

Pacific Assets Trust plc

Annual Report for the year ended 31 January 2016



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, (as defined above) but whose economic activities are predominantly within the Asia Pacific Region.

Investment Approach

The Company's assets are managed by Stewart Investors.

Stewart Investors invest in companies which they believe will deliver long-term growth to shareholders.

In delivering this strategy, Stewart Investors use a sustainable approach in its management of the Company's investment portfolio. Stewart Investors seek 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:

- Stewart Investors' investment approach focuses on companies that they believe are particularly well-positioned to deliver long-term returns in the face of the huge development challenges facing all countries today.
- Stewart Investors believe that in order to tackle these development challenges, both developed and developing countries will need to shift away from the current debt dependent, resource and consumption intensive models, towards a more genuinely sustainable path of economic development.
- Stewart Investors invest their clients' capital in good quality companies with strong management teams and sound long-term growth prospects, and which are well-positioned to benefit from, and contribute to, the sustainable development of the countries in which they operate.

How to Invest

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. Further details can be found on pages 62 and 63.

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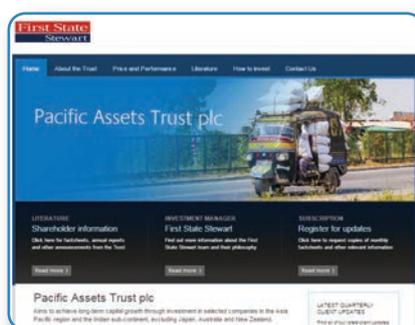
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Keep up to date with Pacific Assets Trust plc
For more information about Pacific Assets Trust plc visit the website at www.pacific-assets.co.uk



Strategic Report / Company Performance

Financial Highlights

	31 Jan 2016	31 Jan 2015
Share price total return*	(2.5)%	37.0%
Net asset value per share total return*	(6.6)%	32.6%
MSCI All Country Asia ex Japan Index (total return, sterling adjusted)* – Benchmark	(13.1)%	24.1%
Dividend per share	2.2p	2.6p
Premium/(discount) of share price to net asset value per share	(1.1)%	(5.3)%

*Source: Morningstar

Total Return Performance for the year to 31 January 2016



Source: Morningstar
Rebased to 100 as at 31 January 2015

Total Return Performance since the Date of Appointment of Stewart Investors* as Investment Manager



Source: Morningstar
Rebased to 100 as at 30 June 2010

*Formerly First State Investment Management (UK) Limited

Strategic Report / Company Performance

Performance Summary

	As at 31 January 2016	As at 31 January 2015	% Change
Shareholders' funds	£228.3m	£242.1m	(5.7)
Market capitalisation	£225.8m	£229.3m	(1.5)
Premium/(discount) of share price to net asset value per share	(1.1)%	(5.3)%	–
	One year to 31 January 2016	One year to 31 January 2015	
Total Return			
Share price (total return)	(2.5)%	37.0%	n/a
Net asset value per share (total return)	(6.6)%	32.6%	n/a
MSCI All Country Asia ex Japan Index (total return, sterling adjusted)	(13.1)%	24.1%	n/a
Revenue and Dividend			
Revenue return per share	2.2p	2.1p	4.8
Dividend per share	2.2p	2.6p	(15.4)
Ongoing Charges Ratio			
Ongoing charges ratio (excluding performance fee)*†	1.3%	1.3%	n/a
Performance fee^	n/a	0.8%	n/a
Ongoing charges ratio (including performance fee)	n/a	2.1%	n/a
Peer group average ongoing charges ratio (excluding performance fee)*	1.1%	1.1%	n/a

*Source: Morningstar † See glossary on page 61

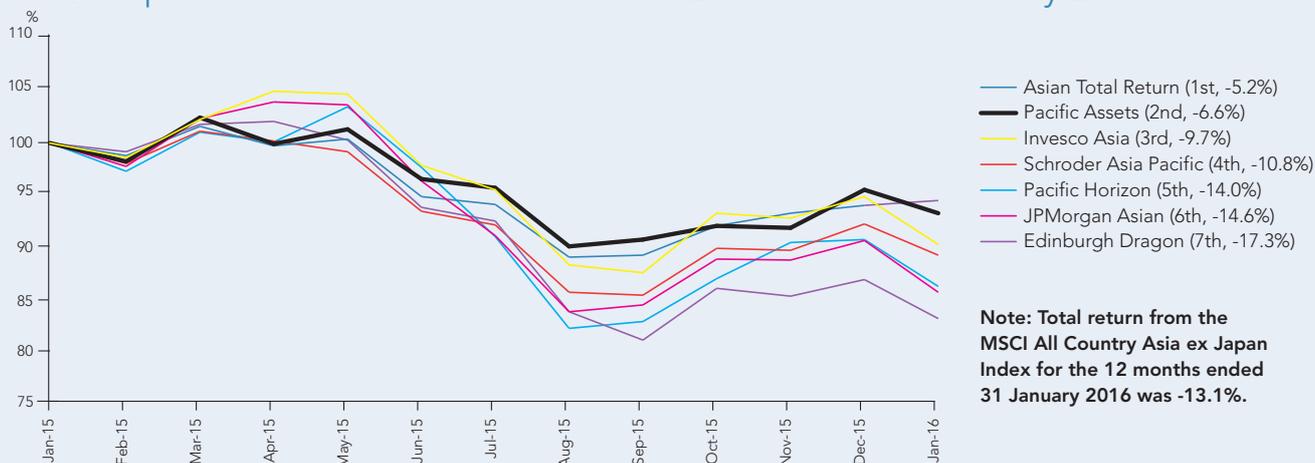
^The performance fee was deleted with effect from 1 February 2015. (see page 35 for further details.)

Year's Highs/Lows	High	Low
Net asset value per share	222.9p	173.3p
Share price	226.0p	159.3p
Premium/(discount) of share price to net asset value per share‡	6.7%	(8.1)%

‡Discount high – narrowest discount/highest premium in year; discount low – widest discount in year (on an ex income basis)

Source: Morningstar

Peer Group Net Asset Value Total Return – 12 months to 31 January 2016



Note: Total return from the MSCI All Country Asia ex Japan Index for the 12 months ended 31 January 2016 was -13.1%.

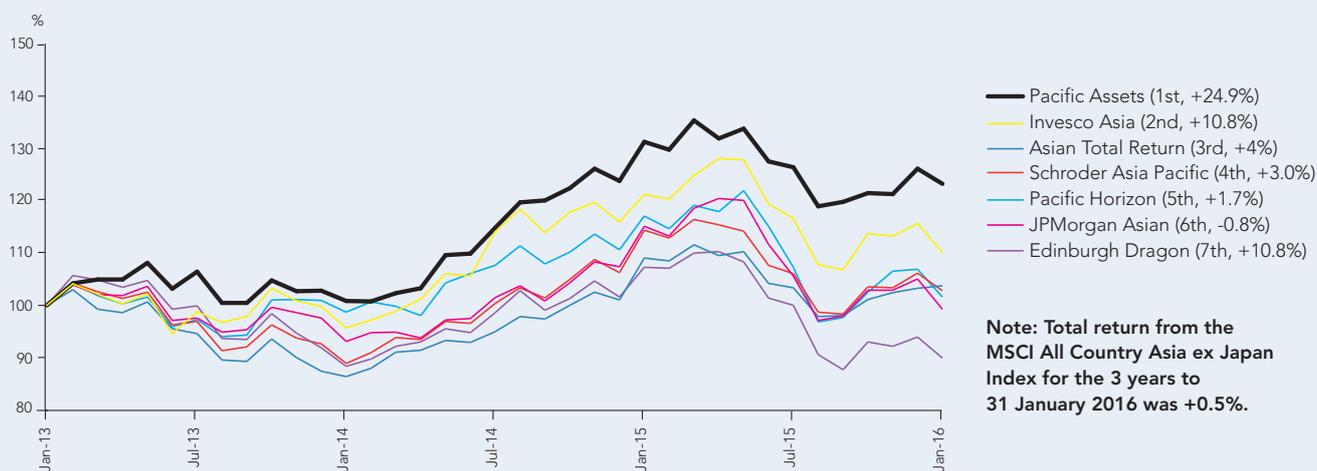
Source: Morningstar
Rebased to 100 as at 31 January 2015

Strategic Report / Company Performance

Performance Assessment

Pacific Assets Trust plc 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.

Peer Group Net Asset Value Total Return – 3 years to 31 January 2016



Source: Morningstar
Rebased to 100 as at 31 January 2013

Note: Total return from the MSCI All Country Asia ex Japan Index for the 3 years to 31 January 2016 was +0.5%.

Ten Year Record

31 January	Shareholders' funds £'000	Net asset value per share	Share price	(Discount)/premium of share price to net asset value per share	Dividend per share	Ongoing charges
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% [†]
2015	242,063	207.2p	196.3p	(5.3)%	2.60p	1.3% [†]
2016	228,326	191.2p	189.0p	(1.1)%	2.20p	1.3%

[†]Excludes performance fee payable of (2015: £1,798,000) (2014: £1,358,000) (2013: £627,000).

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

Strategic Report / Chairman's Statement

"The year ended 31 January 2016 has been a volatile one for world markets. The Company's returns during the year places it second in its peer group over one year and first over three and five years in terms of both its share price and its net asset value per share total return performance."



Performance

The 12 month period covered in this report has been both difficult and volatile. This has been especially the case in stock markets in Asia, exemplifying a trend where stock markets in developing countries have performed poorly on a relative basis. During the year the Company's net asset value per share total return was -6.6%. For comparison, the MSCI All Country Asia ex Japan Index, measured on a total return, sterling adjusted basis, fell by 13.1%. A narrowing of the discount of the Company's share price to its net asset value per share meant that the share price total return decline was less at -2.5%. The Company's investment profile has a very low correlation to this index so we should not be surprised by the variability of this return, but it is positive that the Company's investment returns have come out on the right side of the benchmark. Our Investment Manager's strong convictions on sustainable investing have led the portfolio to be relatively resilient in these difficult market circumstances.

We measure the Company's performance against a peer group of six other Asian focused investment trusts. By this measure the Company's net asset value performance placed it second over the last 12 months, while maintaining its lead position over 3 years and 5 years. This ranking is also the same when looking at the share price performance of the Company.

The share price discount to net asset value per share as at 31 January 2016 was 1.1% which compares to 5.3% as at 31 January 2015. During the course of the year, the Company was able to issue 2,600,000 new shares at a small premium to net asset value per share.

Revenue and Dividend

The last three annual dividends paid by the Company have been partially funded from the Company's distributable revenue reserves, in that they were not sufficiently covered by net income generated from dividends on the shares that it owns. While this is perfectly acceptable practice for an investment company,

we believe that this approach should be reconsidered over the longer term. In my predecessor David Nichol's statement in last year's annual report, he indicated that the Board would have to consider carefully the maintenance of its dividend at last year's level. This warning was repeated in the Company's interim statement.

Income levels depend on the current mix of the portfolio, and also the amount of cash held, with its negligible return. The Company generated earnings per share principally from dividend income of 2.2p during the year, a slight improvement on the 2.1p for the previous year. Against this background, the Board has taken the decision to recommend a reduced dividend payment of 2.2p per share. This dividend will be paid on 4 July 2016 to shareholders on the register at 3 June 2016. The associated ex-dividend date will be 2 June 2016.

The Board reminds shareholders that it remains the Company's policy to pursue capital growth for shareholders with income being a secondary consideration. Many of the companies in which the Company invests are relatively young businesses to which we are committed for the long term. This means that our Investment Manager is frequently drawn to companies where the future growth profile is more important than the generation of dividend income for shareholders.

The Board

As announced this time last year, David Nichol, our former Chairman, retired from the Board at the conclusion of the 2015 Annual General Meeting. David had been involved with the Company since its foundation in 1985. He has set a high standard of governance and leadership with the interests of the Company's shareholders always being at the forefront of his consideration. We are most grateful for the wisdom and experience that he brought to the role.

Strategic Report / Chairman's Statement

The Board subsequently appointed Sian Hansen as a Director with effect from 3 August 2015. She is the Executive Director of Legatum, a leading international think tank. Earlier in her career she had extensive involvement with Asian securities markets, and brings useful experience of these to the Board. The Board is delighted to have attracted an individual of Sian's calibre and experience.

Nigel Rich will be retiring from the Board at the conclusion of this year's Annual General Meeting. He has been a Director since 1997. He has brought to our Board business experience at a senior level both as a Chief Executive and as a Company Director, enabling him to make a contribution of great value to the Company. He has also been a robust chairman of the Audit Committee, a role in which he has now been succeeded by Charlotta Ginman. On his retirement, Charlotta will also succeed him as the Senior Independent Director. He has set a high standard and we wish to thank him for all his work on behalf of the Company. A search for a new Director is under way and an announcement will be made in due course.

The Board undertakes an annual visit to an Asian country alongside our Investment Manager. These working visits enable the Directors to visit companies that are invested in, or that are potential investment targets. It also enables them to see the sustainable investment approach of Stewart Investors in practice. In the latest year, these meetings took place in Shanghai.

Capital

Even against the difficult market background, there has been sufficient demand for the shares to enable the Company to make a modest issuance of new shares. I am pleased to report that a total of 2,600,000 new shares have been issued during the financial year at an average premium of 1.5% to the prevailing cum income net asset value per share. This represents 2.2% of the Company's issued capital. Shareholder approval to renew the authority to both issue new shares and also to repurchase existing shares will be sought at this year's Annual General Meeting.

The Investment Manager

The Board reviews the Company's investment management arrangements on an annual basis. This has involved meeting with the Stewart Investors' management team both in the United Kingdom and in Asia. We have reviewed their risk controls and their investment processes. We have looked at relative performance on both a long-term and on a shorter-term basis (with more emphasis on the former), relative in

particular to their peer group of Asian focused investment trusts and to the benchmark. We recognise that the sustainable approach to investing will cause them at times to deviate substantially from the benchmark, but share our Investment Manager's conviction that this approach is likely to deliver superior results over the longer term.

We were notified during the year of changes to the corporate structure of what was formerly First State Stewart. We are satisfied that these changes had no adverse impact on the necessary depth of expertise and had no impact on our Investment Manager's investment style. We reviewed fees in 2014, following which a new fee structure took effect from 1 February 2015, which included the deletion of the performance fee.

The Board is well satisfied that Stewart Investors are the appropriate firm to manage the Company's assets.

Annual General Meeting

The Annual General Meeting will be held at Skinners' Hall, 8 Dowgate Hill, London EC4R 2SP on Wednesday, 29 June 2016 at 10.00 a.m. The Board is keen to encourage an informal and useful dialogue between shareholders, the Directors and the Investment Manager at this meeting. I very much look forward to seeing as many shareholders as possible on that day.

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

Outlook

There are uncertainties worldwide about the policy environment as quantitative easing comes to an end in some countries while others have moved to the unproven approach of negative interest rates. Currencies remain volatile, while economic performance is far from robust. Valuations for good quality Asian companies remain high, and even on the very long-term horizon adopted by our Investment Manager, it is not easy to find opportunities for new investment at a reasonable valuation level. For this reason our Investment Manager has chosen, to date, to maintain a cash position of more than 10%. Against this challenging background, your Board believes that seeking out companies that look to their positioning and their behaviour for the longer term will in time deliver favourable returns for the patient investor.

James Williams

Chairman

31 March 2016

Strategic Report / Investment Portfolio

as at 31 January 2016

Company	MSCI sector	Market valuation £'000	% of total assets less current liabilities	Country of incorporation
Vitasoy International Holdings	Consumer Staples	17,913	7.9	Hong Kong
Marico	Consumer Staples	13,037	5.7	India
Tech Mahindra	Information Technology	12,433	5.5	India
Standard Foods	Consumer Staples	9,458	4.1	Taiwan
Manila Water	Utilities	8,547	3.7	Philippines
Dr. Reddy's Laboratories	Health Care	7,923	3.5	India
Taiwan Semiconductor Manufacturing	Information Technology	7,594	3.3	Taiwan
Kotak Mahindra Bank	Financials	6,828	3.0	India
Infosys	Information Technology	6,462	2.8	India
Chroma ATE	Information Technology	6,394	2.8	Taiwan
Ten largest investments		96,589	42.3	
E.Sun Financial Holdings	Financials	6,226	2.7	Taiwan
Ayala Corporation	Financials	5,924	2.6	Philippines
Delta Electronics (Thailand)	Information Technology	5,046	2.2	Thailand
Idea Cellular	Telecommunication Services	4,786	2.1	India
Bank of the Philippine Islands	Financials	4,762	2.1	Philippines
Housing Development Finance	Financials	4,572	2.0	India
XL Axiata	Telecommunication Services	4,273	1.9	Indonesia
Dabur India	Consumer Staples	3,890	1.7	India
Public Bank	Financials	3,588	1.6	Malaysia
MTR	Industrials	3,183	1.4	Hong Kong
Twenty largest investments		142,839	62.6	
Towngas China†	Utilities	3,157	1.4	Cayman Islands
Sheng Siong	Consumer Staples	2,956	1.3	Singapore
Linde India	Materials	2,664	1.2	India
Marico Bangladesh	Consumer Staples	2,647	1.1	Bangladesh
Kasikornbank	Financials	2,517	1.1	Thailand
AirTac International^	Industrials	2,426	1.1	Cayman Islands
Giant Manufacturing	Consumer Discretionary	2,386	1.0	Taiwan
DGB Financial Group	Financials	2,367	1.0	Korea
China Mengniu Dairy†	Consumer Staples	2,363	1.0	Cayman Islands
Selamat Sempurna	Consumer Discretionary	2,255	1.0	Indonesia
Thirty largest investments		168,577	73.8	
Tube Investments of India	Consumer Discretionary	2,249	1.0	India
Commercial Bank of Ceylon	Financials	2,145	0.9	Sri Lanka
Delta Electronics (Taiwan)	Information Technology	1,996	0.9	Taiwan
Asustek Computers	Information Technology	1,967	0.9	Taiwan
Info Edge	Information Technology	1,776	0.8	India
PChome Online	Information Technology	1,762	0.8	Taiwan
Hemas Holdings	Industrials	1,702	0.7	Sri Lanka
Godrej Consumer Products	Consumer Staples	1,694	0.7	India
Dialog Axiata	Telecommunication Services	1,673	0.7	Sri Lanka
Bata Shoe	Consumer Discretionary	1,501	0.7	Bangladesh
Forty largest investments		187,042	81.9	

^Economic activity takes place principally in Taiwan

†Economic activity takes place principally in China

Strategic Report / Investment Portfolio

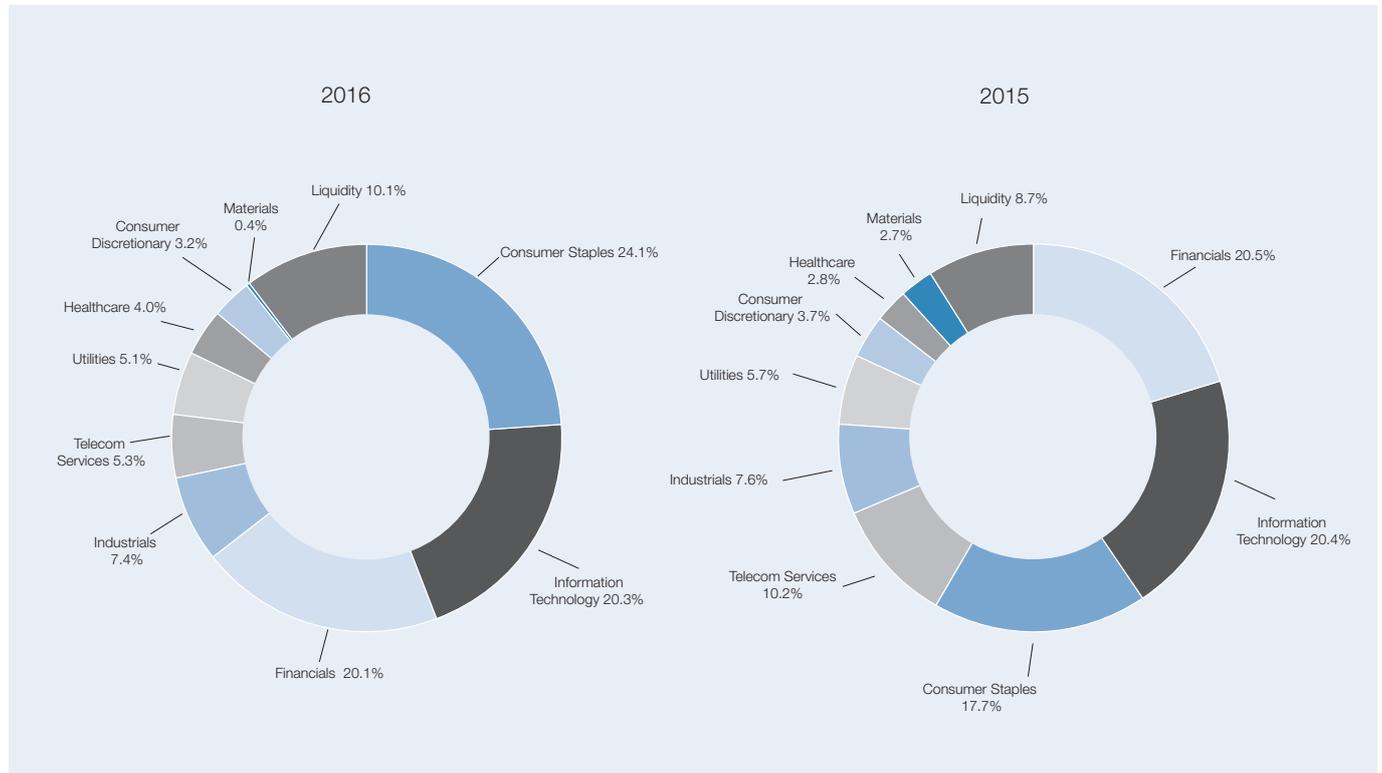
Company	MSCI sector	Market valuation £'000	% of total assets less current liabilities	Country of incorporation
Cholamandalam Investment & Finance	Financials	1,380	0.6	India
Expeditors International of Washington*	Industrials	1,327	0.6	United States
Elgi Equipments	Industrials	1,281	0.6	India
Globe Telecom	Telecommunication Services	1,266	0.6	Philippines
Weifu High-Technology Group	Consumer Discretionary	1,219	0.5	China
Bank OCBC NISP	Financials	1,202	0.5	Indonesia
Square Pharmaceuticals	Health Care	1,201	0.5	Bangladesh
Brac Bank	Financials	1,198	0.5	Bangladesh
CT Holdings	Consumer Staples	1,057	0.5	Sri Lanka
ASM Pacific Technology	Information Technology	1,027	0.4	Hong Kong
Fifty largest investments		199,200	87.2	
City Union Bank	Financials	985	0.4	India
Tata Chemicals	Materials	935	0.4	India
Mahindra Lifespace Developers	Financials	907	0.4	India
IDFC Bank	Financials	858	0.4	India
Infrastructure Development Finance	Financials	853	0.4	India
Container Corp of India	Industrials	825	0.4	India
Swire Properties	Financials	495	0.2	Hong Kong
Singapore Post	Industrials	308	0.1	Singapore
Total portfolio		205,366	89.9	
Cash		23,590	10.3	
Net current liabilities		(630)	(0.2)	
Total assets less current liabilities		228,326	100.0	

*Economic activity takes place principally in the Asia Pacific Region

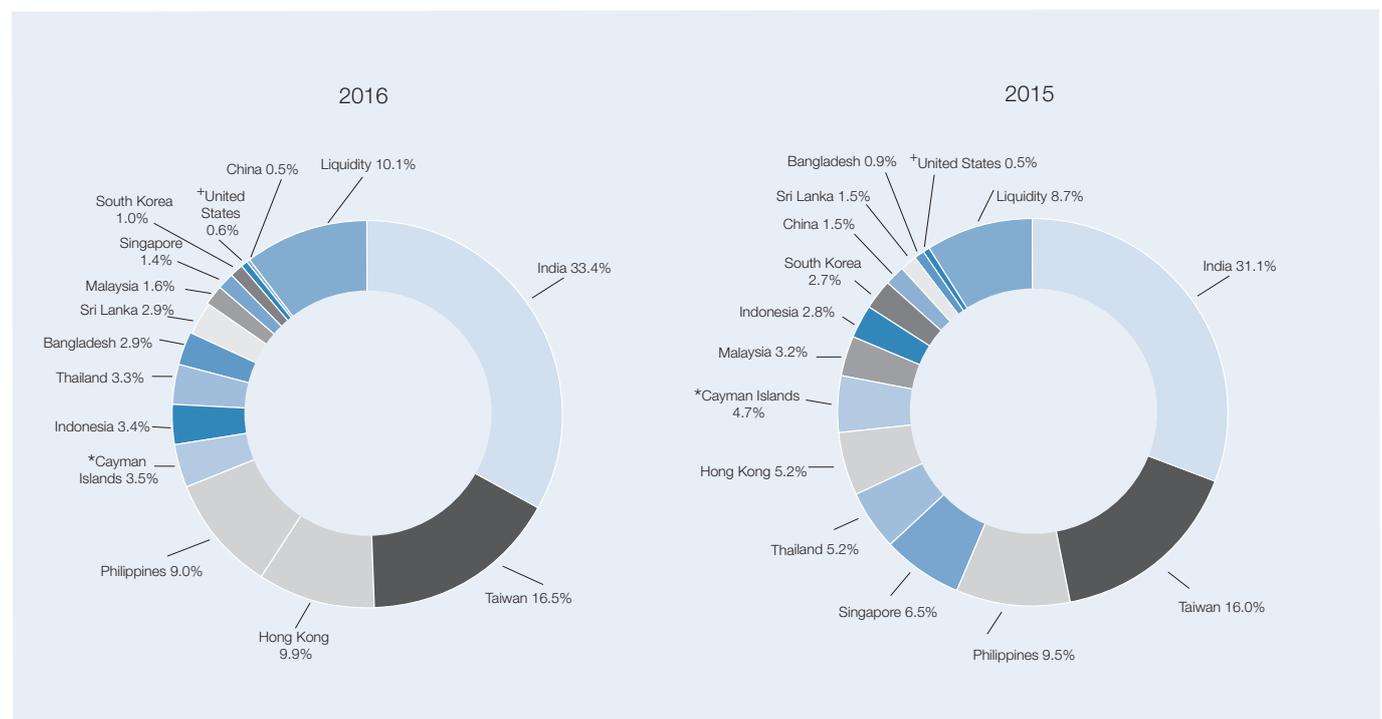
Strategic Report / Investment Portfolio

Portfolio Distribution

Sector Analysis



Geographical Analysis by Country of Incorporation



*2.4% of assets with economic activity principally in China, 1.1% of assets with economic activity principally in Taiwan (2015: 3.9% of assets with economic activity principally in China, 0.8% of assets with economic activity principally in Taiwan)

+Economic activity principally within the Asia Pacific Region

Strategic Report / Investment Philosophy

Overview of Stewart Investors

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

Stewart Investors operated as First State Stewart until July 2015, when the investment team split to form two new teams one primarily based in Edinburgh (Stewart Investors) and the other in Hong Kong (First State Stewart Asia). Splitting First State Stewart enables the two teams to develop as smaller, more dynamic investment management groups, recognising that this has been critical to their success. Both teams remain part of First State Investments, the Commonwealth Bank of Australia's investment management arm.

Sustainable Investment

Sustainable investment has always been an integral part of the Stewart Investors' investment philosophy and company-picking process. At the heart of this philosophy is the principle of stewardship.

Stewart Investors believe their job is to entrust clients' capital to 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. Stewart Investors 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 Stewart Investors' investment strategies strive to integrate environmental, social and governance (ESG) considerations into every investment decision. The Stewart Investors' sustainable funds group takes this one step further by focusing on long-term sustainable development as a key driver of the investment process.

Sustainable Investment Aim

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

Investment Philosophy

Stewart Investors seek to invest only in good quality companies. They focus on the quality of management, franchise and financials. By analysing the sustainable development performance and positioning of companies they can better measure less tangible elements of quality and identify less obvious risks.

Stewart Investors are long-term investors. They strive to make investment decisions with a minimum five-year time horizon. They have an absolute return mind-set, defining risk as losing client money, rather than deviation from any benchmark index. They focus as much on the potential downside of investment decisions as on the anticipated upside. The identification of long-term sustainable development 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 in any company or country if they have particular sustainability concerns.

Stewart Investors also recognise there is no such thing as a perfect company. They are active owners and stewards of the companies in which they invest. Although they do no formal negative screening, they are unlikely to invest in companies operating in high risk sectors, such as gambling and tobacco because of their poor long-term sustainable development positioning.

Strategic Report / Investment Philosophy

Stewart Investors invest in those companies which they believe are particularly well positioned to deliver positive long-term returns in the face of the huge sustainable development challenges facing all countries today. Their emphasis is on sustainable development and not 'green', 'clean tech' or 'ethical' investing.

The root causes of the sustainable development challenges the world is facing 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. In order to tackle these challenges, both developed and developing countries will have to shift from a resource-intensive, consumption-driven, debt-dependent model of development and growth towards a more sustainable one.

Strategic Report / Investment Manager's Review

“The three tenets of our investment case are quality of management, quality of financials and quality of franchise.”

No monkey business this year

In capital markets it is all too common to see monkeys leading sheep and appropriately here we are over Chinese New Year, straddling the year of the sheep and the year of the monkey desperately trying to analyse the lessons learned over the past 12 months and apply them to this year. 2015's wood sheep was meant to be calm, mild and non-confrontational (which turned out to be nonsense) whereas the impending fire monkey is ambitious and adventurous, but irritable. All the more reason that the two main interrelated points of focus for us this year must surely be corporate engagement and China; in both areas we have plenty to learn.

Previously we have addressed our evolving engagement process: why we do it, how we do it, what outcomes we can expect and where we can improve. Our engagement process can be briefly summarised as a rolling check on the three tenets of our investment case: quality of management, quality of financials and quality of franchise. This is a process that is constantly evolving as we continue to hone it. It is also a very necessary process as we strive to look further afield to identify new companies in markets that remain opaque; engagement is always important and perhaps in China's figurative (and often literal) murky-waters this is perhaps most obviously the case.

In terms of where we stand on China today, headline numbers are deceptive. So-called portfolio “benchmarks” would suggest that a certain percentage of investment ought to be in China and on these metrics it would appear that we do not have significant exposure to that market. But the truth is that we have long been invested in China, but we have done so from the relative safety of Taiwan or Hong Kong, Japan or even the US, where our companies benefit from the sustainable development of China but also have corporate standards that are perhaps less common in companies incorporated in China itself. Taiwan and Hong Kong-listed companies like **Standard Foods** and

Vitasoy benefit from supplying healthy foods to a huge and evolving domestic Chinese market. Taiwan's **AirTAC** derives almost 90% of sales from China and quality US-listings like freight-forwarder **Expeditors International of Washington** can also be considered partially Chinese from a cash flow perspective. There are plenty of companies like this around the world.

So why then look at China-proper at all and what is the best way to go about it? The first question is easy to answer: we, like others, see the current panic in China as a largely inevitable outcome of the decisions taken over the past 8 (or 66) years. But that shouldn't mean we just give up, after all 1997's Asian Financial Crisis is still fresh in our minds and from those ashes we saw quality emerge in many areas. Those swimming with swimming costumes on will emerge more strongly on the other side in China too; the culmination of current worries will provide us with a robust quality test. We endeavour to be patient but at the same time remain mindful that while there is still a long way to go, these things often happen very quickly too.

In terms of how we should go about more directly investing in China, this comes largely down to logistics. There are certain derivative and mirroring structures that do not suit us as active, voting shareholders. There are also ADRs listed in the US that provide a degree of claim on Chinese assets and cash flows, but these are not US companies in terms of governance. Then there is direct investment in China's listed equity market. From our recent trip to China, we heard encouraging musings that Chinese companies were trying to professionalise through a combination of state-owned enterprise (SOE) reform and also a reduced tolerance for corruption. We also heard that there are goals to try and open up more direct portfolio investment to foreigners, by using investment shares and depository receipts, and that this might lead to full and direct ownership in Chinese companies in many industries. Certainly the HK Connect scheme, while still in its infancy, reflects these ambitions.

Strategic Report / Investment Manager's Review

Unlike other markets where we can often establish corporate quality by understanding the backgrounds of the founders and promoters, in China we have to be very mindful of the people we will ultimately end up backing. After all, it wasn't that long ago there were no private enterprises in China whatsoever. Anyone that is today in charge of billions of dollars of fixed infrastructure or has a nationwide franchise in any field has to answer some serious questions about what they were doing between the late 70s and early 80s before we can come close to considering investment.

Understanding the history is critical to understanding where the chips will fall as transparency and accountability spread. Finding those individuals, deciding to back them and then trying to engage them is an immensely difficult task – but luckily the identification process will be assisted by crisis and as people often point out – crisis (危机) and opportunity (机会) share a character in Chinese.

Our research and investment process has seen us get close to several Chinese companies but the investment case has broken down towards the final stages of scrutiny which provides some comfort on our checks and balances. But we will keep digging and pulling at threads as we have to believe that quality will emerge in China-proper. Crucially we will have to keep perspective and remember that corporate quality must be absolute and never relative: "good enough in China" is not good enough.

Performance – Twelve Months ended 31 January 2016

Over the past 12 months the total return of the Company's net asset value per share was -6.6%. This was driven by a negative decline of 5.4% in the value of the assets and an aggregate decline of 1.2% in currency. The top 10 performers in the portfolio contributed to a 6.4% gain while the bottom 10 saw a decline of 8.7%. As with all investment and related commentary, it is always worth highlighting the difficulty in associating short-term share price moves with any given event. We invest for the long term and understand that share prices over a 12 month basis might not reflect economic or financial fundamentals.

What helped – contribution returns (top ten)

In terms of positive absolute contribution, the top-three performing companies address interrelated sustainability headwinds of health and hygiene. Over the past 12 months, the best performing company in the portfolio has been **Vitasoy** which is a company we have held since 2010. The company continues to benefit by selling healthy soy-based drinks to Asia Pacific markets and we remain convinced that health tailwinds will continue to provide robust demand growth for products like these. **Standard Foods** was the second best performer in the portfolio; by providing healthy oats and oils to China and Taiwan, the company should benefit from similar long-term health tailwinds in Asia. The third best performer was **Marico** an Indian consumer goods company followed by its subsidiary **Marico Bangladesh**. The other investment of note in the top-ten is **Globe Telecom**. Globe is a member of the Ayala Group and we believe it to be well-managed and providing essential telecoms services however we felt that valuations could no longer justify the increasingly competitive landscape and sold our position.

Top 10 Contributors to Performance

Vitasoy International Holdings	2.5%
Standard Foods	1.1%
Marico	1.1%
Marico Bangladesh	0.3%
Taiwan Semiconductor Manufacturing	0.3%
Delta Electronics (Thailand)	0.3%
Sheng Siong	0.2%
Infosys	0.2%
Globe Telecom	0.2%
MTR	0.2%
	6.4%

Source: Stewart Investors

What hurt – contribution returns (bottom ten)

The investment that most significantly hindered performance was **Tech Mahindra** as the shares have struggled throughout 2015. We still have confidence in the long-term growth potential and in the group too. It is worth pointing out that in our report last year we cautioned against premature confidence that the valuation re-rating of many Indian companies after

Strategic Report / Investment Manager's Review

Modi's landslide may be unsustainable. **Idea Cellular** has also "hurt" performance over the past 12 months, but we feel that valuations have now reached a point where the shares represent better value and we continue to back the company to continue to provide essential telecoms services across India. **Towngas China** has seen a structural slowdown in the number of connections which made up a significant portion of its profitability and this seems like a one-way street for the franchise. **Manila Water** is also interesting here as a fine example of sustainable investment, but one that has struggled this year as a government ruling went against them. Irrespective, it must be kept in context: swathes of Metro Manila now have access to clean drinking water thanks to Manila Water and in our mind it continues to be one of the best water companies in the world.

It is always worth highlighting lessons learned from our mistakes and to that point **XL Axiata** has been interesting. We overestimated the quality of the franchise and made assumptions about the sustainability of the financials and in the face of pressured cashflows, volatile currencies and foreign debt mismatches, XL has had a difficult year. **AirTAC's** shares have struggled throughout the past 12 months as a combination of Yen weakness and Japanese competitors moving into the mid-end space. In hindsight we bought too early here.

Bottom 10 Contributors to Performance

Tech Mahindra	-2.2%
Idea Cellular	-1.3%
Towngas China	-1.1%
Manila Water	-0.8%
Linde India	-0.7%
Axiata Group*	-0.6%
XL Axiata	-0.5%
Singapore Post	-0.5%
China Mengniu Dairy	-0.5%
AirTAC International	-0.5%
	-8.7%

*company not held at the end of the period
Source: Stewart Investors

Principal transactions during the year include the following:

New Positions:

City Union Bank is a small local family-owned South Indian lender focused on supporting small businesses and families in a more sustainable and profitable manner than loan sharks.

ASM Pacific Technology: The world's largest assembly and packaging equipment supplier for the semiconductor and LED industries. The share price has declined significantly into last year.

Tata Chemicals: Part of the Tata Group, they are focused on crop nutrition and consumer products in a bid to enhance Indian diets.

Godrej Consumer Products: A family-managed Indian consumer goods company, that are empowering regional businesses to focus on the protection and long-term preservation of the environment in which they operate.

BRAC Bank: A responsible finance institution with a strong sense of purpose that is committed to delivering steady profitable growth and assisting to build a democratic and poverty-free Bangladesh.

Square Pharmaceuticals: Leading Bangladeshi generic pharmaceutical company currently trying to spread its wings overseas.

C T Holdings: Sri Lankan based conglomerate with a sense of stewardship and commitment to stable and sustainable growth.

Additions to existing positions:

Selamat Sempurna: Continues to improve air quality by manufacturing filters and radiators for the auto industry.

Chroma ATE and Delta Electronics: Well positioned to benefit from a tumble in oil prices.

We added to **AirTAC** and **Tech Mahindra** after significant short-term weakening in the share price.

Strategic Report / Investment Manager's Review

Ayala Corporation: As we believe they will be a beneficiary of a pending investment cycle in infrastructure in the Philippines.

We added to **China Mengniu** and **Commercial Bank Ceylon** on the back of more compelling valuations.

Bank of the Philippine Islands: We continue to back a quality family operating in a still-underserved domestic market.

Info Edge: We like the conservative ownership of various Indian internet ventures.

Dr Reddy's: Quality pharmaceutical company. We remain confident that the company will overcome the headwinds they are currently facing.

Dialog Axiata: Remains a cheap, well-managed telecoms company in Sri Lanka.

Giant Manufacturing: the position was added to on the back of a declining valuation.

Disposals:

Kansai Nerolac: We struggled to build a meaningful position given high valuations.

Samsung Fire and Marine: Sustainability headwinds are emerging and we found ourselves unable to get comfortable with a few significant governance issues.

Uni President Enterprises: We prefer Standard Foods as a quality sustainable goods and services franchise as we believe the health tailwinds are stronger.

Wabco India: We feel that better opportunities exist elsewhere in the market.

Singtel and **Sembcorp Industries:** Better opportunities elsewhere in the market.

Pidilite: High quality but fully valued, as a result the holding was disposed of.

Axiata Group: We sold over concerns that the core business is unsustainably profitable in its core market of Malaysia.

Shinhan Financial: Emerging franchise headwinds presented some questions about the long-term viability of our investment here.

Globe Telecom: The holding was disposed of over competition concerns as a third operator has now entered the market.

Reductions to existing positions:

Singapore Post: Emerging franchise headwinds.

Outlook

Similar to this time last year there seems to be a divergence between aggregate valuation multiples in the wider market and those of many of the companies we own. Only this week it was put to us that Hong Kong's Hang Seng Index is trading below "book value". This may or not be true, after all we tend not to look at index valuations, but it conveniently avoids the fact that there are some huge market capitalisation companies bringing those averages down and the reason that valuation metrics look superficially low is because of broader concerns about economic instability combined with questionable balance sheets and franchises; in our minds these are causes for concern not optimism.

The reality remains for quality focused investors in Asia like us that valuation multiples are still quite high. There have been areas where shares have declined and we endeavour to bolster our positions in our favourite companies when opportunities emerge.

Our general outlook can be best summarised by the Company's ongoing sizeable cash position which reflects a desire to remain poised for when our favoured companies come into valuation ranges that look appealing; until then we remain cautious about reinvesting the proceeds of our disposals. In the meantime we will continue to scour the region, in particular North East Asia, for new investment ideas and opportunities.

Stewart Investors

31 March 2016

Strategic Report / Investment Manager's Review

Portfolio Focus – These are examples of companies that we are focusing on and that we believe are driving sustainable development.

VITASOY INTERNATIONAL HOLDINGS

Shareholders since: July 2010

Sustainability classification: Sustainable goods and services

Company description: A leading manufacturer and distributor of healthy plant-based food and beverage products, headquartered in Hong Kong.

Investment rationale: Vitasoy is a conservative, family-owned, professionally managed franchise with a 70-year history and dominant market positions in a number of segments. The company is driven by a long-term sense of purpose to provide nutritional food and sustainable products at affordable prices. Innovation is embedded in their culture and they are positively positioned to benefit from the sustainable tailwinds of healthy eating trends, increasing shortage of animal proteins and a growing middle class in China whose tastes they understand – a major hurdle for many multinational corporations.



HOUSING DEVELOPMENT FINANCE

Shareholders since: May 2014

Sustainability classification: Sustainable finance

Company description: A financial conglomerate that is India's largest housing company.

Investment rationale: Founded in 1977 by the late Mr HT Parekh whose vision and dream was to become a development banker and ensure every Indian had a home to live in, HDFC is now India's largest housing company providing home loans and deposit products throughout the country. They have a risk aware culture that is focused on the long term, with management and employees being incentivised on loan and asset quality at a regional, branch and individual level. They are recognised as a quality lender and are well positioned to benefit from India's infrastructure development.



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DELTA ELECTRONICS (THAILAND)

Shareholders since: July 2010

Sustainability classification: Required infrastructure

Company description: Delta Electronics (Thailand) is a subsidiary of Delta Electronics Taiwan. It manufactures power supplies, fans and other parts for use in the Cloud (network devices, storage, servers), telecommunication systems and industrial and medical devices.

Investment rationale: Established in 1988 as a means of diversifying business risk and expanding Delta's manufacturing base out of Taiwan and China. It has successfully proven its ability to adapt and integrate foreign business as well as reinvent itself and remain cash generative. Management are aligned to the business and focused on contributing to the development and innovation of more efficient utilisations of energy resources that preserve the natural environment; and have a remarkable attitude and approach to the environment and employees.



MANILA WATER

Shareholders since: July 2010

Sustainability classification: Required infrastructure

Company description: Water and wastewater services provider.

Investment rationale: Manila Water has a wonderful track record of delivering affordable, clean water to low income households living in East Manila. Since taking over the East Manila franchise in 1997, the Company has cut leakage rates from over 50% to less than 12%, while increasing coverage from less than 50% to over 99% of households today. The sustainable development benefits of its work are underlined by, for example, a halving of diarrhoea cases in the concession zone. The company's success has been achieved primarily by working closely with local communities within the concession area, instead of making top-down executive decisions from the executive floor. Having earned its social license to operate in Manila, the Company is now well positioned to replicate its success in other municipalities, elsewhere in the Philippines and overseas. The company is controlled by the Ayala family, who have a strong approach to corporate governance.



Strategic Report / Overview of Strategy

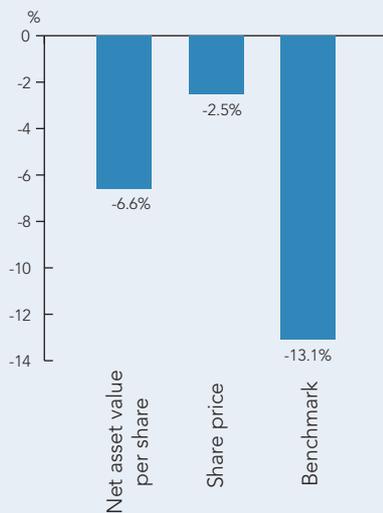
Investment Objective

Aim

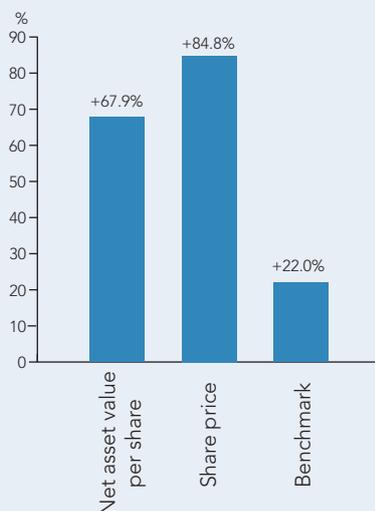
To achieve long-term capital growth through investment in selected companies in the Asia Pacific region and the Indian sub-continent, but excluding Japan, Australia and New Zealand (the 'Asia Pacific Region'). Up to a maximum of 20% of the Company's total assets (at the time of investment) may be invested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

Total Return Performance

Year to 31 January 2016



Since Appointment of Stewart Investors (1 July 2010)



Source: Morningstar

Investment Approach

The Company's assets are managed by Stewart Investors.

Stewart Investors invest in companies which they believe will deliver long-term growth to shareholders.

In delivering this strategy, Stewart Investors use a sustainable approach in its management of the Company's investment portfolio. Stewart Investors seek 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:

- Stewart Investors' investment approach focuses on companies that they believe are particularly well-positioned to deliver long-term returns in the face of the huge development challenges facing all countries today.
- Stewart Investors believe that in order to tackle these development challenges, both developed and developing countries will need to shift away from the current debt dependent, resource and consumption intensive models, towards a more genuinely sustainable path of economic development.
- Stewart Investors invest their clients' capital in good quality companies with strong management teams and sound long-term growth prospects, and which are well-positioned to benefit from, and contribute to, the sustainable development of the countries in which they operate.

Strategic Report / Overview of Strategy

Business Review

The Directors present their Strategic Report for the Company for the year ended 31 January 2016. The Strategic Report, set out on pages 2 to 23, contains a review of the Company's business model and strategy, an analysis of its performance during the financial year and its future developments and details of the principal risks and challenges it faces. Its purpose is to inform the shareholders in the Company and help them to assess how the Directors have performed their duty to promote the success of the Company.

Investment Objective

The Company's investment objective is set out on page 18.

Investment Policy

The Company invests in companies which Stewart Investors believes will be able to generate long-term growth for shareholders.

The Company invests principally in listed equities although it is able 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 Stewart Investors, continue to keep the possibility of gearing under review, however, Stewart Investors 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, Stewart Investors are unlikely to use derivatives.

Business Model

The Company is an externally managed investment trust and its shares are premium listed on the Official List and traded on the main market of the London Stock Exchange, and is a small registered UK Alternative Investment Fund Manager under the European Union's Alternative Investment Fund Managers Directive.

As an externally managed investment trust all of the Company's day to day management and administrative functions are outsourced to service providers. As a result, the Company has no executive Directors, employees or internal operations.

The Board has retained responsibility for risk management and has appointed Stewart Investors to manage its investment portfolio. Company management, company secretarial and administrative services are outsourced to Frostrow Capital LLP.

The Board

The Board of the Company comprises James Williams (Chairman), Charlotta Ginman, Sian Hansen, Terence Mahony and Nigel Rich. All of these Directors served throughout the year (with the exception of Sian Hansen who was appointed on 3 August 2015) and are non-executive independent Directors.

Further information on the Directors can be found on pages 24 and 25.

Board Focus and Responsibilities

With the day to day management of the Company outsourced to service providers the Board's primary focus at each Board meeting is reviewing the investment

Strategic Report / Overview of Strategy

performance and associated matters, such as, *inter alia*, future outlook and strategy, gearing, asset allocation, investor relations, marketing, and industry issues.

In line with its primary focus, the Board retains responsibility for all the key elements of the Company's strategy and business model, including:

- Investment Objective, Policy and Benchmark, incorporating the investment guidelines and limits, and changes to these;
- maximum level of gearing the Company may employ (as a small registered UK Alternative Investment Fund Manager, the Company is currently precluded from utilising gearing at any time);
- review of performance against the Company's KPIs;
- review of the performance and continuing appointment of service providers; and
- maintenance of an effective system of oversight, risk management and corporate governance.

The Company's Investment Policy, including the related limits and guidelines, is set out on page 19.

Details of the principal KPIs, along with details of the principal risks, and how they are managed, follow within this Business Review.

Further information, including the remuneration and contractual terms of appointment, of the principal service providers to the Company, being Stewart Investors, Frostrow Capital LLP and J.P. Morgan Chase Bank, the Company's custodian who are responsible for the safekeeping of the Company's assets, are set out on page 35 of the Report of the Directors.

The Corporate Governance report, on pages 26 to 33, includes a statement of compliance with corporate governance codes and best practice, together with the outline of the internal control and risk management framework within which the Board operates.

Key Performance Indicators

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

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

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 2016 the Company ranked first out of its peer group of the Company and six other investment trusts with a similar investment objective as that of the Company.

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 the net asset value growth of the Company and the dividends paid to shareholders. Stewart Investors' investment style is such that performance is likely to deviate materially from that of the benchmark. The Board considers the most important comparator to be the MSCI All Country Asia ex Japan Index (benchmark). During the year under review the net asset value per share showed a total return of -6.6% outperforming the benchmark by 6.5%.

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 12 of this annual report.

Strategic Report / Overview of Strategy

Discount/premium 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 a total of 2,600,000 new shares were issued at an average premium of 1.5% to the prevailing cum income net asset value per share. No shares were bought back by the Company. The Company's share price discount to net asset value per share was consistently narrower than the peer group average.

Discount

31 January 2016 (1.1)%	31 January 2015 (5.3)%
Peer group average (9.5%)	Peer group average (9.1%)

Ongoing charges ratio

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

The Board agreed amended terms with Stewart Investors, the Company's Investment Manager, and Frostrow Capital LLP, the Company's Manager, Company Secretary and Administrator which became effective on 1 February 2015. Further details can be found in the Report of the Directors on page 35. The principal change to the Investment Manager's terms was the removal of the performance fee.

Ongoing charges ratio

31 January 2016*	31 January 2015
1.3%	1.3% (ex. perf. fee)^
Peer group average excluding performance fees: 1.1% (2015: 1.1%)	

* The performance fee was deleted with effect from 1 February 2015. See page 35 for further details.

^ Including the performance fee the ratio was 2.1%.

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 managed. The Board has categorised the risks faced by the Company under five headings as follows:

- Investment risks
- Financial risks
- Shareholder relations
- Operational risks (including corporate governance, accounting, legal and regulatory)

A summary of these risks and their mitigation is set out below:

Investment Risks

By the nature of its activities, the Company's portfolio is exposed to fluctuations in market prices (from both individual security prices and foreign exchange rates) and due to the exposure to emerging markets in the Asia Pacific region, in which the portfolio companies operate, it is expected to have higher volatility than the wider market. As such investors should be aware that by investing in the Company they are exposing themselves to this risk.

To manage this risk the Board have appointed Stewart Investors to manage the investment portfolio within the remit of the investment objective and policy. The investment policy limits ensures that the portfolio is diversified reducing the risks associated with individual stocks. Frostrow Capital LLP monitors compliance with the investment policy on a daily basis.

The Board on an ongoing basis, through monthly and quarterly reporting from Frostrow Capital LLP and Stewart Investors, monitor exposure to investments, performance, and compliance with the investment objective and policy.

At each Board meeting Stewart Investors provide an explanation of investment decisions, the make-up of the investment portfolio, and, the investment strategy.

Strategic Report / Overview of Strategy

Investment Management Key Person Risk

There is a risk that the individual(s) responsible for managing the Company's portfolio may leave their employment or may be prevented from undertaking their duties.

The Board manage this risk by:

- appointing the Investment Manager, who operates a team environment such that the loss of any individual should not impact on service levels;
- receiving reports from the Investment Manager at each board meeting, such report includes any significant changes in the make-up of the team supporting the Company;
- meeting the wider team, outside the designated lead manager, at both Board meetings and at the Investment Manager's offices;
- outside of regular Board meetings the Chairman is in regular contact with senior representatives of the Investment Manager; and,
- delegating to the Engagement and Remuneration Committee, responsibility to perform an annual review of the service received from Investment Manager, including, *inter-alia*, the team supporting the lead manager and succession planning.

Financial Risks

In addition to market and foreign currency risks, discussed above, the Company is exposed to credit risk arising from the use of counterparties. If a counterparty were to fail, the Company could be adversely affected through either delay in settlement or loss of assets. The most significant counterparty the Company is exposed to is J.P. Morgan Chase Bank, the custodian, which is responsible for the safekeeping of the Company's assets.

Credit risk is managed by the Board through:

- reviews of the arrangements with, and services provided by, the custodian to ensure that the security of the Company's custodial assets is being maintained;

- reviews of Stewart Investor's approved list of counterparties, the Company's use of those counterparties and the process for monitoring, and adding to, the approved counterparty list; and
- monitoring of counterparties, including reviews of internal control reports and credit ratings, as appropriate.

Further information on other financial risks, can be found in note 13 beginning on page 56.

Shareholder relations

The Company is also exposed to the risk, particularly if the investment strategy and approach are unsuccessful, that the Company may underperform its peer group and benchmark resulting in the Company becoming unattractive to investors and a widening of the share price discount to NAV per share.

In managing this risk the Board:

- reviews the Company's investment objective and policy and Stewart Investors' investment approach in relation to the investment performance, market and economic conditions, and, the operation of the Company's peers;
- discusses at each Board meeting the Company's future development and strategy;
- 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; and
- reviews an analysis of the shareholder register at each Board meeting and is kept informed of shareholder sentiment.

Operational Risks (including corporate governance, regulatory, legal, and, accounting risks)

The Board is reliant on the systems of the Company's service providers and as such disruption to, or a failure of, those systems could lead to a failure to comply with corporate governance requirements, law and

Strategic Report / Overview of Strategy

regulations, leading to reputational damage and/or financial loss to the Company.

To manage these risks the Board:

- receives a monthly report from Frostrow Capital LLP, which includes, *inter alia*, details of compliance with applicable laws and regulations;
- reviews internal control reports and key policies, including the disaster recovery procedures, of its service providers;
- maintains a risk matrix with details of risks to which the Company is exposed, the approach to those risks, key controls relied on and the frequency of the controls operation; and,
- receives updates on pending changes to the regulatory and legal environment and progress towards the Company's compliance with such changes.

Directors

The Directors of the Company, who served during the year, are shown below. Further information on the Directors can be found on pages 24 and 25.

James Williams (Chairman)

David Nichol (retired on 24 June 2015)

Charlotta Ginman

Sian Hansen (appointed on 3 August 2015)

Terence Mahony

Nigel Rich

Board Diversity

The Board 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. To this end the Board will dedicate time to considering diversity during any director search process and keep in mind that the Davies Review of Women on Boards recommended that UK Listed Companies in the FTSE 100 should be aiming for a minimum of 25% of females on the Board.

	Male	Female
Directors of the Company	3	2

The Company does not have any employees. Therefore there is no employee information to disclose.

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. 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 Stewart Investors.

All the Stewart Investors' investment strategies strive to integrate environmental, social and governance (ESG) considerations into every investment decision. The Stewart Investors' sustainable funds group takes this one step further by focusing on long-term sustainable development as a key driver of the investment process.

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 Stewart Investors' investment approach and on factors that may have an effect on this approach.

The Board monitors the performance of the Company's investment portfolio compared to its benchmark and also its peer group. In addition, it invests time in meeting investee companies to ascertain if they meet the sustainable criteria set by Stewart Investors.

The Board is regularly updated by Frostrow Capital LLP on wider investment trust industry issues and discussions are held at each Board meeting concerning the Company's future development and strategy.

A review of the Company's year, its performance and the outlook for the Company can be found in the Chairman's Statement on pages 5 to 6 and in the Investment Manager's Review on pages 12 to 15.

The Company's overall strategy remains unchanged.

Governance / Board of Directors



James Williams

Chairman

James became a member of the Board in October 2013, and was appointed Chairman in June 2015. He has worked in investment management for over 40 years having been formerly the Chief Investment Officer of Baring Asset Management. He was a founder in Asia of the Henderson Baring group. He has held several non-executive directorships, and is currently a Director of Investors Capital Trust plc.



Charlotta Ginman, ACA

A Chartered Accountant, Charlotta was appointed as a Director in October 2014 and is Chairman of the Audit Committee. She is a non-executive Director and Chairman of the Audit Committee of Polar Capital Technology Trust plc and Motif Bio plc. She is also a non-executive Director of Consort Medical plc. Charlotta was formerly a non-executive Director of Wolfson Microelectronics plc and Kromek Group plc. Charlotta has held senior positions in the investment banking and telecom sectors.



Sian Hansen

Sian was appointed as a Director on 3 August 2015. She is currently the Executive Director of the Legatum Institute, a global public policy think tank and educational charity. Legatum Institute's mission is to promote prosperity through individual liberty, free enterprise and entrepreneurship, character and values. Previously Sian spent seven years as the Managing Director of the UK think tank Policy Exchange, an educational charity promoting research and discourse on public policy. Sian is a non-executive Director of the JP Morgan Income and Capital Trust plc and has been appointed to the Advisory Board of Cerno Capital PLC.

The table below sets out the number of scheduled Board and Committee meetings held during the year ended 31 January 2016 and the number of meetings attended by each Director.

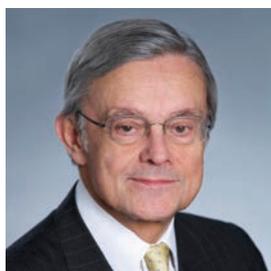
	Board of Directors	Audit Committee	Engagement & Remuneration Committee	Nomination Committee
Number of meetings	5	2	2	2
J P Williams	5	2	2	2
M C Ginman	5	2	2	2
S E Hansen*	3	1	–	1
D B Nichol**	2	1	1	1
T F Mahony	5	2	2	2
N M S Rich	5	2	2	2

* Appointed on 3 August 2015

** Retired on 24 June 2015

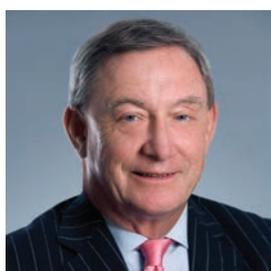
Other ad hoc meetings of the Board and Committees are held in connection with specific events as and when necessary. All the serving Directors attended the Annual General Meeting held on 24 June 2015.

Governance / Board of Directors



Terence Mahony

Terence 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 Vice Chairman of Vina Capital Group and a non-executive Director of Tau Capital plc, VCAP Asset Managers Sdn. Bhd. and Advance Developing Markets Fund Limited.



Nigel Rich, CBE, FCA

A Chartered Accountant, Nigel is the Senior Independent Director and was appointed as a Director in January 1997. He is Chairman of SEGRO plc and a non-executive Director of British Empire Trust 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.

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 Stewart Investors with responsibility for managing the Company's portfolio were as set out below:

		Number of shares held as at 31 January 2016	Number of shares held as at 31 January 2015
James Williams	Beneficial	40,000	20,000
Charlotta Ginman	Beneficial	6,989	Nil
Sian Hansen*	Beneficial	Nil	N/A
Terence Mahony	Beneficial	25,000	Nil
Nigel Rich†	Beneficial	55,000	45,000
	Trustee	11,450	10,550
Senior Individuals at Stewart Investors		138,439	75,550
		1,139,061	953,040
Total		1,277,500	1,028,590

*Appointed 3 August 2015

†Includes 20,000 ordinary shares held by Mrs Cynthia Rich

Charlotta Ginman purchased 2,727 shares at 182.0p per share on 16 February 2016.

Sian Hansen purchased 2,554 shares at 192.5p per share on 21 March 2016.

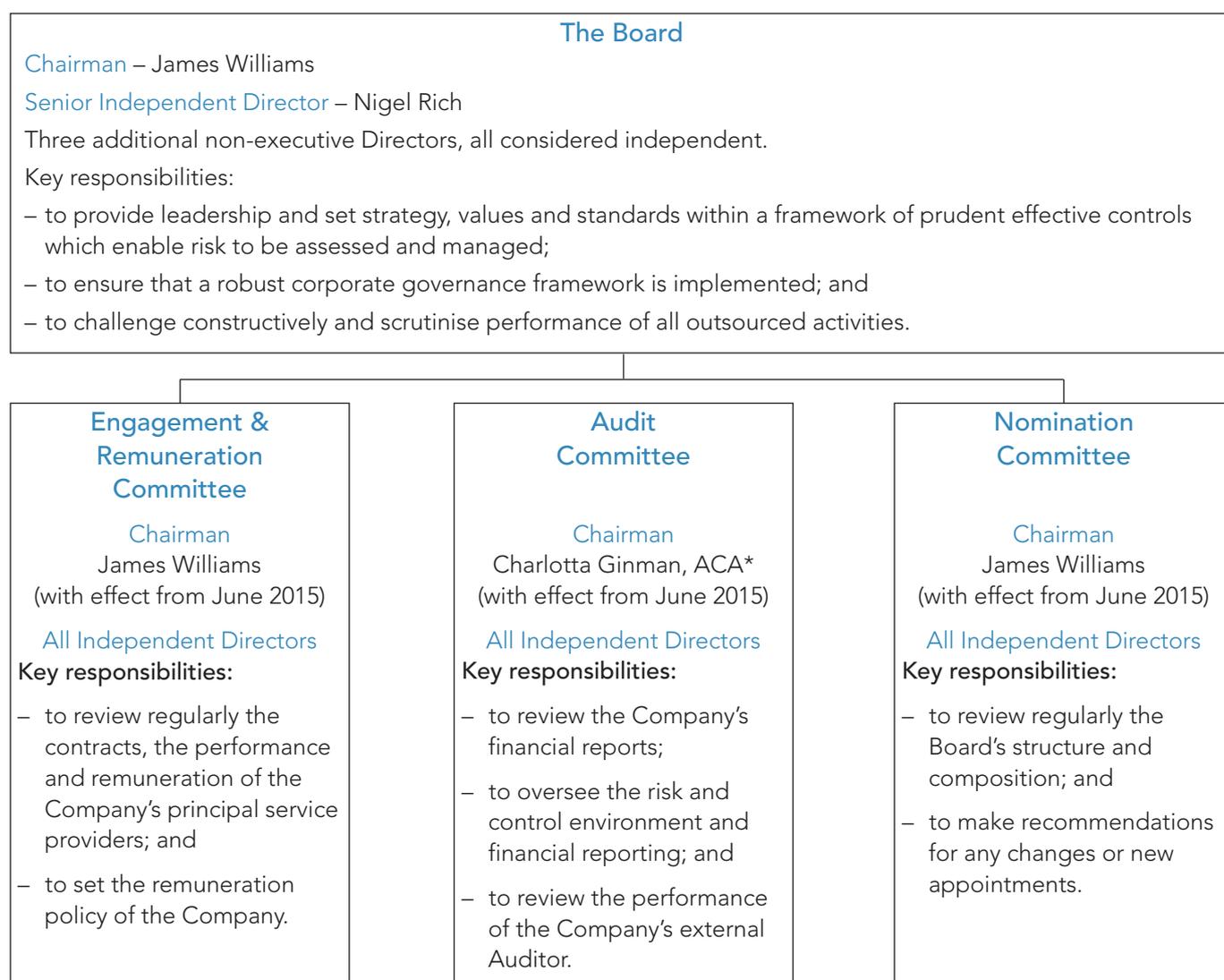
Otherwise, there have been no changes in the interests of the Directors in the shares of the Company between 31 January and 31 March 2016.

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 / Corporate Governance

The Board and Committees

Responsibility for effective governance lies with the Board. The governance framework of the Company reflects the fact that as an investment company it has no employees and outsources portfolio management to Stewart Investors and Company management, company secretarial and administrative services to Frostrow Capital LLP.



*The Directors believe that Charlotta Ginman has the necessary recent and relevant financial experience to Chair the Company's Audit Committee.

Copies of the full terms of reference, which clearly define the responsibilities of each Committee, can be obtained from the Company Secretary, will be available for inspection at the Annual General Meeting, and can be found on the Company's website at www.pacific-assets.co.uk

Governance / Corporate Governance

Corporate Governance

The Directors are accountable to shareholders for the governance of the Company's affairs. The UK Listing Rules require all listed companies to disclose how they have applied the principles and complied with the provisions of the UK Corporate Governance Code (the 'UK Code') issued by the Financial Reporting Council (the 'FRC'). The UK Code can be viewed at www.frc.org.uk.

The Association of Investment Companies ('AIC') publishes a Code of Corporate Governance ('AIC Code') and a Corporate Governance Guide for Investment Companies ('AIC Guide'). In March 2015 the AIC published a revised AIC Code and AIC Guide to reflect changes made to the UK Code in September 2014.

The Financial Reporting Council has confirmed that by following the AIC Code and the AIC Guide, boards of investment companies will meet their obligations in relation to the UK Code and paragraph 9.8.6 of the UK Listing Rules.

The AIC Code and AIC Guide address the principles set out in the UK Code as well as additional principles and recommendations on issues that are specific to investment trusts. The AIC Code can be viewed at www.theaic.co.uk.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Corporate Governance Code), will provide better information to shareholders.

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code, except as follows:

The UK Corporate Governance Code includes certain provisions relating to:

- directors' tenure
- the roles of the chief executive
- executive directors' remuneration
- the need for an internal audit function

For the reasons set out in the AIC Guide, and as explained in the UK Corporate Governance Code, the Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive directors, employees or internal operations. Therefore with the exception of Director tenure, which is addressed further on page 28, and the need for an internal audit function which is addressed further on page 39, the Company has not reported further in respect of these provisions.

The Board attaches great importance to the matters contained in the AIC Code and observed the relevant requirements throughout the year under review.

The Board has considered the principles and recommendations of the AIC Code by reference to the AIC Guide and the Board believes that the Company's current practices are consistent in all material respects with the principles of the AIC Code. Where non-compliance occurs, an explanation has been provided. The Board will continue to observe the principles and recommendations set out in the AIC Code in future.

The Principles of the AIC Code

The AIC Code is made up of 21 principles split into three sections covering:

- The Board
- Board Meetings and relations with Stewart Investors and Frostrow
- Shareholder Communications

The Board

AIC Code Principle	Compliance Statement
1. The Chairman should be independent.	The Chairman, James Williams, continues to be independent of Stewart Investors. There is a clear division of responsibility between the Chairman, the Directors, Stewart Investors, Frostrow Capital LLP 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.

Governance / Corporate Governance

The Board continued

AIC Code Principle	Compliance Statement
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 Stewart Investors. No member of the Board is a Director of another investment company managed by Stewart Investors, nor has any Board member been an employee of the Company, Stewart Investors or any of the Company's 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.	<p>All Directors will submit themselves for annual re-election by shareholders.</p> <p>The individual performance of each Director standing for election or 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 election or re-election at the Annual General Meeting.</p> <p>Sian Hansen joined the Board in August 2015. Accordingly, her appointment will be proposed to shareholders for ratification at the Annual General Meeting to be held in June 2016.</p>
4. The Board should have a policy on tenure, which is disclosed in the annual report.	<p>The Board, meeting as the Nomination Committee, considers the structure of the Board and recognises the need for progressive refreshment of the Board.</p> <p>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 or her 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.</p> <p>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 Capital LLP and at the Annual General Meeting.</p>
5. There should be full disclosure of information about the Board.	<p>The Directors' biographical details, set out on pages 24 and 25 of this Report, demonstrate the wide range of skills and experience that they bring to the Board.</p> <p>Details of the length of service of each Director are set out on page 43.</p> <p>Details of the Board's Committees and their composition are set out on page 26 of this Report.</p> <p>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.</p> <p>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.</p> <p>Please see principle 9 for details of the Nomination Committee.</p>

Governance / Corporate Governance

The Board continued

AIC Code Principle	Compliance Statement
6. The Board should aim to have a balance of skills, experience, length of service and knowledge of the company.	<p>The Nomination Committee considers annually the skills possessed by the Board and identifies any skill shortages to be filled by new Directors.</p> <p>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.</p> <p>The experience of the current Directors is detailed in their biographies set out on pages 24 and 25 of this Report.</p> <p>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.</p>
7. The Board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual Directors.	<p>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.</p> <p>During 2014 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 2017.</p>
8. Director remuneration should reflect their duties, responsibilities and the value of their time spent.	<p>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 Report on pages 42 to 44 and in note 4 to the Accounts.</p> <p>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 is not present during discussions regarding his own remuneration. The Board periodically takes advice from external independent advisers on Directors' remuneration.</p>
9. The Independent Directors should take the lead in the appointment of new Directors and the process should be disclosed in the annual report.	<p>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 election and re-election at the Annual General Meeting.</p> <p>Details of the Board's commitment to Diversity are set out on page 23.</p> <p>As part of the process to appoint Sian Hansen the Board engaged the services of a specialist recruitment consultant, Trust Associates. Trust Associates prepared a list of potential candidates for consideration by a sub-committee appointed by the Nomination Committee. A short list was then arrived at, the candidates were interviewed and Sian Hansen was subsequently appointed. Trust Associates has no other connection with the Company.</p>

Governance / Corporate Governance

The Board continued

AIC Code Principle	Compliance Statement
10. Directors should be offered relevant training and induction.	<p>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.</p> <p>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.</p> <p>There is an agreed procedure for Directors, in the furtherance of their duties, to take independent professional advice if necessary at the Company's expense.</p>
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 Stewart Investors and Frostrow

AIC Code Principle	Compliance Statement
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 Stewart Investors and Frostrow Capital LLP is in attendance at each Board meeting. The Chairman encourages open debate to foster a supportive and co-operative approach for all participants.
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.	<p>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.</p> <p>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.</p> <p>The Chairman is responsible for ensuring that the Board receives accurate, timely and clear information. Representatives of Stewart Investors and Frostrow Capital LLP report on issues affecting the Company at each Board meeting.</p> <p>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.</p>

Governance / Corporate Governance

Board Meetings and relations with Stewart Investors and Frostrow continued

AIC Code Principle	Compliance Statement
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).	<p>The Engagement & Remuneration Committee meets at least once a year. It reviews annually the performance of Stewart Investors and Frostrow Capital LLP. The Committee considers the quality, cost and remuneration method (including the performance fee) of the service provided by Stewart Investors and Frostrow Capital LLP 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 Stewart Investors and Frostrow Capital LLP. During the year, a review of the Company's management arrangements was undertaken. Details of the fee arrangements with Stewart Investors and Frostrow Capital LLP can be found in the Report of the Directors on page 35.</p> <p>The Audit Committee reviews the compliance and control systems of both Stewart Investors and Frostrow Capital LLP 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.</p>
16. The Board should agree policies with the investment manager and the manager covering key operational issues.	<p>The Investment Management Agreement between the Company and Stewart Investors sets out the limits of Stewart Investors' authority, beyond which Board approval is required. The Board has also agreed detailed investment guidelines with Stewart Investors, which are considered at each Board meeting.</p> <p>A representative of Stewart Investors and Frostrow Capital LLP attends each meeting of the Board to address questions on specific matters and to seek approval for specific transactions which Stewart Investors is required to refer to the Board.</p> <p>The Board has delegated discretion to Stewart Investors to exercise voting powers on its behalf, other than for contentious or sensitive matters which are to be referred to the Board for consideration.</p> <p>The Board has reviewed Stewart Investors' Stewardship Policy, which includes its Corporate Governance and Voting Guidelines, and which is published on Stewart Investors' website: www.stewartinvestors.com</p> <p>Reports on commissions paid by Stewart Investors are submitted to the Board regularly.</p>
17. Boards should monitor the level of the share price discount or premium (if any) and, if desirable, take action to reduce it.	<p>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.</p> <p>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.</p> <p>The Board reviews regular reports from Stewart Investors on marketing and shareholder communication strategies. It also considers its effectiveness as well as measures of investor sentiment and any recommendations on share buy-backs and issuance.</p>

Governance / Corporate Governance

Board Meetings and relations with Stewart Investors and Frostrow continued

AIC Code Principle	Compliance Statement
18. The Board should monitor and evaluate other service providers.	<p>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.</p> <p>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.</p>

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.	<p>A detailed analysis of the substantial shareholders in the Company is provided to the Directors at each Board meeting. Representatives of Stewart Investors 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.</p> <p>Regular reports from the Company's corporate stockbroker are submitted to the Board on investor sentiment and industry issues.</p> <p>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 Capital LLP. 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 Stewart Investors. Stewart Investors 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.</p>
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.	<p>All substantive communications regarding any major corporate issues are discussed by the Board taking into account representations from Stewart Investors, Frostrow Capital LLP, the Auditor, legal advisers and corporate stockbroker.</p>

Governance / Corporate Governance

Shareholder Communications continued

AIC Code Principle	Compliance Statement
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.	<p>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. This is supplemented by the publication, through the London Stock Exchange, of the daily net asset value of the Company's shares and the monthly fact sheet.</p> <p>The Annual Report provides information on Stewart Investors' investment performance, portfolio risk and operational and compliance issues. Further details on the risk/reward balance are set out in note 13 to the Financial Statements beginning on page 56. Details of the principal risks identified by the Board and the actions taken to mitigate them can be found in the Strategic Report on pages 21 to 23. The Directors' statement on the long-term viability of the Company is set out on pages 34 and 35.</p> <p>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.</p>

By order of the Board

Frostrow Capital LLP
Company Secretary
31 March 2016

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 2016.

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 (the 'Act'). Its shares are premium listed on the Official List of the UK Listing Authority and traded on the main market of the London Stock Exchange, which is a regulated market as defined in Section 1173 of the Act.

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

Investment Objective and Policy

The Company's Investment Objective is set out in the Strategic Report on page 18.

Details of the Company's investment policy and strategy can be found in the Strategic Report on pages 18 and 19.

Results and Dividend

The results attributable to shareholders for the year are shown on page 47. Details of the Company's dividend record can be found on page 4.

Fixed Asset Investments

The fair value of the Company's investments at 31 January 2016 was £205,366,000 (2015: £221,094,000)

showing a gain since acquisition of £42,792,000 (2015: gain £69,765,000). Taking these investments at this valuation, the net assets attributable to each share at 31 January 2016 amounted to 191.2p (2015: 207.2p).

Capital Structure

As at 31 January 2016 there were 119,448,386 shares of 12.5p each in issue (2015: 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 36.

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 64 and 65.

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.

Viability Statement

The Board has carried out a robust assessment of the principal risks facing the Company including those that would threaten its business model, future performance, solvency or liquidity. The Board has drawn up a matrix of risks facing the Company and has put in place a schedule of investment limits and restrictions, appropriate to the Company's investment objective and policy, in order to mitigate these risks as far as practicable. The principal risks which have been identified, and the steps taken by the Board to manage these, are detailed on pages 21 to 23.

The Company is a long-term investor and the Board believes it is appropriate to assess the Company's viability over a five year period in recognition of our Investment Manager's long-term horizon and also what we believe to be investors' horizons, taking account of the Company's current position and the potential impact

Governance / Report of the Directors

of the principal risks and uncertainties as shown on pages 21 to 23 of this annual report.

The Directors also took into account the liquidity of the portfolio when considering the viability of the Company over the next five years and its ability to meet liabilities as they fall due.

The Directors do not expect there to be any significant change in the principal risks that have been identified and the adequacy of the controls in place. Also the Directors do not envisage any change in strategy or objectives or any events that would prevent the Company from continuing to operate over that period as the Company's assets are liquid, its commitments are limited and the Company intends to continue to operate as an investment trust. The Directors believe that only a substantial financial crisis affecting the global economy could have an impact on this assessment.

Based on this assessment, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five year period.

Principal Service Providers

Investment Manager

The Company's investment portfolio is managed by Stewart Investors which had approximately £20.6 billion in assets under management as at 31 December 2015. Stewart Investors are engaged under the terms of an Investment Management Agreement (the "IMA") effective from 1 February 2015. The IMA is terminable by six months' notice. Stewart Investors have complied with the terms of the IMA throughout the year to 31 January 2016. A management fee of 0.9% per annum of net assets was payable. Prior to this date the Stewart Investors were engaged under the terms of an IMA effective from 1 July 2010. A management fee of 0.75% per annum of net assets was payable. In addition there was 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 capped the total of the management fees and the performance fee at 1.75% of the average asset value per annum.

Manager

Frostrow Capital LLP acts as the Company's Manager, Company Secretary and Administrator. It is an independent provider of services to the investment companies sector and currently has 8 other investment trust clients whose assets totalled approximately £6.0 billion as at 31 January 2016.

Frostrow Capital LLP provides company management, company secretarial and administrative services to the Company under the terms of a Management, Administrative and Secretarial Services Agreement, effective from 1 February 2015. A fee of 0.15% per annum (plus VAT) of net assets, which are lower than or equal to £275 million, and 0.10% per annum of net assets, in excess of £275 million, is payable for these services. Its appointment can be terminated by either party by giving six months' notice. Prior to this Frostrow Capital LLP were engaged 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 was payable.

Further details of the fees payable to Stewart Investors and Frostrow Capital LLP are set out in note 3 to the accounts on page 52.

Custodian

J.P. Morgan Chase Bank have been appointed as the Company's custodian. The custodian's fees are charged according to the jurisdiction in which the holdings are based. Variable transaction fees are also chargeable.

Investment Manager and Manager Evaluation and Re-Appointment

The review of the performance of Stewart Investors as Investment Manager and Frostrow Capital LLP 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.

Governance / Report of the Directors

The Board believes the continuing appointment of Stewart Investors and Frostrow Capital LLP, under the terms described on page 35, 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 Stewart Investors and the level of performance of the portfolio in absolute terms and also by reference to the MSCI All Country Asia ex Japan Index (total return, sterling adjusted) and the Company's peer group; and
- the quality and depth of experience of the management, administrative, company secretarial team that Frostrow Capital LLP 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 2016. It is intended that this policy will continue for the year ending 31 January 2017 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 29 February 2016, 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	% held
Lazard Asset Management	10,517,222	8.8
Brewin Dolphin	8,379,495	7.0
Speirs & Jeffrey Stockbrokers	7,708,304	6.5
Investec Wealth & Investment (Ire)	6,339,211	5.3
Investec Wealth & Investment	5,715,644	4.8
Charles Stanley Stockbrokers	5,410,600	4.5
Alliance Trust Savings	5,325,101	4.5
Smith & Williamson	4,639,806	3.9
Hargreaves Lansdown	4,621,181	3.9
Rathbones	4,224,778	3.5

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 require their Voting ID, Task ID and Shareholder Reference Number 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.

Governance / Report of the Directors

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.

Political Donations

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

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).

Corporate Governance

The Corporate Governance report, which includes the Company's Corporate Governance policies is set out on pages 26 to 33.

Disclosure of information to the Auditors

So far as the Directors are aware, there is no relevant information of which the Auditors are 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 Auditors are aware of such information.

Listing Rule 9.8.4

Listing Rule 9.8.4 requires the Company to include certain information in a single identifiable section of the Annual Report or a cross reference table indicating where the information is set out. The Directors confirm that there are no disclosures to be made in this regard.

By order of the Board

Frostrow Capital LLP
Company Secretary

31 March 2016

Governance / Statement of Directors' Responsibilities in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards.

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information

included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going Concern

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

Disclosure of Information by the Auditor

So far as the Directors are aware, there is no relevant information to 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

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company taken as a whole; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

On behalf of the Board

James Williams
Chairman

31 March 2016

Governance / Audit Committee Report

for the year ended 31 January 2016

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 24.

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 independent 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 external 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 38. 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.

Although the Committee did not identify any significant issues as part of its review of the annual financial statements, it paid particular attention to:

Investments

The Committee approached and dealt with this area 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 suitable key performance indicators (see page 20); 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 ensuring 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; and
- by obtaining written confirmation from HMRC, evidencing the approval of the Company as an investment trust under the regime.

Governance / Audit Committee Report

for the year ended 31 January 2016

Adoption of new UK GAAP and Corporate Governance Code

As set out on page 49, the Company adopted FRS 102 during the year. The Committee dealt with this by:

- arranging for all Directors to be briefed by the Company's auditors on the changes made to UK GAAP and the expected impact on the Company; and
- reviewing a report prepared by Frostrow Capital LLP of the changes to be made to the Annual Report.

In addition as set out on pages 34 and 35, under the 2014 UK Corporate Governance Code, the Company is now required to publish a viability statement. The Committee discussed the length of time that the viability statement should cover for the Company, given its nature, the investment approach taken by its Investment Manager, the principal risks facing the Company and the ability of the Company to cover its costs and meet its liabilities as they fall due. Based on these discussions the Committee recommended the statement cover a period of five years.

External Auditor

Meetings:

This year the nature and scope of the audit together with KPMG LLP's audit plan were considered by the Committee on 18 September 2015 without the Auditor being present.

The Committee met KPMG LLP on 21 March 2016 to review the outcome of the audit and to discuss the limited issues that arose.

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, and
- feedback from the Manager.

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 KPMG LLP for the year ended 31 January 2016 amounted to £28,000 (2015: £41,000) of which £9,000 (2015: £24,000) was accrued under the engagement entered into to recover Taiwanese withholding tax that had been suffered in excess of the agreed treaty rate between the years 2005 and 2011. (See note 4 on page 52 for further details).

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.

Governance / Audit Committee Report

for the year ended 31 January 2016

Audit Tendering

As a public company listed on the London Stock Exchange, the Company will be subject to the mandatory Auditor rotation requirements of the European Union which will become effective in June 2016. This will mean that the Company will be required to put the external audit out to tender at least every ten years and change Auditor at least every twenty years. KPMG LLP have been in post since September 2007, which was the last occasion an audit tender was held. The Committee has recommended to the Board the continuing appointment of KPMG LLP for a further year. The Board has agreed that a tender process will be held following the completion of the 2017 audit.

Mr Richard Hinton, the Audit Partner for this year's audit, previously acted in this capacity for the Company's 2012 audit. Having also acted as the Audit Partner for the 2015 and 2016 audits he has now therefore completed three of his five year rotation on the affairs of the Company.

Auditor Reappointment

KPMG LLP have indicated their willingness to continue to act as Auditor to the Company for the forthcoming year and a resolution for their re-appointment will be proposed at the Annual General Meeting.

The Committee reviews the scope and effectiveness of the audit process, including agreeing the Auditor's assessment of materiality and monitors the Auditor's independence and objectivity. It conducted a review of the performance of the Auditor during the year and concluded that performance was satisfactory and there were no grounds for change.

Charlotta Ginman, ACA

Chairman of the Audit Committee

31 March 2016

Governance / Directors' Remuneration Report

for the year ended 31 January 2016

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.

The Directors' Remuneration Report is subject to an annual advisory vote and therefore an Ordinary Resolution for the approval of this report will be put to shareholders at the Company's forthcoming Annual General Meeting (AGM).

The law requires the Company's Auditor to audit certain of the disclosures provided in this report. Where disclosures have been audited, they are indicated as such and the Auditor's audit opinion is included in its report to shareholders on pages 45 and 46. The Remuneration Policy Report on page 44 forms part of this report.

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.

The Engagement & Remuneration Committee considers the framework for the remuneration of the Directors. 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.

The Engagement & Remuneration Committee met twice during the year and it was agreed to increase the fees paid to the Directors with effect from 1 July 2015 as follows: Chairman £32,000 pa (previously £28,000 pa); Chairman of the Audit Committee £26,000 pa (previously £24,000 pa); Senior Independent Director £24,000 pa (previously this role was undertaken by the Chairman of the Audit Committee); Director £23,000 pa (previously £21,000 pa). The last increase to the fees paid to the Directors had taken effect from 1 April 2012.

Directors' Fees

The Directors, as at the date of this report, and who (save for Sian Hansen and David Nichol) all served throughout the year, received the fees listed in the table on page 43. These exclude any employer's 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.

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

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.

Under HMRC guidance, travel expenses and other out of pocket expenses may be considered as taxable benefits for the Directors. Where expenses reimbursed to the Directors are classed as taxable under HMRC guidance they are shown in the taxable expenses column of the Directors' remuneration table along with the associated tax liability.

Approval

A resolution to approve the Remuneration Report was put to shareholders at the AGM of the Company held on 24 June 2015. Of the votes cast, 98.6% were in favour and 1.4% were against. A binding resolution to approve the Remuneration Policy was last put to shareholders at the AGM held on 24 June 2014. Of the votes cast 99.0% were in favour and 1.0% were against. A resolution to approve the Remuneration Policy will next be put to shareholders at the AGM to be held in 2017. The Directors Remuneration Policy as set out on page 44 will apply until it is next put to shareholders for renewal of that approval, which must be at intervals of not more than three years, or when the Directors Remuneration Policy is varied in which case shareholder approval for the new Directors' Remuneration Policy will be sought.

Governance / Directors' Remuneration Report

Directors' Remuneration for the Year (audited information)

The Directors who served in the year received the following remuneration:

	Date of Appointment to the Board	Fixed Fees	Taxable Expenses	Total Remuneration	Fixed Fees	Taxable Expenses	Total Remuneration
		2016 £	2016 £	2016 £	2015 £	2015 £	2015 £
James Williams~	1 October 2013	27,578	1,045	28,623	21,000	1,360	22,360
Charlotta Ginman^	9 October 2014	24,000	349	24,349	6,623	–	6,623
Sian Hansen	3 August 2015	11,500	–	11,500	–	–	–
Richard Horlick*	1 December 2005	–	–	–	8,373	–	8,373
Terence Mahony	1 February 2004	22,167	349	22,516	21,000	–	21,000
David Nichol**	4 January 1985	11,272	1,490	12,762	28,000	4,940	32,940
Nigel Rich+	1 January 1997	23,973	349	24,322	24,000	20	24,020
		120,490	3,582	124,072	108,996	6,320	115,316

~Chairman wef 24 June 2015

^Chairman of the Audit Committee wef 24 June 2015

*Retired 24 June 2014

**Retired on 24 June 2015

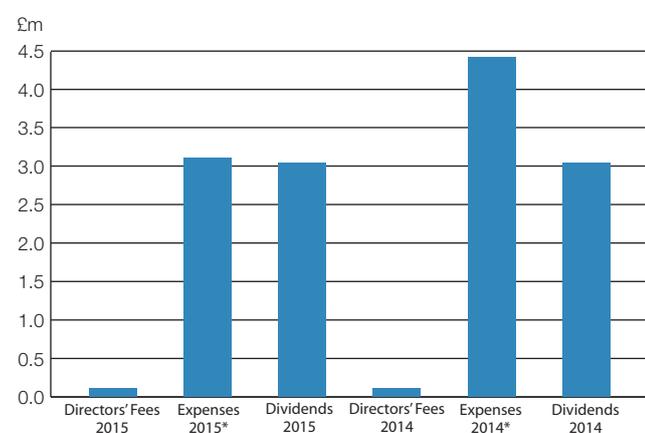
+Senior Independent Director

Loss of Office

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

Relative Cost of Directors' Remuneration

The bar chart below shows the comparative cost of Directors' fees compared with the level of dividend distribution and expenses for 2015 and 2016.



* Total expenses including performance fees payable

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 2016	31 January 2015
James Williams	Beneficial	40,000	20,000
Charlotta Ginman	Beneficial	6,989	Nil
Sian Hansen*	Beneficial	Nil	N/A
Terence Mahony	Beneficial	25,000	Nil
David Nichol**^	Beneficial	N/A	75,000
Nigel Rich†	Beneficial	55,000	45,000
	Trustee	11,450	10,550
Total		138,439	150,550

*Appointed on 3 August 2015

**Includes 35,000 ordinary shares held by Mrs Judith Nichol

^ Retired on 24 June 2015

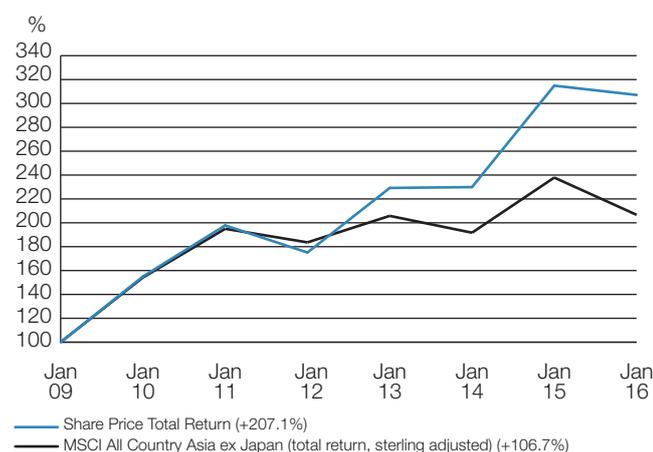
† Includes 20,000 ordinary shares held by Mrs Cynthia Rich

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 comparison for the Company's performance. 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 overleaf provides this comparison.

Governance / Directors' Remuneration Report

Total Shareholder Return for the Seven Years to 31 January 2016



Source: Morningstar

Rebased to 100 as at 31 January 2009

Directors' Remuneration Policy

The Directors' Remuneration Policy is subject to a binding shareholder vote every three years. It is due to be brought before shareholders again at the AGM to be held in 2017. There have been no changes to the Company's Remuneration Policy compared to the year ended 31 January 2015 and no changes are proposed for the year ending 31 January 2017. If, however, the Remuneration Policy is varied, shareholder approval for the new Remuneration Policy will be sought at the next AGM following such variation. The Board has agreed that there will be a formal review before any change to the Directors Remuneration Policy; and at least once a year the Directors Remuneration Policy will be reviewed to ensure that it remains appropriate.

The Directors' 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. The Company does not have any employees.

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.

Any new Director being appointed to the Board that has not been appointed as either Chairman, Chairman of the Audit Committee or Senior Independent Director will, under the current level of fees, receive £23,000 pa.

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 AGM 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.

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 above, and the Remuneration Report summarise, as applicable, for the year to 31 January 2016:

- the major decisions on Directors' remuneration;
- any substantial changes relating to Directors' remuneration made during the year; and
- the context in which the changes occurred and decisions have been taken.

James Williams

Chairman

31 March 2016

Governance / 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 2016 set out on pages 47 to 59. In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 January 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 39 to 41 (Audit Committee report), pages 49 to 51 (accounting policy) and pages 47 to 59 (financial disclosures).

- *The risk* – The Company's portfolio investments make up 89.9% of the Net 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 £2.3m. 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 £0.1m, 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 offices of, Frostrow Capital LLP the Company's manager, company secretary and administrator, 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

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

- the information given in the Corporate Governance Statement set out on pages 26 to 33 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

5 We have nothing to report on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the Directors' statement of longer term viability on pages 34 and 35, concerning the principal risks, their management, and, based on that, the Directors' assessment and expectations of the Company's continuing in operation over the five years to 2021; or
- the disclosures in note 1 of the financial statements concerning the use of the going concern basis of accounting.

6 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 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 38, in relation to going concern and longer term viability; and
- the part of the Corporate Governance Statement on pages 26 to 33 relating to the Company's compliance with the eleven provisions of the 2014 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.

Richard Hinton (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
31 March 2016

Financial Statements / Income Statement

for the year ended 31 January 2016

	Notes	Revenue £'000	Capital £'000	2016 Total £'000	Revenue £'000	Capital £'000	2015 Total £'000
(Losses)/gains on investments	8	–	(17,235)	(17,235)	–	58,855	58,855
Exchange differences		–	802	802	–	785	785
Income	2	4,135	–	4,135	3,631	–	3,631
Investment management, management and performance fees	3	(610)	(1,831)	(2,441)	(504)	(3,310)	(3,814)
Other expenses	4	(610)	–	(610)	(568)	–	(568)
Return/(loss) on ordinary activities before taxation		2,915	(18,264)	(15,349)	2,559	56,330	58,889
Taxation on ordinary activities	5	(337)	(47)	(384)	(32)	(43)	(75)
Return/(loss) after taxation attributable to equity shareholders		2,578	(18,311)	(15,733)	2,527	56,287	58,814
Return/(loss) per share (p)	7	2.2	(15.5)	(13.3)	2.1	48.2	50.3

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 shown above and therefore no separate Statement of Total Recognised Comprehensive Income has been presented.

Reconciliation of Movements in Shareholders' Funds

for the year ended 31 January 2016

	Note	Ordinary Share Capital £'000	Share Redemption premium £'000	Capital reserve £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 31 January 2014		14,606	4	1,648	14,572	149,336	6,121	186,287
Return on ordinary activities		–	–	–	–	56,287	2,527	58,814
Ordinary dividends paid	6	–	–	–	–	–	(3,038)	(3,038)
At 31 January 2015		14,606	4	1,648	14,572	205,623	5,610	242,063
(Loss)/return on ordinary activities		–	–	–	–	(18,311)	2,578	(15,733)
Ordinary dividends paid	6	–	–	–	–	–	(3,038)	(3,038)
Issue of shares		325	4,733	–	–	–	–	5,058
Cost of share issuance		–	(24)	–	–	–	–	(24)
At 31 January 2016		14,931	4,713	1,648	14,572	187,312	5,150	228,326

The accompanying notes are an integral part of these statements.

Financial Statements / Statement of Financial Position

as at 31 January 2016

	Notes	2016 £'000	2015 £'000
Fixed assets			
Investments	8	205,366	221,094
Current assets			
Debtors	9	84	977
Cash at bank		23,590	26,494
		23,674	27,471
Creditors (amounts falling due within one year)	10	(714)	(6,502)
Net current assets		22,960	20,969
Net assets		228,326	242,063
Capital and reserves			
Share capital	11	14,931	14,606
Share premium account	1(j)	4,713	4
Capital redemption reserve	1(j)	1,648	1,648
Special reserve	1(j)	14,572	14,572
Capital reserve	1(j)	187,312	205,623
Revenue reserve	1(j)	5,150	5,610
Equity shareholders' funds		228,326	242,063
Net asset value per share (p)	12	191.2	207.2

The financial statements on pages 47 to 59 were approved, and authorised for issue, by the Board of Directors on 31 March 2016 and signed on its behalf by:

James Williams
Chairman

The accompanying notes are an integral part of these statements.

Pacific Assets Trust plc – Company Registration Number: SC091052 (Registered in Scotland)

Financial Statements / Notes to the Financial Statements

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 Company Law, UK Generally Accepted Accounting Practice ('UK GAAP') and in accordance with guidelines set out in the Statement of Recommended Practice ('SORP'), dated November 2014, for Investment Trust Companies and Venture Capital Trusts issued by the Association of Investment Companies ('AIC'), the historical cost convention, as modified by the valuation of investments at fair value through profit or loss, and on a going concern basis, as set out on page 38.

In preparing these financial statements the Company has applied FRS 102 'The Financial Reporting Standard applicable in the UK and Ireland', for the first time. On adopting FRS 102 there have been no changes to the Company's accounting policies nor restatements required to the Company's previously reported financial position and financial performance. The Company has taken advantage of the exemption from preparing a Cash Flow Statement under FRS 102, as it is an investment fund whose investments are substantially all highly liquid and carried at fair (market) value.

The Company's financial statements are presented in sterling, being the functional and presentational currency of the Company. All values are rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

In addition, for financial reporting purposes, fair value measurements are categorised into a fair value hierarchy based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 – Quoted prices in active markets;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable (ie developed using market data), either directly or indirectly.
- Level 3 – Inputs are unobservable (ie for which market data is unavailable).

In preparing these financial statements the Company has early adopted 'Amendments to FRS102: Fair value hierarchy disclosures (March 2016)' published by the FRC.

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 measured initially, and at subsequent reporting dates, at fair value, 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. For quoted securities fair value 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 and gains or losses on disposal are included in the Income Statement as a capital item.

Financial Statements / Notes to the Financial Statements

(c) Income

Dividends receivable 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.

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 in the revenue column.

(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 all charged to capital.
- Transaction costs incurred on the purchase and sale of investments are taken to the Income Statement as a capital item, within gains on investments held at fair value through profit or loss.

(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 Statement of Financial Position 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 Statement of Financial Position 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 translated into sterling at the exchange rates on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the balance sheet. Profits or losses on the translation of foreign currency balances, whether realised or unrealised, are taken to the capital or revenue column of the Income Statement, depending on whether the gain or loss is of a capital or revenue nature.

Financial Statements / Notes to the Financial Statements

(h) Cash and Cash Equivalents

Cash and cash equivalents are defined as cash and demand deposits readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

(i) Dividend Payments

Dividends paid by the Company on its shares are recognised in the financial statements in the year in which they are paid and are shown in the Reconciliation of Movements in Shareholders' Funds.

(j) Reserves

Capital redemption reserve

This reserve arose when ordinary shares were redeemed by the Company and subsequently cancelled, at which point the amount equal to the par value of the ordinary share capital was transferred from the ordinary share capital to the capital redemption reserve.

Special reserve

The special reserve arose following court approval in February 1999 to transfer £24.2 million from the share premium account. The reserve is distributable and has historically been used to fund any share buy-backs by the Company.

Capital reserve

The following are accounted for in this reserve: gains and losses on the disposal of investments; changes in the fair value of investments; and, expenses and finance costs, together with the related taxation effect, charged to Capital in accordance with note (d) on page 50;

Following amendments to the Company's Articles of Association in 2013 this reserve can be used to distribute realised capital profits by way of dividend. Any gains in the fair value of investments that are not readily convertible to cash are treated as unrealised gains in the capital reserve.

Revenue Reserve

The revenue reserve is distributable by way of dividend.

Financial Statements / Notes to the Financial Statements

2. Income

	2016 £'000	2015 £'000
Income from investments		
Overseas Dividends	4,135	3,631

3. Investment Management, Management and Performance Fees

	Revenue £'000	Capital £'000	2016 Total £'000	Revenue £'000	Capital £'000	2015 Total £'000
Investment management fee						
– Stewart Investors	523	1,570	2,093	400	1,201	1,601
Investment management performance fee						
– Stewart Investors	–	–	–	–	1,798	1,798
Management fee – Frostrow	87	261	348	104	311	415
	610	1,831	2,441	504	3,310	3,814

The Board agreed amended terms, including the removal of the performance fee, with Stewart Investors, the Company's Investment Manager, and Frostrow Capital LLP, the Company's Manager, Company Secretary and Administrator which became effective on 1 February 2015. Further details can be found in the Report of the Directors on page 35.

4. Other Expenses

	2016 £'000	2015 £'000
Directors' fees	121	109
Auditor's remuneration for:		
– annual audit	21	20
– tax compliance services	5	6
– other services relating to taxation*	22	35
Custody fees	152	124
Printing and postage	35	32
Registrar fees	33	30
Broker retainer	30	30
Listing fees	38	16
Marketing costs	14	17
Legal and professional fees	33	41
Other expenses	106	108
Total expenses	610	568

* Includes costs in relation to the recovery of Taiwanese withholding tax for the period 2005 to 2009 nil (2015: £24,000), for the period 2010 – 2011 £9,000 (2015: nil), and, the provision of Taiwanese tax guarantor and pre-approval services £13,000 (2015: £11,000). See the Audit Committee Report on page 39 for further details.

Financial Statements / Notes to the Financial Statements

5(a). Taxation on Ordinary Activities

	Revenue £'000	Capital £'000	2016 Total £'000	Revenue £'000	Capital £'000	2015 Total £'000
Overseas taxation	341	47	388	261	43	304
Overseas tax recoverable	(4)	–	(4)	(229)	–	(229)
	337	47	384	32	43	75

Overseas tax arose as a result of irrecoverable withholding tax on overseas 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 of 20.16% (2015: 21.32%).

The differences are explained below:

	Revenue £'000	Capital £'000	2016 Total £'000	Revenue £'000	Capital £'000	2015 Total £'000
Total return/(loss) on ordinary activities before tax	2,915	(18,264)	(15,349)	2,559	56,330	58,889
Corporation tax charged at 20.16%* (2015: 21.32%)	588	(3,682)	(3,094)	545	12,010	12,555
Non-taxable losses/(gains) on investment	–	3,475	3,475	–	(12,548)	(12,548)
Non-taxable exchange differences	–	(162)	(162)	–	(167)	(167)
Unutilised management expenses	246	369	615	212	696	908
Disallowed expenses	–	–	–	1	9	10
Income not subject to corporation tax	(834)	–	(834)	(758)	–	(758)
Overseas taxation	341	47	388	261	43	304
Overseas tax recoverable (Taiwan)	(4)	–	(4)	(229)	–	(229)
Tax charge for the year	337	47	384	32	43	75

*An average rate of 20.16% was applicable for the year ended 31 January 2016 due to the corporation tax rate being reduced to 20% from 21% on 1 April 2015.

As at 31 January 2016 the Company had unutilised management expenses and other reliefs for taxation purposes of £28,350,000 (2015: £25,294,000). It is not anticipated that these will be utilised in the foreseeable future and as such no related deferred tax asset has been recognised.

Financial Statements / Notes to the Financial Statements

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 2016, were as follows:

	2016 £'000	2015 £'000
– final dividend paid for the year ended 31 January 2015 of 2.60p per share	3,038	–
– final dividend paid for the year ended 31 January 2014 of 2.60p per share	–	3,038

In respect of the year ended 31 January 2016, a dividend of 2.2p has been proposed and will be reflected in the half-year accounts for the period ending 31 July 2016. Details of the ex-dividend and payment dates are shown on page 5.

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:

	2016 £'000	2015 £'000
Revenue available for distribution by way of dividend for the year	2,578	2,527
Proposed dividend of 2.2p per share (2015: 2.6p) (to be approved at the AGM)	(2,628)	(3,038)
Shortfall covered by revenue reserves	(50)	(511)

7. Return/(loss) per share

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

	Revenue pence	Capital pence	2016 Total pence	Revenue pence	Capital pence	2015 Total pence
Basic and diluted	2.2	(15.5)	(13.3)	2.1	48.2	50.3

The total return per share is based on the total return/(loss) attributable to shareholders of £15,733,000 (2015: £58,814,000).

The revenue return per share is based on the net revenue return attributable to shareholders of £2,578,000 (2015: £2,527,000).

The capital return per share is based on the net capital loss attributable to shareholders of £18,311,000 (2015: return of £56,287,000).

The total return/(loss), revenue return and the capital (loss)/return per share are based on the weighted average number of shares in issue during the year of 118,041,399 (2015: 116,848,386).

The calculations of the returns per Ordinary Share have been carried out in accordance with IAS 33 Earnings per Share.

Financial Statements / Notes to the Financial Statements

8. Investments

	2016 £'000	2015 £'000
Investments		
Investments listed on recognised investment exchanges	205,366	221,094
Valuation at start of year	221,094	175,532
Less: valuation gains at start of year	(69,765)	(31,657)
Cost at start of year	151,329	143,875
Purchases at cost	40,669	51,088
Disposals proceeds	(39,162)	(64,381)
Gains on disposals	9,738	20,747
Cost at end of year	162,574	151,329
Add valuation gains at end of year	42,792	69,765
Valuation at end of year	205,366	221,094

	2016 £'000	2015 £'000
Gains on disposal	9,738	20,747
Movement in investment holding gains	(26,973)	38,108
Gains on investments	(17,235)	58,855

During the year the Company incurred transaction costs on purchases of £121,000 (2015: £149,000) and transaction costs on sales of £124,000 (2015: £224,000).

9. Debtors

	2016 £'000	2015 £'000
Amounts due from brokers	–	815
Accrued income	–	–
Overseas tax recoverable (Taiwan)	58	113
Other debtors	26	49
	84	977

10. Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Amounts due to brokers	8	4,068
Investment management fee – Stewart Investors	516	442
Performance fee – Stewart Investors	–	1,798
Management fee – Frostrow	85	115
Other creditors	105	79
	714	6,502

Financial Statements / Notes to the Financial Statements

11. Share capital

	2016 £'000	2015 £'000
Allotted and fully paid:		
119,448,386 Ordinary shares of 12.5p each (2015: 116,848,386)	14,931	14,606

During the year 2,600,000 (2015: nil) Ordinary shares were issued raising net proceeds of £5,058,000 (2015: nil).

The capital of the Company is managed in accordance with its investment policy which is detailed in the Strategic Report on page 19.

The Company does not have any externally imposed capital requirements.

12. Net asset value per share

The net asset value per share of 191.2p (2015: 207.2p) is calculated on net assets of £228,326,000 (2015: £242,063,000), divided by 119,448,386 (2015: 116,848,386) shares, being the number of shares in issue at the year end.

13. 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 an investment portfolio of financial assets in pursuit of its investment objective.

Fixed asset investments (see note 8 beginning on page 55) are valued at fair value in accordance with the Company's accounting policies. The fair value of all other financial assets and liabilities is represented by their carrying value in the Statement of Financial Position shown on page 48.

All investments have been classified as Level 1 (2015: All Level 1).

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

- (i) market risk, including:
 - Other price risk, being the risk that the value of investments will fluctuate as a result of changes in market prices;
 - interest rate risk, being the risk that the future cash flows of a financial instrument will fluctuate because of changes in interest rates;
 - foreign currency risk, being the risk that the value of financial assets and liabilities will fluctuate because of movements in currency rates;
- (iii) 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
- (iv) 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. Under normal market trading volumes the investment portfolio could be substantially realised within a week.

Financial Statements / Notes to the Financial Statements

Other price risk

The management of price risk is part of the investment management process and is typical of equity investment. The investment 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 how the investment portfolio is managed is set out on pages 10 and 11. Although it is the Company's current policy not to use derivatives they may be used from time to time, with prior Board approval, to hedge specific market risk or gain exposure to a specific market.

If the investment portfolio valuation rose or fell by 10% at 31 January 2016 (31 January 2015: 10%), the impact on the net asset value would have been £20.5 million (2015: £22.1 million). The calculations are based on the investment portfolio valuation as at the respective Statement of Financial Position dates and are not necessarily representative of the year as a whole.

Interest rate risk

Floating rate

When the Company retains cash balances the majority of the cash is held in overnight call 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.

Foreign currency risk

The Company invests in overseas securities and holds foreign currency cash balances which give rise to currency risks. Foreign currency risks are managed alongside other market risks as part of the management of the investment portfolio. It is currently not the Company's policy to hedge this risk on a continuing basis but it can do so from time to time.

Foreign currency exposure:

	2016				2015			
	Investments	Cash	Short-term Debtors	Short-term Creditors	Investments	Cash	Short-term Debtors	Short-term Creditors
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Bangladesh taka	6,547	–	–	–	2,314	–	–	–
Hong Kong dollar	29,356	–	–	–	25,389	–	–	–
Indian rupee	76,338	22	8	(8)	75,430	22	–	–
Indonesian rupiah	7,729	–	–	–	6,856	–	–	(4)
Korean won	2,367	–	–	–	6,577	–	–	(925)
Malaysian ringgit	3,588	–	–	–	7,622	–	–	–
New Taiwanese dollar	40,208	28	58	–	40,786	279	927	(661)
Philippine peso	20,498	–	–	–	23,180	–	–	–
Singaporean dollar	3,264	–	–	–	15,642	–	–	–
Sri Lankan rupee	6,578	–	–	–	3,470	–	–	(1,243)
Thai baht	7,566	–	–	–	12,614	–	–	–
US dollar	1,327	15,248	–	–	1,214	12,174	–	(1,235)
Total	205,366	15,298	66	(8)	221,094	12,475	927	(4,068)

At 31 January 2016 the Company had £8,292,000 of sterling cash balances (2015: £14,019,000).

Financial Statements / Notes to the Financial Statements

During the year sterling strengthened by an average of 1% (2015: weakened by 8%) against all of the currencies in the investment portfolio (weighted for investment portfolio exposure), if the value of sterling had strengthened against each of the currencies in the portfolio by 10%, the impact on the net asset value would have been negative £20.1 million (2015: negative £20.9 million). If the value of sterling had weakened against each of the currencies in the investment portfolio by 10%, the impact on the net asset value would have been positive £24.5 million (2015: positive £25.6 million). The calculations are based on the investment portfolio valuation and cash balances as at the year end and are not necessarily representative of the year as a whole.

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, and the main exposure to credit risk is via the Company's custodian who is responsible for the safeguarding of the Company's Investments and cash balances.

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

	2016 £'000	2015 £'000
Cash and cash equivalents	23,590	26,494
Amounts due from brokers	–	815
Interest, dividends and other receivables	84	162
	23,674	27,471

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 as described in the Strategic Report on pages 21 to 23.

The credit risk on cash is controlled through the use of counterparties or 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.

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.

Liquidity risk

Substantially all of the Company's portfolio would be realisable within one week, under normal market conditions.

Financial Statements / Notes to the Financial Statements

14. Related party transactions

The following are considered to be related parties:

- Stewart Investors
- The Directors of the Company

The Company employs Stewart Investors as its Investment Manager. During the year ended 31 January 2016, Stewart Investors earned £2,094,000 in respect of Investment Management fees, of which £516,000 was outstanding at the year end. All material related party transactions have been disclosed on pages 25 and 43 and in notes 3 and 4 on page 52. Details of the remuneration of all Directors can be found on page 43.

Further Information / Shareholder Information

Financial Calendar

31 January	Financial Year End
March	Final Results Announced
June	Annual General Meeting
July	Dividend Payable
31 July	Half Year End
September	Half Year Results Announced

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 Wednesday, 29 June 2016 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

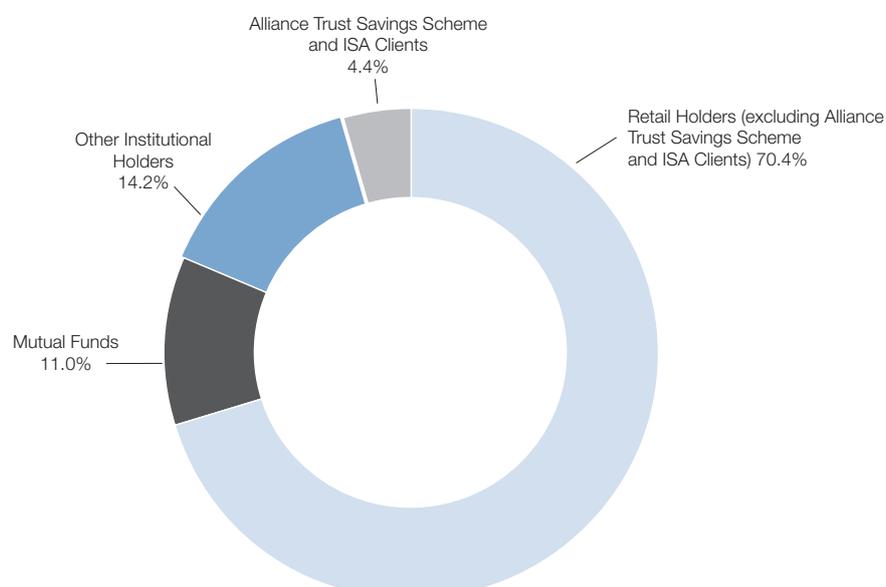
Communications with shareholders are mailed to the address held on the share register. In the event of a change of address or other amendment this should be notified to the Company's Registrars, Equiniti Limited, under the signature of the registered holder.

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 2016



Further Information / Glossary of Terms

AIFMD

The Alternative Investment Fund Managers 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).

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.

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

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 investment trust.

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:

AJ Bell Youinvest	http://www.youinvest.co.uk/
Alliance Trust Savings	http://www.alliancetrustsavings.co.uk/
Barclays Stockbrokers	https://www.barclaysstockbrokers.co.uk/Pages/index.aspx
Charles Stanley Direct	https://www.charles-stanley-direct.co.uk/
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/
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 03456 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.

Further Information / How to Invest

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 thirty-first Annual General Meeting of Pacific Assets Trust Public Limited Company will be held at Skinners' Hall, 8 Dowgate Hill, London EC4R 2SP on Wednesday, 29 June 2016 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 year ended 31 January 2016 together with the Report of the Auditors thereon be received.
2. To receive and approve the Directors' Remuneration Report for the year ended 31 January 2016.
3. That a final dividend for the year ended 31 January 2016 of 2.2p per share be declared.
4. That Ms M C Ginman be re-elected as a Director.
5. That Mrs S E Hansen be elected as a Director.
6. That Mr T F Mahony, be re-elected as a Director.
7. That Mr J P Williams be re-elected as a Director.
8. That KPMG LLP be re-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.
9. That the Audit Committee be authorised to determine KPMG LLP's remuneration.

Special Business

To consider and, if thought fit, pass the following resolutions, of which resolutions 11, 12, 13 and 14 will be proposed as Special Resolutions.

Authority to Allot Shares

10. 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 £1,493,104 provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2017 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.

Disapplication of Pre-emption Rights

11. That, subject to the passing of resolution 10 proposed at the Annual General Meeting of the Company convened for 29 June 2016 ('Resolution 10'), 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 10 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 £1,493,104, 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 2017 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.

Further Information / Notice of the Annual General Meeting

Authority to Repurchase Shares

12. 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 2017 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.

General Meetings

13. That any General Meeting of the Company (other than the Annual General Meeting of the Company) shall be called by notice of at least 14 working 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.

Adoption of New Articles of Association

14. That the Articles of Association set out in the document produced to this meeting and signed by the Chairman of the meeting for the purposes of identification be and are hereby appointed and adopted as the Articles of Association of the Company in substitution for and to the exclusion of the existing Articles of Association of the Company.

Full explanatory notes of principal changes to the Articles of Association are set out on page 70 of this Annual Report.

By order of the Board

Frostrow Capital LLP
Company Secretary
31 March 2016

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 0371 384 2466. 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 overleaf.

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 0371 384 2466. 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 than 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 27 June 2016 (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 31 March 2016 (being the latest practicable date prior to the publication of this notice) the Company's issued share capital consisted of 119,448,386 ordinary shares carrying one vote each. Accordingly, the total voting rights in the Company at 31 March 2016 were 119,448,386 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 Frostrow Capital LLP, 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 and at the Company's registered office (16 Charlotte Square, Edinburgh EH2 4DF) during normal business hours on any weekday (Saturdays, Sundays and English public holidays excepted) from the date of this notice and at the venue of the Annual General Meeting from 9.45 a.m. on the day of the Annual General Meeting until the conclusion of the Annual General Meeting:
 - 14.1 copies of the Directors' letters of appointment;
 - 14.2 copies of the Directors' deeds of indemnity; and
 - 14.3 copies of the proposed new Articles of Association (and a copy of the current Articles of Association marked showing the proposed amendments).
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 18 May 2016, 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 2016 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.

Resolution 2 – Remuneration Report

The Directors' Remuneration Report is set out in full in the Annual Report on pages 42 to 44.

Resolution 3 – The Declaration of a Final Dividend for the year ended 31 January 2016

Resolution 3 seeks shareholder approval for the paying of a final dividend of 2.2p per share for the year ended 31 January 2016.

Resolutions 4 to 7 – Election and Re-election of Directors

Resolutions 4 to 7 deal with the election and re-election of each Director. Biographies of each of the Directors can be found on pages 24 and 25 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 8 and 9 – Re-appointment of Auditor and the determination of its remuneration

Resolutions 8 and 9 relate to the re-appointment of KPMG LLP as the Company's independent Auditor to hold office until the next AGM of the Company and also authorises the Audit Committee to set its remuneration.

Resolutions 10 and 11

Ordinary Resolution 10 in the Notice of Annual General Meeting will renew the authority to allot the unissued share capital up to an aggregate nominal amount of £1,493,104 (equivalent to 11,944,838 shares, or 10% of the Company's existing issued share capital on 31 March 2016, being the nearest practicable date prior to the signing of this Report). Such authority will expire on the date of the next AGM 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 AGM.

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 11 will, if passed, give the Directors power to allot for cash equity securities up to 10% of the Company's existing share capital on 31 March 2016, 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 10. This authority will also expire on the date of the next AGM 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 10 and 11 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 12

The Directors wish to renew the authority given by shareholders at the previous AGM. 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 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 AGM.

Further Information / Explanatory Notes to the Resolutions

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 12 in the Notice of AGM will renew the authority to purchase in the market a maximum of 14.99% of shares in issue on 31 March 2016, being the nearest practicable date prior to the signing of this Report, (amounting to 17,905,313 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 AGM or earlier if the authority has been exhausted.

Resolution 13

Special Resolution 13 seeks shareholder approval for the Company to hold General Meetings (other than the AGM) on at least 14 working days' notice.

Resolution 14

Special Resolution 14 seeks shareholder approval to make certain changes to the Company's Articles of Association *inter alia* to enable the Company to comply with its obligations under various international tax regulations. Full explanatory notes of the principal changes to the Articles of Association are set out on page 70 of this annual report.

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 AGM as the Directors intend to do in respect of their own beneficial holdings totalling 132,270 shares.

Further Information / Explanatory Notes Regarding the Principal Changes to the Company's Articles of Association

Resolution 14

Special Resolution 14 seeks shareholder approval to make certain changes to the Company's Articles of Association. The proposed changes have been prompted by the Alternative Investment Fund Managers regime and new international tax regimes requiring the exchange of information.

Alternative Investment Fund Managers regime

The AIFM Directive ('AIFMD') is a European-wide directive aimed at providing oversight and transparency of non-UCITS funds managed, domiciled and/or distributed in the European Economic Area which has been transposed into UK law. The Company constitutes an alternative investment fund and therefore falls within the scope of the AIFMD.

It is proposed that the Articles be amended to confirm the Company's obligation to calculate the Company's net asset value at least annually, provide certain information to shareholders and value the Company's assets in compliance with the AIFMD and the AIFM Rules (being the AIFMD and all applicable rules and requirements implementing the AIFMD) or other appropriate accounting standards. The amended Articles will also confirm the Board's ability to authorise a depository appointed by the Company on the terms and conditions prescribed by the AIFM Rules, to discharge itself of liability where it holds assets in a country other than the United Kingdom, and the law of that country does not satisfy certain delegation requirements that are specified in the AIFM Rules.

International tax regimes requiring the exchange of information

Since September 2013, the Company has been complying with the UK International Tax Compliance (United States of America) Regulations 2013 which obliged the Company to comply with a US regime commonly known as the Foreign Account Tax Compliance Act or 'FACTA'. FACTA imposed a system of information reporting on certain entities including foreign financial institutions such as the Company. The Company decided at the time not to make any amendments to its Articles but instead to rely on the terms of FACTA and the regulations. The regulations

have now been replaced by the International Tax Compliance Regulations 2015 which include the automatic exchange of information regimes being brought in under the auspices of the Organisation for Economic Co-operation and Development and the European Union.

It is proposed to amend the Articles to provide the Company with the ability to require shareholders to co-operate in respect of the exchange of information to comply with the Company's international tax reporting obligations.

Further Information / Company Information

Directors

J P Williams (Chairman)*

M C Ginman, ACA**

S E Hansen

T F Mahony

N M S Rich, CBE, FCA†

*Chairman of the Engagement & Remuneration and Nomination Committees

**Chairman of the Audit Committee

†Senior Independent Director

Registered Office

16 Charlotte Square

Edinburgh EH2 4DF

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Investment Manager

Stewart Investors

Level 1, 23 St. Andrew Square

Edinburgh EH2 1BB

Telephone: 0131 473 2200

Website: www.stewartinvestors.com

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

J.P. Morgan Chase Bank

125 London Wall

London EC2Y 5AJ

Independent Auditor

KPMG LLP

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

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

Foreign Account Tax Compliance Act ('FATCA')

IRS Registration Number (GIIN): MAEPFZ.99999.SL.826



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