

Pacific Assets Trust plc
Registered Office: 16 Charlotte Square Edinburgh EH2 4DF
UK address for service: 25 Southampton Buildings London WC2A 1AL

Dear Shareholder

1 October 2020

Pacific Assets Trust plc ('the Company') – Auditor resignation

I am writing to advise you that the Company's auditor, KPMG LLP ('KPMG'), has resigned after identifying that its re-appointment as auditor in 2017 represented a technical breach of the requirements of the Companies Act 2006 relating to the rotation of auditors.

It is the view of KPMG that the breach did not affect its independence or objectivity in carrying out its duties as auditor for the financial years ended 31 January 2018, 2019 or 2020 and your board of directors agrees with this view. I also confirm that the Company's annual financial statements (including KPMG's audit reports) for such years have not been invalidated as a result of this breach. Nonetheless, the Companies Act requires you to be sent a copy of KPMG's statement of its reasons for resignation and accordingly this is enclosed. The statement and this letter are also available on the Company's website www.pacific-assets.co.uk and have been sent to the National Storage Mechanism (NSM), where they will shortly be available for viewing at <https://data.fca.org.uk/#/nsm/nationalstoragemechanism>.

Under the Companies Act, the Company is required to carry out a tender process to select an auditor at least every ten years. In its annual report for the year to 31 January 2017, the Company explained to shareholders that an audit tender was last carried out in September 2007, that KPMG had been in post since then and that therefore a tender process would be held following the completion of the 2017 audit.

The Company ran the tender process between November 2017 and January 2018 and, as a result, KPMG was selected for re-appointment. However, this re-appointment was for the year ended 31 January 2019, with the directors agreeing to propose that KPMG be re-appointed at the Company's annual general meeting to be held in June 2018. By the time that the tender was run and the result announced, KPMG had already routinely been appointed for the eleventh audit, the 31 January 2018 audit, by the Company at the annual general meeting in June 2017.

Therefore, while KPMG did not in fact perform the 31 January 2018 audit until after the conclusion of the tender process, KPMG had technically been appointed as auditor for the year ended 31 January 2018 before the tender process took place, and it is considered that this is a breach of the Companies Act.

The breach only came to light on 14 September 2020, in the course of an internal review by KPMG.

As I have already explained, KPMG has considered this breach and has concluded that it did not impact on its independence and objectivity as auditor of the Company. The Company supports this conclusion and considers that the underlying policy of ensuring that a tender process should take place after ten consecutive audits was not, in practice, undermined. In addition, the Company's annual financial statements (including KPMG's audit reports) for the years ended 31 January 2018, 2019 and 2020 remain valid.

Nonetheless, there has been a technical breach of the Companies Act and KPMG has therefore concluded that it had to resign as auditor immediately.

Your board will proceed to carry out a tender process in order to select and appoint a new auditor for the current financial year and beyond. The identity of that new auditor will be announced in due course.

Yours faithfully

James Williams
Chairman

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Registered in Scotland with registered number 91052;
an investment company within the meaning of section 833 of the Companies Act 2006