate finance business, joined us in February. His addition strengthens the breadth and depth of the Board and he has already contributed to our deliberations. I invite shareholders to ratify his appointment at the AGM.

Outlook

Over the year, the markets of Hong Kong, Korea, Taiwan and India were amongst the strongest in local currency and sterling adjusted terms. These markets are where the majority of our holdings are listed or have economic exposure. It should also be noted that, as evidenced in particular by our US listed Chinese holdings, the jurisdiction of listing is becoming less relevant when assessing a company's underlying economic exposure. We have a number of high conviction, high growth companies in the portfolio which are exhibiting new ways of doing business, many of these being internet related. These companies are setting the trend for disrupting existing business models, wherever they may be in the world, and generating good earnings growth through their momentum. Many of the businesses are 'capital light' and 'ideas rich' and their recent performance has demonstrated the credibility of the Managers' investment strategy. The Managers continue to find new substantial investment opportunities. The Board is confident that there remains encouraging scope for the Company to grow in capital terms over the coming years, both on a comparative and an overall basis.

Jean Matterson
Chairman
18 September 2017

One Year Summary*

	31 July 2017	31 July 2016	% change
Total assets	£182.5m	£132.7m	
Borrowing	£14.8m	£5.0m	
Shareholders' funds	£167.7m	£127.7m	
Net asset value per ordinary share	309.15p	223.58p	38.3
Share price	286.00p	201.00p	42.3
MSCI All Country Asia ex Japan Index (in sterling terms)†	497.6	396.8	25.4
Dividend proposed per ordinary share in respect of the financial year	Nil	0.35p	(100.0)
Revenue earnings per ordinary share	(0.38p)	(0.30p)	(26.7)
Ongoing charges	1.07%	1.13%	
Discount	7.5%	10.1%	
Active share	79%	81%	

Year to 31 July	2017	2016
Total return (%)†		
Net asset value per ordinary share	38.5	13.3
Share price	42.5	10.9
MSCI All Country Asia ex Japan Index (in sterling terms)†	28.6	16.2

Year to 31 July	2017	2017	2016	2016
Year's high and low	**High**	**Low**	**High**	**Low**
Share price	288.50p	201.00p	201.00p	143.25p
Net asset value per ordinary share	314.02p	221.22p	227.16p	161.16p
Discount	4.6%	15.4%	5.2%	14.6%

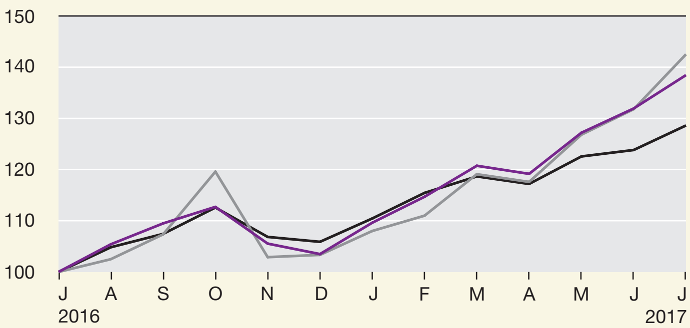
	31 July 2017	31 July 2016
Net return per ordinary share		
Revenue return	(0.38p)	(0.30p)
Capital return	86.74p	24.25p
Total return	**86.36p**	**23.95p**

* For a definition of terms see Glossary of Terms on page 57.

† Source: Thomson Reuters Datastream and relevant underlying index providers. See disclaimer on page 56.

NAV, Share Price and Comparative Index Total Return

(rebased to 100 at 31 July 2016)



Source: Thomson Reuters Datastream/ Baillie Gifford and relevant underlying index providers. See disclaimer on page 56.

NAV (Cum Income) total return

Share price total return

Comparative index# total return

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

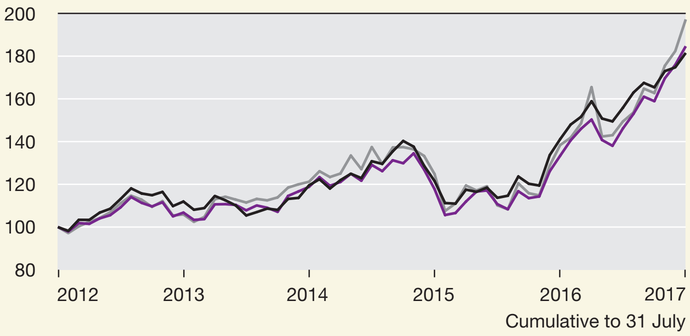
Past performance is not a guide to future performance.

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 2017.

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

(figures rebased to 100 at 31 July 2012)



Source: Thomson Reuters Datastream/Baillie Gifford and relevant underlying index providers†.

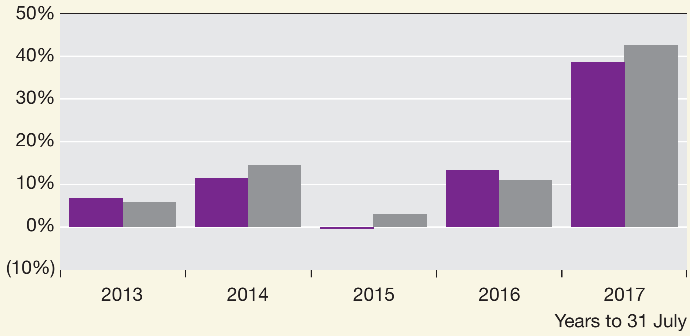
Dividends are reinvested.

NAV total return

Share price total return

Comparative index total return*

Annual Share Price Total Return and NAV Total Return



Source: Thomson Reuters Datastream/Baillie Gifford and relevant underlying index providers†.

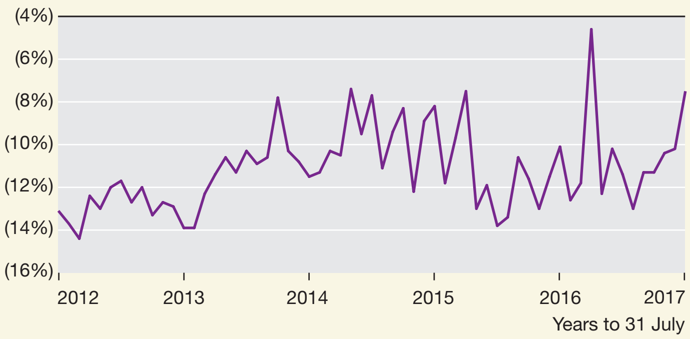
Dividends are reinvested.

NAV total return

Share price total return

Discount to Net Asset Value

(figures plotted on a monthly basis)



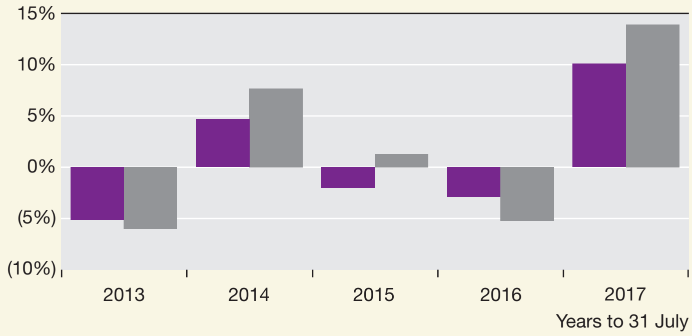
Source: Thomson Reuters Datastream/Baillie Gifford†.

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/Baillie Gifford and relevant underlying index providers†.

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).

† See disclaimer on page 56.

For a definition of terms see Glossary of Terms on page 57.

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) † %
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)
2017	**182,523**	**14,773**	**167,750**	**309.15**	**286.00**	**(7.5)**

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

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

Revenue

Gearing Ratios

Year to 31 July	Gross revenue £'000	Available for ordinary shareholders £'000	Revenue earnings per ordinary share # p	Dividend per ordinary share net p	Ongoing charges ‡ %	Gearing ¶ %	Potential gearing § %
2007	3,031	1,124	1.45	1.10	1.26	(1)	–
2008	3,602	1,491	1.91	1.30	1.21	(5)	–
2009	3,579	1,915	2.44	1.80	1.31	(2)	–
2010	2,999	1,295	1.65	1.30	1.24	(2)	–
2011	3,441	1,546	1.98	1.50	1.22	(1)	–
2012	3,234	1,491	1.97	1.50	1.26	(2)	–
2013	2,967	1,242	1.66	1.50	1.15	(1)	–
2014	2,550	1,019	1.40	1.40	1.01	2	3
2015	1,886	231	0.35	0.35	1.02	8	11
2016	1,331	(182)	(0.30)	0.35	1.13	3	4
2017	**1,559**	**(211)**	**(0.38)**	**Nil**	**1.07**	**7**	**9**

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 41).

‡ 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 2007 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 ^
2007	100	100	100	100	100	100	100	100
2008	80	80	75	76	87	90	132	104
2009	81	82	73	74	95	100	168	103
2010	98	100	85	88	111	121	114	108
2011	107	110	96	100	126	141	137	114
2012	103	107	87	92	113	130	136	117
2013	109	115	91	97	124	146	114	121
2014	120	128	103	111	129	156	97	124
2015	119	127	106	115	127	158	24	125
2016	134	144	117	127	144	184	(21)	127
2017	**185**	**200**	**167**	**181**	**180**	**237**	**(26)**	**132**
Compound annual returns								
5 year	12.4%	13.2%	13.9%	14.5%	9.7%	12.7%	n/a	2.4%
10 year	6.4%	7.2%	5.2%	6.1%	6.1%	9.0%	n/a	2.8%

^ Source: Thomson Reuters Datastream and relevant underlying index providers. See disclaimer on page 56.

** 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.

For a definition of terms see Glossary of Terms on page 57.

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 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.

An explanation of these measures can be found in the Glossary of Terms on page 57.

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 £15 million multi-currency revolving credit facility with The Royal Bank of Scotland plc (31 July 2016 – one year £10 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). At 31 July 2017 there were outstanding drawings of £7,500,000 and US$9,588,750 at interest rates of 0.74318% and 1.69586% under The Royal Bank of Scotland facility (31 July 2016 – £5,000,000 at an interest rate of 1.02906% and there were no drawings under The Bank of New York Mellon facility).

Principal Risks

As explained on pages 24 and 25 there is a process for identifying, evaluating and managing the risks faced by the Company on a regular basis. The Directors have carried out a robust assessment of the principal 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 44 to 48. 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 meeting is held annually.

Investment Strategy Risk – pursuing an investment strategy to fulfil the Company's objective which the market perceives to be unattractive or inappropriate, or the ineffective implementation of an attractive or appropriate strategy, may lead to reduced returns for shareholders and, as a result, a decreased demand for the Company's shares. This may lead to the Company's shares trading at a widening discount to their net asset value. To mitigate this risk, the Board regularly reviews and monitors the Company's objective and investment policy and strategy, the investment portfolio and its performance, the level of discount/premium to net asset value at which the shares trade and movements in the share register.

Discount Risk – the discount/premium at which the Company's shares trade relative to its net asset value can change. The risk of a widening discount is that it may undermine investor confidence in the Company. The Board monitors the level of discount/premium at which the shares trade and the Company has authority to buy back its existing shares, when deemed by the Board to be in the best interests of the Company and its shareholders.

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

Custody and Depositary Risk – safe custody of the Company's assets may be compromised through control failures by the Depositary, including breaches of cyber security. To monitor potential risk, the Audit Committee receives six monthly reports from the Depositary confirming safe custody of the Company's assets held by the Custodian. Cash and portfolio holdings are independently reconciled to the Custodian's records by the Managers. 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 Audit Committee reviews Baillie Gifford's Report on Internal Controls and the reports by other key third party providers are reviewed by Baillie Gifford on behalf of the Board.

Leverage Risk – the Company may borrow money for investment purposes. If the investments fall in value, any borrowings will magnify the impact of this loss. If borrowing facilities are not renewed, the Company may have to sell investments to repay borrowings. The Company can also make use of derivative contracts. All borrowings require the prior approval of the Board and leverage levels are discussed by the Board and Managers at every meeting. Covenant levels are monitored regularly. The majority of the Company's investments are in quoted securities that are readily realisable. Further information on leverage can be found in note 17 on page 48 and the Glossary of Terms on page 57.

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 2021, the Directors have, in accordance with provision C.2.2 of the 2016 UK Corporate Governance Code, published by the Financial Reporting Council, assessed the prospects of the Company over a three year period. The Directors continue to believe this period to be appropriate as it is reflective of the Company's investment approach. In the absence of any adverse change to the regulatory environment and the favourable tax treatment afforded to UK investment trusts, such a period is one over which they do not expect there to be any significant change to the current principal risks and to the adequacy of the mitigating controls in place. The Directors do not envisage any change in the Company's strategy or objectives nor do they foresee any events that would prevent the Company from continuing in existence over that period. As noted in the Chairman's Statement on page 2, it is the intention that the Directors will propose a 25% tender to be triggered if the Company's net asset value (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.

In making this assessment regarding viability, the Directors have taken into account the Company's current position and have conducted a robust assessment of the Company's principal 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, there are no disclosures to be made in respect of employees, human rights and community issues.

Gender Representation

The Board comprises five Directors, three male and two female. The Company has no employees. The Board's policy on diversity is set out on page 24.

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 25.

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

There was a significant improvement in the Company's performance during the year to 31 July 2017 with the share price appreciating 42.5% and the NAV increasing by 38.5%, representing a favourable comparison to the Company's comparative index, the MSCI AC Asia ex Japan index* (in sterling terms), which rose by 28.6% (all total returns).

Two factors in particular underpinned this improvement. First, the increased penetration and disruption that technology is bringing to society and the consequent increased focus by investors on the growing technology companies; second, the fall in the US Dollar ('USD'), particularly in the latter half of the Company's financial year, which provided focus to the improving economic fundamentals across the Asia Pacific region, especially in China. The Company's entire relative returns, and most of its absolute gains, occurred from December 2016, when the USD peaked and the market gradually realised that China's economy was recovering rather than being exposed to the threat of a hard landing, as many commentators, especially those in the USA, were predicting.

We believe that the rapid development of technology is creating a tectonic shift in society, with digitalisation driving profound changes in economic and political systems, businesses, consumer habits and behaviours. Many winners and losers are emerging and there is a growing awareness of these changes. Artificial Intelligence ('AI') is now taken for granted and the concept of electric rather than gasoline powered cars is considered to be an inevitable commercial development rather than a vision of the future.

Nevertheless, the cascade of these potential ground-breaking changes into broader society is only just being felt and negativity still abounds: Brexit, Trump, low productivity concerns, anti-globalisation, anti-capitalist sentiments, environmental risks, to name but a few. It is our belief, however, that the underlying global economy is improving and societies in aggregate are getting richer at a much greater pace than people realise. In retrospect, this era may well be seen as generating the largest improvement in living standards for the greatest number of people in history. The majority of those people live in the Asia Ex-Japan region.

The number of sectors and industries that are becoming digitalised and connected is increasing rapidly. Previously, when a customer went into a shop to buy an item and paid with cash, there would have been no digital imprint of this purchase; the data inherent in this transaction would only have been available to the shopkeeper. Today, every transaction online and its place in the entire supply chain leaves a data imprint which can be used to improve customer service and efficiency. In the retail industry, e-commerce continues to grow rapidly and has led to an explosion of data which captures what people buy and when, and how choices change over time. This results in both better targeted sales and an improvement in logistics, in products and in customer service; as well as an overall fall in cost for the consumer. In the US, this trend is leading to the rapid closure of shopping malls and offline businesses. In China, it is fuelling the growth of two large retail platforms, Alibaba and JD.com, with a resulting fall in more traditional offline activity.

When an industry moves towards a digital model, the resultant explosion in the quantum of data leads to a profound change to that industry's dynamics: traditional competition theory breaks down. Rather than encouraging the involvement of many firms and a form of perfect competition, digitalisation tends to produce increasing, rather than decreasing, returns for scale. We have witnessed this in the chip and software industries for two decades, with the dominance of Intel and Microsoft, and now Samsung Electronics and Taiwan Semiconductor Manufacturing ('TSMC'). As a more immediate example, JD.com is today the largest retailer in China, with no offline stores; a marginal cost of every additional order through its platform that is close to zero; no shops, no salesmen and fixed overheads. JD.com has recently announced its first 100% automated sorting warehouse and is testing the use of drones to deliver parcels, replacing delivery workers with machines and software. Scale leads to marginal cost being below average cost and thus, importantly for shareholders, to significant financial returns. In a world of digitalisation and increasing returns based on scale, we may expect more oligopolies and monopolies to be sustainable in the longer term. The competitive threats to these new monopolies are not to be found within their industries but without, from adjacent sectors, or from totally new disruptive technologies.

In China, the use of mobile phones and the acceptance of new technology are leading to a faster rate of adoption of online shopping than in the developed world. An example of this is online grocery shopping. This is a market worth more than $1 trillion and ripe for disruption by the likes of JD.com and Alibaba. These two companies account for 12.3% of our portfolio† and were significant contributors to returns last year. JD.com rose 109% and Alibaba 88%, as the market took note of the longevity of their growth profiles. We believe that both stocks remain significantly undervalued.

Humans are intensely visual. Sight is the leading sense by which we analyse and interact with the world. Our contention is that machines, as they increasingly take over human tasks, will initially use reproduction of the visual 'sense' to help them understand the world. Sunny Optical Technology is China's leading camera module maker, the second largest producer of camera lenses for mobile phones globally and the largest producer of lenses for the automotive market. The stock rose over 200% in the year, making it the second best performing holding in the portfolio. It is set to deliver an estimated 80% increase in earnings per share ('EPS') for 2017 after a 60% increase in 2016. With the company's leading position and technological research and development ('R&D') in module assembly and design, it is gaining increased traction in the nascent camera market for cars. Whereas a new car used to have on average less than one camera, a modern advanced driver assistance system ('ADAS') enabled car has 8 to 12 cameras; and, in future, a fully autonomous car may need up to 20 cameras or more. Sunny Optical has an approximate 40% market share in this rapidly evolving market. It also has emerging businesses in camera production for drones, optical instruments and robots. Given its products are at the forefront of delivering digitalisation to a large portion of the world's economy, we believe the company is still at an early stage in its growth cycle. It currently represents 5.4% of the portfolio.

* See disclaimer on page 56.
For definition of terms see Glossary of Terms on page 57.

†The portfolio figures throughout the report are based on total assets.

The global automobile sector is an area where we see significant disruption occurring in the medium term. We believe that the end of the gasoline engine is in sight and that electric vehicles will increasingly dominate new car sales of the future; especially in China as the government tackles the problem of pollution, which has become the most pressing social issue for the emerging middle class. Samsung SDI, in South Korea, up 60% year-on-year, is one of the world's leading makers of electric vehicle ('EV') batteries, a business where we believe that volumes could grow five to ten fold over the next decade. In China, our investment in Geely Automobile, a company that we have held for many years on the basis that we thought its investments in R&D would eventually propel it from a low-end domestic car manufacturer to a global original equipment manufacturer ('OEM'), has started to pay off. The stock rose 250% in the year, after delivering a 78% increase in sales in 2016 and consequent 112% EPS growth. It also expects 62% revenue growth and 73% profit growth in 2017. Through improvement in products, brand image and scale, Geely is positioning itself to become a leading domestic brand OEM, in the first instance in China and then globally. The management team, led by a visionary founder, is launching the new Lynck and Co brand later this year in a tie-up with Volvo. We believe that Geely has the potential to become one of the leading EV manufacturing OEMs globally in the next decade.

The growth in the amount of data being produced by social media, commerce, gaming and machines requires a significant jump in both computing power and the associated hardware capabilities in order to run, manipulate and take full advantage of the data generated. This is leading to a rise in technology prices and what we would characterise as the largest technology hardware cycle since the 1990s boom. Companies such as SK Hynix and Samsung Electronics, which produce the majority of the world's memory chips in South Korea, and TSMC (which has the largest global foundry) and Hon Hai Precision Industries (the largest global technology manufacturer) have all benefited from this trend. We believe that these stocks are still under-priced and do not fully reflect the potential growth opportunities ahead.

In the first half of the year, markets worried over Brexit, Trump and a potential reduction in world trade. This supported the USD and hid the nascent recovery in Chinese economic growth which, having slowed sequentially since 2011, reached its nadir in 2015; since then, it has been recovering. It is likely that 2016 will prove to be the second year of a Chinese cyclical economic expansion; we are seeing this in the rising Chinese Producer Price Index ('PPI'), increasing imports, rising commodity prices and a stabilisation in the exchange rate. Over the 12 months to 31 July 2017, the Chinese MSCI Index rose 38% in sterling terms and our Chinese holdings appreciated 72%, in aggregate. Free cash flow, the money left after costs and capital expenditure, is, on average, increasing for Chinese companies, and we would therefore expect growth and probably earnings to continue to surprise on the upside.

Outside China, Vietnam was a strong contributor to the portfolio's performance. Dragon Capital Vietnam Enterprise Investments rose 43% during the year. In addition, our first direct holding in Vietnam, Military Commercial Joint Stock Bank, rose 59%, as the company's turnaround from a sleepy corporate bank to a retail lender gradually continues. We still see the Vietnamese economy as a whole as an underappreciated growth story.

On the negative side, stock selection in South Korea was the largest detractor to the portfolio's relative performance. Not owning enough of Samsung Electronics had a negative impact as the stock rose 57% over the year. Our holding in SK Hynix, also a manufacturer of memory chips, was up 92% and mitigated some of the negative attribution. A number of our smaller companies fell, including some of the biotech holdings, although there was a significant divergence in returns. For example, Medy-Tox, the leading Botox innovator, rose 36%, whilst Bioneer, a biotech company, fell 62%. In this specialist sector, it is our intention to continue with our overall philosophy of supporting our winners and being circumspect about adding to our losers.

Philosophy

Pacific Horizon's portfolio is focused on finding and investing in some of the most attractive growth companies within the Asia ex-Japan region. We believe that investing for the long term in companies that can deliver significantly faster growth than the market will, over time, deliver rewards. When thinking about growth, we are looking for companies that can potentially increase their revenue and earnings at around 15% per year for the next five years or longer, and where we feel this growth has not been fully recognised by the market. Depending upon the macro outlook for different countries and sectors, this strategy may lead to significant concentration in certain areas of the market.

We invest in companies where we believe that there are good long term growth prospects. The corporate characteristics we look for include strong growth potential, sustainable competitive advantages, attractive financials and sensible management. In addition, we target stocks with what we consider to be very significant long term opportunities for enhanced future profitability, where a wider range of positive potential outcomes may not be recognised by the market at present.

The growth characteristics of the portfolio remain strong, with historic earnings growth at 17% and one year forecast earnings growth of 33%, both double the respective rates for the comparative index. The portfolio's estimated price to earnings ratio ('P/E') for the current year is 31x versus 17x for the comparative index. Over the longer term, we believe the higher growth potential of our holdings more than justifies this additional multiple. The portfolio now includes a slightly greater proportion of larger capitalised stocks compared to last year, due mostly to their outperformance compared with the more subdued performance of mid to smaller companies. This still leaves the portfolio with 20% of its investments in companies capitalised below £1 billion and a further 17% in companies with a market capitalisation of less than £5 billion, compared with 0.1% and 12.7%, respectively, in the comparative index. Active share is 79% and turnover for the year was 27.6%.

Portfolio Review

Technology companies now account for 48.9% of the portfolio, down from 50.9% a year ago. We reduced our holding in Tencent, reflecting our enthusiasm for other holdings. Elsewhere, performance from JD.com and Sunny Optical significantly increased these stocks' comparative weightings. Samsung SDI was bought and is now among the top 10 holdings in the portfolio; we believe that the organic light emitting diode ('OLED') and battery businesses are the fastest growing parts of the Samsung Electronics empire. We initiated a position in Macronix, the world's leading designer and manufacturer of NOR memory processors as we are of the view that many electronic functions in ADAS enabled cars will need a NOR chip, which is bringing life back to what was considered an ex-growth market. Our holdings in Infosys and Mindtree were sold as we believe the trend to outsource technological development is slowing globally.

The consumer discretionary sector is our second largest sector exposure at 19.8%, up from 16.9%. As economic growth within the region recovers, the focus on the Asian consumer and the consequent growth opportunities should generate increased investor interest. JD.com and Geely are our two top holdings in this sector.

The financial sector weighting in the portfolio has increased from 11.0% to 17.2%. We have made a number of new additions, especially in India, where we see domestic banking and insurance as potentially highly attractive and rapidly growing business sectors. We took stakes in AU Small Finance Bank, a newly licenced bank, growing at a compound annual growth rate of 40%; ICICI Prudential Life Insurance and Max Financial Services, life insurance companies; and LIC Housing Finance, the leading housing finance company in India.

Our healthcare weighting has almost halved to 5.0%. This was a function of poor performance and also the sale of Viromed and Seegene. On a fundamental basis, the remaining healthcare companies in the portfolio continue to deliver good performance and we believe that the market will refocus on the longer term outlook rather than short term price movements.

Our China weighting increased from 28.1% to 35.1%, driven mostly by outperformance by our holdings. It is now the largest country weighting in the portfolio, followed by South Korea at 24.9%. The reduction in the South Korean exposure from 29.9% was mostly on the back of reductions in our biotech holdings. Elsewhere, in Taiwan, we sold a number of our smaller positions, Himax Technologies, MediaTek, Phison Electronics, Eclat Textile, Delta Electronics and Hermes Micro Vision, mostly to fund purchases in China and Vietnam.

Vietnamese investments have grown from 4.8% to 7.0% of the portfolio. During the year, we purchased two steel companies, Hoa Phat and Hao Sen, both of which have high returns on capital and strong growth prospects as a result of the rising domestic economy. We continue to have a zero weighting in ASEAN outside of Vietnam and believe that the Vietnam market is far more attractive than the others in this geographical region.

Environmental, Social and Governance

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 are part. Companies which do not change within and alongside the societies they serve 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: our regenerative biotech companies, 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 in 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 in evidence across the region. The portfolio is fully invested, with gearing of 7%. We believe that our philosophy, process and investment style should reward the Company's shareholders over the medium to long term.

Review of Investments

A review of the Company's ten largest investments as at 31 July 2017 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	£12,824,000
% of total assets*	7.0%
(Valuation at 31 July 2016	£13,457,000)
(% of total assets at 31 July 2016	10.1%)

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	£12,571,000
% of total assets*	6.9%
(Valuation at 31 July 2016	£4,012,000)
(% of total assets at 31 July 2016	3.0%)

JD.com ADR

JD.com is the largest Chinese retailer, via its dominant share in the online e-commerce 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	£9,941,000
% of total assets*	5.4%
(Valuation at 31 July 2016	£3,729,000)
(% of total assets at 31 July 2016	2.8 %)

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 automotive-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	£9,818,000
% of total assets*	5.4%
(Valuation at 31 July 2016	£3,368,000)
(% of total assets at 31 July 2016	2.5%)

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 90% electric hybrid vehicles and a domestic leader in the field.

Country	Hong Kong and China
Valuation	£6,955,000
% of total assets*	3.8%
(Valuation at 31 July 2016	£3,047,000)
(% of total assets at 31 July 2016	2.3%)

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	£5,976,000
% of total assets*	3.3%
(Valuation at 31 July 2016	£5,413,000)
(% of total assets at 31 July 2016	4.1%)

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

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	£5,809,000
% of total assets*	3.2%
(Valuation at 31 July 2016	£3,849,000)
(% of total assets at 31 July 2016	2.9%)

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	£5,121,000
% of total assets*	2.8%
(Valuation at 31 July 2016	£3,707,000)
(% of total assets at 31 July 2016	2.8%)

SK Hynix

SK Hynix is the world's second largest producer of DRAM, a core memory used in all computers, mobile phones and computer servers. The concentration of the industry to just three players, coupled with technology barriers has created a barrier to supply, which we believe is leading to high and stable profitability.

Country	Korea
Valuation	£4,884,000
% of total assets*	2.7%
(Valuation at 31 July 2016	£2,609,000)
(% of total assets at 31 July 2016	2.0%)

Samsung SDI

Samsung SDI is the fastest growing part of Samsung Electronics; it owns a 15% stake in Samsung display, where OLED production for Apple/Samsung is ramping up rapidly over the next few years. It is also one of the world leaders in EV batteries where we see significant growth.

Country	Korea
Valuation	£4,278,000
% of total assets*	2.3%
(Valuation at 31 July 2016	Nil)
(% of total assets at 31 July 2016	Nil)

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

List of Investments as at 31 July 2017

Name	Country	Business	2017 Value £'000	2017 % of total assets*
Tencent Holdings	HK/China	Online gaming and social networking	12,824	7.0
Alibaba Group ADR	HK/China	Online and mobile commerce	12,571	6.9
JD.com ADR	HK/China	Online mobile commerce	9,941	5.4
Sunny Optical Technology	HK/China	Small optical lenses manufacturer	9,818	5.4
Geely Automobile	HK/China	Automobile manufacturer	6,955	3.8
NAVER	Korea	Online search and messaging	5,976	3.3
Hon Hai Precision Industries	Taiwan	Electronics manufacturer	5,809	3.2
Dragon Capital Vietnam Enterprise Investments	Vietnam	Vietnam investment fund	5,121	2.8
SK Hynix	Korea	Electronic component and device manufacturer	4,884	2.7
Samsung SDI	Korea	Lithium-ion batteries manufacturer	4,278	2.3
Koh Young Technology	Korea	3D inspection machine manufacturer	3,941	2.2
Baidu ADR	HK/China	Internet search engine	3,922	2.2
IndusInd Bank	India	Commercial bank focusing on consumer lending	3,888	2.1
AU Small Finance Bank	India	Small consumer finance bank	3,779	2.1
China Life Insurance (Taiwan)	Taiwan	Life insurance provider	3,456	1.9
Ctrip.com International ADR	HK/China	Chinese online travel agency	3,110	1.7
Taiwan Semiconductor Manufacturing	Taiwan	Semiconductor foundry	3,046	1.7
Samsung Electronics	Korea	Memory, phones and electronic components manufacturer	2,996	1.6
ICICI Bank	India	Retail and corporate bank	2,917	1.6
Advantech	Taiwan	Computer manufacturer	2,743	1.5
Cox & Kings India	India	Travel agent	2,419	1.3
Medy-Tox	Korea	Global pharmaceutical company	2,259	1.2
WH Group	HK/China	Pork processor and distributor	2,169	1.2
Kingdee International Software	HK/China	Enterprise management software distributor	2,151	1.2
Mahindra & Mahindra	India	Tractor and SUV manufacturer	2,132	1.2
Samsung Fire & Marine Insurance	Korea	Non-life insurance provider	2,128	1.2
CJ E&M	Korea	Media and entertainment creator and supplier	2,041	1.1
NCSOFT	Korea	Online games developer	2,031	1.1
Military Commercial Joint Stock Bank	Vietnam	Retail and corporate bank	2,015	1.1
Hoa Sen Group	Vietnam	Manufacturer of steel and plastic building products	1,917	1.1
Arvind	India	Consumer textile brand owner and manufacturer	1,913	1.1
Mitac Holdings	Taiwan	Distributor of GPS and server products	1,885	1.0
Macronix	Taiwan	NOR/ROM memory semiconductor manufacturer	1,815	1.0
Duzonbizon	Korea	Enterprise resource planning software developer	1,778	1.0
Kansai Nerolac Paints	India	Paint manufacturer	1,594	0.9
China Rapid Finance ADR	HK/China	P2P consumer lending platform	1,579	0.9
Info Edge	India	Jobseekers, housing sales and restaurant online review provider	1,575	0.9
Haier Electronics Group	HK/China	Washing machine and water heater manufacturer	1,573	0.9
Samsung C&T	Korea	Korean conglomerate	1,565	0.9
Container Corporation of India	India	Transportation services provider	1,543	0.8
Mahindra CIE Automotive	India	Truck parts manufacturer	1,537	0.8
Vingroup	Vietnam	Property developer	1,502	0.8
Hoa Phat Group	Vietnam	Multi-disciplinary manufacturer of steel and related products	1,429	0.8
Bosch	India	Manufacturer of automotive parts	1,348	0.7
LIC Housing Finance	India	Provider of mortgage finance	1,339	0.7
ICICI Prudential Life Insurance	India	Life insurance provider	1,324	0.7
Genexine	Korea	Therapeutic vaccine researcher and developer	1,273	0.7

Name	Country	Business	2017 Value £'000	2017 % of total assets*
Persistent Systems	India	Outsourced software product developer	1,247	0.7
Finetex EnE	Korea	Nano-technology material manufacturer	1,175	0.6
Ping An Insurance	HK/China	Life insurance provider	1,163	0.6
EO Technics	Korea	Laser equipment manufacturer and distributor	1,151	0.6
Max Financial Services	India	Life insurance provider	1,117	0.6
Netmarble Games	Korea	Mobile computer games designer	1,110	0.6
Hansol Technics	Korea	Electrical components manufacturer	1,058	0.6
Bioneer	Korea	Drug researcher and development	942	0.5
Intron Biotechnology	Korea	Antibiotics drug researcher	919	0.5
Global Brands Group	HK/China	Owner and licensor of consumer brands	917	0.5
Saigon Securities	Vietnam	Brokerage and securities	849	0.5
Techtronic Industries	HK/China	Power tool manufacturer	802	0.4
Interpark	Korea	Internet-based shopping mall	798	0.4
Hyundai Marine and Fire Insurance	Korea	Non-life insurance provider	749	0.4
Sarine Technologies	Singapore	Diamond grading measurement systems developer	748	0.4
HTC	Taiwan	Smartphone and virtual reality manufacturer	666	0.4
Crystalgenomics	Korea	Proteomic drug discovery investigator	657	0.4
ST Pharm	Korea	Manufacturer of specialist pharmaceutical ingredients	656	0.4
TTY Biopharm	Taiwan	Manufacturer of specialist genetics	621	0.3
Basso Industries	Taiwan	Powerdrills manufacturer	617	0.3
Qurient	Korea	Antibiotics and cancer drug researcher	559	0.3
JHL Biotech	Taiwan	Biologics manufacturer	532	0.3
Theragen Etex	Korea	Genetics researcher and developer	519	0.3
Aslan Pharmaceuticals	Taiwan	Biosimilar drug developer	142	0.1
Philtown Properties†	Philippines	Property developer	0	0.0
Total Investments			**179,523**	**98.4**
Net Liquid Assets			3,000	1.6
Total Assets			**182,523**	**100.0**

HK/China denotes Hong Kong and China.

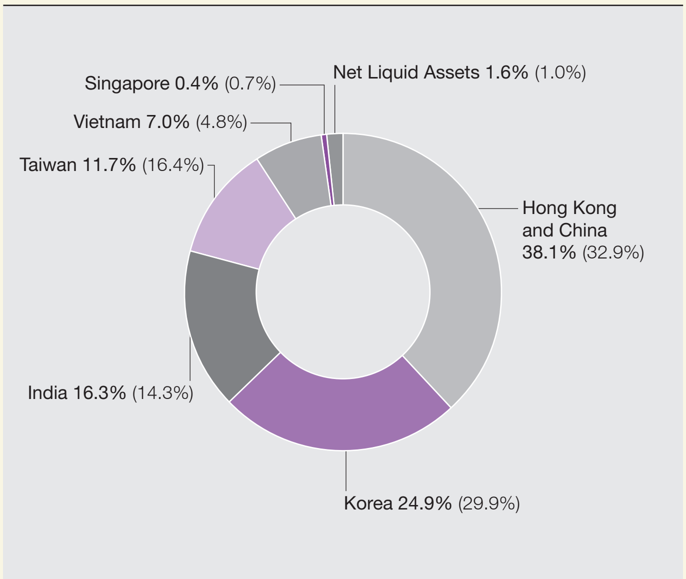
Details of the ten largest investments are given on pages 13 and 14 along with comparative valuations.

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

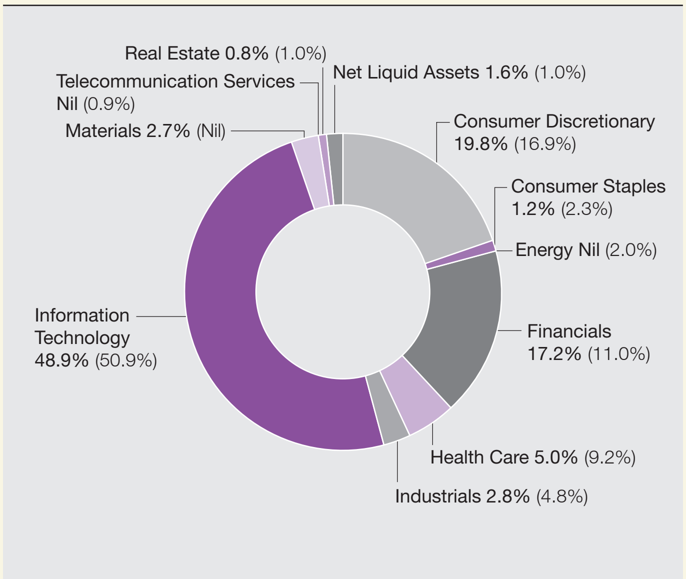
† Denotes unlisted investment.

Distribution of Total Assets*

Geographical 2017 (2016)

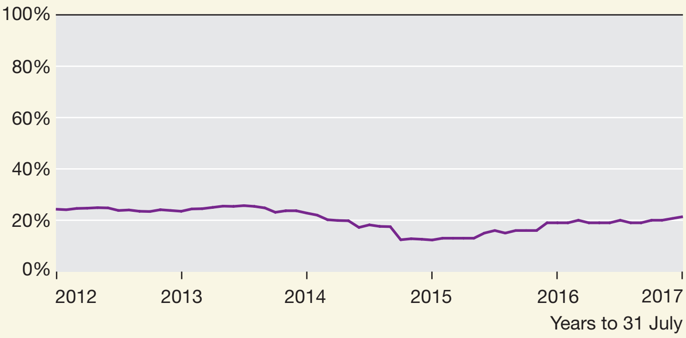


Sectoral 2017 (2016)



* Total assets less current liabilities before deduction of borrowings.

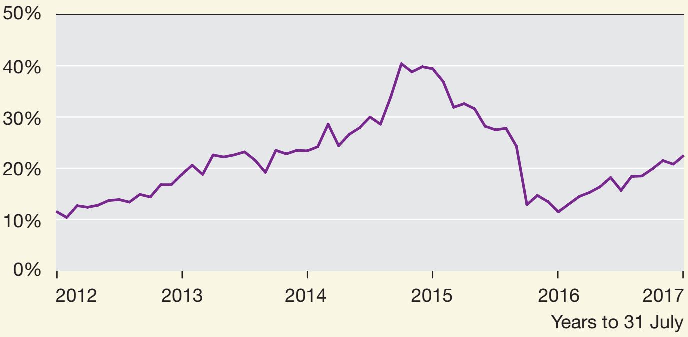
Overlap with MSCI All Country Asia ex Japan Index (in sterling terms)



Source: Baillie Gifford and relevant underlying index providers.
See disclaimer on page 56.

Turnover

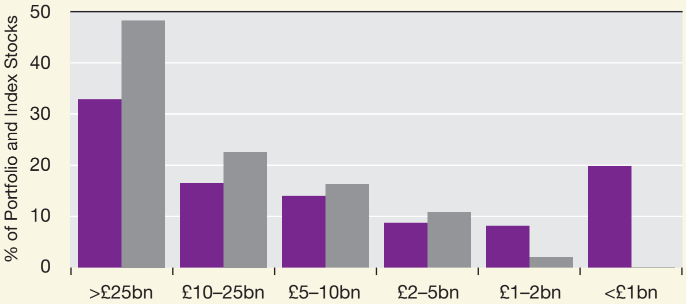
Rolling 12 months turnover over 5 years



Source: Baillie Gifford.

Size Splits (Market Capitalisation of Investments)

As at 31 July 2017



Source: Baillie Gifford and relevant underlying index providers.
See disclaimer on page 56.

Pacific Horizon

MSCI All Country Asia ex Japan

The Strategic Report which includes pages 2 to 17 was approved by the Board of Directors and signed on its behalf on 18 September 2017.

Jean Matterson
Chairman

Directors and Management

Directors

Jean Matterson

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

Edward Creasy

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

Angus Macpherson

Angus Macpherson was appointed a Director on 28 February 2017. He is Chief Executive of Noble and Company (UK) Limited, an independent Scottish corporate finance business. He is currently chairman of JP Morgan Elect PLC and of Henderson Diversified Income Trust plc. He is also a member of the Scottish Government's Financial Services Advisory Board. He was based in Asia between 1995 and 2004 in Singapore and Hong Kong, latterly as Head of Capital Markets and Financing for Merrill Lynch for Asia.

Douglas McDougall OBE

Douglas McDougall was appointed a Director in 1992. He is chairman of The Independent Investment Trust PLC and 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 £170 billion at 31 July 2017. Based in Edinburgh, it is one of the leading privately owned investment management firms in the UK, with 43 partners and a staff of around 980.

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 2017.

Corporate Governance

The Corporate Governance Report is set out on pages 23 to 25 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 Board. The Managers may terminate the Management Agreement on six months' notice and the Company may terminate on three months' notice. Compensation fees would only be payable in respect of the notice period if termination were to occur within a shorter notice period. The Board is of the view that calculating the fee with reference to performance would be unlikely to exert a positive influence on performance.

With effect from 1 January 2017 the annual management fee is 0.95% on the first £50m of net assets, 0.65% on the next £200m of net assets and 0.55% on the remaining net assets. Prior to 1 January 2017 the fee was 0.95% on the first £50m of net assets and 0.65% on the remaining net assets. Management fees are calculated and payable quarterly.

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, it is the opinion of the Directors that the continuing appointment of Baillie Gifford & Co Limited as AIFM and the delegation of the investment management services to Baillie Gifford & Co, on the terms agreed, is in the interests of shareholders as a whole due to the strength of the investment management team and the recently improved performance, the Managers' commitment to the investment trust sector and the quality of the secretarial and administrative functions.

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 18.

Mr DCP McDougall will retire at the Annual General Meeting and will not offer himself for re-election.

Miss JGK Matterson, having served for more than nine years is subject to annual re-election and will therefore be retiring at the Annual General Meeting and will offer herself for re-election.

Ms EC Scott, having served for three years since she was last elected will be retiring at the Annual General Meeting and offering herself for re-election.

Following formal performance evaluation, the Board concluded that the performance of Miss JGK Matterson and Ms EC Scott 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.

Mr RA Macpherson, having been appointed on 28 February 2017, is required to seek election by shareholders at the Annual General Meeting. The Directors believe that the Board will benefit from his extensive knowledge and experience and recommend his 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 2017 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 Company's objective is that of generating capital growth. Consequently, the Managers do not invest in companies based on the level of income they may payout as dividends.

As highlighted last year, the Board does not intend to draw on the Company's revenue reserve to pay or maintain dividends. This year the net revenue return per share was a deficit of 0.38p so the Board is recommending that no final dividend be paid. Should the level of underlying income increase in future years, the Board will seek to distribute the minimum permissible to maintain investment trust status by way of a final dividend.

Share Capital

Capital Structure

The Company's capital structure as at 31 July 2017 consists of 54,262,282 ordinary shares of 10p each (2016 – 57,118,191 ordinary shares). There are no restrictions concerning the holding or transfer of the Company's ordinary shares and there are no special rights attached to any of the shares.

Dividends

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

Capital Entitlement

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

Voting

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

Information on the deadlines for proxy appointments can be found on pages 50 and 51.

Major Interests Disclosed in the Company's Shares

Name	Ordinary 10p shares held at 31 July 2017	% of issue
A & OT Investments Limited (direct)	7,757,676	14.3
City of London Investment Management Company Limited (indirect)	5,937,029	10.9
Wells Capital Management, Inc (indirect)	3,365,939	6.2
Legal & General Group Plc (L&G) (direct)	2,484,328	4.6
Investec Wealth & Investment Limited (direct)	1,923,257	3.5

There have been no disclosed changes to the major interests in the Company's shares intimated up to 18 September 2017 except the holding of City of London Investment Management Limited which reduced its indirect holding to 5,410,325 shares (9.97%).

Buy-backs into Treasury, 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 2017 no shares were bought back under the buy-back authority and no shares were issued. At 31 July 2017 the Company had authority to buy back a further 8,133,916 ordinary shares. At the forthcoming Annual General Meeting, the Directors are seeking to renew these authorities. Details of these resolutions are set out below.

The Company also previously had 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 2016 in respect of the tender period to 31 July 2016. Through the exercise of this tender the Company bought back a total of 2,855,909 (2016 – 6,170,662) ordinary shares at a total cost of £7,213,000 (2016 – £11,618,000). The nominal value of these shares was £286,000 and represented 5.0% of the issued share capital at 31 July 2016. The Board did not seek shareholder authority to renew the bi-annual 5% tenders 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. This would be subject to shareholder approval of the tender authority that will be put to shareholders at the 2018 Annual General Meeting.

Annual General Meeting

Resolution 9 – Authority to allot shares

Section 551 of the Companies Act 2006 provides that the Directors may not allot new shares without shareholder approval. Resolution 9 seeks to renew the Directors' authority to allot shares up to a maximum amount of £542,622.82, representing approximately 10 per cent. of the Company's total issued ordinary share capital (excluding treasury shares) as at 18 September 2017, being the latest practicable date prior to publication of this document.

The Directors have no present intention of exercising this authority. The authority will expire on 15 February 2019 or, if earlier, at the end of the Annual General Meeting of the Company to be held in 2018, unless previously cancelled or varied by the Company in general meeting.

Currently the Company does not hold any shares in treasury.

Resolution 10 – Disapplication of pre-emption rights

Resolution 10, which is being proposed as a special resolution, seeks to renew the Directors' authority to allot equity securities, or sell treasury shares, for cash without having to offer such shares to existing shareholders pro-rata to their existing holdings, up to a total nominal amount of £542,622.82, representing approximately 10 per cent. of the Company's total issued Ordinary Share capital as at 18 September 2017, being the latest practicable date prior to publication of this document.

The Directors consider that the authority proposed to be granted by Resolution 10 continues to be advantageous when the Company's shares trade at a premium to net asset value and the level of natural liquidity in the market is unable to meet demand. The Directors do not intend to use this authority to sell or issue Ordinary Shares on a non-pre-emptive basis at a discount to net asset value.

While the level of the authority being sought is greater than the 5 per cent. recommended by the Pre-Emption Group in their Statement of Principles on disapplying pre-emption rights, it is specifically recognised in the Statement of Principles that, where an investment trust is seeking authority to issue shares at a premium to the underlying net asset value per share, this should not normally raise concerns and the Directors consider the greater flexibility provided by this authority to be justified in the circumstances.

Resolution 11 – Market purchase of own shares by the Company

Resolution 11 seeks shareholders' approval (by way of a special resolution) to renew the authority to purchase up to 14.99 per cent. of the Ordinary Shares in issue (excluding treasury shares) as at 18 September 2017, being the latest practicable date prior to publication of this document (or, if less, up to 14.99 per cent. of the Ordinary Shares in issue (excluding treasury shares) on the date on which the resolution is passed). This authority will expire at the end of the Annual General Meeting of the Company to be held in 2018. Such purchases will only be made at a discount to the prevailing net asset value. The Company may hold bought back shares in treasury and then:

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

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

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

Treasury shares do not receive distributions and the Company will not be entitled to exercise the voting rights attaching to them.

Under the Listing Rules, the maximum price (exclusive of expenses) that may be paid on the exercise of the authority shall be an amount equal to the higher of:

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

(ii) the higher of the price of the last independent trade and the highest current independent bid as stipulated by Article 5(1) of Commission Regulation (EC) 22 December 2003 implementing the Market Abuse Directive as regards exemptions for buy back programmes and stabilisation of financial instruments (No. 2273/2003).

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

Recommendation

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

Financial Instruments

The Company's financial instruments comprise its investment portfolio, cash balances, bank borrowings and debtors and creditors that arise directly from its operations such as sales and purchases awaiting settlement and accrued income. The financial risk management objectives and policies arising from its financial instruments and the exposure of the Company to risk are disclosed in note 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 to 12.

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 in 2021. 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.

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

For the regulatory reasons explained in last year's Annual Report, the Company conducted an Audit Committee-led tender of its audit services during the year under review to coincide with the end of the five year rotation cycle of the current Audit Partner of Ernst & Young LLP. The result of the tender process, described more fully on page 27, was that the Board has approved the proposed appointment of BDO LLP as Auditor for the financial year commencing 1 August 2017. BDO LLP has expressed its willingness to be appointed Auditors to the Company. The appointment is subject to shareholder approval at the Annual General Meeting to be held on 15 November 2017 and resolutions concerning BDO LLP's appointment and remuneration will be submitted to that meeting.

The Board extends its appreciation to Ernst & Young LLP for its services as Auditor and confirms that there are no matters in connection with Ernst & Young LLP ceasing to hold office as

Auditors following the 2017 audit which need to be brought to the attention of shareholders. A statutory statement from Ernst & Young LLP confirming the reasons connected with its ceasing to hold office as Auditors is set out in the letter accompanying this Annual Report.

Post Balance Sheet Events

The Directors confirm that there have been no post Balance Sheet events up to 18 September 2017.

Greenhouse Gas Emissions

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

Bribery Act

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

Criminal Finances Act 2017

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

On behalf of the Board
Jean Matterson
Chairman
18 September 2017

Corporate Governance Report

The Board is committed to achieving and demonstrating high standards of Corporate Governance. This statement outlines how the principles of the 2016 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 five 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.

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. Mr EG Creasy is the Senior Independent Director.

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 18.

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 19.

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 and Mr DCP McDougall have served on the Board for more than nine years and Mr DCP McDougall is a director of The Monks Investment Trust PLC, which is also managed by Baillie Gifford. Following a 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 18 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 core Board and Committee Meetings held during the year, excluding ancillary and sub-committee meetings. The Annual General Meeting was attended by all Directors.

Directors' Attendance at Meetings

	Board	Audit Committee	Nomination Committee
Number of meetings	**6**	**2**	**1**
JGK Matterson	6	2	1
EG Creasy	6	2	1
RA Macpherson*	3	1	1
DCP McDougall†	6	–	1
EC Scott	6	2	1

* Mr RA Macpherson was appointed on 28 February 2017.
† 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 or apply a diversity policy.

Board Composition

The Board reviewed its composition and in consideration of succession planning determined that it was appropriate that a new non-executive Director be appointed. Trust Associates Limited were engaged to identify potential candidates to fill the position. Trust Associates Limited has no other connection with the Company or Directors.

For the position, the Committee identified the skills and experience that would be required, having due regard for the benefits of diversity on the Board, and candidates were interviewed from a shortlist of names provided by Trust Associates Limited. Mr Angus Macpherson was identified as the preferred candidate.

Mr RA Macpherson brings to the Board extensive and relevant investment industry experience and was appointed to the Board on 28 February 2017.

Mr DCP McDougall will not stand for re-election at the 2017 Annual General Meeting.

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 28 and 29.

Audit Committee

The report of the Audit Committee is set out on pages 26 and 27.

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 a continuing process for identifying, evaluating and managing the significant risks faced by the Company in accordance with the FRC guidance 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting' issued in September 2014.

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 which accord with the FRC guidance 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting' and they have procedures in place to review their effectiveness on a regular basis. No significant weaknesses were identified in the year under review and up to the date of this Report.

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

To comply with the Alternative Investment Fund Managers Directive, BNY Mellon Trust & Depositary (UK) Limited act as the Company's Depositary and Baillie Gifford & Co Limited as its AIFM.

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

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

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

The risk limits, which are set by the AIFM and approved by the Board, take into account the objectives, strategy and risk profile of the portfolio. These limits including leverage (see page 48), are monitored and the sensitivity of the portfolio to key risks is undertaken periodically as appropriate to ascertain the impact of changes in key variables in the portfolio. Exceptions from limits monitoring and stress testing undertaken by Baillie Gifford's Business Risk Department are escalated to the AIFM and reported to the Board along with remedial measures being taken.

Relations with Shareholders

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

The Managers, Baillie Gifford & Co, are signatories to the United Nations Principles for Responsible Investment and the Carbon Disclosure Project and are also members of the International Corporate Governance Network.

On behalf of the Board
Jean Matterson
Chairman
18 September 2017

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;

— the appointment/reappointment, remuneration and terms of engagement of the external Auditor;

— whether the audit services contract should be put out to tender;

— the policy on the engagement of the external Auditor to supply non-audit services;

— the independence and objectivity of the external Auditor and the effectiveness of the audit process;

— the need for the Company to have its own internal audit function;

— the internal controls reports received from the Managers and custodian; and

— the arrangements in place within Baillie Gifford & Co whereby their staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

Internal Audit

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

Financial Reporting

The Committee considers that the most significant areas of risk likely to impact the Financial Statements are the existence and valuation of investments, as they represent 98.4% 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 Baillie Gifford's Report on Internal Controls which details the controls in place regarding recording and pricing of investments and the reconciliation of investment holdings to third party data.

The value of all the listed investments as at 31 July 2017 were agreed to external price sources and the portfolio holdings were 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 24 and 25. No significant weaknesses were identified in the year under review.

External Auditor

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

— the Auditor's audit plan which includes a report from the Auditor describing its arrangements to manage auditor independence and received confirmation of its independence; and

— the extent of non-audit services provided by the external Auditor. Non-audit fees for the year to 31 July 2017 were £7,900 and related to taxation and procedural services in connection with the tender offer implemented during the year (see note 4 on page 40). 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 27 years. The audit partners responsible for the audit are rotated at least once every five years in accordance with professional and regulatory standards in order to protect independence and objectivity and to provide fresh challenge to the business.

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 for the purpose of this year's audit.

Audit Tender

As noted on page 21, the Committee conducted a tender of the Company's audit services during the year under review to coincide with the end of the five year rotation cycle of the current Audit Partner of Ernst & Young LLP, Mr Singh. Invitations to tender were issued to three audit firms, resulting in three comprehensive proposals of a very high standard being submitted, with all three firms being invited to present their approach in more detail to the Audit Committee. In evaluating the firms, the primary focus was on audit quality, giving specific consideration to: audit approach and delivery; investment trust audit experience of the firm and the audit engagement team; breadth of knowledge and experience within the firm; insight into future developments likely to affect the Company; and independence. Following a robust and transparent review process where the firms were subjected to scrutiny and appropriate challenge, the Board proposes a resolution at the Annual General Meeting seeking shareholder approval to appoint BDO LLP as the Company's Auditors for the financial year commencing 1 August 2017. The Committee is satisfied that BDO LLP is independent and that sufficient controls are in place to deal with any conflict of interest, should it arise. There are no contractual obligations restricting the Committee's choice of external auditors.

During its tenure as Auditor, Ernst & Young LLP has provided a quality service and has demonstrated a high level of professionalism and the Committee would like to express its thanks to Ernst & Young LLP for its services to the Company. A statutory statement from Ernst & Young LLP confirming the reasons connected with its ceasing to hold office as Auditors is set out in the letter accompanying this Annual Report.

Accountability and Audit

The respective responsibilities of the Directors and the Auditor in connection with the Financial Statements are set out on pages 30 to 34.

On behalf of the Board
Edward Creasy
Chairman of the Audit Committee
18 September 2017

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. No changes to the policy are proposed and an ordinary resolution for the approval of the Remuneration Policy will be put to the members at the forthcoming Annual General Meeting on 15 November 2017.

The Board reviewed the level of fees during the year taking into account responsibilities, the increase in RPI and CPI since 1 August 2014 and peer trust remuneration levels and it was agreed that, with effect from 1 August 2017, the Chairman's fee would be increased from £30,000 to £32,250, the other Directors' fees would be increased from £20,000 to £21,500 and that the additional fee for the Chairman of the Audit Committee would be increased from £2,500 to £3,000. 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 paid to Directors in respect of the year ended 31 July 2017 and the expected fees payable in respect of the year ending 31 July 2018 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 2018 £	Fees as at 31 July 2017 £
Chairman's fee	32,250	30,000
Non-executive Director fee	21,500	20,000
Additional fee for the Chairman of the Audit Committee	3,000	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 31 to 34.

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	2017 Fees £	2017 Taxable benefits* £	2017 Total £	2016 Fees £	2016 Taxable benefits* £	2016 Total £
JGK Matterson (Chairman)	30,000	–	**30,000**	30,000	–	**30,000**
EG Creasy (Chairman of Audit Committee)	22,500	2,459	**24,959**	22,500	4,660	**27,160**
RA Macpherson (appointed 28 February 2017)	8,410	–	**8,410**	–	–	**–**
DCP McDougall	20,000	–	**20,000**	20,000	–	**20,000**
EC Scott	20,000	2,737	**22,737**	20,000	3,282	**23,282**
	100,910	**5,196**	**106,106**	**92,500**	**7,942**	**100,442**

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

Directors' Interests (audited)

The Directors at the end of the year under review and their interests in the Company are as shown in the following table. There have been no changes intimated in the Directors' interests up to 18 September 2017.

Name	Nature of interest	Ordinary 10p shares held at 31 July 2017	Ordinary 10p shares held at 1 August 2016
JGK Matterson	Beneficial	157,458	157,328
EG Creasy	Beneficial	16,400	16,400
RA Macpherson†	Beneficial	42,000	–
DCP McDougall	Beneficial	823,853	823,853
EC Scott	Beneficial	6,103	6,103

† Appointed 28 February 2017.

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, 94.8% were in favour, 0.4% were against and votes withheld were 4.8%.

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

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

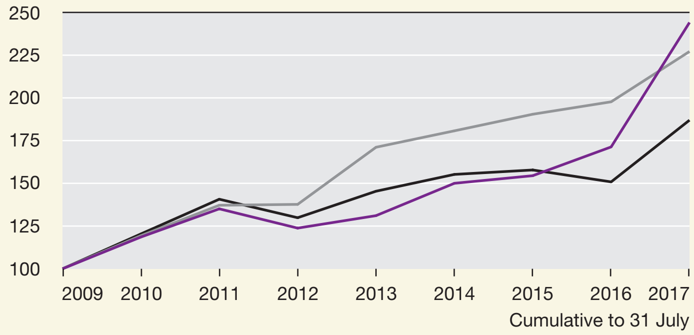
	2017 £'000	2016 £'000	Change %
Directors' remuneration	106	100	6.0
Dividends	200	222	(9.9)
Tenders	7,213	11,618	(37.9)

Company Performance

The following graph compares, for the eight financial years ended 31 July 2017, 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 and underlying data providers. See disclaimer on page 56.

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 28 and 29 was approved by the Board of Directors and signed on its behalf on 18 September 2017.

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 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.

On behalf of the Board
Jean Matterson
Chairman
18 September 2017

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 2017 and of its profit for the year then ended;
- 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
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the Financial Statements of Pacific Horizon Investment Trust PLC which comprise:

- Income Statement for the year ended 31 July 2017;
- Balance Sheet as at 31 July 2017;
- Statement of Changes in Equity for the year then ended;
- Cash Flow Statement for the year then ended; and
- related notes 1 to 17 to the Financial Statements.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

Conclusions Relating to Principal Risks, Going Concern and Viability Statement

We have nothing to report in respect of the following information in the Annual Report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures as set out on pages 7 to 8 in the Annual Report that describe those risks and explain how they are being managed or mitigated;
- the Directors' confirmation as set out on page 7 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 Directors' statement as set out on page 30 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;
- whether the Directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on page 8 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.

Overview of Our Audit Approach

Key audit matters	Incorrect valuation and existence of the investment portfolio, including incorrect application of exchange rates
Materiality	Materiality of £1.68m which represents 1% of net assets of the Company (2016 – £1.28m)

Key Audit Matters

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

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Incorrect valuation and existence of the investment portfolio (as described on page 26 of the Audit Committee Report). The valuation of the portfolio at 31 July 2017 was £179.52m (2016 – £131.42m), comprising primarily of listed investments. The valuation of the assets held in the investment portfolio is the key driver of the Company's net asset value and total return. Incorrect asset pricing 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.	*We performed the following procedures:* *We agreed 100% of investment valuations and exchange rates to a relevant independent source.* *We reviewed price exception and stale pricing reports.* *We obtained confirmation from the Custodian and the Depositary of all securities held at the year end and agreed those to Company's records.*	*The results of our procedures are:* *For all investments, we noted no issues in agreeing 100% of investment valuations and exchange rates to a relevant independent source.* *Our valuation procedures highlighted the existence of one unlisted investment: Philtown Properties which is valued at £nil (2016 – £nil). We noted no issue on the valuation of the unlisted investment and it is in line with the Company's accounting policy.* *There were no price exceptions and investments with stale prices.* *We noted no issues in the confirmation received from the Custodian and Depositary.*

An Overview of 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. Taken together, this enables us to form an opinion on the Financial Statements. We take into account size, risk profile, the organisation and effectiveness of controls, changes in the business environment and other factors when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

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 materiality for the Company to be £1.68m (2016 – £1.28m) which is 1% (2016 – 1%) of net assets of the Company. We have used net assets of the Company as the basis for setting materiality since it is the basis for 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 performance materiality was 75% (2016 – 75%) of our planning materiality, namely £1.26m (2016 – £0.96m). 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 £16k (2016 – £13k) for the revenue column of the Income Statement being 1% of the income.

Reporting Threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.84m (2016 – £0.64m), which is set at 5% of planning materiality, 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 light of other relevant qualitative considerations in forming our opinion.

Other Information

The other information comprises the information included in the Annual Report including the Strategic Report and Governance Report sections, as set out on pages 2 to 30, other than the Financial Statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

— **Fair, Balanced and Understandable (set out on page 30)** – the statement given by the Directors that they consider 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, is materially inconsistent with our knowledge obtained in the audit; or

— **Audit Committee Reporting (set out on page 26)** – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the audit committee; or

— **Directors' Statement of Compliance with the UK Corporate Governance Code (set out on page 23)** – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions 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

— based on the work undertaken in the course of the audit:

  — the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and

  — the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on Which We Are Required to Report by Exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report as set out on pages 2 and 19.

We are required to report to you if, in our opinion:

— adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

— the Financial Statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or

— certain disclosures of Directors' remuneration specified by law are not made; or

— we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 30, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

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

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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

The objectives of our audit, in respect to fraud, are: to identify and assess the risks of material misstatement of the Financial Statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are the Companies Act 2006, the Listing Rules, the UK Corporate Governance Code and section 1158 of the Corporation Tax Act 2010.
- We understood how the Company is complying with those frameworks through discussions with the Audit Committee and Company Secretary and review of the Company's documented policies and procedures.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the Directors with respect to the application of the documented policies and procedures and review of the Financial Statements to ensure compliance with the reporting requirements of the Company.
- We assessed the susceptibility of the Company's Financial Statements to material misstatement, including how fraud might occur by considering the key risks impacting the Financial Statements. We identified the potential for fraud risk with respect to management override in relation to inappropriate revenue journals. We noted no issues in agreeing a sample of revenue journal entries back to the details from the income report to the corresponding announcements made by the investee companies.

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

Other Matters We Are Required to Address

- Following the recommendation of the Audit Committee, we were appointed as auditors by the Shareholders and signed an engagement letter on 25 February 2016. We were reappointed by the Company at the AGM on 9 November 2016 to audit the Financial Statements for the year ending 31 July 2017. The period of total uninterrupted engagement including previous renewals and reappointments is 27 years, covering the years ending 1990 to 2017.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee.

Amarjit Singh (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
18 September 2017

Income Statement

For the year ended 31 July

	Notes	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000
Gains on investments	9	–	47,480	**47,480**	–	13,414	**13,414**
Currency gains	13	–	192	**192**	–	1,140	**1,140**
Income	2	1,559	–	**1,559**	1,331	–	**1,331**
Investment management fee	3	(1,095)	–	**(1,095)**	(899)	–	**(899)**
Other administrative expenses	4	(425)	–	**(425)**	(389)	–	**(389)**
Net return before finance costs and taxation		39	47,672	**47,711**	43	14,554	**14,597**
Finance costs of borrowings	5	(119)	–	**(119)**	(127)	–	**(127)**
Net return on ordinary activities before taxation		(80)	47,672	**47,592**	(84)	14,554	**14,470**
Tax on ordinary activities	6	(131)	–	**(131)**	(98)	–	**(98)**
Net return on ordinary activities after taxation		**(211)**	**47,672**	**47,461**	**(182)**	**14,554**	**14,372**
Net return per ordinary share	8	**(0.38p)**	**86.74p**	**86.36p**	**(0.30p)**	**24.25p**	**23.95p**

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 39 to 48 are an integral part of the Financial Statements.

Balance Sheet

As at 31 July

	Notes	2017 £'000	2017 £'000	2016 £'000	2016 £'000
Fixed assets					
Investments held at fair value through profit or loss	9		179,523		131,417
Current assets					
Debtors	10	508		359	
Cash and cash equivalents	16	2,882		1,323	
		3,390		1,682	
Creditors					
Amounts falling due within one year	11	(15,163)		(5,397)	
Net current liabilities			(11,773)		(3,715)
Net assets			**167,750**		**127,702**
Capital and reserves					
Called up share capital	12		5,426		5,712
Share premium account	13		3,166		3,166
Capital redemption reserve	13		20,367		20,081
Capital reserve	13		134,836		94,377
Revenue reserve	13		3,955		4,366
Shareholders' funds			**167,750**		**127,702**
Net asset value per ordinary share	14		**309.15p**		**223.58p**

The Financial Statements of Pacific Horizon Investment Trust PLC (Company Registration number 02342193) on pages 35 to 48 were approved and authorised for issue by the Board and were signed on 18 September 2017.

Jean Matterson
Chairman

The accompanying notes on pages 39 to 48 are an integral part of the Financial Statements.

Statement of Changes in Equity

For the year ended 31 July 2017

	Notes	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 August 2016		5,712	3,166	20,081	94,377	4,366	**127,702**
Net return on ordinary activities after taxation		–	–	–	47,672	(211)	**47,461**
Shares purchased for cancellation	12	(286)	–	286	(7,213)	–	**(7,213)**
Dividends paid during the year	7	–	–	–	–	(200)	**(200)**
Shareholders' funds at 31 July 2017		**5,426**	**3,166**	**20,367**	**134,836**	**3,955**	**167,750**

For the year ended 31 July 2016

	Notes	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 August 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**

The accompanying notes on pages 39 to 48 are an integral part of the Financial Statements.

Cash Flow Statement

For the year ended 31 July

	Notes	2017 £'000	2017 £'000	2016 £'000	2016 £'000
Cash flows from operating activities					
Net return on ordinary activities before taxation*			47,592		14,470
Net gains on investments			(47,480)		(13,414)
Currency gains			(192)		(1,140)
Finance costs of borrowings			119		127
Overseas tax incurred			(114)		(84)
Changes in debtors and creditors			(105)		(86)
Cash from operations			(180)		(127)
Interest paid			(104)		(134)
Net cash outflow from operating activities			(284)		(261)
Cash flows from investing activities					
Acquisitions of investments		(43,667)		(29,853)	
Disposals of investments		42,958		47,072	
Net cash (outflow)/inflow from investing activities			(709)		17,219
Cash flows from financing activities					
Equity dividends paid	7	(200)		(222)	
Shares purchased for cancellation	12	(7,213)		(11,618)	
Borrowings drawn down/(repaid)		9,901		(9,369)	
Net cash inflow/(outflow) from financing activities			2,488		(21,209)
Increase/(decrease) in cash and cash equivalents			1,495		(4,251)
Exchange movements			64		1,513
Cash and cash equivalents at 1 August			1,323		4,061
Cash and cash equivalents at 31 July			**2,882**		**1,323**

* Dividends received in the year amounted to £1,390,000 (2016 – £1,220,000).

The accompanying notes on pages 39 to 48 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 2017 have been prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' on the basis of the accounting policies set out below which are unchanged from the prior year and have been applied consistently. The Company has already adopted the amendments to section 34 of FRS 102 regarding fair value hierarchy disclosures (see note 9 on page 42).

(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 derivative financial instruments 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.

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

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 and its investment manager, who are subject to the UK's regulatory environment are also UK based.

(b) Investments

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

Investments are designated as held at fair value through profit or loss on initial recognition and are measured at subsequent reporting dates at fair value. The fair value of listed security investments is bid price or, in the case of FTSE 100 constituents and holdings on certain recognised overseas exchanges, last traded price. 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 and 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) 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) Unfranked investment income and overseas dividends include the taxes deducted at source.

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

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

(e) 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.

(f) Finance Costs

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

(g) Taxation

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

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

(h) Foreign Currencies

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

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

(j) Single Segment Reporting
The Company is engaged in a single segment of business, being investment business, consequently no business segmental analysis is provided.

(k) Significant estimates and Judgements
The Directors do not believe that any accounting judgements or estimates have been applied to these accounting statements that have a significant risk of causing material adjustment to the carrying amount of assets and liabilities within the next financial year.

2 Income

	2017 £'000	2016 £'000
Income from financial assets designated at fair value through profit or loss		
Listed overseas dividends	1,556	1,331
	1,556	**1,331**
Other income		
Deposit interest	3	–
Total income	**1,559**	**1,331**

3 Investment Management Fee

	2017 £'000	2016 £'000
Investment management fee	**1,095**	**899**

Details of the Investment Management Agreement are set out on page 19. With effect from 1 January 2017 the annual management fee is 0.95% on the first £50m of net assets, 0.65% on the next £200m of net assets and 0.55% on the remaining net assets. Prior to 1 January 2017 the fee was 0.95% on the first £50m of net assets and 0.65% on the remaining net asset. Management fees are calculated and payable quarterly.

4 Other Administrative Expenses

	2017 £'000	2016 £'000
General administrative expenses	304	276
Directors' fees	101	93
Auditor's remuneration for audit services	20	20
	425	**389**

In the year ended 31 July 2017 the Company incurred non-audit fees of £7,900* (2016 – £16,850*) 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 £7,213,000 (2016 – £11,618,000) detailed in note 12 on page 43. There were no other non-audit fees in the year to 31 July 2017 or 31 July 2016.

* 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

	2017 £'000	2016 £'000
Bank loans (see note 11)	**119**	**127**

6 Tax on Ordinary Activities

	2017 £'000	2016 £'000
Analysis of charge in the year		
Overseas taxation	**131**	**98**
Factors affecting the tax charge for the year		
The tax assessed for the year is lower (2016 – lower) than the average standard rate of corporation tax in the UK of 19.67% (2016 – 20.00%). The differences are explained below:		
Net return on ordinary activities before taxation	47,592	14,470
Net return on ordinary activities multiplied by the average standard rate of corporation tax in the UK of 19.67% (2016 – 20.00%)	9,361	2,894
Capital gains not taxable	(9,377)	(2,911)
Overseas dividends not taxable	(306)	(266)
Taxable expenses in the year not utilised	322	283
Overseas tax	131	98
Revenue tax charge for the year	**131**	**98**

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

Factors that may affect future tax charges

At 31 July 2017 the Company had a potential deferred tax asset of £3,004,000 (2016 – £2,886,000) 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 17% (2016 – 18%).

7 Ordinary Dividends

	2017	2016	2017 £'000	2016 £'000
Amounts recognised as distributions in the year:				
Previous year's final (paid 11 November 2016)	**0.35p**	**0.35p**	**200**	**222**

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 (2017 – revenue loss of £211,000; 2016 – revenue loss of £182,000).

	2017	2016	2017 £'000	2016 £'000
Amounts paid and proposed in respect of the financial year:				
Proposed final dividend per ordinary share	**Nil**	**0.35p**	**Nil**	**200**

8 Net Return per Ordinary Share

	2017 Revenue	2017 Capital	2017 Total	2016 Revenue	2016 Capital	2016 Total
Net return on ordinary activities after taxation	**(0.38p)**	**86.74p**	**86.36p**	**(0.30p)**	**24.25p**	**23.95p**

Revenue return per ordinary share is based on the net revenue loss on ordinary activities after taxation of £211,000 (2016 – net revenue loss £182,000) and on 54,958,654 (2016 – 60,007,258) 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 £47,672,000 (2016 – net capital gain of £14,554,000) and on 54,958,654 (2016 – 60,007,258) 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 £47,461,000 (2016 – total gain of £14,372,000) and on 54,958,654 (2016 – 60,007,258) 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 2017	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed equities	179,523	–	–	**179,523**
Unlisted equity	–	–	–	**–**
Total financial asset investments	**179,523**	**–**	**–**	**179,523**

As at 31 July 2016	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed equities	131,417	–	–	**131,417**
Unlisted equity	–	–	–	–
Total financial asset investments	**131,417**	**–**	**–**	**131,417**

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).

The valuation techniques used by the Company are explained in the accounting policies on page 39.

	Listed overseas £'000	Unlisted* £'000	Total £'000
Cost of investments at 1 August 2016	92,604	5	**92,609**
Investment holding gains and losses at 1 August 2016	38,813	(5)	**38,808**
Fair value of investments at 1 August 2016	131,417	–	**131,417**
Movements in year:			
Purchases at cost	43,584	–	**43,584**
Sales – proceeds	(42,958)	–	**(42,958)**
– gains on sales	9,776	–	**9,776**
Changes in investment holding gains and losses	37,704	–	**37,704**
Fair value of investments at 31 July 2017	**179,523**	**–**	**179,523**
Cost of investments at 31 July 2017	103,006	5	**103,011**
Investment holding gains and losses at 31 July 2017	76,517	(5)	**76,512**
Fair value of investments at 31 July 2017	**179,523**	**–**	**179,523**

* The unlisted investment, Philtown Properties (formerly Philippine Townships), which is valued at £nil at 31 July 2017 and 31 July 2016, arose from a distribution by its parent RFM Corporation.

The Company incurred transaction costs on purchases of £69,000 (2016 – £46,000) and on sales of £102,000 (2016 – £133,000), being £171,000 (2016 – £179,000) in total.

	2017 £'000	2016 £'000
Net gains on investments designated at fair value through profit or loss on initial recognition		
Gains/(losses) on sales	9,776	(2,839)
Changes in investment holding gains and losses	37,704	16,253
	47,480	**13,414**

In respect of the sales made during the year a net gain of £8,966,000 (2016 – net gain of £4,589,000) was included in investment holding gains and losses at the previous year end.

10 Debtors

	2017 £'000	2016 £'000
Amounts falling due within one year:		
Income accrued (net of withholding taxes)	494	345
Sales for subsequent settlement	–	–
Other debtors and prepayments	14	14
	508	**359**

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 2017 or 31 July 2016.

11 Creditors – Amounts falling due within one year

	2017 £'000	2016 £'000
The Royal Bank of Scotland Plc loan	14,773	5,000
Purchases for subsequent settlement	–	83
Other creditors and accruals	390	314
	15,163	**5,397**

The Company has a one year £15 million multi-currency revolving credit facility with The Royal Bank of Scotland plc (31 July 2016 – one year £10 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). At 31 July 2017 there were outstanding drawings of £7,500,000 and US$9,588,750 at interest rates of 0.74318% and 1.69586% under The Royal Bank of Scotland facility (31 July 2016 – £5,000,000 at an interest rate of 1.02906% and there were no drawings under The Bank of New York Mellon facility). The main covenant relating to the loan is that borrowings should not exceed 20% of the Company's net asset value. There were no breaches in the loan covenants during the year.

Included in other creditors and accruals is £310,000 (2016 – £245,000) in respect of the investment management fee.

None of the above creditors at 31 July 2017 or 31 July 2016 are financial liabilities designated at fair value through profit or loss.

12 Called Up Share Capital

	2017 Number	2017 £'000	2016 Number	2016 £'000
Allotted, called up and fully paid ordinary shares of 10p each	**54,262,282**	**5,426**	**57,118,191**	**5,712**

The Company has authority to buy back up to 14.99% of its shares on an ad hoc basis and previously had 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. In the year to 31 July 2017 the Company bought back a total of 2,855,909 ordinary shares at a total cost of £7,213,000 through the exercise of the last tender offer in October 2016 (31 July 2016 – 6,170,662 ordinary shares at a total cost of £11,618,000). The nominal value of these shares was £286,000 and represented 5.0% of the issued share capital at 31 July 2016. At 31 January 2017 the Company had authority to buy back a further 8,133,916 ordinary shares.

Following consultation with a number of shareholders, the Board did not seek authority at the Annual General Meeting on 9 November 2016 to renew the bi-annual 5% tenders. Instead, the Board proposed a tender that will be triggered if the Company's net asset value (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. 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 net asset value less costs. This would be subject to shareholders' approval of the tender authority that will be put to shareholders at the 2018 Annual General Meeting.

The Company also has authority to allot shares under section 551 of the Companies Act 2006. The Board has authorised use of this authority to issue new shares at a premium to net asset value in order to enhance the net asset value per share for existing shareholders and improve the liquidity of the Company's shares. In the years to 31 July 2016 and 31 July 2017 no shares were issued.

13 Capital and Reserves

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
At 1 August 2016	5,712	3,166	20,081	94,377	4,366	**127,702**
Net gains on sales of investments	–	–	–	9,776	–	**9,776**
Changes in investment holding gains and losses	–	–	–	37,704	–	**37,704**
Exchange differences on bank loan	–	–	–	128	–	**128**
Other exchange differences	–	–	–	64	–	**64**
Shares purchased for cancellation	(286)	–	286	(7,213)	–	**(7,213)**
Revenue return on ordinary activities after taxation	–	–	–	–	(211)	**(211)**
Dividends paid during the year	–	–	–	–	(200)	**(200)**
At 31 July 2017	**5,426**	**3,166**	**20,367**	**134,836**	**3,955**	**167,750**

The capital reserve includes investments holding gains of £76,512,000 (2016 – £38,808,000) 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:

	2017 Net asset value per share	2016 Net asset value per share	2017 Net assets attributable £'000	2016 Net assets attributable £'000
Ordinary shares	**309.15p**	**223.58p**	**167,750**	**127,702**

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 54,262,282 (2016 – 57,118,191) 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 19. The management fee payable to the Manager by the Company for the year, as disclosed in note 3, was £1,095,000 (2016 – £899,000) of which £310,000 (2016 – £245,000) 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 28. 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 2016 and 31 July 2017 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 2017	Investments £'000	Cash and deposits £'000	Loans £'000	Other debtors and creditors * £'000	Net exposure £'000
Korean won	45,443	–	–	7	**45,450**
Hong Kong dollar	38,372	–	–	25	**38,397**
Indian rupee	29,672	–	–	60	**29,732**
US dollar	31,123	2,852	(7,273)	(23)	**26,679**
Taiwan dollar	21,332	4	–	402	**21,738**
Vietnam dong	7,712	–	–	–	**7,712**
Singapore dollar	748	–	–	–	**748**
Total exposure to currency risk	174,402	2,856	(7,273)	471	**170,456**
Sterling	5,121	26	(7,500)	(353)	**(2,706)**
	179,523	**2,882**	**(14,773)**	**118**	**167,750**

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

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**
Indian rupee	18,971	–	–	31	**19,002**
US dollar	16,611	1,220	–	12	**17,843**
Taiwan dollar	20,136	–	–	260	**20,396**
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.

16 Financial Instruments (continued)

Currency Risk Sensitivity

At 31 July 2017, 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 2016.

	2017 £'000	2016 £'000
Korean won	2,272	1,984
Hong Kong dollar	1,920	1,436
Indian rupee	1,487	950
US dollar	1,334	892
Taiwan dollar	1,087	1,020
Vietnam dong	386	135
Singapore dollar	37	46
	8,523	**6,463**

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 2017 amounted to £2,882,000 (2016 – £1,323,000), 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

	2017 £'000	2016 £'000
Floating rate bank loan – sterling denominated	7,500	5,000
– US dollar denominated	7,273	–
	14,773	**5,000**

Maturity Profile

	2017 Within 1 year £'000	2016 Within 1 year £'000
Repayment of loans	14,773	5,000
Interest on loans	158	56
	14,931	**5,056**

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 2017 by £119,000 (2016 – decrease of £37,000). 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 15 and 16. 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.

107.0% (2016 – 102.9%) of the Company's net assets are invested in quoted equities. A 5% (2016 – 5%) increase in quoted equity valuations at 31 July 2017 would have increased total assets and total return on ordinary activities by £8,976,000 (2016 – £6,571,000). 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:

	2017 £'000	2016 £'000
Cash and short term deposits	2,882	1,323
Debtors and prepayments	508	359
	3,390	**1,682**

The maximum exposure in cash during the year was £8,814,000 (2016 – £23,434,000) and the minimum £227,000 (2016 – £1,323,000). None of the Company's financial assets are past due or impaired (2016 – 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 21, pages 7 and 8 and pages 24 and 25, respectively. The Company has the ability to buy back its shares (see page 21) 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)

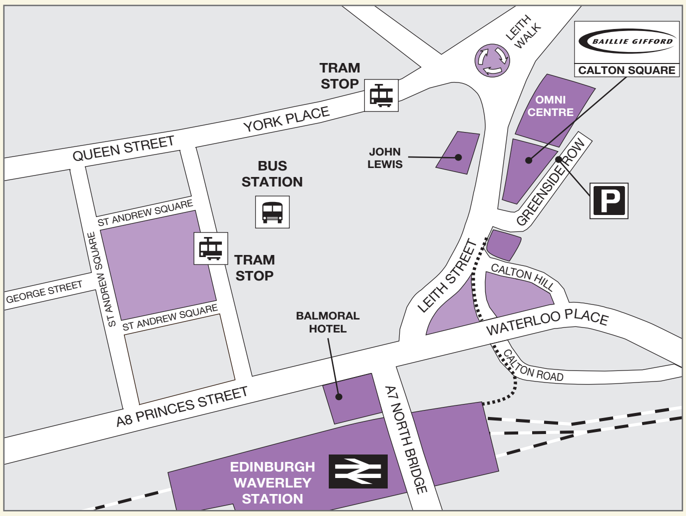
In accordance with the Alternative Investment Fund Managers Directive, information in relation to the Company's leverage and the remuneration of the Company's AIFM, Baillie Gifford & Co Limited, is required to be made available to investors. In accordance with the Directive, the AIFM's remuneration policy is available on the Managers' website at **www.bailliegifford.com** or on request (see contact details on the back cover). The numerical remuneration disclosures in respect of the AIFM's relevant reporting period (year ended 31 March 2017) are also available at **www.bailliegifford.com**.

The Company's maximum and actual leverage (see Glossary of Terms on page 57) levels at 31 July 2017 are shown below:

Leverage Exposure

	Gross method	Commitment method
Maximum limit	2.50:1	2.00:1
Actual	1.09:1	1.09:1

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, 15 November 2017 at 11.00am.

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

Baillie Gifford may record your call.

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

By Bus:
Lothian Buses local services include:
1, 5, 7, 8, 10, 12, 14, 15, 15A, 16, 22, 25, 34

By Tram:
Stops at St Andrew Square and York Place

Access to Waverley Train Station on foot

Notice is hereby given that an Annual General Meeting of Pacific Horizon Investment Trust PLC (the 'Company') will be held at the offices of Baillie Gifford & Co, Calton Square, 1 Greenside Row, Edinburgh EH1 3AN on Wednesday, 15 November 2017 at 11.00am for the purposes of considering and, if thought fit, passing the following Resolutions, of which Resolutions 1 to 9 will be proposed as ordinary resolutions and Resolutions 10 and 11 will be proposed as special resolutions:

1. To receive and adopt the Company's Annual Report and Financial Statements for the financial year ended 31 July 2017, together with the Reports of the Directors and the Auditor's report thereon.
2. To approve the Directors' Remuneration Policy.
3. To approve the Directors' Annual Report on Remuneration for the financial year ended 31 July 2017.
4. To re-elect Miss JGK Matterson as a Director of the Company.
5. To re-elect Ms EC Scott as a Director of the Company.
6. To elect Mr RA Macpherson as a Director of the Company.
7. To appoint BDO LLP as Independent Auditor of the Company to hold office until the conclusion of the next Annual General Meeting at which the Financial Statements are laid before the Company.
8. To authorise the Directors to determine the remuneration of the Independent Auditor of the Company.
9. That:

   (a) the Directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the 'Act') to allot shares in the Company, or to grant rights to subscribe for or convert any security into shares in the Company, up to a maximum nominal amount of £542,622.82; and

   (b) the authority given by this Resolution:

   (i) shall be in substitution for all pre-existing authorities under section 551 of the Act; and

   (ii) unless renewed, revoked or varied in accordance with the Act, shall expire on 15 February 2019 or, if earlier, at the conclusion of the Annual General Meeting of the Company to be held in 2018 save that the Company may, before such expiry, make any offer or enter into an agreement which would or might require the allotment of shares in the Company, or the grant of rights to subscribe for or to convert any security into shares in the Company, after such expiry.

10. That, subject to the passing of Resolution 9 set out in the Notice of Annual General Meeting dated 5 October 2017 (the 'Allotment Authority'), the Directors be given power pursuant to sections 570 and 573 of the Companies Act 2006 (the 'Act') to allot equity securities (within the meaning of section 560(1) of the Act) for cash pursuant to the Allotment Authority, and to sell treasury shares for cash, as if section 561(1) of the Act did not apply to such allotment or sale, provided that such power:

    (a) shall be limited to the allotment of equity securities or the sale of treasury shares up to an aggregate nominal amount of £542,622.82;

    (b) shall be in substitution for all pre-existing powers under sections 570 and 573 of the Act; and

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

11. That, in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date hereof, the Company be generally and unconditionally authorised, in accordance with section 701 of the Companies Act 2006 (the 'Act') to make market purchases (within the meaning of section 693(4) of the Act) of its Ordinary Shares, (either for retention as treasury shares for future reissue, resale, transfer or for cancellation), provided that:
    (a) the maximum number of Ordinary Shares hereby authorised to be purchased is 8,133,916 or, if less, the number representing approximately 14.99 per cent. of the issued share capital of the Company on the date on which this Resolution is passed;
    (b) the minimum price (excluding expenses) which may be paid for each ordinary share shall be the nominal value of that share;
    (c) the maximum price (excluding expenses) which may be paid for any ordinary share purchased pursuant to this authority shall not be more than the higher of:
        (i) 5 per cent. above the average closing price on the London Stock Exchange of an ordinary share over the five business days immediately preceding the date of purchase; and
        (ii) the higher price of the last independent trade of an ordinary share and the highest current independent bid for such a share on the London Stock Exchange; and
    (d) unless previously varied, revoked or renewed by the Company in general meeting, the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2018, save that the Company may, prior to the expiry of such authority, enter into a contract or contracts to purchase ordinary shares under such authority which will or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of ordinary shares pursuant to any such contract or contracts.

By Order of the Board
Baillie Gifford & Co Limited
Company Secretaries
5 October 2017

Notes

1. As a member you are entitled to appoint a proxy or proxies to exercise all or any of your rights to attend, speak and vote at the AGM. A proxy need not be a member of the Company but must attend the AGM to represent you. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You can only appoint a proxy using the procedure set out in these notes and the notes to the proxy form. You may not use any electronic address provided either in this notice or any related documents (including the Financial Statements and proxy form) to communicate with the Company for any purpose other than those expressly stated.
2. To be valid any proxy form or other instrument appointing a proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, must be received by post or (during normal business hours only) by hand at the Registrars of the Company at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY or **www.eproxyappointment.com** no later than 11.00am on 13 November 2017 (or 48 hours (excluding non-working days) before any adjourned meeting).
3. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual and/or by logging on to the website **www.euroclear.com/CREST**. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
4. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's registrar (ID 3RA50) no later than 11.00am. on 13 November 2017 (or 48 hours (excluding non-working days) before any adjourned meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

5. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his/her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST service by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
6. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
7. The return of a completed proxy form or other instrument of proxy will not prevent you attending the AGM and voting in person if you wish.
8. Shareholders participating in the Baillie Gifford Investment Trust Share Plan, the Baillie Gifford Children's Savings Plan or the Baillie Gifford Investment Trust ISA who wish to vote and/or attend the meeting must complete and return the enclosed Form of Direction.
9. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 and section 311 of the Companies Act 2006 the Company specifies that to be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company no later than 48 hours (excluding non-working days) prior to the commencement of the AGM or any adjourned meeting. Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
10. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
11. The statement of the rights of shareholders in relation to the appointment of proxies in Notes 1 and 2 above does not apply to Nominated Persons. The rights described in those Notes can only be exercised by shareholders of the Company.
12. The members of the Company may require the Company to publish on its website, (without payment) a statement (which is also passed to the Auditor) setting out any matter relating to the audit of the Company's accounts, including the Auditor's report and the conduct of the audit. The Company will be required to do so once it has received such requests from either members representing at least 5 per cent. of the total voting rights of the Company or at least 100 members who have a relevant right to vote and hold shares in the Company on which there has been paid up an average sum per member of at least £100. Such requests must be made in writing and must state your full name and address and be sent to the Company at Calton Square, 1 Greenside Row, Edinburgh EH1 3AN.
13. Information regarding the Annual General Meeting, including information required by section 311A of the Companies Act 2006, is available from the Company's page of the Managers' website at **www.pacifichorizon.co.uk**.
14. Members have the right to ask questions at the meeting in accordance with section 319A of the Companies Act 2006.
15. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
16. As at 18 September 2017 (being the last practicable date prior to the publication of this notice) the Company's issued share capital consisted of 54,262,282 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 18 September 2017 were 54,262,282 votes.
17. Any person holding 3 per cent. or more of the total voting rights of the Company who appoints a person other than the Chairman of the meeting as his proxy will need to ensure that both he/she and his/her proxy complies with their respective disclosure obligations under the UK Disclosure and Transparency Rules.
18. No Director has a contract of service with the Company.

Further Shareholder Information

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

— participation in a diversified portfolio of shares;

— constant supervision by experienced professional managers; and

— the Company is free from 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 53 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

Legal Entity Identifier VLGEI9B8R0REWKB0LN95

Key Dates

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

	2017 Number of shares held	2017 %	2016 Number of shares held	2016 %
Institutions	26,184,561	48.3	29,090,762	50.9
Intermediaries	16,478,507	30.4	16,092,007	28.2
Individuals	873,113	1.6	1,670,419	2.9
Baillie Gifford Share Plan/ISA	10,601,737	19.5	10,191,006	17.9
Marketmakers	124,364	0.2	73,997	0.1
	54,262,282	**100.0**	**57,118,191**	**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 £20,000 each tax year
- Invest 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 55).

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. The risks from borrowing, referred to above, are increased when the Company buys back and cancels its shares.

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

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

Charges are deducted from income. Where income is low, the expenses may be greater than the total income received, meaning Pacific Horizon may not pay a dividend and the capital value would be reduced.

The aim of Pacific Horizon is to achieve capital growth. You should not expect a significant, or steady, annual income from the Company.

Shareholders in Pacific Horizon have the right to vote every five years, on whether to continue Pacific Horizon or wind it up. If the shareholders decide to wind the Company up, the assets will be sold and you will receive a cash sum in relation to your shareholding. The next vote will be held at the Annual General Meeting in 2021.

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

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 53.

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

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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.

Automatic Exchange of Information

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

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

All new shareholders, excluding those whose shares are held in CREST, who come on to the share register 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**.

Third Party Data Provider Disclaimer

No third party data provider ('Provider') makes any warranty, express or implied, as to the accuracy, completeness or timeliness of the data contained herewith nor as to the results to be obtained by recipients of the data. No Provider shall in any way be liable to any recipient of the data for any inaccuracies, errors or omissions in the index data included in this document, regardless of cause, or for any damages (whether direct or indirect) resulting therefrom.

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Without limiting the foregoing, no Provider shall have any liability whatsoever to you, whether in contract (including under an indemnity), in tort (including negligence), under a warranty, under statute or otherwise, in respect of any loss or damage suffered by you as a result of or in connection with any opinions, recommendations, forecasts, judgments, or any other conclusions, or any course of action determined, by you or any third party, whether or not based on the content, information or materials contained herein.

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FTSE Index Data

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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.

Net Liquid Assets
Net liquid assets comprise current assets less current liabilities, excluding borrowings.

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

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

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).

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.

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.

Directors

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JGK Matterson

EG Creasy
RA Macpherson
DCP McDougall OBE
EC Scott

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Alternative Investment Fund Managers and Secretaries

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Company Details

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Company Registration
No. 02342193
ISIN GB0006667470
Sedol 0666747
Ticker PHI

Legal Entity Identifier:
VLGEI9B8R0REWKB0LN95

Further Information

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