Pacific Assets Trust plc

Annual Report and Accounts

2010

F&C Investments

Contents

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If you have sold or otherwise transferred all of your shares in the Company, you should immediately send this document to the purchaser or transferee or to the stockbroker, bank manager, solicitor, accountant or other person through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Company Summary

The Company

The Company is an investment trust and its shares are listed on the Official List and traded on the main market of the London Stock Exchange. It is a member of the Association of Investment Companies.

Total assets less current liabilities as at 31 January 2010 were £135.2 million and the market capitalisation was £123.4 million.

Objective

To achieve long-term capital growth through investment in selected companies in the Asia Pacific region and the Indian sub-continent, but excluding Japan and Australasia.

Investment Policy

The Company's investment policy is contained within the Report of the Directors on pages 12 and 13.

Management

Throughout the year, the Company's investment manager was F&C Investment Business Limited ('FCIB'). Details of the management contact between the Company and FCIB are provided in note 3 to the Accounts.

Following a review of the management arrangements of the Company, the Board has appointed First State Investment Management (UK) Limited ('First State') as investment manager and Frostrow Capital LLP to provide administrative and marketing services, in each case with effect from 1 July 2010. Further details of the terms of these appointments are provided in the Report of Directors on page 15.

Performance Assessment

The Company exists in a competitive environment and aims to be in the top third of its peer group.

The new investment manager, First State, will be assessed on a rolling three year basis and is to be remunerated through a performance fee which rewards total returns in excess of the MSCI All Country Asia ex Japan Index plus 1.75 per cent.

Capital Structure

The Company's capital structure is composed solely of Ordinary Shares. Details are given in note 12 to the Accounts.

ISA Status

The Company's shares are eligible for Individual Savings Accounts ('ISAs').

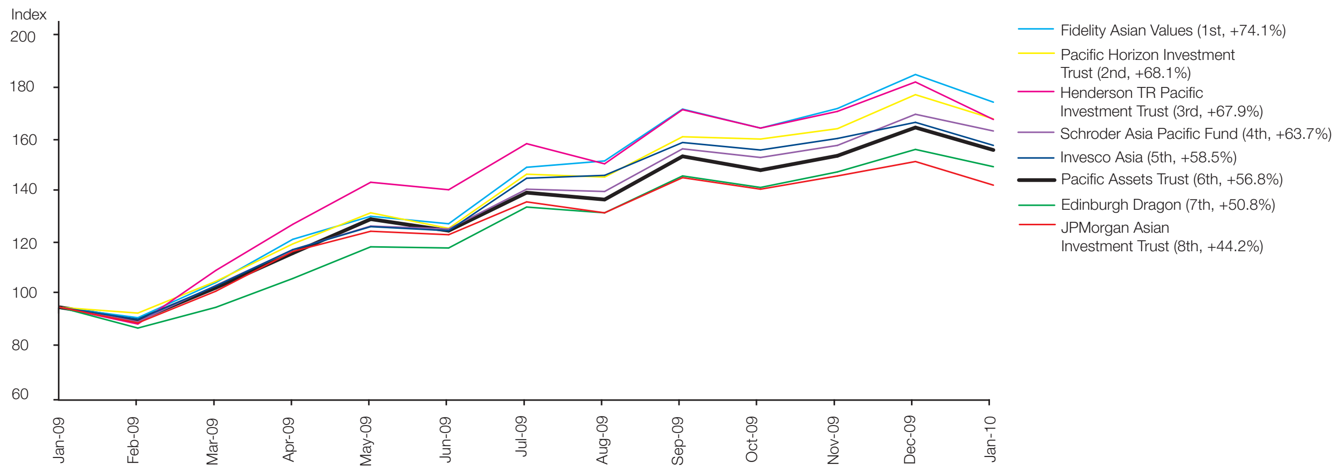
Website

The Company's internet address is www.pacific-assets.co.uk

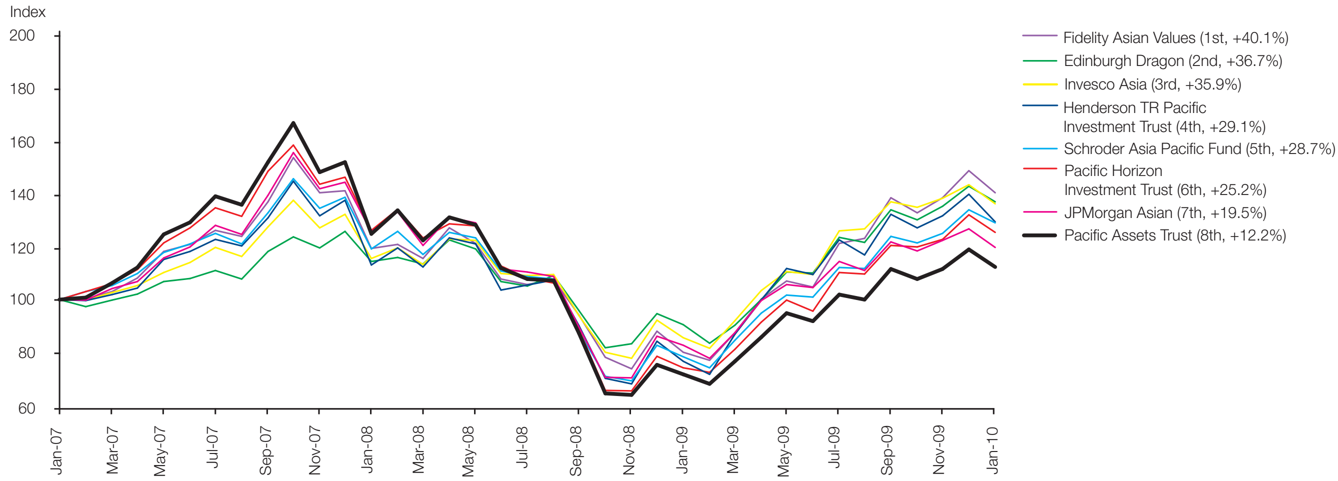
Financial Highlights

- Net asset value total return of 56.8 per cent
- Share price total return of 55.0 per cent
- Unchanged final dividend for the year of 1.29p per share

One Year Net Asset Value Total Return Peer Group Performance



Three Year Net Asset Value Total Return Peer Group Performance



Performance Summary

	31 January 2010	31 January 2009	% change
Capital			
Net asset value per share	**114.28p**	74.15p	+54.1
MSCI All Country Asia ex Japan Index	**284.11**	188.65	+50.6
Share Price			
Share price (mid market)	**104.25p**	68.25p	+52.7
Discount (difference between share price and net asset value per share)	**8.8%**	8.0%	
Total Return*			
Net asset value			+56.8
MSCI All Country Asia ex Japan Index			+54.2
Share price			+55.0
Gearing†			
Actual Gearing (net of cash)	**(0.6)%**	(4.9)%	
Revenue and Dividends			
Revenue return per share	**1.15p**	1.78p	-35.4
Dividends per share	**1.29p**	1.29p	–
Total Expense Ratio (as percentage of average shareholders' funds)	**1.6%**	1.6%	

Year's Highs/Lows	Year ended 31 January 2010 High	Year ended 31 January 2010 Low
Net asset value per share	**124.77p**	**68.22p**
Share price	**118.0p**	**60.00p**
(Premium)/discount‡	**(0.32)%**	**14.98%**

* All total returns are based on net dividends re-invested
† Gearing: Borrowings ÷ Shareholders' Funds
‡ Discount high – Narrowest discount in period
Discount low – Widest discount in period

Sources: F&C Investment Business, AIC and Datastream.

Chairman's Statement

David Nichol Chairman

Management

As a result of disappointing investment performance by your Company in recent years your Board has conducted a thorough review of the management arrangements which involved written submissions from and interviews with a number of investment managers with particular expertise in Asia, including F&C Investment Business Limited ('F&C'). This has resulted in the Asia Pacific/Global Emerging Markets team at First State Investment Management (UK) Limited ('First State') being appointed as the Company's new investment manager.

At the same time, it has been decided to separate the investment management function from the administration of the Company. Frostrow Capital LLP ('Frostrow') will provide administrative and marketing services.

First State is 100 per cent owned by the Commonwealth Bank of Australia and is headquartered in Edinburgh. Its Asia Pacific ex Japan/Global Emerging Markets team has 21 investment professionals, a number of whom are located in the firm's offices in Hong Kong and Singapore.

The First State team has specialised in Asian investment for 22 years and has built a highly creditable long term performance record managing a range of client portfolios including Scottish Oriental Smaller Companies Trust plc, an investment company which invests in smaller companies in the Asian Pacific region. The portfolio manager who will be responsible for managing your Company's assets is David Gait. He has been with First State for 12 years. First State has a disciplined research procedure which seeks to identify high quality companies for investment. As part of this process, there is a strong belief that companies with management integrity who take into consideration sustainability issues and good corporate governance in formulating their long term strategies are more likely to provide superior long term investment returns.

The investment objective of the Company is unchanged and our new investment managers will continue to pursue long term capital growth through investment in selected companies in the Asia Pacific region and the Indian sub-continent, but excluding Japan and Australasia.

First State have been engaged for an initial three year term with six months' notice thereafter. A management fee of 0.75 per cent per annum of net assets is to be paid and there is an additional performance component at the rate of 12.5 per cent of returns in excess of the MSCI All Country Asia ex Japan Index plus 1.75 per cent. The performance component will be calculated annually on a rolling three year basis and will only be paid if positive absolute returns have been generated since inception. First State has agreed to waive three months' fees in order to assist with the costs of the management transition.

In addition to selecting First State as investment manager, your Board has appointed Frostrow to provide administrative and marketing services. Frostrow is an independent specialist provider of services to the investment companies sector and the Board believes this arrangement offers a greater degree of flexibility than in-house services provided by the investment manager. A fee of 0.2 per cent per annum of market capitalisation will be payable to Frostrow. Frostrow has agreed to waive three months' fees and to absorb certain other costs in order to assist with the management transition.

The new management arrangements will start on 1 July 2010.

Annual Review and Performance

After a nervous start to the year, stockmarkets in the Asia Pacific region rebounded strongly finishing the year with some of the best total returns in the world. Following the coordinated implementation of stimulus policies by the world's major governments and central banks in response to the global financial crisis of 2008, liquidity conditions and macroeconomic data began to improve, and investor sentiment recovered.

As shareholders will be aware, the Company compared the performance of F&C with a peer group of eight comparable investment trusts and aimed to be consistently within the top third of that group on a rolling three year basis. Against this backdrop, the Company's net asset value total return (with dividends reinvested) for the year was 56.8 per cent, which placed it sixth out of eight for the year. Over the past three years it was eighth out of eight.

In previous years, the Company has also reported its performance against the MSCI All Country Far East Free ex Japan Index. During the year, the Board decided it is more appropriate to report against the MSCI All Country Asia ex Japan Index, as this index includes India where the Company has investments. This index produced a total return of 54.2 per cent for the year to 31 January 2010.

Shareholder value

The share price increased by 52.7 per cent during the year, to 104.25p. At 31 January 2010 this represented a discount of 8.8 per cent to the net asset value per share, compared to a discount of 8.0 per cent as at 31 January 2009.

The Company did not buy back any shares during the year. However, the Board believes that it is important to have a buy back facility in place and will therefore seek to renew the share buy back authority at the forthcoming Annual General Meeting.

Gearing

As a result of the Manager's cautious view of markets, the Company did not employ any of its borrowing facilities during the year. The Company has a flexible US dollar denominated facility which has been renewed since the end of the financial year and will provide it with the ability to put gearing in place when it is considered appropriate to do so.

Earnings and Dividends

The Company's revenue earnings per share for the year were 1.15p, which compares to 1.78p for the previous year. Investment income for the year was lower as companies in general reduced the levels of their distributions in light of reduced profitability and deteriorating economic conditions. However, there are now signs that corporate earnings are improving.

The Company's objective is to achieve capital growth and, consequently, the dividend paying prospects of investee companies have been of secondary importance when making investment decisions. However, in light of the Company's significant revenue reserves and a dividend outlook which may be improving, the Board recommends an unchanged final dividend for the year of 1.29p per share, to be paid on 30 June 2010 to those shareholders on the register on 4 June 2010.

Annual General Meeting

The Annual General Meeting will be held at 10.30am on Tuesday 29 June 2010 at City of London Club, 19 Old Broad Street, London. The notice of the Meeting is included on pages 44 to 47. We look forward to seeing as many shareholders as possible.

Shareholders who are unable to attend the Meeting are encouraged to return their forms of proxy to ensure that their votes are represented.

F&C Savings Schemes

A number of our shareholders currently hold their shares through savings plans which are run by F&C. Following the change of investment management arrangements, your Company's shares will no longer be permitted investments within these plans. F&C will shortly be writing to planholders with full details of the range of alternative options from which they can choose. Details of the Alliance Trust savings plan to which shareholders can transfer their shares and therefore access the new investment manager are contained on page 43. It is hoped that those who share your Board's enthusiasm for the new investment management arrangements will continue as shareholders by electing to transfer to the Alliance Trust savings plan.

David Nichol
Chairman
28 May 2010

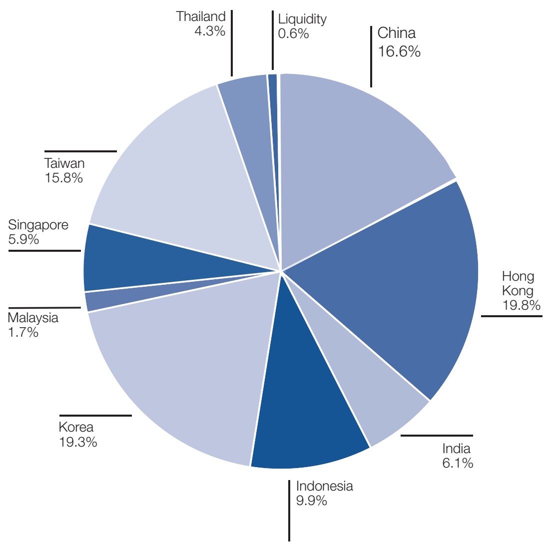
Manager's Review

Market Review

At the start of 2009 global equity markets remained paralysed in the wake of the unfolding ramifications stemming from the credit crisis of 2008. Aggressive and coordinated monetary and fiscal stimulus programmes across the world in late 2008 offered some hope that a depression could be averted. However, with corporates focussing on preserving cash flow, inventories were run down, staff numbers reduced and salaries cut, signalling the possibility of a long drawn out period of sub-trend GDP growth.

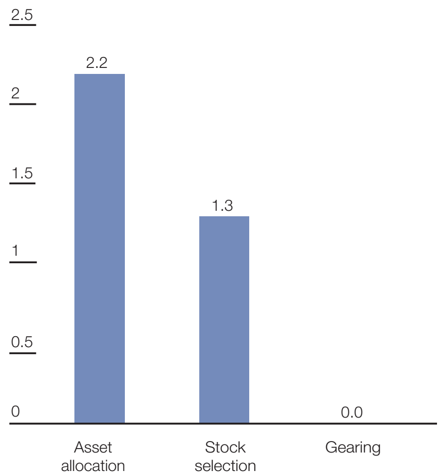
Asia was not immune to this as its economies remained sensitive to the fortunes of its export sectors which were suffering from the global de-stocking process and apparent freeze in international trade finance. As a result, economic forecasts at the start of 2009 predicted widespread recessions across the region with only China and India expected to remain in positive territory. This, combined with the fact that regional valuations were still some way from historical 'buy' levels seen after the sell-offs in 2001 and 2003, led to the Company maintaining a mostly defensive stance through the year with no gearing and the portfolio concentrated in companies with strong balance sheets and visible cash flows, such as Indonesian downstream gas supplier Perusahaan Gas Negara and Taiwanese technology outsourcing beneficiary Hon Hai Precision Industry.

Geographical Analysis as at 31 January 2010
% of total assets less current liabilities



Despite this cautious undertone, a deliberate balanced strategy, combining both cyclical and non-cyclical exposure, allowed the Company to participate in the liquidity fuelled rally, and the net asset value total return for the year of 56.8 per cent, ultimately outperformed the MSCI All Country Asia ex Japan Index which returned 54.2 per cent. Against the peer group, the Company was positioned sixth which, although falling short of the stated top third objective, did represent a marked improvement from the prior year and is indicative of the steady progress that we are seeking to achieve over time. Differentiation from the peer group largely arose at the stock level, with the Company continuing to seek investments in faster growth, less well researched, and undervalued names. To this extent there were notable successes, such as traditional Chinese

Contribution to relative performance (%)*
Year to 31 January 2010



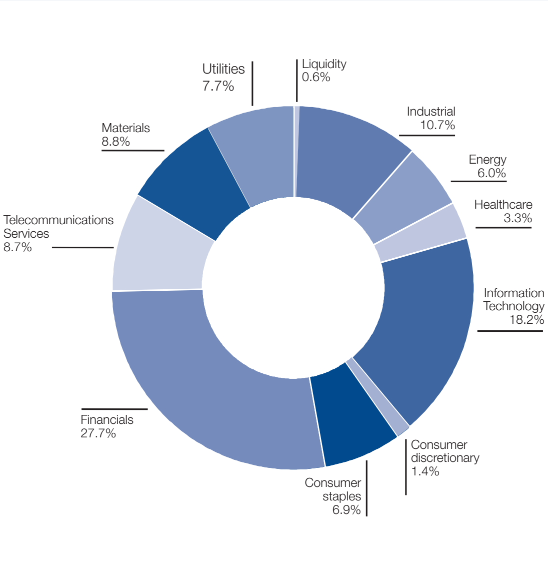
*as measured against the MSCI All Country Asia ex Japan Index

medicine manufacturer China Shineway, Indonesian noodle producer Indofood, and Korean department store operator Lotte Shopping. By contrast, the Company's holdings in large cap defensive names such as China Mobile, KT&G and IOI Corporation hindered performance.

In the second quarter of 2009, further commitments by the US Federal Reserve to keep interest rates low and quantitative easing programmes in place helped to buoy global liquidity further. As this coincided with an easing of year over year base effects the rate of decline in macroeconomic data points began to improve. This shift in the second derivative acted as the trigger for a revival in investor sentiment which, when combined with excess global liquidity, led to the start of the equity market recovery. Asia was a beneficiary of this increased liquidity, given the improvement in the outlook for GDP growth, stable financial systems and the leverage from the re-stocking of global inventories. However, with deleveraging continuing to depress western consumption and the weakness in the US Dollar inhibiting Asia's export competitiveness, a degree of cautious optimism was adopted. Korean and Taiwanese weightings were, nonetheless, raised to join the overweight positions in China and Indonesia, but this was as much a reflection of increased confidence in their domestic growth stories as it was to tap into the 'hoped for' export recovery story.

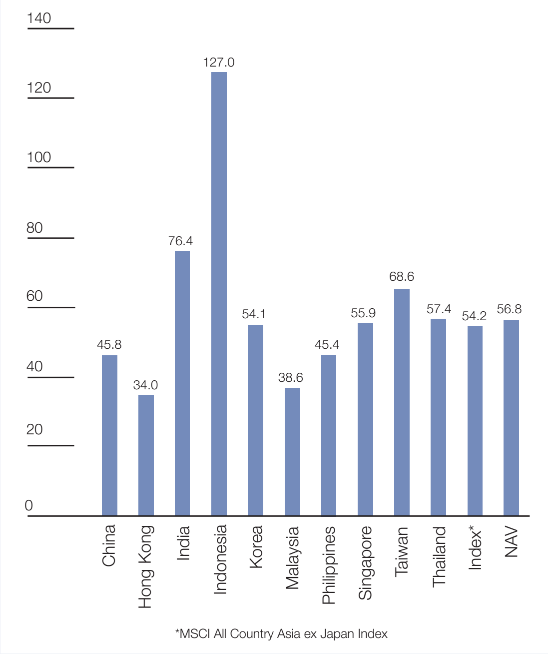
Subsequent scares through the year, such as the risk of default by Dubai World, rising inflation in China and mounting uncertainty over the stability of western government finances, highlighted the fragility of the recovery and raised questions as to the sustainability in the contraction of emerging market risk premia. As a result, we continued to seek investments in visible growth names where the underlying thematic appeared sustainable and under-appreciated, such as in non-cyclical internet plays, excess savings opportunities such as in the insurance sector, and the cash rich technology sector.

Sector Analysis as at 31 January 2010
% of total assets less current liabilities



By the end of the third quarter the bounce in the Asian markets had taken valuations back above their historical averages, upward earnings revisions had begun to slow and consensus growth expectations for 2010 had become elevated. Yet global asset allocators continued to favour the Asian growth story with net inflows for the year finally amounting to in excess of US$60 billion. This trend remained in place right through until mid January 2010 when the weakness in the US Dollar began to invert.

Performance of Asia Pacific stockmarkets (sterling) (%)
Year to 31 January 2010



*MSCI All Country Asia ex Japan Index

Within the region the best performing markets were Indonesia (+127.0 per cent), India (+76.4 per cent) and Taiwan (+68.6 per cent). All three markets benefited from reduced political risk as positive election results in Indonesia and India sprung hope of accelerated reforms, whilst in Taiwan the prospect of closer economic relations with China raised expectations of faster economic growth and convergence in asset prices. In addition, Indonesia and India benefited from being less reliant on exports

Manager's Review (continued)

to drive their GDP growth. In Taiwan, the technology sector outperformed as replacement demand combined with new product launches to revitalise shipment volumes generating considerable operational leverage as much of the sector was heavily under-utilised.

The underweight positions in Hong Kong ('HK'), Malaysia and the Philippines helped performance as they underperformed the index by rising just 34.0 per cent, 38.6 per cent and 45.4 per cent respectively. The zero weighting to HK utilities and underweight stance to HK financials, due to concerns over valuation and asset quality respectively, contributed positively to performance. Malaysia's low beta status and relatively expensive valuation correctly warranted an underweight position. However, the benefit from the underweight stance was partly undone by disappointing stock selection.

By the end of the first half of 2009 it was clear that the Chinese authorities had succeeded in their attempts to shore up economic growth. Faster than expected loan growth, fixed asset investment and domestic consumption buoyed the economy and the equity market to such an extent that the authorities were forced to consider steps in which to prevent asset bubbles from forming. This threat of increased policy risk weighed heavily on the market, and intensified further as inflation turned positive by the end of the year. Despite China materially underperforming the index by 8.4 percentage points, stock selection in supply constrained resource areas helped insulate the impact to the Company's performance. Tap water supply company China Water Affairs and gas supplier Beijing Enterprises performed particularly well.

Korea, Singapore and Thailand performed close to the benchmark rising 54.1 per cent, 55.9 per cent and 57.4 per cent respectively. Stability in their respective currencies signalled increasing confidence in their financial systems, though all of them remain vulnerable should the global economic recovery falter.

Outlook

Having survived the global credit crisis and re-rated back above historical average valuations, the Asian markets now have to compete with 'cheaper' developed markets, which in some instances are also likely to see faster rates of change in GDP growth, albeit due to an easier base effect. Combined with rising pressure for Asian monetary and fiscal policies to turn less accommodative, it is evident that the region has a number of headwinds to contend with in 2010. Nonetheless, the structural growth outlook for Asia remains compelling, and with an enviable financial system and broadening in economic activity, the region appears well placed to continue to grow in a dynamic and resourceful manner.

F&C Investment Business Limited
Investment Manager
28 May 2010

Investment Portfolio

	Sector	31 January 2010 valuation £'000	31 January 2009 valuation £'000	% of total assets less current liabilities	Country of incorporation
Perusahaan Gas Negara Perusahaan Gas Negara operates in the distribution and transmission of natural gas to industrial, commercial and household users.	Utilities	5,747	2,279	4.2	Indonesia
Hon Hai Precision Hon Hai Precision manufactures and markets personal computer ('PC') connectors and cable assemblies used in desktop PC's and PC servers	Information Technology	5,161	1,706	3.8	Taiwan
China Water Affairs China Water Affairs is a vertically integrated urban tap water supply company with subsidiaries involved in sewage treatment and property development.	Utilities	4,637	1,513	3.4	Hong Kong
Shinhan Financial Shinhan Financial is a holding company that provides a full range of consumer and commercial banking related financial services. The company's main businesses include banking, securities brokerage, trust banking, and asset management to individuals, businesses, and other financial institutions.	Financials	4,440	2,289	3.3	South Korea
NHN Corporation NHN Corporation provides internet site with web portal services, such as search engine, online games and content development. The company also offers market services through text and banner advertisement.	Information Technology	4,257	3,324	3.2	South Korea
DBS Group DBS Group and its subsidiaries provide a variety of financial services. The company's services include mortgage financing, lease and hire purchase financing, nominee and trustee facilities, funds management, corporate advisory and brokerage.	Financials	4,247	1,571	3.1	Singapore
Kasikornbank Kasikornbank provides commercial banking services, including personal and commercial banking, international trade, as well as investment banking services, to its customers throughout Thailand.	Financials	4,080	2,886	3.0	Thailand
Advanced Semiconductor Engineering Advanced Semiconductor Engineering manufactures and markets integrated circuit packages for computer, consumer electronics, communications and industrial applications.	Information Technology	4,017	–	3.0	Taiwan
China Mobile China Mobile is the largest provider of cellular telecommunications and related services in the People's Republic of China and Hong Kong SAR.	Telecommunication Services	3,867	5,433	2.9	China
Midas Midas designs and manufactures aluminium alloy extrusion profiles plus has a legacy business consisting of polyethylene pipe manufacturing and installation.	Materials	3,277	1,760	2.4	Singapore
Ten largest investments		**43,730**		**32.3**	

Investment Portfolio (continued)

Company

	Sector	Market valuation £'000	% of total assets less current liabilities	Country of incorporation
Bank of China	Financials	3,276	2.4	China
Sun Hung Kai Properties	Financials	3,224	2.4	Hong Kong
CNOOC	Energy	3,155	2.3	Hong Kong
Telekomunikasi Indonesia	Telecommunication Services	3,145	2.3	Indonesia
Wistron Corporation	Information Technology	3,058	2.3	Taiwan
KT&G Corporation	Consumer Staples	2,739	2.1	South Korea
Ping An Insurance Group	Financials	2,736	2.1	Hong Kong
Tata Consultancy Services	Information Technology	2,722	2.0	India
LG Corporation	Industrials	2,613	1.9	South Korea
China Petroleum & Chemical	Energy	2,610	1.9	China
Twenty largest investments		**73,008**	**54.0**	
Shanghai Industrial	Industrials	2,603	1.9	China
Daelim Industrial	Industrials	2,569	1.9	South Korea
Indofood Sukses	Consumer Staples	2,403	1.8	Indonesia
IOI Corporation	Consumer Staples	2,336	1.7	Malaysia
Fubon Financial	Financials	2,292	1.7	Taiwan
Union Bank of India	Financials	2,257	1.7	India
China Construction Bank	Financials	2,213	1.6	China
China Shineway Pharmaceutical	Healthcare	2,185	1.6	Hong Kong
KB Financial Group	Financials	2,148	1.6	South Korea
Samsung Electronics	Information Technology	2,127	1.6	South Korea
Thirty largest investments		**96,141**	**71.1**	
Indocement Tunggal Prakarsa	Materials	2,117	1.6	Indonesia
China South Locomotive & Rolling Stock	Industrials	2,056	1.5	China
Asia Cement	Materials	2,050	1.5	Taiwan
Sino-Ocean Land	Financials	2,028	1.5	China
Lotte Shopping	Consumer Discretionary	1,948	1.5	South Korea
China Shenhua Energy	Energy	1,920	1.4	Hong Kong
LG Display	Information Technology	1,917	1.4	South Korea
Hang Lung Properties	Financials	1,904	1.4	Hong Kong
Hutchison Whampoa	Industrials	1,824	1.4	Hong Kong
Chungwha Telecom	Telecommunication Services	1,817	1.3	Taiwan
Forty largest investments		**115,722**	**85.6**	
CP All	Consumer Staples	1,792	1.3	Thailand
Steel Authority of India	Materials	1,744	1.3	India
Bharti Airtel	Telecommunication Services	1,588	1.2	India
Taiwan Fertilizer	Materials	1,475	1.1	Taiwan
Shin Zu Shing	Industrials	1,468	1.1	Taiwan
Mindray Medical	Healthcare	1,419	1.1	China
Beijing Enterprises	Industrials	1,396	1.0	Hong Kong
NetEase.com	Information Technology	1,378	1.0	China
SK Telecom	Telecommunication Services	1,348	1.0	South Korea
China Pacific Insurance	Financial	1,261	0.9	Hong Kong
Fifty largest investments		**130,591**	**96.6**	
Huabao	Materials	1,257	0.9	Hong Kong
Cheung Kong	Financials	1,146	0.8	Hong Kong
China Medical Technology	Healthcare	850	0.7	China
R H Energy	Energy	400	0.3	Singapore
Anglo Chinese Investment Company*	Financials	175	0.1	Hong Kong
Total portfolio		**134,419**	**99.4**	
Net current assets		**835**	**0.6**	
Total assets less current liabilities		**135,254**	**100.0**	

* Unlisted investment

Board of Directors

David Nichol[*†‡]
Chairman
was appointed as a Director in 1985 and Chairman in 2004. He is a consultant to Rossie House Investment Management, a firm which manages portfolios for private clients.

Terence Mahony[*†‡]
was appointed as a Director in 2004. He is Managing Director of TFM Management Limited, a firm of investment consultants based in Hong Kong. He has over 35 years' investment experience, the last 25 of which have been gained in Asia. He is also a non-executive director of Advance Developing Markets Fund Limited, Impax Asian Environmental Markets plc and Citic Capital Investment Management.

Richard Horlick[*†‡]
was appointed as a Director in 2005. He is also a non-executive director of Tau Capital plc. He was, from 2002 until 2005, a director of Schroders plc, where he was Head of Investments and a member of the General Management Committee. Between 2001 and 2002 he was Chairman, Chief Executive Officer and President of Fidelity Management Trust Company, where he was responsible for institutional business in the US. Between 1994 and 2001 he was President, Institutional Business, of Fidelity International, where he was responsible for investments and the development of institutional assets.

Nigel Rich, CBE[*†‡]
Senior Independent Director and Chairman of the Audit Committee
was appointed as a Director in 1997 and was previously Managing Director of Jardine Matheson in Hong Kong. He is Chairman of Segro plc and Xchanging plc. His other non-executive directorships include Bank of the Philippine Islands (Europe) plc, Castle Asia Alternative PCC Limited and Matheson & Co Limited.

Stuart Leckie, OBE[*†‡]
was appointed as a Director in 2001. He was Chairman of Watson Wyatt, Asia Pacific until 1995 then Chairman of Fidelity Investments, Asia Pacific until 1998. He has been President of the Actuarial Society of Hong Kong (1981 and 1999) and was Chairman of the International Actuarial Association's China Committee. He has served on various committees in Hong Kong's Securities and Futures Commission and was a director of Exchange Fund Investment Limited. He is an advisory council member of the CFA Institute for Financial Market Integrity.

* Member of the Audit Committee
† Member of the Engagement and Remuneration Committee
‡ Member of the Nomination Committee

Report of the Directors

The Directors submit the Annual Report and Accounts of Pacific Assets Trust plc (the 'Company') for the year ended 31 January 2010.

Results and Dividends

The results for the year are set out in the attached accounts.

The Board recommends a final dividend for the year of 1.29p per share payable on 30 June 2010 to shareholders on the register at close of business on 4 June 2010.

Principal Activity and Status

The Company is registered as a public limited company in Scotland (Registered Number SC091052) and is an investment company within the terms of Section 833 of the Companies Act 2006. Its shares are quoted on the main market of the London Stock Exchange.

The Company has been approved by HM Revenue & Customs as an investment trust under Section 842 of the Income and Corporation Taxes Act 1988 for the year ended 31 January 2009. As a result, it is not liable to corporation tax on capital gains. In the opinion of the Directors, the Company has subsequently conducted its affairs so as to enable it to continue to obtain approval as an investment trust.

The Company is required to comply with company law, the rules of the UK Listing Authority, UK Financial Reporting Standards, and its Articles of Association.

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

Capital Structure

As at 31 January 2010 there were 118,348,386 Ordinary Shares of 12.50p each in issue. All Ordinary Shares rank equally for dividends and distributions and carry one vote each. Details of the capital structure can be found in note 12 to the accounts. The revenue profits of the Company (including accumulated revenue reserves) are available for distribution by way of dividends to the holders of the Ordinary Shares. Upon a winding-up, after meeting the liabilities of the Company, the surplus assets would be distributed to shareholders pro rata to their holdings of Ordinary Shares.

Business Review

The Board of Directors is responsible for the overall stewardship of the Company, including investment and dividend policies, corporate strategy, gearing, corporate governance and risk management. Biographical details of the Directors, all of whom are non-executive, can be found on page 11.

Objective

The Company's investment objective is to achieve long-term capital growth through investment in selected companies in the Asia Pacific region and the Indian sub-continent, but excluding Japan and Australasia.

Investment Policy

The Company invests in companies which its investment manager (the 'Manager') believes will be able to generate long term growth for shareholders.

The Company invests principally in listed equities although its policy enables it to invest in other securities, including preference shares, debt instruments, convertible securities and warrants. In addition, the Company may invest in open and closed-ended investment funds and companies.

The Company is able to invest in unlisted securities and there is currently one such investment in the portfolio (Anglo Chinese Investment Company). It is the Board's current intention that, in the future, unlisted investments will be limited to those which are expected to be listed on a stock exchange or which cease to be listed and the Manager considers appropriate, or is required, to continue to hold.

Risk is diversified by investing in different countries, sectors and stocks within the Asia Pacific region. There are no defined limits on countries or sectors but no single investment may exceed 15 per cent of the Company's total assets at the time of investment. However, the Board has set a current limit for single investments of 7.5 per cent of total assets at the time of investment. This limit is reviewed from time to time by the Board and may be revised as appropriate.

No more than 10 per cent of the Company's total assets may be invested in other listed closed-ended investment companies unless such investment companies themselves have published investment policies to invest no more than 15 per cent of their total assets in other closed-ended investment companies, in which case the limit is 15 per cent.

The Company uses gearing to enhance returns over the long term and its policy is that borrowings, net of cash, will not exceed 35 per cent of shareholders' funds at the time of borrowing. However, the Board has set a current limit on gearing, net of cash, of 20 per cent of shareholders' funds at the time of borrowing. This limit is reviewed from time to time by the Board and may be revised as appropriate.

The use of derivatives is permitted with prior Board approval and within agreed limits.

Investment of Assets

At each Board meeting, the Board receives a presentation from the Manager which includes a review of investment performance, recent portfolio activity and market outlooks. It also considers compliance with the investment policy and other investment restrictions during the reporting period. An analysis of the portfolio as at 31 January 2010 is contained in note 9 to the accounts and in the Manager's Review on pages 6 to 8, and the full portfolio listing is provided on pages 9 and 10. The Company had a net cash balance of 0.6 per cent as at 31 January 2010.

Strategy

As part of its strategy, the Board has contractually delegated the management of the investment portfolio and other services to the Manager.

The Company's performance in meeting its objective is measured against key performance indicators as set out below. A review of the Company's returns during the financial year, the position of the Company at the year end, and the outlook for the coming year is contained in the Chairman's Statement on pages 4 and 5 and in the Manager's Review on pages 6 to 8, both of which form part of this Business Review.

Principal Risks and Risk Management

The Company's assets consist principally of listed securities and its main risks are therefore market related. The Company is also exposed to currency risk in respect of the markets in which it invests. More detailed explanations of these risks and the way which they are managed are contained in notes 17 to 22 to the accounts.

Other risks faced by the Company include the following:

- External – events beyond the control of the Board and the Manager, such as political change, natural disasters, terrorism, protectionism, inflation or deflation, economic recessions and movements in interest rates could affect share prices in particular markets.

- Investment and strategic – incorrect strategy, country and sector allocation, stock selection, and the use of gearing could all lead to poor returns for shareholders.

- Regulatory – breach of regulatory rules could lead to suspension of the Company's listing, financial penalties or a qualified audit report. Breach of Section 842 of the Income and Corporation Taxes Act 1988 could lead to the Company being subject to tax on capital gains.

- Operational – failure of the Manager's accounting systems or disruption to the Manager's business, or that of third party service providers, could lead to an inability to provide accurate reporting and monitoring, leading to a loss of shareholders' confidence.

- Financial – inadequate controls by the Manager or third party service providers could lead to misappropriation of assets. Inappropriate accounting policies or failure to comply with accounting standards could lead to misreporting or breaches of regulations. Breaching loan covenants could lead to a loss of shareholders' confidence and financial loss for shareholders.

The Board seeks to mitigate and manage these risks through continual review, policy setting and enforcement of contractual obligations. It also regularly monitors the investment environment and the management of the Company's investment portfolio. The Board applies the principles detailed in the internal control guidance issued by the Financial Reporting Council. Details of the Company's internal controls are described in more detail on pages 17 and 18.

Key Performance Indicators

The Board uses a number of performance measures to assess the Company's success in meeting its objectives. The key performance indicators are as follows:

- Net asset value total return against the peer group.
- Net asset value total return against the MSCI All Country Asia ex Japan Index.
- Discount of share price to net asset value.
- Total expenses as a ratio of shareholders' funds.

A historical record of these indicators is contained in the Financial Highlights and Performance Summary on pages 2 and 3 and in the Ten Year Record on page 42.

Directors

The Directors who held office at the end of the year and their interests in the shares of the Company were:

		Number of Ordinary Shares held as at 31 January 2010	Number of Ordinary Shares held as at 31 January 2009
D B Nichol	Beneficial	**40,000**	40,000
	Trustee	**100,000**	100,000
R M A Horlick		**Nil**	Nil
S H Leckie		**Nil**	Nil
T F Mahony		**Nil**	Nil
N M S Rich	Beneficial	**25,000**	25,000

There have been no changes in the interests of the Directors in the shares of the Company between 31 January 2010 and 28 May 2010.

As explained in more detail under the heading Corporate Governance on pages 15 to 17, the Board has agreed that Directors who have served on the Board for more than nine years will retire annually. Accordingly, Mr S H Leckie, Mr D B Nichol and Mr N M S Rich will retire at the Annual General Meeting and, being eligible, offer themselves for re-election.

The Board confirms that, following formal performance evaluations, the performance of each of the Directors seeking re-election at the Annual General Meeting continues to be effective and demonstrates commitment to the role. The Board therefore believes that it is in the interests of shareholders that these Directors are re-elected.

No Director has a contract of service with the Company or any material interest in any contract to which the Company is a party. Each of the Directors has a letter of appointment with the Company.

Directors' Indemnities

As at the date of this report, a deed of indemnity has been entered into by the Company and each of its Directors under which the Company has agreed to indemnify each Director, to the extent permitted by law, in respect of certain liabilities incurred as a result of carrying out his role as a Director of the Company. Each Director is indemnified against the costs of defending any criminal or civil proceedings or any claim by the Company or a regulator as they are incurred provided that where the defence is unsuccessful the Director must repay those defence costs to the Company. The indemnities are qualifying third party indemnity provisions for the purposes of the Companies Act 2006.

A copy of each deed of indemnity is available for inspection at the Company's registered office during normal business hours and will be available for inspection at the Annual General Meeting.

Conflicts of Interest

Each Director has a statutory duty to avoid a situation where he has, or could have, a direct or indirect interest which conflicts, or may conflict, with the interests of the Company. A Director will not be in breach of that duty if the relevant matter has been authorised in accordance with the Company's Articles of Association.

The Board has approved a protocol for identifying and dealing with conflicts and has resolved to conduct an annual review of actual or possible conflicts and any authorised conflicts. During the year the Board conducted such a review in respect of each Director.

Substantial Interests in Share Capital

As at 28 May 2010 the Company had received notification of the following holdings of voting rights (under the FSA's Disclosure and Transparency Rules):

	Number of Ordinary Shares Held	Percentage Held
Lazard Asset Management LLC	14,357,100	12.1
F&C Asset Management plc	11,528,987	9.7
Sarasin & Partners LLP	8,939,800	7.5
Legal & General Group plc	4,709,449	3.9

Investment management and administration

Historically, the Board has appointed F&C Investment Business Limited ('F&C') to manage the investment portfolio on a day-to-day basis and carry out administrative, accounting, secretarial and marketing activities on behalf of the Company. F&C will continue to do so until 30 June 2010.

Following disappointing investment performance in recent years the Board conducted a review of the Company's investment management arrangements and invited a wide range of prospective investment managers, in addition to F&C, to submit proposals for the future management of the Company's assets. After this review, the Board is of the opinion that it is not in the interests of shareholders as a whole for F&C to remain as the Company's appointed Manager. As a result, it has been decided to separate the investment management function from the administration of the Company. The Board has appointed, with effect from 1 July 2010, the Asia Pacific/Global Emerging Markets Team at First State Investment Management (UK) Limited ('First State') as the Company's new investment manager and Frostrow Capital LLP ('Frostrow') will provide administrative and marketing services to the Company.

The Board believes this new arrangement has considerable long term advantages. In particular, the investment manager or any other aspect of the company's management can be changed with less disruption, to ensure the best available service is provided for all parts of the Company's business.

Details of the proposed management arrangements with First State and Frostrow are set out in the section entitled 'Management fee' below.

Management Fee

The Company has terminated its existing management agreement with F&C and has appointed First State and Frostrow with effect from 1 July 2010. Details of the fees payable to F&C are set out in note 3 to the accounts.

First State have been employed for an initial three year term with six months' notice thereafter. A management fee 0.75 per cent per annum of net assets is to be paid and there is an additional performance component at the rate of 12.5 per cent of returns in excess of the MSCI All Country Asia ex Japan Index plus 1.75 per cent per annum, measured over a rolling three year period. The Board has capped total annual investment management fees at 1.75 per cent of net assets. First State has agreed to waive three months' fees in order to assist with the costs of management transition.

Frostrow will provide company secretarial, accounting, administration and marketing services. A fee of 0.2 per cent (plus VAT) of market capitalisation will be payable for this service. Frostrow has agreed to waive three months' fees and to absorb certain other costs in order to assist with the management transition. Frostrow is an independent provider of services to the investment companies' sector and currently has five other investment company clients.

The Board is of the opinion that the appointment of First State and Frostrow on the terms set out above is in the best interests of shareholders as a whole.

Corporate Governance

Arrangements in respect of corporate governance appropriate to an investment trust have been made by the Board. Except as disclosed below, the Company complied throughout the year with the relevant provisions of the Combined Code on Corporate Governance issued by the Financial Reporting Council (the 'Combined Code') and the recommendations of the AIC's Code of Corporate

Report of the Directors (continued)

Governance (the 'AIC Code'). Since all Directors are non-executive, and in accordance with the AIC Code and the preamble to the Combined Code, the provisions of the Combined Code on the role of the chief executive and, except so far as they apply to non-executive Directors, on Directors' remuneration are not relevant to the Company and are not reported on further.

In view of its non-executive nature, the Board considers that it is not appropriate for the Directors to be appointed for a specified term as recommended by provision A.7.2 of the Combined Code and principle 3 of the AIC Code. However, the Articles of Association require all Directors to retire every three years and the Board has agreed that each Director will retire annually after the completion of nine years of service.

The Board consists solely of non-executive Directors. Mr D B Nichol is Chairman and Mr N M S Rich is the Senior Independent Director. All the Directors are considered by the Board to be independent of the Manager. New Directors receive an induction from the Manager on joining the Board and all Directors are made aware of appropriate training courses.

Mr S H Leckie, Mr D B Nichol and Mr N M S Rich have served on the Board for more than nine years and, as recommended by the Combined Code and the AIC Code, will seek re-election annually. The Board subscribes to the view expressed within the AIC Code that long-serving Directors should not be prevented from forming part of an independent majority. It does not consider that a Director's tenure necessarily reduces his ability to act independently and, following formal performance evaluations, believes that each of those Directors is independent in character and judgement and that there are no relationships or circumstances which are likely to affect their judgement. The Board's policy on tenure is that continuity and experience are considered to add significantly to the strength of the Board and, as such, no limit on the overall length of service of any of the Company's Directors, including the Chairman, has been imposed.

The Company has no executive Directors or employees. A management agreement between the Company and F&C sets out the matters over which the Manager has authority and the limits beyond which Board approval must be sought. Similar agreements will be entered into with First State and Frostrow with effect from 1 July 2010. All other matters, including strategy, investment and dividend policies, gearing, corporate governance procedures and risk management, are reserved for the approval of the Board of Directors. The Board currently meets at least four times a year and receives full information on the Company's investment performance, assets, liabilities and other relevant information in advance of Board meetings. The Manager, in the absence of explicit instructions from the Board, is empowered to exercise discretion in the use of the Company's voting rights. All shareholdings are voted at all meetings worldwide where practicable in accordance with the Manager's own corporate governance policy, which is to seek to maximise shareholder value by constructive use of votes at company meetings and by endeavouring to use its influence as an investor with a principled approach to corporate governance.

Throughout the year a number of committees have been in operation, namely the Audit Committee, the Engagement and Remuneration Committee and the Nomination Committee. Each of these committees operates within clearly defined written terms of reference which are available upon request.

The Audit Committee is chaired by Mr N M S Rich and comprises the whole Board. The duties of the Audit Committee in discharging its responsibilities include; reviewing the Annual and Interim Accounts; the system of internal controls employed by the Manager; and the terms of appointment of the auditors together with their remuneration. It is also the forum through which the auditors report to the Board of Directors and meets at least twice yearly. The objectivity of the auditors is reviewed by the Audit Committee which also reviews the terms under which the external auditors are appointed to perform non-audit services. The Audit Committee reviews the scope and results of the audit, its cost effectiveness and the independence and objectivity of the auditors, with particular regard to non-audit fees. Non-audit fees paid to the Company's auditors, KPMG Audit Plc, amounted to £4,000 for the year ended 31 January 2010 (2009: £4,000) and related to the provision of taxation services.

The Engagement and Remuneration Committee, chaired by Mr D B Nichol, comprises the full Board and reviews the appropriateness of the Manager's continuing appointment together with the terms and conditions thereof on a regular basis.

The Nomination Committee, chaired by Mr D B Nichol, comprises the full Board and is convened for the purposes of reviewing the re-election of Directors as they fall due and considering the appointment of additional Directors as and when considered appropriate. In considering appointments to the Board, the Nomination Committee takes into account the ongoing requirements of the Company and the need to have a balance of skills and experience within the Board.

During the year the performance of the Board, committees and individual Directors was evaluated through a formal assessment process led by the Chairman. This involved the completion of questionnaires tailored to suit the nature of the Company, and follow-up discussions between the Chairman and each of the Directors. The performance of the Chairman was evaluated by the other Directors under the leadership of the Senior Independent Director.

The following table sets out the number of scheduled Board and committee meetings held during the year ended 31 January 2010 and the number of meetings attended by each Director.

	Board of Directors		Audit Committee		Engagement and Remuneration Committee		Nomination Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
D B Nichol	4	4	2	2	1	1	1	1
R M A Horlick	4	4	2	2	1	1	1	1
S H Leckie	4	4	2	2	1	1	1	1
T F Mahony	4	4	2	2	1	1	1	1
N M S Rich	4	4	2	2	1	1	1	1

Individual Directors may, at the expense of the Company, seek independent professional advice on any matter that concerns them in the furtherance of their duties. The Company maintains appropriate Directors' and Officers' liability insurance.

Going Concern

After making enquiries, and bearing in mind the nature of the Company's business and assets, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Internal Control

The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. The Board has therefore established an ongoing process designed to meet the particular needs of the Company in managing the risks to which it is exposed, consistent with the internal control guidance issued by the Financial Reporting Council. The process relies principally on the Manager's existing risk-based approach to internal control whereby a test matrix is created that identifies the key functions carried out by the Manager and other service providers, the individual activities undertaken within those functions, the risks associated with each activity and the controls employed to minimise those risks. A residual risk rating is then applied by the Manager. The test matrix is regularly updated and the Board is provided with reports by the Manager, at least once a year, highlighting all material changes to the risk ratings and confirming the action which has been, or will be, taken. A formal annual review of these procedures is carried out by the Audit Committee and includes consideration of internal control reports issued by a representative of the Manager and other service providers. The review meeting is attended by a representative of the Manager's Audit, Risk and Compliance department. A second meeting in the year receives updates on any material changes in the risk environment and the action taken.

Such review procedures have been in place throughout the financial year and up to the date of approval of the Annual Report and the Board is satisfied with the effectiveness of the internal controls. These procedures are designed to manage rather than eliminate risk and, by their nature, can only provide reasonable, but not absolute, assurance against material misstatement or loss. At each Board meeting the Board monitors the investment performance of the Company in comparison to its stated objective, its peer group of eight comparable investment trusts, and a broad equity market index. The Board also reviews the Company's activities since the last Board meeting to ensure that the Manager adheres to the agreed investment policy and approved investment guidelines and, if necessary, approves changes to the guidelines.

The Board has reviewed the need for an internal audit function. The Board has decided that the systems and procedures employed by the Manager, including its internal audit function and the review of its AAF 01/06 Report by a firm of external auditors, provide sufficient assurance that a sound system of internal control, which safeguards the Company's assets, is maintained. An internal audit function specific to the Company is therefore considered unnecessary.

Relations with Shareholders

The Company places great importance on communication with shareholders and welcomes their views. The Chairman and other Directors are available to meet shareholders if required. The Annual General Meeting of the Company provides a forum, both formal and informal, for shareholders to meet and discuss issues with the Directors. The notice for the forthcoming Annual General Meeting, to be held on 29 June 2010, is set out on pages 44 to 47.

Directors' Authority to Allot Shares and Disapplication of Pre-Emption Rights

The Directors are seeking authority to allot shares at the forthcoming Annual General Meeting. Resolution 9 will, if passed, authorise the Directors to allot new shares up to an aggregate nominal amount of £1,479,354, being 10 per cent of the total issued shares as at 28 May 2010. Resolution 10 will, if passed, authorise the Directors to allot new shares for cash on a non pre-emptive basis (a) in connection with a rights issue, open offer or other pre-emptive offer; or (b) (otherwise than in connection with a rights issue) up to an aggregate nominal amount of £1,479,354, being 10 per cent of the total issued shares as at 28 May 2010. These authorities will continue in effect until the conclusion of the Annual General Meeting to be held in 2011 or, if earlier, 31 July 2011. The Directors will only allot new shares pursuant to these authorities if they believe it is advantageous to the Company's shareholders to do so and in no circumstances that would result in a dilution of the net asset value per share. The Directors have no present intention of exercising these authorities.

Directors' Authority to Buy Back Shares

The current authority of the Company to make market purchases of up to 14.99 per cent of the issued Ordinary Shares expires at the end of the Annual General Meeting and Resolution 11, as set out in the notice of the Annual General Meeting, seeks renewal of such authority until the conclusion of the Annual General Meeting in 2011 or, if earlier, 31 July 2011. The renewed authority to make market purchases will be in respect of a maximum of 14.99 per cent of the issued Ordinary Shares of the Company as at the date of the passing of the resolution (approximately 17.7 million Ordinary Shares). The price paid for shares will not be less than the nominal value of 12.50p per share (exclusive of expenses) nor more than the higher of (a) 105 per cent of the average of the middle market values of those shares for the five business days immediately preceding the date the shares are purchased (exclusive of expenses); and (b) the higher of the last independent trade and the highest current independent bid on the London Stock Exchange. This authority, if conferred, will only be exercised if, in the opinion of the Directors, a purchase will result in an increase in the net asset value per share for the remaining shareholders and be in the interests of the shareholders generally. Any shares purchased under this authority will be cancelled.

Amendments to the Company's Articles of Association

The law in relation to companies has undergone a number of changes since the Company's current articles of association (the 'Current Articles') were last updated. The Board has decided that it is in the best interests of the Company to adopt new articles of association (the 'New Articles'). Accordingly, Resolution 12 is a special resolution relating to the adoption of the New Articles. The principal changes introduced by the New Articles are summarised in the Appendix to the Notice of Annual General Meeting on page 48. The changes are being made as a consequence of the implementation of the final parts of the Companies Act 2006 in October 2009 and the implementation of the Companies (Shareholders' Rights) Regulations 2009 (the 'Regulations') in August 2009. Whilst the majority of the changes brought about as a result of the Companies Act 2006 and the Regulations will apply automatically to the Company, it is best practice to reflect the new law in the Company's articles of association. Other changes, which are of a minor, technical or clarifying nature, are proposed to be made although are not summarised in the Appendix to the Notice of Annual General Meeting as they are not considered to be of material importance. A copy of the New Articles marked to show the changes being proposed by Resolution 12 is on display at the offices of Dickson Minto W.S., 22-25 Finsbury Square, London EC2A 1DX.

Auditors and Disclosure of Relevant Audit Information

Having made the requisite enquiries, so far as the Directors are aware, there is no relevant audit information (as defined by Section 418(3) of the Companies Act 2006) of which the Company's auditors are unaware and each Director has taken all steps that ought to have been taken to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

KPMG Audit Plc have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be submitted at the Annual General Meeting.

Individual Savings Accounts

The Company's shares are qualifying investments as defined by HM Revenue & Customs' regulations for Individual Savings Accounts. It is the current intention of the Directors that the Company will continue to conduct its affairs so as to satisfy this requirement.

Creditor Payment Policy

The Company follows the Manager's payment policy which is to settle investment transactions in accordance with market practice and to ensure settlement of supplier invoices in accordance with stated terms. The Company did not have any trade creditors at the year end.

Financial Instruments

The Company's financial instruments comprise its investment portfolio, cash balances and debtors and creditors that arise directly from its operations, such as sales and purchases awaiting settlement and accrued income. The financial risk management and policies arising from its financial instruments are disclosed in notes 17 to 22 to the accounts.

Recommendation

The Board considers that all of the resolutions to be considered at the Annual General Meeting are in the best interests of the Company and its shareholders as a whole. The Directors will be voting in favour of them in respect of their entire beneficial holdings of Ordinary Shares and unanimously recommend that all shareholders do so as well.

By order of the Board
G R Hay Smith
Secretary
80 George Street
Edinburgh EH2 3BU
28 May 2010

Directors' Remuneration Report

The Board has prepared this report in accordance with the requirements of the Companies Act 2006. A resolution for the approval of this report will be put to shareholders at the Annual General Meeting.

The law requires the Company's auditors to audit certain of the disclosures provided in this report. Where disclosures have been audited, they are indicated as such. The auditors' opinion is included in their report on pages 24 and 25.

The Board consists solely of non-executive Directors and considers annually the level of Directors' fees, in accordance with the Combined Code on Corporate Governance. The Company Secretary provides information on comparative levels of Directors' fees to the Board in advance of each review.

The Engagement and Remuneration Committee comprises the whole Board. As the Company has no executive Directors, the Committee meets annually to review the remuneration and terms of appointment of the Manager.

Policy on Directors' Fees

The Board's policy is that the remuneration of non-executive Directors should reflect the experience of the Board as a whole, be fair and comparable to that of other relevant investment trusts that are similar in size and have similar investment objectives and structures. Furthermore, the level of remuneration should be sufficient to attract and retain the Directors needed to properly oversee the Company and to reflect the specific circumstances of the Company, the duties and responsibilities of the Directors and the value and amount of time committed to the Company's affairs. It is intended that this policy will continue for the year ending 31 January 2011 and subsequent years.

The fees for the non-executive Directors are determined within the limits set out in the Company's Articles of Association. The present limit is £200,000 in aggregate per annum. Non-executive Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

Directors' Service Contracts

It is the Board's policy that Directors do not have service contracts but do have letters of appointment.

The Directors are appointed on the basis that they should retire and be subject to election at the first Annual General Meeting after their appointment. Directors are thereafter obliged to offer themselves for re-election by shareholders every three years after that. Any Director who has served on the Board for more than nine years will offer himself for re-election annually. There is no notice period and no provision for compensation upon early termination of appointment.

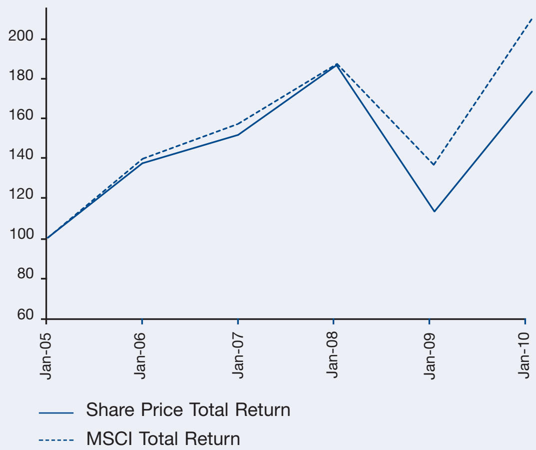
The Company's policy when determining the duration of notice periods and termination periods under such letters of appointments is to follow prevailing best practice and be comparable to other relevant investment trusts that are similar in size and structure and have similar investment objectives.

Director	Date of appointment	Due date for re-election
D B Nichol	4 January 1985	AGM 2010
R M A Horlick	1 December 2005	AGM 2012
S H Leckie	13 March 2001	AGM 2010
T F Mahony	1 February 2004	AGM 2011
N M S Rich	1 January 1997	AGM 2010

Company Performance

The Board is responsible for the Company's investment strategy and performance, although the management of the Company's investment portfolio is delegated to the Manager pursuant to the investment management agreement, as referred to in the Report of the Directors on page 15. The following graph compares, for the five financial years ended 31 January 2010, the total return (assuming all dividends are reinvested) to ordinary shareholders in each period compared to the total return from the MSCI All Country Asia ex Japan Index. This index was chosen for comparison purposes as it represents a comparable broad equity market index. An explanation of the performance of the Company is given in the Chairman's Statement and the Manager's Review. As explained in the Company Summary on page 1 the Board's formal assessment of the performance of the Company is by reference to its peers on a rolling three-year basis.

Five Year Performance v MSCI Index



Source: Datastream, F&C Investment Business

Directors' Emoluments for the Year (audited)

The Directors who served during the year received the following emoluments in the form of fees:

	2010 £	2009 £
D B Nichol	**23,333**	20,000
R M A Horlick	**17,500**	15,000
S H Leckie	**17,500**	15,000
T F Mahony	**17,500**	15,000
N M S Rich (Chairman of the Audit Committee)	**19,500**	17,000
Total	**95,333**	82,000

On behalf of the Board
D B Nichol
Chairman
28 May 2010

Management Report and Statement of Directors' Responsibilities

Management Report

Listed companies are required by the FSA's Disclosure and Transparency Rules (the 'Rules') to include a management report in their annual financial statements. The information required to be in the management report for the purpose of the Rules is included in the Chairman's Statement (pages 4 to 5), the Manager's Review (pages 6 to 8) and the Business Review contained in the Report of the Directors (pages 12 to 14). Therefore a separate management report has not been included.

Statement of Directors' Responsibilities

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 the law they have elected to prepare the financial statements in accordance with UK Accounting Standards. The financial statements are required by law to 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 judgments and 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Chairman's Statement, Manager's Review and Business Review contained within the Report of the Directors (together constituting the Management Report) include 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
D B Nichol
Chairman
28 May 2010

Independent Auditor's Report

Independent Auditor's Report to the Members of Pacific Assets Trust plc

We have audited the financial statements of Pacific Assets Trust plc for the period ended 31 January 2010 which comprises the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with sections 495, 496 and 497 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and the Auditor

As explained more fully in the Directors' Responsibilities Statement set out on pages 22 and 23, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit 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 ('APB's') Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKP.

Opinion on Financial Statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 January 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on Other Matters Prescribed by the Companies Act 2006

In our opinion:

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

Matters on Which We Are Required to Report by Exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 17, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Gareth Horner (Senior Statutory Auditor)

for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

28 May 2010

Income Statement

for the year ended 31 January	Notes	Revenue £'000	Capital £'000	2010 Total £'000	Revenue £'000	Capital £'000	2009 Total £'000
Gains/(losses) on investments	9	**–**	**48,665**	**48,665**	–	(61,943)	(61,943)
Gains on derivative arrangements		**–**	**39**	**39**	–	–	–
Exchange differences	13	**–**	**(204)**	**(204)**	–	(2,498)	(2,498)
Income	2	**2,545**	**–**	**2,545**	4,026	–	4,026
Investment management fee	3	**(281)**	**(842)**	**(1,123)**	(314)	(942)	(1,256)
Other expenses	4	**(728)**	**–**	**(728)**	(673)	–	(673)
Net return before finance costs and taxation		**1,536**	**47,658**	**49,194**	3,039	(65,383)	(62,344)
Interest payable	5	**–**	**–**	**–**	(90)	(271)	(361)
Return on ordinary activities before tax		**1,536**	**47,658**	**49,194**	2,949	(65,654)	(62,705)
Tax on ordinary activities	6	**(173)**	**–**	**(173)**	(846)	532	(314)
Return attributable to equity shareholders		**1,363**	**47,658**	**49,021**	2,103	(65,122)	(63,019)
Return per Ordinary Share (p)	8	**1.15**	**40.27**	**41.42**	1.78	(55.03)	(53.25)

The total column of this statement represents the profit and loss account of the Company. A Statement of Total Recognised Gains and Losses has not been prepared as all gains and losses are recognised in the Income Statement.

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

No operations were acquired or discontinued in the year.

Reconciliation of Movements in Shareholders' Funds

for the year ended 31 January	Notes	2010 £'000	2009 £'000
Opening shareholders' funds		**87,760**	152,105
Return for the year		**49,021**	(63,019)
Dividends paid	7	**(1,527)**	(1,326)
Closing shareholders' funds		**135,254**	87,760

The accompanying notes are an integral part of the above statements.

Balance Sheet

as at 31 January	Notes		2010		2009
		£’000	£’000	£’000	£’000
Fixed assets					
Investments	9		134,419		83,487
Current assets					
Debtors	10	236		1,299	
Cash at bank and on deposit		819		3,879	
		1,055		5,178	
Creditors (amounts falling due within one year)	11	(220)		(905)	
Net current assets			835		4,273
Net assets			135,254		87,760
Capital and reserves					
Called-up share capital	12		14,794		14,794
Share premium account	13		4		4
Capital redemption reserve	13		1,460		1,460
Special reserve	13		16,222		16,222
Capital reserve	13		98,610		50,952
Revenue reserve	13		4,164		4,328
Equity shareholders’ funds	14		135,254		87,760
Net asset value per Ordinary Share (p)	14		114.28		74.15

The accounts on pages 26 to 40 were approved and authorised for issue by the Board of Directors on 28 May 2010 and signed on its behalf by:

D B Nichol, Chairman

The accompanying notes are an integral part of this statement.

Cash Flow Statement

for the year ended 31 January	Notes	£'000	2010 £'000	£'000	2009 £'000
Operating activities					
Investment income received		**2,339**		3,675	
Other interest received		**3**		100	
Investment management fee paid		**(851)**		(1,228)	
Other cash payments		**(539)**		(768)	
Net cash inflow from operating activities	15		**952**		1,779
Servicing of finance					
Interest paid on bank loans and overdrafts		**–**		(381)	
Net cash outflow from servicing of finance			**–**		(381)
Capital expenditure and financial investment					
Purchase of futures		**(1,813)**		–	
Disposal of futures		**1,855**		–	
Purchase of investments		**(45,711)**		(101,286)	
Disposal of investments		**43,388**		117,662	
Net cash (outflow)/inflow from investing activities			**(2,281)**		16,376
Equity dividends paid			**(1,527)**		(1,326)
Net cash (outflow)/inflow before financing			**(2,856)**		16,448
Financing					
Loans drawn down		**–**		10,508	
Loans repaid		**–**		(23,716)	
Net cash outflow from financing			**–**		(13,208)
(Decrease)/increase in cash	16		**(2,856)**		3,240
Reconciliation of net cash flow to movement in net funds					
(Decrease)/increase in cash in the year		**(2,856)**		3,240	
Loans drawn down		**–**		(10,508)	
Loans repaid		**–**		23,716	
Change in net funds resulting from cash flows			**(2,856)**		16,448
Currency losses			**(204)**		(2,498)
Movement in net funds			**(3,060)**		13,950
Net funds/(debt) at 1 February			**3,879**		(10,071)
Net funds at 31 January	16		**819**		3,879

The accompanying notes are an integral part of this statement.

Notes to the Accounts

1 Accounting policies

A summary of the principal accounting policies adopted is set out below.

(a) Basis of accounting

These financial statements have been prepared under UK Generally Accepted Accounting Practice ('UK GAAP') and in accordance with guidelines set out in the Statement of Recommended Practice ('SORP'), revised January 2009, for investment trust companies issued by the Association of Investment Companies ('AIC').

Presentation of the Income Statement

In order to reflect better the activities of an investment trust company and in accordance with the SORP, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been presented alongside the Income Statement. The net revenue return is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in Section 842 of the Income and Corporation Taxes Act 1988.

(b) Valuation of investments

Investments are classified as fair value through profit or loss and are recognised and de-recognised at trade date where a purchase or sale is under a contract whose terms require delivery within the time frame established by the market concerned. Financial assets designated as fair value through profit or loss on initial recognition are measured initially and at subsequent reporting dates at fair value. For listed securities this is either bid price or last traded price, depending on the convention of the exchange on which the investment is listed. The unlisted investment is fair valued by the Directors on the basis of International Private Equity and Venture Capital Valuation Guidelines and all the information available to them at the time of valuation. The valuation is based on the net asset value of the investment as stated in the management accounts at 31 December 2009, adjusted for an appropriate marketability discount. Changes in fair value are included in the Income Statement as a capital item.

(c) Income

Dividends are recognised as income on the date that the related investments are marked ex-dividend.
Dividends receivable on equity shares where no ex-dividend date is quoted are recognised on the due date.
Income from fixed interest securities is recognised on a time apportionment basis so as to reflect the effective interest rate.
Deposit interest is recognised on an accruals basis.
Special dividends of a revenue nature are recognised through the revenue column of the Income Statement.
Special dividends of a capital nature are recognised through the capital column of the Income Statement.
Where the Company has elected to receive its dividends in the form of additional shares rather than cash the amount of the stock dividend is recognised as income.

(d) Expenses and interest

All expenses and interest are accounted for on an accruals basis. Expenses and interest are charged to the Income Statement as a revenue item except where incurred in connection with the maintenance or enhancement of the value of the Company's assets and taking account of the expected long-term returns, when they are split as follows:

- Interest payable on loans has been allocated 25 per cent to revenue and 75 per cent to capital; and
- Management fees payable have been allocated 25 per cent to revenue and 75 per cent to capital.

Transaction costs incurred on the purchase and sale of investments are taken to the Income Statement as a capital item.

Notes to the Accounts (continued)

(e) Taxation

The tax effect of different items of income/gain and expenditure/loss is allocated between capital and revenue as set out in note 6 to the accounts. The standard rate of corporation tax is applied to taxable net revenue. Any adjustment resulting from relief for overseas tax is allocated to the revenue reserve.

(f) Deferred taxation

Deferred tax 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 accounts which are capable of reversal in one or more subsequent periods. Deferred tax is measured without discounting and based on enacted tax rates.

(g) Foreign currencies

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates at the date of the transaction. Overseas assets and liabilities are translated at the rate ruling at the balance sheet date. Profits or losses on the retranslation of investments at the year end are included within unrealised appreciation/depreciation of investments and are taken to the capital reserve. Exchange gains and losses of a revenue nature are taken to the revenue account. The functional currency of the Company, being its statutory reporting currency, is sterling.

(h) Capital reserve

The following are accounted for in this reserve:

- gains and losses on the realisation of investments;
- increases and decreases in the valuation of investments held at year end;
- realised and unrealised exchange differences of a capital nature;
- expenses and finance costs, together with the related taxation effect, charged to this reserve in accordance with note (d) on the previous page;
- realised gains and losses on transactions undertaken to hedge an exposure of a capital nature; and
- other receipts and payments of a capital nature.

Rates of exchange at 31 January	2010	2009
Hong Kong Dollar	**12.44**	11.18
Indian Rupee	**73.98**	70.47
Indonesian Rupiah	**14,982**	16,406
Korean Won	**1,862**	1,989
Malaysian Ringgit	**5.47**	5.20
Philippino Peso	**74.51**	68.29
Singaporean Dollar	**2.25**	2.18
New Taiwanese Dollar	**51.19**	48.42
Thai Baht	**53.19**	50.42
US Dollar	**1.60**	1.44

2 Income

	2010 £'000	2009 £'000
Dividend income from investments†		
Listed overseas	**2,542**	3,926
Other income‡		
Deposit interest	**3**	35
Interest from VAT recovery (see note 3)	**–**	65
	–	100
Total income	**2,545**	4,026

† All investments have been designated as fair value through profit or loss on initial recognition, therefore all investment income arises on investments at fair value through profit or loss.

‡ Other income on financial assets not designated as fair value through profit or loss.

3 Investment management fee

	Revenue £'000	Capital £'000	2010 Total £'000	Revenue £'000	Capital £'000	2009 Total £'000
Investment management fee	**281**	**842**	**1,123**	340	1,021	1,361
Recoverable VAT	**–**	**–**	**–**	(26)	(79)	(105)
	281	**842**	**1,123**	314	942	1,256

Throughout the year the Company's investment manager was F&C Investment Business Limited ('FCIB'). FCIB receives a quarterly fee, payable in advance, equal to one quarter of one per cent of the value of the net assets of the Company.

The contract between the Company and FCIB may be terminated at any time by either party giving six months' notice of termination. The investment management agreement may be terminated earlier provided that a payment in lieu of notice, equivalent to the amount the investment manager would otherwise have received during the notice period, is made.

Notice to terminate the management agreement was given by the Company on 4 May 2010, to take place on 30 June 2010. Compensation will be paid by the Company to the Manager for the unexpired period of approximately four months' notice under the management agreement,

As a result of the European Court of Justice decision that investment management fees payable by investment trusts are not, and should never have been, liable to value added tax ('VAT'), the Company recovered £1,000 in respect of investment management fees paid to FCIB for the period beginning on 1 January 2001. The Company made a further recovery of £104,000 in February 2009 relating to the period 1990-1996.

4 Other expenses

	2010 £'000	2009 £'000
Directors' fees	**95**	82
Auditors' remuneration for:		
– audit	**17**	16
– other services supplied relating to taxation	**4**	4
Other expenses including custody costs, bank charges, registration, marketing and AIC contribution	**612**	571
	728	673

Notes to the Accounts (continued)

5 Interest payable

	Revenue	Capital	2010 Total	Revenue	Capital	2009 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Interest payable on bank loans not designated as fair value through profit or loss	–	–	–	90	271	361

6(a) Tax on ordinary activities

	Revenue	Capital	2010 Total	Revenue	Capital	2009 Total
	£'000	£'000	£'000	£'000	£'000	£'000
UK corporation tax	4	–	4	856	(856)	–
Overseas taxation	173	–	173	314	–	314
Double taxation relief	(4)	–	(4)	(324)	324	–
	173	–	173	846	(532)	314

As at 31 January 2010 the Company had unutilised management expenses for taxation purposes of £9,087,000 (2009: £9,748,000). It is not anticipated that these will have value in the foreseeable future. The Company also had Eligible Unrelieved Foreign Tax 'A' of £969,000 (2009: £796,000) which can be utilised against corporation tax in future periods. Overseas tax arose as a result of unrelieved withholding tax on foreign dividends.

(b) Reconciliation of tax charge

The revenue account tax charge for the year is different to the standard rate of corporation tax in the UK for an investment company (28 per cent; 2009: 28.3 per cent). The differences are explained below:

	2010 £'000	2009 £'000
Return on ordinary activities before tax	49,194	(62,705)
Adjustment for capital items:		
(Gains)/losses on investments	(48,665)	61,943
Gains on derivative arrangements	(39)	–
Exchange differences	204	2,498
Investment management fee	842	942
Interest payable	–	271
Income not subject to corporation tax	(1,487)	–
	49	2,949
Corporation tax at standard rate of 28.0 per cent (2009: 28.3 per cent)	14	835
Effects of:		
Irrecoverable overseas tax	173	–
Tax effect of overseas income assessed on receipt basis	(14)	11
Current year tax charge (note 6a)	173	846

The above reconciliation has been presented on a revenue basis as the Company is an investment trust under Section 842 of the Income and Corporation Taxes Act 1988 and therefore not liable to corporation tax on capital gains.

7 Dividends

	2010 £'000	2009 £'000
Amounts recognised as distributions to equity shareholders during the year:		
– final dividend for the year ended 31 January 2009 of 1.29p per share	1,527	–
– final dividend for the year ended 31 January 2008 of 1.12p per share	–	1,326
Proposed distributions to equity shareholders at the year end on which the requirements of S842 ICTA 1988 are considered:		
– final dividend for the year ended 31 January 2010 of 1.29p per share	1,527	–
– final dividend for the year ended 31 January 2009 of 1.29p per share	–	1,527

8 Return per Ordinary Share

The Return per Ordinary Share is as follows:

	Revenue £'000	Capital £'000	2010 Total £'000	Revenue £'000	Capital £'000	2009 Total £'000
Basic	**1.15p**	**40.27p**	**41.42p**	1.78p	(55.03)p	(53.25)p

Basic revenue return per Ordinary Share is based on the net revenue return on ordinary activities after taxation of £1,363,000 (2009: £2,103,000), and on 118,348,386 (2009: 118,348,386) Ordinary Shares, being the weighted average number of Ordinary Shares in issue during the year.

Basic capital return per Ordinary Share is based on the net capital return for the financial year of £47,658,000 (2009: loss £65,122,000), and on 118,348,386 (2009: 118,348,386) Ordinary Shares, being the weighted average number of Ordinary Shares in issue during the year.

9 Investments

All investments are designated as fair value through profit or loss on initial recognition, therefore all gains and losses arise on investments designated as fair value through profit or loss.

	2010 £'000	2009 £'000
Equity investments listed on recognised investment exchanges	**134,244**	83,258
Unlisted investment	**175**	229
	134,419	83,487

	Level 1* £'000	Level 2* £'000	Level 3* £'000	Total £'000
Opening book cost	94,151	3,577	741	98,469
Opening fair value adjustment	(15,165)	695	(512)	(14,982)
Opening valuation	78,986	4,272	229	83,487
Movements in the year:				
Purchases at cost	42,506	2,390	–	44,896
Sales – proceeds	(40,966)	(1,663)	–	(42,629)
– realised gains on sales	3,243	63	–	3,306
Increase/(decrease) in fair value adjustment	44,838	575	(54)	45,359
Closing valuation	**128,607**	**5,637**	**175**	**134,419**
Closing book cost	98,934	4,367	741	104,042
Closing fair value adjustment	29,673	1,270	(566)	30,377
	128,607	**5,637**	**175**	**134,419**

* Refer to note 17 for definitions of levels 1,2 and 3.

Notes to the Accounts (continued)

9 Investments (continued)

	2010 £'000	2009 £'000
Realised gains/(losses) on sales	**3,306**	(20,904)
Of which previously recognised as fair value adjustment	**(6,016)**	(22,692)
Realised losses for the year	**(2,710)**	(43,596)
Movement in fair value	**51,375**	(18,347)
Gains/(losses) on investments	**48,665**	(61,943)

During the year the Company incurred transaction costs on purchases of £145,559 (2009: £305,578) and transaction costs on sales of £113,641 (2009: £340,728).

10 Debtors

	2010 £'000	2009 £'000
Amounts due from brokers	**–**	759
Accrued income	**232**	202
Prepayment of FCIB management fee	**–**	153
Other debtors	**4**	185
	236	1,299

11 Creditors: amounts falling due within one year

	2010 £'000	2009 £'000
Amounts due to brokers	**–**	815
Loss on derivative arrangements	**3**	–
FCIB management fee	**119**	–
Other creditors	**98**	90
	220	905

At 31 January 2010 the Company had an unsecured revolving credit facility amounting to US$20 million. A sterling equivalent of £nil was drawn down as at 31 January 2010 (2009: £nil).

Under the bank covenants relating to the facility the Company is to ensure that at all times:

- total borrowings of the Company do not exceed 35 per cent of the Adjusted Net Asset Value; and
- the Adjusted Net Asset Value exceeds £42.5 million.

Further information regarding the facility is contained in note 19. The facility expired on 11 March 2010 and was replaced by an equivalent value facility.

12 Called-up share capital

	2010 £'000	2009 £'000
Authorised:		
176,000,000 Ordinary Shares of 12.50p each (2009: 176,000,000)	**22,000**	22,000
Allotted, called-up and fully paid:		
118,348,386 Ordinary Shares of 12.50p each (2009: 118,348,386)	**14,794**	14,794

The capital of the Company is managed in accordance with its investment policy, in pursuit of its investment objective, both of which are detailed in the Report of the Directors on pages 12 and 13.

The Company does not have any externally imposed capital requirements.

13 Reserves

	Share premium account £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve* £'000
At 31 January 2009	4	1,460	16,222	50,952	4,328
Net gain on realisation of investments	–	–	–	3,306	–
Net gain on derivative arrangements	–	–	–	39	–
Increase in fair value adjustment on investments	–	–	–	45,359	–
Exchange differences	–	–	–	(204)	–
Investment management fee charged to capital	–	–	–	(842)	–
Interest charged to capital	–	–	–	–	–
Tax	–	–	–	–	–
Retained net revenue return for the year	–	–	–	–	1,363
Dividends paid	–	–	–	–	(1,527)
At 31 January 2010	4	1,460	16,222	98,610	4,164

* Distributable reserve for dividend purposes

As at 31 January 2010 capital reserves relating to the revaluation of investments held at the reporting date amounted to an unrealised gain of £30,375,000 (2009: unrealised loss of £14,982,000).

14 Net asset value per Ordinary Share

The net asset value per Ordinary Share and the net asset value attributable to the Ordinary Shares at the year end are calculated as follows:

	Net asset value per share attributable		Net asset values attributable	
	2010 pence	2009 pence	**2010 £'000**	2009 £'000
Ordinary Shares	**114.28**	74.15	**135,254**	87,760

The net asset value per Ordinary Share is calculated on net assets of £135,254,000 (2009: £87,760,000), divided by 118,348,386 (2009: 118,348,386) Ordinary Shares, being the number of Ordinary Shares in issue at the year end.

Notes to the Accounts (continued)

15 Reconciliation of net return before finance costs and taxation to net cash inflow from operating activities

	2010	2009
	£'000	£'000
Net return before finance costs and taxation	**49,194**	(62,344)
(Gains)/losses on investments	**(48,665)**	61,943
(Gains) on derivative arrangements	**(39)**	–
Exchange differences	**204**	2,498
(Increase)/decrease in accrued income	**(30)**	63
Decrease/(increase) in prepayments and other debtors	**334**	(44)
Increase/(decrease) in other creditors	**127**	(23)
Irrecoverable withholding tax on investment income	**(173)**	(314)
Net cash inflow from operating activities	**952**	1,779

16 Analysis of changes in net debt

	At 31 January 2009 £'000	Cash flow £'000	Currency movements £'000	**At 31 January 2010 £'000**
Cash at bank and on deposit	3,879	(2,856)	(204)	**819**

17 Financial instruments

The Company's financial instruments comprise its investment portfolio, cash balances, a bank loan facility, and debtors and creditors that arise directly from its operations. As an investment trust the Company holds a portfolio of financial assets in pursuit of its investment objective. The Company makes use of borrowings, as detailed in note 11 and the Chairman's Statement, to achieve improved performance in rising markets. The downside risk of borrowings may be reduced by raising the level of cash balances held.

Listed fixed asset investments held (see note 9) are valued at fair value. For listed securities this is either bid price or the last traded price depending on the convention of the exchange on which the investment is listed. Unlisted investments are valued by the Directors on the basis of all the information available to them at the time of valuation. The fair value of all other financial assets and liabilities is represented by their carrying value in the Balance Sheet shown on page 27.

The main risks that the Company faces arising from its financial instruments are:

(i) market price risk, being the risk that the value of investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate or currency rate movements;

(ii) interest rate risk, being the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates;

(iii) foreign currency risk, being the risk that the value of investment holdings, investment purchases, investment sales and income will fluctuate because of movements in currency rates;

(iv) credit risk, being the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company; and

(v) liquidity risk, being the risk that the Company may not be able to liquidate its investments quickly.

17 Financial instruments (continued)

The Company held the following categories of financial instruments as at 31 January 2010:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	2010 Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	2009 Total £'000
Financial instruments								
Investments	**128,607**	**5,637**	**175**	**134,419**	83,258	–	229	83,487

Investments are financial assets designated at fair value through profit or loss on initial recognition. In accordance with Financial Reporting Standard 29 'Financial Instruments : Disclosures', the above table provides an analysis of these investments based on the fair value hierarchy described below and which reflects the reliability and significance of the information used to measure their fair value. The levels are determined by the lowest (that is the least reliable or least independently observable) level of impact that is significant to the fair value measurement for the individual investment in its entirety as follows:

Level 1 reflects financial instruments quoted in an active market.

Level 2 reflects financial instruments whose fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables includes only data from observable markets.

Level 3 reflects financial instruments whose fair value is determined in whole or in part using a valuation technique based on assumptions that are not supported by prices from observable market transactions in the same instrument and not based on available observable market data.

The level 3 investment is fair valued by use of a 50% marketability discount. If a 75% discount had been used the effect on the fair value of the investment would have been a decrease of of £87,000.

18 Market price risk

The management of market price risk is part of the fund management process and is typical of equity investment. The portfolio is managed with an awareness of the effects of adverse price movements through detailed and continuing analysis with an objective of maximising overall returns to shareholders. Further information on the investment portfolio is set out on pages 9 and 10. Derivatives may be used from time to time to hedge specific market risk or gain exposure to a specific market.

In the year to 31 January 2010 the Company entered into Indian index futures contracts. The futures contract that was closed during the year realised a gain of £42,000. At 31 January 2010 one futures contract remained open with an unrealised loss of £3,000.

If the investment portfolio valuation fell by 10 per cent at 31 January 2010, the impact on the profit or loss and the net asset value would have been negative £13.4 million (2009: negative £8.3 million). If the investment portfolio valuation rose by 10 per cent at 31 January 2010, the impact on the profit or loss and the net asset value would have been positive £13.4 million (2009: positive £8.3 million). The calculations are based on the portfolio valuation as at the respective balance sheet dates and are not representative of the year as a whole.

Notes to the Accounts (continued)

19 Interest rate risk

Floating rate

When the Company retains cash balances the majority of the cash is held in overnight deposit accounts. The benchmark rate which determines the interest payments received on cash balances is the bank base rate for the relevant currency for each deposit.

The Company has floating rate liabilities that are denominated in US dollars. The benchmark rate which determines the interest payments made on the revolving credit facility is based on the rate set by the US Federal Reserve.

On 11 March 2005, the Company entered into a $20 million revolving credit facility with ING Bank N.V., of which $nil was drawn down at 31 January 2010 (2009: $20 million). The facility expired on 11 March 2010 and was replaced by an equivalent value facility.

A $15 million revolving credit facility with ING Bank N.V. expired during the year.

Fixed rate

The Company does not hold any fixed interest investments and accordingly no sensitivity analysis has been presented.

20 Foreign currency risk

The Company invests in overseas securities and holds foreign currency cash balances which give rise to currency risks. It is not the Company's policy to hedge this risk on a continuing basis but it may do so from time to time.
Foreign currency exposure:

	2010 Investments £'000	**2010 Cash £'000**	2009 Investments £'000	2009 Cash £'000
US Dollar	**–**	**576**	–	2,442
Hong Kong Dollar	**49,120**	**–**	35,471	–
Indian Rupee	**8,311**	**–**	5,186	–
Indonesian Rupiah	**13,412**	**–**	4,198	–
Korean Won	**26,106**	**–**	17,469	–
Malaysian Ringgit	**2,336**	**–**	2,542	–
Philippino Peso	**–**	**–**	1,336	–
Singaporean Dollar	**7,924**	**–**	3,331	–
New Taiwanese Dollar	**21,338**	**134**	9,666	1,347
Thai Baht	**5,872**	**–**	4,288	–
Total	**134,419**	**710**	83,487	3,789

In addition, the following currency amounts are included in net current assets: in Korean Won, dividends receivable of £225,000 (2009: £202,000) and in Indian rupees, dividends receivable of £7,000 (2009: £nil).

At 31 January 2010 the Company had £109,000 of sterling cash balances (2009: £90,000).

If the value of sterling had weakened against each of the currencies in the portfolio by 5 per cent, the impact on the profit or loss and the net asset value would have been positive £7.1 million (2009: positive £4.6 million). If the value of sterling had strengthened against each of the currencies in the portfolio by 5 per cent, the impact on the profit or loss and the net asset value would have been negative £6.4 million (2009: negative £4.2 million). The calculations are based on the portfolio valuation and cash and loan balances as at the respective balance sheet dates and are not representative of the year as a whole.

The Company has also hedged investments in India by way of futures contracts. As at 31 January 2010 the futures contracts not yet closed were as follows:

	Hedged amount £'000	Unrealised loss £'000
February 2010 SGX Nifty sell contracts	**(1,825)**	(3)

21 Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The investment manager has in place a monitoring procedure in respect of counterparty risk which is reviewed on an ongoing basis. The carrying amounts of financial assets best represents the maximum credit risk exposure at the balance sheet date.

At the reporting date, the Company's financial assets exposed to credit risk amounted to the following:

	2010 £'000	2009 £'000
Cash and cash equivalents	819	3,879
Balances due from brokers	–	759
Interest, dividends and other receivables	236	540
	1,055	5,178

Credit risk on unlisted investments is considered to be part of market price risk as disclosed in note 18.

Credit risk arising on transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered to be small due to the short settlement period involved and the high credit quality of the brokers used. The investment manager monitors the quality of service provided by the brokers used to further mitigate this risk.

All the assets of the Company which are traded on a recognised exchange are held by JPMorgan Chase Bank ('JPM'), the Company's custodian. Bankruptcy or insolvency of the custodian may cause the Company's rights with respect to securities held by the custodian to be delayed or limited. The Board monitors the Company's risk by reviewing the custodian's internal control reports as described in the Report of the Directors on pages 17 and 18.

The credit risk on liquid funds and derivative financial instruments is controlled because the counterparties are banks with high credit ratings, rated AA or higher, assigned by international credit rating agencies. Bankruptcy or insolvency of such financial institutions may cause the Company's ability to access cash placed on deposit to be delayed, limited or lost.

No individual investment exceeded 4.2 per cent of the total assets less current liabilities attributable to the Company's shareholders at 31 January 2010 (2009: 6.2 per cent).

Notes to the Accounts (continued)

22 Liquidity risk

The Company's financial instruments include an investment in an unlisted equity investment which is not traded in an organised public market and which generally may be illiquid. As a result, the Company may not be able to liquidate this investment at an amount close to its fair value.

The Company's listed securities are considered to be readily realisable.

The Company's liquidity risk is managed on an ongoing basis by the investment manager in accordance with policies and procedures in place as described in the Report of the Directors on pages 13 and 14. The Company's overall liquidity risks are monitored on a quarterly basis by the Board.

The Company maintains sufficient investments in cash and readily realisable securities to pay accounts payable and accrued expenses. Short term flexibility is achieved, where necessary, through the use of overdraft facilities. At 31 January 2010 the Company had a separate revolving credit facility available totalling $20 million.

23 Related parties

Information in respect of transactions with related parties is included within the Report of the Directors under the heading Management and Management Fees and is disclosed in notes 3, 10 and 11.

Shareholder Information

Annual General Meeting

The Annual General Meeting of Pacific Assets Trust plc will be held at City of London Club, 19 Old Broad Street, London EC2N 1DS on Tuesday 29 June 2010 at 10.30 am.

Dividends

A dividend is normally paid annually following approval at the Annual General Meeting. Shareholders who wish to have dividends paid directly into a bank account, rather than by cheque to their registered address, can complete a mandate form for the purpose. Mandates may be obtained from the Company's Registrars, Equiniti Limited, on request.

Share Prices

The Company's Ordinary Shares are listed on the London Stock Exchange under 'Investment Companies'. The price is given daily in the *Financial Times* and other newspapers.

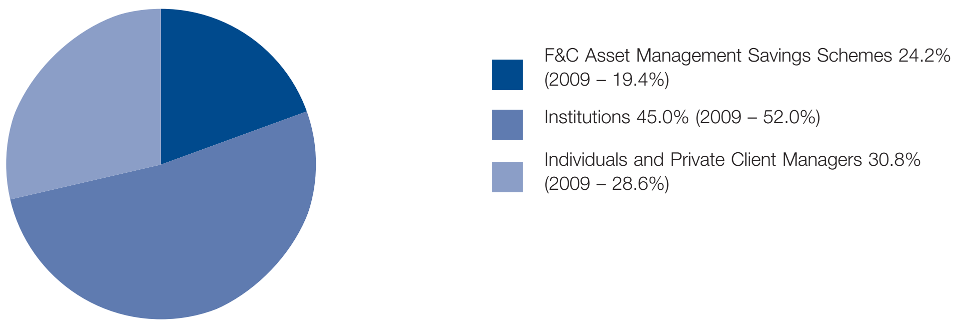
Change of Address

Communications with shareholders are mailed to the address held on the share register. In the event of a change of address or other amendment this should be notified to the Company's Registrars, Equiniti Limited, under the signature of the registered holder.

Daily Net Asset Value

The daily net asset value of the Company's shares can be obtained on the Company's website.

Profile of the Company's Ownership
% of Ordinary Shares held at 31 January 2010



Shareholder Information (continued)

Financial Calendar

29 June 2010	Annual General Meeting
30 June 2010	Final dividend on Ordinary Shares paid
September 2010	Announcement of interim results

Ten Year Record

31 January	Shareholders' funds £'000	Lower of fully diluted and basic net asset value per Ordinary Share	Ordinary Share price	Discount	Series II Warrant price	Dividends per Ordinary Share	Total expense ratio
2000	130,647	101.18p	83.50p	17.5%	6.75p	0.40p	1.7%
2001	97,237	78.46p	64.75p	17.5%	1.50p	0.42p	1.8%
2002	79,838	64.68p	53.50p	17.3%	0.60p	0.45p	1.6%
2003	56,761	46.35p	38.50p	16.9%	N/A	0.50p	2.1%
2004	83,939	68.54p	62.00p	9.5%	N/A	0.60p	1.8%
2005	87,402	71.37p	64.00p	10.3%	N/A	1.02p	1.6%
2006	113,049	92.32p	86.00p	6.8%	N/A	1.05p	1.5%
2007	123,616	104.01p	93.50p	10.1%	N/A	1.12p	1.4%
2008	152,105	128.52p	115.50p	10.1%	N/A	1.12p	1.5%
2009	87,760	74.15p	68.25p	8.0%	N/A	1.29p	1.6%
2010	**135,254**	**114.28p**	**104.25p**	**8.8%**	**N/A**	**1.29p**	**1.6%**

How to Invest

As a result of the change of the Company's investment manager with effect from 1 July 2010, as described in the Chairman's Statement on page 5, the Company's shares will no longer be available to be held within any of the savings plans operated by F&C Management Limited. Accordingly, shareholders who hold their shares in the Company through any such F&C savings plan will shortly be receiving a letter from F&C setting out a number of options available to them. These options are expected to include the option for the Company's shareholders to transfer their plan to another savings plan provider or to have their shares transferred into their own name if they wish to remain as shareholders in the Company. If any participant in a F&C savings plan wishes to continue their investment in the Company, it is important that they consider the options available to them very carefully and take the appropriate action set out in the letter which they will shortly receive from F&C. In the meantime, if you require any further information on any of the F&C savings plans, please contact F&C on 0845 600 3030 or by email at investor.enquiries@fandc.com.

Please note. The above information is not a recommendation to buy, sell or hold shares in Pacific Assets Trust plc. The value of shares and any income from them can fluctuate and you may get back less than the amount invested. If you have any doubt over what action you should take, please contact an authorised financial adviser.

Alliance Trust Savings Limited

The Company's shares are available through savings plans (including Investment Dealing Accounts, ISAs and SIPPs) operated by Alliance Trust Savings Limited, which facilitates both regular monthly investments and lump sum investments in the Company's shares. Shareholders who would like information on the savings plans should call Alliance Trust Savings Limited on 01382 573737 or log on to www.alliancetrust.co.uk/alliancetrustsavings/ or email contact@alliancetrust.co.uk. Calls to this number may be recorded for monitoring purposes.

An Individual Savings Account ('ISA') is a tax efficient method of investment for an individual which gives the opportunity to invest in the Company up to £10,200 in the tax year 2010/2011 and in subsequent tax years when they subscribe to a Stocks and Shares ISA.

The preceding two paragraphs have been issued and approved by Alliance Trust Savings Limited. Alliance Trust Savings Limited of PO Box 164, 8 West Marketgait, Dundee, DD1 9YP, is registered in Scotland with number SC98767. Alliance Trust Savings Limited provides investment products and services and is authorised and regulated by the Financial Services Authority. It does not provide investment advice.

Share Dealing Service

An internet and telephone dealing service is available through the Company's registrar, Equiniti. This provides a simple way for UK shareholders of Pacific Assets Trust plc to buy or sell the Company's shares. For full details and terms and conditions simply log onto www.shareview.co.uk/dealing or call 08456 037037 between 8.00am and 4.30pm Monday to Friday. This service is only available to shareholders of Pacific Assets Trust plc who hold shares in their own name, with a UK registered address and who are aged 18 and over.

Shareview Dealing is provided by Equiniti Financial Services Limited which has issued and approved the preceding paragraph. Equiniti Financial Services Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA is registered in England and Wales with number 6208699. Equiniti Financial Services Limited is authorised and regulated by the Financial Services Authority.

Risk warnings

Past performance is no guarantee of future performance. The value of your investment and any income from it may go down as well as up and you may not get back the amount invested. This is because the share price is determined by the changing conditions in the relevant stock markets in which the Company invests and by the supply and demand for the Company's shares. As the shares in an investment trust are traded on a stock market, the share price will fluctuate in accordance with the supply and demand and may not reflect the underlying net asset value of the shares; where the share price is less than the underlying value of the assets, the difference is known as the 'discount'. For these reasons investors may not get back the original amount invested. Although the Company's shares are denominated in sterling, it may invest in stocks and shares which are denominated in currencies other than sterling and to the extent they do so, they may be affected by movements in exchange rates. As a result the value of your investment may rise or fall with movements in exchange rates. Investors should note that tax rates and reliefs may change at any time in the future. The value of ISA tax advantages will depend on personal circumstances. The favourable tax treatments of ISAs may not be maintained.

Notice of Annual General Meeting

Notice is hereby given that the twenty-fifth Annual General Meeting of Pacific Assets Trust Public Limited Company will be held at City of London Club, 19 Old Broad Street, London EC2N 1DS on Tuesday 29 June 2010 at 10.30 am for the following purposes:

Ordinary Business

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

1. That the Report of the Directors and Accounts for the financial year ended 31 January 2010 together with the Report of the Auditors thereon be received.
2. That the Directors' Remuneration Report for the financial year ended 31 January 2010 be approved.
3. That a final dividend for the financial year ended 31 January 2010 of 1.29p per ordinary share be declared.
4. That Mr S H Leckie, who retires annually, be re-elected as Director
5. That Mr D B Nichol, who retires annually, be re-elected as a Director.
6. That Mr N M S Rich, who retires annually, be re-elected as a Director.
7. That KPMG Audit Plc be re-appointed as Auditors, to hold office from the conclusion of the meeting to the conclusion of the next annual general meeting at which accounts are laid.
8. That the Directors be authorised to determine KPMG Audit Plc's remuneration.
9. That, in substitution for any existing authority under section 80 of the Companies Act 1985 but without prejudice to the exercise of any such authority prior to the date of the passing of this resolution, the board of directors of the Company (the 'Board') be and it is hereby generally and unconditionally authorised pursuant to and in accordance with section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £1,479,354 provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2011 or, if earlier, 31 July 2011 save that the Company may before such expiry make an offer or enter into an agreement which would or might require shares to be allotted, or rights to subscribe for or to convert securities into shares to be granted, after such expiry and the Board may allot shares or grant such rights in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

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

10. That, subject to the passing of resolution 9 proposed at the Annual General Meeting of the Company convened for 29 June 2010 ('Resolution 9') and in substitution for any existing authority under section 95 of the Companies Act 1985 but without prejudice to the exercise of any such authority prior to the date of the passing of this resolution, the board of directors of the Company (the 'Board') be and it is hereby generally empowered pursuant to sections 570 and 573 of the Companies Act 2006 (the 'Act') to allot equity securities (within the meaning of section 560 of the Act) (including the grant of rights to subscribe for, or to convert any securities into, ordinary shares of 12.5 pence each in the capital of the Company ('Ordinary Shares')) for cash either pursuant to the authority conferred on them by such Resolution 9 or by way of a sale of treasury shares (within the meaning of section 560(3) of the Act) as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

    (i) the allotment of equity securities for cash in connection with a rights issue, open offer or other pre-emptive offer in favour of the holders of Ordinary Shares who are on the register of members on a date fixed by the Board where the equity securities respectively attributable to the interests of all such holders of Ordinary Shares are proportionate (as nearly as may be practicable) to the respective numbers of Ordinary Shares held by them on that date (subject to such exclusions or other arrangements in connection with the rights issue, open offer or other pre-emptive offer as the Board deem necessary or expedient to deal with shares held in treasury, fractional entitlements to equity securities and to deal with any legal or practical problems or issues arising in any overseas territory or under the requirements of any regulatory body or stock exchange); and

(ii) the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities up to an aggregate nominal amount of £1,479,354,

and shall expire (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the Annual General Meeting of the Company to be held in 2011 or, if earlier, 31 July 2011 save that the Company may before such expiry make an offer or enter into an agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

11. That, in substitution for any existing authority under section 166 of the Companies Act 1985 but without prejudice to the exercise of any such authority prior to the date of the passing of this resolution, the Company be and is hereby generally and unconditionally authorised for the purposes of section 701 of the Companies Act 2006 (the 'Act') to make one or more market purchases (as defined in section 693(4) of the Act) of ordinary shares of 12.5 pence each in the capital of the Company ('Ordinary Shares') on such terms and in such manner as the board of directors may determine provided that:

(i) the maximum aggregate number of Ordinary Shares which may be purchased is 14.99 per cent of the number of Ordinary Shares in issue immediately prior to the passing of this resolution;

(ii) the minimum price which may be paid for an Ordinary Share is 12.5 pence (exclusive of associated expenses);

(iii) the maximum price which may be paid for an Ordinary Share (exclusive of associated expenses) shall not be more than the higher of: (a) an amount equal to 105 per cent of the average of the middle market quotations for an Ordinary Share as derived from the London Stock Exchange Daily Official List for the five dealing days immediately preceding the day on which the Ordinary Share is purchased; and (b) the higher of the last independent trade and the highest current independent bid on the London Stock Exchange for an Ordinary Share; and

(iv) unless previously renewed, varied or revoked, this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2011 or, if earlier, 31 July 2011 save that the Company may before such expiry enter into a contract to purchase Ordinary Shares which will or may be completed wholly or partly after such expiry and a purchase of Ordinary Shares may be made pursuant to any such contract.

Special Business

To consider and, if thought fit, pass the following as a Special Resolution:

12. That:

(i) the articles of association of the Company be amended by deleting all provisions of the Company's memorandum of association which, by virtue of section 28 of the Companies Act 2006, are treated as part of the Company's articles of association;

(ii) the articles of association of the Company be amended by deleting all of the provisions referred to in paragraph 42 of schedule 2 of the Companies Act 2006 (Commencement No. 8, Transitional Provisions and Savings) Order 2008 (Statutory Instrument 2008 No. 2860); and

(iii) the draft articles of association produced at the meeting and initialled by the chairman of the meeting for the purposes of identification be adopted as the articles of association of the Company in substitution for, and to the entire exclusion of, the articles of association of the Company existing at the date of the meeting.

By order of the Board
G R Hay Smith
Secretary
80 George Street
Edinburgh EH2 3BU
28 May 2010

Notice of Annual General Meeting (continued)

Notes

1. If you wish to attend the Annual General Meeting in person, you should arrive at the venue for the Annual General Meeting in good time to allow your attendance to be registered. It is advisable to have some form of identification with you as you may be asked to provide evidence of your identity to the Company's registrar, Equiniti Limited (the 'Registrar'), prior to being admitted to the Annual General Meeting.

2. Members are entitled to appoint one or more proxies to exercise all or any of their rights to attend, speak and vote at the Annual General Meeting. A proxy need not be a member of the Company but must attend the Annual General Meeting to represent a member. To be validly appointed a proxy must be appointed using the procedures set out in these notes and in the notes to the accompanying proxy form.

   If members wish their proxy to speak on their behalf at the meeting, members will need to appoint their own choice of proxy (not the chairman of the Annual General Meeting) and give their instructions directly to them.

   Members can only appoint more than one proxy where each proxy is appointed to exercise rights attached to different shares. Members cannot appoint more than one proxy to exercise the rights attached to the same share(s). If a member wishes to appoint more than one proxy, they should contact the Registrar on 0871 384 2466. Calls to this number cost 8p per minute from a BT landline. Other service providers' costs may vary. Lines are open between 8.30 am and 5.30 pm, Monday to Friday, The Registrars' overseas helpline number is +44 121 415 7047.

   A member may instruct their proxy to abstain from voting on any resolution to be considered at the meeting by marking the abstain option when appointing their proxy. It should be noted that an abstention is not a vote in law and will not be counted in the calculation of the proportion of votes "for" or "against" the resolution.

   The appointment of a proxy will not prevent a member from attending the Annual General Meeting and voting in person if he or she wishes.

   A person who is not a member of the Company but who has been nominated by a member to enjoy information rights does not have a right to appoint any proxies under the procedures set out in these notes and should read note 8 below.

3. A proxy form for use in connection with the Annual General Meeting is enclosed. 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 by the Registrar at Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6ZR no later than 48 hours (excluding non-working days) before the time of the Annual General Meeting or any adjournment of that meeting.

   If you do not have a proxy form and believe that you should have one, or you require additional proxy forms, please contact the Registrar on 0871 384 2446. Calls to this number cost 8p per minute from a BT landline. Other service providers' costs may vary. Lines are open between 8.30 am and 5.30 pm, Monday to Friday, The Registrars' overseas helpline number is +44 121 415 7047.

4. 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 by logging on to the following 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.

   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 Registrar (ID RA19) no later 48 hours (excluding non-working days) before the time of the Annual General Meeting or any adjournment of that 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 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.

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

   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.

5. In the case of joint holders, where more than one of the joint holders purports to appoint one or more proxies, only the purported appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first named being the most senior).

6. Any corporation which is a member can appoint one or more corporate representatives. Members can only appoint more than one corporate representative where each corporate representative is appointed to exercise rights attached to different shares. Members cannot appoint more than one corporate representative to exercise the rights attached to the same share(s).

7. To be entitled to attend and vote at the Annual General Meeting (and for the purpose of determining the votes they may cast), members must be registered in the Company's register of members at 6.00 p.m. on 25 June 2010 (or, if the Annual General Meeting is adjourned, at 6.00 p.m. on the day two days prior to the adjourned meeting). Changes to the register of members after the relevant deadline will be disregarded in determining the rights of any person to attend and vote at the Annual General Meeting.

8. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 (the "2006 Act") to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the member 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 member as to the exercise of voting rights.

9. Information regarding the Annual General Meeting, including information required by section 311A of the 2006 Act, and a copy of this notice of Annual General Meeting is available from www.pacific-assets.co.uk.

10. Members should note that it is possible that, pursuant to requests made by members of the Company under section 527 of the 2006 Act, the Company may be required to publish on a website a statement setting out any matter relating to: (a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (b) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the 2006 Act. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the 2006 Act. Where the Company is required to place a statement on a website under section 527 of the 2006 Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the 2006 Act to publish on a website.

11. As at 28 May 2010 (being the latest practicable date prior to the publication of this notice) the Company's issued share capital consisted of 118,348,386 ordinary shares carrying one vote each. Accordingly, the total voting rights in the Company at 28 May 2010 were 118,348,386 votes.

12. 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 Annual General Meeting as his proxy will need to ensure that both he, and his proxy, comply with their respective disclosure obligations under the UK Disclosure and Transparency Rules.

13. Under section 319A of the 2006 Act, the Company must cause to be answered any question relating to the business being dealt with at the Annual General Meeting put by a member attending the meeting unless answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, or the answer has already been given on a website in the form of an answer to a question, or it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

    Members who have any queries about the Annual General Meeting should contact the Company Secretary at 80 George Street, Edinburgh EH2 3BU.

    Members may not use any electronic address provided in this notice or in any related documents (including the accompanying circular and proxy form) to communicate with the Company for any purpose other than those expressly stated.

14. The following documents will be available for inspection at the registered office of the Company and F&C Asset Management plc's London office at Exchange House, Primrose Street, London EC2A 2NY during normal business hours on any weekday (Saturdays, Sundays and English public holidays excepted) from the date of this notice until the conclusion of the Annual General Meeting:

    14.1 a copy of the proposed new articles of association of the Company;

    14.2 copies of the Directors' letters of appointment; and

    14.3 copies of the Directors' deeds of indemnity.

Appendix to the Notice of Annual General Meeting

Summary of the Material Changes Proposed to be made to the Articles of Association

Repeal of the Companies Act 1985

On 1 October 2009 those provisions of the Companies Act 2006 which had not yet been brought in to force (which affect the articles of association of the Company) came into force with the effect that the Companies Act 1985 is no longer relevant to the Company's articles of association. The New Articles will therefore not contain references to the Companies Act 1985 and consequential drafting changes have been made.

Provisions of the Company's Memorandum of Association (the 'Memorandum')

The Companies Act 2006 significantly reduces the constitutional significance of a company's memorandum. The Companies Act 2006 provides that a memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in a company. Under the Companies Act 2006, the objects clause and all other provisions contained in a company's memorandum were, from 1 October 2009, deemed to be contained in a company's articles of association but a company can remove these provisions by special resolution.

In addition, the Companies Act 2006 states that, unless a company's articles of association provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have an objects clause. For this reason, the Company is proposing to remove its objects clause together with all other provisions of its Memorandum which, by virtue of the Companies Act 2006, were treated as forming part of the Current Articles from 1 October 2009. Resolution 12 confirms the removal of these provisions for the Company. As the effect of this resolution will be to remove the statement currently in the Memorandum regarding shareholders' limited liability, the New Articles also contain an express statement regarding the limited liability of shareholders. The New Articles also contain an express statement that the Company's objects are unlimited to allow it to have the widest possible scope of activities.

Change of Name

Under the Companies Act 1985 a company could only change its name by special resolution. Under the Companies Act 2006, a company is able to change its name by other means provided for by its articles of association. To take advantage of this provision, the New Articles enable the Directors to pass a resolution to change the Company's name.

Authorised Share Capital and Unissued Shares

The Companies Act 2006 abolishes the requirement for a company to have an authorised share capital. The Company is proposing changes to the Current Articles to reflect this abolition. The Directors will still be limited as to the number of shares they can allot at any time because allotment authority from shareholders continues to be required under the Companies Act 2006 save in respect of employee share schemes.

Provisions of the Current Articles which are no longer relevant as a result of this change to the law have been deleted from the New Articles.

Redeemable Shares

Under the Companies Act 1985, if a company wished to issue redeemable shares it was required to include in its articles of association the terms and manner of redemption. The Companies Act 2006 enables directors to determine such matters instead provided they are so authorised by the articles. The New Articles contain such an authorisation. The Company has no plans to issue redeemable shares but if it did so the Directors would need shareholders' authority to issue new shares in the usual way.

Suspension of Registration of Share Transfers

The Current Articles permit the Directors to suspend the registration of transfers. Under the Companies Act 2006, share transfers must be registered as soon as practicable. The power in the Current Articles to suspend the registration of transfers is inconsistent with this requirement. Accordingly, this power has been removed in the New Articles.

Vacation of Office by Directors

The Current Articles specify the circumstances in which a Director must vacate office. The New Articles update these provisions to reflect the approach taken on mental and physical incapacity in the model articles for public companies produced by the Department for Business, Innovation and Skills.

Chairman's Casting Vote

Provisions in Current Articles giving the Chairman a casting vote at shareholders' meetings became ineffective from 1 October 2007, but companies with a casting vote provision in their articles of association on that date were, broadly, allowed to keep it. However, the Regulations require that all shareholders be treated equally and therefore this saving provision for UK traded companies has been removed, such that the casting vote provision in the Current Articles became redundant in August 2009.

Corporate Information

Directors
D B Nichol, FCA (Chairman)*
R M A Horlick
S H Leckie, OBE
T F Mahony
N M S Rich, CBE, FCA†

Registered Office
80 George Street
Edinburgh EH2 3BU
Tel No: 0207 628 8000
Fax No: 0131 225 2375

Investment Manager
F&C Investment Business Limited
80 George Street
Edinburgh EH2 3BU

Custodian Bankers
JPMorgan Chase Bank
125 London Wall
London EC2Y 5AJ

Auditors
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Edinburgh EH1 2EG

Brokers
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88 Wood Street
London EC2V 7QR

Solicitors
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Edinburgh EH2 4DF

*Chairman of the Engagement and Remuneration Committee and the Nomination Committee
†Chairman of the Audit Committee and Senior Independent Director

aic
The Association of Investment Companies

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Registrars

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*Calls to these numbers are charged at 8p per minute from a BT landline. Other telephony providers' costs may vary.