



## Pacific Assets Trust plc

Half Year Report & Accounts for the  
six months ended 31 July 2013

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## Financial Calendar

|  |               |
|--|---------------|
| Financial Year End                     | 31 January    |
| Final Results Announced                | March         |
| Half Year End                          | 31 July       |
| Half Year Results Announced            | September     |
| Interim Management Statement Announced | June/December |
| Dividend Payable                       | June          |
| Annual General Meeting                 | June          |

### Management

The Company employs First State Investment Management (UK) Limited as Investment Manager and Frostrow Capital LLP to provide company management, company secretarial, administrative and marketing services.

### Capital Structure

The Company's capital structure is composed solely of ordinary shares. At 31 July 2013 there were 116,848,386 ordinary shares in issue (31 January 2013: 116,848,386).

### Gearing

The Company is not currently geared.

### Website

The Company's website address is [www.pacific-assets.co.uk](http://www.pacific-assets.co.uk)

### The Company

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

Total assets less current liabilities as at 31 July 2013 were £196.5 million and the market capitalisation was £190.5 million.

### Investment Objective

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

### Investment Policy

The Company invests 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 able to invest in unlisted securities and it is the Board's 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 Investment Manager considers appropriate, or is required, to continue to hold.

There are no defined limits on countries or sectors. However, the Board has set a current limit for a single investment of 7.5% of total assets at the time of investment.

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 use of derivatives is permitted with prior Board approval and within agreed limits. However, the Investment Manager is unlikely to use derivatives.

### Performance Assessment

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

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

### Sustainable Investment

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

# Company Summary

## Key Statistics

|   | As at<br>31 July<br>2013         | As at<br>31 January<br>2013       | % change |
|---|----------------------------------|-----------------------------------|----------|
| Share price   | 163.0p                           | 147.5p                            | +10.5    |
| Net asset value per share   | 168.2p                           | 160.6p                            | +4.7     |
| Discount of share price to net asset value per share                    | 3.1%                             | 8.2%                              | –        |
| Shareholders' funds   | 196.5m                           | 187.6m                            | +4.7     |
| Market capitalisation   | 190.5m                           | 172.4m                            | +10.5    |
|   | Six months to<br>31 July<br>2013 | One year to<br>31 January<br>2013 |          |
| Share price (total return)*   | +12.3%                           | +30.9%                            |          |
| Net asset value per share (total return)*                               | +6.9%                            | +24.8%                            |          |
| MSCI All Country Asia ex Japan Index (total return, sterling adjusted)* | -1.1%                            | +12.1%                            |          |

\*Source: Morningstar

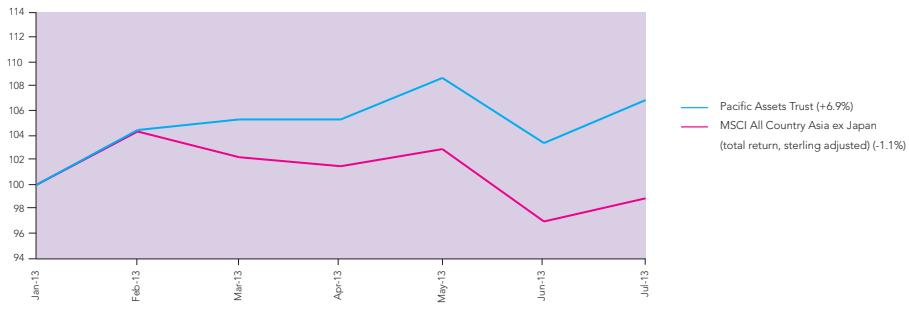
|                          | Year ended<br>31 January<br>2013 | Year ended<br>31 January<br>2012 |
|--------------------------|----------------------------------|----------------------------------|
| Dividends                |                                  |                                  |
| Final dividend per share | 2.60p                            | 2.60p                            |

| Half Year's Highs/Lows                                | High   | Low    |
|---|--------|--------|
| Net asset value per share                             | 178.2p | 152.5p |
| Share price   | 167.1p | 143.0p |
| Discount of share price to net asset value per share† | 1.4%   | 12.2%  |

†Discount high – Narrowest discount in period

Discount low – Widest discount in period

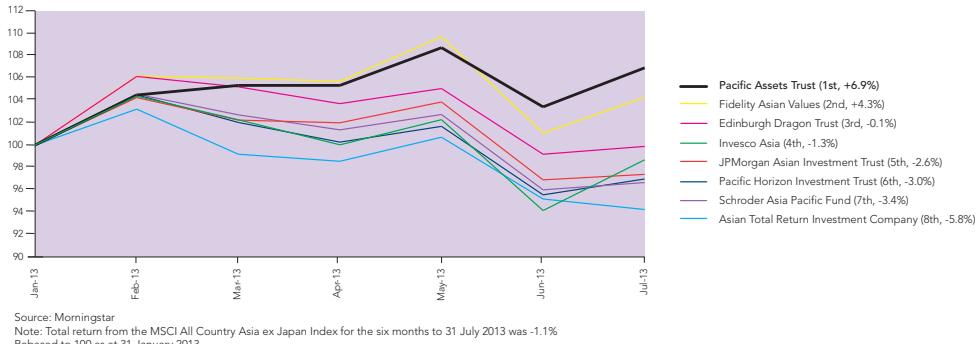
## Net Asset Value Total Return and Benchmark Performance for the Six Months to 31 July 2013



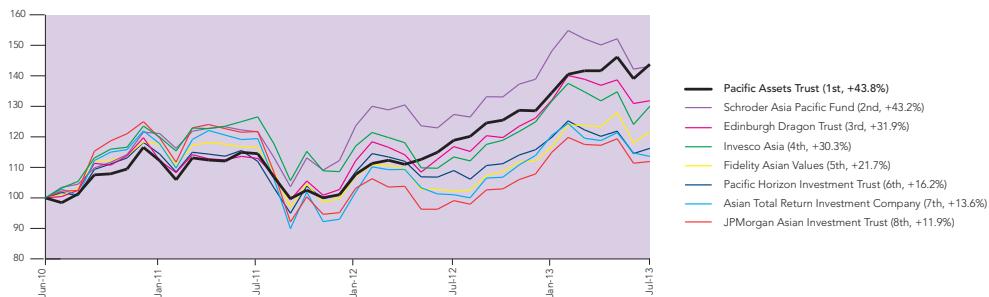
Source: Morningstar  
Rebased to 100 as at 31 January 2013

# Peer Group Performance

Net Asset Value Total Return Peer Group Performance for the Six Months to 31 July 2013



Net Asset Value Total Return Peer Group Performance since First State Investment Management (UK) were appointed as Investment Manager



# Chairman's Statement



"Following excellent performance last year I am pleased to report that the current financial year has started strongly."

## Performance

Following excellent performance last year I am pleased to report that the current financial year has started strongly. During the six month period ended 31 July 2013, the Company's share price total return was +12.3% and the net asset value total return was +6.9%. This compares to a total return from the sterling adjusted MSCI All Country Asia ex Japan Index of -1.1%. The Company was the best performing member of its peer group during the period under review. Significantly, it has also been the best performer since the appointment of First State as the Company's Investment Manager in July 2010.

The Company's strong share price performance reflected a decrease in the share price discount to net asset value per share from 8.2% as at 31 January 2013 to 3.1% as at 31 July 2013.

Further information on the Company's investment strategy can be found in our Investment Manager's review beginning on page 4.

## Share Capital and Discount Policy

The Company's strong share price performance relative to net asset value has continued since the half year end and as at 27 September 2013 it was trading at a 2.3% discount. The Board continues to monitor this closely.

At the last Annual General Meeting, the Company renewed the authorities to issue and to purchase its own shares. The Board will use the authority to purchase shares to ensure that the discount between the Company's share price and the net asset value per share is not out-of-line with the share price discount of similar peer group investment companies. During the past six months and to the date of this report there have been no repurchases of shares.

Similarly, it will make shares available to the market if a sustained premium to net asset value were to develop.

## Revenue Account and Dividend

As mentioned in the Annual Report, the net revenue generated during the year to 31 January 2013 fell when compared to the previous year due to a reduction in the overall yield from portfolio investments. However, the Board has continued its drive to control costs, and this has, in part, helped to achieve an unchanged level of net income for the period of £2.1m. The Board reminds shareholders that it remains the Company's policy to pursue capital growth for shareholders with income being a secondary consideration.

## The Board

I am delighted to welcome James Williams onto the Board with effect from 1 October 2013. James brings with him a wealth of experience having held a number of senior roles at Baring Asset Management, including Chief Investment Officer and Head of International Business (Asia, Europe, Middle East and U.S.). He is currently a non-executive Director of Investors Capital Trust PLC and JPMorgan American Investment Trust PLC and was formerly a non-executive Director of Close Brothers Group PLC and Royal London Growth & Income Trust PLC.

A resolution proposing his election to the Board will be considered by shareholders at the Annual General Meeting of the Company to be held on 24 June 2014.

## Regulatory

The Board has noted that the Alternative Investment Fund Managers Directive (the 'Directive') was written into UK legislation with effect from 22 July 2013. There is a one-year transition period within which the Company must comply with the provisions of the Directive, which includes the appointment of an Alternative Investment Fund Manager ('AIFM'). The Board, together with its advisers, is currently reviewing the options open to the Company and will ensure that all documentation and processes to enable the Company to comply with the Directive are in place within the transition period.

## Outlook

The deterioration in the short-term outlook for a number of countries in Asia remains a concern and comes within the context of excessive monetary growth in the USA and Europe being wound down. Your Board continues to believe that your investment manager's efforts to identify well managed companies which embrace a sustainable approach to business will provide superior returns over the longer term.

David Nichol

Chairman

27 September 2013

# Investment Manager's Review

"The choice is this: impose capital controls or let the Fed run your economy."

Robin Harding, FT, Wed 28 August, 2013.

Most Asian countries chose the latter and are now feeling the consequences. Much of the rise in Asian asset prices over the past few years has been attributable to the fall-out from the extreme monetary policies being pursued in the U.S. and Europe. As abundant liquidity from the West found its way into most, if not all, Asian asset classes, from property to Government debt to equity prices, many asset prices have re-rated beyond levels warranted by improvements in the underlying fundamentals of these assets. In recent months this process has started to reverse as markets finally realised that the monetary printing presses will not be left on indefinitely. As a result, the "hot" money has started to exit most Asian asset classes.

Despite the immediate fall in the share prices of many of the Company's holdings, the reduced presence of "hot" money in Asian financial markets is good news for the Company's long-term investors. Most obviously, share prices of some of our favourite companies have finally started to return to more acceptable levels, allowing us to slowly increase the Company's stakes in some of Asia's best companies that were hitherto out-of-reach on valuation grounds. As importantly, the removal of temporary liquidity in the region has shone a bright light on the structural weaknesses still inherent in some Asian countries, most notably India and Indonesia, which both suffer from infrastructure bottlenecks, weak governance and glaring fiscal and current account deficits. In both countries, a rapidly depreciating currency has turned what was a long-festered "mini-crisis" into a full-blown economic crisis that has finally got the attention of policymakers and Government officials as a sense of panic and urgency has taken hold. It is too early to tell whether the Indian and Indonesian Governments will be able to overcome short-term political pressures and deliver meaningful long-term structural reforms but the faster the currencies continue to depreciate, the greater the chances of success.

Most, if not all, Asian countries will be affected should the reversal of these "hot" flows of capital away from the region continue. The degree to which they are affected will depend in large part on the relative health of their underlying economies. For example, in contrast to India and Indonesia, the Philippines remains in particularly good shape, thanks to a large, steady stream of remittances of foreign earnings from its large overseas workforce and an economy just at the beginning of a cyclical upturn. Elsewhere, we, like many others, remain concerned that the investment-intensive, state-orchestrated Chinese economic model may be storing up serious structural problems within its huge banking system. Should Chinese savers start to lose confidence, it is not clear whether China's traditional capital controls would be able to hold back the subsequent exodus of domestic capital.

## Performance

Given our long-term focus, it is difficult for us to comment on short-term performance trends, other than to note performance contribution at an individual stock level. Four of the worst contributors in the portfolio over the period are Indian companies. In part this reflects the dramatic shift in market sentiment towards India and the subsequent currency weakness. In the case of EID Parry (India) and Tube Investments of India, both part of the highly regarded Murugappa Group from Chennai, it also reflects the fact that both companies are experiencing a period of cyclical weakness in demand for their products. In the case of the latter, the slowdown in the Indian economy has affected short-term demand for their bicycles. Their manufacturing facilities have also been affected by an unusually high level of power cuts in Tamil Nadu, a sobering reminder of the challenges still facing Indian manufacturing companies today. Despite these short-term challenges, our long-term investment conviction remains intact.

In terms of the best performing holdings, it is a very stock specific story. Improving corporate governance (Tech Mahindra) (India), the on-going drive to switch from heavy diesel oil and coal to cleaner, greener gas in China (Towngas China), strong leisure demand for bicycles (Giant Manufacturing) (Taiwan), solar panels (Delta Electronics (Thailand)) and healthy soya-based milk drinks (Vitasoy International Holdings) (Hong Kong) were at the top of the list. Given the random walk taken by markets over anything other than the long-run, it is entirely possible that these companies may appear at the bottom of the list next time! However, we remain convinced that these sustainability tailwinds will help provide good quality companies with the opportunity to significantly grow their earnings, and share prices, over the long-run.

## Portfolio Positioning

During the period, we held one-on-one meetings with the senior management of over five hundred Asian companies, each of which are potential candidates for investment. However, our long-term investment horizon and conviction in the Company's current investments meant that the portfolio itself remains substantially unchanged over the six months under review. A new position was initiated in Weifu High-Technology Group, the leading manufacturer of fuel injection

# Investment Manager's Review

Continued

systems for the automotive sector in China. The company is well placed to contribute to, and benefit from, a shift towards tighter vehicle emissions standards in China. The company has also benefitted from a long-term partnership with the highly regarded Bosch Group, dating back over twenty years.

Weifui High-Technology Group aside, we continue to struggle to generate many new investment ideas in China. There are three main reasons for this. Firstly, corporate governance and management quality remain a challenge. Second, even where we are comfortable with management, we often struggle to get comfortable with long-term political alignment. So few Chinese companies are in charge of their own destiny. For example, we are looking closely at a well-managed port operator in mainland China. While we are comfortable with the quality of the underlying business, we have no idea what returns the Chinese Government will allow the company to achieve over the next five to ten years. The third challenge in China is valuation, with many of our favourite companies still trading on extremely extended valuations. As a result, we primarily invest in China indirectly, through companies such as Chroma ATE and Delta Electronics (both Taiwan) and Vitasoy International Group (Hong Kong).

Elsewhere, extremely stretched valuations led us to reduce investment in some of the largest positions, including Taiwan Semiconductor Manufacturing (Taiwan), Manila Water (Philippines), Tawngas China (China) and Kasikornbank (Thailand). The proceeds were reinvested primarily to increase the holdings in two Indian exporters, Tech Mahindra and Dr. Reddy's Laboratories. Tech Mahindra is the final reincarnation of Satyam Computer Services, the Indian software services company that was bankrupted under its previous owner. The company is now under new management and new stewardship in the shape of the Mahindra and Mahindra Group, in which we have much conviction. Dr. Reddy's is one of India's leading providers of affordable medicines, and has been successful in building a strong export business. Overseas earnings now account for over three quarters of earnings.

In terms of complete disposals, we said goodbye to Wipro (India), another Indian software services company which has struggled to make the generational change in management required following the standing down from day-to-day duties of its visionary founder. We also completely disposed of the holding in Ayala Land (Philippines) on valuation grounds, although the Company remains an indirect investor via its shares in parent company, Ayala Corporation.

## Engagement and Voting

During the period we undertook our annual review of engagement issues for the portfolio's major holdings. We firmly believe the mantra "there is no such thing as a perfect company" so look to identify the one or two things we would have investee companies change if we could. We then decide the approach we will take to engagement (e.g. writing a letter or through regular dialogue) and try to set a timeframe for the engagement (perhaps the most challenging part).

Examples of some of the issues we engaged on during the period include:

- Inappropriate, chauvinistic advertising with a consumer company
- Palm oil sourcing and plastic bottled water with another consumer company
- Improved focus on responsible banking and environmental risks in lending with a bank
- Customer service levels relative to peers with a telecoms company

In each case, we engaged for investment reasons. The more these companies are able to address such issues, the more attractive the potential risk-adjusted returns become. We were also active on the proxy voting front. Examples of where we voted against shareholder resolutions on behalf of the Company included voting against general approval to transact any and all other business brought before the annual meeting of shareholders (most of our Philippine and Taiwanese holdings!) and voting against poorly designed remuneration schemes. For example, we voted against schemes which had insufficiently long vesting periods and an overgenerous discount for share issues to management leading to poor alignment with minority shareholders such as the Company.

## Outlook

In short, we remain concerned that the worst is not yet behind us. The global economy remains artificially supported. Such support cannot last indefinitely, and as and when it is pulled way, the implications for Asia may be profound. As a result, we will be delighted if we are able to preserve, in real terms, the capital of the Company at current levels in the short-term. As always, we believe the greatest challenge when investing in Asia is not to generate returns when times are good, but to try and hold on to as much of these returns as possible when times are not so good. Fortunately, we don't pride ourselves on the strength of our economic or market predictions. Instead, our job is simply to get on with striving to identify good quality companies which are well positioned to contribute to, and benefit from, Asia's shift towards a more genuinely sustainable development path. We believe this approach will stand the Company in good stead in its search to achieve attractive risk-adjusted returns in Asia over the long-term.

**David Gait**

Senior Investment Manager

First State Investment Management (UK) Limited

27 September 2013

# Portfolio

as at 31 July 2013

| Investment                                 | Sector*                | Market valuation<br>£'000 | % of total assets less current liabilities | Country of incorporation |
|--|------------------------|---------------------------|--|--------------------------|
| Towngas China                              | Utilities              | 10,396                    | 5.3  | Cayman Islands           |
| AmorePacific                               | Consumer Staples       | 9,276                     | 4.7  | South Korea              |
| Tech Mahindra                              | Information Technology | 9,164                     | 4.7  | India                    |
| DBS Group                                  | Financials             | 8,890                     | 4.5  | Singapore                |
| Marico                                     | Consumer Staples       | 8,709                     | 4.4  | India                    |
| Taiwan Semiconductor Manufacturing Company | Information Technology | 7,505                     | 3.8  | Taiwan                   |
| Manila Water                               | Utilities              | 6,850                     | 3.5  | Philippines              |
| Kasikornbank                               | Financials             | 6,800                     | 3.5  | Thailand                 |
| Public Bank                                | Financials             | 6,248                     | 3.2  | Malaysia                 |
| Samsung Fire & Marine Insurance            | Financials             | 6,054                     | 3.1  | South Korea              |
| <b>Ten largest investments</b>             |                        | <b>79,892</b>             | <b>40.7</b>                                |                          |
| Delta Electronics (Thailand)               | Information Technology | 5,745                     | 2.9  | Thailand                 |
| Axista                                     | Telecom Services       | 5,620                     | 2.8  | Malaysia                 |
| Dabur India                                | Consumer Staples       | 5,590                     | 2.8  | India                    |
| DGB Financial                              | Financials             | 5,281                     | 2.7  | South Korea              |
| Globe Telecom                              | Telecom Services       | 5,157                     | 2.6  | Philippines              |
| Singapore Telecommunications               | Telecom Services       | 4,857                     | 2.5  | Singapore                |
| Chroma ATE                                 | Information Technology | 4,513                     | 2.3  | Taiwan                   |
| E.Sun Financial Holdings                   | Financials             | 4,350                     | 2.2  | Taiwan                   |
| Dr. Reddy's Laboratories                   | Health Care            | 4,266                     | 2.2  | India                    |
| Uni-President Enterprise                   | Consumer Staples       | 4,161                     | 2.1  | Taiwan                   |
| <b>Twenty largest investments</b>          |                        | <b>129,432</b>            | <b>65.8</b>                                |                          |
| Idea Cellular                              | Telecom Services       | 3,640                     | 1.9  | India                    |
| SembCorp Industries                        | Industrials            | 3,481                     | 1.8  | Singapore                |
| Singapore Post                             | Industrials            | 3,127                     | 1.6  | Singapore                |
| Hongkong & China Gas                       | Utilities              | 3,116                     | 1.6  | Hong Kong                |
| Delta Electronics (Taiwan)                 | Information Technology | 2,938                     | 1.5  | Taiwan                   |
| Infosys                                    | Information Technology | 2,870                     | 1.5  | India                    |
| Bank of the Philippine Islands             | Financials             | 2,786                     | 1.4  | Philippines              |
| Sheng Siong                                | Consumer Staples       | 2,609                     | 1.3  | Singapore                |
| MTR  | Industrials            | 2,401                     | 1.2  | Hong Kong                |
| Sabana Shari' ah Compliant REIT            | Financials             | 2,285                     | 1.1  | Singapore                |
| <b>Thirty largest investments</b>          |                        | <b>158,685</b>            | <b>80.7</b>                                |                          |
| Mindray Medical                            | Health Care            | 2,205                     | 1.1  | Cayman Islands           |
| China Mengniu Dairy                        | Consumer Staples       | 2,083                     | 1.0  | Cayman Islands           |
| Giant Manufacturing                        | Consumer Discretionary | 1,878                     | 1.0  | Taiwan                   |
| Linde India                                | Industrials            | 1,858                     | 1.0  | India                    |
| Vitasoy International Holdings             | Consumer Staples       | 1,842                     | 0.9  | Hong Kong                |
| Uni-President China                        | Consumer Staples       | 1,496                     | 0.8  | Cayman Islands           |
| Tube Investments of India                  | Industrials            | 1,402                     | 0.7  | India                    |
| Standard Foods                             | Consumer Staples       | 1,055                     | 0.6  | Taiwan                   |
| Ayala Corporation                          | Financials             | 1,012                     | 0.6  | Philippines              |
| ENN Energy                                 | Utilities              | 1,000                     | 0.5  | Cayman Islands           |
| <b>Forty largest investments</b>           |                        | <b>174,516</b>            | <b>88.9</b>                                |                          |

\*MSCI sector classifications

# Portfolio

as at 31 July 2013

Continued

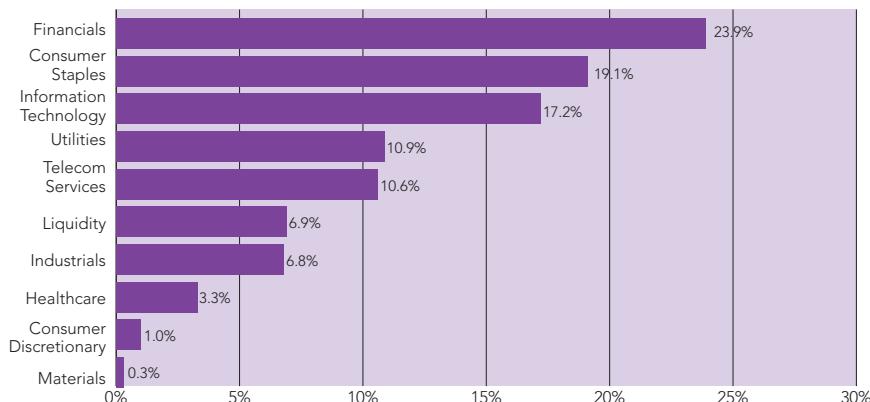
| Investment                                   | Sector*                | Market valuation<br>£'000 | % of total assets less current liabilities | Country of incorporation |
|--|------------------------|---------------------------|--|--------------------------|
| National Trust Bank                          | Financials             | 974                       | 0.5  | Sri Lanka                |
| Kotak Mahindra Bank                          | Financials             | 949                       | 0.5  | India                    |
| XL Axiata                                    | Telecom Services       | 817                       | 0.4  | Indonesia                |
| Bharti Airtel                                | Telecom Services       | 809                       | 0.4  | India                    |
| Simple Technology                            | Information Technology | 803                       | 0.4  | Taiwan                   |
| Cholamandalam Investment & Finance           | Financials             | 683                       | 0.3  | India                    |
| Mahindra Lifespace Developers                | Industrials            | 669                       | 0.3  | India                    |
| Marico Bangladesh                            | Consumer Staples       | 644                       | 0.3  | Bangladesh               |
| Swire Properties                             | Financials             | 530                       | 0.3  | Hong Kong                |
| EID Parry (India)                            | Materials              | 505                       | 0.3  | India                    |
| <b>Fifty largest investments</b>             |                        | <b>181,899</b>            | <b>92.6</b>                                |                          |
| Hemas Holdings                               | Industrials            | 497                       | 0.2  | Sri Lanka                |
| Godrej Consumer Products                     | Consumer Staples       | 471                       | 0.2  | India                    |
| Weifu High-Technology Group                  | Information Technology | 179                       | 0.1  | China                    |
| <b>Total portfolio</b>                       |                        | <b>183,046</b>            | <b>93.1</b>                                |                          |
| <b>Net current assets</b>                    |                        | <b>13,485</b>             | <b>6.9</b>                                 |                          |
| <b>Total assets less current liabilities</b> |                        | <b>196,531</b>            | <b>100.0</b>                               |                          |

\*MSCI sector classifications

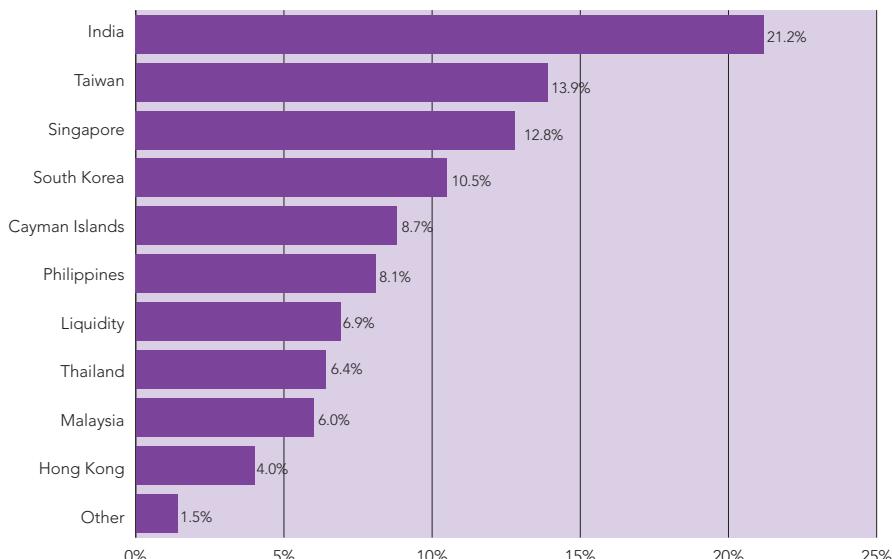
# Portfolio Distribution

as at 31 July 2013

## Sector Analysis



## Geographical Analysis by Country of Incorporation



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

# Income Statement

for the six months ended 31 July 2013

|   | (Unaudited)<br>Six months ended<br>31 July 2013 |                  |                  | (Unaudited)<br>Six months ended<br>31 July 2012 |                  |                  | (Audited)<br>Year ended<br>31 January 2013 |                  |                  |
|---|---|------------------|------------------|---|------------------|------------------|--|------------------|------------------|
|   | Revenue<br>£'000                                | Capital<br>£'000 | Total<br>£'000   | Revenue<br>£'000                                | Capital<br>£'000 | Total<br>£'000   | Revenue<br>£'000                           | Capital<br>£'000 | Total<br>£'000   |
| Gains on investments held at fair value through profit or loss  | –   | 11,820           | 11,820           | –   | 13,489           | 13,489           | –  | 35,724           | 35,724           |
| Exchange differences on currency balances                       | –   | 61               | 61               | –   | (8)              | (8)              | –  | (97)             | (97)             |
| Income (note 2)   | 2,829   | –                | 2,829            | 2,703   | –                | 2,703            | 4,168                                      | –                | 4,168            |
| Investment management, management and performance fees (note 3) | (232)<br>(259)                                  | (2,021)<br>(2)   | (2,253)<br>(261) | (187)<br>(246)                                  | (1,121)<br>(3)   | (1,308)<br>(249) | (395)<br>(538)                             | (1,811)<br>(19)  | (2,206)<br>(557) |
| Other expenses  |   |                  |                  |   |                  |                  |  |                  |                  |
| <b>Return on ordinary activities before taxation</b>            | <b>2,338</b>                                    | <b>9,858</b>     | <b>12,196</b>    | <b>2,270</b>                                    | <b>12,357</b>    | <b>14,627</b>    | <b>3,235</b>                               | <b>33,797</b>    | <b>37,032</b>    |
| Taxation on ordinary activities                                 | (229)   | –                | (229)            | (155)   | –                | (155)            | (262)                                      | –                | (262)            |
| <b>Return attributable to equity shareholders</b>               | <b>2,109</b>                                    | <b>9,858</b>     | <b>11,967</b>    | <b>2,115</b>                                    | <b>12,357</b>    | <b>14,472</b>    | <b>2,973</b>                               | <b>33,797</b>    | <b>36,770</b>    |
| <b>Return per ordinary share (p) (note 4)</b>                   | <b>1.8</b>                                      | <b>8.4</b>       | <b>10.2</b>      | <b>1.8</b>                                      | <b>10.6</b>      | <b>12.4</b>      | <b>2.6</b>                                 | <b>28.9</b>      | <b>31.5</b>      |

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

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

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

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

# Reconciliation of Movements in Shareholders' Funds

for the six months ended 31 July 2013

|                                    | (Unaudited)<br>Six months<br>ended<br>31 July 2013<br>£'000 | (Unaudited)<br>Six months<br>ended<br>31 July 2012<br>£'000 | (Audited)<br>Year ended<br>31 January<br>2013<br>£'000 |
|------------------------------------|---|---|--|
| Opening shareholders' funds        | 187,602   | 153,870   | 153,870  |
| Return for the period              | 11,967  | 14,472  | 36,770   |
| Dividends paid                     | (3,038)   | (3,038)   | (3,038)  |
| <b>Closing shareholders' funds</b> | <b>196,531</b>  | <b>165,304</b>  | <b>187,602</b>   |

# Balance Sheet

as at 31 July 2013

|  | (Unaudited)<br>As at<br>31 July<br>2013<br>£'000 | (Unaudited)<br>As at<br>31 July<br>2012<br>£'000 | (Audited)<br>As at<br>31 January<br>2013<br>£'000 |
|--|--|--|---|
| <b>Fixed assets</b>                                    |  |  |   |
| Investments held at fair value through profit or loss  | 183,046  | 157,763  | 173,990   |
| <b>Current assets</b>                                  |  |  |   |
| Debtors  | 485  | 894  | 518   |
| Cash at bank   | 14,878   | 7,658  | 15,124  |
|  | 15,363   | 8,552  | 15,642  |
| <b>Creditors (amounts falling due within one year)</b> | (1,878)  | (1,011)  | (2,030)   |
| <b>Net current assets</b>                              | 13,485   | 7,541  | 13,612  |
| <b>Net assets</b>                                      | 196,531  | 165,304  | 187,602   |
| <b>Capital and reserves</b>                            |  |  |   |
| Share capital  | 14,606   | 14,606   | 14,606  |
| Share premium account                                  | 4  | 4  | 4   |
| Capital redemption reserve                             | 1,648  | 1,648  | 1,648   |
| Special reserve  | 14,572   | 14,572   | 14,572  |
| Capital reserve  | 160,346  | 129,048  | 150,488   |
| Revenue reserve  | 5,355  | 5,426  | 6,284   |
| <b>Equity shareholders' funds</b>                      | 196,531  | 165,304  | 187,602   |
| <b>Net asset value per ordinary share (p) (note 5)</b> | 168.2  | 141.5  | 160.6   |

# Cash Flow Statement

for the six months ended 31 July 2013

|  | (Unaudited)<br>Six months<br>ended<br>31 July<br>2013<br>£'000 | (Unaudited)<br>Six months<br>ended<br>31 July<br>2012<br>£'000 | (Audited)<br>Year<br>ended<br>31 January<br>2013<br>£'000 |
|--|--|--|---|
| Net cash inflow from operating activities  | 566  | 1,290  | 1,904   |
| Servicing of finance   | –  | –  | –   |
| <b>Financial investment</b>  |  |  |   |
| Purchases of investments   | (21,251)   | (25,791)   | (40,030)  |
| Sales of investments   | 23,416   | 28,097   | 49,277  |
| Net cash inflow from financial investment  | 2,165  | 2,306  | 9,247   |
| Equity dividends paid  | (3,038)  | (3,038)  | (3,038)   |
| (Decrease)/increase in cash  | (307)  | 558  | 8,113   |
| <b>Reconciliation of net cash flow to movement<br/>in net funds</b>  |  |  |   |
| (Decrease)/increase in cash resulting from cash flows  | (307)  | 558  | 8,113   |
| Exchange differences on currency balances  | 61   | (8)  | (97)  |
| Movement in net funds  | (246)  | 550  | 8,016   |
| Net funds at beginning of period   | 15,124   | 7,108  | 7,108   |
| Net funds at period end  | 14,878   | 7,658  | 15,124  |
| <b>Reconciliation of net return before finance costs and<br/>taxation to net cash flow from operating activities</b> |  |  |   |
| Net return before finance costs and taxation   | 12,196   | 14,627   | 37,032  |
| Gains on investments   | (11,820)   | (13,489)   | (35,724)  |
| Exchange differences on currency balances  | (61)   | 8  | 97  |
| Irrecoverable withholding tax on investment income   | (213)  | (174)  | (294)   |
| Changes in working capital and other<br>non-cash items   | 464  | 318  | 793   |
| <b>Net cash inflow from operating activities</b>   | <b>566</b>   | <b>1,290</b>   | <b>1,904</b>  |

# Notes to the Accounts

## 1. Basis of preparation

The condensed financial statements have been prepared under the historical cost convention, except for the measurement of investments which are valued at fair value, and in accordance with applicable accounting standards, the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' dated January 2009 and the UK Accounting Standards Board's Statement 'Half Yearly Financial Reports'.

The same accounting policies that were used for the year ended 31 January 2013 have been applied in these financial statements.

## 2. Income

|                   | (Unaudited)<br>Six months<br>ended<br>31 July<br>2013<br>£'000 | (Unaudited)<br>Six months<br>ended<br>31 July<br>2012<br>£'000 | (Audited)<br>Year<br>ended<br>31 January<br>2013<br>£'000 |
|-------------------|--|--|---|
| Investment income | 2,829  | 2,703  | 4,168   |
| Total income      | 2,829  | 2,703  | 4,168   |

## 3. Investment Management fee, Management and Performance fees

|   | (Unaudited)<br>Six months ended<br>31 July 2013 |                  |                | (Unaudited)<br>Six months ended<br>31 July 2012 |                  |                | (Audited)<br>Year ended<br>31 January 2013 |                  |                |
|---|---|------------------|----------------|---|------------------|----------------|--|------------------|----------------|
|   | Revenue<br>£'000                                | Capital<br>£'000 | Total<br>£'000 | Revenue<br>£'000                                | Capital<br>£'000 | Total<br>£'000 | Revenue<br>£'000                           | Capital<br>£'000 | Total<br>£'000 |
| Investment management fee – First State | 185   | 556              | 741            | 151   | 452              | 603            | 318  | 952              | 1,270          |
| Management fee – Frostrow               | 47  | 140              | 187            | 36  | 109              | 145            | 77   | 232              | 309            |
| Performance fee accrual*                | –   | 1,325            | 1,325          | –   | 560              | 560            | –  | 627              | 627            |
|   | 232   | 2,021            | 2,253          | 187   | 1,121            | 1,308          | 395  | 1,811            | 2,206          |

\*Details of the performance fee basis can be found in the Report of the Directors on page 14 of the Company's Annual Report for the year ended 31 January 2013.

## 4. Return per ordinary share

The total return per ordinary share price is based on the total return attributable to Shareholders of £11,967,000 (six months ended 31 July 2012: £14,472,000; year ended 31 January 2013: £36,770,000) and on 116,848,386 shares (six months ended 31 July 2012: 116,848,386; year ended 31 January 2013: 116,848,386), being the weighted average number of shares in issue.

The revenue return per ordinary share price is calculated by dividing the net revenue return attributable to Shareholders of £2,109,000 (six months ended 31 July 2012: £2,115,000; year ended 31 January 2013: £2,973,000) by the weighted average number of shares in issue as above.

The capital return per ordinary share price is calculated by dividing the net capital return attributable to Shareholders of £9,858,000 (six months ended 31 July 2012: £12,357,000; year ended 31 January 2013: £33,797,000) by the weighted average number of shares in issue as above.

## 5. Net asset value per ordinary share

The net asset value per ordinary share is based on the net assets attributable to Shareholders of £196,531,000 (31 July 2012: £165,304,000; 31 January 2013: £187,602,000) and on 116,848,386 shares in issue (31 July 2012: 116,848,386; 31 January 2013: 116,848,386).

# Notes to the Accounts

Continued

## 6. 2013 accounts

These are not statutory accounts in terms of Section 434 of the Companies Act 2006 and are unaudited. Statutory accounts for the year to 31 January 2013, which received an unqualified audit report, have been lodged with the Registrar of Companies. No statutory accounts in respect of any period after 31 January 2013 have been reported on by the Company's auditors or delivered to the Registrar of Companies.

Earnings for the first six months should not be taken as a guide to the results for the full year.

# Interim Management Report

## Principal Risks and Uncertainties

The Company's assets consist of listed securities and its main risks are therefore market related. The Company is also exposed to currency risk in respect of the markets in which it invests. Other risks faced by the Company include external, investment and strategic, regulatory, operational, and financial risks. These risks, and the way in which they are managed, are described in more detail under the heading Principal Risks and Risk Management within the Business Review in the Company's Annual Report for the year ended 31 January 2013. The Company's principal risks and uncertainties have not changed materially since the date of that report and are not expected to change materially for the remaining six months of the Company's financial year.

## Related Party Transactions

During the first six months of the current financial year no material transactions with related parties have taken place which have affected the financial position or the performance of the Company during the period.

## Going Concern

The Directors believe, having considered the Company's investment objectives, risk management policies, capital management policies and procedures, and the nature of the portfolio and its expenditure projections, that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future. For these reasons, they consider there is reasonable evidence to continue to adopt the going concern basis in preparing the accounts.

## Directors' Responsibilities

The Board of Directors confirms that, to the best of its knowledge:

- (i) the condensed set of financial statements contained within the Half Year Report has been prepared in accordance with applicable accounting standards; and
- (ii) the interim management report includes a fair review of the information required by 4.2.7R and 4.2.8R of the UK Listing Authority and Transparency Rules.

The Half Year Report has not been reviewed or audited by the Company's auditors.

The Half Year Report was approved by the Board on 27 September 2013 and the above responsibility statement was signed on its behalf by:

David Nichol  
Chairman

# How to Invest

## Investment Platforms

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

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

## 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](http://www.shareview.co.uk/dealing) or call 08456 037037 between 8.00am and 4.30pm Monday to Friday. This service is only available to shareholders of Pacific Assets Trust plc who hold shares in their own name, with a UK registered address and who are aged 18 and over.

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

## Risk warnings

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

# Information about the Company

## Directors

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

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

†Chairman of the Audit Committee and Senior Independent Director

## Registered Office

16 Charlotte Square  
 Edinburgh EH2 4DF

## Company Registration Number

SC091052 (Registered in Scotland)

The Company is an investment company as defined under Section 833 of the Companies Act 2006

## Website

[www.pacific-assets.co.uk](http://www.pacific-assets.co.uk)

## Investment Manager

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

Authorised and regulated by the Financial Conduct Authority

## Manager, Company Secretary and Administrator

Frostrow Capital LLP  
 25 Southampton Buildings  
 London WC2A 1AL  
 Telephone: 0203 008 4910  
 Email: [info@frostrow.com](mailto:info@frostrow.com)  
 Website: [www.frostrow.com](http://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.

## Brokers

Canaccord Genuity Limited  
 88 Wood Street  
 London EC2V 7QR

## Registrars

Equiniti Limited  
 Aspect House  
 Spencer Road  
 Lancing  
 West Sussex  
 BN99 6DA  
 Shareholder Helpline: 0871 384 2466\*  
 Broker Helpline: 0871 384 2779\*  
 Website: [www.equiniti.com](http://www.equiniti.com)

\*Calls to these numbers are charged at 8p per minute from a BT landline. Other telephone providers' costs may vary. 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](http://www.shareview.co.uk)

## Custodian Bankers

JPMorgan Chase Bank  
 125 London Wall  
 London EC2Y 5AJ

## Independent Auditor

KPMG Audit plc  
 Saltire Court  
 20 Castle Terrace  
 Edinburgh EH1 2EG

## Solicitors

Dickson Minto WS  
 16 Charlotte Square  
 Edinburgh EH2 4DF

## Identification Codes

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







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