Pacific Assets Trust plc Annual Report for the year ended 31 January 2011

# Pacific Assets Trust plc

## Annual Report for the year ended 31 January 2011

Frostrow Capital

First State Investments

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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.

## Contents



## 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 2011 were £160.1 million and the market capitalisation was £153.7 million.

## Investment 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, Australia and New Zealand (the 'Asia Pacific Region').

## Investment Policy

The Company's investment policy is contained within the Report of the Directors on pages 13 and 14.

Details of a proposed change to the Company's investment objective and policy are set out in the Chairman's Statement on pages 3 and 4.

## Management

F&C Investment Business Limited ('FCIB') acted as the Company's investment manager until 30 June 2010. Details of the management contract between the Company and FCIB are provided in note 3 to the Accounts on page 32.

Following a review of the management arrangements of the Company, the Board appointed First State Investment Management (UK) Limited 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 pages 16 and 17.

## Performance Assessment

The Company exists in a competitive environment and aims to be a leader in its peer group, defined by being consistently within the top third of that group measured by net asset value total return. The Company is committed to building a long-term investment record and will assess itself by reference to its peers on a rolling three year basis.

Performance is also measured against the MSCI All Country Asia ex Japan Index measured in sterling terms on a total return basis.

## Capital Structure

The Company's capital structure is composed solely of Ordinary Shares. Details are given in note 11 to the Accounts on page 36.

## 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

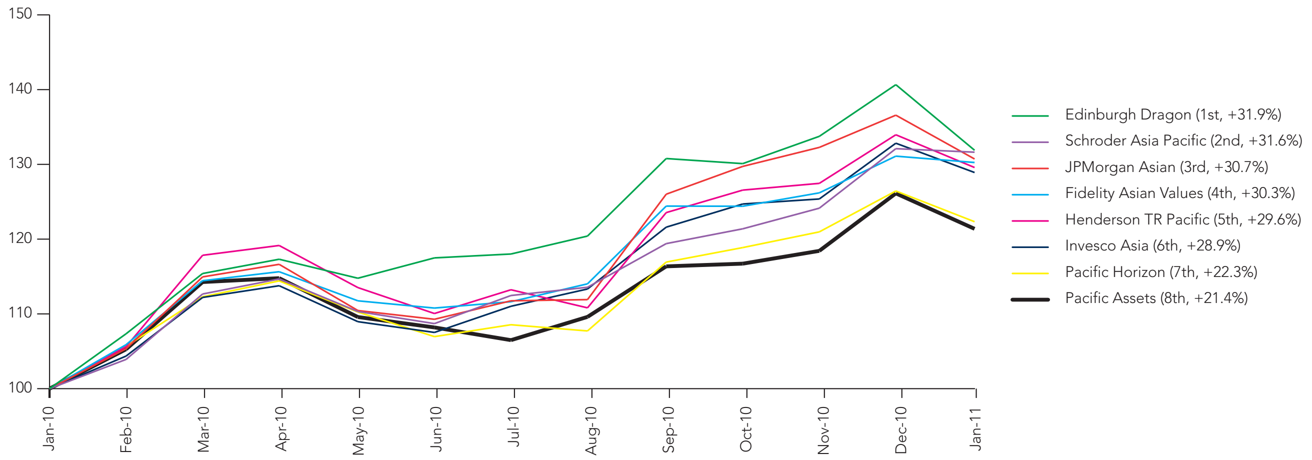
## Gearing

The Company has a committed borrowing facility of US$20 million with ING Bank N.V. As at the date of this report no funds had been drawn down from this facility. The Board is to hold discussions with ING Bank N.V., the provider of the loan facility, to establish whether it is feasible to cancel the facility before its expiry in March 2012.

# Financial Highlights

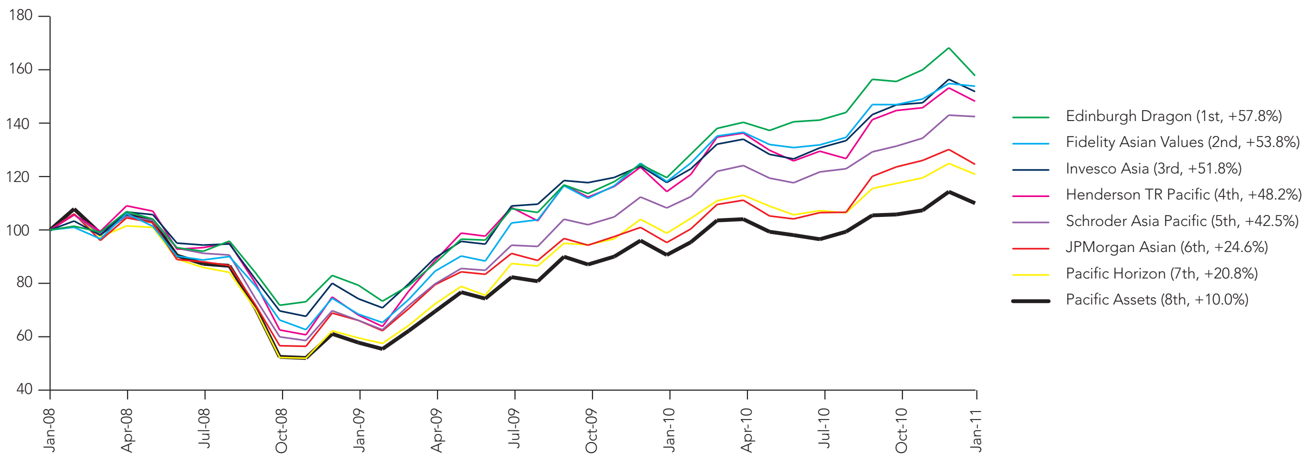
- Net asset value total return of 21.4 per cent
- Share price total return of 27.6 per cent
- Unchanged final dividend for the year of 1.29p per share

## One Year Net Asset Value Total Return Peer Group Performance




Source: Morningstar
Rebased to 100 as at 31 January 2010

## Three Year Net Asset Value Total Return Peer Group Performance




Source: Morningstar
Rebased to 100 as at 31 January 2008

# Performance Summary

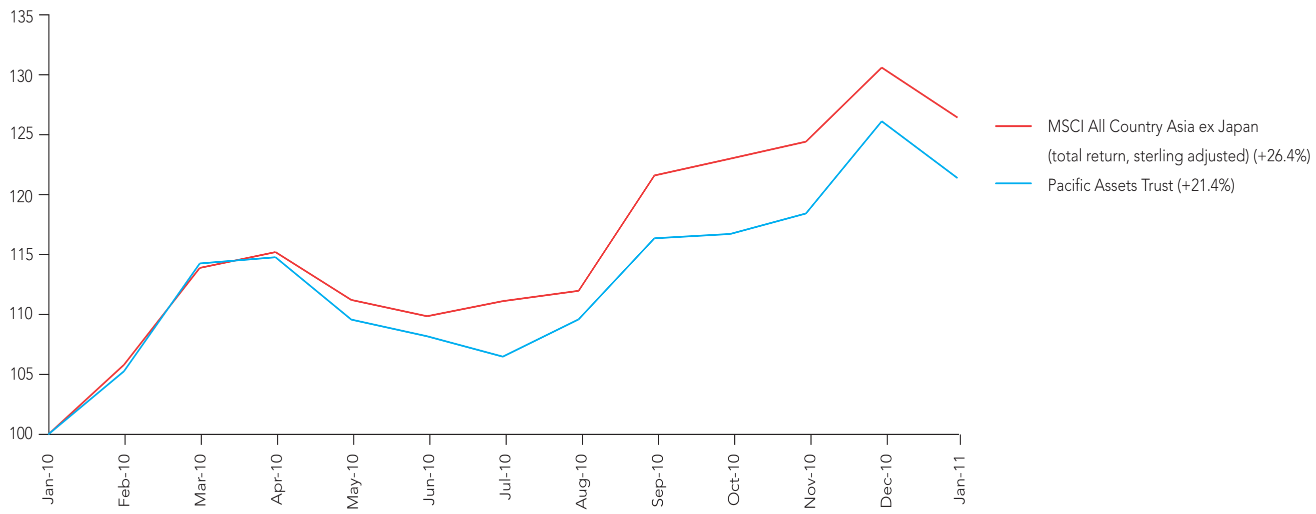
| | As at 31 January 2011 | As at 31 January 2010 | % Change |
|---|---|---|---|
| Share price | 131.50p | 104.25p | +26.1 |
| Net asset value per share | 137.00p | 114.28p | +19.9 |
| Discount of share price to net asset value per share | 4.0% | 8.8% | n/a |
| Shareholders' funds | £160.1m | £135.3m | +18.3 |
| Market capitalisation | £153.7m | £123.4m | +24.6 |

| | One year to 31 January 2011 | One year to 31 January 2010 | |
|---|---|---|---|
| Share price (total return) | +27.6% | +55.0% | n/a |
| Net asset value per share (total return) | +21.4% | +56.8% | n/a |
| MSCI All Country Asia ex Japan Index (total return sterling adjusted) | +26.4% | +54.2% | n/a |
| Revenue and Dividends | | | |
| Revenue return per share | 1.29p | 1.15p | +12.2 |
| Dividends per share | 1.29p | 1.29p | – |
| Total Expense Ratio (as percentage of average shareholders' funds) | 1.9% | 1.6% | n/a |
| Total Expense Ratio (excluding the costs attributable to the change in management arrangements amounting to £380,000) | 1.6% | 1.6% | n/a |

| Year's Highs/Lows | High | Low |
|---|---|---|
| Net asset value per share | 143.82p | 111.98p |
| Share price | 137.50p | 104.25p |
| Discount of share price to net asset value per share‡ | 2.7% | 11.1% |

‡Discount high – Narrowest discount in year
Discount low – Widest discount in year
Source: Morningstar

## One Year Net Asset Value Total Return and Index Performance




Source: Morningstar
Rebased to 100 as at 31 January 2010

# Chairman's Statement

## Management
The last year has been a one of change for the Company following the appointment of First State Investment Management (UK) Limited ('First State') as the Company's investment manager with effect from 1 July 2010. At the interim stage, First State outlined their investment management philosophy and the portfolio has been realigned in accordance with this. I indicated that the costs relating to the change in the Company's management arrangements, including the appointment of Frostrow Capital LLP, to provide administrative and marketing services to the Company, would be approximately £400,000 and I am pleased to report that we are within this figure for the full year.

## Performance
The portfolio's relative performance for the year was disappointing. The net asset value per share total return was 21.4% compared to a rise of 26.4% in the MSCI All Country Asia ex Japan Index measured in sterling terms on a total return basis. We also remained at the bottom of our peer group. However, we hope the new investment manager will bring about future improved performance and clearly some of our new investors may be anticipating this. During the year the discount of the Company's share price to the net asset value per share narrowed from 8.8% to 4.0% as at 31 January 2011. The Company's share price total return for the year was 27.6%.

## Share Buy-Back Policy
The Company made a single repurchase of shares for cancellation during the year, 1,500,000 shares on 13 July 2010 at a discount of 10.3% to the Company's ex income net asset value per share. Since the year end and to the date of this report the Company has made no further repurchases of shares.

The Board confirms its intention to use the Company's share buy-back authority where necessary in order to manage the discount between the Company's share price and the net asset value per share. Shareholder approval to renew the authority will be sought at the Annual General Meeting ('AGM').

## Revenue and Dividends
The Company's revenue earnings per share for the year were 1.29p, which compares to 1.15p for the previous year reflecting stronger corporate earnings and associated dividends in the region.

The Board recommends an unchanged final dividend for the year of 1.29p per share, to be paid on 30 June 2011 to those shareholders on the register on 3 June 2011.

## Gearing
The Company has a US$20m facility which provides it with the ability to introduce gearing when it is considered appropriate to do so. However, the new investment manager rarely uses gearing and so the Board will hold discussions with ING Bank N.V., the provider of the loan facility, to establish whether it is feasible to cancel the facility before its expiry in March 2012.

## Proposed Change to the Company's Investment Objective and Policy
The Company's current investment objective is to achieve long term capital growth through investment in selected companies in the Asia Pacific Region. The Company's current investment policy states that risk is diversified by investing in different countries, sectors and stocks within the Asia Pacific Region. Your Board remains firmly of the belief that investing in the Asia Pacific Region remains an attractive proposition. However, there are now many companies whose economic activities are predominantly within the Asia Pacific Region but their shares are listed or the company is incorporated elsewhere.

# Chairman's Statement

Continued

In order to capture the full range of opportunities available for investment, your Board believes it would be beneficial to shareholders to include such companies in your investment manager's remit. Accordingly, we shall be seeking permission from shareholders at the AGM to invest up to 20% of your Company's total assets in companies which are incorporated and/or listed outside the Asia Pacific Region but whose economic activities are predominantly within this region.

Full details of the Company's current investment policy are set out on pages 13 and 14. Details of the resolution which will be put to shareholders at the AGM are on pages 20 and 21.

## Taiwanese Withholding Tax Reclaim

At the interim stage we expected that the Company would be able to recover approximately £500,000 (net of costs) in respect of tax withheld on income arising from the Company's investments in Taiwan. Progress has been somewhat slower than expected, however, I am pleased to report that £115,000 (net of costs) has been recognised in these accounts and we continue to pursue the balance of the claim.

## Annual General Meeting

The AGM will be held at 12 noon on Tuesday, 28 June 2011 at The City of London Club, 19 Old Broad Street, London EC2N 1DS. The notice of the Meeting is included on pages 45 to 48. 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 their votes are represented.

## Outlook

With the portfolio having been fully repositioned by our new investment manager, we look forward to them building on the solid returns achieved so far. Despite the region's vulnerability to worldwide stock market uncertainty, your Board believes that it will remain an attractive place for investors due, in part, to the rise in the number of domestic consumers and also continued investment spending across the region. Your Board continues to believe that the patient and long term investor in the region will be well rewarded.

**David Nichol**
Chairman

29 March 2011

# Investment Manager's Review

## Sustainable Investment

We are delighted to have been appointed as investment manager for the Company in July 2010 and are excited about the opportunity that exists today to generate attractive long-term returns in Asia through sustainable investment. Our starting point is a strong investment conviction that the sustainability positioning of Asian companies is playing an increasingly important role in determining long-term shareholder returns. It is now clear that most Asian countries will be unable to follow the same resource-intensive development path pursued by industrialised countries in the past. In crude terms, if everyone in Asia lived the same lifestyles as Europeans or North Americans, we would need at least three planets. Many Asian countries have now recognised this and are beginning to develop their own, more sustainable, development paths. This is creating new risks and new opportunities for Asian companies. Our goal is to identify and invest in companies that are particularly well positioned to benefit from these new opportunities while avoiding the laggards, whose businesses are increasingly coming under threat as Asia moves towards a more sustainable development path.

## The Portfolio

At the year end, there were 53 investments in the Company's portfolio. When constructing a portfolio, we start with a blank sheet of paper, defining risk in terms of losing money for investors rather than deviation from an arbitrary benchmark. As a result, we are not required to invest in any company, sector or country about which we have particular concerns. This matters, as many of the largest companies in Asia have particularly poor sustainability performance.

The 53 holdings are spread across three broad sustainability themes, examples of which are provided below.

In introducing these themes we should reiterate that we are not seeking to promote uneconomic investment in "socially acceptable" propositions.  Instead, we are following our fundamental belief that companies which have carefully considered the sustainability of their business model are more likely to provide superior long term returns for shareholders.

## Cleaner Energy and Technologies

Investments include renewable energy companies, gas distributors, energy efficiency and clean technology companies. For example, China and India are heavily reliant on low quality coal, and are keen to reduce this dependence as soon as possible. It will be many decades before either country is able to rely entirely on renewable energy sources. Meanwhile, gas is an important transition fuel with much lower carbon intensity and particulate emissions which are a major cause of pollution in urban areas across China and India today. The Company owns three core gas investments in city gas distributors Hong Kong & China Gas, Indraprashtra Gas (India) and Towngas China. All three companies are well placed to benefit from new government policies to roll out gas networks to both households and small and medium sized industries over the next five years. Hong Kong & China Gas and Towngas China are responsible for city gas networks in over fifty small and medium sized Chinese cities as well as Hong Kong, while Indraprashtra Gas operates the Delhi city gas distribution network, which will cover almost twenty million residents on completion.

We have always found it hard to invest directly in the renewable sector in Asia as very few companies meet our required standards in terms of the quality of management, business franchise and financials. For example, most wind generation companies in Asia have too much debt on their balance sheets at present, while most solar companies are vulnerable to unpredictable technological change. Instead, we prefer to invest indirectly, via companies providing important complimentary products and services. Typically these are long-established companies with strong franchises, who have successfully deployed existing cashflows to seize new opportunities in the renewable sector. Examples include Chroma ATE (Taiwan), a leading provider of testing equipment to the semiconductor industry which has built an exciting new solar cell testing business, and Delta Electronics (Taiwan), which has similarly taken its expertise in power management solutions for the computer industry and built a new business providing power management solutions to the solar industry.

# Investment Manager's Review

Continued

Meanwhile, the growing demand for energy efficiency has created exciting new opportunities for many Asian technology companies. Examples within the Company's portfolio include ASM Pacific Technology (Hong and China), a leading provider of equipment for energy efficient LED lighting industry and LG Corp (Korea), a leading provider of rechargeable batteries for the car industry.

The Company also has an investment in ITEQ (Taiwan), which has developed a more environmentally friendly, halogen and lead free laminate printed circuit boards which sit at the heart of most electronic devices today. As a result, ITEQ has managed to win new, higher margin orders in an industry that has traditionally been commoditised.

## Social Infrastructure

Investments include mass transport, property and water companies. As Asia's population continues to increase and urbanise, the need for affordable, efficient, mass transportation will become even more acute. The Company owns two mass rail transit companies, MTR Corporation (Hong Kong) and SMRT (Singapore), both of which are well placed to benefit from the huge expansion of China and India's rail networks over coming years. Similarly, Transport International Holdings (Hong Kong), a bus company originating in Hong Kong, is well positioned for the growing demand for efficient last mile bus services in China.

In the property sector, our focus is on companies which are either providing good quality, affordable, mass market housing or taking a lead in implementing more environmentally friendly, 'green' building practices in other property segments such as commercial and office property. Currently the Company owns no examples of the former, although we anticipate two new holdings in this area over the coming months. The Company has one pure property holding, SP Setia (Malaysia), which is leading the way in introducing new green building standards to Malaysia across a number of different property segments.

Although there is a huge, unmet, need for clean, affordable water provision in Asia, we find water a difficult sector in which to invest. While there are a large number of listed water companies in Asia, only one Asian water company currently meets our investment requirements. Manila Water (Philippines) has demonstrated the positive role a private company can play in providing clean water to low income households in developing countries.

## Sustainable Goods and Services

Investments are focused on financial companies, telecom operators, medical and consumer companies. Within the consumer sector, our focus is on investing in companies providing good quality, affordable, healthy products. Examples include Dabur India, Hindustan Unilever and Marico (all India). Dabur is India's leading provider of ayurvedic-based consumer products including herbal toothpastes (*Dabur Red*), digestives (*Hajmola*) and health supplements (*Chyawanprash*). Hindustan Unilever is the Indian subsidiary of Unilever, and has long been a global leader in developing affordable, good quality products for low-income households. Examples include their innovations in low-price personal care offerings such as shampoo, mass-market water filters (*Pureit*) and distribution networks such as *Project Amma*, which trains up women in rural India to set up small businesses. Given that one in eight people in the world lives in an Indian village, the value of this distribution network is hard to overstate. Marico is rapidly evolving from a family-run business selling coconut-based hair oil (*Parachute*) to a broad-based consumer company with a growing presence in healthy foods such as *Saffola*, an edible vegetable oil offering much better health properties than the clarified butter, or ghee, traditionally used by most Indian households.

Telecommunications and finance seem at first glance less obviously linked to sustainable development and yet they are probably the two most important sectors of all. Mobile communications are playing an increasingly important role in rural development, from improving access to local markets to the provision of financial and medical services to rural, hard-to-reach communities. All of these represent long-term opportunities for mobile communications providers as they are able to generate new revenues in addition to the traditional voice and data revenues. At the year-end, the Company owned investments in China Telecom (China), Idea Cellular (India), and Singapore Telecommunications (Singapore), which owns major stakes in mobile phone companies across South East Asia and India.

Similarly, access to finance remains a major barrier to reducing poverty levels in many Asian countries. We aim to invest in the best quality, 'old-fashioned' banks across Asia, who work hard to earn the trust of depositors and make loans on a sober, risk-aware basis. We expect our banks to have lower non-performing loans than their peers over the cycle and prefer them to grow their loans more slowly than the rest of the sector as it is usually the best indication that they are lending responsibly. They may not double their loan books every three years, but they are much less likely to wipe out their equity as

# Investment Manager's Review

Continued

a result. Financial holdings at the year-end included Daegu Bank (South Korea), E.Sun Financial (Taiwan) and Kasikornbank (Thailand).

## Engagement

There is no such thing as the perfect company and there is room for improvement with each company in the portfolio. For example, our consumer companies have much work to do to reduce the environmental impact of their packaging, while most of the banks in the portfolio have yet to fully integrate the analysis of environmental and social risks into their lending procedures.

As a result, we spend a significant amount of time engaging with management teams on key environmental, corporate governance or social issues, either in face-to-face meetings, or via written correspondence. The rationale is twofold. First, for us environmental, social and governance issues are investment issues. Positive engagement on such issues therefore becomes a powerful tool to enhance the value and reduce the risks of the portfolio. Second, we believe that the purchase of a share in a business comes with both rights and responsibilities. Should one of our companies fail to meet international best practices on the environment, human rights or social issues, we believe we have a responsibility, as part owners of the business, to engage with senior management to persuade them to address the issue, rather than to walk away from the problem.

## Proposed Change to the Company's Investment Objective and Policy

The more we look at Asian companies the more we realise the old geographic silos are falling away and that we need to catch up with the new global mindset of the companies in which we invest. Very few of our Asian companies now think of themselves as Asian. Instead in their eyes they are global companies, competing on a global playing field, with global ambitions and a global shareholder base. In order to understand twenty-first century corporate Asia it is becoming more and more important to understand these global trends. This is particularly the case with many sustainability themes. For example, clean energy, energy efficiency and water are all global industries. To understand Chinese solar companies it is also important to understand their suppliers, buyers and competitors in Europe and the US. We have recently made a start. In the last quarter of 2010 we met 77 European, Japanese and North American companies. These meetings are helping us to build up a better picture of the global positioning of many of the Asian companies held in your Company's portfolio.

This global mindset is also altering the listing characteristics of our investment universe. Specifically, we are coming across a growing number of companies whose businesses are predominantly Asian but whose shares are listed on stock exchanges outside the region. This trend has been accelerated by the intense competition that now exists between stock exchanges for new listings. Currently there are only a small number of Asian companies listed outside the region which meet our investment criteria. However, we anticipate that this will change over time and have therefore requested that shareholder permission be sought to enable us to invest up to 20% of the Company's total assets in Asian companies whose economic activities are predominantly within the Asia Pacific region (as defined in the Company's investment objective on page 13) but which are incorporated and/or listed outside the region.

## Outlook

As bottom-up, long-term investors, we claim to have no expertise in forecasting short-term market trends. Our investment time horizon is at least five years. Over this period we are optimistic that the many of the long-term drivers of Asian investment returns will remain in place. Most notably, despite the occasional setback, the spread of democracy throughout the region is likely to remain a crucial positive trend.

Likewise, economic performance has improved dramatically. After the painful experience of the Asian Crisis, most regional economies now enjoy sound economic management, healthy financing and a robust external position, as evidenced by the large pools of foreign exchange reserves sitting in the region. The potential for rapid economic 'catch-up' remains strong for lower income countries including Indonesia, the Philippines, Vietnam and the region's two economic giants China and India. India, in particular, has recently shaken off at least some of the bureaucratic shackles which previously constrained its growth potential and is now vying with China for the fastest growth profile in the region.

Meanwhile, the original Asian 'tigers' continue to evolve their economic positioning for today's globalised world. Countries such as Thailand and Malaysia hope to benefit from global outsourcers' 'China plus one' strategy of locating at least one factory outside of the country. Singapore has once again proved the value of its efficient and surprisingly innovative system of economic administration, reinventing itself as a global leader in industries such as chemicals and water treatment, while at the same time strengthening its position as a key service and financial industry hub for the region.

# Investment Manager's Review

Continued

Nonetheless, while the long-term outlook remains encouraging, we are more cautious about the short-term. Our greatest challenge as investors in Asia is not to generate returns during the good times, but to hold on to as much as we can of these returns during the bad times. We remain concerned about the state of the global economy. In particular, we are still dismayed by just how little the global financial system has changed since its fall from grace in 2008. For many global banks the majority of their profits continue to come from short-term trading gains. Remuneration policies still encourage short-term risk taking with little, if any, regard for the longer-term consequences. Lending practices remain far from prudent, while debt-fuelled over-consumption remains prevalent. Debt-crises are never solved by issuing more debt and yet that has been the response so far.

Outside the more fashionable markets of China, India and Indonesia, pockets of value still exist. For example, we have recently increased our holdings in what we consider to be the best quality banks in Korea, the Philippines, Taiwan and Thailand. Typically these tend to trade at somewhere between one and two times their book value and are at attractive stages of their respective credit cycles. Loan growth is recovering and credit quality is improving. As a result, the risk/return profile again appears attractive.

In the short-term, even our favourite investments will struggle to generate positive returns in the event of a second global economic shock or the onset of runaway inflation across Asia. However, longer-term we remain confident that by focusing on well managed companies with strong franchises which are well positioned to benefit from, and contribute to, sustainable development in the regions, we will be able to deliver attractive long-term returns for investors in the Company.

David Gait
Senior Investment Manager
First State Investment Management (UK) Limited

29 March 2011

# Portfolio

as at 31 January 2011

| Company | Sector* | Market valuation £'000 | % of total assets less current liabilities | Country of incorporation |
|---|---|---|---|---|
| **E-Sun Financial Holdings**<br>Run by professional management, who have a significant equity stake in the Company, E.Sun has a particularly strong focus on culture and good corporate governance. Having survived several credit crises, the Company has demonstrated a strong focus on risk and responsible lending with the best record on asset quality across the sector. It is well positioned to benefit from an improving credit cycle in Taiwan, while longer-term industry consolidation and new opportunities in mainland China should also help to drive returns. | Financials | 8,223 | 5.1 | Taiwan |
| **Taiwan Semiconductor Manufacturing Company**<br>TSMC is the world's leading manufacturer of outsourced semiconductor chips. Strong cashflows from this business are now being deployed into new but related, clean technology areas such as solar and energy efficient lighting. The Company aims to achieve energy efficiency leadership in lighting by 2012 and in solar by 2014. | Information Technology | 7,402 | 4.6 | Taiwan |
| **Manila Water**<br>Part of the well regarded Ayala Group, Manila Water has demonstrated the positive role a private company can play in providing clean water to low income households in developing countries. A combination of sensible regulation, excellent corporate culture and a strong operational focus has seen water leakage rates fall from over almost 70% to under 15% in Manila Water's East Manila concession area while coverage rates have increased from under 30% to 99% since the Company won the concession in 1997. | Utiliites | 6,065 | 3.8 | Philippines |
| **Singapore Post**<br>Singapore Post is the leading provider of logistics and postal services in Singapore. The Company has a strong corporate culture and is well positioned to contribute to efficiency improvements in the logistics and distribution sector across Asia, following a number of recent overseas acquisitions. | Industrials | 5,855 | 3.7 | Singapore |
| **DBS Group**<br>Headquartered in Singapore, DBS enjoys one of the best banking franchises in Asia. Until recently the Company had failed to fulfil the potential of this franchise, and we are optimistic that this will change with the recent arrival of new management. | Financials | 5,780 | 3.6 | Singapore |
| **Kasikornbank**<br>Kasikornbank is one of the best quality banks in Thailand. Formerly known as Thai Farmers' Bank, the Company's focus on conservative lending and sound risk management enabled it to survive the Asian crisis intact. It is now well positioned to benefit from a recovery in the Thai economy as the political situation in the country stabilises. | Financials | 5,366 | 3.4 | Thailand |
| **Samsung Fire and Marine Insurance**<br>One of the leading Korean companies in terms of corporate governance, Samsung Fire and Marine is the country's leading non-life insurer in terms of both size and financial performance. The Company has always enjoyed particularly strong management, and is well positioned to benefit from the steady growth of non-life insurance in Korea and more recently overseas. | Financials | 5,132 | 3.2 | South Korea |
| **Daegu Bank**<br>Founded in 1967, Daegu was Korea's first regional bank and arguably Korea's best managed bank today. Having survived the Asia crisis without the need for additional capital due to its strong attitude to risk, the bank has built up a strong franchise in South East Korea with a 40% market share of deposits and a 30% market share of loans in the Daegu region. | Financials | 4,994 | 3.1 | South Korea |
| **MTR Corporation**<br>MTR runs the mass transit railway system in Hong Kong, which carries almost four million passengers each weekday. It is majority owned by the Hong Kong Government and has a particularly strong corporate culture with a focus on good corporate governance, safety and operational performance. The Company has recently expanded internationally with investments in the Beijing and Shenzhen Metros in addition to operations in the London, Melbourne and Stockholm. | Industrials | 4,885 | 3.0 | Hong Kong |
| **Transport International Holdings**<br>Transport International is the owner of Kowloon Motor Bus, the largest bus operator in Hong Kong. Over recent years it has expanded its operations into China. Although progress on the mainland has been slow, Transport International remains well positioned to benefit from ongoing urbanisation trends in China and the huge anticipated demand for last mile public transport solutions. | Industrials | 4,806 | 3.0 | Hong Kong |
| **Ten largest investments** | | **58,508** | **36.5** | |

* MSCI sector classifications

# Portfolio

as at 31 January 2011

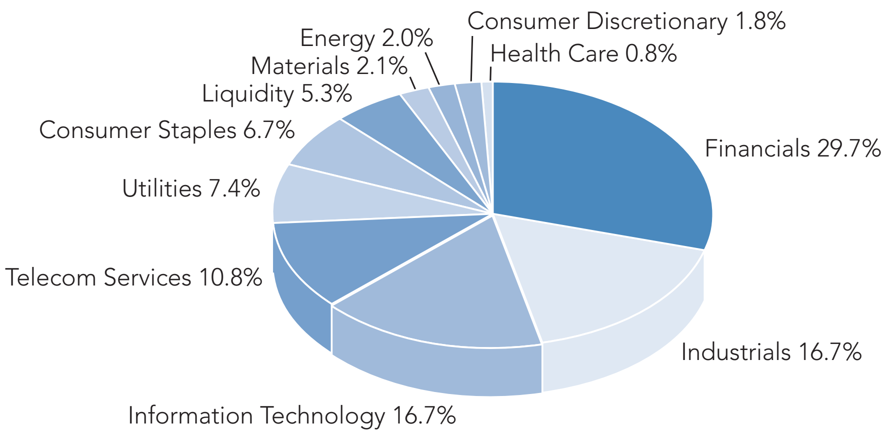
Continued

| Company | Sector* | Market valuation £'000 | % of total assets less current liabilities | Country of incorporation |
|---|---|---|---|---|
| SMRT | Industrials | 4,780 | 3.0 | Singapore |
| Hong Kong & China Gas | Utilities | 4,515 | 2.8 | Hong Kong |
| Philippine Long Distance Telephone | Telecom Services | 4,245 | 2.7 | Philippines |
| Oversea-Chinese Banking | Financials | 4,239 | 2.6 | Singapore |
| Henderson Land Development | Financials | 4,039 | 2.5 | Hong Kong |
| Swire Pacific | Financials | 3,831 | 2.4 | Hong Kong |
| Chroma ATE | Information Technology | 3,729 | 2.3 | Taiwan |
| Marico | Consumer Staples | 3,717 | 2.3 | India |
| Singapore Telecommunications | Telecom Services | 3,634 | 2.3 | Singapore |
| Wipro | Information Technology | 3,465 | 2.2 | India |
| **Twenty largest investments** | | **98,702** | **61.6** | |
| Delta Electronics | Information Technology | 3,392 | 2.1 | Taiwan |
| Towngas China | Materials | 3,353 | 2.1 | Hong Kong |
| Shinsegae | Consumer Staples | 3,208 | 2.0 | South Korea |
| KT Corp ADR | Telecom Services | 3,207 | 2.0 | South Korea |
| SembCorp Industries | Industrials | 3,100 | 1.9 | Singapore |
| Chunghwa Telecom | Telecom Services | 2,840 | 1.8 | Taiwan |
| Dabur India | Consumer Discretionary | 2,818 | 1.8 | India |
| China Telecom | Telecom Services | 2,683 | 1.7 | China |
| Vitasoy International Holdings | Consumer Staples | 2,590 | 1.6 | Hong Kong |
| Delta Electronics (Thailand) | Information Technology | 2,513 | 1.6 | Thailand |
| **Thirty largest investments** | | **128,406** | **80.2** | |
| SP Setia | Financials | 1,929 | 1.2 | Malaysia |
| Samsung Electronics | Information Technology | 1,888 | 1.2 | South Korea |
| Sabana Shari' ah Compliant Real Estate Investment Trust | Financials | 1,672 | 1.0 | Singapore |
| Siam Commercial Bank | Financials | 1,663 | 1.0 | Thailand |
| Indraprastha Gas | Energy | 1,623 | 1.0 | India |
| Oil Search | Energy | 1,571 | 1.0 | Papua N.Guinea |
| LG Corp | Industrials | 1,440 | 0.9 | South Korea |
| Tata Power | Utilities | 1,305 | 0.8 | India |
| Hindustan Unilever | Consumer Staples | 1,265 | 0.8 | India |
| Mindray Medical International | Health Care | 1,237 | 0.8 | China |
| **Forty largest investments** | | **143,999** | **89.9** | |
| Taiflex Scientific | Industrials | 955 | 0.6 | Taiwan |
| Simplo Technology | Information Technology | 946 | 0.6 | Taiwan |
| Quanta Computer | Information Technology | 934 | 0.6 | Taiwan |
| ITEQ | Information Technology | 776 | 0.5 | Taiwan |
| Jusung Engineering | Information Technology | 685 | 0.4 | South Korea |
| Container Corporation of India | Industrials | 658 | 0.4 | India |
| Banco de Oro Unibank | Financials | 637 | 0.4 | Philippines |
| ASM Pacific Technology | Information Technology | 499 | 0.3 | Hong Kong |
| Motech Industries | Information Technology | 434 | 0.3 | Taiwan |
| Idea Cellular | Telecom Services | 405 | 0.3 | India |
| **Fifty largest investments** | | **150,928** | **94.3** | |
| Public Bank | Financials | 369 | 0.2 | Malaysia |
| Gateway Distriparks | Industrials | 320 | 0.2 | India |
| Hemas | Industrials | 40 | – | Sri Lanka |
| **Total portfolio** | | **151,657** | **94.7** | |
| **Net current assets** | | **8,429** | **5.3** | |
| **Total assets less current liabilities** | | **160,086** | **100.0** | |

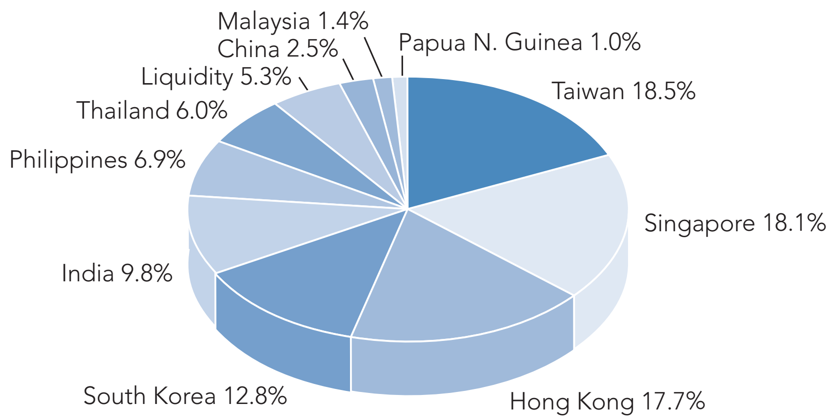
* MSCI sector classifications

# Portfolio Distribution
as at 31 January 2011

## Sector Analysis




## Geographical Analysis by Country of Incorporation



# 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.

## 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 U.S. Between 1994 and 2001 he was President, Institutional Business, of Fidelity International, where he was responsible for investments and the development of institutional assets.

## 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 Advisory Council.

## 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.

## 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 executive Chairman of Xchanging plc. His non-executive directorships include Bank of the Philippine Islands (Europe) plc, Castle Asia Alternative PCC Limited and Matheson & Co Limited.

All Directors are members of the Audit, Engagement and Remuneration and Nomination Committees.

# 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 2011.

## Results and Dividends

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

The Board recommends an unchanged final dividend for the year of 1.29p per share payable on 30 June 2011 to shareholders on the register at close of business on 3 June 2011. The associated ex-dividend date is 1 June 2011.

## 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 received approval from HM Revenue & Customs as an authorised investment trust under Section 842 of the Income and Corporation Taxes Act 1988 ("ICTA 1988") for the year ended 31 January 2010 and all previous periods. This approval is subject to there being no subsequent enquiry under corporation tax self-assessment. In the opinion of the Directors, the Company continues to direct its affairs so as to enable it to qualify for such approval and the Company will continue to seek approval each year. With effect from the year ended 31 January 2011, approval will be sought under Sections 1158 and 1159 of the Corporation Tax Act 2010 ("CTA 2010"), formerly under Section 842 ICTA 1988.

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 2011 there were 116,848,386 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 11 to the accounts on page 36. 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 12.

### *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, Australia and New Zealand (the 'Asia Pacific Region').

### *Investment Policy*

With effect from 1 July 2010, the portfolio has been managed by First State Investment Management (UK) Limited ("First State" or the "Investment Manager"). Prior to this date the portfolio was managed by F&C Investment Business Limited. In addition, Frostrow Capital LLP ("Frostrow" or the "Manager"), were appointed as the Company's Manager, Administrator and Company Secretary with effect from this date. Frostrow is an independent provider of services to the investment companies sector and currently has eight other investment company clients.

The Company invests in companies which First State 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 was one such investment held in the portfolio during the year (Anglo Chinese Investment Company); this holding was, however, disposed of in January 2011. 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 First State 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% 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% of total assets at the time of

# Report of the Directors
Continued

investment. This limit is reviewed from time to time by the Board and may be revised as appropriate.

No more than 10% 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% of their total assets in other closed-ended investment companies, in which case the limit is 15%.

The Company can use gearing to enhance returns over the long term and its policy is that borrowings, net of cash, will not exceed 35% of shareholders' funds at the time of borrowing, although the Board has set a current limit on gearing, net of cash, of 20% 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.

However, as the Company's Investment Manager rarely uses gearing, the Board is to hold discussions with the provider of the Company's loan facility to establish whether it is feasible to cancel the facility before its expiry in March 2012.

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 Investment 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 2011 is contained in note 8 to the accounts on page 35 and in the Investment Manager's Review on pages 5 to 8, and the full portfolio listing is provided on pages 9 and 10. The Company had a cash balance of 6.4% of net assets as at 31 January 2011.

*Strategy*

As part of its strategy, the Board has contractually delegated the management of the portfolio to the Investment 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 3 and 4 and in the Investment Manager's Review on pages 5 to 8, both of which form part of this Business Review.

*Principal Risks and Risk Management*

The Company's assets consist 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 16 to 21 to the accounts (beginning on page 37).

Other risks faced by the Company include the following:

- External – events beyond the control of the Board, the Investment Manager 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 and stock selection, 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 Sections 1158 and 1159 of the CTA 2010 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 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 18 and 19 (beginning on page 39).

*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:

# Report of the Directors

Continued

- Net asset value total return against the peer group.
- Net asset value total return against the MSCI All Country Asia ex Japan Index (total return sterling adjusted).
- Discount of share price to net asset value per share.
- 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 1 and 2 and in the Ten Year Record on page 43.

On 28 May 2010 the Financial Reporting Council ("FRC") published the UK Corporate Governance Code which replaced the Combined Code on Corporate Governance and applies to reporting periods beginning on or after 29 June 2010. In turn the Association of Investment Companies updated the Code of Corporate Governance and Corporate Governance Guide to reflect the changes made to the UK Corporate Governance Code. One of the main changes is that all directors of FTSE 350 companies are now recommended to stand for annual re-election. The Directors have agreed, despite not being a FTSE 350 company, to adopt this provision as they believe it will enhance the Board's accountability to Shareholders. Accordingly, all Directors of the Company will stand for re-election annually with effect from the forthcoming Annual General Meeting. This decision will create a policy whereby Directors are required to seek election more frequently than as currently set out in the Company's Articles of Association.

Therefore, at the forthcoming Annual General Meeting, all Directors will retire as Directors of the Company and will offer themselves for re-election.

The Board confirms that, following formal performance evaluations, the performance of each of the Directors continues to be effective and demonstrates commitment to the role. The Board therefore believes that it is in the interests of shareholders that the 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.

## 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 2011 | Number of Ordinary Shares held as at 31 January 2010 |
|---|---|---|---|
| D B Nichol | Beneficial | 40,000 | 40,000 |
| | Trustee | 100,000 | 100,000 |
| R M A Horlick | Beneficial | Nil | Nil |
| S H Leckie | Beneficial | 100,000 | Nil |
| T F Mahony | Beneficial | Nil | Nil |
| N M S Rich | Beneficial | 25,000 | 25,000 |
| | Trustee | 2,000 | Nil |

There have been no changes in the interests of the Directors in the shares of the Company between 31 January and 29 March 2011.

# Report of the Directors

Continued

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.

## Investment Management and Administration

Up until 30 June 2010 F&C Investment Business Limited ('F&C') were employed to manage the portfolio on a day-to-day basis and carry out administrative, accounting, secretarial and marketing activities on behalf of the Company. With effect from 1 July 2010, the Asia Pacific/Global Emerging Markets Team at First State were appointed as the Company's new investment manager and Frostrow were appointed to provide administrative and marketing, and Company Secretarial services to the Company.

Details of the management arrangements with First State and Frostrow are set out below.

## Investment Management and Management Fees

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

Frostrow provide company secretarial, accounting, administration and marketing services. A fee of 0.2% per annum (plus VAT) of market capitalisation is payable for this service. Frostrow agreed to waive three months' fees and to absorb certain other costs in order to assist with the management change. Frostrow's appointment can be terminated by either party by giving six months' notice.

Further details of the fees payable to F&C, First State and Frostrow are set out in note 3 to the accounts on page 32.

## Investment Manager, Manager Evaluation and Re-Appointment

The review of the performance of First State as Investment Manager and Frostrow as Manager is a continuous process carried out by the Board with a formal evaluation being undertaken each year. As part of this process the Board monitors the services provided by the Investment Manager and the Manager and receives regular reports and views from them. The Board also receives comprehensive performance measurement reports to enable it to determine whether or not the performance objective set by the Board has been met.

The Board believes the continuing appointment of the Investment Manager and the Manager, under the terms described on the previous page, is in the interests of Shareholders as a whole. In coming to this decision it also took into consideration the following additional reasons:

– the quality and depth of experience allocated by the Investment Manager to the management of the portfolio and the level of performance of the portfolio in absolute terms and also by reference to the MSCI All Country Asia ex Japan Index (total return, sterling adjusted) and the Company's peer group; and

## Substantial Interests in Share Capital

As at 29 March 2011 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 | 15,361,737 | 13.2 |
| Henderson Global Investors | 13,509,062 | 11.6 |
| Sarasin & Partners LLP | 9,387,000 | 8.0 |
| F&C Asset Management plc | 7,866,674 | 6.7 |
| Brewin Dolphin | 7,185,407 | 6.2 |
| Legal & General Investment Management | 4,415,564 | 3.8 |
| Alliance Trust Saving Scheme | 4,022,213 | 3.4 |

# Report of the Directors

Continued

– the quality and depth of experience of the management, administrative, company secretarial and marketing team that the Manager allocates to the management of the Company.

## 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 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. As mentioned on page 15, the Directors have agreed, despite not being a FTSE 350 company, to adopt the provision contained in the updated AIC Code of Corporate Governance that all Directors of the Company will stand for re-election annually with effect from the forthcoming Annual General Meeting.

The Board consists solely of non-executive Directors. The Directors' biographical details, set out on page 12, demonstrate a balance of skills, experience, length of service and knowledge of the Company. Mr D B Nichol is Chairman who is responsible for leadership of the Board and for ensuring its effectiveness on all aspects of its role. Mr N M S Rich is the Senior Independent Director who can act as a sounding board for the Chairman and also acts as an intermediary for the other Directors when necessary. All the Directors are considered by the Board to be independent of the Investment Manager. New Directors receive an induction from the Manager on joining the Board and all Directors are made aware of appropriate training courses. The Chairman also regularly reviews the training and development needs of each Director.

Mr S H Leckie, Mr D B Nichol and Mr N M S Rich have served on the Board for more than nine years. 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. An investment management agreement between the Company and First State, and a management, administrative and secretarial services agreement between the Company and Frostrow set out the matters over which the Investment Manager and the Manager have authority and the limits beyond which Board approval must be sought. 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 has reviewed and agreed the schedule of matters reserved for its decision.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. Representatives of the Investment Manager and the Manager attend each Board meeting, enabling the Directors to seek clarification on specific issues or to probe further on matters of concern.The Investment 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 Investment 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:

# Report of the Directors

Continued

reviewing the Annual and Interim Accounts; the system of internal controls employed by the Investment 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 for the year ended 31 January 2011 amounted to £16,000 (2010: £4,000) and related to the provision of taxation services, of which £12,000 related to specific work undertaken in connection with the reclamation of Taiwanese withholding tax.

The Engagement and Remuneration Committee, chaired by Mr D B Nichol, comprises the full Board and reviews the appropriateness of the continuing appointment of the Investment Manager and the Manager 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 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.

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.

## UK Stewardship Code

While the Company's Investment Manager, First State, has not currently signed the UK Stewardship Code (the "Code) adopted by the Financial Reporting Council, it has signed the United Nations Principles for Responsible Investment (UNPRI) and believes the Code reflects the procedures that it already has in place. First State is focused on working towards, or operating at, global best practice in this area. First State's Stewardship Statement can be found on its website: www.firststate.co.uk/PoliciesEnGB.aspx

## 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 Controls

Risk assessment and the review of internal controls are undertaken by the Board in the context of the Company's overall investment objective. The review covers the key business, operational, compliance and financial risks facing the Company. In arriving at its judgement of what risks the

The table below sets out the number of scheduled Board and committee meetings held during the year ended 31 January 2011 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 | 7 | 7 | 2 | 2 | 1 | 1 | 1 | 1 |
| R M A Horlick | 7 | 7 | 2 | 2 | 1 | 1 | 1 | 1 |
| S H Leckie | 7 | 6 | 2 | 2 | 1 | 1 | 1 | 1 |
| T F Mahony | 7 | 7 | 2 | 2 | 1 | 1 | 1 | 1 |
| N M S Rich | 7 | 7 | 2 | 2 | 1 | 1 | 1 | 1 |

# Report of the Directors

Continued

Company faces, the Board has considered the Company's operations in the light of the following factors:

- the nature and extent of risks which it regards as acceptable for the Company to bear within its overall business objective;
- the threat of such risks becoming a reality; and
- the Company's ability to reduce the incidence and impact of risk on its performance.

Against this background, the Board has split the review of risk and associated controls into five sections reflecting the nature of the risks being addressed. These sections are as follows:

- corporate strategy;
- investment activity;
- published information, compliance with laws and regulations;
- service providers; and
- investment and business activities.

The Company has outsourced all of its activities to agents. The Company has obtained from its various service providers assurances and information relating to their internal systems and controls to enable the Board to make an appropriate risk and control assessment, including the following:

- details of the control environment in operation;
- identification and evaluation of risks and control objectives;
- review of communication methods and procedures; and
- assessment of the control procedures.

The key procedures which have been established to provide internal financial controls are as follows:

- investment management is provided by First State. The Board is responsible for setting the overall investment policy and monitors the actions of the Investment Manager at regular Board meetings;
- administration, company secretarial and marketing duties for the Company are performed by Frostrow;
- custody of assets is undertaken by JP Morgan Chase Bank. The duties of Investment Manager, Manager and the Custodian are segregated. The procedures of the individual parties are designed to complement one another;
- the Board clearly defines the duties and responsibilities of their agents and advisers. The appointment of agents and advisers to the Company is conducted by the Board after consideration of the quality of the parties involved; the Board monitors their ongoing performance and contractual arrangements;
- mandates for authorisation of investment transactions and expense payments are set by the Board; and
- the Board reviews financial information produced by the Investment Manager and the Manager in detail on a regular basis.

All of the Company's management functions are performed by third parties whose internal controls are reviewed by the Board or on its behalf by Frostrow.

In accordance with guidance issued to directors of listed companies, the Directors confirm that they have carried out a review of the effectiveness of the system of internal financial control during the year, as set out above.

## Internal Audit

As the Company delegates to third parties its day-to-day operations and has no employees, the Board has determined that there are no requirements for an internal audit function. The Board reviews annually whether a function equivalent to an internal audit is needed and it will continue to monitor its systems of internal controls in order to provide assurance that they operate as intended.

## 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. Details of proxy votes received in respect of each resolution are made available to shareholders at the meeting, and are also published on the Company's website at www.pacific-assets.co.uk. The notice for the forthcoming Annual General Meeting, to be held on 28 June 2011, is set out on pages 45 to 48.

## Notice Period for General Meetings

At last year's Annual General Meeting, new Articles of Association were adopted which included a provision allowing general meetings of the Company to be called on a minimum notice period provided for in the Companies Act 2006. For meetings other than annual general meetings this is a period of 14 clear days.

# Report of the Directors
Continued

The provisions in the Companies Act 2006 relating to meetings were amended with effect from 3 August 2009 as a result of the implementation of the EU Shareholder Rights Directive (2007/36/EC) in the UK.

One of the amendments made was, to increase the minimum notice period for listed company General Meetings to 21 clear days, but with an ability for companies to reduce this period back to 14 clear days (other than for Annual General Meetings), provided that two conditions are met:

(i) that the Company offers facilities for shareholders to vote by electronic means; and

(ii) that there is an annual resolution of shareholders approving the reduction in the minimum period for notice of General Meetings (other than Annual General Meetings) from 21 clear days to 14 clear days.

The Board believes that it should have the flexibility to convene general meetings of the Company (other than annual general meetings) on 14 clear days notice.

The Board is therefore proposing Resolution 14 as a Special Resolution to approve 14 clear days as the minimum period of notice for all General Meetings of the Company other than Annual General Meetings. The notice period for Annual General Meetings will remain 21 clear days.

The authority, if given, will lapse at the next Annual General Meeting of the Company after the passing of this resolution.

## Electronic Communications
Included with notice of the Annual General Meeting is a letter to shareholders asking for their individual consent to receive documents, notices and information either electronically or via the Company's website. Ordinary Resolution 15 also requests the consent of shareholders to send or supply documents by electronic means.

Ordinary Resolution 15 and your individual consent will give the Company more flexibility to supply notices, documents or information in electronic form and by means of a website pursuant to the FSA's Disclosure Rules and Transparency Rules. The Company's Articles of Association were updated at last year's Annual General Meeting to enable the Company to send all documents and notices electronically rather than just notices of meetings, proxies, and copies of annual reports and accounts and summary financial statements and to permit the Company to send documents by means of a website and to ensure the Articles of Association are consistent with the provisions of the Companies Act 2006.

Shareholders should note that even if Ordinary Resolution 15 is passed no action will be taken and no documents will be sent electronically until the consent of Shareholders in General Meeting has been obtained and until the Company receives individual consent to electronic communication. However, provided that Ordinary Resolution 15 is passed at the Annual General Meeting and provided we have not received a response from you by 29 June 2011, the Companies Act 2006 allows us to assume that you have agreed that the documents and information referred to in the consent letter can be sent to you by posting them on the Company's website.

A Shareholder may, if he or she wishes, continue to receive all company communications in hard copy form. Moreover, a shareholder may, in relation to a particular communication, request a hard copy form of that communication or, at any time, revoke his or her general agreement to be provided documentation in electronic form or by means of a website by delivering written notice or such revocation to the Company.

## Proposed Change to the Company's Investment Objective and Policy
The Board remains firmly of the belief that investing in the Asia Pacific Region is an attractive proposition. Whilst the current objective also remains valid, many companies whose economic activities are within the Asia Pacific Region are now listed or incorporated elsewhere and the Board believes it would be beneficial to shareholders to include such companies in the Investment Manager's remit. Accordingly, shareholder permission will be sought by means of an Ordinary Resolution to be proposed at the Annual General Meeting to invest up to 20% of the Company's total assets (at the time of investment) in companies which are incorporated and/or listed outside the Asia Pacific Region but whose economic activities are predominantly within the Asia Pacific Region.

The Company's current 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, Australia and New Zealand (the 'Asia Pacific Region'). The Company's current investment policy states that risk is diversified by investing in different countries, sectors and stocks within the Asia Pacific Region. Under the Listing Rules the Company is required to seek the approval of shareholders for a change of this kind and, accordingly, an Ordinary Resolution to approve the change will be proposed at the Company's Annual General Meeting.

# Report of the Directors

Continued

This proposed amendment would not change the Company's AIC classification as an Asia Pacific investment trust.

**Full details of the Company's current investment objective and policy are set out on pages 13 and 14. The proposed revised investment objective and policy are set out below.**

### Proposed Investment 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, Australia and New Zealand (the 'Asia Pacific Region'). However, up to a maximum of 20% of the Company's total assets (at the time of investment) may be invested in companies incorporated and/or listed outside the Asia Pacific Region but whose economic activities are predominantly within the Asia Pacific Region.

### Proposed Investment Policy

The Company invests in companies which First State 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. It is the Board's current intention that, such investments will be limited to those which are expected to be listed on a stock exchange or which cease to be listed and the investment 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. Up to a maximum of 20% of the Company's total assets (at the time of investment) may be invested in companies incorporated and/or listed outside the Asia Pacific Region but whose economic activities are predominantly within the Asia Pacific Region. There are no defined limits on countries or sectors but no single investment may exceed 15% of the Company's total assets at the time of investment. However, the Board has set a current limit for single investment of 7.5% 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 that 10% of the Company's total assets may be invested on other listed closed-ended investment companies unless such investment companies themselves have published investment policies to invest no more than 15% of their total assets in other closed-ended investment companies, in which case the limit is 15%.

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

However, as the Company's Investment Manager rarely uses gearing, the Board is to hold discussions with the provider of the Company's loan facility to establish whether it is feasible to cancel the facility before its expiry in March 2012.

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

## 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.

# Report of the Directors
Continued

## Social, Economic and Environmental Matters
The Board recognises that the Company's investment objective should be achieved in an environmentally responsible and ethical way. This is a view shared by the Company's Investment Manager. The Company encourages a positive approach to corporate governance and engagement with companies.

## Financial Instruments
The Company's financial instruments comprise its portfolio, cash balances, 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 16 to 21 to the accounts.

## Annual General Meeting
The formal notice of Annual General Meeting is set out on pages 45 to 48 of this Annual Report. Included amongst the resolutions to be proposed at the meeting are the following:

## 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 11 will, if passed, authorise the Directors to allot new shares up to an aggregate nominal amount of £1,460,605, being 10% of the total issued shares as at 29 March 2011. Resolution 12 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 £1,460,605, being 10% of the total issued shares as at 29 March 2011. These authorities will continue in effect until the conclusion of the Annual General Meeting to be held in 2012 or, if earlier, 31 July 2012. 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% of the issued Ordinary Shares expires at the end of the Annual General Meeting and Resolution 13, 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 2012 or, if earlier, 31 July 2012. The renewed authority to make market purchases will be in respect of a maximum of 14.99% of the issued Ordinary Shares of the Company as at the date of the passing of the resolution (approximately 17.5 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% 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.

## Notice Period for General Meetings
Special Resolution 14 seeks Shareholder approval for the Company to hold General Meetings (other than the Annual General Meeting) at 14 clear days' notice.

## Electronic Communications
Ordinary Resolution 15 seeks Shareholder approval for the Company to send them documents, notices and information either electronically or via the Company's website.

## Change to the Company's Investment Objective and Policy
Ordinary Resolution 16 seeks shareholder approval for the Company to make an amendment to its investment objective and policy.

## 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 the Board recommends that all shareholders do so as well.

By order of the Board

**Frostrow Capital LLP**
**Company Secretary**

29 March 2011

# Directors' Remuneration Report

The Board has prepared this report in accordance with the requirements of the Companies Act 2006. An Ordinary 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 page 26.

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 Investment Manager and 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 2012 and subsequent years.

The remuneration for the non-executive Directors is 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 including performance related benefits.

At an Engagement of Remuneration Committee meeting held on 17 March 2011, it was agreed that the remuneration of the Directors should remain unchanged for the forthcoming year. The remuneration paid to the Directors was last increased with effect from 1 April 2009.

## 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 at each Annual General Meeting thereafter. 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.

## Company Performance

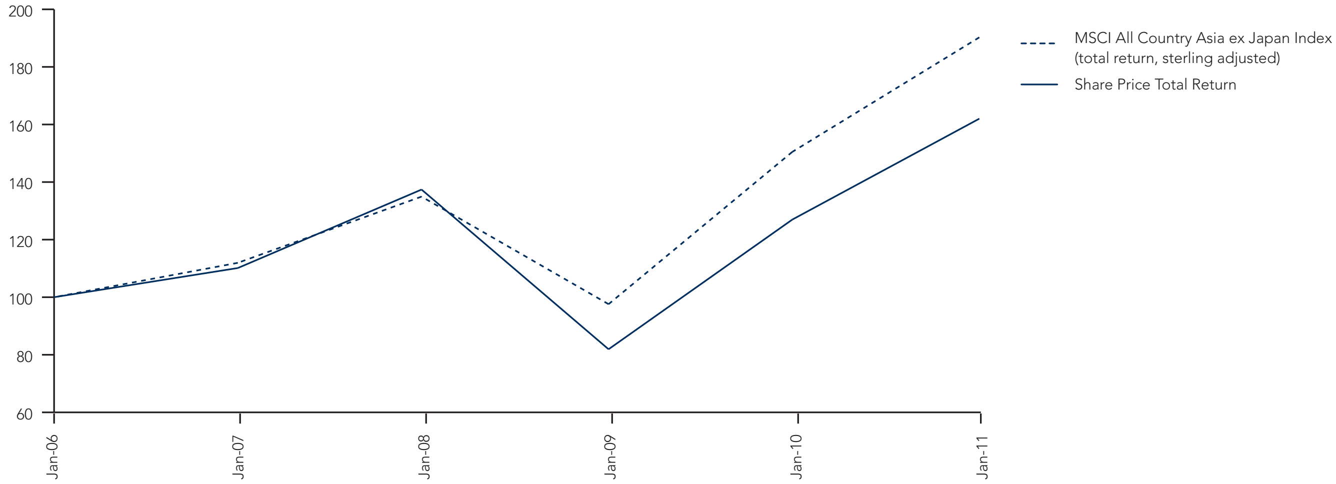
The Board is responsible for the Company's investment strategy and performance, although the management of the Company's portfolio is delegated to the Investment Manager pursuant to the investment management agreement, as referred to in the Report of the Directors on page 16. The graph overleaf compares, for the five financial years ended 31 January 2011, 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 measured in sterling terms. 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 Investment Manager's Review. As explained in the Company Summary on the inside front cover the Board's formal assessment of the performance of the Company is by reference to its peers on a rolling three-year basis.

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

# Directors' Remuneration Report

Continued

## Total Shareholder Return for the Five Years to 31 January 2011




Rebased to 100 as at 31 January 2006

Source: Morningstar

## Directors' Emoluments for the Year (audited)

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

| Director | Year to 31 January 2011 £ | 2010 £ |
|---|---|---|
| D B Nichol (Chairman) | 24,000 | 23,333 |
| R M A Horlick | 18,000 | 17,500 |
| S H Leckie | 18,000 | 17,500 |
| T F Mahony | 18,000 | 17,500 |
| N M S Rich (Chairman of the Audit Committee) | 20,000 | 19,500 |
| Total | 98,000 | 95,333 |

On behalf of the Board

**D B Nichol**

Chairman

29 March 2011

# 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 3 to 4), the Investment Manager's Review (pages 5 to 8) and the Business Review contained in the Report of the Directors (pages 13 to 22). 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 that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK and Generally Accepted Accounting Practice).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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 Report of the Directors, 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.

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

On behalf of the Board<br>
D B Nichol<br>
Chairman<br>
29 March 2011

# Independent Auditor's Report

We have audited the financial statements of Pacific Assets Trust plc for the period ended 31 January 2011 set out on pages 27 to 41. 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 Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective Responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 25, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (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/private.cfm.

## 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 2011 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;
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 17 and 18 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures 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; or
- a Corporate Governance Statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 18, in relation to going concern;
- the part of the Corporate Governance Statement on pages 17 and 18 relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Gareth Horner

**Gareth Horner (Senior Statutory Auditor)**
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountant
Edinburgh
29 March 2011

# Income Statement

for the year ended 31 January

| | Notes | Revenue £'000 | Capital £'000 | 2011 Total £'000 | Revenue £'000 | Capital £'000 | 2010 Total £'000 |
|---|---|---|---|---|---|---|---|
| Gains on investments held at fair value through profit or loss | 8 | – | 27,044 | 27,044 | – | 48,665 | 48,665 |
| (Losses)/gains on derivative arrangements | | – | (28) | (28) | – | 39 | 39 |
| Exchange differences | | – | 635 | 635 | – | (204) | (204) |
| Income | 2 | 3,279 | – | 3,279 | 2,545 | – | 2,545 |
| Investment management and management fees | 3 | (509) | (1,117) | (1,626) | (281) | (842) | (1,123) |
| Other expenses | 4 | (1,153) | (36) | (1,189) | (728) | – | (728) |
| **Return on ordinary activities before taxation** | | 1,617 | 26,498 | 28,115 | 1,536 | 47,658 | 49,194 |
| Taxation on ordinary activities | 5 | (106) | – | (106) | (173) | – | (173) |
| **Return attributable to equity shareholders** | | 1,511 | 26,498 | 28,009 | 1,363 | 47,658 | 49,021 |
| **Return per Ordinary Share (p)** | 7 | 1.29 | 22.54 | 23.83 | 1.15 | 40.27 | 41.42 |

The Total column of this statement represents the Company's Income Statement.

The Revenue and Capital columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies (AIC).

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

The Company had no recognised gains or losses other than those declared in the Income Statement.

# Reconciliation of Movements in Shareholders' Funds

for the year ended 31 January

| | Notes | 2011 £'000 | 2010 £'000 |
|---|---|---|---|
| Opening shareholders' funds | | 135,254 | 87,760 |
| Return for the year | | 28,009 | 49,021 |
| Repurchase of own shares for cancellation | | (1,650) | – |
| Dividends paid | 6 | (1,527) | (1,527) |
| Closing shareholders' funds | | 160,086 | 135,254 |

The accompanying notes are an integral part of these statements.

# Balance Sheet

as at 31 January

| | Notes | £'000 | 2011 £'000 | £'000 | 2010 £'000 |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Investments held at fair value through profit or loss | 8 | | 151,657 | | 134,419 |
| **Current assets** | | | | | |
| Debtors | 9 | 5,276 | | 236 | |
| Cash at bank | | 10,191 | | 819 | |
| | | 15,467 | | 1,055 | |
| **Creditors** (amounts falling due within one year) | 10 | (7,038) | | (220) | |
| **Net current assets** | | | 8,429 | | 835 |
| **Net assets** | | | **160,086** | | **135,254** |
| **Capital and reserves** | | | | | |
| Share capital | 11 | | 14,606 | | 14,794 |
| Share premium account | 12 | | 4 | | 4 |
| Capital redemption reserve | 12 | | 1,648 | | 1,460 |
| Special reserve | 12 | | 14,572 | | 16,222 |
| Capital reserve | 12 | | 125,108 | | 98,610 |
| Revenue reserve | 12 | | 4,148 | | 4,164 |
| **Equity shareholders' funds** | 13 | | **160,086** | | **135,254** |
| **Net asset value per Ordinary Share (p)** | 13 | | **137.00** | | **114.28** |

The accounts on pages 27 to 41 were approved and authorised for issue by the Board of Directors on 29 March 2011 and signed on its behalf by:

**D B Nichol, Chairman**

The accompanying notes are an integral part of this statement.

Pacific Asset's Trust plc • Company Registration Number: SC091052 (Registered in Scotland)

# Cash Flow Statement

for the year ended 31 January

| | Notes | £'000 | 2011 £'000 | £'000 | 2010 £'000 |
|---|---|---|---|---|---|
| **Operating activities** | | | | | |
| Investment income received | | 3,226 | | 2,339 | |
| Other interest received | | – | | 3 | |
| Investment management and management fees paid | | (1,366) | | (851) | |
| Other cash payments | | (1,180) | | (539) | |
| **Net cash inflow from operating activities** | 14 | | 680 | | 952 |
| **Capital expenditure and financial investment** | | | | | |
| Purchase of futures | | (25) | | (1,813) | |
| Disposal of futures | | (3) | | 1,855 | |
| Purchase of investments | | (152,616) | | (45,711) | |
| Disposal of investments | | 163,878 | | 43,388 | |
| **Net cash inflow/(outflow) from investing activities** | | | 11,234 | | (2,281) |
| **Equity dividends paid** | | | (1,527) | | (1,527) |
| **Net cash inflow/(outflow) before financing** | | | 10,387 | | (2,856) |
| **Financing** | | | | | |
| Repurchase of own shares for cancellation | | (1,650) | | – | |
| **Net cash outflow from financing** | | | (1,650) | | – |
| **Increase/(decrease) in cash** | 15 | | 8,737 | | (2,856) |
| **Reconciliation of net cash flow to movement in net funds** | | | | | |
| Increase/(decrease) in cash in the year | | 8,737 | | (2,856) | |
| Change in net funds resulting from cash flows | | | 8,737 | | (2,856) |
| Currency gains/(losses) | | | 635 | | (204) |
| Movement in net funds | | | 9,372 | | (3,060) |
| Net funds at 1 February | | | 819 | | 3,879 |
| **Net funds at 31 January** | 15 | | 10,191 | | 819 |

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'), dated January 2009, for investment trust companies and Venture Capital Trusts 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 Sections 1158 and 1159 of the Corporation Tax Act 2010 (formerly under 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. 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:

- Investment Management and Management fees payable have been allocated 25% to revenue and 75% to capital.

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

### (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 5 to the financial statements. 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.

# Notes to the Accounts

Continued

### (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. Due to the Company's status as an investment trust, and the intention to meet the conditions required to obtain approval under Sections 1158 and 1159 of the Corporation Tax Act 2010 (formerly under Section 842 Income and Corporation Taxes Act 1988) in the foreseeable future, the Company has not provided for deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

### (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 | 2011 | 2010 |
|---|---|---|
| Australian Dollar | 1.61 | 1.80 |
| Hong Kong Dollar | 12.49 | 12.44 |
| Indian Rupee | 73.54 | 73.98 |
| Indonesian Rupiah | 14,493 | 14,982 |
| Korean Won | 1,796 | 1,862 |
| Malaysian Ringgit | 4.90 | 5.47 |
| Philippine Peso | 70.94 | 74.51 |
| Singaporean Dollar | 2.05 | 2.25 |
| Sri Lankan Rupee | 177.95 | 183.72 |
| New Taiwanese Dollar | 46.51 | 51.19 |
| Thai Baht | 49.49 | 53.19 |
| US Dollar | 1.60 | 1.60 |

# Notes to the Accounts

Continued

## 2. Income

| | 2011 £'000 | 2010 £'000 |
|---|---|---|
| Dividend income from investments† | | |
| Listed overseas | 3,279 | 2,542 |
| Other income‡ | | |
| Deposit interest | – | 3 |
| Total income | 3,279 | 2,545 |

† 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 and Management Fees

| | Revenue £'000 | Capital £'000 | 2011 Total £'000 | Revenue £'000 | Capital £'000 | 2010 Total £'000 |
|---|---|---|---|---|---|---|
| Investment management fee – F&C | 281 | 845 | 1,126 | 281 | 842 | 1,123 |
| Investment management fee – First State | 181 | 217 | 398 | – | – | – |
| Management fee – Frostrow | 47 | 55 | 102 | – | – | – |
| | 509 | 1,117 | 1,626 | 281 | 842 | 1,123 |

Until 30 June 2010 the Company's Investment Manager was F&C Investment Business Limited ('FCIB'). FCIB received 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 was terminated on 30 June 2010 and compensation was paid by the Company to FCIB for the unexpired period of approximately four months' notice under the management agreement.

First State Investment Management (UK) Limited ('First State') assumed responsibility for the management of the Company's assets on 1 July 2010 and have been employed for an initial three year term with six months' notice thereafter. An investment management fee of 0.75% per annum of net assets is payable and there is an additional performance fee component at the rate of 12.5% of returns in excess of the MSCI All Country Asia ex Japan Index plus 1.75% per annum, measured over a rolling three year period. Total annual investment management fees have been capped at 1.75% of net assets. First State agreed to waive three months' fees in order to assist with the costs of the management transition.

Frostrow Capital LLP ('Frostrow') assumed responsibility for company secretarial, accounting, administration and marketing services with effect from 1 July 2010. A fee of 0.2% per annum (plus VAT) of market capitalisation is payable for this service. Frostrow agreed to waive three months' fees and to absorb certain other costs in order to assist with the management transition. Frostrow's appointment can be terminated by either party by giving six month's notice.

The overlap management fees period, from 1 October 2010 to 4 November 2010, amounted to £137,000 and has been charged 100% to the Revenue Column of the Income Statement.

The increase in the level of Investment Management and Management fees paid during the year is due, in part, to the increase in the assets of the Company and to the additional fees paid during the overlap management fees period as detailed above.

# Notes to the Accounts

Continued

## 4. Other Expenses

| | 2011 £'000 | 2010 £'000 |
|---|---|---|
| Directors' fees | 98 | 95 |
| Auditors' remuneration for: | | |
| – annual audit | 18 | 17 |
| – other services supplied relating to taxation* | 16 | 4 |
| Printing | 50 | 64 |
| Savings scheme costs | 239 | 197 |
| Saving scheme-termination costs | 198 | – |
| Marketing costs | 48 | 46 |
| Custody fees | 80 | 46 |
| Bank charges including non-utilisation fees | 138 | 56 |
| Broker retainer | 30 | 30 |
| Legal & professional (costs associated with terminating the previous manager) | 45 | 6 |
| Other expenses | 193 | 167 |
| Revenue expenses | 1,153 | 728 |
| Capital expenses | 36 | – |
| Total expenses | 1,189 | 728 |

* includes £12,000 paid to KPMG in relation to the recovery of Taiwanese withholding tax.

## 5(a). Tax on Ordinary Activities

| | Revenue £'000 | Capital £'000 | 2011 Total £'000 | Revenue £'000 | Capital £'000 | 2010 Total £'000 |
|---|---|---|---|---|---|---|
| UK corporation tax | – | – | – | 4 | – | 4 |
| Overseas taxation | 286 | – | 286 | 173 | – | 173 |
| Overseas tax recoverable | (180) | – | (180) | – | – | – |
| Double taxation relief | – | – | – | (4) | – | (4) |
| | 106 | – | 106 | 173 | – | 173 |

As at 31 January 2011 the Company had unutilised management expenses and non-trade loan relationship deficit for taxation purposes of £12,791,000 (2010: £10,449,000). It is not anticipated that these will have value in the foreseeable future. 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% (2010: 28%). The differences are explained below:

| | 2011 Revenue £'000 | 2011 Capital £'000 | 2011 Total £'000 | 2010 Revenue £'000 | 2010 Capital £'000 | 2010 Total £'000 |
|---|---|---|---|---|---|---|
| Total return on ordinary activities before tax | 1,617 | 26,498 | 28,115 | 1,536 | 47,658 | 49,194 |
| Corporation tax charged at 28% (2010:28%) | 453 | 7,419 | 7,872 | 430 | 13,344 | 13,774 |
| Non-taxable gains on investments held at fair value through profit or loss | – | (7,572) | (7,572) | – | (13,626) | (13,626) |
| Losses/(gains) on derivative arrangements | – | 8 | 8 | – | (11) | (11) |
| Exchange differences | – | (178) | (178) | – | 57 | 57 |
| Unutilised investment management and management fee | 143 | 313 | 456 | – | 236 | 236 |
| Unutilised other expenses | 322 | – | 322 | – | – | – |
| Disallowed expenses | – | 10 | 10 | – | – | – |
| Income not subject to corporation tax | (918) | – | (918) | (416) | – | (416) |
| Overseas taxation | 286 | – | 286 | 173 | – | 173 |
| Tax effect of income assessed on receipts basis | – | – | – | (14) | – | (14) |
| Overseas tax recovered | (45) | – | (45) | – | – | – |
| Overseas tax recoverable | (135) | – | (135) | – | – | – |
| Current tax charge | 106 | – | 106 | 173 | – | 173 |

The above reconciliation has been presented on a revenue basis as the Company is an investment trust under Section 1158 of the Corporation Tax Act 2010 and therefore not liable to corporation tax on capital gains.

# Notes to the Accounts

Continued

## 6. Dividends

Under UK GAAP, final dividends are not recognised and paid until they are approved by Shareholders. Amounts recognised as distributable to Ordinary Shareholders for the year ended 31 January 2011, were as follows:

| | 2011 £'000 | 2010 £'000 |
|---|---|---|
| – final dividend paid for the year ended 31 January 2010 of 1.29p per Ordinary share | 1,527 | |
| – final dividend paid for the year ended 31 January 2009 of 1.29p per Ordinary share | | 1,527 |

In respect of the year ended 31 January 2011, a dividend of 1.29p has been proposed, to be approved at the forthcoming Company's Annual General Meeting (AGM) which will take place on 28 June 2011.

In accordance with FRS 21 this dividend will be reflected in the interim accounts for the period ending 31 July 2011.

Total dividends in respect of the financial year, on which the requirements of Section 1158 CTA 2010 are considered:

| | 2011 £'000 | 2010 £'000 |
|---|---|---|
| Revenue available for distribution by way of dividend for the year | 1,511 | 1,363 |
| Proposed dividend (to be approved at the AGM) | (1,507) | (1,527) |
| | 4 | (164) |

## 7. Return per Ordinary Share

The Return per Ordinary Share is as follows:

| | Revenue £'000 | Capital £'000 | 2011 Total £'000 | Revenue £'000 | Capital £'000 | 2010 Total £'000 |
|---|---|---|---|---|---|---|
| Basic | 1.29p | 22.54p | 23.83p | 1.15p | 40.27p | 41.42p |

The total return per Ordinary Share is based on the total return attributable to Shareholders of £28,009,000 (2010: £49,021,000).

The revenue return per Ordinary Share is based on the net revenue return attributable to Shareholders of £1,511,000 (2010: £1,363,000).

The capital return per Ordinary Share is based on the net capital return attributable to Shareholders of £26,498,000 (2010: £47,658,000).

The total return, revenue return and the capital return per share are based on the weighted average number of shares in issue during the year of 117,514,139 (2010: 118,348,386).

# Notes to the Accounts

Continued

## 8. 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.

| | 2011 £'000 | 2010 £'000 |
|---|---|---|
| Equity investments listed on recognised investment exchanges | 151,657 | 134,244 |
| Unlisted investment | – | 175 |
| | 151,657 | 134,419 |

| | Level 1* £'000 | Level 2* £'000 | Level 3* £'000 | Total £'000 |
|---|---|---|---|---|
| Opening book cost | 98,934 | 4,367 | 741 | 104,042 |
| Opening fair value adjustment | 29,673 | 1,270 | (566) | 30,377 |
| Opening valuation | 128,607 | 5,637 | 175 | 134,419 |
| Movements in the year: | | | | |
| Purchases at cost | 159,115 | – | – | 159,115 |
| Sales – proceeds | (161,830) | (7,002) | (89) | (168,921) |
| – realised gains on sales | 38,792 | 2,635 | (652) | 40,775 |
| (Decrease)/increase in fair value adjustment | (13,027) | (1,270) | 566 | (13,731) |
| Closing valuation | 151,657 | – | – | 151,657 |
| Closing book cost | 135,011 | – | – | 135,011 |
| Closing fair value adjustment | 16,646 | – | – | 16,646 |
| | 151,657 | – | – | 151,657 |

* Refer to note 16, on page 38, for definitions of levels 1,2 and 3.

| | 2011 £'000 | 2010 £'000 |
|---|---|---|
| Realised gains on sales | 40,775 | 3,306 |
| Of which previously recognised as fair value adjustment | (29,022) | (6,016) |
| Realised gains/(losses) for the year | 11,753 | (2,710) |
| Movement in fair value | 15,291 | 51,375 |
| Gains on investments | 27,044 | 48,665 |

During the year the Company incurred transaction costs on purchases of £225,877 (2010: £145,559) and transaction costs on sales of £377,561 (2010: £113,641).

## 9. Debtors

| | 2011 £'000 | 2010 £'000 |
|---|---|---|
| Amounts due from brokers | 5,043 | – |
| Accrued income | 40 | 232 |
| Overseas tax recoverable | 139 | – |
| Other debtors | 54 | 4 |
| | 5,276 | 236 |

# Notes to the Accounts

Continued

## 10. Creditors: amounts falling due within one year

| | 2011 £'000 | 2010 £'000 |
|---|---|---|
| Amounts due to brokers | 6,499 | – |
| Loss on derivative arrangements | – | 3 |
| Investment management fee | 302 | 119 |
| Management fee | 77 | – |
| Other creditors | 160 | 98 |
| | 7,038 | 220 |

At 31 January 2011 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 2011 (2010: £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% 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 18. The facility in place at the beginning of the financial year expired on 11 March 2010 and was replaced by a two year unsecured revolving credit facility also amounting to US$20 million. The Board is to hold discussions with ING Bank N.V., the provider of the facility, to establish whether it is feasible to cancel the facility before its expiry in March 2012.

## 11. Share capital

| | 2011 £'000 | 2010 £'000 |
|---|---|---|
| Allotted and fully paid: | | |
| 116,848,386 Ordinary Shares of 12.50p each (2010: 118,348,386) | 14,606 | 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 13 and 14.

The Company does not have any externally imposed capital requirements.

## 12. Reserves

| | Share premium account £'000 | Capital redemption reserve £'000 | Special reserve £'000 | Capital reserve £'000 | Revenue reserve* £'000 |
|---|---|---|---|---|---|
| At 31 January 2010 | 4 | 1,460 | 16,222 | 98,610 | 4,164 |
| Net gain on realisation of investments | – | – | – | 40,775 | – |
| Net loss on derivative arrangements | – | – | – | (28) | – |
| Increase in fair value adjustment on investments | – | – | – | (13,731) | – |
| Exchange differences | – | – | – | 635 | – |
| Investment management and management fees charged to capital | – | – | – | (1,117) | – |
| Repurchase of own shares for cancellation | – | 188 | (1,650) | – | – |
| Retained net revenue return for the year | – | – | – | – | 1,511 |
| Other expenses | – | – | – | (36) | – |
| Dividends paid | – | – | – | – | (1,527) |
| At 31 January 2011 | 4 | 1,648 | 14,572 | 125,108 | 4,148 |

* Distributable reserve for dividend purposes

As at 31 January 2011 capital reserves relating to the revaluation of investments held at the reporting date amounted to an unrealised gain of £16,646,000 (2010: unrealised gain of £30,377,000).

# Notes to the Accounts

Continued

## 13. 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 | |
|---|---|---|---|---|
| | 2011 pence | 2010 pence | 2011 £'000 | 2010 £'000 |
| Ordinary Shares | 137.00 | 114.28 | 160,086 | 135,254 |

The net asset value per Ordinary Share is calculated on net assets of £160,086,000 (2010: £135,254,000), divided by 116,848,386 (2010: 118,348,386) Ordinary Shares, being the number of Ordinary Shares in issue at the year end.

## 14. Reconciliation of net return before finance costs and taxation to net cash inflow from operating activities

| | 2011 £'000 | 2010 £'000 |
|---|---|---|
| Net return before finance costs and taxation | 28,115 | 49,194 |
| Gains on investments | (27,044) | (48,665) |
| Losses/(gains) on derivative arrangements | 28 | (39) |
| Exchange differences | (635) | 204 |
| Decrease/(increase) in accrued income | 228 | (30) |
| (Increase)/decrease in prepayments and other debtors | (50) | 334 |
| Increase in other creditors | 319 | 127 |
| Irrecoverable withholding tax on investment income | (281) | (173) |
| Net cash inflow from operating activities | 680 | 952 |

## 15. Analysis of changes in net debt

| | At 31 January 2010 £'000 | Cash flow £'000 | Currency movements £'000 | At 31 January 2011 £'000 |
|---|---|---|---|---|
| Cash at bank | 819 | 8,737 | 635 | 10,191 |

## 16. Financial instruments

The Company's financial instruments comprise its portfolio, cash balances 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.

Listed fixed asset investments held (see note 8) 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 28.

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;

# Notes to the Accounts

Continued

## 16. Financial instruments Continued

(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.

The Company held the following categories of financial instruments as at 31 January 2011:

| | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | 2011 Total £'000 | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | 2010 Total £'000 |
|---|---|---|---|---|---|---|---|---|
| Financial instruments | | | | | | | | |
| Investments | 151,657 | – | – | 151,657 | 128,607 | 5,637 | 175 | 134,419 |

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.

There have been no transfers during the year between Levels 1 and 2. A reconciliation of fair value measurements in Level 3 is set out below:

Level 3 Reconciliation of financial assets at fair value through profit or loss.

| | £'000 |
|---|---|
| Opening fair value at 1 February 2010 | 175 |
| Purchases at cost | – |
| Sales proceeds | (89) |
| Total gains/(losses) included in gains on investments in the Income Statement: | |
| – on assets sold | (86) |
| – on assets held at the end of the year | – |
| Closing fair value at 31 January 2011 | – |

# Notes to the Accounts

Continued

## 17. Market price risk

The management of market price risk is part of the investment 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 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.

During the earlier part of the financial year, the Company entered into an Indian index futures contract which was closed during the year realising a loss of £28,000. At 31 January 2011 there were no open futures contracts.

If the portfolio valuation fell by 25% at 31 January 2011 (31 January 2010, 10%), the impact on the profit or loss and the net asset value would have been negative £37.9 million (2010: negative £13.4 million). If the portfolio valuation rose by 25% at 31 January 2011 (31 January 2010, 10%), the impact on the profit or loss and the net asset value would have been positive £37.9 million (2010: positive £13.4 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.

## 18. 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.

On 11 March 2005, the Company entered into a US$20 million revolving credit facility with ING Bank N.V., of which US$nil was drawn down at 31 January 2011 (2010: US$20 million). The facility expired on 11 March 2010 and was replaced by a two year unsecured revolving credit facility also amounting to US$20 million. The Board is to hold discussions with ING Bank N.V., the provider of the facility, to establish whether it is feasible to cancel the facility before its expiry in March 2012.

### Fixed rate

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

# Notes to the Accounts

Continued

## 19. 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:

| | 2011 Investments £'000 | 2011 Cash £'000 | 2011 Short-term Debtors £'000 | 2011 Short-term Creditors £'000 | 2010 Investments £'000 | 2010 Cash £'000 | 2010 Short-term Debtors £'000 | 2010 Short-term Creditors £'000 |
|---|---|---|---|---|---|---|---|---|
| US Dollar | 6,528 | 9 | – | (3,240) | – | 576 | – | – |
| Australian Dollar | 1,571 | – | 693 | – | – | – | – | – |
| Hong Kong Dollar | 31,201 | 7 | 2,518 | – | 49,120 | – | – | – |
| Indian Rupee | 15,577 | 26 | 20 | – | 8,311 | – | 7 | – |
| Indonesian Rupiah | – | – | 6 | – | 13,412 | – | – | – |
| Korean Won | 17,347 | – | 821 | – | 26,106 | – | 225 | – |
| Malaysian Ringgit | 2,298 | – | 974 | – | 2,336 | – | – | – |
| Philippine Peso | 8,863 | – | 56 | – | – | – | – | – |
| Singaporean Dollar | 29,060 | – | – | (3,244) | 7,924 | – | – | – |
| Sri Lankan Rupee | 40 | – | – | (30) | – | – | – | – |
| New Taiwanese Dollar | 29,630 | 34 | 133 | – | 21,338 | 134 | – | – |
| Thai Baht | 9,542 | – | – | – | 5,872 | – | – | – |
| Total | 151,657 | 76 | 5,221 | (6,514) | 134,419 | 710 | 232 | – |

At 31 January 2011 the Company had £10,115,000 of sterling cash balances (2010: £109,000).

If the value of sterling had weakened against each of the currencies in the portfolio by 5%, the impact on the profit or loss and the net asset value would have been positive £7.5 million (2010: positive £7.1 million). If the value of sterling had strengthened against each of the currencies in the portfolio by 5%, the impact on the profit or loss and the net asset value would have been negative £7.5 million (2010: negative £6.4 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.

During the earlier part of the financial year, the Company hedged investments in India by way of futures contracts. As at 31 January 2011 there were no open futures contracts.

## 20. 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:

| | 2011 £'000 | 2010 £'000 |
|---|---|---|
| Cash and cash equivalents | 10,191 | 819 |
| Balances due from brokers | 5,043 | – |
| Interest, dividends and other receivables | 233 | 236 |
| | 15,467 | 1,055 |

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.

# Notes to the Accounts

Continued

All the assets of the Company which are traded on a recognised exchange are held by JPMorgan Chase Bank 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 18 and 19.

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 5.1% of the total assets less current liabilities attributable to the Company's shareholders at 31 January 2011 (2010: 4.2%).

## 21. Liquidity risk

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. 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. At 31 January 2011 the Company had a separate revolving credit facility available totalling $20 million.

## 22. Related parties

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

## 23. Contingent assets

As mentioned at the interim stage, based on new advice from the Company's tax advisers, the Company submitted a claim to the Taipei National Tax Administration in Taiwan for the recovery of tax withheld on income arising from the Company's investments in Taiwan. The claim covers the years 2005 to 2009 and, if successful, the Company expects to recover approximately £500,000 net of expenses.

To the date of these accounts the Company has recovered £115,000 net of costs in respect of tax withheld and this amount has been recognised in these accounts. However, as the likelihood, timing and quantum of the remaining recoverable amounts continues to remain uncertain, no further amounts receivable have been recorded in the Company's accounts, therefore leaving a contingent asset net of costs of £385,000 at 31 January 2011 (31 January 2010: £nil).

# 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 28 June 2011 at 12 noon.

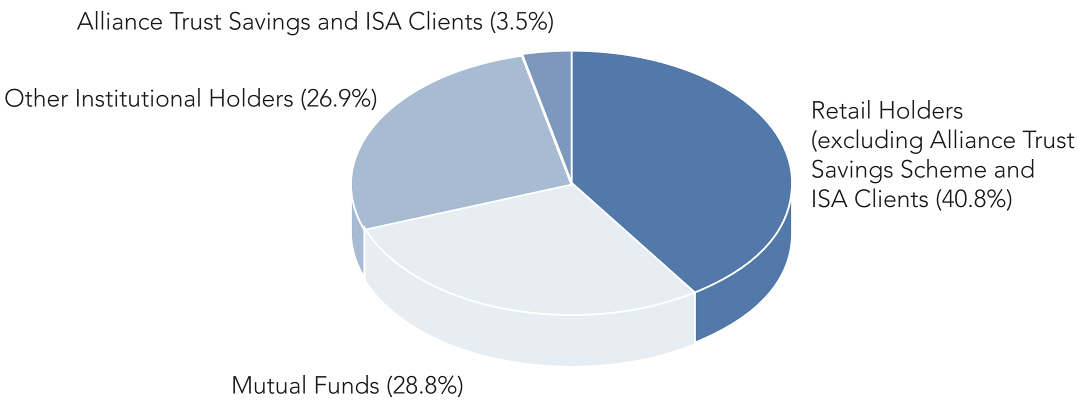
## Dividends
A dividend is normally paid annually following approval at the Annual General Meeting. Shareholders who wish to have dividends paid directly into a bank account, rather than by cheque to their registered address, can complete a mandate form for the purpose. Mandates may be obtained from 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 at www.pacific-assets.co.uk.

## Profile of the Company's Ownership
% of Ordinary Shares held at 31 January 2011



# Shareholder Information

Continued

## Financial Calendar

| | |
|---|---|
| 28 June 2011 | Annual General Meeting |
| 30 June 2011 | Final dividend on Ordinary Shares paid |
| September 2011 | 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 |
|---|---|---|---|---|---|---|---|
| 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% |
| **2011** | **160,086** | **137.00p** | **131.50p** | **4.0%** | **N/A** | **1.29p** | **1.6%*** |

*Excludes the costs attributable to the change in management arrangements amounting to £380,000.

# How to Invest

## 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.alliancetrustsavings.co.uk 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 £10,680 in the tax year 2011/2012 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 the Annual General Meeting

Notice is hereby given that the twenty-sixth 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 28 June 2011 at 12 noon 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 2011 together with the Report of the Auditors thereon be received.
2. That the Directors' Remuneration Report for the financial year ended 31 January 2011 be approved.
3. That a final dividend for the financial year ended 31 January 2011 of 1.29p per ordinary share be declared.
4. That Mr R M A Horlick, be re-elected as a Director
5. That Mr S H Leckie, be re-elected as Director.
6. That Mr T F Mahony, be re-elected as a Director.
7. That Mr D B Nichol, be re-elected as a Director.
8. That Mr N M S Rich, be re-elected as a Director.
9. 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.
10. That the Directors be authorised to determine KPMG Audit Plc's remuneration.
11. That, 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 £1,460,605 provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2012 or, if earlier, 31 July 2012 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:

12. That, subject to the passing of resolution 11 proposed at the Annual General Meeting of the Company convened for 28 June 2011 ('Resolution 11'), 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 11 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 £1,460,605,

    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 2012 or, if earlier, 31 July 2012 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.

# Notice of the Annual General Meeting

Continued

13. That, 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% 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% 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 2012 or, if earlier, 31 July 2012 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:

14. That as permitted by the EU Shareholders' Rights Directive (2007/36/EC) any General Meeting of the Company (other than the Annual General Meeting of the Company) shall be called by notice of at least 14 clear days in accordance with the provisions of the Articles of Association of the Company provided that the authority shall expire on the conclusion of the next Annual General Meeting of the Company, or, if earlier, on the expiry 15 months from the date of the passing of the resolution.

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

15. That the Company be authorised, subject to and in accordance with the provisions of the Companies Act 2006 and the Articles of Association of the Company (as from time to time amended or varied) to send, convey or supply all types of notices, documents or information to the members by means of electronic equipment (such item is defined in the Financial Services Authority's Disclosure and Transparency Rules) for the processing (including, without limitation, by means of digital compression) storage and transmission of data, employing wires, radio optical technologies, or any other electromagnetic means, including without limitation, by making such notices, documents or information available on a website.
16. That the proposed revised investment objective and policy set out on pages 20 and 21 of the Company's Annual Report dated 29 March 2011, a copy of which marked 'A' and signed for the purpose of identification by the Chairman of the Meeting as produced to the Meeting, be and it is hereby approved and adopted with immediate effect as the Company's investment objective and policy in place of the Company's existing investing objective and policy

By order of the Board

**Frostrow Capital LLP**
**Secretary**
29 March 2011

Registered office
16 Charlotte Square
Edinburgh
EH2 4DF

# Notice of the 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 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.

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).

# Notice of the Annual General Meeting

Continued

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 24 June 2011 (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 29 March 2011 (being the latest practicable date prior to the publication of this notice) the Company's issued share capital consisted of 116,848,386 ordinary shares carrying one vote each. Accordingly, the total voting rights in the Company at 29 March 2011 were 116,848,386 votes.

12. Any person holding 3% 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 25 Southampton Buildings, London WC2A 1AL.

    Members may not use any electronic address provided in this notice or in any related documents (including the accompanying 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 offices of Frostrow Capital LLP, the Company's Company Secretary, 25 Southampton Buildings, London WC2A 1AL 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 copies of the Directors' letters of appointment; and

    14.2 copies of the Directors' deeds of indemnity.

Pacific Assets Trust plc
25 Southampton Buildings, London WC2A 1AL
www.pacific-assets.co.uk

# Company 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
16 Charlotte Square
Edinburgh EH2 4DF
Website: www.pacific-assets.co.uk
Company Registration Number
SC091052 (Registered in Scotland)

## Investment Manager
First State Investment Management
(UK) Limited
Level 1, 23 St. Andrew Square
Edinburgh EH2 1BB
Telephone: 0131 473 2200
Website: www.firststate.co.uk

*Authorised and regulated by the Financial Services Authority.*

## Manager, Administrator and Company Secretary
Frostrow Capital LLP
25 Southampton Buildings
London WC2A 1AL
Telephone: 0203 008 4910
Email: info@frostrow.com
Website: www.frostrow.com

*Authorised and regulated by the Financial Services Authority.*

If you have an enquiry about the Company or if you would like to receive a copy of the Company's monthly fact sheet by email, please contact Frostrow Capital using the above email address.

*Chairman of the Engagement and Remuneration Committee and the Nomination Committee.

†Chairman of the Audit Committee and Senior Independent Director.

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

## Auditors
KPMG Audit Plc
Saltire Court
20 Castle Terrace
Edinburgh EH1 2EG

## Registrars
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

Shareholder Helpline: 0871 384 2466*
Broker Helpline: 0871 384 2779*

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

## Brokers
Collins Stewart Europe Limited
88 Wood Street
London EC2V 7QR

## Solicitors
Dickson Minto W.S.
16 Charlotte Square
Edinburgh EH2 4DF

## Identification Codes

| | | |
|---|---|---|
| Shares: | SEDOL: | 0667438 |
| | ISIN: | GB0006674385 |
| | Bloomberg: | PAC LN |
| | EPIC: | PAC |

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