Pacific Assets Trust plc

Annual Report for the year ended 31 January 2017

Frostrow CAPITAL

Stewart Investors

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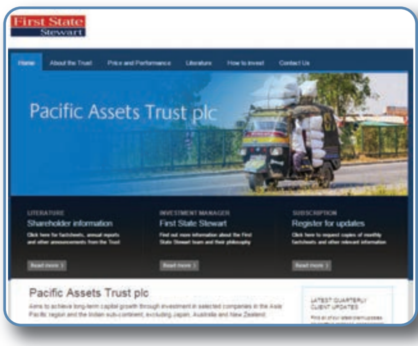


Strategic Report / Financial Highlights

Net asset value per share total return
+27.0%
2016: (6.6)%

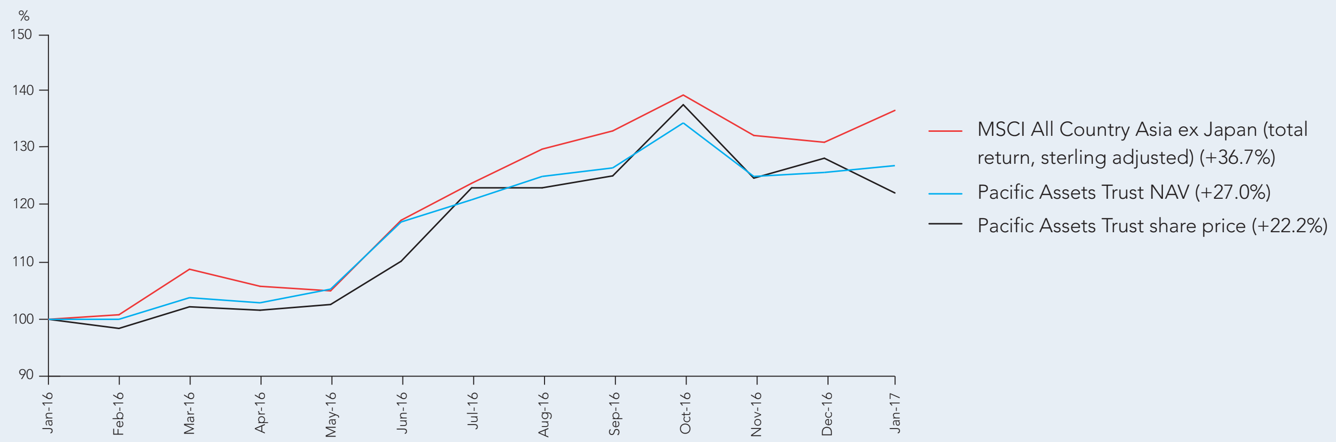
Share price total return
+22.2%
2016: (2.5)%

Benchmark*
+36.7%
2016: (13.1)%
*MSCI All Country Asia Ex Japan Index (total return, sterling adjusted)

Discount of share price to net asset value per share
4.9%
2016: 1.1%

Dividend per share
2.6p
2016: 2.2p

Net Asset Value Total Return and Benchmark Performance for the Year to 31 January 2017



Source: Morningstar
Rebased to 100 as at 31 January 2016

Strategic Report / Key Information

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.*

*It is proposed that the Company's Investment Objective is amended as further described on page 35.

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.

Details of Company's current Investment Objective and Policy can be found on page 20.

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 64 and 65.

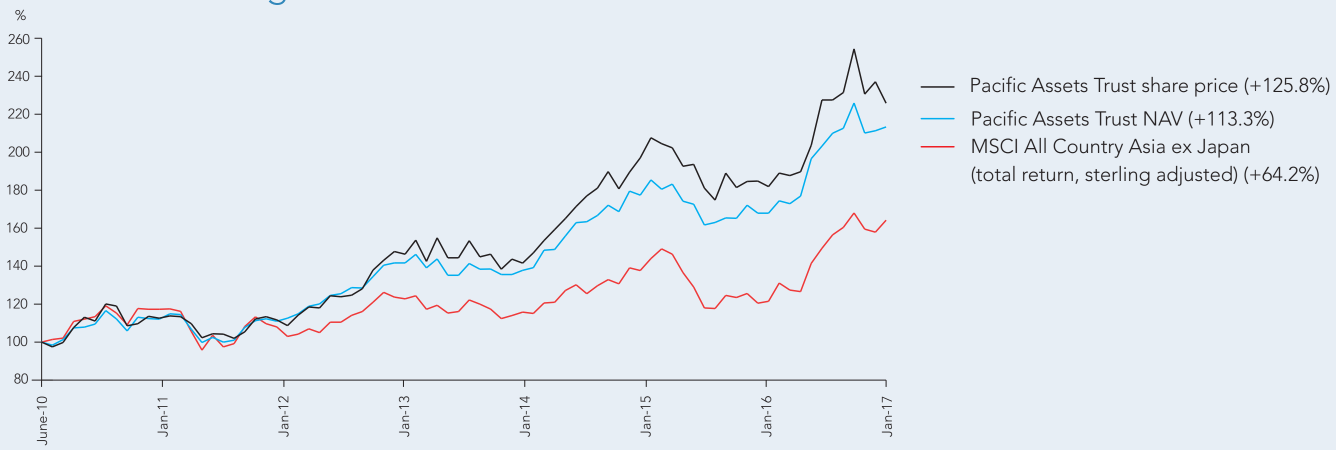
Strategic Report / Company Performance

Performance Summary

	As at 31 January 2017	As at 31 January 2016	% Change
Shareholders' funds	£287.2m	£228.3m	25.8%
Market capitalisation	£273.0m	£225.8m	20.9%
Discount of share price to net asset value per share	4.9%	1.1%	–
Total Return	One year to 31 January 2017	One year to 31 January 2016	
Share price (total return)	22.2%	(2.5)%	n/a
Net asset value per share (total return)	27.0%	(6.6)%	n/a
MSCI All Country Asia ex Japan Index (total return, sterling adjusted)	36.7%	(13.1)%	n/a
Revenue and Dividend			
Revenue return per share	2.8p	2.2p	27.3%
Dividend per share	2.6p	2.2p	18.2%
Ongoing Charges Ratio			
Ongoing charges ratio*†	1.3%	1.3%	n/a

*Source: Morningstar † See glossary on page 63

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



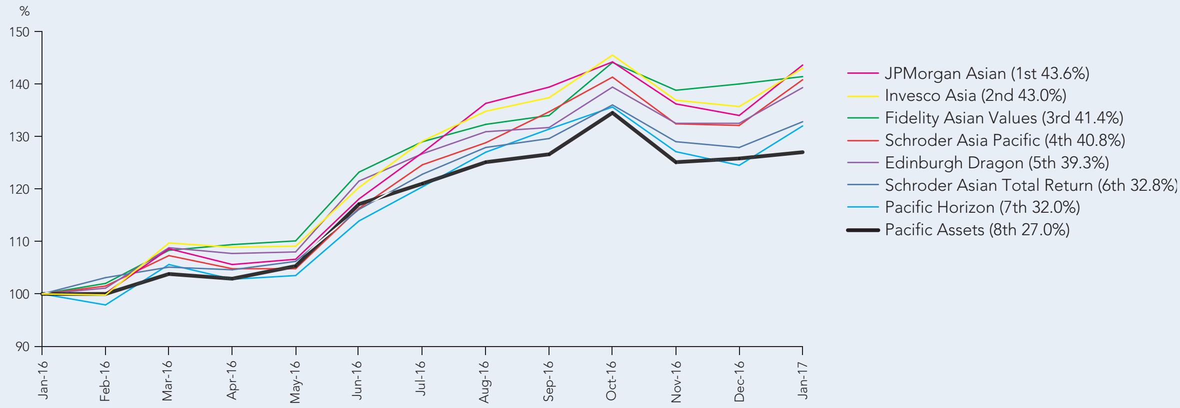
Source: Morningstar
Rebased to 100 as at 30 June 2010

Strategic Report / Company Performance

Performance Assessment

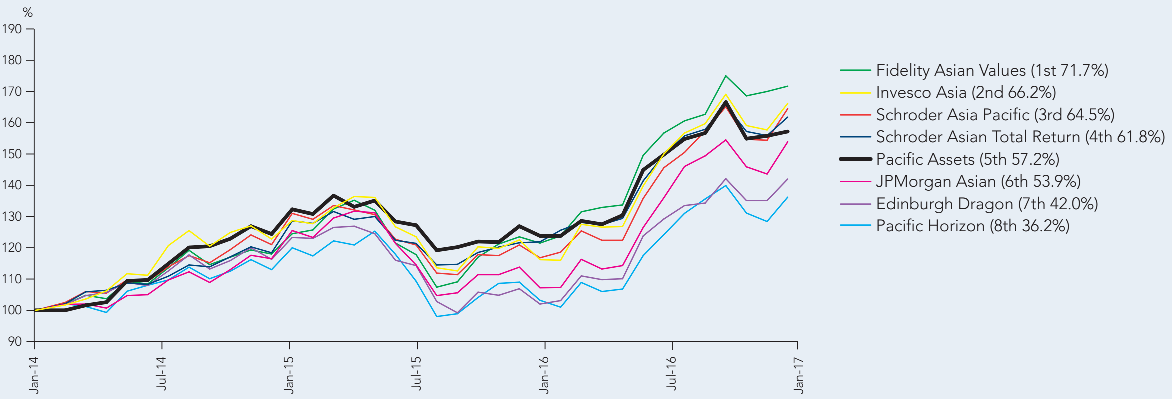
Pacific Assets Trust plc exists in a competitive environment and aims to be a leader in its peer group, defined by being consistently within the top third of that group measured by net asset value total return. The Company is committed to building a long-term investment record and will assess itself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

Peer Group NAV Total Return – 12 Months to 31 January 2017



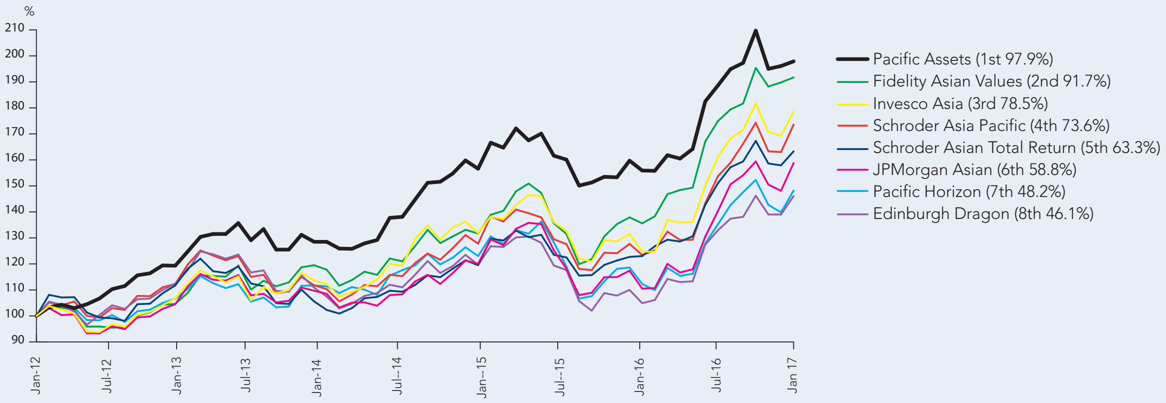
Source: Morningstar
Rebased to 100 as at 31 January 2016

Peer Group NAV Total Return – Three Years to 31 January 2017



Source: Morningstar
Rebased to 100 as at 31 January 2014

Peer Group NAV Total Return – Five Years to 31 January 2017



Source: Morningstar
Rebased to 100 as at 31 January 2012

Strategic Report / Company Performance

Ten Year Record

31 January	Shareholders' funds £'000	Net asset value per share	Share price	Discount of share price to net asset value per share	Dividend per share	Ongoing charges
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%
2017	**287,202**	**240.2p**	**228.4p**	**4.9%**	**2.60p**	**1.3%**

*Excludes the costs attributable to the change in management arrangements amounting to £380,000.
†Excludes performance fees payable (2015: £1,798,000) (2014: £1,358,000) (2013: £627,000).

Strategic Report / Chairman's Statement

"The Company's net asset value per share total return was +27.0% in the 12 month period. Our Investment Manager's approach is to buy companies which can combine high standards of corporate conduct with a successful business model. We are encouraged that the responsible behaviour in corporate management that our Investment Manager seeks out, is becoming more widespread within Asia."

Latest Financial Year

Your Company produced an adequate return in absolute terms for the year ended 31 January 2017. The net asset value per share total return was +27.0% in the same 12 month period. By comparison, the Company's benchmark, the MSCI All Country Asia ex Japan Index measured on a comparable basis, rose by 36.7% over the year. Asian markets generally performed well but a significant element of this increment was as a result of sterling's decline against the Asian currencies into which the Company invests.

The headlines behind the markets were largely political, ranging from unpredictability following the US elections to the demonetisation in India to the latest tensions over nuclear weapons in the Korean peninsular. The dollar was consistently strong and there is a suggestion that bond yields as well as shorter term interest rates are experiencing a change of trend as they rise following years of slack. There is also uncertainty on international trading relations with the new US administration appearing hawkish on formerly established trade agreements.

Since Stewart Investors assumed management of the Company's portfolio in 2010, they have consistently maintained a distinctive investment approach. They seek to position the Company's portfolio in companies which can combine high standards of corporate conduct with a successful business model. Once an investment is made, normally after extensive communication with management, they would expect to hold the position for a number of years. Investment turnover is very low, and the relationship of the mix of the portfolio to the index is at best tenuous.

As a Board we would not expect our Investment Manager to deviate from this investment approach, either by the pursuit of popular market trends or by reacting unnecessarily to changes in macro-economic or macro-political circumstances. We are well aware that with a portfolio of shares with such a wide deviation from the index and frequently from the peer group of Asian funds, that relative performance can vary quite appreciably both on the positive and on the negative side. Additionally, our Investment Manager's approach emphasises a focus upon trying to reduce downside volatility which can mean that when markets move sharply upwards in a short period of time some of the stocks held may lag. Successful investment selection over the last five years which the Board believes is a reasonable horizon given the Company's investment style, means that the Company over that longer period remains the top performer within its peer group. In the 12 month period covered by this report, the Company has dropped to the bottom of the peer group of seven other comparable closed end investment companies with an Asian mandate.

The share price discount to net asset value per share as at 31 January 2017 was 4.9% which compares to a discount of 1.1% as at 31 January 2016. During the course of the year, the Company was able to issue 100,000 new shares at a small premium to net asset value per share. 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.

Revenue and Dividend

As has been explained in previous reports to shareholders the generation of income from dividends remains a secondary objective for the Company. Many of the companies in which we are invested are relatively young businesses to which we are committed for the

Strategic Report / Chairman's Statement

long term, where the future growth profile is more important than the generation of dividend income for shareholders. We seek to pay out the major part of income received to shareholders but we would make a reminder that this can rise or fall from one year to another. For the current year, the Company's earnings per share was 2.8p compared with 2.2p for the previous year. The Board has taken a decision to recommend an increased annual dividend of 2.6p per share. This dividend will be paid on 4 July 2017 to shareholders on the register at 2 June 2017. The associated ex-dividend date will be 1 June 2017.

The Board

As announced this time last year, Nigel Rich retired from the Board at the conclusion of the Annual General Meeting held in 2016. Following this, the Board appointed Robert Talbut as a Director with effect from 23 September 2016. Robert has wide experience of investment management in both executive and non-executive positions. He was formerly director and Chief Investment Officer of Royal London Asset Management limited. Robert's approach to investment is firmly based on the concept of long-term stewardship, which provides strong empathy with our Investment Manager's approach. We are very pleased to have someone of his calibre and experience join the Board.

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. The Board recently visited Stewart Investors' offices in Singapore and accompanied our Investment Manager on company visits.

We reviewed their risk controls and their investment processes during the course of the year. We also have considered their organisation and the decision making structures that support it. We take note of their relative performance against both the index and against a peer group of investment companies. While the returns for the 12 month period are below both the index and the peer group, we are more attentive to longer-term periods particularly over three and five years where the relative figures are positive.

The Board remains satisfied that the continuing appointment of Stewart Investors is in the interests of the Company's shareholders.

Costs

The Board monitors carefully the expenses incurred in the operation of the Company. It should be noted that the fees of Stewart Investors and Frostrow, the Company's two principal service providers, were last revised in 2015 when Stewart Investors' performance fee was discontinued and when Frostrow 's fee scale was reduced. Costs will continue to be kept under review, with attention paid to market conditions and to the expense ratios of comparable investment companies.

Annual General Meeting

The Annual General Meeting will be held at etc. venues St. Paul's, 200 Aldersgate Conference Centre, London EC1A 4HD on Thursday, 29 June 2017 at 12 noon. 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.

Proposed Change to the Investment Objective

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

Our Investment Manager believes that the list of high quality companies that are incorporated and/or listed outside the Asia Pacific Region and which derive a meaningful amount of their economic activities from within this region is growing as companies continue to develop pan-Asian franchises. As a result, they believe that it would be in shareholders' interests to amend the Company's Investment Objective to allow up to a

Strategic Report / Chairman's Statement

maximum of 20% of the Company's total assets (at the time of investment) to be invested in companies where the proportion of their economic activities derived from Asia Pacific Region is at least 25% (at the time of investment) but where such activities are expected to grow significantly over the longer-term. Further details of this proposed change can be found on page 35.

Under the Listing Rules the Company is required to seek approval of shareholders for any material change to its investment objective. An ordinary resolution to approve this change will be proposed at the Company's Annual General Meeting to be held on Thursday, 29 June 2017 at 12 noon. The proposed amendment has been approved in principle by the Financial Conduct Authority in accordance with the requirements of the Listing Rules.

Your Board strongly supports our Investment Manager's investment philosophy and approach, and considers this resolution to be in the best interests of the Company and its shareholders as a whole.

Outlook

Markets have been rising against a background that is far from benign. Rising interest rates, a strong dollar, and fears of protectionism do not provide a comfortable backdrop. Commodity prices have been robust, and in most parts of the world the deflation that had caused such concern seems to be in the past. In Asia many of the stocks that have led the way in these market conditions do not easily pass the quality tests that our Investment Manager sets, while valuations for some of the good companies that meet their critical criteria, are steep. Even on the longer-term framework that our Investment Manager works within, it is not easy to find opportunities for new investment at reasonable prices.

However there remain many remarkable investments within our reach. We believe that the countries in which we invest have growth prospects that well exceed what is found in our own domestic markets. We are encouraged that the responsible behaviour in corporate management that our Investment Manager seeks out, is becoming more widespread within Asia. There is a dynamic of change in attitude and in governance which will reward the patient investor with better than average returns over a longer-term period.

James Williams
Chairman

4 April 2017

Strategic Report / Investment Portfolio

as at 31 January 2017

Company	MSCI sector	Market valuation £'000	% of total assets less current liabilities	Country of principal economic activity
Vitasoy International Holdings	Consumer Staples	18,785	6.6	Hong Kong
Tech Mahindra	Information Technology	14,778	5.2	India
Marico	Consumer Staples	13,188	4.6	India
Standard Foods	Consumer Staples	12,191	4.3	Taiwan
Taiwan Semiconductor Manufacturing	Information Technology	11,853	4.1	Taiwan
Chroma ATE	Information Technology	9,561	3.3	Taiwan
Manila Water	Utilities	8,734	3.0	Philippines
Kotak Mahindra Bank	Financials	8,723	3.0	India
Dr. Reddy's Laboratories	Health Care	8,688	3.0	India
Unicharm *	Consumer Staples	7,862	2.7	Japan
Ten largest investments		**114,363**	**39.8**	
Delta Electronics (Thailand)	Information Technology	7,836	2.7	Thailand
E.Sun Financial Holdings	Financials	7,711	2.7	Taiwan
Ayala Corporation	Financials	7,540	2.6	Philippines
Idea Cellular	Telecommunication Services	6,001	2.1	India
Housing Development Finance	Financials	5,970	2.1	India
China Mengniu Dairy	Consumer Staples	5,956	2.1	China
DGB Financial Group	Financials	5,576	1.9	Korea
Bank OCBC NISP	Financials	5,339	1.9	Indonesia
Bank of the Philippine Islands	Financials	5,283	1.8	Philippines
Dabur India	Consumer Staples	4,832	1.7	India
Twenty largest investments		**176,407**	**61.4**	
Delta Brac Housing Finance	Financials	4,485	1.6	Bangladesh
Tube Investments of India	Consumer Discretionary	4,426	1.5	India
Public Bank	Financials	4,155	1.5	Malaysia
XL Axiata	Telecommunication Services	3,853	1.3	Indonesia
Commercial Bank of Ceylon	Financials	3,819	1.3	Sri Lanka
Sheng Siong	Consumer Staples	3,750	1.3	Singapore
Linde India	Materials	3,731	1.3	India
PChome Online	Information Technology	3,584	1.3	Taiwan
Cipla	Health Care	3,212	1.1	India
Kasikornbank	Financials	3,204	1.1	Thailand
Thirty largest investments		**214,626**	**74.7**	
Giant Manufacturing	Consumer Discretionary	3,127	1.1	Taiwan
Oversea-Chinese Banking	Financials	3,099	1.1	Singapore
Square Pharmaceuticals	Health Care	3,075	1.1	Bangladesh
Delta Electronics (Taiwan)	Information Technology	2,987	1.0	Taiwan
Expeditors International of Washington *	Industrials	2,931	1.0	United States
Selamat Sempurna	Consumer Discretionary	2,880	1.0	Indonesia
Godrej Consumer Products	Consumer Staples	2,466	0.9	India
Marico Bangladesh	Consumer Staples	2,446	0.9	Bangladesh
BRAC Bank	Financials	2,382	0.8	Bangladesh
Hemas Holdings	Industrials	2,299	0.8	Sri Lanka
Forty largest investments		**242,318**	**84.4**	

*Economic activity takes place principally in the Asia Pacific Region

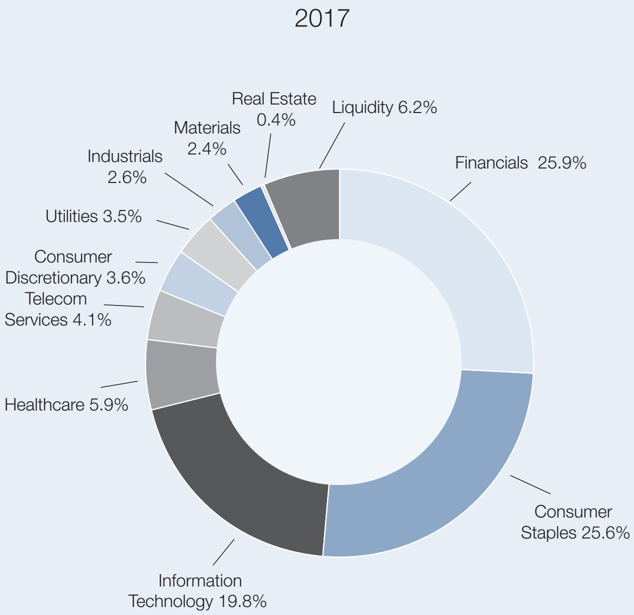
Strategic Report / Investment Portfolio

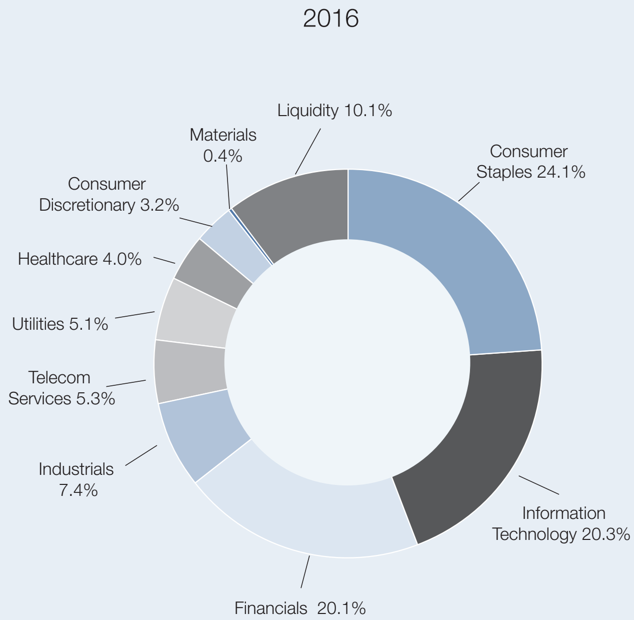
Company	MSCI sector	Market valuation £'000	% of total assets less current liabilities	Country of principal economic activity
Elgi Equipments	Industrials	2,196	0.8	India
Koh Young Technology	Information Technology	2,185	0.7	Korea
City Union Bank	Financials	2,083	0.7	India
Info Edge	Information Technology	2,079	0.7	India
Cyient	Information Technology	2,011	0.7	India
Lupin	Health Care	1,987	0.7	India
IDFC Bank	Financials	1,921	0.7	India
Dialog Axiata	Telecommunication Services	1,896	0.7	Sri Lanka
Tata Chemicals	Materials	1,625	0.6	India
Mahanagar Gas	Utilities	1,585	0.5	India
Fifty largest investments		**261,886**	**91.2**	
S H Kelkar and Co.	Materials	1,505	0.5	India
Sundaram Finance	Financials	1,474	0.5	India
Infrastructure Development Finance	Financials	1,360	0.5	India
CT Holdings	Consumer Staples	1,228	0.4	Sri Lanka
Mahindra Lifespace Developers	Real Estate	1,206	0.4	India
Hero Supermarket	Consumer Staples	623	0.2	Indonesia
Cholamandalam Investment & Finance	Financials	144	0.1	India
Bata Shoe	Consumer Discretionary	113	0.0	Bangladesh
Total portfolio		**269,539**	**93.8**	
Net current assets		**17,663**	**6.2**	
Total assets less current liabilities		**287,202**	**100.0**	

Strategic Report / Investment Portfolio

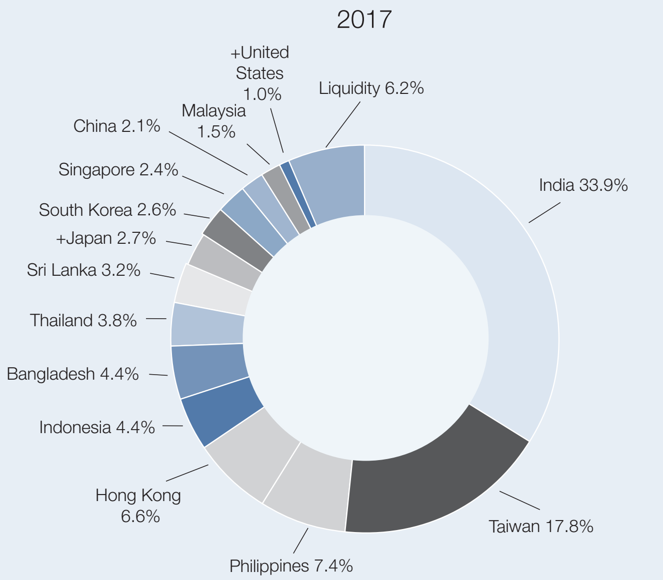
Portfolio Distribution

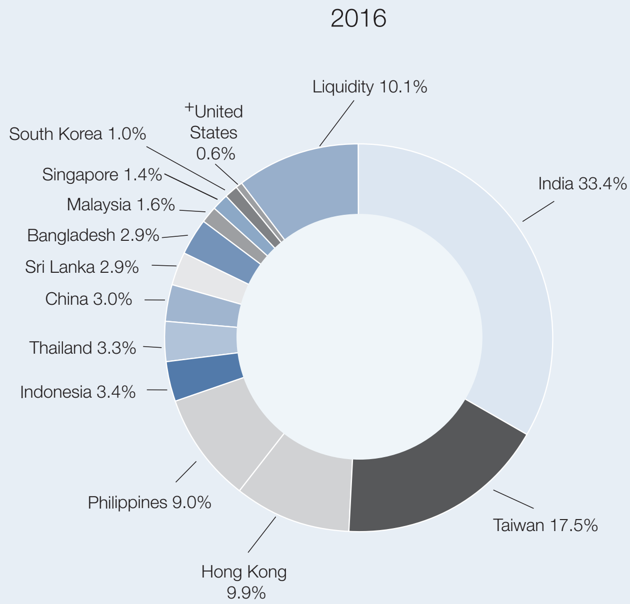
Sector Analysis





Geographical Analysis





+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

"Over the years, we have found the combination of a family steward and a professional management team to be a potent force, combining the benefits of a long-term time horizon with a more critical view of the operations of the company."

Last year we highlighted our concerns about the over-valuation of Asian equity markets. Rather than correct to more realistic levels, the twelve months since have seen Asian markets rise strongly again, once again proving how poor we are at market predictions!

It has been particularly easy to get distracted by top-down political noise during the last year, be it the arrival of President Duterte in the Philippines, demonetisation in India or, further afield, the US elections or Brexit. The reality is that most, if not all, of the companies in which we invest have been through such political and economic maelstroms many times before in their corporate lives. Military coups, dictatorships, autocracies, banking and foreign exchange crises are all part and parcel of recent Asian corporate history. Sober management teams with a long-term mindset, robust cash-generative franchises and net cash balance sheets go a long way in helping companies weather these top-down storms. We continue to devote our time to seeking out such companies and working with them as patient long-term minority shareholders.

Extended valuations have also been a challenge. It is tempting to move down the quality spectrum in search of "value" companies on lower multiples, such as Chinese banks, but this would likely be a quick way for us to lose shareholders' funds.

Similarly, it is tempting to chase "growth" companies, able to demonstrate an above average growth trajectory of earnings. Unfortunately, such companies are now priced for perfection in most cases. While we are happy to pay up for quality, we are not happy to pay up for "growth", which rarely materialises to the extent predicted by the market.

There are many examples of growth being overpriced currently. To take one recent example of many, we have just spent time looking at one of China's leading manufacturers of industrial automation products. We were initially attracted to the management's significant ownership in the company, its strong engineering culture and its impressive ability to move with the times, evolving from making simple inverters to more complex servo motors. The company is well-positioned from a sustainable development perspective, providing critical components for electric vehicles and energy efficient plant machinery. This is both a blessing and a curse. As the company has ties to automation, robotics, and electric vehicles, it is very easy for the market to become carried away by the potential that lies in increased robot penetration in China and the growth in electric vehicles. As a result, the company's shares currently trade at almost forty years' worth of current earnings. In order to justify paying that valuation, we would have to make some very bold assumptions indeed!

Investing by Economic Exposure

As bottom-up investors with the freedom to ignore the large, most popular companies in the benchmark, we have always been happy owning companies listed outside the Asia ex-Japan region if they make the majority of their money in Asia ex-Japan, and if we think they are well-positioned to benefit from, and contribute to, the sustainable development of the countries in which they operate.

Unicharm, one of the recent additions to the portfolio, falls into this category. Despite its listing in Japan, it is the largest supplier of diaper and sanitary products in Asia ex-Japan. A high quality company that provides necessary goods, we have long admired the stewardship of the founding Takahara family and their ability to take a long-term view on brand building, and their licence to operate. We see two positives here for the Company's shareholders. Firstly, the list of such companies continues to grow as companies continue to develop pan-Asian franchises. Secondly, the quality of these companies is often higher than their listed Asian ex-Japan alternatives. There are a number of such companies that we are keeping a close eye on and hope to invest in over the coming years.

Strategic Report / Investment Manager's Review

Stewardship

As discussed previously, your Company has a large portion of its capital allocated to companies where a long-term steward owns a significant portion of the economic interest - we are looking for builders not speculators. These stewards manage their businesses with time horizons measured in decades and generations, not months or quarters, and are not looking to make short-term profits at the expense of long-term survival. Over the years, we have found the combination of a family steward and a professional management team to be a potent force, combining the benefits of a long-term time horizon with a more critical view of the operations of the company. Roughly 40% of your portfolio has this powerful combination. The largest companies within the benchmark do not tend to offer such qualities.

For the higher quality stewards, their stewardship tends to manifest itself in qualities that we value very highly; namely continued reinvestment in the business, abhorrence of debt (allowing them to act counter-cyclically) and a greater appreciation of the long-term risks to their franchise and how it is positioned relative to long-term sustainability challenges. Managing succession is a key consideration for all companies, but it takes on even greater importance within family-owned ones. We spend a lot of our time trying to understand ownership structures and assessing the quality of the next generation. Some companies held in your portfolio are now into their fifth generation.

Performance – 12 Months ended 31 January 2017

Over the past 12 months the total return of the Company's net asset value per share was +27.0%. This compares to a rise in the benchmark index of 36.7%. Our focus on stewardship and capital preservation tends to mean that the Company underperforms sharply rising markets. This is very much the case currently. We are not risk-averse, but we do set out to be obsessively risk aware.

The tables below highlight the top 10 best and worst contributors to the Company's performance over the 12 months to January 2017. As always, it is worth highlighting the short-time period here, bearing in mind that we set out to invest in companies over a minimum five-year period, and ideally much longer.

Top 10 Contributors to Performance for the Year Ended 31 January 2017

Company	**Absolute Contribution to Performance (%)**
Marico	2.22
Taiwan Semiconductor (TSMC)	2.10
Chroma ATE	1.64
Standard Foods	1.37
Manila Water	1.34
Vitasoy International Holdings	1.27
E.Sun Financial Holdings	1.13
Airtac International*	1.08
China Mengniu Dairy	0.94
Ayala Corporation	0.89

* Company not held at end of the year

It is hard to identify any consistent themes in the top contributors, but one takeaway would be that the majority of them were larger positions in the portfolio. Standard Foods and Vitasoy are two examples of consumer companies using cash flows generated in their home markets to build strong franchises in China that are well placed to benefit from a demand for healthier plant based beverages and cooking oils. Chroma ATE is one of our few companies that has exposure to clean technologies and electric vehicles. It benefited last year from a pick-up in many of its end markets and although these markets tend to be quite cyclical in nature, structural growth should continue to drive long-term growth in cash flows.

Bottom 10 Contributors to Performance for the Year Ended 31 January 2017

Company	**Absolute Contribution to Performance (%)**
Marico Bangladesh	-0.08
Cyient	-0.06
Mahindra Lifespace Developers	-0.05
MTR Corp*	-0.01
Hero Supermarket	-0.01
Singapore Post*	0.00
Swire Properties*	0.01
Bata Shoe	0.02
Globe Telecom*	0.02
Selamat Sempurna	0.03

* Company not held at end of the year

Strategic Report / Investment Manager's Review

It is worth noting, as an example of how strong markets have been, that only five positions did not make a positive absolute return during the period. The worst investment of the year was our investment in Marico Bangladesh, a Bangladeshi consumer company, where the weakness in the share price was the result of weak short-term earnings. Our conviction remains intact and we continue to believe in the quality and the long-term growth potential of what is still a very small company. Elsewhere, we were, in hindsight, too early in initiating a position in Indian engineering and IT company Cyient, as it continued to fall after our initial purchase. However, we used this further weakness to build a larger position in the company. Mahindra Lifespaces, as with the rest of India's housing sector, was hit by worries that demonetisation would hurt growth. We remain happy holders of the company as we believe that the quality of the management team and their strong brand should allow them to benefit from the increased need for affordable housing and the government's determination to clean up the sector.

Transactions

New Positions

Unicharm: Listed in Japan but Asia's largest personal hygiene company.

Delta Brac Housing Finance: A leading private sector housing finance company in Bangladesh.

Cipla: One of India's oldest family-owned pharmaceutical companies seeking to improve access to affordable medicines.

OCBC: A conservative, family-owned Singaporean bank.

Cyient: An Indian engineering design services company seeking to provide efficiencies across a range of industries, including rail transportation, power generation, communications, and utilities.

Koh Young Technology: A Korean manufacturer of 3D inspection systems using its core technology to expand into new sectors.

Lupin: A family-owned Indian pharmaceutical company producing affordable medicines.

SH Kelkar & Co.: A family-owned fragrance and flavour manufacturer well-placed to benefit from the growth of India's domestic consumer brands.

Mahanagar Gas: A natural gas distribution company based in India with strong sustainability tail winds.

Sundaram Finance: One of the oldest and largest non-banking financial companies in India with an impressive record that spans over sixty years.

Disposals

Infosys: Concerns over a deterioration in the quality of stewardship at this Indian IT services company.

Airtac: Taiwan-headquartered company engaged in the manufacture and sale of pneumatic equipment. Concerns over a deterioration in the quality of financials.

China Towngas: Company engaged in the distribution of LPG and pipe natural gas in mainland China. Concerns over long-term alignment with Chinese regulators.

MTR Corporation and Swire Properties: Two Hong Kong companies (transport and property) where the original investment case has changed. We have concerns over their exposure to Hong Kong and Chinese property.

Asustek: Taiwanese multinational computer hardware and electronics company. We have replaced this with higher conviction ideas.

ASM Pacific: Technology company headquartered in Hong Kong – now fully valued in a very cyclical industry.

Weifu High Technology: Chinese automotive component manufacturer. We have seen a deterioration in the quality of stewardship and have doubts about their long-term sustainability positioning.

Container Corporation of India: Indian container transport. Company is now fully valued, given that it is a state-owned enterprise.

Strategic Report / Investment Manager's Review

Outlook

We continue to identify a small handful of new investments for the portfolio that we hope will remain for many years and decades to come. One example from last year is Delta Brac Housing Finance, a mortgage lender in Bangladesh partly owned by two high quality stewards in the form of HDFC (an Indian mortgage provider) and BRAC. We have met the company several times and come away very impressed with the conservative nature and quality of the culture. Housing is a fundamental human need and we believe that the company stands to benefit as average family incomes in Bangladesh rise steadily from what are very low levels, over coming decades. While we don't expect the company's earnings to grow rapidly in a straight line, we have sufficient conviction in the quality of the company to increase our stake, should the company hit short-term difficulties along the way.

It is the existence of companies such as Delta Brac Housing Finance that make us optimistic about the long-term returns for your Company, despite current elevated valuations across Asia. There remains a plethora of high quality stewards managing high quality Asian franchises that are well placed to contribute to, and benefit from the sustainable development of the region. Sustainability tail winds will continue to provide such companies in the region the opportunity to grow their cash flows, and share prices, over the long run.

Stewart Investors
4 April 2017

Strategic Report / Portfolio Focus

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

GODREJ CONSUMER PRODUCTS

Sustainability classification: Sustainable Goods and Services

Company description: Indian consumer goods Company backed by the 119 year old Godrej Group operating in personal wash, hair care and home care categories.

Investment rationale: A well-stewarded consumer franchise focused on selling high quality products at affordable prices. Their growing presence in emerging markets, and the low penetration of these categories, should help sustain growth for decades to come while the group's sense of social responsibility ought to reduce long-term risks to their licence to operate.

Godrej Consumer Products Ltd.

BRAC BANK

BRAC BANK

Sustainability classification: Responsible Finance

Company Description: Bangladeshi bank controlled by BRAC the world's largest non-governmental organisation (NGO).

Investment rationale: A strong franchise with a clear sense of purpose, the bank is primarily focused on lending to small and medium sized enterprises (SMEs). SMEs account for 99% of firms in Bangladesh but only a quarter currently have access to formal credit. This significant unmet need provides strong sustainability tail winds for a responsible lender such as BRAC.

Strategic Report / Portfolio Focus

CHROMA ATE

Sustainability classification: Required infrastructure

Company Description: Founded in 1984 and headquartered in Taiwan, Chroma is a leading supplier of testing equipment essential in the development, manufacture and maintenance of products.

Investment rationale: Led by its visionary founder, Mr Huang, Chroma is a dominant player in the niche testing industry where its trust-based, tailoring franchise provides strong competitive advantages and resilient returns. The company is well placed to continue to benefit from the structural growth in the battery, solar, electric vehicle and semiconductor sectors.

Strategic Report / Business Review

The Strategic Report, set out on pages 1 to 24, 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 current investment objective along with Stewart Investors' investment approach is set out on page 2. It is proposed that the Investment Objective is amended as further described on page 35.

Investment Policy

The Company invests in companies which Stewart Investors believe 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 Company has the power under its Articles of Association to borrow up to two times the adjusted total of capital and reserves. However, in accordance with the Alternative Investment Fund Managers Directive ("AIFMD"), the Company was registered by the FCA as a Small Registered UK Alternative Investment Fund Manager ("AIFM") with effect from 1 April 2014. To retain its Small Registered UK AIFM status, the Company is unable to employ gearing. Notwithstanding this, the Company's approach is not to gear the portfolio.

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

Dividend Policy

It is 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 the Company is committed for the long term. This means that the Company's Investment Manager is frequently drawn to companies where the future growth profile is more important than the generation of dividend income for shareholders.

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.

Strategic Report / Business Review

The Board

The Board of the Company comprises James Williams (Chairman), Charlotta Ginman, Sian Hansen, Terence Mahony and Robert Talbut. All of these Directors served throughout the year (with the exception of Robert Talbut who was appointed on 23 September 2016) and are non-executive independent Directors.

Further information on the Directors can be found on pages 25 and 26.

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 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;
- whether the Company should employ gearing (as a small registered UK AIFM, 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 20.

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 37 in the Report of the Directors.

The Corporate Governance report, on pages 27 to 34, 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 five times a year and at each meeting reviews performance against a number of key measures, as follows:

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

Net asset value total return – benchmark

The Directors regard the Company's net asset value total return as being the overall measure of value delivered to shareholders over the long term. Total return reflects both 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.

During the year under review the net asset value per share showed a total return of +27.0% underperforming the Benchmark by 9.7%.

A full description of performance during the year under review and the investment portfolio is contained in the Investment Manager's Review commencing on page 14.

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 to five-year basis.

Strategic Report / Business Review

For the three years ended 31 January 2017 the Company ranked fifth out of its peer group of the Company and seven other investment trusts with a similar investment objective as that of the Company; over five years it was ranked first.

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 100,000 new shares were issued at a premium of 1.3% 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 2017	31 January 2016
4.9%	1.1%
Peer group average discount 9.3%	Peer group average discount 9.5%

Ongoing charges ratio

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

As at 31 January 2017 the ongoing charges ratio was 1.3% which was unchanged from the percentage for the previous year. This ongoing charges ratio compares to the average of the Company's peer group of 1.1%, or 1.3% where the members of the peer group have a performance fee.

Ongoing charges ratio

31 January 2017	31 January 2016
1.3%	1.3%
Peer group average 1.1%	Peer group average 1.1%

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 four headings as follows:

- Investment risks
- Financial risks
- Shareholder relations
- Operational risks (including cyber crime, corporate governance, accounting, legal, political 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, monitors 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 / Business Review

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 regular reports from the Investment Manager, such reports 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 Investors' 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 59.

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;
- regularly discusses 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 cyber crime, corporate governance, regulatory, legal, political 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 regulations, leading to reputational damage and/or financial loss to the Company. This encompasses disruption or failure caused by cyber crime and covers

Strategic Report / Business Review

dealing, trade processing, administrative services, financial and other operational functions.

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;
- receives updates on pending changes to the regulatory and legal environment and progress towards the Company's compliance with such changes; and
- has considered the increased risk of cyber-attacks and has received reports and assurance from its service providers regarding the controls in place.

The Board is aware that the UK's vote to leave the EU has introduced elements of political and economic uncertainty which may have practical consequences for the Company and its Investment Manager. Developments will be closely monitored by the Board.

Geopolitical risk to the Company is also considered regularly by the Board.

Directors

The Directors of the Company, who served during the year, are shown below. Further information on the Directors can be found on pages 25 and 26.

James Williams (Chairman)
Charlotta Ginman
Sian Hansen
Terence Mahony
Nigel Rich (retired on 29 June 2016)
Robert Talbut (appointed on 23 September 2016)

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.

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.

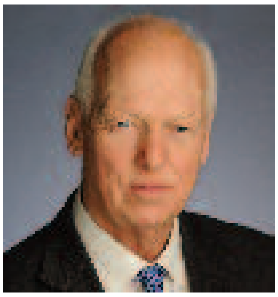
The Board monitors the performance of the Company's investment portfolio compared to its Benchmark and also its peer group.

The Board is regularly updated by Frostrow Capital LLP on wider investment trust industry issues and regular discussions are held 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 6 to 8 and in the Investment Manager's Review on pages 14 to 17.

Subject to the proposed change to the Company's Investment Objective, as detailed on page 35, the Company's overall strategy remains unchanged.

Governance / Board of Directors



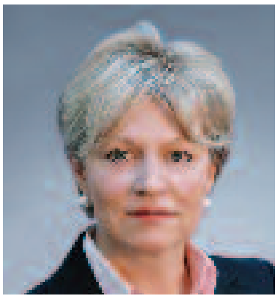
James Williams

Chairman

A Director since 2013 and became Chairman in June 2015
Last reappointed to the Board: 2016
Remuneration: £32,000

James 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 F&C UK High Income Trust plc.

Shareholding in the Company: 40,000



Charlotta Ginman, FCA

A Director since 2014
Last reappointed to the Board: 2016
Remuneration: £26,000

A Chartered Accountant, Charlotta is Chairman of the Audit Committee and the Senior Independent Director. 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 and Unicorn AIM VCT 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.

Shareholding in the Company: 9,716

Sian Hansen

A Director since 2015
Last reappointed to the Board: 2016
Remuneration: £23,000

Sian is a Non-Executive Director of JP Morgan Income and Capital Trust PLC and of EBF International (Shanghai) Ltd. Sian also sits on the Advisory Board for Cerno Capital PLC and acts as a Senior Advisor to Kreab. She has a number of not-for-profit positions including acting as a Commissioner of the Social Metrics Commission in the UK and The Women's Refugee Commission in the USA. Sian previously spent three years as Executive Director of the Legatum Institute and seven years as Managing Director of the UK think tank Policy Exchange.

Shareholding in the Company: 4,680

The table below sets out the number of scheduled Board and Committee meetings held during the year ended 31 January 2017 and the number of meetings attended by each Director.

	Board of Directors	Audit Committee	Engagement & Remuneration Committee	Nomination Committee
Number of meetings	5	3	2	1
James Williams	5	3	2	1
Charlotta Ginman	5	3	2	1
Sian Hansen	5	3	2	1
Robert Talbut*	2	1	1	–
Terence Mahony	5	3	2	1
Nigel Rich**	2	1	1	1

* Appointed on 23 September 2016
** Retired on 29 June 2016

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 29 June 2016.

Governance / Board of Directors

Terence Mahony
A Director since 2004
Last reappointed to the Board: 2016
Remuneration: £23,000

Terence is Managing Director of TFM Management Limited, a firm of investment consultants based in Hong Kong. He has over 40 years' investment experience, the last 30 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.

Shareholding in the Company: 25,000

Robert Talbut
A Director since 2016
Last reappointed to the Board: N/A
Remuneration: £8,161

Robert is a Non-Executive Director of Schroder UK Mid Cap Fund PLC and Shires Income PLC. He is also Chairman of EFG Asset Management (UK) Limited and is an independent member of Aviva Group's Independent Governance Committee and an external adviser to Hiscox plc. Robert was formerly a director and Chief Investment Officer at Royal London Asset Management Limited.

Shareholding in the Company: 4,729

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 Board

Chairman – James Williams

Senior Independent Director – Charlotta Ginman

Three additional non-executive Directors, all considered independent.

Key responsibilities:

- to provide leadership and set strategy, values and standards within a framework of prudent effective controls which enable risk to be assessed and managed;
- to ensure that a robust corporate governance framework is implemented; and
- to challenge constructively and scrutinise performance of all outsourced activities.

Engagement & Remuneration Committee

Chairman
James Williams

All Independent Directors

Key responsibilities:

- to review regularly the contracts, the performance and remuneration of the Company's principal service providers; and
- to set the remuneration policy of the Company.

Audit Committee

Chairman
Charlotta Ginman, FCA*

All Independent Directors

Key responsibilities:

- to review the Company's financial reports;
- to oversee the risk and control environment and financial reporting; and
- to review the performance of the Company's external Auditor.

Nomination Committee

Chairman
James Williams

All Independent Directors

Key responsibilities:

- to review regularly the Board's structure and composition; and
- to make recommendations for any changes or new appointments.

*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 and will be available for inspection at the Annual General Meeting. They can also 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 July 2016 the AIC published a revised AIC Code and AIC Guide.

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 Code), will provide better information to shareholders.

Statement of Compliance

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 Code includes certain provisions relating to:

- the role 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 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 the need for an internal audit function which is addressed further on page 41, the Company has not reported further in respect of these provisions.

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 and the Company's other service providers. The Board, through the Nomination Committee, formerly reviews the Chairman each year and considers that he is independent both in character and judgment. 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. One of the Directors (Mr Terence Mahony) has served on the Board for more than nine years from the date of his first election. Given the strongly independent mindset of Mr Mahony, the Board is firmly of the view that he can be considered to be independent.
3. Directors should be submitted for re-election at regular intervals. Nomination for re-election should not be assumed but be based on disclosed procedures and continued satisfactory performance.	All Directors will submit themselves for annual re-election by shareholders. The individual performance of each Director standing for 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. Robert Talbut joined the Board in September 2016. Accordingly, his appointment will be proposed to shareholders for ratification at the Annual General Meeting to be held in June 2017. The Board recommends that shareholders vote in favour of the election/re-election of all Directors at the Annual General Meeting.
4. The Board should have a policy on tenure, which is disclosed in the annual report.	The Board, meeting as the Nomination Committee, considers the structure of the Board and recognises the need for progressive refreshment of the Board. The Board subscribes to the view expressed within the AIC Code that long-serving Directors should not be prevented from forming part of an independent majority. It does not consider that a Director's tenure necessarily reduces his or her ability to act independently and, following formal performance evaluations, believes that each of the Directors is independent in character and judgement and that there are no relationships or circumstances which are likely to affect their judgement. The Board's policy on tenure is that continuity and experience are considered to add significantly to the strength of the Board and, as such, no limit on the overall length of service of any of the Company's Directors, including the Chairman, has been imposed. In view of its non-executive nature, the Board considers that it is not appropriate for the Directors to be appointed for a specified term, although new Directors are appointed with the expectation that they will serve for a minimum period of three years subject to shareholder approval. The AIC Code states that any Director who has served for more than nine years is subject to annual re-appointment. All of the Company's Directors (who are not retiring from the Board) seek re-appointment at each Annual General Meeting. 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.

Governance / Corporate Governance

The Board continued

AIC Code Principle	Compliance Statement
5. There should be full disclosure of information about the Board.	The Directors' biographical details, set out on pages 25 and 26 of this Report, demonstrate the wide range of skills and experience that they bring to the Board. Details of the length of service of each Director are set out on page 45. Details of the Board's Committees and their composition are set out on page 27 of this Report. The Audit Committee membership comprises all of the Directors, all of whom are considered independent. The Chairman of the Company is a member of the Audit Committee, but does not chair it. His membership of the Audit Committee is considered appropriate given the Chairman's extensive knowledge of the financial services industry. The Engagement & Remuneration Committee is comprised of the whole Board, all Directors are considered independent. The Chairman of the Company acts as Chairman of this Committee in light of the remit of the Committee. Please see principle 9 for details of the Nomination Committee.
6. The Board should aim to have a balance of skills, experience, length of service and knowledge of the company.	The Nomination Committee considers annually the skills possessed by the Board and identifies any skill shortages to be filled by new Directors. When considering new appointments, the Board reviews the skills of the Directors and seeks to add persons with complementary skills or who possess the skills and experience which fill any gaps in the Board's knowledge or experience and who can devote sufficient time to the Company to carry out their duties effectively. The Company is committed to ensuring that any vacancies arising are filled by the most qualified candidates and recognises the value of diversity in the composition of the Board. When Board positions become available as a result of retirement or resignation, the Company will ensure that a diverse group of candidates is considered.
7. The Board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual Directors.	During the year the performance of the Board, its committees and individual Directors (including each Director's independence) was evaluated through a formal assessment process led by the Chairman. This involved the circulation of a Board effectiveness checklist, tailored to suit the nature of the Company, followed by discussions between the Chairman and each of the Directors. The performance of the Chairman was evaluated by the other Directors under the leadership of Charlotta Ginman as the Senior Independent Director. The review concluded that the Board was working well. It has been agreed that an independent review of the Board should be undertaken in June 2017.
8. Director remuneration should reflect their duties, responsibilities and the value of their time spent.	The Engagement & Remuneration Committee reviews the fees paid to the Directors annually 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. It also reflects the additional commitment of the Company acting as its own AIFM. Details on the remuneration arrangements for the Directors of the Company can be found in the Directors' Remuneration Report on pages 44 to 46 and in note 4 to the Accounts (which can be found on page 55). 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 level of fees paid to the Directors is set by all Directors collectively; the Chairman does not take part in discussions regarding his own remuneration. The Board periodically takes advice from external independent advisers on Directors' remuneration.

Governance / Corporate Governance

The Board continued

AIC Code Principle	Compliance Statement
9. The Independent Directors should take the lead in the appointment of new Directors and the process should be disclosed in the annual report.	The Nomination Committee is comprised of the whole Board, all Directors being independent. Subject to there being no conflicts of interest, all members of the Committee are entitled to vote on candidates for the appointment of new Directors and on recommending for shareholders' approval the Directors seeking election and re-election at the Annual General Meeting. Details of the Board's commitment to Diversity are set out on page 24. As part of the process to appoint Robert Talbut, 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 Robert Talbut was subsequently appointed. Trust Associates have no other connection with the Company.
10. Directors should be offered relevant training and induction.	New appointees to the Board are provided with a full induction programme. The programme covers the Company's investment strategy, policies and practices. The Directors are also given key information on the Company's regulatory and statutory requirements as they arise including information on the role of the Board, matters reserved for its decision, the terms of reference of the Board Committees, the Company's corporate governance practices and procedures and the latest financial information. It is the Chairman's responsibility to ensure that the Directors have sufficient knowledge to fulfil their role and Directors are encouraged to participate in training courses where appropriate. The Directors have access to the advice and services of a Company Secretary through its appointed representative which is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary is also responsible for ensuring good information flows between all parties. 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.
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 formerly at least five times each year. A representative of Stewart Investors attends four of these meetings; representatives from Frostrow Capital LLP are in attendance at each Board meeting. The Chairman encourages open debate to foster a supportive and co-operative approach for all participants.

Governance / Corporate Governance

Board Meetings and relations with Stewart Investors and Frostrow continued

AIC Code Principle	Compliance Statement
13. The primary focus at regular Board meetings should be a review of investment performance and associated matters, such as gearing, asset allocation, marketing/investor relations, peer group information and industry issues.	The Board has agreed a schedule of matters specifically reserved for decision by the Board. This includes establishing the investment objectives, strategy and benchmarks, the permitted types or categories of investments, the markets in which transactions may be undertaken, the amount or proportion of the assets that may be invested in any category of investment or in any one investment, and the Company's share issuance and share buy-back policies. The Board, at its regular meetings, undertakes reviews of key investment and financial data, revenue projections and expenses, analyses of asset allocation, transactions and performance comparisons, share price and net asset value performance, marketing and shareholder communication strategies, the risks associated with pursuing the investment strategy, peer group information and industry issues. The Chairman is responsible for ensuring that the Board receives accurate, timely and clear information. Representatives of Stewart Investors and Frostrow Capital LLP report regularly to the Board on issues affecting the Company.
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.	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 of the services 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. Details of the fee arrangements with Stewart Investors and Frostrow Capital LLP can be found in the Report of the Directors on page 37. 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.
16. The Board should agree policies with the investment manager and the manager covering key operational issues.	The Investment Management Agreement between the Company and 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. The Board has delegated discretion to Stewart Investors to exercise voting powers on its behalf. 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, and is satisfied with their approach. Reports on commissions paid by Stewart Investors are submitted to the Board regularly.

Governance / Corporate Governance

Board Meetings and relations with Stewart Investors and Frostrow continued

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

Shareholder Communications

19. The Board should regularly monitor the shareholder profile of the company and put in place a system for canvassing shareholder views and for communicating the Board's views to shareholders.	A detailed analysis of the substantial shareholders 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. Regular reports from the Company's corporate stockbroker are submitted to the Board on investor sentiment and industry issues. Shareholders wishing to communicate with the Chairman, or any other member of the Board, may do so by writing to the Company, for the attention of the Company Secretary at the offices of Frostrow 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.

Governance / Corporate Governance

Shareholder Communications continued

AIC Code Principle	Compliance Statement
20. The Board should normally take responsibility for, and have a direct involvement in, the content of communications regarding major corporate issues even if the manager is asked to act as spokesman.	All substantive communications regarding any major corporate issues are discussed by the Board taking into account representations from Stewart Investors, Frostrow Capital LLP, the Auditor, legal advisers and corporate stockbroker.
21. The Board should ensure that shareholders are provided with sufficient information for them to understand the risk/reward balance to which they are exposed by holding the shares.	The Company places great importance on communication with shareholders and aims to provide them with a full understanding of the Company's investment objective, policy and activities, its performance and the principal investment risks by means of informative Annual and Half Year Reports. 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. 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 59. 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 22 to 24. The Directors' statement on the long-term viability of the Company is set out on pages 36 and 37. The Company's website, www.pacific-assets.co.uk, is regularly updated with monthly fact sheets and provides useful information about the Company including the Company's financial reports and announcements.

By order of the Board

Frostrow Capital LLP
Company Secretary

4 April 2017

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 2017.

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 Section 1158 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').

Proposed Change to Investment Objective

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

However, the Company's Investment Manager believes that the list of high quality companies that are incorporated and/or listed outside the Asia Pacific Region and which derive a meaningful amount of their economic activities from within this region is growing as companies continue to develop pan-Asian franchises. As a result, they believe that it would be in shareholders' interests to amend the Company's Investment Objective to allow up to a maximum of 20% of the Company's total assets (at the time of investment) to be invested in companies where the proportion of their economic activities derived from Asia Pacific Region is at least 25% (at the time of investment) but where such activities are expected to grow significantly over the longer term.

Under the Listing Rules the Company is required to seek approval of shareholders for any material change to its investment objective. The proposed amendment has been approved in principle by the Financial Conduct Authority in accordance with the requirements of the Listing Rules.

Full details of the Company's current Investment Objective and Policy are set out on pages 2 and 20. The proposed revised Investment Objective is set out below.

Proposed Investment Objective

The Company's Investment Objective is to achieve long-term capital growth through investment in selected companies in the Asia Pacific region and the Indian sub-continent, but excluding Japan, Australia and New Zealand (the 'Asia Pacific Region'). 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); at least 25% of their economic activities (at the time of investment) are within the Asia Pacific Region and this proportion is expected to grow significantly over the longer term.

Alternative Performance Measures

The Financial Statements (on pages 50 to 61) set out the required statutory reporting measures of the Company's financial performance. In addition, the Board assesses the Company's performance against a range of criteria which are viewed as particularly relevant for investment trusts, which are summarised on page 3 and explained in greater detail in the Strategic Report, under the heading 'Key Performance Indicators' on pages 21 and 22.

Governance / Report of the Directors

Definitions of the terms used and the basis of calculation adopted are set out in the Glossary on page 63.

Annual General Meeting

THE FOLLOWING INFORMATION TO BE DISCUSSED AT THE FORTHCOMING ANNUAL GENERAL MEETING IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt about the action you should take, you should seek advice from your stockbroker, bank manager, solicitor, accountant or other financial adviser authorised under the Financial Services and Markets Act 2000 (as amended). If you have sold or transferred all of your ordinary shares in the Company, you should pass this document, together with any other accompanying documents, including the form of proxy, at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

Resolutions relating to the following items of special business will be proposed at the forthcoming Annual General Meeting.

Resolution 12 Authority to allot shares

Resolution 13 Authority to disapply pre-emption rights

Resolution 14 Authority to buy back shares

Resolution 15 Authority to hold General Meetings (other than the AGM) on at least 14 working days' notice

Resolution 16 Approval to amend the Company's Investment Objective

The full text of the resolutions can be found in the Notice of Annual General Meeting on pages 66 to 69. Explanatory notes regarding the resolutions can be found on pages 70 and 71.

Results and Dividend

The results attributable to shareholders for the year are shown on page 50. Details of the Company's dividend record can be found on page 5.

Capital Structure

As at 31 January 2017 there were 119,548,386 shares of 12.5p each in issue (2016: 119,448,386). 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 38.

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 70 and 71.

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 22 to 24.

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 of the principal risks and uncertainties as shown on pages 22 to 24.

The Directors also took into account the liquidity of the portfolio when considering the viability of the Company

Governance / Report of the Directors

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 £22.3 billion in assets under management as at 31 December 2016. 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 2017. A management fee of 0.9% per annum of net assets is payable.

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 eight other investment trust clients whose assets totalled approximately £7.8 billion as at 31 January 2017.

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 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.

Further details of the fees payable to Stewart Investors and Frostrow Capital LLP are set out in note 3 to the accounts on page 54.

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.

The Board believes the continuing appointment of Stewart Investors and Frostrow Capital LLP, under the terms described above, is in the interests of shareholders as a whole. In coming to this decision the Board also took into consideration the following additional reasons:

- the quality and depth of experience of 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 over the medium term; and
- the quality and depth of experience of the management, administrative, company secretarial team that Frostrow Capital LLP allocates to the Company.

Governance / Report of the Directors

Directors

Directors' and Officers' Liability Insurance Cover

Directors' and Officers' liability insurance cover was maintained by the Board during the year ended 31 January 2017. It is intended that this policy will continue for the year ending 31 January 2018 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 28 February 2017, 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
Brewin Dolphin	8,466,476	7.1
Investec Wealth & Investment	8,419,868	7.0
Speirs & Jeffrey Stockbrokers	7,962,219	6.7
Investec Wealth & Investment (Ire)	7,002,225	5.9
Smith & Williamson	6,283,706	5.3
Alliance Trust Savings	5,950,724	5.0
Hargreaves Lansdown	5,761,788	4.8
Charles Stanley Stockbrokers	5,655,591	4.7
Rathbones	4,955,012	4.1

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.

Modern Slavery Act 2015

The Company does not provide goods or services in the normal course of business, and as a financial investment vehicle does not have customers. The Directors do not therefore consider that the Company is required to make a statement under the Modern Slavery Act 2015 in relation to slavery or human trafficking.

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.

Governance / Report of the Directors

Political Donations

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

Corporate Social Responsibility (CSR), Community and Employee Responsibilities, Emissions, Environmental and Ethical Policy (EEE)

The Company's investment activities and day to day management is delegated to the Investment Manager and other third parties. As an investment trust, the Company has no direct social, community, employee or environmental responsibilities. Its principal responsibility to shareholders is to ensure that the investment portfolio is properly managed and invested. As detailed above, the management of the portfolio has been delegated to the Investment Manager.

In light of the nature of the Company's business there are no relevant human rights issues and the Company does not have a human rights policy. The Company does not maintain premises, hold any physical assets or operations and does not have any employees. Consequently, the Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. The Board has noted the Investment Manager's report on greenhouse gas emissions on its own operations and the views of the Investment Manager on CSR and EEE which it adheres to in engaging with the underlying investee companies and in exercising its delegated responsibilities in voting. The Investment Manager engages with the Company's underlying investee companies in relation to their corporate governance practices and in developing their policies on social, community and environmental matters.

Corporate Governance

The Corporate Governance report, which includes the Company's Corporate Governance policies is set out on pages 27 to 34.

Common Reporting Standard (CRS)

CRS is a global standard for the automatic exchange of information commissioned by the Organisation for Economic Cooperation and Development and incorporated into UK law by the International Tax Compliance Regulations 2015. CRS requires the Company to provide certain additional details to HMRC in relation to certain shareholders. The reporting obligation began in 2016 and will be an annual requirement going forward. The Registrars, Equiniti, have been engaged to collate such information and file the reports with HMRC on behalf of the Company.

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

4 April 2017

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 confirm that the financial statements comply with the above requirements.

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, which is maintained by the Company's Investment Manager. 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 to 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 and the financial statements, 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

4 April 2017

Governance / Audit Committee Report

for the year ended 31 January 2017

Introduction from the Chairman

I am pleased to present my second formal report to shareholders as Chairman of the Audit Committee, for the year ended 31 January 2017.

Composition and Meetings

The Committee, which comprises the whole Board, met three times during the year. Attendance by each Director is shown in the table on page 25. I was appointed Chairman of the Committee in 2015. The Board has taken note of the requirements that the Committee as a whole should have competence relevant to the sector in which the Company operates and that at least one member of the Committee should have recent and relevant financial experience. The Committee is satisfied that the Committee is properly constituted in both respects: I am a Chartered Accountant and am also the Chairman of the Audit Committee of two other public companies; the other Committee members have a combination of financial, investment and other relevant experience gained throughout their careers.

Role and Responsibilities of the Audit Committee

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.** The Audit Committee will consider the extent and nature of non-audit work performed by the Auditor and seek assurance that such work complies with ethical standards and does not impinge on their independence and is a cost effective way to operate.

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.

Significant Issues Considered by the Audit Committee during the Year

Terms of Reference and Non-Audit Services Policy

The Committee undertook a review of the Committee's Terms of Reference and also the Company's non-audit services Policy in light of the new ethical standards.

The Committee met in January 2017 to consider the risks that the Company is exposed to and the processes in place for both monitoring and managing them. It concluded that there were sufficient processes in place to monitor and manage such risks.

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 40. 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 Report and the 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;

Governance / Audit Committee Report

for the year ended 31 January 2017

- 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 pages 21 and 22); 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 continues to meet the eligibility conditions on a monthly basis.

Viability Statement

The Board is required to make a longer term viability statement in relation to the continuing operations of the Company. The Committee reviewed papers produced in support of the statement made by the Board which assesses the viability of the Company over 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 22 September 2016.

The Committee also met KPMG LLP on 22 March 2017 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, the Committee 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 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 2017 amounted to £12,000 (2016: £27,000). See note 4 on page 55 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. However , in accordance with EU Regulation, these services are no longer provided by KPMG LLP with effect from 1 February 2017.

Non-Audit Services

The Company operates on the basis whereby the provision of all non-audit services by the Auditor has to be pre-approved by the Audit Committee. Such services are only permissible where no conflicts of interest arise, the service is not expressly prohibited by audit legislation, where the independence of the Auditor is not likely to be impinged by undertaking the work and the quality and the objectivity of both the non-audit work and audit work will not be compromised. In particular, non-audit services may be provided by the Auditor if they are inconsequential or would have no direct effect on the Company's financial statements and the audit firm would not place significant reliance on the work for the purposes of the statutory audit.

Governance / Audit Committee Report

for the year ended 31 January 2017

Audit Tendering

As a public company listed on the London Stock Exchange, the Company is subject to the mandatory Auditor rotation requirements of the European Union. The Company will put the external audit out to tender at least every 10 years and change Auditor at least every 20 years. KPMG LLP have been in post since September 2007, which was the last occasion an audit tender was held. It has been agreed that a tender process will be held following the completion of the 2017 audit and that the audit for the year ending 31 January 2019 will be the first to be carried out by the successful party, allowing the new Auditor to familiarise itself with the affairs of the Company during the year ending 31 January 2018. Formal Audit tender guidelines have been adopted to govern this process.

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 four 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, FCA
Chairman of the Audit Committee

4 April 2017

Governance / Directors' Remuneration Report

for the year ended 31 January 2017

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 47 to 49.

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 once during the year and it was agreed to increase the fees paid to the Directors with effect from 1 February 2017 as follows: Chairman £35,000 pa (previously £32,000 pa); Chairman of the Audit Committee £28,500 pa (previously £26,000 pa); Director £25,000 pa (previously £23,000 pa). The last increase to the fees paid to the Directors had taken effect from 1 July 2015.

Directors' Fees

The Directors, as at the date of this report, and who (save for Robert Talbut and Nigel Rich) all served throughout the year, received the fees listed in the table on page 45. 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 29 June 2016. Of the votes cast, 99.3% were in favour and 0.7% were against; this resolution will be put to shareholders again this year. 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 be put to shareholders at this year's AGM. The Directors Remuneration Policy as set out on page 46 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 2017 £	Taxable Expenses 2017 £	Total Remuneration 2017 £	Fixed Fees 2016 £	Taxable Expenses 2016 £	Total Remuneration 2016 £
James Williams~	1 October 2013	32,000	1,018	33,018	27,578	1,045	28,623
Charlotta Ginman^	9 October 2014	26,000	–	26,000	24,000	349	24,349
Sian Hansen	3 August 2015	23,000	–	23,000	11,500	–	11,500
Robert Talbut	23 September 2016	8,161	106	8,267	–	–	–
Terence Mahony	1 February 2004	23,000	–	23,000	22,167	349	22,516
David Nichol*	4 January 1985	–	–	–	11,272	1,490	12,762
Nigel Rich**+	1 January 1997	10,000	–	10,000	23,973	349	24,322
		122,161	1,124	123,285	120,490	3,582	124,072

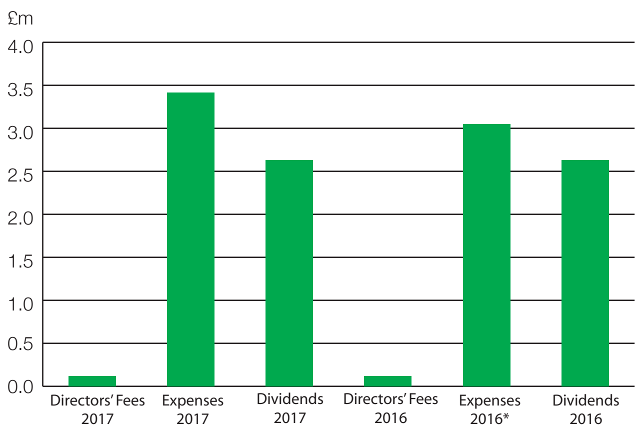
~Chairman wef 24 June 2015
^Chairman of the Audit Committee wef 24 June 2015
*Retired on 24 June 2015
**Retired 29 June 2016
+Senior Independent Director until retirement

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 Company expenses for 2016 and 2017.



Directors' Interest in Shares (audited information)

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

		Number of shares held 31 January 2017	31 January 2016
James Williams	Beneficial	40,000	40,000
Charlotta Ginman	Beneficial	9,716	6,989
Sian Hansen	Beneficial	4,680	Nil
Terence Mahony	Beneficial	25,000	25,000
Robert Talbut*	Beneficial	4,729	N/A
Nigel Rich†^	Beneficial	N/A	55,000
	Trustee	N/A	11,450
Total		84,125	138,439

*Appointed on 23 September 2016
^ Retired on 29 June 2016
† Includes 20,000 ordinary shares held by Mrs Cynthia Rich

Since the year end there have not been any changes in the Directors' interests.

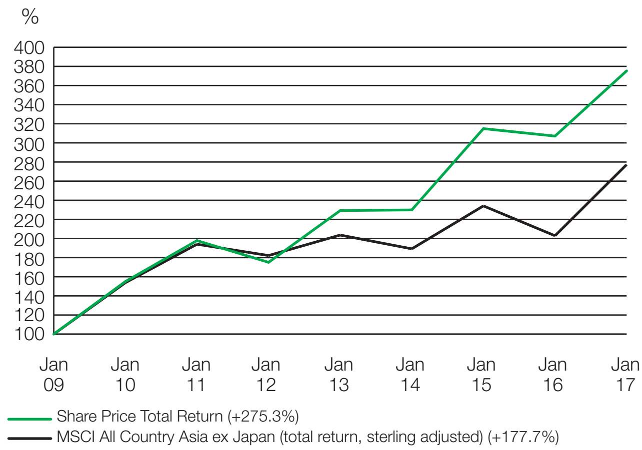
The Board has a policy to encourage Directors to own shares in the Company to the value of at least 1.5 times their annual fee, this to be achieved over the following three years for existing Directors and within three years of appointment for new Directors.

Governance / Directors' Remuneration Report

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 below provides this comparison.

Total Shareholder Return for the Eight Years to 31 January 2017



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 this year's AGM. There have been no changes to the Company's Remuneration Policy compared to the year ended 31 January 2016 and no changes are proposed for the year ending 31 January 2018. 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. 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 £25,000 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, I confirm that the Remuneration Policy, set out above, and the Remuneration Report summarise, as applicable, for the year to 31 January 2017:

(a) the major decisions on Directors' remuneration;

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

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

James Williams
Chairman
4 April 2017

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 2017 set out on pages 50 to 61. In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 January 2017 and of its profit 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 risks of material misstatement, in decreasing order of audit significance, that had the greatest effect on our audit were as follows:

Carrying amount of Quoted Investments (£269.5 million (2016: £205.3 million)

Refer to pages 41 to 43 (Audit Committee report), pages 52 to 54 (accounting policy) and pages 50 to 61 (financial disclosures).

- *The risk* – The Company's portfolio investments make up 94% (2016: 90%) 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 judgement, 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 100% of the investments to externally quoted prices; and
  - agreeing 100% of the 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 £2.9m (2016: £2.3m). This has been determined with reference to a benchmark of Total Assets, of which it represents 1% (2016: 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 £0.14m (2016: £0.11m), in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

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

In our opinion:

- 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 27 to 34 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures ("the specified Corporate Governance information") is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report, the Directors' Report and the Corporate Governance Statement:

- we have not identified material misstatements in the Strategic Report, the Directors' Report, or the specified Corporate Governance information;
- in our opinion, the Strategic Report and the Directors' Report have been prepared in accordance with the Companies Act 2006; and
- in our opinion, the Corporate Governance Statement has been prepared in accordance with rules 7.2.2, 7.2.3, 7.2.5, 7.2.6 and 7.2.7 of the Disclosure Rules and Transparency Rules of the Financial Conduct Authority.

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 statement on pages 36 and 37, 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 2022; 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 position and performance, business model and strategy; or
- the Audit Committee 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, 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' statements, set out on pages 36 to 37, in relation to going concern and longer-term viability; and
- the part of the Corporate Governance Statement on pages 27 to 34 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.

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

Scope and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 40, 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 financial statements 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 is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a , 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
4 April 2017

Financial Statements
Income Statement

for the year ended 31 January 2017

	Notes	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000
Gains/(losses) on investments	8	–	59,386	59,386	–	(17,235)	(17,235)
Exchange differences		–	643	643	–	802	802
Income	2	5,125	–	5,125	4,135	–	4,135
Investment management and management fees	3	(703)	(2,110)	(2,813)	(610)	(1,831)	(2,441)
Other expenses	4	(605)	–	(605)	(610)	–	(610)
Return/(loss) before taxation		**3,817**	**57,919**	**61,736**	**2,915**	**(18,264)**	**(15,349)**
Taxation	5	(425)	(48)	(473)	(337)	(47)	(384)
Return/(loss) after taxation		**3,392**	**57,871**	**61,263**	**2,578**	**(18,311)**	**(15,733)**
Return/(loss) per ordinary share (p)	7	**2.8**	**48.4**	**51.2**	**2.2**	**(15.5)**	**(13.3)**

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 Comprehensive Income has been presented.

Statement of Changes in Equity

for the year ended 31 January 2017

	Note	Ordinary Share Capital £'000	Share premium £'000	Capital Redemption reserve £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 31 January 2015		**14,606**	**4**	**1,648**	**14,572**	**205,623**	**5,610**	**242,063**
(Loss)/return after taxation		–	–	–	–	(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**
Return after taxation		–	–	–	–	57,871	3,392	61,263
Ordinary dividends paid	6	–	–	–	–	–	(2,628)	(2,628)
Issue of shares		13	228	–	–	–	–	241
At 31 January 2017		**14,944**	**4,941**	**1,648**	**14,572**	**245,183**	**5,914**	**287,202**

The accompanying notes are an integral part of these statements.

Financial Statements
Statement of Financial Position

as at 31 January 2017

	Notes	2017 £'000	2017 £'000	2016 £'000	2016 £'000
Fixed assets					
Investments	8		269,539		205,366
Current assets					
Debtors	9	221		84	
Cash and cash equivalents		18,300		23,590	
		18,521		23,674	
Creditors (amounts falling due within one year)	10	(858)		(714)	
Net current assets			**17,663**		**22,960**
Net assets			**287,202**		**228,326**
Capital and reserves					
Called up share capital	11		14,944		14,931
Share premium account			4,941		4,713
Capital redemption reserve	1(j)		1,648		1,648
Special reserve	1(j)		14,572		14,572
Capital reserve	1(j)		245,183		187,312
Revenue reserve	1(j)		5,914		5,150
Equity shareholders' funds			**287,202**		**228,326**
Net asset value per Ordinary Share (p)	12		**240.2p**		**191.2p**

The financial statements on pages 50 to 61 were approved, and authorised for issue, by the Board of Directors on 4 April 2017 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, FRS 102 'The Financial Reporting Standard applicable in the UK and Ireland', 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 40.

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.

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 Section 1158 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.

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).

(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.

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(d) Expenses and Interest
All expenses and interest are accounted for on an accruals basis. Expenses and interest are charged to the Income Statement as a revenue item except where incurred in connection with the maintenance or enhancement of the value of the Company's assets and taking account of the expected long-term returns, when they are split as follows:

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

– Transaction costs incurred on the purchase and sale of investments are taken to the Income Statement as a capital item, 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 Section 1158 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.

(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 Statement of Changes in Equity.

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(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 53.

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 and also any repurchases of the Company's own shares. 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 reflects all income and expenses that are recognised in the revenue column of the Income Statement and is distributable by way of dividend.

2. Income

	2017 £'000	2016 £'000
Income from investments		
Overseas Dividends	5,125	4,135

3. Investment Management and Management Fees

	Revenue £'000	Capital £'000	2017 Total £'000	Revenue £'000	Capital £'000	2016 Total £'000
Investment management fee – Stewart Investors	601	1,805	2,406	523	1,570	2,093
Management fee – Frostrow	102	305	407	87	261	348
	703	2,110	2,813	610	1,831	2,441

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4. Other Expenses

	2017 £'000	2016 £'000
Directors' fees	122	121
Auditor's remuneration for:		
– annual audit	21	21
– tax compliance services	–	5
– other services relating to taxation*	12	22
Custody fees	184	152
Printing and postage	27	35
Registrar fees	37	33
Broker retainer	30	30
Listing fees	19	38
Legal and professional fees	60	67
Other expenses	93	86
Total expenses	605	610

* Includes costs in relation to the recovery of Taiwanese withholding tax, for the period 2010 – 2011 nil (2016: £9,000), and, the provision of Taiwanese tax guarantor and pre-approval services £12,000 (2016: £13,000). See the Audit Committee Report on page 42 for further details.

5. Taxation
(a) Analysis of Charge in the Year

	Revenue £'000	Capital £'000	2017 Total £'000	Revenue £'000	Capital £'000	2016 Total £'000
Overseas taxation	471	48	519	341	47	388
Overseas tax recoverable	(46)	–	(46)	(4)	–	(4)
	425	48	473	337	47	384

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

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(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 20.0% (2016: 20.2%).

The differences are explained below:

	Revenue £'000	Capital £'000	2017 Total £'000	Revenue £'000	Capital £'000	2016 Total £'000
Total return/(loss) on ordinary activities before tax	3,817	57,919	61,736	2,915	(18,264)	(15,349)
Corporation tax charged at 20.0% (2016: 20.2%)*	763	11,584	12,347	588	(3,682)	(3,094)
Effects of:						
Non-taxable (gains)/losses on investment	–	(11,877)	(11,877)	–	3,475	3,475
Non-taxable exchange differences	–	(129)	(129)	–	(162)	(162)
Unutilised management expenses	262	422	684	246	369	615
Income not subject to corporation tax	(1,025)	–	(1,025)	(834)	–	(834)
Overseas taxation	471	48	519	341	47	388
Overseas tax recoverable (Taiwan)	(46)	–	(46)	(4)	–	(4)
Tax charge for the year	425	48	473	337	47	384

*An average rate of 20.2% 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 2017 the Company had unutilised management expenses and other reliefs for taxation purposes of £31,771,000 (2016: £28,350,000). It is not anticipated that these will be utilised in the foreseeable future and as such no related deferred tax asset has been recognised. The reduction in the standard rate of corporation tax was substantively enacted on 15 September 2016 and will be effective from April 2020.

6. Dividends
Amounts recognised as distributable to shareholders for the year ended 31 January 2017, were as follows:

	2017 £'000	2016 £'000
– final dividend paid for the year ended 31 January 2016 of 2.2p per share	2,628	–
– final dividend paid for the year ended 31 January 2015 of 2.6p per share	–	3,038

In respect of the year ended 31 January 2017, a dividend of 2.6p has been proposed and will be reflected in the half-year accounts for the period ending 31 July 2017. Details of the ex-dividend and payment dates are shown on page 7.

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

	2017 £'000	2016 £'000
Revenue available for distribution by way of dividend for the year	3,392	2,578
Proposed dividend of 2.6p per share (2016: 2.2p) (to be approved at the AGM)	(3,108)	(2,628)
Transfer to/(from) revenue reserves	284	(50)

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7. Return/(loss) per Share

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

	Revenue pence	Capital pence	2017 Total pence	Revenue pence	Capital pence	2016 Total pence
Basic	2.8	48.4	51.2	2.2	(15.5)	(13.3)

The total return per share is based on the total return/(loss) attributable to shareholders of £61,263,000 (2016: £15,733,000).

The revenue return per share is based on the net revenue return attributable to shareholders of £3,392,000 (2016: £2,578,000).

The capital return per share is based on the net capital loss attributable to shareholders of £57,871,000 (2016: return of £18,311,000).

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 119,456,036 (2016: 118,041,399).

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

8. Investments

	2017 £'000	2016 £'000
Investments		
Investments listed on recognised investment exchanges	269,539	205,366
Valuation at start of year	205,366	221,094
Less: valuation gains at start of year	(42,792)	(69,765)
Cost at start of year	162,574	151,329
Purchases at cost*	46,303	40,669
Disposals proceeds*	(41,516)	(39,162)
Gains on disposals	11,708	9,738
Cost at end of year	179,069	162,574
Add valuation gains at end of year	90,470	42,792
Valuation at end of year	**269,539**	205,366

	2017 £'000	2016 £'000
Gains on disposals	11,708	9,738
Movement in investment holding gains	47,678	(26,973)
Gains/(losses) on investments	59,386	(17,235)

* During the year the Company incurred transaction costs on purchases of £103,000 (2016: £121,000) and transaction costs on sales of £121,000 (2016: £124,000).

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9. Debtors

	2017 £'000	2016 £'000
Accrued income	165	–
Overseas tax recoverable	38	58
Other debtors	18	26
	221	84

10. Creditors: Amounts Falling Due Within One Year

	2017 £'000	2016 £'000
Amounts due to brokers	–	8
Investment management fee – Stewart Investors	642	516
Management fee – Frostrow	106	85
Other creditors	110	105
	858	714

11. Share Capital

	2017 £'000	2016 £'000
Allotted and fully paid:		
119,548,386 Ordinary shares of 12.5p each (2016: 119,448,386)	14,944	14,931

During the year 100,000 (2016: 2,600,000) Ordinary shares were issued raising net proceeds of £240,269 (2016: £5,058,000).

The capital of the Company is managed in accordance with its investment policy which is detailed in the Strategic Report on page 20.

The Company does not have any externally imposed capital requirements.

12. Net Asset Value Per Share

The net asset value per share of 240.2p (2016: 191.2p) is calculated on net assets of £287,202,000 (2016: £228,326,000), divided by 119,548,386 (2016: 119,448,386) shares, being the number of shares in issue at the year end.

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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 on page 57) 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 51.

All investments have been classified as Level 1 (2016: 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.

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 12 and 13. 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 2017 (31 January 2016: 10%), the impact on the net asset value would have been £27.0 million (2016: £20.5 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.

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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:

				2017				2016
	Investments £'000	Cash £'000	Debtors £'000	Creditors £'000	Investments £'000	Cash £'000	Debtors £'000	Creditors £'000
Bangladesh taka	12,501	479	–	–	6,547	–	–	–
Hong Kong dollar	24,741	–	–	–	29,356	–	–	–
Indian rupee	97,192	1	–	–	76,338	22	8	(8)
Indonesian rupiah	12,695	–	–	–	7,729	–	–	–
Japanese yen	7,863	–	22	–	–	–	–	–
Korean won	7,761	–	143	–	2,367	–	–	–
Malaysian ringgit	4,155	–	–	–	3,588	–	–	–
New Taiwanese dollar	51,013	33	38	–	40,208	28	58	–
Philippine peso	21,556	–	–	–	20,498	–	–	–
Singapore dollar	6,850	–	–	–	3,264	–	–	–
Sri Lankan rupee	9,241	–	–	–	6,578	–	–	–
Thai baht	11,040	–	–	–	7,566	–	–	–
US dollar	2,931	4,210	–	–	1,327	15,248	–	–
Total	269,539	4,723	203	–	205,366	15,298	66	(8)

At 31 January 2017 the Company had £13,577,000 of sterling cash balances (2016: £8,292,000).

During the year sterling weakened by an average of 12% (2016: strengthened by 1%) against all of the currencies in the investment portfolio (weighted for investment portfolio exposure at 31 December 2016), 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 £25.0 million (2016: negative £20.1 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 £30.5 million (2016: positive £24.5 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.

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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:

	2017 £'000	2016 £'000
Cash and cash equivalents	18,300	23,590
Interest, dividends and other receivables	221	84
	18,521	23,674

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 22 to 24.

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.

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 2017, Stewart Investors earned £2,406,000 in respect of Investment Management fees, of which £642,000 was outstanding at the year end. All material related party transactions have been disclosed on page 45 and in notes 3 and 4 on pages 54 and 55. Details of the remuneration of all Directors can be found on page 45.

Further Information / Shareholder Information

Financial Calendar

31 January	Financial Year End
April	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 etc.venues St. Paul's, 200 Aldersgate Conference Centre, London EC1A 4HD on Thursday, 29 June 2017 at 12 noon.

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

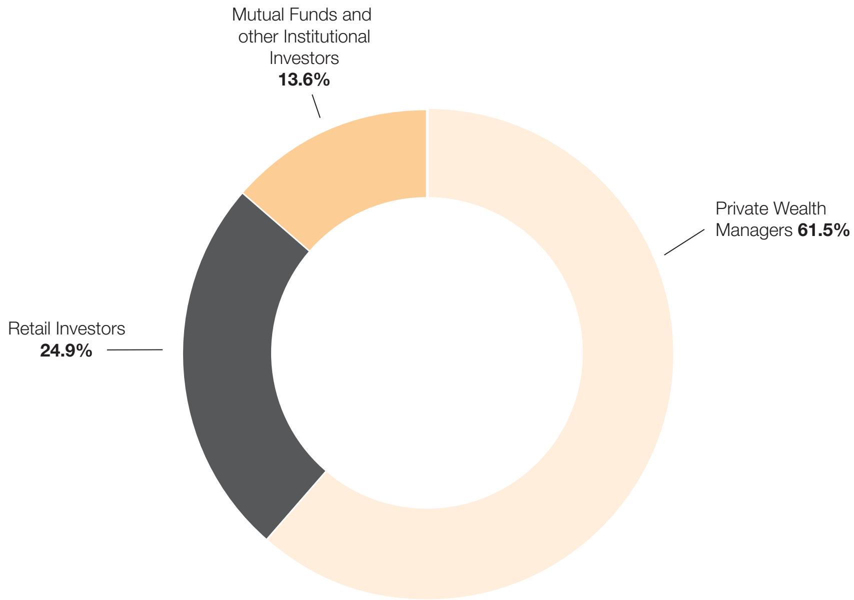
Communications with shareholders are mailed to the address held on the share register. In the event of a change of address or other amendment this should be notified to the Company's Registrars, Equiniti Limited, under the signature of the registered holder.

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 2017



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 a company's expenses, excluding performance fees and exceptional items, expressed as a percentage of the average daily shareholders' funds of that 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/
Bestinvest	http://www.bestinvest.co.uk/
Charles Stanley Direct	https://www.charles-stanley-direct.co.uk/
Club Finance	http://www.clubfinance.co.uk/
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/
Interactive Investor	http://www.iii.co.uk/
IWEB	http://www.iweb-sharedealing.co.uk/share-dealing-home.asp
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-second Annual General Meeting of Pacific Assets Trust Public Limited Company will be held at etc. venues St. Paul's, 200 Aldersgate Conference Centre, London EC1A 4HD on Thursday, 29 June 2017 at 12 noon for the following purposes:

Ordinary Business

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

1. That the Report of the Directors and Accounts for the year ended 31 January 2017 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 2017.
3. To approve the Directors' Remuneration Policy.
4. That a final dividend for the year ended 31 January 2017 of 2.6p per share be declared.
5. That Ms M C Ginman be re-elected as a Director.
6. That Mrs S E Hansen be re-elected as a Director.
7. That Mr T F Mahony, be re-elected as a Director.
8. That Mr R E Talbut be elected as a Director.
9. That Mr J P Williams be re-elected as a Director.
10. 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.
11. 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 13, 14 and 15 will be proposed as Special Resolutions.

Authority to Allot Shares

12. 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 £1,494,354 provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2018 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

13. That, subject to the passing of resolution 12 proposed at the Annual General Meeting of the Company convened for 29 June 2017 ('Resolution 12'), 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 12 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 £1,494,354, 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 2018 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

Further Information / Notice of the Annual General Meeting

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.

Authority to Repurchase Shares

14. 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 2018 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

15. 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.

Change to Investment Objective

16. THAT the proposed revised investment objective set out on page 35 of the Company's Annual Report and Accounts dated 4 April 2017, a copy of which marked "A" and signed for the purpose of identification by the Chairman of the Meeting and produced to the Meeting, be and it is hereby approved and adopted with immediate effect as the Company's investment objective in place of the Company's existing investment objective.

By order of the Board

Frostrow Capital LLP
Company Secretary
4 April 2017

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 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 6.30 p.m. on 27 June 2017 (or, if the Annual General Meeting is adjourned, at 6.30 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 4 April 2017 (being the latest practicable date prior to the publication of this notice) the Company's issued share capital consisted of 119,548,386 ordinary shares carrying one vote each. Accordingly, the total voting rights in the Company at 4 April 2017 were 119,548,386 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 Guidance 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 2017, 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 2017 will be presented to the AGM. These accounts accompanied this Notice of Meeting and shareholders will be given an opportunity at the meeting to ask questions.

Resolutions 2 and 3 – Remuneration Report and Remuneration Policy

The Directors' Remuneration Report is set out in full in the Annual Report on pages 44 to 46. The Directors' Remuneration Policy is set out on page 46.

Resolution 4 – The Declaration of a Final Dividend for the year ended 31 January 2017

Resolution 4 seeks shareholder approval for the paying of a final dividend of 2.6p per share for the year ended 31 January 2017.

Resolutions 5 to 9 – Election and Re-election of Directors

Resolutions 5 to 9 deal with the election and re-election of each Director. Biographies of each of the Directors can be found on pages 25 and 26.

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

Resolutions 10 and 11 – Re-appointment of Auditor and the determination of its remuneration

Resolutions 10 and 11 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 12 and 13

Ordinary Resolution 12 in the Notice of Annual General Meeting will renew the authority to allot the unissued share capital up to an aggregate nominal amount of £1,494,354 (equivalent to 11,954,838 shares, or 10% of the Company's existing issued share capital on 4 April 2017, 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 13 will, if passed, give the Directors power to allot for cash equity securities up to 10% of the Company's existing share capital on 4 April 2017, 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 12. 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 12 and 13 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 14

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

Further Information / Explanatory Notes to the Resolutions

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.

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 14 in the Notice of AGM will renew the authority to purchase in the market a maximum of 14.99% of shares in issue on 4 April 2017, being the nearest practicable date prior to the signing of this Report, (amounting to 17,920,303 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 15
Special Resolution 15 seeks shareholder approval for the Company to hold General Meetings (other than the AGM) on at least 14 working days' notice.

Resolution 16
Ordinary Resolution 16 seeks shareholder approval to amend the Company's Investment Objective. Further information can be found on page 35.

Recommendation
The Board considers that the resolutions detailed above 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 84,125 shares.

Further Information / Company Information

Directors
J P Williams (Chairman)*
M C Ginman, FCA**
S E Hansen
T F Mahony
R E Talbut

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

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

Investment Manager
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

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	ISIN:	GB0006674385
	Bloomberg:	PAC LN
	EPIC:	PAC

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