Pacific Assets Trust plc

Annual Report for the year ended 31 January 2014

Frostrow Capital

First State Stewart

Pacific Assets Trust plc

The Company aims 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'). 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, including Japan, Australia and New Zealand, but whose economic activities are predominantly within the Asia Pacific Region.

Keep up to date with Pacific Assets Trust plc

For more information about Pacific Assets Trust plc visit the website at www.pacific-assets.co.uk

Company Summary

The Company

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

Total assets less current liabilities as at 31 January 2014 were £186.3 million and the market capitalisation was £170.1 million.

Management

The Company employs First State Investment Management (UK) Limited ('First State') as Investment Manager. First State adopts a sustainable investment strategy in selecting the investments that make up the Company's investment portfolio. Further information on this approach can be found on page 15. Frostrow Capital LLP ('Frostrow') is employed to provide company management, company secretarial, administrative and marketing services. Further details of the terms of these appointments are provided on page 23.

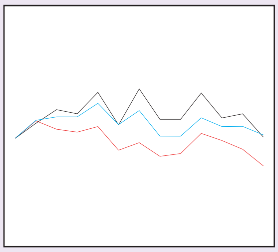
Performance Assessment

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 on page 23 and in note 11 to the accounts on page 50.



● **Pages 2-4**
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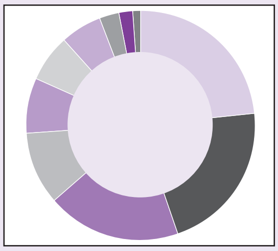
Investment Portfolio



● **Pages 15-19**
Investment Manager's Review

Winner
Investment Week, Investment Trust of the Year Awards 2013
Category: Asia

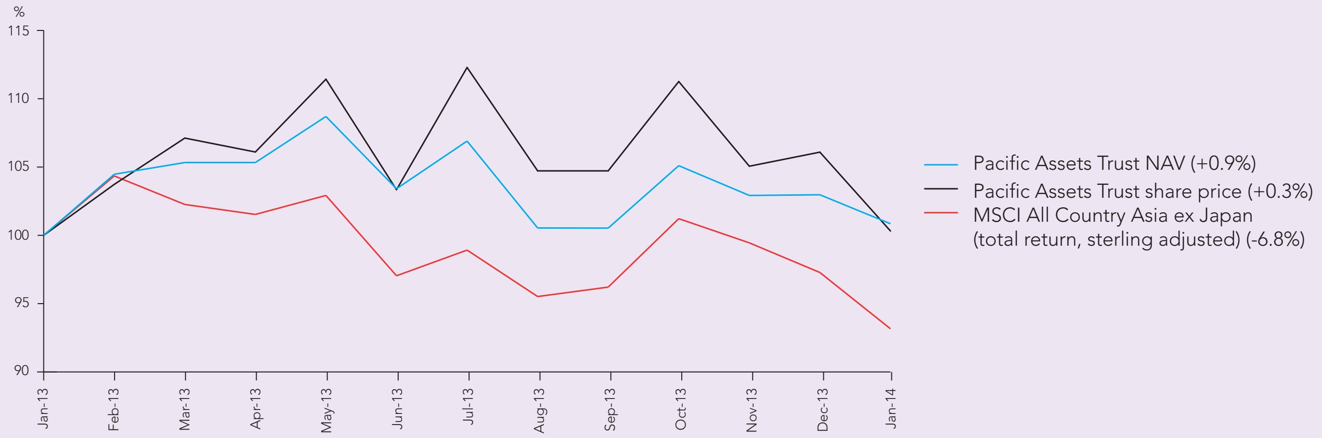
Strategic Report / Company Performance

Financial Highlights

	31 Jan 2014	31 Jan 2013
Share price total return*	+0.3%	+30.9%
Net asset value per share total return*	+0.9%	+24.8%
MSCI All Country Asia ex Japan Index (total return, sterling adjusted)*	-6.8%	+12.1%
Dividend per share	2.6p	2.6p
Discount of share price to net asset value per share	8.7%	8.2%

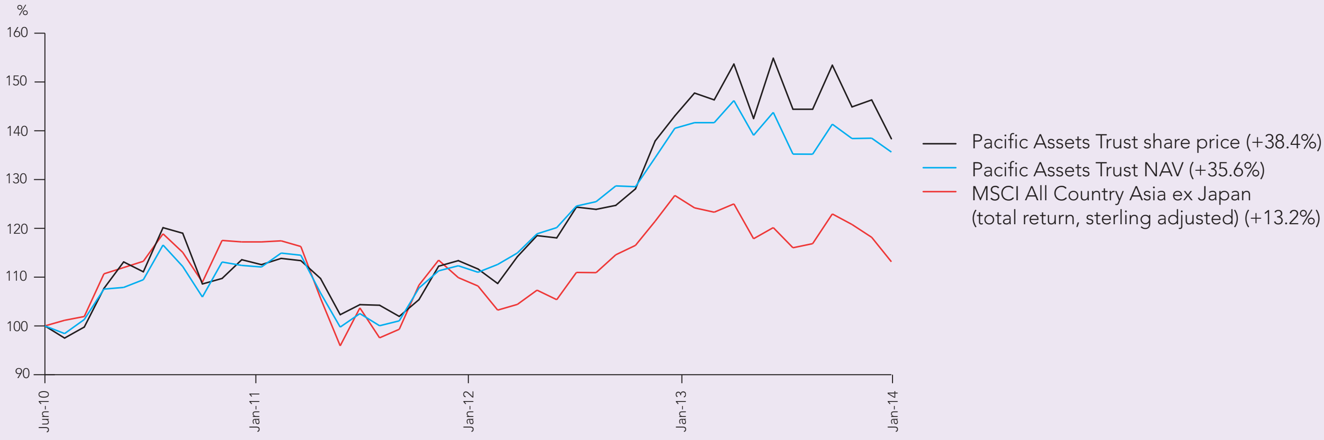
*Source: Morningstar

Total Return Performance for the year to 31 January 2014



Source: Morningstar
Rebased to 100 as at 31 January 2013

Total Return Performance since the Date of Appointment of First State Investment Management (UK) Limited as Investment Manager



Source: Morningstar
Rebased to 100 as at 30 June 2010

Strategic Report / Company Performance

Performance Summary

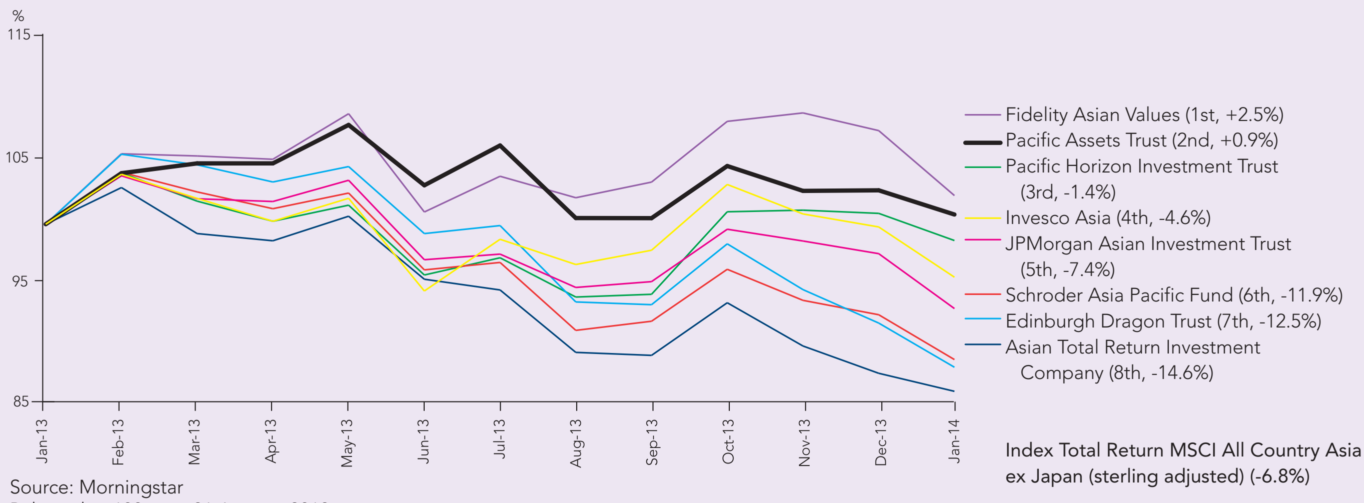
	As at 31 January 2014	As at 31 January 2013	% Change
Shareholders' funds	£186.3m	£187.6m	–0.7
Market capitalisation	£170.1m	£172.4m	–1.3
Discount of share price to net asset value per share	8.7%	8.2%	–
Total Return	One year to 31 January 2014	One year to 31 January 2013	
Share price (total return)	+0.3%	+30.9%	n/a
Net asset value per share (total return)	+0.9%	+24.8%	n/a
MSCI All Country Asia ex Japan Index (total return, sterling adjusted)	–6.8%	+12.1%	n/a
Revenue and Dividend			
Revenue return per share	2.5p	2.6p	–3.8
Dividend per share	2.6p	2.6p	–
Ongoing Charges Ratio			
Ongoing charges ratio (excluding performance fee)*†	1.3%	1.3%	n/a
Performance fee	0.7%	0.4%	n/a
Ongoing charges ratio (including performance fee)	2.0%	1.7%	n/a
Peer group average ongoing charges ratio (excluding performance fee)*	1.1%	1.2%	n/a

*Source: Morningstar † See glossary on page 57

Year's Highs/Lows	High	Low
Net asset value per share	174.6p	150.9p
Share price	167.1p	143.0p
Premium/(discount) of share price to net asset value per share‡	4.5%	(10.7)%

‡Discount high – narrowest discount/highest premium in year; discount low – widest discount in year Source: Morningstar

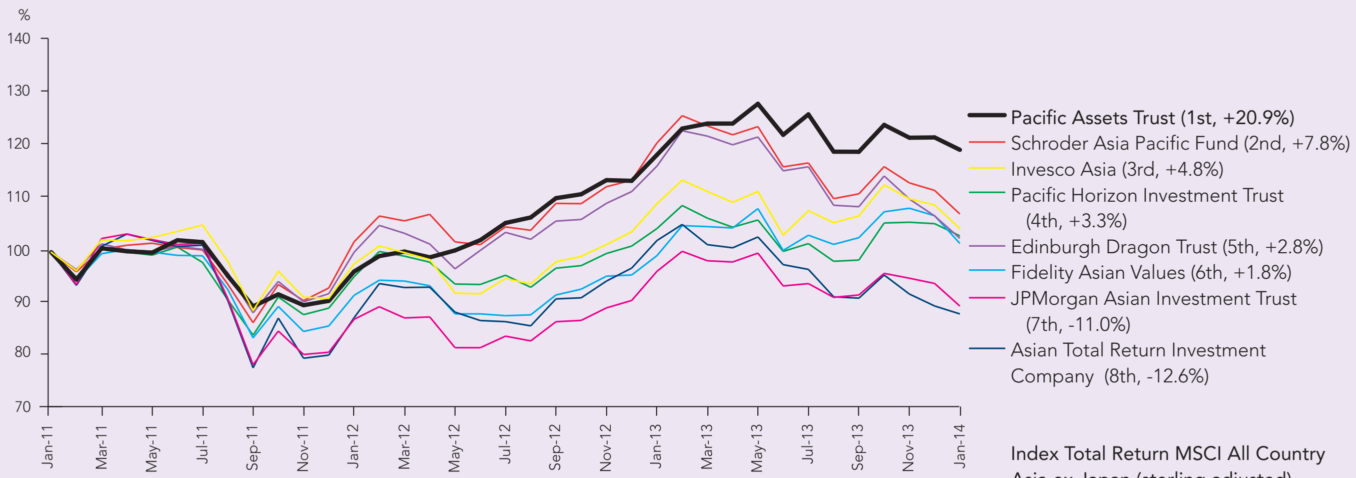
Net Asset Value Total Return Peer Group Performance for the Year to 31 January 2014



Source: Morningstar
Rebased to 100 as at 31 January 2013

Strategic Report / Company Performance

Three Year Net Asset Value Total Return Peer Group Performance



Source: Morningstar
Rebased to 100 as at 31 January 2011

Index Total Return MSCI All Country Asia ex Japan (sterling adjusted) (+6.7%)

Ten Year Record

31 January	Shareholders' funds £'000	Net asset value per share	Share price	Discount of share price to net asset value per share	Dividend per share	Ongoing charges
2004	83,939	68.5p	62.0p	9.5%	0.60p	1.8%
2005	87,402	71.4p	64.0p	10.3%	1.02p	1.6%
2006	113,049	92.3p	86.0p	6.8%	1.05p	1.5%
2007	123,616	104.0p	93.5p	10.1%	1.12p	1.4%
2008	152,105	128.5p	115.5p	10.1%	1.12p	1.5%
2009	87,760	74.2p	68.3p	8.0%	1.29p	1.6%
2010	135,254	114.3p	104.3p	8.8%	1.29p	1.6%
2011	160,086	137.0p	131.5p	4.0%	1.29p	1.6%*
2012	153,870	131.7p	115.3p	12.5%	2.60p	1.4%
2013	187,602	160.6p	147.5p	8.2%	2.60p	1.3%†
2014	**186,287**	**159.4p**	**145.6p**	**8.7%**	**2.60p**	**1.3%†**

*Excludes the costs attributable to the change in management arrangements amounting to £380,000.
†Excludes performance fee payable of £1,358,000 (2013: £627,000).

Strategic Report / Chairman's Statement

"The sustainable investment approach adopted by First State has made a significant contribution to the quality of the companies selected for investment and hence these results."

My statement this year is the first written under the newly introduced 'narrative reporting' framework in the UK, which includes the requirement to provide a Strategic Report by reference to prescribed content.

Performance

The environment for investors in Asia has been difficult this year, as demonstrated by the Company's benchmark which delivered a negative total return of -6.8%. Against this background, the Company's share price total return was +0.3% and the net asset value total return +0.9%. Although these are modest numbers, this is a creditable result at a time such as this. I am also pleased that it places the Company first in its peer group over the three years to 31 January 2014.

Since 1 July 2010, when First State was appointed as the Company's Investment Manager, to 9 April 2014 the latest practicable date prior to the publication of this Annual Report, the Company's share price total return was +45.8% and the net asset value total return +39.7% both significantly outperforming the benchmark which delivered a total return of +18.9%. The sustainable investment approach adopted by First State has made a significant contribution to the quality of the companies selected for investment and hence these results.

This continued outperformance has triggered a performance fee, which is measured over a rolling three year period, of £1,358,000 and amounts to 0.7% of net assets. This has been charged to the Company's capital account.

The share price discount to net asset value per share as at 31 January 2014 was 8.7% which compares to 8.2% as at 31 January 2013.

Revenue and Dividend

The Company generated earnings per share of 2.5p during the year which compares to 2.6p for the previous year. The Board is recommending an unchanged dividend payment of 2.6p per share, utilising £163,000 of the brought forward accumulated revenue reserves. This dividend will be paid on 27 June 2014 to shareholders on the register at 30 May 2014. The associated ex-dividend date will be 28 May 2014.

The Board reminds shareholders that it remains the Company's policy to pursue capital growth for shareholders with income being a secondary consideration.

The Board

As announced this time last year, Stuart Leckie retired from the Board at the 2013 Annual General Meeting. The Board subsequently appointed James Williams as a Director with effect from 1 October 2013. The Board is delighted to have attracted an individual of James's calibre and his contribution has already been significant.

Richard Horlick has decided to retire from the Board at this year's Annual General Meeting. Richard has been on the Board since 2005 and he has contributed greatly to its deliberations over his time as a Director. We are sorry to see him leave and wish him well. The Board is currently searching for a new Director and an announcement will be made in due course.

Alternative Investment Fund Management Directive ('AIFMD')

The Board, with the help of its advisers, has been keeping the AIFMD under close review. In order to gain access to a lighter touch regulatory regime, it has been decided to register your Company as a small UK

Strategic Report / Chairman's Statement

Alternative Investment Fund Manager with the Financial Conduct Authority ("FCA"). The main benefit of this course of action is that a depositary will not be required which will save shareholders approximately £40,000 per annum.

A consequence of this is that your Company will not be able to utilise gearing at any time. The Board does not believe that this will have a material impact on your Company's investment strategy in view of the fact that gearing is not currently a part of First State's approach. However, should First State wish to reinstate gearing the Board may then reconsider the Company's position with respect to AIFMD.

In adopting this approach to AIFMD, which remains subject to FCA approval, the Board will retain responsibility for risk management and First State will continue to be responsible for managing your Company's investment portfolio.

Scottish Independence

Shareholders will be aware your Company is incorporated in Scotland where there is a referendum on independence in September. It is impossible to predict at this juncture what the consequences might be for your Company, however the Board will keep this situation under review.

Annual General Meeting

The Annual General Meeting will be held at Skinners' Hall, 8 Dowgate Hill, London EC4R 2SP on Tuesday, 24 June 2014 at 10.00 a.m. The Board is to keen to encourage an informal and useful dialogue between shareholders, the Directors and the Investment Manager at this meeting and looks forward to seeing as many shareholders as possible.

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

Outlook

The outlook for Asian markets is uncertain at present due, in part, to concerns over economic growth in China. Your Board, however, believes that the sustainable investment approach adopted by your Investment Manager will continue to provide satisfactory returns for the long-term investor.

David Nichol
Chairman

14 April 2014

Strategic Report / Overview of Strategy

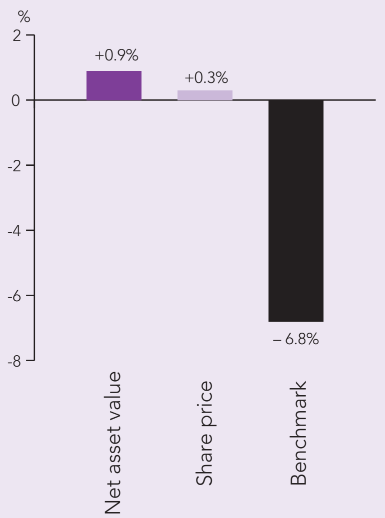
Investment Objective

Aim

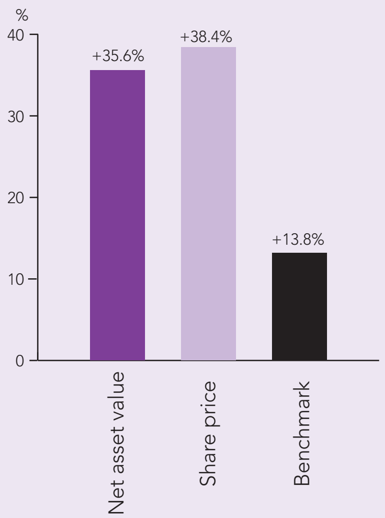
To achieve long term capital growth through investment in selected companies in the Asia Pacific region and the Indian sub-continent, but excluding Japan, Australia and New Zealand (the 'Asia Pacific Region'). Up to a maximum of 20% of the Company's total assets (at the time of investment) may be invested in companies incorporated and/or listed outside the Asia Pacific Region, including Japan, Australia and New Zealand, but whose economic activities are predominantly within the Asia Pacific Region.

Total Return Performance

Year to 31 January 2014



Since Appointment of First State (1 July 2010)



Source: Morningstar

Investment Approach

The Company's assets are managed by First State.

First State invests in companies which it believes will deliver long-term growth to shareholders.

In delivering this strategy, First State uses a sustainable approach in its management of the Company's investment portfolio. First State seeks to generate attractive long-term, risk-adjusted returns by investing in the shares of those companies which are particularly well-positioned to benefit from, and contribute to, the sustainable development of the countries in which they operate.

This investment approach can be summarised as follows:

- First State looks to invest clients' capital in quality companies that have sound growth prospects, then actively engages with them over the long-term;
- Determining the quality of a company involves assessing the management, the franchise and the financials; it also entails assessing the sustainability performance and positioning of a company;
- Sustainability is the degree to which a company will benefit from and contribute to achieving higher levels of human development by using the fewest possible resources;
- First State has a strong conviction that the sustainability of companies defines their quality and plays an important role in determining their future growth.

Strategic Report / Overview of Strategy

Investment Strategy and Business Model

Key Performance Indicators

The Company's Board of Directors meets regularly and at each meeting reviews performance against a number of key measures, as follows:

- Net asset value total return against the MSCI All Country Asia ex Japan Index (total return, sterling adjusted).
- Net asset value total return against the peer group.
- Discount of share price to net asset value per share.
- Ongoing charges ratio.

Net asset value total return – benchmark

The Directors regard the Company's net asset value total return as being the overall measure of value delivered to shareholders over the long-term. Total return reflects both net asset value growth of the Company and also the dividend paid to shareholders. First State's investment style is such that performance is likely to deviate materially from that of the benchmark index. The Board considers the most important comparator to be the MSCI All Country Asia ex Japan Index.

During the year under review the net asset value per share showed a total return of +0.9% outperforming the benchmark by 7.7%.

A full description of performance during the year under review and the investment portfolio is contained in the Investment Manager's Review commencing on page 15 of this annual report.

Net asset value total return – peer group

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.

For the three years ended 31 January 2014 the Company ranked first out of its peer group of the Company and seven other investment trusts with a similar investment objective as that of the Company.

Discount of share price to net asset value per share

The Board believes that an important driver of an investment trust's discount or premium over the long-term is investment performance together with a proactive marketing strategy. However, there can be volatility in the discount or premium during the year. Therefore, the Board takes powers each year to buy back and issue shares with a view to limiting the volatility of the share price discount or premium.

During the year under review no shares were issued or bought back by the Company and the Company's share price discount to net asset value per share was consistently narrower than the peer group average. As at 31 January 2014 the discount of the Company's share price to the net asset value per share was 8.7%.

Ongoing charges ratio

The Board continues to be conscious of expenses and works hard to maintain a sensible balance between strong service and costs.

As at 31 January 2014 the ongoing charges ratio was 1.3% which was unchanged from the percentage for the previous year. This ongoing charges ratio compares to the average of the Company's peer group for the year of 1.1%.

Ongoing charges ratio

1.3%*

Excludes performance fee payable of £1,358,000; ongoing charges ratio including performance fee payable 2.0%. (2013: ongoing charges ratio excluding performance fee payable of £627,000 1.3%; including performance fee payable 1.7%)

Peer group average: 1.1%*

* Source: Morningstar

Winner

Investment Week, Investment Trust of the Year Awards 2013

Category: Asia

Strategic Report / Overview of Strategy

Risk Management

The Board is responsible for the management of the risks faced by the Company and the Board regularly reviews these risks and how risk is mitigated. The Board has categorised the risks faced by the Company under five headings as follows:

- Investment activity and strategy
- Financial
- Shareholder relations and corporate governance
- Operational
- Accounting, legal and regulatory.

A summary of these risks and their mitigation is described below:

Principal Risks and Uncertainties	Mitigation
Investment Activity and Strategy An unsuccessful investment strategy, including asset allocation may lead to underperformance against the Company's benchmark index and peer companies, and may result in a widening of the Company's share price discount to net asset value per share.	The Board regularly reviews the Company's investment mandate and its long-term investment strategy in relation to market and economic conditions, and the operation of the Company's peers, thereby monitoring whether the Company should continue in its present form. First State provides an explanation of stock selection decisions and an overall rationale for the make-up of the investment portfolio. First State discusses current and potential investment holdings with the Board on a regular basis in addition to new initiatives, which may enhance shareholder returns. The Board sets appropriate investment restrictions and guidelines which are monitored and reported on by Frostrow. Each month the Board receives a monthly review report which monitors the Company's investment performance (both on an absolute basis and against the benchmark and peer group) and its compliance with the investment guidelines. Additional reports and presentations are made regularly to investors by Frostrow, First State and also by Canaccord Genuity Limited, the Company's Corporate Stockbroker. In consultation with its advisers, including the Company's Corporate Stockbroker, the Board also undertakes a regular review of the level of discount/premium and consideration is given to ways in which share price performance may be enhanced, including the effectiveness of marketing, share issuance and share buy-backs, where appropriate.

Strategic Report / Overview of Strategy

Principal Risks and Uncertainties	Mitigation
Financial The financial risks associated with the Company include market risk including counter-party risk, interest rate risk, liquidity risk, foreign exchange risk and credit risk.	First State is responsible for undertaking reviews of the creditworthiness of the counterparties that it uses. The Board regularly reviews First State's approved list of counterparties. The Company's assets mainly comprise readily realisable liquid securities, which can be sold to meet funding requirements if necessary. Interest rate risk is reduced as the Company has no gearing. The Company's assets are invested in securities denominated in foreign currencies. As the Company's shares are denominated and traded in sterling, the return to shareholders will be affected by changes in the value of sterling relative to those foreign currencies. The Company does not at present hedge against currency exposure, however, any significant cash balances are held in sterling. The Board keeps this position under review. Further information on financial instruments and risk, as required by FRS 29, can be found in note 16 to the financial statements beginning on page 51.
Shareholder Relations and Corporate Governance Shareholder concern could arise if there is poor adherence to best practice in corporate governance resulting in reputational damage to the Company.	The Board receives regular reports on shareholder activity and is kept informed of shareholder sentiment. Regular contact is maintained with major shareholders. Details of the Company's compliance with corporate governance best practice, including information on relations with shareholders, are set out in the Corporate Governance Statement beginning on page 27.
Operational Disruption to, or failure of, accounting, dealing or payments systems in place at the Company's service providers, including custodian and appointed sub-custodians could prevent accurate reporting and monitoring of the Company's financial position.	The Board reviews both the internal control and the disaster recovery procedures put in place by its principal service providers on a regular basis.
Accounting, Legal and Regulatory Failure to comply with appropriate law and regulations could expose the Company to serious financial loss and reputational damage.	The Board relies on the services of Frostrow and also external advisers to ensure compliance with applicable law and regulations including the Companies Act, the Corporation Tax Act and the UKLA Listing Rules. The Board is aware of changes to the regulatory environment in the year ahead. In particular the Company continues to prepare itself for implementation of the Alternative Investment Fund Managers Directive (AIFMD) and the Foreign Account Tax Compliance Act (FATCA).

Strategic Report / Overview of Strategy

Director, Social, Economic and Environmental Matters and Looking to the Future

Directors

The Directors of the Company, who served during the year, are shown below. Further information on the Directors can be found on pages 20 and 21.

David Nichol (Chairman)
Richard Horlick
Stuart Leckie (retired on 25 June 2013)
Terence Mahony
Nigel Rich
James Williams (appointed on 1 October 2013)

Board Diversity

The Company is supportive of the recommendations of Lord Davies' Report that the performance of corporate boards can be improved by encouraging the appointment of the best people from a range of differing perspectives and backgrounds. The Company recognises the benefits of diversity on the Board, including gender, and takes this into account in its Board appointments. The Company is committed to ensuring that any Director search process actively seeks persons with the right qualifications so that appointments can be made, on the basis of merit, against objective criteria from a diverse selection of candidates. Richard Horlick will not be seeking re-election at this year's Annual General Meeting. The Board is currently in the process of identifying a suitable replacement.

Social, Economic and Environmental Matters

The Directors, through the Company's Investment Manager, encourage companies in which investments are made to adhere to best practice with regard to Corporate Governance. In light of the nature of the Company's business there are no relevant human rights issues and the Company does not have a human rights policy.

The Company recognises that social and environmental issues can have an effect on some of its investee companies and this is reflected by the sustainable approach taken by First State.

The Company is an investment trust and so its own direct environmental impact is minimal.

Looking to the Future

The Board concentrates its attention on the Company's investment performance and First State's investment approach and on factors that may have an effect on this approach. Marketing reports are given to the Board at each Board meeting by both First State and Frostow, which include how the Company will be promoted and details of planned communications with existing and potential shareholders. The Board is regularly updated by Frostrow on wider investment trust industry issues and discussions are held at each Board meeting concerning the Company's future development and strategy.

The Company's overall strategy remains unchanged.

Strategic Report / Investment Portfolio

Investment as at 31 January 2014

Company	Sector*	Market Valuation £'000	% of total assets less current liabilities	Country of incorporation
Tech Mahindra	Information Technology	11,763	6.3	India
Marico	Consumer Staples	9,777	5.3	India
Standard Foods	Consumer Staples	7,462	4.0	Taiwan
Taiwan Semiconductor Manufacturing Company	Information Technology	7,054	3.8	Taiwan
Towngas China	Utilities	6,547	3.5	Cayman Islands
Dabur India	Consumer Staples	6,484	3.5	India
Public Bank	Financials	6,184	3.3	Malaysia
Samsung Fire & Marine Insurance	Financials	6,032	3.3	South Korea
Delta Electronics (Thailand)	Information Technology	5,990	3.2	Thailand
E.Sun Financial Holdings	Financials	5,836	3.1	Taiwan
Ten largest investments		**73,129**	**39.3**	
Kasikornbank	Financials	5,527	3.0	Thailand
DBS Group	Financials	5,367	2.9	Singapore
Idea Cellular	Telecom Services	5,188	2.8	India
DGB Financial	Financials	5,098	2.7	South Korea
Dr. Reddy's Laboratories	Health Care	4,907	2.6	India
Globe Telecom	Telecom Services	4,743	2.5	Philippines
AmorePacific	Consumer Staples	4,550	2.5	South Korea
Chroma ATE	Information Technology	4,272	2.3	Taiwan
Manila Water	Utilities	3,954	2.1	Philippines
Axiata	Telecom Services	3,422	1.8	Malaysia
Twenty largest investments		**120,157**	**64.5**	
SembCorp Industries	Industrials	3,301	1.8	Singapore
Uni-President Enterprise	Consumer Staples	3,287	1.8	Taiwan
XL Axiata	Telecom Services	3,251	1.7	Indonesia
Infosys	Information Technology	3,202	1.7	India
Delta Electronics (Taiwan)	Information Technology	3,070	1.6	Taiwan
Singapore Post	Industrials	2,919	1.6	Singapore
Bank of the Philippine Islands	Financials	2,631	1.4	Philippines
Singapore Telecommunications	Telecom Services	2,560	1.4	Singapore
Linde India	Industrials	2,449	1.3	India
Weifu High-Technology Group	Consumer Discretionary	2,392	1.3	China
Thirty largest investments		**149,219**	**80.1**	
China Mengniu Dairy†	Consumer Staples	2,207	1.2	Cayman Islands
ENN Energy†	Utilities	2,192	1.2	Cayman Islands
MTR	Industrials	2,097	1.1	Hong Kong
Sheng Siong	Consumer Staples	2,041	1.1	Singapore
Sabana Shari'ah Compliant REIT	Financials	1,919	1.0	Singapore
Ayala Corporation	Financials	1,780	1.0	Philippines
Tube Investments of India	Industrials	1,741	0.9	India
Giant Manufacturing	Consumer Discretionary	1,454	0.8	Taiwan
Uni-President China†	Consumer Staples	1,368	0.7	Cayman Islands
Kotak Mahindra Bank	Financials	1,193	0.6	India
Forty largest investments		**167,211**	**89.7**	

*MSCI sector classifications

†Economic activity takes place principally in China

Strategic Report / Investment Portfolio

Company	Sector*	Market Valuation £'000	% of total assets less current liabilities	Country of incorporation
Pidilite Industries	Materials	1,117	0.6	India
Marico Bangladesh	Consumer Staples	1,081	0.6	Bangladesh
AirTac International^	Industrials	1,033	0.6	Cayman Islands
Nations Trust Bank	Financials	982	0.5	Sri Lanka
Vitasoy International Holdings	Consumer Staples	926	0.5	Hong Kong
Cholamandalam Investment & Finance	Financials	663	0.4	India
Hemas Holdings	Industrials	592	0.3	Sri Lanka
Mahindra Lifespace Developers	Industrials	538	0.3	India
EID Parry (India)	Materials	474	0.3	India
Swire Properties	Financials	430	0.2	Hong Kong
Fifty largest investments		**175,047**	**94.0**	
Godrej Consumer Products	Consumer Staples	399	0.2	India
Bank OCBC NISP	Financials	86	0.0	Indonesia
Total portfolio		**175,532**	**94.2**	
Cash		13,052	7.0	
Net current liabilities		(2,297)	(1.2)	
Total net current assets		**10,755**	**5.8**	
Total assets less current liabilities		**186,287**	**100.0**	

*MSCI sector classifications

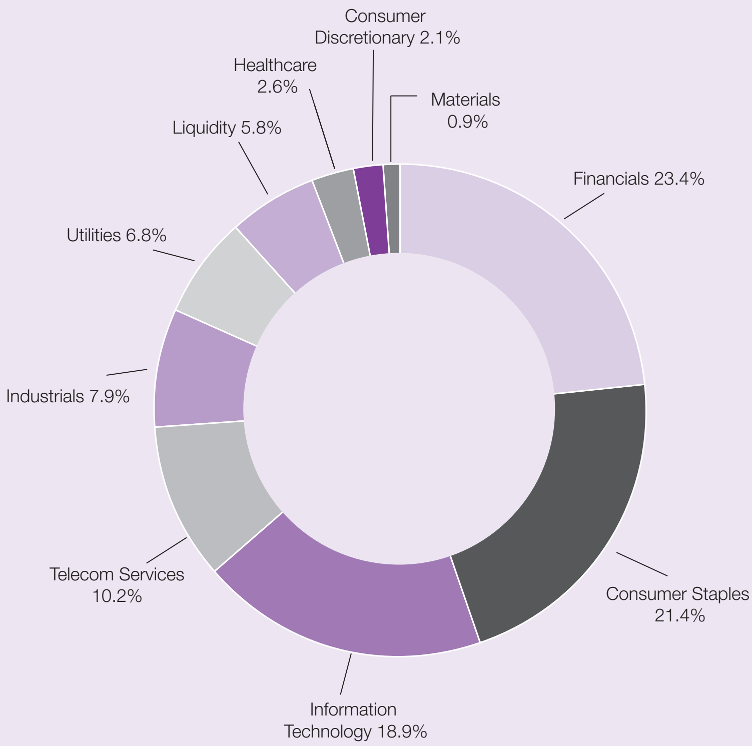
^Economic activity takes place principally in Taiwan

Strategic Report / Investment Portfolio

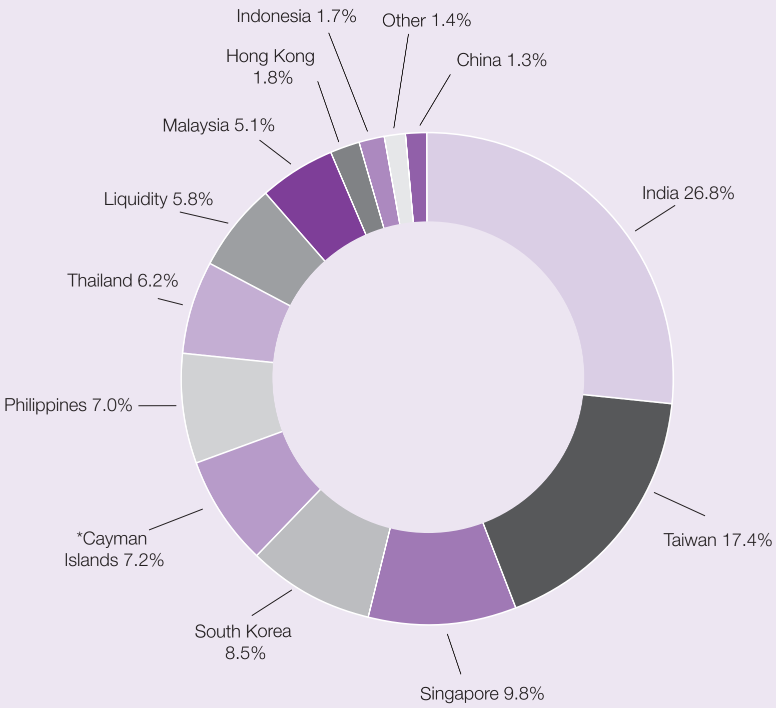
Portfolio Distribution

as at 31 January 2014

Sector Analysis



Geographical Analysis by Country of Incorporation



*6.6% of assets with economic activity principally in China
0.6% of assets with economic activity principally in Taiwan

Strategic Report / Investment Manager's Review

Overview of First State's Investment philosophy

First State, which has been the Company's Investment Manager since 1 July 2010, adopts a sustainable investment strategy in selecting the investments that make up the Company's investment portfolio.

Definition of Sustainable Investment

By sustainable investment, First State is not referring to 'green', 'clean tech' or 'ethical' investing. Their emphasis is on sustainable development. They are simply setting out to invest in those companies they believe are particularly well-positioned to deliver long-term returns in the face of the huge development challenges facing all countries today.

The root causes of these development challenges are numerous and complex. They include population pressure, land and water scarcity and degradation, resource constraints, income inequality, ethnic and gender inequalities and extreme levels of poverty. It is becoming increasingly clear that in order to tackle these development challenges, both developed and developing countries will be required to reinvent their development trajectories and shift away from the current resource intensive, consumption intensive, overly debt-dependent development models towards a more genuinely sustainable path of economic development.

Sustainable investment has always been an integral part of the First State team's investment philosophy and stock-picking process. At the heart of this philosophy is the principle of stewardship.

They believe their job is to invest their clients' capital in good quality companies with strong management teams and sound long-term growth prospects.

Each investment is a decision to purchase, not a piece of paper or an electronic Bloomberg ticker, but part of a real business with all the rights and responsibilities that go with this 'share' of the ownership of the company. They take these rights and responsibilities seriously. They also believe the way they behave as investment professionals and the role they play in the broader industry are important for their own sustainability.

All the First State investment strategies strive to integrate environmental, social and governance (ESG) considerations into every investment decision. Their sustainability strategies take this one step further by focusing on long-term sustainability themes as a key driver of the investment process.

Sustainable Investment Aim

To generate attractive long-term, risk-adjusted returns by investing in the shares of those companies which are particularly well-positioned to benefit from, and contribute to, the sustainable development of the countries in which they operate.

Investment Philosophy

First State seeks to invest only in good quality companies. Quality is measured through the lenses of management's financial and franchise quality. By analysing the sustainability performance and positioning of companies they can better measure less-tangible elements of quality and identify hidden risks.

First State are long-term investors. They strive to make investment decisions with a five-year time horizon.

They have an absolute return mindset. That is, they define risk as losing money for their clients, rather than in terms of deviation from any benchmark index. They focus as much on the potential downside of their investment decisions as on the anticipated upside. The identification of long-term sustainability risks thus becomes an extremely important way of managing risk. In addition, their willingness to differ substantially from index weightings, both country and company, means they are not obliged to be invested anywhere where they have particular sustainability concerns.

They also recognise there is no such thing as a perfect company. They are active owners and stewards of the companies they own. A summary of First State's investment approach can be found on page 7.

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"...we believe good quality companies with strong sustainability positioning are more likely to deliver attractive long-term returns. Sustainability is a key driver of our expected returns rather than a constraint."

Air Pollution

In Scotland, the hotels hand out umbrellas to guests. In China, they now hand out pollution masks, along with detailed pollution forecasts.

Asia's air pollution crisis continues to worsen. Li Keqiang, China's Premier, recently admitted that 'the first thing people do in the morning is check the PM2.5 figure*.' Only three of China's largest 74 cities met national air quality standards last year. Beijing's concentration of PM2.5 particles now regularly exceeds 500 micrograms per cubic metre. The World Health Organisation recommends a safe level of 25. According to Chen Zhu, China's former health minister, the country's air pollution is leading to between 350,000 and 500,000 premature deaths in the country each year, while a recent report by the Shanghai Academy for Social Sciences, declared that Beijing is now almost 'uninhabitable for human beings'. Scientists have also noticed that air pollution is having a direct impact on the process of photosynthesis itself in a manner similar to that predicted during a 'nuclear winter.' Panasonic, the Japanese electronics company, recently announced it would pay its workers in China a 'pollution premium' on top of their standard pay to compensate for the danger of working in such a polluted environment. The reasons behind such extreme air pollution levels are complex but well understood. They include the inability of the 'market' to price environmental externalities satisfactorily, poor environmental regulation, poor governance, the emergence of densely populated 'mega cities', the burning of low quality fossil fuels, over-industrialisation and broader environmental degradation.

The problem is not confined to China. Indeed, according to the World Health Organisation, no Chinese city makes it onto a list of the top ten most polluted cities in the Asia, as measured by PM10 particles per cubic metre*. By this measure, India has five cities in the top ten; Ludhiana, Kanpur, Delhi, Lucknow and Indore, all of whom average more than 170 PM10 micrograms per cubic metre*. This compares to an average of 29 for London and 21 for New York.

*See glossary on page 57

For long-term investors in Asia, air pollution has become a critical investment issue, alongside other Asian sustainable development challenges such as water scarcity, water pollution, inequality and top soil depletion. It is one of many reasons why Asian economies are slowly but surely shifting towards a more sustainable development path. Li Keqiang recently declared 'war against pollution', describing it as not 'a war against nature, but a war against our own inefficient and unsustainable model of growth and way of life'.

The implications for poorly positioned companies are serious. Smaller companies have already been targeted. Last year Hebei Province alone shut down 8,347 small high-polluting firms according to the Ministry of Environmental Protection. Large, inefficient, heavily polluting companies are now coming increasingly under the spotlight. The Government recently announced plans to cut steel production by 27 million tonnes and cement production by 42 million tonnes. Companies with environmentally inefficient factories on their balance sheets, or those selling environmentally inefficient products, are facing an increasingly uncertain future.

There are also, in theory, many companies well-positioned to help contribute towards cleaner air in the region. Our greatest investment challenge is not to identify these companies, but rather to try and sift out from this list the 99% of them which ultimately fail our investment quality requirements. There are, for example, hundreds of listed companies in Asia with the words solar, clean or green in their company name! We have yet to invest in any of them. Among them is the solar company which dumped tonnes of toxic waste materials illegally into the river system. The wind company that proudly claimed to have hired a 'bigger politician' than their competitor along the road. The clean energy company which allegedly had a policy whereby all staff lost their bonus if there was more than one pregnancy per department per year. The solar company that set up fictional subsidiaries to generate fictional sales. More generally fraud, tax evasion and huge related party transactions seem to be prevalent in the sector.

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Fortunately, outside this 'cleantech' sector, good quality companies are more commonplace. Around 12% of the Company's assets are currently invested in companies who are directly beneficiaries of a move towards cleaner air in China. **Towngas China** is well-positioned to benefit from the transition away from low quality diesel and coal towards cleaner gas. While still a fossil fuel, piped gas has significantly lower particulate emissions than other fossil fuels as well as much lower carbon intensity. As such it is a vital transition fuel for China.

Hong Kong-based **MTR** is playing an important role in the expansion of public transport metro systems in China. Its metro lines in Beijing, Shenzhen and Hangzhou now carry around two million passengers each week. **Delta Electronics** and its sister company **Delta Electronics Thailand** are global leaders in energy efficient power and thermal management solutions. They are steadily expanding their core business into related areas such as the power management for solar systems, electric and hybrid electric vehicles and LED lighting. A joint venture partner of the highly regarded Bosch, **Weifu Hi-Tech** is a leading provider of energy efficient components for the car and the truck market in China. Finally, the Company is also a shareholder of **Giant**, the world's largest manufacturer of affordable, good quality bicycles. A brief trip to any European city is a useful reminder of the role bicycles can play in getting people to and from work each day. It is estimated that around 40% of all commuters in Copenhagen commute to work by bike. It has even been claimed that there are more bike commuters in Copenhagen than the whole of the United States. Whether this is true or not, it highlights the point that Asia's cities will be unable to copy the US model of city planning, characterised by urban sprawl and design around the pre-eminence of the automobile, rather than citizens. There is simply not room. The larger Asia's cities become, the more they will have to lean on public transport and pedal power as the primary means of moving inhabitants around.

What is the trade-off?

We continue to meet investors who would like to know how much financial return they will have to sacrifice to invest sustainably. We believe the opposite is true. We invest the Company's assets in the aforementioned companies simply because we believe good quality companies with strong sustainability positioning are more likely to deliver attractive long-term returns. Sustainability is a key driver of our expected returns rather than a constraint.

Mistakes

We believe the best way to become better investors is to examine and learn from our investment mistakes and this belief forms a key part of our day-to-day investment process. In addition, there are three formal parts to our investment process which focus on mistakes and what we can learn from them. Firstly, we regularly review as a team the worst performing investments we have made over the past twelve months for each sustainability portfolio the team manages. What begins as a very stock specific conversation usually evolves into a much broader discussion which then links in to what improvements we can make to our investment process. For example, we recently made a poor investment in a Mexican house builder for our Emerging Markets Sustainability Fund. The two key lessons learnt were around the difficulty for land developers of ever generating free cash flows and the risks associated with politically designed funding schemes for low income mortgages. As a result, we took the decision to sell the Company's holding in Ayala Land as well as re-examine the investment case for some of Asia's better quality low-income housing developers that were until then on our radar screen.

Secondly, we periodically undertake a much broader analysis of the type of investment mistakes we make, to see if we can group them into specific categories ranging from corporate governance mistakes, valuation mistakes and quality of franchise mistakes to the failure to properly analyse environmental and social externalities mistakes. By far the most frequent mistake we make for our sustainability funds is to overestimate the quality of company franchises in our search for strong sustainability positioning. This understanding has led us to search for better ways to assess franchise

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quality including renewed efforts to understand the profitability of our companies in relation to unit measurements of scarce resources including water, energy and greenhouse gases.

Thirdly, none of the companies in which we invest are perfect, and we make a considerable effort to try and go back as far as possible in history to analyse the mistakes made during times of stress. For Asian companies, at a minimum, this means going back to the Asian Crisis of 1997. A surprising number of our favourite companies have learnt very hard lessons during such periods, particularly family-controlled companies who nearly lost their family businesses. Often this results in a particularly strong approach to risk which tends not to be displayed by younger companies yet to go through such a period of stress.

The table below shows the principal detractors from performance in the Company's investment portfolio over the past year.

Principal detractors from performance over the year

Company	Contribution to performance
Manila Water	-1.76%
Marico	-1.45%
Kasikornbank	-0.92%
AmorePacific	-0.60%
Idea Cellular	-0.39%
Uni-President China	-0.32%
Bank of the Philippine Islands	-0.30%
Tube Investments of India	-0.30%
MTR	-0.20%
XL Axiata	-0.19%

Source: First State

Some of the companies, such as **Marico**, **MTR**, **Kasikornbank** and **Bank of the Philippine Islands** are on the list due to the vagaries of short-term share price movements. Others reflect genuine investment mistakes on our part. For example, in the case of **Manila Water**, with the benefit of hindsight we overestimated the quality of a business franchise that is vulnerable to regulatory shifts and uncertainties. Despite having won a bid to acquire a new water project in Jakarta, the company subsequently had the bid annulled by the local authorities during the course of last year. Closer to home, the regulator is currently reviewing the concession agreement in Manila itself, which has created some uncertainty around the outlook for earnings in the short and medium term. In the long-run, we continue to believe that the company's license to operate will come not from the regulator but from the society it serves and in this regard we remain convinced that it remains well positioned as a global leader in the provision of clean, affordable water to low income households in Emerging Markets.

Elsewhere, we have arguably overestimated the sustainability positioning of **AmorePacific** and **Uni-President China**. Both have large consumer businesses that we optimistically hoped were being transitioned towards a more sustainable resting place with an emphasis on 'LOHAS' (lifestyle of health and sustainability). In hindsight, the LOHAS re-positioning remains too far towards the fringes of their product portfolios and there is insufficient movement within the core of their business. In our view, this risks damaging their long-term prospects when consumer preferences are shifting so quickly across the Region. **Tube Investments of India** was simply a case of poor timing. Our enthusiasm for the controlling family led us to invest too early into what remains a highly cyclical business. We remain committed to the two telecoms companies on the list, **Idea Cellular** and **XL Axiata**, while acknowledging that, like Manila Water, they are ultimately regulated businesses that are not entirely in control of their own destiny. While we don't expect them to be required to undertake national service, there is always the chance that rule around licenses and connection fees can be changed overnight.

Casino Capitalism

Arguably the greatest attribute of investment trusts is their ability to take a long-term investment horizon when allocating shareholders' capital. As financial markets in Asia continue their steady metamorphosis into financial

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casinos this attribute is becoming ever more important. The arrival of high frequency trading, the circular listing of stock exchanges on themselves and the dramatic growth in passive exchange traded funds have all contributed to a pervasive climate of short-termism across Asian financial markets in which capital is circulated in an increasingly blind, rapid manner.

Arguably, active managers are responsible for their own downfall. Short-term incentives, the prioritisation of asset growth over performance and closet indexing have all driven clients towards exchange traded funds, multi-asset managers and smart beta indices across the Region. The natural reticence of managers to speak out in defence of their profession has not helped the cause. Does it matter? Species come and go all the time.

The answer depends on whether fund managers have any role to play outside the casino? Historically, they were regarded as sober allocators of capital, charged with aggregating peoples' savings and investing them productively for the future benefit of individuals and society. Today, society is increasingly allocating its savings to the corporate sector by means of an electronic lottery, held on average every seven months. Consequently, a company's access to capital is determined more by its market capitalisation or membership of arbitrary indices, rather than any underlying business fundamentals.

As long-term, active investors ourselves, it is a difficult question for us to try and answer without looking as though we are talking up our own book, although in reality the opposite is true. In the world of investment, the last thing any investor should want is to have the same investment strategy as everyone else. The dramatic collapse in investment time horizons has arguably meant there has never been a better time to be a long-term investor in Asia!

Nonetheless, we passionately believe that the demise of long-term active investing and the rise of short-term casino capitalism is a problem for Asia for one key reason: it makes it much harder for countries to move away from current unsustainable economic development models. Somehow, society needs to find a way of allocating capital to Asian companies who will be part of the solution and avoid allocating capital to Asian companies who will always remain part of the problem. By definition, smart beta, ETFs and index investing are not able to achieve this.

The challenge is less about the rise of short-term and passive investing and more about the worrying demise of long-term active investing. Active investors have a critical role to play in allocating society's capital to help countries move towards a truly sustainable development model, but only if they can first avoid extinction over the coming years.

Outlook

Unfortunately, we have little to offer by way of a market outlook. We spend most of our time looking at the past and thinking about how much of the Company's money we risk losing when the next Asian crisis comes. This is one reason why, as managers, we are nervous about gearing. We continue to believe our greatest challenge when investing in Asia is not to try and generate returns during the good times, but to hold on to as much of those returns as possible when things go wrong again. Investing in reasonably valued, good quality companies with strong sustainability positioning is the best way we can think of to minimise this downside risk. This approach is not for everyone. For those investors keen to try and time Asian equity markets, our investment approach is not suitable. We are unlikely to deliver top performing returns when Asian stock markets rise strongly. Alternatively, for investors interested in making a long-term investment in the Region, we believe the focus on capital preservation as well as capital growth will generate attractive returns over the long-run.

David Gait
Senior Investment Manager
First State Investment Management (UK) Limited
14 April 2014

Governance / Board of Directors

David Nichol, FCA
Chairman

was appointed as a Director in January 1985 and Chairman in May 2004. He is Chairman of the Nomination and Engagement & Remuneration Committees. He is a former partner of Rossie House Investment Management, a firm which he founded in 1993. Prior to that he was with Ivory & Sime for 20 years and was Managing Director of Ivory & Sime Asia Ltd. in Hong Kong from 1989 to 1991.

Richard Horlick
was appointed as a Director in December 2005. 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.

Terence Mahony
was appointed as a Director in February 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 non-executive Co-Chairman of Vina Capital Group and a non-executive Director of Tau Capital plc and Advance Developing Markets Fund Limited.

The table below sets out the number of scheduled Board and Committee meetings held during the year ended 31 January 2014 and the number of meetings attended by each Director.

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

* Retired on 25 June 2013
** Appointed on 1 October 2013

Other ad hoc meetings of the Board and committees are held in connection with specific events as and when necessary. All the Directors attended the Annual General Meeting held on 25 June 2013.

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

Governance / Board of Directors

Nigel Rich, CBE, FCA

Senior Independent Director and Chairman of the Audit Committee was appointed as a Director in January 1997. He is Chairman of Segro plc and a non-executive Director of British Empire Securities and General Trust plc, Bank of the Philippine Islands (Europe) plc and Matheson & Co Limited. He is also Co-Chairman of the Philippine British Business Council. From 1974-1994 he was with Jardine Matheson Group and was the Group Managing Director from 1989-1994 based in Hong Kong. He is also a member of the Takeover Panel.

James Williams

was appointed as a Director in October 2013. He is currently a non-executive Director of Investors Capital Trust PLC and JPMorgan American Investment Trust Plc. He was formerly the Chief Investment Officer of Baring Asset Management, and prior to that a founder of Henderson Baring in Asia. He has worked in investment management for over 40 years.

Directors' (and other Senior Individuals') Interests

The interests in the Company of the Directors who held office at the end of the year and also of senior individuals at First State with responsibility for managing the Company's portfolio were as set out below:

		Number of shares held as at 31 January 2014	Number of shares held as at 31 January 2013
David Nichol*	Beneficial	75,000	40,000
	Trustee	100,000	100,000
Richard Horlick	Beneficial	Nil	Nil
Terence Mahony	Beneficial	Nil	Nil
Nigel Rich†	Beneficial	45,000	25,000
	Trustee	9,650	8,200
James Williams**	Beneficial	20,000	–
		249,650	173,200
Senior Individuals at First State		1,017,290	864,250
Total		**1,266,940**	**1,037,450**

*Includes 35,000 ordinary shares held by Mrs Judith Nichol
†Includes 20,000 ordinary shares held by Mrs Cynthia Rich
**appointed 1 October 2013

There have been no changes in the interests of the Directors in the shares of the Company between 31 January and 14 April 2014.

During 2013, the Board introduced a policy to encourage Directors to own shares in the Company to the value of at least 1.5 times their annual fee, this to be achieved over the following three years for existing Directors and within three years of appointment for new Directors.

Governance / Report of the Directors

The Directors present this Annual Report on the affairs of the Company together with the audited financial statements and the Independent Auditor's Report for the year ended 31 January 2014.

Business and Status of the Company

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 listed on the Official List of the UK Listing Authority and quoted on the main market of the London Stock Exchange.

The Company has applied for and been accepted as an approved investment trust under sections 1158 and 1159 of the Corporation Taxes Act 2010 and Part 2 Chapter 1 of Statutory Instrument 2011/2999. This approval relates to accounting periods commencing on or after 1 February 2012. The Directors are of the opinion that the Company has conducted its affairs so as to be able to retain such approval.

It is the Directors' intention that the Company should continue to manage its affairs so as to be a qualifying investment for inclusion in the stocks and shares components of an Individual Savings Account ('ISA') and Junior ISA.

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').

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'). 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, including Japan, Australia and New Zealand, but whose economic activities are predominantly within the Asia Pacific Region.

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 only able to invest in unlisted securities with the Board's prior approval. It is the current intention that such investments are limited to those which are expected to be listed on a stock exchange or which cease to be listed and the Company decides to continue to hold or is required to do so.

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 7.5% of the Company's total assets at the time of investment. This limit is reviewed from time to time by the Board and may be revised as appropriate.

No more than 10% 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 Board in conjunction with First State, continue to keep the possibility of gearing under review, however, First State do not envisage the use of gearing except in exceptional circumstances.

The use of derivatives is permitted with prior Board approval and within agreed limits. However, First State are unlikely to use derivatives.

Results and Dividend

The results attributable to shareholders for the year are shown on page 41. Details of the Company's dividend record can be found on page 4.

Governance / Report of the Directors

Fixed Asset Investments

The fair value of the Company's investments at 31 January 2014 was £175,532,000 (2013: £173,990,000) showing a gain since acquisition of £31,657,000 (2013: gain £39,420,000). Taking these investments at this valuation, the net assets attributable to each share at 31 January 2014 amounted to 159.4p (2013: 160.6p).

Capital Structure

As at 31 January 2014 there were 116,848,386 shares of 12.5p each in issue (2013: 116,848,386). All shares rank equally for dividends and distributions. Each shareholder is entitled to one vote on a show of hands and, on a poll, to one vote for every share held. Details of the substantial shareholders in the Company are listed on page 24.

The giving of powers to issue or buy-back the Company's shares requires the relevant resolution to be passed by shareholders. Proposals for the renewal of the Board's current powers to issue and buy-back shares are detailed on pages 63 and 64.

There are no restrictions concerning the transfer of securities in the Company; no special rights with regard to control attached to securities; no restrictions on voting rights; no agreements between holders of securities regarding their transfer known to the Company; and no agreements which the Company is party to that might affect its control following a successful takeover bid.

Company Management

Investment Manager

The Company's investment portfolio is managed by First State which had approximately £33 billion in assets under management as at 31 January 2014. First State have been engaged under the terms of an Investment Management Agreement (the "IMA") effective from 1 July 2010. The IMA is terminable by six months' notice. The Investment Manager has complied with the terms of the IMA throughout the year to 31 January 2014. A management fee of 0.75% per annum of net assets is payable. In addition there is a performance fee of 12.5% of returns in excess of the MSCI All Country Asia ex Japan Index plus a hurdle of 1.75% per annum, measured over a rolling three year period. The Board has capped the total of the management fees and the performance fee at 1.75% of the average asset value per annum. As at 31 January 2014 a performance fee of £1,358,000 became payable under the terms of the performance fee arrangements as described on below (31 January 2013: £627,000).

Manager

Frostrow acts as the Company's Manager, Company Secretary and Administrator. Frostrow is an independent provider of services to the investment companies sector and currently has five other investment trust clients whose assets totalled approximately £4.1 billion as at 31 January 2014.

Frostrow provides company management, company secretarial, administrative, and marketing services to the Company under the terms of a Management Administrative and Secretarial Services Agreement effective from 1 July 2010. A fee of 0.2% per annum (plus VAT) of market capitalisation is payable for these services. Frostrow's appointment can be terminated by either party by giving six months' notice.

Further details of the fees payable to First State and Frostrow are set out in note 3 to the accounts on page 46.

Investment Manager and 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 First State and Frostrow, under the terms described above, is in the interests of shareholders as a whole. In coming to this decision the Board also took into consideration the following additional reasons:

– the quality and depth of experience of First State and the level of performance of the portfolio in

Governance / Report of the Directors

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

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

Directors

Directors' and Officers' Liability Insurance Cover

Directors' and Officers' liability insurance cover was maintained by the Board during the year ended 31 January 2014. It is intended that this policy will continue for the year ended 31 January 2015 and subsequent years.

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 offices of Frostrow during normal business hours and will be available for inspection at the Annual General Meeting.

Substantial Interests in Share Capital

As at 14 April 2014, being the latest practicable date before publication of the Annual Report, the Company was aware of the following substantial interests in the voting rights of the Company:

	Number of shares held	Percentage held
Lazard Asset Management	23,469,162	20.1
Brewin Dolphin	9,190,736	7.9
Henderson Global Investors	6,823,501	5.8
Speirs & Jeffrey Stockbrokers	5,653,907	4.8
Charles Stanley Stockbrokers	4,532,009	3.9
Alliance Trust Savings	4,324,008	3.7
Investec Wealth & Investment	3,513,832	3.0
Smith & Williamson	3,522,927	3.0

Beneficial Owners of Shares – Information Rights

The beneficial owners of shares who have been nominated by the registered holder of those shares to receive information rights under Section 146 of the Companies Act 2006 are required to direct all communications to the registered holder of their shares rather than to the Company's registrar, Equiniti, or to the Company directly.

Electronic Proxy Voting

Legislation is in force which permits shareholders to submit proxy forms electronically.

To submit a proxy form via the internet, an internet-enabled PC with Internet Explorer 4 or Netscape 4 or above will be required. Shareholders will also need their shareholder reference number (SRN) and Personal Identification Number (PIN), which can be found on the personalised proxy form which accompanies this report, to access this service. Before a proxy can be appointed, shareholders will be asked to agree to the terms and conditions for electronic proxy appointment. The use of the electronic proxy appointment service offered through Equiniti Limited, the Company's registrars, is entirely voluntary. Shareholders can continue to submit their proxy form by post if they wish.

Individual Savings Accounts

The Company's shares are eligible to be held in the stocks and shares component of an ISA or Junior ISA, subject to applicable annual subscription limits (£11,880 for an ISA and £3,840 for a Junior ISA for the 2014/2015 tax year). Investments held in ISAs or Junior ISAs will be free of UK tax on both capital gains and income. The opportunity to invest in shares through an ISA is restricted to certain UK resident individuals aged 18 or over. Junior ISAs are available for UK resident children aged under 18 and born before 1 September 2002 or after 2 January 2011. Sums received by a shareholder on a disposal of shares held within an ISA or Junior ISA will not count towards the shareholder's annual limit. Individuals wishing to invest in shares through an ISA should contact their professional advisers regarding their eligibility as should individuals wishing to invest through a Junior ISA for children under 18 years old.

The government has announced that with effect from 1 July 2014 ISAs will be replaced with a new simpler

Governance / Report of the Directors

product, the New ISA ("NISA") with equal limits for cash and stocks and shares.

The overall NISA limits for 2014/15 will be £15,000 which offers the option to save in cash, stocks and shares or any combination of the two.

Retail Investors advised by IFAs

The Company currently conducts its affairs so that its shares can be recommended by Independent Financial Advisers ("IFAs") in the UK to ordinary retail investors in accordance with the Financial Conduct Authority ("FCA") rules in relation to non-mainstream investment products and intends to continue to do so. The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an authorised investment trust.

Auditor

The Company's Auditor, KPMG Audit Plc, has indicated its willingness to continue in office. The Auditor is currently engaged as KPMG Audit Plc. However the Auditor has proposed that the parent entity, KPMG LLP, should be recommended to the shareholders to become the Auditor in the future. Resolutions for the appointment of KPMG LLP and to authorise the Board to determine its remuneration will be proposed at the Annual General Meeting.

During the year the Company continued to obtain non-audit advice from tax specialists within KPMG Taiwan in connection with the reclamation of tax withheld on income arising from investments in Taiwan. The fees due in respect of this work have exceeded the statutory audit fee. The Audit Committee has considered whether this has had an effect on the independence and objectivity of the external auditor including having obtained an assurance from the audit partner on this matter, and have concluded that it has not. Non-audit fees due to the Company's independent auditor, KPMG Audit Plc, for the year ended 31 January 2014 amounted to £26,000 (2013: £35,000). (See note 4 on page 47).

Financial Instruments

The Company's financial instruments comprise its investment 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.

Anti-Bribery and Corruption Policy

The Board has adopted a zero tolerance approach to instances of bribery and corruption. Accordingly it expressly prohibits any Director or associated persons when acting on behalf of the Company, from accepting, soliciting, paying, offering or promising to pay or authorise any payment, public or private, in the United Kingdom or abroad to secure any improper benefit for themselves or for the Company.

The Board applies the same standards to its service providers in their activities for the Company.

A copy of the Company's anti-bribery and corruption policy can be found on its website at www.pacific-assets.co.uk. The policy is reviewed regularly by the Audit Committee.

Political Donations

The Company has not in the past and does not intend in the future to make any political donations.

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.

Global Greenhouse Gas Emissions

The Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended), (including those within our underlying investment portfolio).

By order of the Board

Frostrow Capital LLP
Company Secretary
14 April 2014

Governance / Statement of Directors' Responsibilities

Company law in the United Kingdom requires the Directors to prepare financial statements for each financial year. The Directors are responsible for preparing the Financial Statements in accordance with applicable law and regulations. In preparing these financial statements, the Directors have:

- selected suitable accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- followed applicable UK accounting standards; and
- prepared the financial statements on a going concern basis.

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

The Directors are responsible for ensuring that the Report of the Directors and other information included in the Annual Report is prepared in accordance with company law in the United Kingdom. They are also responsible for ensuring that the Annual Report includes information required by the Listing Rules of the Financial Conduct Authority.

The financial statements are published on the Company's website (www.pacific-assets.co.uk) and via Frostrow's website (www.frostrow.com). The maintenance and integrity of these websites, so far as it relates to the Company, is the responsibility of Frostrow. The work carried out by the Auditor does not involve consideration of the maintenance and integrity of these websites and, accordingly, the Auditor accepts no responsibility for any changes that have occurred to the financial statements since they were initially presented on these websites. Visitors to the websites need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in their jurisdiction.

Going Concern

The Directors, having made relevant enquiries, are satisfied that it is appropriate to prepare financial statements on the going concern basis as the net assets of the Company consist of liquid securities.

Disclosure of Information to the Auditor

So far as the Directors are aware, there is no relevant information of which the Auditor is unaware. The Directors have taken all steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the Auditor is aware of such information.

Responsibility Statement of the Directors in respect of the annual financial report

The Directors, whose details can be found on pages 20 and 21, confirm to the best of their knowledge that:

- the Financial Statements, within this Annual Report, have been prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and the return for the year ended 31 January 2014;
- the Chairman's Statement, Strategic Report and the Report of the Directors include a fair review of the information required by 4.1.8R to 4.1.11R of the FCA's Disclosure and Transparency Rules; and
- the annual report and financial statements taken as a whole are fair, balanced and understandable and provide the information necessary to assess the Company's performance, business model and strategy.

On behalf of the Board

David Nichol
Chairman

14 April 2014

Governance / Corporate Governance

Committees of the Board

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

The Audit Committee is chaired by Nigel Rich. The Directors believe that Nigel Rich, a Chartered Accountant, has relevant financial knowledge and experience to enable him to chair this Committee effectively. Both the Engagement & Remuneration and Nomination Committees are chaired by David Nichol. All Directors of the Company, including the Chairman, are members of all three committees to enable them to be kept fully informed of any issues that may arise.

The Audit Committee

The Company's Audit Committee met on two occasions during the year. The duties of the Audit Committee in discharging its responsibilities include: reviewing the annual and half-year accounts; the system of internal controls employed by First State and Frostrow and the terms of appointment of the external auditor together with its remuneration. It is also the forum through which the external auditor reports to the Board of Directors. The objectivity of the external auditor is reviewed by the Audit Committee which also reviews the terms under which it is 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 external auditor, with particular regard to non-audit fees. See page 25 for further details.

The Engagement and Remuneration Committee

The Company's Engagement & Remuneration Committee met on one occasion during the year and its purpose is to review 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 level of Directors' fees is also reviewed on a regular basis relative to other comparable investment companies and in the light of Directors' responsibilities.

The Directors Remuneration Report on pages 36 and 37 details the fees paid to the Company's Directors for the years to 31 January 2013 and 31 January 2014.

The Nomination Committee

The Nomination Committee met on one occasion during the year 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.

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.

Risk Management

As part of the Board's role as Alternative Investment Fund Manager, under the Alternative Investment Fund Management Directive, it has added a specific risk management item to the agenda for each quarterly Board meeting. In addition, an extra risk focused Board meeting has been added to its calendar of meetings. Additional Board meetings will also be convened as required to consider any issues that may arise.

Proxy Voting and Stewardship

The Board has instructed First State to take into account the published corporate governance policy and the environmental practices and policies of the companies in which they invest on behalf of the Company. The Company has delegated responsibility for voting to First State.

The Board has considered First State's Stewardship Code and Proxy Voting Policy and it reports to the Board, on the application of the Stewardship Code and Voting Policy. First State's Stewardship Code and Voting Policy can be found on its website in the Policies section.

Nominee Share Code

Where shares are held in a nominee company name, where the beneficial owner of the shares is unable to vote in person, the Company nevertheless undertakes:

- to provide the nominee company with multiple copies of shareholder communications, so long as an indication of quantities has been provided in advance; and
- to allow investors holding shares through a nominee company to attend general meetings, provided the correct authority from the nominee company is available.

Nominee companies are encouraged to provide the necessary authority to underlying shareholders to attend the Company's general meetings.

Governance / Corporate Governance

The Principles of the AIC Code

The AIC Code is made up of twenty-one principles split into three sections covering:

- The Board
- Board Meetings and relations with First State and Frostrow
- Shareholder Communications

The Board

AIC Code Principle	Compliance Statement
1. The Chairman should be independent.	The Chairman, David Nichol, continues to be independent of First State. There is a clear division of responsibility between the Chairman, the Directors, First State, Frostrow and the Company's other third party service providers. The Chairman is responsible for the leadership of the Board and for ensuring its effectiveness in all aspects of its role.
2. A majority of the Board should be independent of the manager.	The Board consists of five non-executive Directors, each of whom is independent of First State. No member of the Board is a Director of another investment company managed by First State, nor has any Board member been an employee of the Company, First State or any of its service providers.
3. Directors should be submitted for re-election at regular intervals. Nomination for re-election should not be assumed but be based on disclosed procedures and continued satisfactory performance.	All Directors will submit themselves for annual re-election by shareholders. The individual performance of each Director standing for re-election is evaluated annually by the remaining members of the Board and, if considered appropriate, a recommendation is made that shareholders vote in favour of their re-election at the Annual General Meeting.
4. The Board should have a policy on tenure, which is disclosed in the annual report.	The Board, meeting as the Nomination Committee, considers the structure of the Board and recognises the need for progressive refreshing of the Board. 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 the Directors is independent in character and judgment and that there are no relationships or circumstances which are likely to affect their judgment. 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. 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, although new Directors are appointed with the expectation that they will serve for a minimum period of three years subject to shareholder approval. The terms and conditions of the Directors' appointments are set out in letters of engagement which are available for inspection on request at the office of Frostrow and at the Annual General Meeting.

Governance / Corporate Governance

The Board continued

AIC Code Principle	Compliance Statement
5. There should be full disclosure of information about the Board.	The Directors' biographical details, set out on pages 20 and 21 of this Report, demonstrate the wide range of skills and experience that they bring to the Board. Details of the Board's Committees and their composition are set out on page 27 of this Report. The Audit Committee membership comprises all of the Directors, all of whom are considered independent. The Chairman of the Company is a member of the Audit Committee, but does not chair it. His membership of the Audit Committee is considered appropriate given the Chairman's extensive knowledge of the financial services industry. The Engagement & Remuneration Committee is comprised of the whole Board, all Directors are considered independent. The Chairman of the Company acts as Chairman of this Committee in light of the remit of the Committee.
6. The Board should aim to have a balance of skills, experience, length of service and knowledge of the company.	The Nomination Committee considers annually the skills possessed by the Board and identifies any skill shortages to be filled by new Directors. When considering new appointments, the Board reviews the skills of the Directors and seeks to add persons with complementary skills or who possess the skills and experience which fill any gaps in the Board's knowledge or experience and who can devote sufficient time to the Company to carry out their duties effectively. The experience of the current Directors is detailed in their biographies set out on pages 20 and 21 of this Report. The Company is committed to ensuring that any vacancies arising are filled by the most qualified candidates and recognises the value of diversity in the composition of the Board. When Board positions become available as a result of retirement or resignation, the Company will ensure that a diverse group of candidates is considered.
7. The Board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual Directors.	During the year the performance of the Board, its committees and individual Directors (including each Director's independence) was evaluated through a formal assessment process led by the Chairman. This involved the circulation of a Board effectiveness checklist, tailored to suit the nature of the Company, followed by discussions between the Chairman and each of the Directors. The performance of the Chairman was evaluated by the other Directors under the leadership of Nigel Rich as the Senior Independent Director. The review concluded that the Board was working well. During 2011 an independent review of the Board was undertaken, the results of which were considered by the Board. The Board has agreed that a further such review will be commissioned in 2014. The Board is satisfied that the structure, mix of skills and operation of the Board continue to be effective and relevant for the Company.

Governance / Corporate Governance

The Board continued

AIC Code Principle	Compliance Statement
8. Director remuneration should reflect their duties, responsibilities and the value of their time spent.	The Engagement & Remuneration Committee periodically reviews the fees paid to the Directors and compares these with the fees paid by the Company's peer group and the investment trust industry generally, taking into account the level of commitment and responsibility of each Board member. Details on the remuneration arrangements for the Directors of the Company can be found in the Directors' Remuneration Policy Report and Directors' Remuneration Report on pages 36 to 38 and in note 4 to the Accounts. As all of the Directors are non-executive, the Board considers that it is acceptable for the Chairman of the Company to chair meetings when discussing Directors' fees. The Chairman takes no part in discussions regarding his own remuneration. The Board periodically takes advice from external independent advisers on Directors' remuneration.
9. The Independent Directors should take the lead in the appointment of new Directors and the process should be disclosed in the annual report.	The Nomination Committee is comprised of the whole Board, all Directors being independent. Subject to there being no conflicts of interest, all members of the Committee are entitled to vote on candidates for the appointment of new Directors and on recommending for shareholders' approval the Directors seeking re-election at the Annual General Meeting.
10. Directors should be offered relevant training and induction.	New appointees to the Board are provided with a full induction programme. The programme covers the Company's investment strategy, policies and practices. The Directors are also given key information on the Company's regulatory and statutory requirements as they arise including information on the role of the Board, matters reserved for its decision, the terms of reference for the Board Committees, the Company's corporate governance practices and procedures and the latest financial information. It is the Chairman's responsibility to ensure that the Directors have sufficient knowledge to fulfil their role and Directors are encouraged to participate in training courses where appropriate. The Directors have access to the advice and services of a Company Secretary through its appointed representative which is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary is also responsible for ensuring good information flows between all parties.
11. The Chairman (and the Board) should be brought into the process of structuring a new launch at an early stage.	Principle 11 applies to the launch of new investment companies and is therefore not applicable to the Company.

Board Meetings and relations with First State and Frostrow

12. Boards and managers should operate in a supportive, co-operative and open environment.	The Board meets regularly throughout the year and a representative of First State and Frostrow is in attendance at each meeting and Committee meetings. The Chairman encourages open debate to foster a supportive and co-operative approach for all participants.

Governance / Corporate Governance

Board Meetings and relations with First State and Frostrow continued

AIC Code Principle	Compliance Statement
13. The primary focus at regular Board meetings should be a review of investment performance and associated matters, such as gearing, asset allocation, marketing/investor relations, peer group information and industry issues.	The Board has agreed a schedule of matters specifically reserved for decision by the Board. This includes establishing the investment objectives, strategy and benchmarks, the permitted types or categories of investments, the markets in which transactions may be undertaken, the amount or proportion of the assets that may be invested in any category of investment or in any one investment, and the Company's share issuance and share buy-back policies. The Board, at its regular meetings, undertakes reviews of key investment and financial data, revenue projections and expenses, analyses of asset allocation, transactions and performance comparisons, share price and net asset value performance, marketing and shareholder communication strategies, the risks associated with pursuing the investment strategy, peer group information and industry issues. The Audit and Engagement & Remuneration Committees respectively, review the Company's risk matrix and the performance and cost of the Company's third party service providers.
14. Boards should give sufficient attention to overall strategy.	The Board is responsible for strategy and has established an annual programme of agenda items under which it reviews the objectives and strategy for the Company at each meeting.
15. The Board should regularly review both the performance of, and contractual arrangements with, the investment manager and the manager (or executives of a self-managed company).	The Engagement & Remuneration Committee meets at least once a year. It reviews annually the performance of First State and Frostrow. The Committee considers the quality, cost and remuneration method (including the performance fee) of the service provided by First State and Frostrow against their contractual obligations and the Board receives regular reports on compliance with the Investment Restrictions which it has set. It also considers the performance analysis provided by First State and Frostrow. The Audit Committee reviews the compliance and control systems of both First State and Frostrow in operation insofar as they relate to the affairs of the Company and the Board undertakes periodic reviews of the arrangements with and the services provided by the Custodian, to ensure that the safeguarding of the Company's assets and security of the shareholders' investment is being maintained.
16. The Board should agree policies with the investment manager and the manager covering key operational issues.	The Investment Management Agreement between the Company and First State sets out the limits of First State's authority, beyond which Board approval is required. The Board has also agreed detailed investment guidelines with First State, which are considered at each Board meeting. A representative of the First State and Frostrow attends each meeting of the Board to address questions on specific matters and to seek approval for specific transactions which First State is required to refer to the Board. The Board has delegated discretion to First State to exercise voting powers on its behalf, other than for contentious or sensitive matters which are to be referred to the Board for consideration. The Board has reviewed First State's Stewardship Policy, which includes its Corporate Governance and Voting Guidelines, and which is published on First State's website: www.firststate.co.uk Reports on commissions paid by First State are submitted to the Board regularly.

Governance / Corporate Governance

Board Meetings and relations with First State and Frostrow continued

AIC Code Principle	Compliance Statement
17. Boards should monitor the level of the share price discount or premium (if any) and, if desirable, take action to reduce it.	The Board considers any imbalances in the supply of and the demand for the Company's shares in the market and takes appropriate action when considered necessary. The Board considers the discount or premium to net asset value of the Company's share price at each Board meeting and reviews the changes in the level of discount or premium and in the share price since the previous Board meeting and over the previous twelve months. At each meeting the Board reviews reports from both First State and Frostrow on marketing and shareholder communication strategies. It also considers their effectiveness as well as measures of investor sentiment and any recommendations on share buy-backs.
18. The Board should monitor and evaluate other service providers.	The Engagement & Remuneration Committee reviews, at least annually, the performance of all the Company's third party service providers, including the level and structure of fees payable and the length of the notice period, to ensure that they remain competitive and in the best interests of shareholders. The Audit Committee reviews reports from the principal service providers on compliance and the internal and financial control systems in operation and relevant independent audit reports thereon, as well as reviewing service providers' anti-bribery and corruption policies to address the provisions of the Bribery Act 2010.

Shareholder Communications

19. The Board should regularly monitor the shareholder profile of the company and put in place a system for canvassing shareholder views and for communicating the Board's views to shareholders.	A detailed analysis of the substantial shareholders of the Company is provided to the Directors at each Board meeting. Representatives of First State and Frostrow regularly meet with institutional shareholders and private client asset managers to discuss strategy and to understand their issues and concerns and, if applicable, to discuss corporate governance issues. The results of such meetings are reported at the following Board meeting. Regular reports from the Company's corporate stockbroker are submitted to the Board on investor sentiment and industry issues. Shareholders wishing to communicate with the Chairman, or any other member of the Board, may do so by writing to the Company, for the attention of the Company Secretary at the offices of Frostrow. All shareholders are encouraged to attend the Annual General Meeting, where they are given the opportunity to question the Chairman, the Board and representatives of First State. First State will make a presentation to shareholders covering the investment performance and strategy of the Company at the forthcoming Annual General Meeting. The Directors welcome the views of all shareholders and place considerable importance on communications with them.

Governance / Corporate Governance

Shareholder Communications continued

AIC Code Principle	Compliance Statement
20. The Board should normally take responsibility for, and have a direct involvement in, the content of communications regarding major corporate issues even if the manager is asked to act as spokesman.	All substantive communications regarding any major corporate issues are discussed by the Board taking into account representations from First State, Frostrow, the Auditor, legal advisers and corporate stockbroker.
21. The Board should ensure that shareholders are provided with sufficient information for them to understand the risk/reward balance to which they are exposed by holding the shares.	The Company places great importance on communication with shareholders and aims to provide them with a full understanding of the Company's investment objective, policy and activities, its performance and the principal investment risks by means of informative Annual and Half Year reports and Interim Management Statements. This is supplemented by the daily publication, through the London Stock Exchange, of the net asset value of the Company's shares. The Annual Report provides information on First State's investment performance, portfolio risk and operational and compliance issues. Further details on the risk/reward balance are set out in the Strategic Report under Investment Risk on pages 9 and 10 and in note 16 to the Accounts. The investment portfolio is listed on pages 12 and 13. The Company's website, www.pacific-assets.co.uk, is regularly updated with monthly factsheets and provides useful information about the Company including the Company's financial reports and announcements.

By order of the Board

Frostrow Capital LLP
Company Secretary

14 April 2014

Governance / Audit Committee Report

for the year ended 31 January 2014

Meetings and business

The Committee, which comprises the whole Board, met twice during the year. Attendance by each Director is shown in the table on page 20.

Responsibilities

The Committee's main responsibilities during the year were:

1. **To review the Company's half-year and annual financial statements** together with announcements and other filings relating to the financial performance of the Company and issues of the Company's shares. In particular, the Committee considered whether the annual financial statements are fair, balanced and understandable, allowing shareholders to more easily assess the Company's strategy, investment policy, business model and financial performance.

2. **To review the risk management and internal control processes** of the Company and its key service providers. As part of this review the Committee again reviewed the appropriateness of the Company's anti-bribery and corruption policy.

3. **To recommend the appointment of an external auditor,** and agreeing the scope of its work and its remuneration, reviewing its independence and the effectiveness of the audit process.

4. **To consider any non-audit work to be carried out by the auditor.** During the year the Company continued to obtain non-audit advice from the external auditor in connection with the reclamation of tax withheld on income arising from investments in Taiwan. The fees due in respect of this work have exceeded the statutory audit fee. The Audit Committee have considered whether this has had an effect on the independence and objectivity of the independent auditor and have concluded that it has not.

5. **To consider the need for an internal audit function.** Since the Company delegates its day-to-day operations to third parties and has no employees, the Committee has determined there is no requirement for such a function.

The Committee's terms of reference are available for review on the Company's website at www.pacific-assets.co.uk.

Financial Statements

The financial statements, and the annual report as a whole, are the responsibility of the Board. The Directors' Responsibility Statement is contained on page 26. The Board looks to the Audit Committee to advise them in relation to the financial statements both as regards their form and content, issues which might arise and on any specific areas requiring judgment.

Significant Reporting Matters

During the year the Committee considered key accounting issues, matters and judgments in relation to the Company's financial statements and disclosures relating to:

Investments

The Committee approached and dealt with this area of risk by:

- reconfirming its understanding of the processes in place to record investment transactions and to value the investment portfolio;
- gaining an overall understanding of the performance of the investment portfolio both in capital and revenue terms through comparison to a suitable benchmark; and
- Ensuring that all investment holdings and cash/deposit balances have been agreed to an independent confirmation from the custodian or relevant bank.

Taxation

The Committee approached and dealt with the area of risk, surrounding compliance with section 1158 of the Corporation Tax Act 2010, by:

- seeking confirmation that the Company meets the eligibility conditions as outlined in section 1158;
- by obtaining written confirmation from HMRC, evidencing the approval of the Company as an investment trust under the regime; and
- understanding the consequences if the Company breaches this approval in future years.

Governance / Audit Committee Report

for the year ended 31 January 2014

External auditor

Meetings:

This year the nature and scope of the audit together with KPMG Audit Plc's audit plan were considered by the Committee on 20 September 2013 without the auditor being present.

As Chairman of the Committee, I spoke with the audit partner, Gareth Horner, on 19 March 2014 to discuss the outcome of the audit and the draft 2014 annual report and accounts. The Committee then met KPMG Audit Plc on 1 April 2014 to review the outcome of the audit and to discuss the limited issues that arose.

Given the changes to narrative reporting which are incorporated in the annual report for the first time, we have also discussed the presentation of the annual report with the auditor and sought their perspective.

Independence and Effectiveness:

In order to fulfil the Committee's responsibility regarding the independence of the auditor, we reviewed:

- the senior audit personnel in the audit plan for the year,
- the auditor's arrangements concerning any conflicts of interest,
- the extent of any non-audit services, and
- the statement by the auditor that they remain independent within the meaning of the regulations and their professional standards.
- auditor independence

In order to consider the effectiveness of the audit process, we reviewed:

- the auditor's fulfilment of the agreed audit plan,
- the report arising from the audit itself,
- feedback from the Manager, and
- a report from the FRC's Audit Quality Review Team.

The Committee is satisfied with the auditor's independence and the effectiveness of the audit process, together with the degree of diligence and professional scepticism brought to bear.

Nigel Rich, FCA
Chairman of the Audit Committee

14 April 2014

Governance / Directors' Remuneration Report

for the year ended 31 January 2014

Statement from the Chairman

I am pleased to present the Directors' Remuneration Report to shareholders. This report has been prepared in accordance with the requirements of Section 421 of the Companies Act 2006 and the Enterprise and Regulatory Reform Act 2013. An Ordinary Resolution for the approval of this report will be put to shareholders at the Company's forthcoming Annual General Meeting. The Directors' Remuneration Policy Report, which is separate to this report, can be found on page 38.

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 and the auditor's audit opinion is included in its report to shareholders on pages 39 and 40. The Remuneration Policy Report on page 38 forms part of this report.

The Engagement & Remuneration Committee considers the framework for the remuneration of the Directors on an annual basis. It reviews the ongoing appropriateness of the Company's remuneration policy and the individual remuneration of Directors by reference to the activities of the Company and comparison with other companies of a similar structure and size. This is in-line with the AIC Code.

At the most recent review held on 1 April 2014, it was agreed that there was to be no increase to fees paid to the Directors during the year. Myself, as Chairman of the Company and Nigel Rich as Chairman of the Audit Committee and Senior Independent Director receive an annual fee of £28,000 and £24,000 respectively. Richard Horlick, Terence Mahony and James Williams each receive an annual fee of £21,000. The last increase in Directors' fees took effect on 1 April 2012.

Directors' Fees

The Directors, as at the date of this report, and who (save for Stuart Leckie and James Williams) all served throughout the year, received the fees listed in the table above. These exclude any employers' national insurance contributions, if applicable. No other forms of remuneration were received by the Directors and so fees represent the total remuneration of each Director.

Directors' Emoluments for the Year (audited information)

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

	Date of Appointment to the Board	Fees 2014 £	Fees 2013 £
David Nichol (Chairman)	4 January 1985	28,000	27,333
Richard Horlick	1 December 2005	21,000	20,500
Stuart Leckie*	13 March 2001	8,448	20,500
Terence Mahony	1 February 2004	21,000	20,500
Nigel Rich**	1 January 1997	24,000	23,333
James Williams	1 October 2013	7,000	–
		109,448	112,166

*Retired on 25 June 2013
**Chairman of the Audit Committee and Senior Independent Director

A non-binding Ordinary Resolution proposing adoption of the Remuneration Report was put to shareholders at the Annual General Meeting of the Company held on 25 June 2013, and was passed by 98.0% of shareholders voting on the Resolution.

Other Benefits

Taxable Benefits – Article 117 of the Company's Articles of Association provides that Directors are entitled to be reimbursed for reasonable expenses incurred by them in connection with the performance of their duties and attendance at Board and General Meetings.

Pensions related benefits – Article 118 permits the Company to provide pension or similar benefits for Directors and employees of the Company. However, no pension schemes or other similar arrangements have been established and no Director is entitled to any pension or similar benefits.

Loss of Office

Directors do not have service contracts with the Company but are engaged under Letters of Appointment. These specifically exclude any entitlement to compensation upon leaving office for whatever reason.

Governance / Directors' Remuneration Report

The bar chart below shows the comparative cost of Directors' fees compared with the level of dividend distribution for 2013 and 2014.

Relative Cost of Directors' Remuneration

As noted in the Strategic Report, all of the Directors are non-executive and therefore there is no Chief Executive Officer. The Company does not have any employees. There is therefore no CEO or employee information to disclose.

Directors' Interest in Shares

The Directors interests in the share capital of the Company are shown in the table below:

		Number of shares held 31 January 2014	31 January 2013
David Nichol	Beneficial	75,000	40,000
	Trustee	100,000	100,000
Richard Horlick	Beneficial	Nil	Nil
Stuart Leckie*	Beneficial	–	100,000
Terence Mahony	Beneficial	Nil	Nil
Nigel Rich	Beneficial	45,000	25,000
	Trustee	9,650	8,200
James Williams†	Beneficial	20,000	–
Total		249,650	273,200

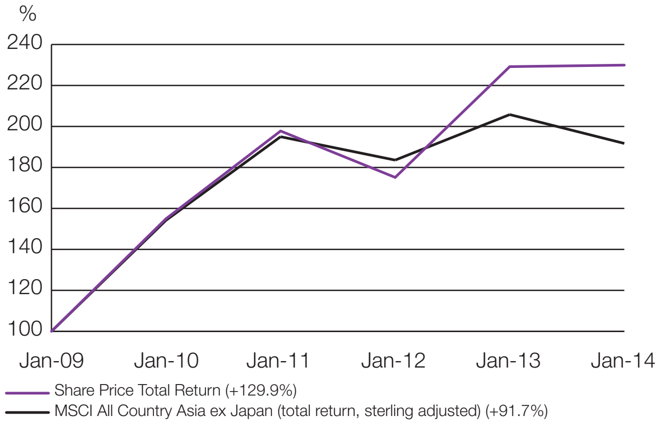
*Retired on 25 June 2013
†Appointed 1 October 2013

None of the Directors has any contract (including service contracts) with the Company.

Share Price Total Return

The Company's benchmark is the MSCI All Country Asia ex Japan Index on a total return, sterling adjusted basis. The Board has adopted this index as a measure for both the Company's performance and that of First State, the Company's Investment Manager. In accordance with statutory reporting purposes this report is required to compare the Company's share price total return to that of the benchmark index. The chart below provides this comparison.

Total Shareholder Return for the Five Years to 31 January 2014



Source: Morningstar
Rebased to 100 as at 31 January 2009

Annual Statement

On behalf of the Board and in accordance with Part 2 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. I confirm that the Remuneration Policy, set out on page 38, and Remuneration Report summarises, as applicable, for the year to 31 January 2014:

(a) the major decisions on Directors' remuneration;

(b) any substantial changes relating to Directors' remuneration made during the year; and

(c) the context in which the changes occurred and decisions have been taken.

David Nichol
Chairman

Governance / Directors' Remuneration Policy Report

The Company's remuneration policy provides that fees payable to the Directors should reflect the time spent by the Board on the Company's affairs and the responsibilities borne by the Directors and should be sufficient to enable candidates of high calibre to be recruited. Directors are remunerated in the form of fees payable monthly in arrears, paid to the Director personally or to a specified third party. There are no long term incentive schemes, bonuses, share option schemes or pension arrangements and the fees are not specifically related to the Directors' performance, either individually or collectively. Directors' remuneration comprises solely Directors' fees. The current and projected Directors' fees for 2014 and 2015 are shown in the table below. The Company does not have any employees.

Directors' Fees Current and Projected

	Projected fees payable year ending 31 January 2015 £	Fees paid year ended 31 January 2014 £
David Nichol (Chairman)	28,000	28,000
Richard Horlick^	8,381	21,000
Terence Mahony	21,000	21,000
Nigel Rich*	24,000	24,000
James Williams†	21,000	7,000

^Mr Horlick will retire from the Board on 24 June 2014.

*Chairman of the Audit Committee and Senior Independent Director.

†Appointed 1 October 2013.

No change is expected to the current level of Directors' fees until 1 February 2015.

None of the Directors has a service contract. The terms of their appointment provide that Directors shall retire and be subject to election at the first annual general meeting after their appointment and to re-election annually thereafter. The terms also provide that a Director may be removed without notice and that compensation will not be due on leaving office.

No communications have been received from shareholders regarding Directors' remuneration.

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.

It is the Board's intention that the remuneration policy will be considered by shareholders at the Annual General Meeting at least once every three years.

An Ordinary Resolution for the approval of this policy will be considered by shareholders at the forthcoming Annual General Meeting.

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

Opinions and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified

We have audited the financial statements of Pacific Assets Trust plc for the year ended 31 January 2014 set out on pages 41 to 55. In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 January 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

2 Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements, the risk of material misstatement that had the greatest effect on our audit was as follows:

Carrying amount of Quoted Investments:

Refer to pages 34 and 35 (Audit Committee report), pages 44 and 45 (accounting policy) and page 49 (financial disclosures).

- *The risk* – The Company's portfolio investments make up 94% of the Total Assets and are considered to be the key driver of operations and performance results. We do not consider investments to be at high risk of significant misstatement, or requiring a significant level of judgment, because they are comprised of liquid, quoted investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.
- *Our response* – Our procedures over the existence, completeness and valuation of the Company's investment portfolio included, but were not limited to:
  - documenting and assessing the processes in place to record investment transactions and to value the portfolio;
  - agreeing the valuation of portfolio investments to externally quoted prices; and
  - agreeing portfolio investment holdings to independently received third party confirmations.

3 Our application of materiality and an overview of the scope of our audit

The materiality for the financial statements as a whole was set at £1.9m. This has been determined with reference to a benchmark of Total Assets, of which it represents 1%. Total Assets, which is primarily composed of the Company's investment portfolio, is considered the key driver of the company's capital and revenue performance and, as such, we believe that it is the principal consideration for members of the Company in assessing financial performance.

We agreed with the Audit Committee to report to it all corrected and uncorrected misstatements we identified through our audit with a value in excess of £0.07m, in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above and was performed at the Administrator, Frostrow Capital LLP in London.

4 Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 27 to 33 with respect to internal control and risk management systems in relation

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

to financial reporting processes and about share capital structures is consistent with the financial statements.

5 We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy; or

- the Audit Committee Report does not appropriately address matters communicated by us to by the Audit Committee.

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

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

- the 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 26, in relation to going concern; and

- the part of the Corporate Governance Statement on pages 27 to 33 relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope of report and responsibilities

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of accounts is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2013a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Gareth Horner (Senior Statutory Auditor)
for and on behalf of KPMG Audit plc, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
14 April 2014

Financial Statements / Income Statement

for the year ended 31 January 2014

	Notes	Revenue £'000	Capital £'000	2014 Total £'000	Revenue £'000	Capital £'000	2013 Total £'000
Gains on investments held at fair value through profit or loss	8	–	1,792	1,792	–	35,724	35,724
Exchange differences		–	(204)	(204)	–	(97)	(97)
Income	2	4,195	–	4,195	4,168	–	4,168
Investment management, management and performance fees	3	(455)	(2,711)	(3,166)	(395)	(1,811)	(2,206)
Other expenses	4	(567)	(29)	(596)	(538)	(19)	(557)
Return on ordinary activities before taxation		3,173	(1,152)	2,021	3,235	33,797	37,032
Taxation on ordinary activities	5	(298)	–	(298)	(262)	–	(262)
Return/(loss) after taxation attributable to equity shareholders		2,875	(1,152)	1,723	2,973	33,797	36,770
Return/(loss) per share (p)	7	2.5	(1.0)	1.5	2.6	28.9	31.5

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 2014

	Notes	2014 £'000	2013 £'000
Opening shareholders' funds		187,602	153,870
Return for the year		1,723	36,770
Dividend paid	6	(3,038)	(3,038)
Closing shareholders' funds		186,287	187,602

The accompanying notes are an integral part of these statements.

Financial Statements / Balance Sheet

as at 31 January 2014

	Notes	£'000	2014 £'000	£'000	2013 £'000
Fixed assets					
Investments held at fair value through profit or loss	8		175,532		173,990
Current assets					
Debtors	9	561		518	
Cash at bank		13,052		15,124	
		13,613		15,642	
Creditors (amounts falling due within one year)	10	(2,858)		(2,030)	
Net current assets			10,755		13,612
Net assets			**186,287**		**187,602**
Capital and reserves					
Share capital	11		14,606		14,606
Share premium account	12		4		4
Capital redemption reserve	12		1,648		1,648
Special reserve	12		14,572		14,572
Capital reserve	12		149,336		150,488
Revenue reserve	12		6,121		6,284
Equity shareholders' funds	13		186,287		187,602
Net asset value per share (p)	13		159.4		160.6

The accounts on pages 41 to 55 were approved and authorised for issue by the Board of Directors on 14 April 2014 and signed on its behalf by:

David Nichol
Chairman

The accompanying notes are an integral part of this statement.

Financial Statements / Cash Flow Statement

for the year ended 31 January 2014

	Notes	£'000	2014 £'000	£'000	2013 £'000
Operating activities					
Investment income received		3,921		4,020	
Investment management and management fees paid		(2,422)		(1,494)	
Other cash payments		(910)		(622)	
Net cash inflow from operating activities	14		589		1,904
Capital expenditure and financial investment					
Purchase of investments		(47,009)		(40,030)	
Disposal of investments		47,590		49,277	
Net cash inflow from investing activities			581		9,247
Equity dividends paid			(3,038)		(3,038)
Net cash (outflow)/inflow before financing			(1,868)		8,113
(Decrease)/increase in cash	15		(1,868)		8,113
Reconciliation of net cash flow to movement in net funds					
(Decrease)/increase in cash in the year		(1,868)		8,113	
Change in net funds resulting from cash flows			(1,868)		8,113
Currency losses			(204)		(97)
Movement in net funds			(2,072)		8,016
Net funds at 1 February			15,124		7,108
Net funds at 31 January	15		13,052		15,124

The accompanying notes are an integral part of this statement.

Financial Statements / 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.

(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 receivable on equity shares are recognised on the ex-dividend date. Where no ex-dividend date is quoted, dividends are recognised when the Company's right to receive payment is established. Foreign dividends are grossed up at the appropriate rate of withholding tax.

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.

– Performance fees are charged 100% to capital.

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

Financial Statements / Notes to the Accounts

(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.

(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 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.

Rates of exchange at 31 January	2014	2013
Bangladesh Taka	127.66	125.66
Hong Kong Dollar	12.76	12.30
Indian Rupee	102.97	84.33
Indonesian Rupiah	20,067	15,442
Japanese Yen	167.61	144.69
Korean Won	1,759	1,726
Malaysian Ringgit	5.50	4.93
New Taiwanese Dollar	49.79	46.81
Philippine Peso	74.48	64.50
Singaporean Dollar	2.10	1.96
Sri Lankan Rupee	214.88	200.32
Thai Baht	54.25	47.28
U.S. Dollar	1.64	1.59

Financial Statements / Notes to the Accounts

(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.

2. Income

	2014 £'000	2013 £'000
Dividend income from investments†		
Listed overseas	4,195	4,168
Other income‡		
Deposit interest	–	–
Total income	4,195	4,168

† 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, Management and Performance Fees

	Revenue £'000	Capital £'000	2014 Total £'000	Revenue £'000	Capital £'000	2013 Total £'000
Investment management fee – First State	364	1,090	1,454	318	952	1,270
Investment management performance fee – First State	–	1,346	1,346	–	627	627
Management fee – Frostrow	91	275	366	77	232	309
	455	2,711	3,166	395	1,811	2,206

First State Investment Management (UK) Limited are entitled to an investment management fee of 0.75% per annum of net assets. In addition there is a performance fee of 12.5% of returns in excess of the MSCI All Country Asia ex Japan Index plus a hurdle of 1.75% per annum, measured over a rolling three year period. The Board has capped the total of the investment management fee and the performance fee at 1.75% of the average asset value per annum.

Frostrow Capital LLP are entitled to a management fee of 0.2% per annum (plus VAT) of market capitalisation.

Financial Statements / Notes to the Accounts

4. Other Expenses

	2014 £'000	2013 £'000
Directors' fees	109	112
Auditor's remuneration for:		
– annual audit	20	19
– tax compliance services	6	6
– other services relating to taxation*	20	29
Savings scheme costs	6	5
Marketing costs	20	17
Custody fees	117	92
Other expenses	269	258
Revenue expenses	567	538
Capital expenses	29	19
Total expenses	596	557

* Includes costs in relation to the recovery of Taiwanese withholding tax for the period 2005 to 2011, and the provision of Taiwanese tax guarantor services. See the Report of the Directors on page 25 for further details.

5(a). Tax on Ordinary Activities

	Revenue £'000	Capital £'000	2014 Total £'000	Revenue £'000	Capital £'000	2013 Total £'000
Overseas taxation	344	–	344	297	–	297
Overseas tax recoverable	(46)	–	(46)	(35)	–	(35)
	298	–	298	262	–	262

Overseas tax arose as a result of irrecoverable withholding tax on foreign dividends.

(b) Reconciliation of tax charge

The revenue account tax charge for the year is lower than the standard rate of corporation tax in the UK for an investment company 23.17% (2013: 24.35%). The differences are explained below:

	Revenue £'000	Capital £'000	2014 Total £'000	Revenue £'000	Capital £'000	2013 Total £'000
Total return/(loss) on ordinary activities before tax	3,173	(1,152)	2,021	3,235	33,797	37,032
Corporation tax charged at 23.17%* (2013: 24.35%)	735	(267)	468	788	8,229	9,017
(Gains) on investments that are not taxable held at fair value through profit or loss	–	(415)	(415)	–	(8,699)	(8,699)
Exchange differences	–	47	47	–	24	24
Unutilised management expenses	197	628	825	226	446	672
Disallowed expenses	1	7	8	1	–	1
Income not subject to corporation tax	(933)	–	(933)	(1,015)	–	(1,015)
Overseas taxation	344	–	344	297	–	297
Overseas tax recoverable (Taiwan)	(46)	–	(46)	(35)	–	(35)
Tax charge for the year	298	–	298	262	–	262

*An average rate of 23.17% was applicable for the year ended 31 January 2014 due to the corporation tax rate being reduced to 23% from 24% on 1 April 2013.

As at 31 January 2014 the Company had unutilised management expenses and other reliefs for taxation purposes of £20,987,000 (2013: £17,430,000). It is not anticipated that these will have value in the foreseeable future.

Financial Statements / Notes to the Accounts

6. Dividends

Under UK GAAP, final dividends are not recognised and paid until they are approved by shareholders. Amounts recognised as distributable to shareholders for the year ended 31 January 2014, were as follows:

	2014 £'000	2013 £'000
– final dividend paid for the year ended 31 January 2013 of 2.60p per share	3,038	
– final dividend paid for the year ended 31 January 2012 of 2.60p per share		3,038

In respect of the year ended 31 January 2014, a dividend of 2.60p has been proposed, to be approved at the forthcoming Company's Annual General Meeting (AGM) which will take place on Tuesday, 24 June 2014.

In accordance with FRS 21 this dividend will be reflected in the half-year accounts for the period ending 31 July 2014.

The dividends payable in respect of both the current and the previous financial year, which meet the requirements of Section 1158-1159 CTA 2010, are set out below:

	2014 £'000	2013 £'000
Revenue available for distribution by way of dividend for the year	2,875	2,973
Proposed dividend of 2.60p per share (2013: 2.6p) (to be approved at the AGM)	(3,038)	(3,038)
	(163)	(65)

7. Return/(loss) per share

The Return/(loss) per share is as follows:

	Revenue pence	Capital pence	2014 Total pence	Revenue pence	Capital pence	2013 Total pence
Basic and diluted	2.5	(1.0)	1.5	2.6	28.9	31.5

The total return per share is based on the total return attributable to shareholders of £1,723,000 (2013: £36,770,000).

The revenue return per share is based on the net revenue return attributable to shareholders of £2,875,000 (2013: £2,973,000).

The capital return per share is based on the net capital loss attributable to shareholders of £1,152,000 (2013: return of £33,797,000).

The total return, revenue return and the capital loss per share are based on the weighted average number of shares in issue during the year of 116,848,386 (2013: 116,848,386).

Financial Statements / Notes to the Accounts

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.

As at 31 January 2014, all investments have been classified as level 1 (2013: level 1). See note 16 beginning on page 51 for further details.

	2014 £'000	2013 £'000
Investments held at fair value through profit of loss		
Investments listed on recognised investment exchanges	175,532	173,990
Valuation at start of year	173,990	146,882
Less: valuation gains at start of year	(39,420)	(5,246)
Cost at start of year	134,570	141,636
Purchases at cost	47,083	40,915
Disposals proceeds	(47,333)	(49,531)
Realised gains on disposals	9,555	1,550
Cost at end of year	143,875	134,570
Add valuation gains at end of year	31,657	39,420
Valuation at end of year	**175,532**	173,990

	2014 £'000	2013 £'000
Realised gains on sales	9,555	1,550
Of which previously recognised as fair value adjustment	(8,946)	319
Realised gains for the year	609	1,869
Movement in fair value	1,183	33,855
Gains on investments	1,792	35,724

During the year the Company incurred transaction costs on purchases of £126,898 (2013: £119,544) and transaction costs on sales of £183,780 (2013: £190,437).

9. Debtors

	2014 £'000	2013 £'000
Amounts due from brokers	–	257
Accrued income	88	59
Overseas tax recoverable (Taiwan)	110	163
Other debtors	363	39
	561	518

Financial Statements / Notes to the Accounts

10. Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Amounts due to brokers	964	890
Investment management fee	357	343
Investment management performance fee	1,358	627
Management fee	85	86
Other creditors	94	84
	2,858	2,030

11. Share capital

	2014 £'000	2013 £'000
Allotted and fully paid:		
116,848,386 shares of 12.5p each (2013: 116,848,386)	14,606	14,606

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 page 22.

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 2013	4	1,648	14,572	150,488	6,284
Net gain on realisation of investments	–	–	–	9,555	–
Increase in fair value adjustment on investments	–	–	–	(7,763)	–
Exchange differences	–	–	–	(204)	–
Investment management, management and performance fees charged to capital	–	–	–	(2,711)	–
Retained net revenue return for the year	–	–	–	–	2,875
Other expenses	–	–	–	(29)	–
Dividend paid	–	–	–	–	(3,038)
At 31 January 2014	4	1,648	14,572	149,336	6,121

As at 31 January 2014 capital reserves relating to the revaluation of investments held at the reporting date amounted to an unrealised gain of £31,657,000 (2013: unrealised gain of £39,420,000).

Financial Statements / Notes to the Accounts

13. Net asset value per share

The net asset value per share and the net asset value attributable to the shares at the year end are calculated as follows:

	Net asset value per share attributable		Net asset values attributable	
	2014 pence	2013 pence	2014 £'000	2013 £'000
	159.4	160.6	186,287	187,602

The net asset value per share is calculated on net assets of £186,287,000 (2013: £187,602,000), divided by 116,848,386 (2013: 116,848,386) shares, being the number of shares in issue at the year end.

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

	2014 £'000	2013 £'000
Net return before finance costs and taxation	2,021	37,032
Gains on investments	(1,792)	(35,724)
Exchange differences	204	97
(Increase)/decrease in accrued income	(38)	147
Increase in prepayments and other debtors	(324)	(20)
Increase in other creditors	754	666
Irrecoverable withholding tax on investment income	(236)	(294)
Net cash inflow from operating activities	589	1,904

15. Analysis of changes in net funds

	Cash at bank 2014 £'000	Cash at bank 2013 £'000
At 1 February	15,124	7,108
Cash flow	(1,868)	8,113
Currency movements	(204)	(97)
At 31 January	13,052	15,124

16. Financial instruments

The Company's financial instruments comprise its investment 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 on page 49) 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 42.

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;

Financial Statements / Notes to the Accounts

(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 will not be able to meet its liabilities when they fall due. This may arise should the Company not be able to liquidate its investments. It is believed that the investment portfolio of £175.5 million is realisable in full within a week.

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', investments are classified based on the fair value hierarchy described below and which reflects the reliability and significance of the information used to measure their fair value.

As at 31 January 2014, all of the financial instruments held by the Company are classified as level 1 and there are no level 2 or level 3 instruments (2013: all financial instruments classified as level 1).

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.

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 investment portfolio is set out on pages 12 and 13. Derivatives may be used from time to time, with prior Board approval, to hedge specific market risk or gain exposure to a specific market although it is the Company's current policy not to use derivatives.

During the year ended 31 January 2014, there were no derivative contracts entered into.

If the investment portfolio valuation fell by 10% at 31 January 2014 (31 January 2013: 10%), the impact on the profit or loss and the net asset value would have been negative £17.6 million (2013: negative £17.4 million). If the investment portfolio valuation rose by 10% at 31 January 2014 (31 January 2013: 10%), the impact on the profit or loss and the net asset value would have been positive £17.6 million (2013: positive £17.4 million). The calculations are based on the investment portfolio valuation as at the respective Balance Sheet dates and are not representative of the year as a whole.

Financial Statements / Notes to the Accounts

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.

Fixed rate

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

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:

				2014				2013
	Investments £'000	Cash £'000	Short-term Debtors £'000	Short-term Creditors £'000	Investments £'000	Cash £'000	Short-term Debtors £'000	Short-term Creditors £'000
Bangladesh Taka	1,081	–	–	–	369	–	–	–
Hong Kong Dollar	18,159	–	–	–	18,502	97	–	–
Indian Rupee	49,895	20	320	322	34,691	23	2	(739)
Indonesian Rupiah	3,337	–	–	642	912	–	–	–
Japanese Yen	–	–	–	–	183	–	80	–
Korean Won	15,680	–	52	–	21,286	–	11	–
Malaysian Ringgit	9,606	–	–	–	10,781	–	–	–
New Taiwanese Dollar	33,468	73	110	–	26,160	1,793	163	(151)
Philippine Peso	13,108	–	–	–	18,627	–	6	–
Singaporean Dollar	18,107	–	36	–	27,456	–	219	–
Sri Lankan Rupee	1,574	–	–	–	424	–	–	–
Thai Baht	11,517	–	–	–	10,140	–	–	–
U.S. Dollar	–	1	–	–	4,459	39	–	–
Total	175,532	94	518	964	173,990	1,952	481	(890)

At 31 January 2014 the Company had £12,958,000 of sterling cash balances (2013: £13,172,000).

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 £8.8 million (2013: positive £8.8 million). If the value of sterling had strengthened against each of the currencies in the investment portfolio by 5%, the impact on the profit or loss and the net asset value would have been negative £8.8 million (2013: negative £8.8 million). The calculations are based on the investment portfolio valuation and cash balances as at the respective Balance Sheet dates and are not representative of the year as a whole.

Financial Statements / Notes to the Accounts

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:

	2014 £'000	2013 £'000
Cash and cash equivalents	13,052	15,124
Amounts due from brokers	–	257
Interest, dividends and other receivables	561	261
	13,613	15,642

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

All the assets of the Company which are traded on a recognised exchange are held by JPMorgan Chase Bank 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 page 10.

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 6.3% of the total assets less current liabilities attributable to the Company's shareholders at 31 January 2014 (2013: 5.7%).

21. Liquidity risk

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

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.

22. Related party transactions

The following are considered to be related parties:

- First State
- The Directors of the Company

The Company employs First State Investments (UK) Limited as its investment manager. During the year ended 31 January 2014, First State Investments (UK) Limited earned £1,454,000 in respect of Investment Management fees, of which £357,000 was outstanding at the year end. A performance fee of £1,358,000 became payable at 31 January 2014 and was outstanding at the year end. All material related party transactions have been disclosed on pages 21, 36 and 37 and in notes 3 and 4 on pages 46 and 47. Details of the remuneration of all Directors can be found on page 36.

Financial Statements / Notes to the Accounts

23. Contingent assets

In 2010 the Company submitted a claim for approximately £580,000 of Taiwanese withholding tax that had been suffered in excess of the agreed treaty rate between 2005 and 2009.

To date, £338,000 has been successfully recovered with £46,000 recovered in the year to 31 January 2014 (2013:£35,000). The remaining outstanding claim of £242,000 has been approved by the Taipei region and is expected to be received in due course.

The Company has engaged KPMG to recover the tax withheld and in the event that the tax is recovered in full a fee of £60,000 (plus vat) will become payable to KPMG. Fees totalling £31,000 have been paid to KPMG in relation to this engagement with £5,000 accrued at 31 January 2014.

As the likelihood, timing and the quantum of the recoverable amount continues to remain uncertain, no further amounts receivable have been recorded in the Company's accounts, therefore leaving an estimated contingent asset net of KPMG fees of £218,000 at 31 January 2014.

Claim period	2005 to 2009 £
Estimated recoverable TWD tax	580,000
Amounts recovered to date	(338,000)
Estimated recoverable amount	242,000
Maximum fees payable to KPMG in relation to claim	60,000
Fees earned to date	(36,000)
Potential outstanding fees payable	24,000
Contingent asset net of KPMG fees	218,000

Further Information / Shareholder Information

Financial Calendar

31 January	Financial Year End
April	Final Results Announced
31 July	Half Year End
September	Half Year Results Announced
May/November	Interim Management Statement Announced
June	Annual General Meeting
June	Dividend Payable

Annual General Meeting

The Annual General Meeting of Pacific Assets Trust plc will be held at Skinners' Hall, 8 Dowgate Hill, London EC4R 2SP on Tuesday, 24 June 2014 at 10.00 a.m.

Dividend

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 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

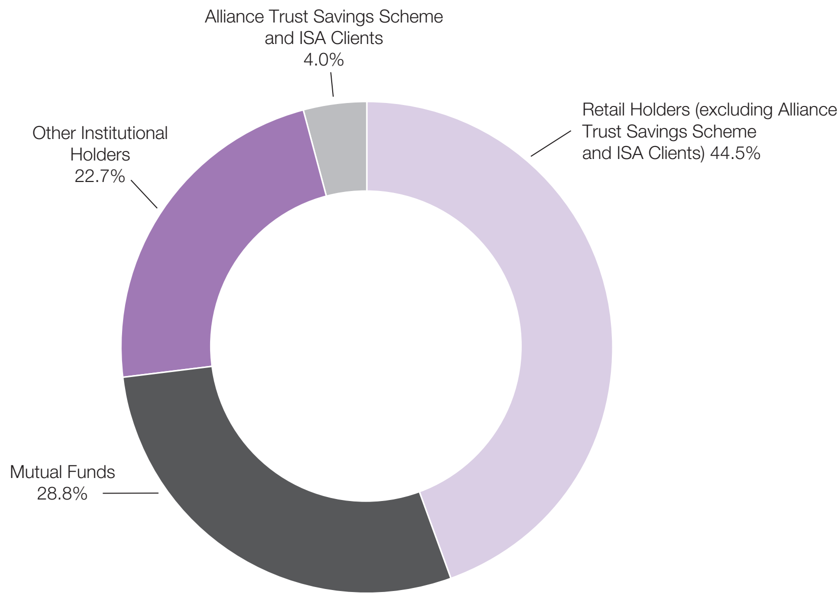
Communications with shareholders are mailed to the address held on the share register. In the event of a change of address or other amendment this should be notified to the Company's Registrars, Equiniti Limited, under the signature of the registered holder.

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 and is published daily via the London Stock Exchange.

Profile of the Company's Ownership

% of shares held at 31 January 2014



Further Information / Glossary of Terms

AIFM
The Alternative Investment Fund Manager Directive (the "Directive") is a European Union Directive that entered into force on 22 July 2013. The Directive regulates EU fund managers that manage alternative investment funds (this includes investment trusts). There is a one-year transition period within which alternative funds must comply with the provisions of the Directive.

Discount or Premium
A description of the difference between the share price and the net asset value per share. The size of the discount or premium is calculated by subtracting the share price from the net asset value per share and is usually expressed as a percentage (%) of the net asset value per share. If the share price is higher than the net asset value per share the result is a premium. If the share price is lower than the net asset value per share, the shares are trading at a discount.

Gearing
The term used to describe the process of borrowing money for investment purposes. The expectation is that the returns on the investments purchased will exceed the finance costs associated with those borrowings.

There are several methods of calculating gearing and the following has been selected:

Total assets, less current liabilities (before deducting any prior charges) minus cash/cash equivalents divided by Shareholders' funds, expressed as a percentage.

Net Asset Value (NAV)
The value of the Company's assets, principally investments made in other companies and cash being held, minus any liabilities. The NAV is also described as 'shareholders' funds' per share. The NAV is often expressed in pence per share after being divided by the number of shares which have been issued. The NAV per share is unlikely to be the same as the share price which is the price at which the Company's shares can be bought or sold by an investor. The share price is determined by the relationship between the demand and supply of the shares.

Net Asset Value Total Return
The theoretical total return on an investment over a specified period assuming dividends paid to shareholders were reinvested at net asset value per share at the time the shares were quoted ex-dividend. This is a way of measuring investment management performance of investment trusts which is not affected by movements in discounts or premiums.

Ongoing Charges Ratio
Ratio of the Company's expenses, excluding performance fees and exceptional items, expressed as a percentage of the average daily shareholders' funds of the Company over the year.

The publishing of ongoing charges information rather than a total expense ratio (TER) is advocated by the Association of Investment Companies who believe that using a single methodology to calculate ongoing charges will help reduce inconsistencies and allow investors and advisers to compare investment companies more easily with open-ended funds.

Particle Pollution (PM10) and (PM2.5)
Particle pollution (also known as "particle matter") in the air includes a mixture of solids and liquid droplets. Some particles are emitted directly; others are formed in the atmosphere when other pollutants react. Particles come in a wide range of sizes. Those less than 10 micrometers in diameter (PM10) are so small that they can get into the lungs, potentially causing serious health problems. Ten micrometers is smaller than the width of a single human hair.

- **Fine particles (PM2.5)**. Particles less than 2.5 micrometers in diameter are called "fine" particles. These particles are so small they can be detected only with an electron microscope. Sources of fine particles include all types of combustion, including motor vehicles, power plants, residential wood burning, forest fires, agricultural burning and some industrial processes.
- **Coarse dust particles**. Particles between 2.5 and 10 micrometers in diameter are referred to as "coarse". Sources of coarse particles include crushing or grinding operations and dust stirred up by vehicles travelling on roads.

Share Price Total Return
The change in capital value of a company's shares over a given period, plus dividends received, expressed as a percentage of the opening value.

Further Information / How to Invest

Investment Platforms

The Company's shares are traded openly on the London Stock Exchange and can be purchased through a stock broker or other financial intermediary. The shares are available through savings plans (including Investment Dealing Accounts, ISAs, Junior ISAs and SIPPs) which facilitate both regular monthly investments and lump sum investments in the Company's shares. There are a number of investment platforms that offer these facilities. A list of some of them, that is not comprehensive nor constitutes any form of recommendation, can be found below:

Alliance Trust Savings	http://www.alliancetrustsavings.co.uk/
Barclays Stockbrokers	https://www.barclaysstockbrokers.co.uk/Pages/index.aspx
Club Finance	http://www.clubfinance.co.uk/
Fast Trade	http://www.fastrade.co.uk/wps/portal
FundsDirect	http://www.fundsdirect.co.uk/Default.asp
Halifax Share Dealing	http://www.halifax.co.uk/Sharedealing/
Hargreaves Lansdown	http://www.hl.co.uk/
HSBC	https://investments.hsbc.co.uk/
iDealing	http://www.idealing.com/
IG Index	http://www.igindex.co.uk/
Interactive Investor	http://www.iii.co.uk/
IWEB	http://www.iweb-sharedealing.co.uk/share-dealing-home.asp
James Brearley	http://www.jbrearley.co.uk/Marketing/index.aspx
Natwest Stockbrokers	http://www.natweststockbrokers.com/nw/products-and-services/share-dealing.ashx
Saga Share Direct	https://www.sagasharedirect.co.uk/
Selftrade	http://www.selftrade.co.uk/
The Share Centre	https://www.share.com/
Sippdeal	http://www.sippdeal.co.uk/
Saxo Capital Markets	http://uk.saxomarkets.com/
TD Direct Investing	http://www.tddirectinvesting.co.uk/

Equiniti – 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 Conduct 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.

Further Information / Notice of the Annual General Meeting

Notice is hereby given that the twenty-ninth Annual General Meeting of Pacific Assets Trust Public Limited Company will be held at Skinners' Hall, 8 Dowgate Hill, London EC4R 2SP on Tuesday, 24 June 2014 at 10.00 a.m. 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 2014 together with the Report of the Auditors thereon be received.
2. To receive and approve the Directors' Remuneration Report for the financial year ended 31 January 2014.
3. To receive and approve the Directors' Remuneration Policy.
4. That a final dividend for the financial year ended 31 January 2014 of 2.6p per share be declared.
5. That Mr T F Mahony, be re-elected as a Director.
6. That Mr D B Nichol, be re-elected as a Director.
7. That Mr N M S Rich, be re-elected as a Director.
8. That Mr J P Williams be elected as a Director.
9. That KPMG LLP be appointed as Auditor 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 LLP's remuneration.

Auditors are required to be appointed at each general meeting at which the annual report and accounts are presented to shareholders.

The Company's current Auditor, KPMG Audit Plc, has indicated its willingness to continue in office. However, it has proposed that its parent entity, KPMG LLP, should be recommended to shareholders to become the Auditor in the future.

Accordingly, shareholder approval is now sought to appoint KPMG LLP as Auditor to the Company and to authorise the Directors to determine its remuneration. KPMG Audit Plc has provided the Company with a 'Statement of Circumstances' confirming that it shall not be seeking reappointment as Auditor to the Company in order that its parent entity might be appointed. A copy of the 'Statement of Circumstances' can be obtained from the Company Secretary upon request.

Special Business

To consider and, if thought fit, pass the following resolutions, of which resolutions 12, 13 and 14 will be proposed as Special Resolutions.

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 2015 or 15 months from the date of passing this resolution, whichever is the earlier, unless previously revoked, varied or renewed by the Company in general meeting and provided 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.

Further Information / Notice of the Annual General Meeting

12. That, subject to the passing of resolution 11 proposed at the Annual General Meeting of the Company convened for 24 June 2014 ('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 as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

    the allotment 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 2015 or 15 months from the date of passing this resolution, whichever is the earlier, unless previously revoked, varied or renewed by the Company in general meeting and provided 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.

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') for cancellation 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 2015 or 15 months from the date of passing this resolution, whichever is the earlier, unless previously revoked, varied or renewed by the Company in general meeting and provided 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.

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 this resolution.

By order of the Board

Frostrow Capital LLP
Company Secretary
14 April 2014

Registered office
16 Charlotte Square
Edinburgh
EH2 4DF

Further Information / Notice of the Annual General Meeting

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 plus network extras. 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 6DA 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).

Further Information / Notice of the Annual General Meeting

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 20 June 2014 (or, if the Annual General Meeting is adjourned, at 6.00 p.m. on the day two working 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 14 April 2014 (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 14 April 2014 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.

15. Under section 338 and section 338A of the Companies Act 2006, members meeting the threshold requirements in those sections have the right to require the Company (i) to give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting; and/or (ii) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in the business. A resolution may properly be moved or a matter may properly be included in the business unless (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise), (b) it is defamatory of any person, or (c) it is frivolous or vexatious. Such a request may be in hard copy form or in electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be authorised by the person or persons making it, must be received by the Company not later than 13 May 2014, being the date six clear weeks before the meeting, and (in the case of a matter to be included on the business only) must be accompanied by a statement setting out the grounds for the request.

Further Information / Explanatory Notes to the Resolutions

Resolution 1 – To receive the Annual Report and Accounts

The Annual Report and Accounts for the year ended 31 January 2014 will be presented to the AGM. These accounts accompanied this Notice of Meeting and shareholders will be given an opportunity at the meeting to ask questions.

Resolutions 2 to 3 – Remuneration Policy and Remuneration Report

It is now mandatory for all listed companies to put both their Report on Directors' Remuneration and their Remuneration Policy to a shareholder vote. The Report on Directors' Remuneration and the Remuneration Policy Report are set out in full in the Annual Report on pages 36 to 38.

Resolutions 4 – The Declaration of a Final Dividend for the year ended 31 January 2014

Resolution 4 seeks shareholder approval for the paying of a final dividend of 2.6p per share for the year ended 31 January 2014.

Resolutions 5 to 8 – Re-election of Directors

Resolutions 5 to 8 deal with the election and re-election of each Director. Biographies of each of the Directors can be found on pages 20 and 21 of the Annual Report.

The Board has confirmed, following a performance review, that the Directors standing for election and re-election continue to perform effectively.

Resolutions 9 and 10 – Appointment of Auditor and the determination of its remuneration

Resolutions 9 and 10 relate to the appointment of KPMG LLP as the Company's independent auditor to hold office until the next AGM of the Company and also authorises the Directors to set its remuneration.

Resolutions 11 and 12

Ordinary Resolution No. 11 in the Notice of Annual General Meeting will renew the authority to allot the unissued share capital up to an aggregate nominal amount of £1,460,605 (equivalent to 11,684,838 shares, or 10% of the Company's existing issued share capital on 14 April 2014, being the nearest practicable date prior to the signing of this Report). Such authority will expire on the date of the next Annual General Meeting or after a period of 15 months from the date of the passing of the resolution, whichever is earlier. This means that the authority will have to be renewed at the next Annual General Meeting.

When shares are to be allotted for cash, Section 551 of the Companies Act 2006 (the "Act") provides that existing shareholders have pre-emption rights and that the new shares must be offered first to such shareholders in proportion to their existing holding of shares. However, shareholders can, by special resolution, authorise the Directors to allot shares otherwise than by a pro rata issue to existing shareholders. Special Resolution No. 12 will, if passed, give the Directors power to allot for cash equity securities up to 10% of the Company's existing share capital on 14 April 2014, as if Section 551 of the Act does not apply. This is the same nominal amount of share capital which the Directors are seeking the authority to allot pursuant to Resolution No. 11. This authority will also expire on the date of the next Annual General Meeting or after a period of 15 months, whichever is earlier. This authority will not be used in connection with a rights issue by the Company.

The Directors intend to use the authority given by Resolutions Nos. 11 and 12 to allot shares and disapply pre-emption rights only in circumstances where this will be clearly beneficial to shareholders as a whole. The issue proceeds would be available for investment in line with the Company's investment policy. No issue of shares will be made which would effectively alter the control of the Company without the prior approval of shareholders in general meeting.

Resolution 13

The Directors wish to renew the authority given by shareholders at the previous Annual General Meeting. The principal aim of a share buy-back facility is to enhance shareholder value by acquiring shares at a discount to net asset value, as and when the Directors consider this to be appropriate. The purchase of shares, when they are trading at a discount to net asset value

Further Information / Explanatory Notes to the Resolutions

per share, should result in an increase in the net asset value per share for the remaining shareholders. This authority, if conferred, will only be exercised if to do so would result in an increase in the net asset value per share for the remaining shareholders and if it is in the best interests of shareholders generally. Any purchase of shares will be made within guidelines established from time to time by the Board. It is proposed to seek shareholder authority to renew this facility for another year at the Annual General Meeting.

Under the current Listing Rules, the maximum price that may be paid on the exercise of this authority must not exceed the higher of (i) 105% of the average of the middle market quotations for the shares over the five business days immediately preceding the date of purchase and (ii) the higher of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out. The minimum price which may be paid is 12.5p per share. Shares which are purchased under this authority will be cancelled.

Special Resolution No. 13 in the Notice of Annual General Meeting will renew the authority to purchase in the market a maximum of 14.99% of shares in issue on 14 April 2014, being the nearest practicable date prior to the signing of this Report, (amounting to 17,515,573 shares). Such authority will expire on the date of the next Annual General Meeting or after a period of 15 months from the date of passing of the resolution, whichever is earlier. This means in effect that the authority will have to be renewed at the next Annual General Meeting or earlier if the authority has been exhausted.

Resolution 14

Special Resolution No. 14 seeks shareholder approval for the Company to hold General Meetings (other than the Annual General Meeting) at 14 clear days' notice.

The Board considers that the resolutions relating to the above items of special business, are in the best interests of shareholders as a whole.

Accordingly, the Board unanimously recommends to the shareholders that they vote in favour of the above resolutions to be proposed at the forthcoming Annual General Meeting as the Directors intend to do in respect of their own beneficial holdings totalling 249,650 shares.

Further Information / Company Information

Directors
D B Nichol, FCA (Chairman)*
R M A Horlick
T F Mahony
N M S Rich, CBE, FCA†
J P Williams

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

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

Investment Manager
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(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 Conduct Authority.

Manager, Company Secretary and Administrator
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 Conduct 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.

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

Independent Auditor
KPMG Audit Plc
15 Canada Square
London
E14 5GL
United Kingdom

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 plus network extras. Lines open 8.30 a.m. to 5.30 p.m., Monday to Friday.*

Notifications of changes of address and enquiries regarding share certificates or dividend cheques should be made in writing to the Registrars quoting your shareholder reference number. Registered shareholders can obtain further details of their holdings on the internet by visiting www.shareview.co.uk

Brokers
Canaccord Genuity Limited
88 Wood Street
London EC2V 7QR

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

Identification Codes

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