Annual Financial Report

PACIFIC ASSETS TRUST PLC

Released 07:32:00 30 April 2021

LONDON STOCK EXCHANGE ANNOUNCEMENT

Pacific Assets Trust plc

(the "Company" or the "Trust")

Final Results for the Year Ended 31 January 2021

The Company's annual report will be posted to shareholders on 10 May 2021. Members of the public may obtain copies by writing to Frostrow Capital LLP, 25 Southampton Buildings, London WC2A 1AL or from the Company's website at www.pacific-assets.co.uk where up to date information on the Company, including daily NAV, share prices and fact sheets, can also be found.

The Company's annual report for the year ended 31 January 2021 has been submitted to the UK Listing Authority, and will shortly be available for inspection on the National Storage Mechanism (NSM):

https://data.fca.org.uk/#/nsm/nationalstoragemechanism

Frostrow Capital LLP, Company Secretary

020 3 008 4913

30 April 2021

Performance Summary

	As at 31 January 2021	As at 31 January 2020
Shareholders' funds	£416.2m	£345.7m
Market capitalisation	£402.8m	£324.2m

Performance	One year to 31 January 2021	One year to 31 January 2020
Share price total return*^	25.8%	(0.8)%
Net asset value per share total return*^	22.3%	4.2%
CPI +6%[1]	6.8%	7.5%
MSCI All Country Asia ex Japan Index total return, sterling adjusted*	30.7%	5.0%
Average discount of share price to net asset value per share*^	9.1%	0.5%
Ongoing charges^	1.1%	1.2%
Revenue return per share†	2.6p	3.3p
Dividend per share	2.4p	3.0p

*Source: Morningstar

† See Glossary

^ Alternative Performance Measure (see Glossary)

1 The Company's Performance Objective (see Glossary)

Performance Assessment

The Company's performance objective, against which the Investment Manager's performance is measured, is to provide shareholders with a net asset value total return in excess of the UK Consumer Price Index (CPI) plus 6% (calculated on an annual basis) measured over three to five years. The Board also monitors the Company's performance against its peer group. An analysis of performance and the Board's approach to monitoring it can be found below and also in the Chairman's Statement; further information can also be found in the Investment Manager's Review and details of the Company's Key Performance Indicators.

Peer Group Net Asset Value per Share Total Return*

	1 Year		**3 years**		**5 years**	
	£	**Rank**	**£**	**Rank**	**£**	**Rank**
Pacific Horizon	200.9	1	195.2	1	376.5	1
Schroder Asian Total Return	141.8	2	146.7	2	255.3	3
Schroder Asia Pacific	138.5	4	134.0	4	250.1	4
Invesco Asia	139.5	3	133.8	5	242.0	5

Asia Dragon Ord	133.9	5	140.9	3	238.8	6
JP Morgan Asian	131.6	6	133.6	6	257.3	2
iShares MSCI Asia ex Jpn ETF	129.6	7	124.2	8	212.4	7
Pacific Assets Trust	**122.3**	**8**	**133.0**	**7**	**190.4**	**8**
Fidelity Asian Values	117.6	9	112.8	9	174.9	9
Peer Group Average	**139.5**	**–**	**139.3**	**–**	**244.2**	**–**
CPI + 6%†	**106.8**	**–**	**124.5**	**–**	**146.7**	**–**
MSCI AC Asia ex Japan	**130.7**	**–**	**126.8**	**–**	**220.0**	**–**

Source: Morningstar. Figures show the value of £100 invested at the start of the period as at 31 January 2021.

* Alternative Performance Measure. See Glossary.

† The Company's Performance Objective. See Glossary.

Chairman's Statement

"Pacific Assets Trust generated a net asset value per share total return of 22.3% for shareholders over the year to 31 January 2021. Over the last three years, the annualised return was 9.9%, and over five years 13.6%."

I am sure that we would all like to move on from the seemingly endless coverage of the pandemic. After all, it has dominated the airwaves for almost the whole of the year that we review in this Annual Report. However, I want to note how all of those involved in the management and the administration of Pacific Assets Trust have succeeded in their roles amidst a plethora of uncertainties and disruptions. I would like, on behalf of the Trust's shareholders, to thank all those working for our principal service providers for their positive and unstinting efforts to ensure that the affairs of the Trust continue to be professionally managed. I should remind you, that as a Board of five independent directors we have no actual employees of our own. The Investment Manager, the administrators, the custodians, and others are all appointed and then monitored by the Board. This is one of our principal roles, so that we can assure you, our shareholders, that these tasks are carried out professionally, with due regard to risks and to costs.

What is the Trust seeking to achieve?

Most of our shareholders do not live in Asia. Put simply, the Trust seeks to harness the advantages of investing in a part of the world where economic dynamism and creativity should bring higher expected returns over the medium term, and by providing access to a local business environment that is not replicated nearer to home. The range of choice in Asia is significant, with the large-scale evolution of stock markets and numbers of listed companies at all ends of the market cap scale.

I would point to three features of the Trust:

1. Our Investment Manager would under normal circumstances be 'on the road', meeting the managements of companies that they own, or that they might like to own. The research that they conduct takes their knowledge to a deeper level than most. They seek to have the highest levels of understanding of companies, their business models, and the senior management. In the latter case, they wish to gain superior knowledge of the personalities in charge of a company's decisions, and the philosophy behind the business. Such in depth research more closely resembles the private equity world rather than the world of publicly quoted companies. However, all our investments are quoted on a recognised stock exchange and traded on a daily basis.
2. The second point is the longevity of the investment horizon. Decisions are being taken with a five to ten year period in mind. This is not an excuse when the shorter term performance numbers are less than positive, but simply reflects how the ownership of companies within the Trust is naturally considered. Nine of our holdings have been in the Trust's portfolio for more than 10 years, and 21 for more than five years. Many of our companies are not particularly young. Surprising for some, in all our Asian markets we hold businesses that have been in existence for generations. These rank alongside the precocious start-ups that have been the darlings of investors the world over in recent years.
3. The third point to note is that the Board does not constrain the Investment Manager with index focussed restrictions. This gives them the freedom to select companies of all types and sizes, and without needing to prioritise a particular Asian market. They build the Trust's investment portfolio from the bottom up, selecting companies to invest in on their own merits, rather than considering what the index weighting might be. One metric that the Board uses is the extent to which the Trust's portfolio deviates from its index. If levels of 'active share' were to decline, we would ask the question whether the Investment Manager was deciding to take refuge by being closer to the index (this has certainly not been the case).

The Past Year

We published last year's annual report in early April when global stock markets had suffered traumatic falls, as investors came to terms with the pandemic and the responses to it. Despite countries in East Asia showing relative resilience in the face of the disease, even markets here were not spared.

Rising stock prices since that time showed that investors were looking beyond the horizon, to a moment when the impact of the disease would be simply a memory, and normal economic conditions resumed. Whether such a judgment has been wise or not, remains to be seen, but as we write a combination of comfort and perhaps complacency seem to be the prevailing belief within financial markets. After all, it should be remembered that the world has seen an exponential increase in debt especially at Government level, and Central Banks freely pouring liquidity into the global financial system.

In the Stretegic Report the data for performance both short and long term are set out, along with the comparative measures that we employ. Pacific Assets Trust generated a net asset value per share total return of 22.3%* for shareholders over the year to 31 January 2021. Over the last three years, the annualised return was 9.9% and over five years 13.6%. The share price total return* was more than this, 25.8 %, and this reflects a narrowing in the discount to net asset value*. Over five years, the share price total return was 86.0%, or an annualised 13.2%, and over ten years it was 188.8%, or an annualised 11.2%.

The Trust remains in the lowest quartile of the peer group of Investment Trusts over the three and five years that we measure. As described below in the section entitled 'The Investment Manager' the Board conducted a thorough review of the processes and approach of Stewart Investors in response to this relative underperformance.

The Investment Manager's report will spell out more of the successes and the disappointments over the last year. However, I would point out the positive impact of the Trust's investment in Chinese stocks, and the positions in Japan. Shareholders may recall that we sought approval to place up to 20% of the portfolio into stocks which derived, or were expected to derive, a substantial economic benefit from the Asia Pacific Region, but which were not listed on the markets within the Trust's mandate. Ownership of five Japanese companies was determined by such criteria, and this has been a successful policy.

The Trend of Sustainable Investing.

Pacific Assets Trust has been awarded the top accolade of 'leader' for its ESG (Environmental, Social, Governance) commitment level by Morningstar, who reviewed over 100 different strategies from asset managers. We are particularly encouraged because in this case they used a qualitative approach when considering the ESG credentials of managers that they evaluated.

Stewart Investors, the Trust's Investment Manager, are well known for their pioneering work in sustainable investing. The essential point is that long-term returns are much more likely to be generated by companies that have embedded corporate governance strengths, and that have full respect for their environment and the society in which they operate. Surprising to some, this investment approach can be conducted as easily in Asia, as in other parts of the world.

The rising enthusiasm for ESG principles across the investment management industry is encouraging because it adds weight to the current trend of listed companies re-thinking their business models. The Trust, through our Investment Manager, expects to maintain a continuous constructive dialogue with the owners and the managers of the companies where it owns shares. This goes beyond negative votes at a Company's annual meeting, by pre-empting a situation where a Company is much less likely to abuse its powers. Such a relationship is enhanced by the long term nature of the investment, reassuring companies of stability that will be assured.

The Trust delegates to the Investment Manager its policy on the integration of ESG principles into its business, especially the selection of investments. With the increasing attention of investors to matters of sustainability, there follows a section in this Annual Report which describes in considerable detail the approach and the disciplines of Stewart Investors where ESG factors are concerned. This approach is fully supported by the Board.

* Alternative Performance Measure (see Glossary).

The Investment Manager

In normal circumstances, the Board visits one of the countries where investments are held and spends time with the Investment Manager, meeting the senior managements of companies that are held by the Trust. These working trips are helpful in ensuring that Directors have an understanding at first hand of Stewart Investors' approach to decision making and can gain better knowledge of the members of the investment team and their processes.

This of course has not been possible over the last year. It has not prevented close interaction with the Stewart Investors team within and outside of formal meetings of the Board. During the year we conducted a review with the Investment Manager in which we looked in detail at their decision making, company selection, and portfolio construction. This followed a period where returns had fallen behind most of the peer group that we use for comparative purposes. In this review we considered the investment approach that they use, and the philosophy that lies behind it. In these matters we are satisfied that the Investment Manager continues to maintain high standards of research and selection and remains consistent in approach to investing sustainably in its target markets. The Board believes that the management arrangements that we have, remain in the best interests of the Trust's shareholders.

The Board

Only one of the scheduled Board and committee meetings during the last year could be conducted in person around a table. Video conferencing proved effective, and as many people have found, it is a reasonable but still not wholly satisfactory form of human interaction. We do not believe that there was any slippage of the high standards that we seek to maintain. In this I would like to thank Frostrow, our company secretary and administrator, who have helped us deal with the challenges of remote working in a thoroughly professional manner and have undoubtedly made the whole process much easier for us to manage.

The Board conducted, as legally required, a review of its own effectiveness using an external consultant. The outcome was satisfactory, and through different criteria the Board and its committees were deemed fit for purpose. Several relatively minor recommendations came out of this review, and they are being acted upon.

There have been no changes to the Board over the last financial year. However, shareholders should be aware that from late 2022 onwards there will be some changes, as various Directors come to the end of their tenure at periodic intervals. We are asking shareholders at the Annual General Meeting to vote on some changes to the Company's Articles of Association. These include an increase in the ceiling on collective Directors' remuneration from £200,000 to £250,000. This will enable us if it proves to be necessary to carry, for a period of overlap, six directors rather than five. This may be necessary to facilitate transition over the coming years, although on a longer term basis, we believe that five Directors is an appropriate number for this Company's Board.

The Discount and the Share Price

During the year, the discount to net asset value averaged 9.1%, and on 31 January 2021 it stood at 3.2% (2020: 6.2%), a considerable recovery on the low points reached last summer. We closely monitor the level of discount compared with peer group investment trusts, and these levels remained broadly comparable throughout the financial year. No shares were issued or bought back during the year.

As a Board it is for us to observe closely the points when the share price suffers a notable aberration from the Trust's net asset value, in both directions – discount or premium. We have the capacity to purchase shares in the market using the Trust's cash balances to ensure that there is an orderly market in the shares. The disadvantage of this is that one may be using the Trust's liquidity to reduce the discount when the Investment Manager may wish to access the same funds to add new stocks to the portfolio. For most of the year the Trust has maintained an extremely low cash position, reflecting confidence in the Asian markets. At the same time, several new positions have been added to the Trust's portfolio. In considering this, the Board took the decision that buying back the Trust's own shares at what might have been a low point in the market was not in the best interests of the shareholders at that time. Since then, the discount has narrowed considerably and the net asset value has also increased, justifying the decision that was taken then.

This does not mean that we would not buy back stock in the face of a large discount. We will always take account of the situation in the market for the Trust's shares, and the range of opportunity to use these funds within the Trust's mandate in Asian stock markets.

Dividend

The generation of income from dividends remains a secondary objective of the Trust. While we seek to pay out the major part of income received to shareholders each year the Trust's objective means the dividend can rise or fall from one year to another.

The Company made a revenue return of 2.6p per share during the year (2020: 3.3p). The reduction is primarily attributed to the pandemic with companies cutting, or scrapping, dividend payments.

This year the Board has decided to propose a final dividend of 2.4p per share (2020: 3.0p per share), to be paid on 5 July 2021 to shareholders on the register on 14 May 2021. The associated ex-dividend date will be 13 May 2021.

Alternative Investment Fund Manager Directive ('AIFMD')

Under the AIFMD investment companies are required to appoint an Alternative Investment Fund Manager ('AIFM') and Depositary unless their net asset value is less than €500m. (See the Glossary for further information).

During the first half of year the Trust's net asset value approached the threshold of €500m, which when exceeded triggers the requirement for the appointment of an external AIFM and Depositary. The Board therefore initiated a process to decide on the appointment of an AIFM and Depositary, once the threshold was crossed. Following this process the Board decided that Frostrow Capital LLP should be appointed as AIFM and JP Morgan Europe Limited ('the "Depositary") as Depositary. These appointments will take effect from 30 April 2021. Stewart Investors remain the Trust's Investment Manager.

The Auditor

As explained in the Company's announcement on 1 October 2020, KPMG LLP resigned as the Company's auditor after identifying that its re-appointment as auditor in 2017 represented a technical breach of the requirements of the Companies Act 2006 relating to the rotation of auditors.

It is the view of KPMG that the technical breach did not affect their independence or objectivity in carrying out its duties as auditor for the financial years ended 31 January 2018, 2019 or 2020 and the Board agrees with this view. I also confirm that the Company's annual financial statements (including KPMG's audit reports) for such years have not been invalidated as a result of this breach. Nonetheless, there was a technical breach of the Companies Act and KPMG has therefore concluded that it had to resign as auditor immediately.

Following the resignation of KPMG an audit tender process was undertaken by the Company in accordance with the FRC notes on best practice for audit tenders and the tenders of three audit firms were evaluated.

Following the audit tender process and on the recommendation of the Audit Committee, the Board resolved that BDO LLP be appointed as the Company's Auditor for the year ended 31 January 2021.

Annual General Meeting.

This year's AGM will be held at 12 noon on Tuesday, 29 June 2021, and will be held at the offices of Frostrow Capital LLP, 25 Southampton Buildings, London WC2A 1AL. In view of the continuing Covid-19 related restrictions attendance will be kept to the minimum permitted by the Trust's Articles of Association and shareholders will not be able to attend. I would remind shareholders that they are able to submit proxy voting forms before the applicable deadline and also to direct any questions or comments for the Board in advance of the meeting through our Company Secretary, Frostrow Capital at info@frostrow.com. Any shareholders who require a hard copy form of proxy may request one from the Registrar, Equiniti. Shareholders who hold their shares through an investment platform or a nominee will need to contact them to enquire about voting arrangements. Given shareholders and third parties will be unable to attend the AGM in person, I strongly encourage shareholders to appoint the Chairman of the AGM as their proxy to vote on their behalf.

The votes on the resolutions to be proposed at the AGM will be conducted on a poll. The results of the proxy votes will be published immediately following the conclusion of the AGM by way of a stock exchange announcement and on the Trust's website at www.pacific-assets.co.uk.

Whilst there will be no live presentation from our Investment Manager on the day of the AGM, they will record a presentation which will be available on the Trust's website (www.pacific-assets.co.uk) shortly after the event.

The Board is committed to holding in person meetings in future when restrictions are not in place and they can be held safely. A resolution is also to be proposed to shareholders at the Trust's AGM to adopt new Articles of Association. These will enable a combination of virtual and in person shareholder meetings to be held. The amended Articles of Association will provide the Board with the flexibility to hold virtual shareholder meetings in the future should the need arise.

The Outlook

As an investor in Pacific Assets Trust, you are participating as an owner in a varied collection of Asian companies, where we must trust their managers to harness their businesses to the rapid changes that are happening all around them. The habits and the needs of the consumer, the office worker, the traveller are all undergoing significant upheaval. In Asian countries, particularly India and China, the embedding of the digital economy in daily life is almost certainly happening more quickly than anywhere else. The supply chains that have underscored global manufacturing are being re-thought, sometimes for geo-political reasons with more uncertainty surrounding relationships with China. These accelerated changes only partly owe their origin to the COVID-19 pandemic.

The investment policy of the Trust has been to seek out and then hold the shares of companies whose managers understand that their principal activities must be resilient in the long term. This involves finding businesses that have a valuable niche in these fast growing and densely populated countries, that carry plentiful liquidity and minimal debt, and that have managers who are both shrewd and far sighted. Shorter term rewards will not always accrue from this approach in momentum driven markets, but there will be comfort from those with such a sustainable approach over the longer term in what is an increasingly unpredictable world.

James Williams
Chairman

29 April 2021

Stewart Investors' Sustainability and ESG Investment Approach and Integration

Investment Approach

Responsible investment and stewardship has been central to Stewart Investors' investment philosophy and stock-picking process since 1988. Stewart Investor's first fund focussed on sustainable development was launched in 2005. They believe that fully incorporating sustainability considerations into the investment process is the best way to protect and grow capital for shareholders.

All members of Stewart Investors' investment team sign a Hippocratic Oath[1], which includes the commitment that they will not pursue risk-adjusted returns to the extent that their actions will knowingly harm others. In accordance with their investment philosophy and strategy, the investment team is responsible for avoiding the allocation of client capital to harmful activities.

[1] https://www.stewartinvestors.com/all/sustainable-funds-group/how-we-invest/hippocratic-oath.html

Sustainability and ESG Integration

The Investment Manager takes a bottom-up approach to investing in high quality companies that contribute to, and benefit from, sustainable development. Their starting point is a blank sheet of paper, not the index. Companies are selected for inclusion in the Trust's portfolio only if they meet quality, sustainability and valuation criteria.

The Investment Managers' structure is flat and all investment analysts within the team have significant autonomy to explore investment ideas. Research focuses on each company's sustainability positioning and the quality of:

- **Management:** competence and integrity, aligned with all stakeholders, sustainability is core to decision-making
- **Franchise:** necessary and responsible products/ services and business practices, pricing power, barriers to entry, sustainable and profitable growth opportunities
- **Financials:** resilient cash flows and profit margins, appropriate payment of taxes, strong balance sheets, conservative accounting, sustainability is fully aligned with commercial success

Environmental, social and governance (ESG) risks and issues which are relevant to the company are integrated into the assessment of quality. Unlike many ESG managers, the environmental and social impacts of the products and services of each company are considered as well as operational factors.

A focus on capital preservation means that valuations must be reasonable, with a goal of achieving equity-like absolute returns appropriate for the level of risk over the long-term (10+ years).

ESG factors most material to the investment process

The most material consideration in the company selection process is whether sustainability is core to the business and its long term success. The Investment Manager will only invest in a company if it is well positioned to both benefit from and contribute to sustainable development and management is fully committed to sustainability.

An assessment of each company's sustainability journey and the direction of travel is integrated into the analysis and influences the Investment Manager's conviction level.

Key considerations include -

Environmental

- Do products and services have a net-positive impact on the environment, particularly on climate change and biodiversity?
- How do the companies map against environmental solutions?
- Does the company use natural resources efficiently?
- How are waste, water and energy and other natural resources managed?
- What are the physical risks relating to water scarcity, heatwaves and other environmental factors?

Social

- How does the company approach diversity, equity and inclusion for workers and customers?
- How do the products and services (including supply chains) impact on human health (for example addictive substances or the side-effects of medical treatments?)
- What is the approach to fair remuneration, particularly the gender pay gap and living wage?
- How are health and safety issues managed?
- Is the company managed to benefit all stakeholders, including suppliers, employees and the community?
- Which of the 10 human development pillars does the company map to? 1. Nutrition 2. Health & wellbeing, 3. Water & sanitation, 4. Education 5. Information & connectivity 6. Energy & electricity 7. Income & employment 8. Financial inclusion, 9. Housing and 10. Standard of living

Governance

- Is the corporate strategy and legal structure appropriate?
- What is the company's approach to taxation? Is it simple and fair?
- Are ESG policies, processes, reporting and disclosure in line with (or better than) industry best practice?
- Is the board sufficiently diverse?
- Do board members have integrity and are they appropriately experienced?

The Investment Manager supports and tests their analysis with credible third party frameworks and external research. For example:

- Project Drawdown: a well-researched collection of viable and scalable solutions to the climate crisis. Drawdown offers a group of solutions in energy, buildings, transport, industry, food and agriculture and society which are relevant to the companies the Investment Manager invests in, and captures the social dimension of climate change which no viable framework can ignore. The solutions are also relevant for other crises like biodiversity loss and pollution.
- Adapted Human Development Index (HDI): using the main planks from the HDI including health and wellbeing, income, access to essential services and inclusion, the Investment Manager can identify companies contributing to these areas.
- Other relevant frameworks: include established and credible assessments like the Access to Medicines Index, the Access to Nutrition Index, the Circular Economy, and Planetary Boundaries.

Engagement and voting

Active ownership is central to the Investment Managers' approach. The Investment Manager takes a bottom-up approach to identifying engagement priorities and encourages companies to consider ESG issues and evolve their policies, processes and reporting with the aim of improving long term performance and ESG outcomes. The way each company responds to engagement is integrated into the analysts' conviction level in the company. Engagements are on issues such as:

1. pollution, natural resource degradation, biodiversity and climate change – packaging, plastic pellets, deforestation, sustainability of supply chains (soy, palm oil and coffee), fossil fuel versus renewables, water, waste and energy efficiency
2. aligned remuneration and incentives – living wage, gender pay-gap, complexity of incentives
3. diversity, equity and inclusion – diversity, particularly gender, in senior management / on boards
4. addictive products – indirect exposure to tobacco, and sugar content in food
5. governance – corporate strategy and legal structure

In addition to direct engagement with companies, the Investment Manager is involved with collaborative engagements as both a participant and a leader, for example on deforestation, plastic pellets, micro insurance and access to medicine.

The Company has given discretionary voting powers to Stewart Investors. This process is not outsourced to an external provider or separate proxy voting / engagement team. The investment analysts use proxy voting as an extension of their engagement activities and are guided by the principal that, where possible, voting should be used to improve sustainability outcomes. A contrary vote is an important part of the engagement process.

The Investment Manager aims to explain their rationale for voting against management before voting and will continue to engage following the vote if appropriate. Contrary votes most frequently relate to overly complex management remuneration packages, a curtailment of minority shareholder rights, and director appointments. Given the Investment Managers' focus on investing in companies contributing to sustainable development votes on environmental and social issues are less common than they would be for more index-constrained strategies but where relevant, the Investment Manager supports votes against management to improve social and environmental outcomes.

Material exposure to harmful products and services

As an output of the Investment Managers' bottom-up investment process, they do not invest in companies with material exposure to harmful products and services, or who fail to discharge their environmental stewardship and human rights responsibilities.

Full details of the activities and practices the Investment Manager finds inconsistent with their investment philosophy is included within the table below. A materiality threshold for direct involvement in the relevant activities has been set at 5% of revenue.

In rare instances, the Investment Manager may make investments where exposure is above the 5% threshold, but in those cases they will disclose their reason for maintaining that holding. Reasons for such holdings could include indirect involvement, for example, a company which provides safety products to a wide range of industries also providing those products to the fossil fuel or defence industry. Exceptions may also relate to legacy activities which are being wound down. In those cases the Investment Manager will engage with the company and encourage them to exit those activities.

Issue	**Investment Manager Approach**
Environmental issues Environmental impacts and considerations are an integral part of the Managers' bottom-up research into companies.	
Fossil Fuels	The Investment Manager does not invest in companies materially involved in the exploration, production or generation of fossil fuel energy.
Nuclear Power	The Investment Manager does not invest in companies materially involved in nuclear energy.
Environmental stewardship	The Investment Manager expects all companies they invest in to take their environmental stewardship responsibilities seriously in line with the Global Compact and other global standards. They do not invest in companies that wilfully or persistently neglect these responsibilities.
Social Human rights and wellbeing considerations are an integral part of the Investment Managers' bottom-up research into companies.	
Alcohol (production)	The Investment Manager does not invest in companies materially involved in the production of alcohol products.
Tobacco (production)	The Investment Manager does not invest in companies materially involved in the production of tobacco.
Gambling (retail involvement and services)	The Investment Manager does not invest in companies materially involved in gambling operations or the provision of gambling opportunities.
Pornography (production and sales)	The Investment Manager does not invest in companies involved in the production or materially involved in the distribution of pornography.
Animal welfare (agriculture)	Animal welfare considerations are an integral part of the Investment Managers' bottom-up research into companies. They invest in companies with sound track records of animal welfare and avoid companies that export live animals, have cruel production practices (e.g. factory farming) or engage in the trade of controversial animal products such as ivory.
Animal testing (cosmetics, chemicals, household products	The Investment Manager invests in some companies that undertake animal testing during the production of some consumer, medical, chemical and

etc.)	home and personal care products in circumstances where (1) animal testing is done in accordance with ethical principles, policies, protocols and standards for the responsible treatment and welfare of animals; (2) animal testing is required by regulatory agencies to limit risks to human lives and health; (3) products require ingredients for which no suitable alternative methods of testing are available.
Sexual and reproductive health and rights	The Investment Manager respects well-established human rights including those related to sexual and reproductive health. These rights integrate the full range of peoples' needs and services including sexual well-being, personal autonomy and bodily integrity. They appreciate abortion is controversial for some shareholders, however, they respect the rights of women to make these difficult decisions for themselves. The Investment Manager avoids companies that discriminate against or seek to impinge on those rights, particularly for their workers.
Genetic research and stem cells	The Investment Manager appreciates the use of embryonic stem cells is controversial for some shareholders. They may have investment exposure to pharmaceutical companies that undertake research involving human embryonic and adult stems cells for the development of medicines to prevent or alleviate serious medical disorders. These companies must comply with the highest ethical, safety and regulatory standards and collaborative agreements for such research, and they must not be involved in research for the reproductive cloning of human beings or animals.
Human rights	Human rights considerations are an integral part of the Manager's bottom-up research into companies. The Investment Manager does not invest in companies with poor records in relation to globally accepted human rights norms and standards. This includes issues such as modern slavery, child labour, land grabs, indigenous rights and community impacts. Human rights considerations are an integral part of the Manager's bottom-up research into companies. The Investment Manager does not invest in companies with poor records in relation to globally accepted human rights norms and standards. This includes issues such as modern slavery, child labour, land grabs, indigenous rights and community impacts.
Ethical employment practices including discrimination	Ethical employment practices and considerations are an integral part of their bottom-up research into companies. The Investment Manager invests in companies with ethical and non-discriminatory employment practices. Human capital performance is also critical and indicators such as employee compensation, gender equity and diversity, employee turnover rates and safety records can be particularly insightful when evaluating people-related risks.
Armaments (weapons, strategic and non-strategic products)	The Investment Manager does not invest in companies that are materially involved in the manufacture of armaments. This includes both controversial weapons such as landmines and cluster munitions, and other armaments such as hand guns.

Governance
The integrity and ethical conduct of companies is an integral part of the Investment Managers' bottom-up research into companies.

Oppressive regimes (companies who have dealings with oppressive regimes)	Integrity considerations and the risks companies face when dealing with governments and other counterparties are an integral part of their bottom-up research into companies. The Investment Manager avoids companies that might be compromised in their dealing with such governments.
Bribery and corruption	The Investment Manager does not invest in companies where there appears to be cultural or systemic weaknesses that can lead to bribery and corruption being perpetrated.
Tax	The Investment Manager monitors the tax paid by the companies they invest in and engage with companies where they have concerns around levels of tax paid. They will not invest in companies where tax practices are persistently and systematically designed to undermine the integrity of tax systems. They believe the underpayment of tax (even where it may meet the letter if not the spirit of the law) exposes companies to the risk of regulatory or consumer backlash.
Ethical conduct (customers, employees, suppliers and competitors)	The ethical conduct of companies in dealing with its customers, suppliers and competitors is an integral part of the Investment Managers' bottom- up research into companies. Companies that abuse these relationships are equally likely to treat minority shareholders poorly, in addition to introducing significant risks of regulatory and consumer responses or compromising the sustainability of their supply chains.

Monitoring of ESG Issues

The Investment Manager believes meeting company management is central to assessing quality and stewardship. Typically the Investment Manager meets with 1,500 companies per year across all their strategies.

Research plays an important role in ongoing portfolio monitoring, including proxy voting and engagement. Specialist external research often supports the Investment Managers' prioritisation of engagement with portfolio companies.

The Investment Manager employs the services of an external environmental, social and corporate governance (ESG) research provider to reviews the Trust's portfolio on company involvement in harmful industries and breaches of social norms, like those found in the UN Global Compact Principles and the UN Human Rights Norms for Businesses. The Investment Manager also receives regular updates from controversy monitoring service RepRisk.

While for some of these activities revenue thresholds are possible, in others like environmental stewardship, ethical conduct and tax practices, judgement and knowledge of the company are required. Given the long-term nature of the relationships with company management, the Investment Manager believes that in many cases engagement can be an effective lever for change. Where they agree with issues raised by the external ESG research providers, they will endeavour to engage with the company in question. However if the issue is verified and engagement shows no prospect of change, they will divest to ensure the Trust portfolio continues to meet the principles which sit at the heart of the investment philosophy.

Transparency

The Investment Manager is transparent about portfolio holdings within the Trust and has developed an interactive map[2] (available on the Trust's website at www.pacific-assets.co.uk). This goes beyond just company names and includes the investment rationales, Sustainable Development Goal mapping and engagement focus.

[2] www.pacific-assets.co.uk/trust-information/interactive-holdings-map.html

Stewart Investors
Investment Manager

29 April 2021

Investment Portfolio

as at 31 January 2021

Company	Country	MSCI Sector	Market valuation £'000	% Net assets
Vitasoy International	Hong Kong	Consumer Staples	18,746	4.5%
Hoya Corp	Japan*	Health Care	16,966	4.1%
Mahindra & Mahindra	India	Consumer Discretionary	16,212	3.9%
Unicharm	Japan*	Consumer Staples	15,163	3.6%
Tube Investments of India	India	Consumer Discretionary	12,873	3.1%
Voltronic Power Technology	Taiwan	Industrials	12,694	3.1%
Marico	India	Consumer Staples	11,981	2.9%
Housing Development Finance Corporation	India	Financials	11,844	2.9%
Dr Lal Pathlabs	India	Health Care	11,353	2.7%
Taiwan Semiconductor Manufacturing	Taiwan	Information Technology	11,235	2.7%
Top 10 Investments			**139,065**	**33.5%**
Techtronic Industries	Hong Kong	Industrials	11,008	2.6%
NAVER Corp	South Korea	Communication Services	9,621	2.3%
Kotak Mahindra Bank	India	Financials	9,453	2.3%
Tech Mahindra	India	Information Technology	9,362	2.3%
Tata Consultancy Services	India	Information Technology	9,232	2.2%
Chroma ATE	Taiwan	Information Technology	8,912	2.1%
Koh Young Technology	South Korea	Information Technology	8,908	2.1%
Delta Electronics	Taiwan	Information Technology	8,727	2.1%
Advantech	Taiwan	Information Technology	8,115	2.0%
Info Edge	India	Communication Services	7,034	1.7%
Top 20 Investments			**229,437**	**55.2%**
Dr Reddy's Laboratories	India	Health Care	6,852	1.7%
Philippine Seven	Philippines	Consumer Staples	6,678	1.6%
Silergy Corp	China	Information Technology	6,516	1.6%
Bank OCBC	Indonesia	Financials	6,317	1.5%
Dabur India	India	Consumer Staples	6,304	1.5%
Vitrox Corp	Malaysia	Information Technology	5,903	1.4%
Vinda International Holdings	China	Consumer Staples	5,807	1.4%
Tata Consumer Products	India	Consumer Staples	5,581	1.3%
PT Bank Central Asia	Indonesia	Financials	5,563	1.3%
Aavas Financiers	India	Financials	5,322	1.3%
Top 30 Investments			**290,280**	**69.8%**

*at least 25% of their economic activities (at the time of investment) are within the Asia Pacific Region with this proportion being expected to grow significantly over the long term.

Company	Country	MSCI Sector	Market valuation £'000	% Net assets
Cyient	India	Information Technology	5,285	1.3%
Elgi Equipments	India	Industrials	5,231	1.3%
Hualan Biological	China	Health Care	5,199	1.3%
MediaTek	Taiwan	Information Technology	5,143	1.2%
Sundaram Finance	India	Financials	5,020	1.2%
Kasikornbank	Thailand	Financials	4,981	1.2%

Godrej Consumer Products	India	Consumer Staples	4,757	1.2%
Tokyo Electron	Japan*	Information Technology	4,751	1.1%
Square Pharmaceuticals	Bangladesh	Health Care	4,748	1.1%
Selamat Sempurna	Indonesia	Consumer Discretionary	4,683	1.1%
Top 40 Investments			**340,078**	**81.8%**
Unicharm Indonesia	Indonesia	Consumer Staples	4,659	1.1%
Centre Testing International Group	China	Industrials	4,484	1.1%
Marico Bangladesh	Bangladesh	Consumer Staples	4,323	1.0%
Infosys	India	Information Technology	4,315	1.0%
Pigeon	Japan*	Consumer Staples	4,262	1.0%
HDFC Life Insurance	India	Financials	4,219	1.0%
Syngene International	India	Health Care	4,006	1.0%
Brac Bank	Bangladesh	Financials	3,923	1.0%
Shenzhen Inovance Technology	China	Industrials	3,880	0.9%
Humanica Public	Thailand	Information Technology	3,642	0.9%
Top 50 Investments			**381,790**	**91.3%**
Oversea-Chinese Banking Corporation	Singapore	Financials	2,967	0.7%
Mahindra Logistics	India	Industrials	2,909	0.7%
Delta Brac Housing Finance Corporation	Bangladesh	Financials	2,863	0.7%
Hemas Holdings	Sri Lanka	Industrials	2,594	0.6%
AK Medical Holdings	China	Health Care	2,219	0.5%
Tata Communications	India	Communication Services	2,145	0.5%
Metropolis Healthcare	India	Health Care	2,117	0.5%
Guangzhou Kingmed Diagnostics Group	China	Health Care	2,050	0.5%
Pentamaster International	Malaysia	Information Technology	1,793	0.4%
Shanthi Gear	India	Industrials	1,241	0.3%
Indigo Paints	India	Materials	27	0.0%
Total Investments			**404,714**	**97.2%**
Other net assets			11,502	2.8%
Total Shareholders Funds			**416,216**	**100.0%**

*at least 25% of their economic activities (at the time of investment) are within the Asia Pacific Region with this proportion being expected to grow significantly over the long term.

Portfolio Distribution

Geographical Analysis

Source: Frostrow Capital LLP

Sector Analysis

Source: Frostrow Capital LLP

Investment Manager's Review

"Over the financial year, the Trust's net asset value per share total return was 22.3%."

Return for the Year

The net asset value of Pacific Assets Trust plc returned 22.3% in the twelve months to 31 January 2021. This compares to an increase in the Performance Objective of CPI plus 6% of 6.8%. However, this only becomes relevant over a longer period. Over five years, the annualised net asset value total return of the Trust has been 13.7%, against CPI plus 6% of 8.0%, and over 10 years the annualised return of 11.0% compares with 8.1% for the Performance Objective. For the year there has been an increase in the MSCI AC Asia ex Japan index (measured on a total return sterling adjusted basis) of 30.7%.

These strong returns contrasted starkly with the economic and humanitarian crisis caused by the coronavirus and remind us that news headlines and quarterly income numbers are poor predictors of share price returns. This annual report will highlight significant drivers of performance and changes to the Trust during a tumultuous year before turning to a case study of **Philippine Seven** (Philippines). Here the decisions and actions of the CEO, Mr Paterno, illustrate that two key assets, which determine value, for a business are intangible: a culture of adaptability combined with a long-term mind-set.

What contributed to our return

The factors that benefited the Trust fit into five broad categories:

1. The first was a return to form of long-term holdings which had been out of favour in previous years. The Indian conglomerate **Mahindra and Mahindra** and the Taiwanese electronics component manufacturer **Delta Electronics** are leading examples. For the former a change of management, a more focused strategy, signs of improved capital allocation and a rebound in consumer sentiment in India drove performance. For the latter, increased demand for components for computers, industrial automation and electric vehicles renewed investor interest in the company. The Trust has partnered with the families behind each of these companies for several years and it was pleasing to see our long-term conviction in these franchises rewarded.
2. The second category was strength in the semiconductor supply chain. Most notable was **Hoya Corp** (Japan) which enjoys a dominant position in the manufacture of mask blanks, essential inputs in the manufacture of semiconductors by foundries such as **Taiwan Semiconductor Manufacturing** (Taiwan), which also contributed well for the Trust. Other direct and indirect beneficiaries of this stronger demand for semiconductors and electronics were **Mediatek** (Taiwan) and **Voltronic** (Taiwan).

3. A resurgence in economic activity in India was the third broad category. Comments from Vellayan Subbiah, the Managing Director of **Tube Investments of India**, articulate this well: *"Tube has delivered strong results driven by revival in the economy and easing of the lockdown restrictions for Covid-19 … this momentum is likely to continue as the economy improves further"*[1]. This revival also helped the other domestically focused franchises, such as **Housing Development Finance Corporation** (India) and Mahindra and Mahindra.
4. The fourth category was strong demand from Asian customers for the goods and services sold by businesses that are listed in Japan. Demand for paint, diapers and semiconductors increased throughout the year. Also, raw material cost weakness assisted margins at **Nippon Paint** and **Unicharm** producing a disproportionate increase in their earnings and returns.
5. The fifth and final contribution to NAV appreciation was driven by companies listed in mainland China that derive the majority of their earnings within China. **Shenzhen Inovance Technology** (China), the engineering partnership behind the design and manufacture of components for industrial automation, electric vehicles, and industrial robots, is a case in point and was one of the strongest contributors to the Trust during the year. This is also an example of a more positive view on certain Chinese companies, notwithstanding our concerns on governance in China.

What detracted from our return.

The biggest detractor over the year was Philippine Seven, the exclusive local licensor of 7-11 convenience stores. There are almost 3,000 7/11 stores in the Philippines and at the height of the pandemic 30% of these stores were closed under government imposed quarantine. Difficult times are an unfortunate fact of life and our instinct is to support companies during such times. We have retained our confidence in the company and their management, as detailed in the section below.

Contribution by investment for the year ended 31 January 2021

Top 10 contributors to and detractors from absolute performance (%)

* Not held at end of period.

Contribution Data. Source: Stewart Investors. Data calculated in GBP for Pacific Assets Trust plc. Contributions are calculated at the investee company level before the deduction of any fees incurred at Trust level (e.g. the management and administration fee) but after the deduction of transactional costs. Contribution data is calculated from the full portfolio and includes cash.

Six of the top detractors were banks. Banks around the region struggled under the threat of Government intervention, lower interest rates and rising non-performing loans. Early in the pandemic the Trust had completely sold out of **E.Sun Financial** (Taiwan) for the reason of valuation and reduced the position size of **Oversea-Chinese Banking Corporation** (Singapore) and **Kotak Mahindra Bank** (India). Despite smaller weightings these two banks plus **Sundaram Finance** (India), **Bank OCBC** (Indonesia), **HDFC** (India) and **Kasikornbank** (Thailand) were all detractors over the period. History shows that high quality banks gain market share from weaker competitors during times of stress and we remain confident in the longer term prosperity of these franchises.

Another commonality amongst the largest detractors was their economic exposure to South East Asia. The institutional apparatus to counteract the pandemic was proven to be strongest in more authoritarian countries in North Asia. China, Korea, and Taiwan also have a greater number of companies that benefit directly or indirectly from e-commerce. Such companies flourished during the pandemic and the combination of these two factors explain a large portion of the difference in regional performance.

Transactions

The most significant transactions occurred in the first half of the year and were detailed in the interim report. To recap briefly these included the purchase of four companies listed and operating in China. The commonality between these purchases are owner/ managed franchises that contribute to and benefit from the development of China but are neither assisted nor impeded by government policy. We continue to be dissuaded from ownership of large, well-known companies operating in the internet sector because of concerns over franchise durability, financial opacity and rising political risk. The addition of the likes of Shenzhen Inovance Technology and **Centre Testing International** has increased the geographical exposure of the Trust to Greater China, without diminishing quality. That written, we continue to find exciting, high-quality companies to purchase in India, thereby illustrating that the Trust's geographical exposure is purely an outcome of bottom-up research.

To this point, our conviction increased in two franchises in India that we have studied and known for many years. In the later part of the year, we purchased **Infosys**, an IT software services franchise and **HDFC Life**, a provider of life insurance. Infosys, like **Tata Consultancy Services** came to prominence in the late 1990s as corporations struggled with the problem of Y2k[2]. They have since adapted, developed, and evolved into essential providers of mission-critical technology to companies around the world. The pandemic has elevated the priority of expenditure on comprehensive IT solutions. Infosys highlighted this point in their latest announcement: *"We achieved the highest large deal wins in our history with a deal value of $7.1bn"*[3]. More importantly, to us, governance has improved after an unsettled period during which the firm grappled with succession issues. HDFC Life is 49.9% owned by Housing Development Finance Corporation, which has been owned by the Trust for many years. High quality stewardship, as confirmed by culture and a trusted brand, coupled with the low penetration of savings and protection products provides us with confidence that HDFC Life has the necessary qualities to overcome difficulties and prosper from opportunities.

The importance of stewardship

Challenging times are useful for evaluating the quality of stewardship. In times of stress it is possible to learn more about personalities and culture than over longer periods in quieter times. In this regard, Philippine Seven serves as a case study of how we assess the quality of stewards and incorporate this into valuation.

In January, the Philippine Seven was forced to close 30 of their 3,000[4] stores because of a volcanic eruption in Tagatay. Supply chains were physically disrupted. After a bad start to the year, matters deteriorated further. At the height of the pandemic, 30% of their stores were closed resulting in half-yearly revenues falling by a third. The hiring of extra security guards and armoured car pickups to protect the cash collected in stores were just some of the unanticipated costs that turned profit into loss and underlined the severity of the situation. At the same time, little help was provided by the government: stimulus as a percentage of GDP was minimal.

Philippine Seven, like most companies in the Trust, started the year with a large cash balance and virtually zero debt, though they did have quite large lease liabilities. Despite an extremely difficult situation Mr Paterno, made a series of bold and, some might say, counterintuitive decisions that depleted cash reserves. These included issuing generous credit terms[5] to franchisees, early reimbursement to suppliers, prompt payment to landlords, accelerated investment in e-commerce and the donation of resources to the Department of Health, to help combat the virus. In this way the CEO took brave actions for the future rather than being paralysed by the present, and chose to spend rather than save cash reserves.
Mr Paterno summarises his actions and the precarious situation:

"When asked when we expect earnings to normalize, we respond by saying that we haven't the faintest idea. At the same time, we are making investments in manpower, time, and resources to increase our chances of long term survival (or perhaps even prosperity) that could turn out very well, or not at all"[6].

In our opinion, the parenthesis in the quote above, points at the most likely outcome. By adapting to difficult circumstances and sacrificing short-term comfort for long-term gain Mr Paterno demonstrated extremely high quality stewardship. Rewards for his decisiveness are already evident in a significant reduction in rent, market share gains, grateful suppliers, more loyal franchisees, government appreciation and the admiration and support of long-term shareowners, like ourselves.

Within Stewart Investors' Sustainable Funds Group, we evaluate the quality of sustainability, stewardship, franchise, and financials. Of these qualities, stewardship is the most intangible and therefore the most subjective to assess. Unlike cash on hand, it does not appear on the balance sheet and yet, as shown above, is instrumental for determining future prospects. It is inherently difficult to quantify but is a key consideration when valuing a company.

Financial literature suggests we should value cash at 1 x. In theory, cash on hand is not worth more than its current amount. Crucially, this theory ignores the quality of stewardship determining the use of cash and explains why we spend more time debating the quality of people than building earnings models and why we believe valuation is more of an art than a science.

2 Y2K: a programming shortcut, expected to cause havoc as the year changed from 1999 to 2000.

3 Infosys Limited, Q3 2021 Earnings Call, Jan 13, 2021

4 55% are operated by franchisees with the remainder owned by the corporation.

5 Philippine Seven Corporation, Form 17- Q, SEC, Page V1, 2020. Terms of the credit line were: *"draw as needed, pay when able, zero interest, forgiven if you give up"*.

6 IBID

The difficulties of 2020 underlined, once again, the weaknesses of near term forecasts and the shortcomings of even the most assiduously constructed business models. It has revealed frailties and highlighted the strengths of franchises and financials. More importantly, for us, it has informed our thoughts on people, with high quality stewards demonstrating adaptability and a preference for long term solutions over short term fixes.

Looking forward

At the Sustainable Funds Group, we believe that the best way to preserve and grow wealth for future generations is to allocate shareholder's capital to high quality stewards operating high quality franchises. These must compound attractive financial returns by contributing to and benefitting from sustainable development. The last 12 months has illustrated in large scale the unpredictability and challenges that companies must be prepared for. It is only by having such confidence in ownership and management that our portfolios can flourish in all circumstances.

Stewart Investors
Investment Manager

29 April 2021

Business Review

The Strategic Report 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 shareholders and help them to assess how the Directors have performed their duty to promote the success of the Company.

The Strategic Report contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report. Such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

Business Model

The Company is an externally managed investment trust and its shares are listed on the premium segment of the Official List and traded on the main market of the London Stock Exchange. As at the date of this Annual Report, the Company was a small registered UK Alternative Investment Fund Manager under the European Union's Alternative Investment Fund Managers Directive (see the Chairman's Statement for further information).

The purpose of the Company is to provide a vehicle for investors to gain exposure to a portfolio of companies in the Asia Pacific Region, through a single investment.

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.

During the year under review, the Board retained responsibility for risk management and appointed Stewart Investors to manage its investment portfolio. Corporate management, company secretarial and administrative services are outsourced to Frostrow Capital LLP.

The Board remains responsible for all aspects of the Company's affairs, including setting the parameters for monitoring the investment strategy and the review of investment performance and policy. It also has responsibility for all strategic policy issues, including share issuance and buy backs, share price and discount/ premium monitoring, corporate governance matters, dividends and gearing.

Further information on the Board's role and the topics it discusses with the Investment Manager is provided in the Corporate Governance Report..

Investment Objective

The Company's investment objective along with Stewart Investors' investment approach is set out in the Strategic Report

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. (During the year, and to the date of this Annual Report, no such investments were made.)

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. (During the year, and to the date of this Annual Report, no such investments were made.)

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%. (During the year, and to the date of this Annual Report, no such investments were made.)

The Company has the power under its Articles of Association to borrow up to two times the adjusted total of capital and reserves. During the year the Company was registered by the FCA as a Small Registered UK Alternative Investment Fund Manager ("AIFM"). To retain its Small Registered UK AIFM status, the Company is unable to employ gearing. Please see the Chairman's Statement for further information regarding the Company's registration with the FCA under the AIFMD. Following the appointment of an AIFM there are no plans to change this approach.

The use of derivatives is permitted with prior Board approval and within agreed limits. However, Stewart Investors are unlikely to use derivatives as they do not form part of their investment strategy.

Dividend Policy

It is the Company's policy to pursue capital growth for shareholders with income being a secondary consideration. This means that the Company's Investment Manager is frequently drawn to companies whose future growth profile is more important than the generation of dividend income for shareholders.

The Company complies with the United Kingdom's investment trust rules regarding distributable income which require investment trusts to retain no more than 15% of their income each year. The Company's dividend policy is that the Company will pay a dividend as a minimum to maintain investment trust status.

The Board

At the date of this report, the Board of the Company comprises James Williams (Chairman), Charlotta Ginman, Sian Hansen, Robert Talbut and Edward Troughton. All of these Directors are non-executive, independent Directors and served throughout the year.

Key Performance Indicators

The Board of Directors reviews performance against the following measures (KPIs). The KPIs are unchanged from the prior year.

- Net asset value total return against the Consumer Price Index +6% (the "Performance Objective")* ^
- Net asset value total return against the peer group* ^
- Average discount/premium of share price to net asset value per share over the year^
- Ongoing charges ratio^

* Calculated on an annual basis and measured over three to five years

^ Alternative Performance Measure (see Glossary).

Net asset value total return – Performance Objective

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. The performance objective of the Company is inflation (represented by the Consumer Price Index) plus 6% (a fixed element to represent what the Board considers to be a reasonable premium on investors' capital which investing in the faster-growing Asian economies ought to provide over time), measured over three to five years. The performance objective is designed to reflect that the Investment Manager's approach does not consider index composition when building and monitoring the portfolio.

During the year under review, the net asset value total return was +22.3% outperforming the Performance Objective by +15.5% (2020: +4.2%, underperforming the Performance Objective by 3.3%). Over the past three years, the annualised total return was 9.9%, outperforming the Performance Objective by 2.3%. Over five years, the annualised net asset value total return was 13.6%, outperforming the Performance Objective by 5.6%.

A full description of performance during the year under review is contained in the Investment Manager's Review.

Net asset value total return – peer group

The Board also monitors the Company's performance against its peer group.

Over the three years ended 31 January 2021, the Company ranked seventh in its peer group of the Company, an exchange traded fund and seven other investment trusts with a similar investment objective; over five years it was ranked eighth. The Company's performance and the Board's approach to monitoring it is discussed in the Chairman's Statement; further information can also be found in the Strategic Report and in the Investment Manager's Review.

Average discount/premium of share price to net asset value per share

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

During the year under review no new shares were issued by the Company and no shares were bought back by the Company. The Company's share price discount to the net asset value per share was at times wider than the peer group average and the Board kept this under close review during the year. Please see the Chairman's Statement for information regarding how the Board addressed this issue during the year.

Average discount of share price to net asset value per share*^ during the year ended

31 January 2021	31 January 2020
9.1%	**0.5%**
Peer group average	Peer group average
discount **6.8%**	discount **5.0%**

* Source: Morningstar

^ Alternative Performance Measure (see Glossary)

Ongoing charges ratio

Ongoing charges represent the costs that shareholders can reasonably expect to pay from one year to the next, under normal circumstances. The Board continues to be conscious of expenses and seeks to maintain a sensible balance between high quality service and costs. The Board therefore considers the ongoing charges ratio to be a KPI and reviews the figure both in absolute terms and in relation to the Company's peers.

Ongoing charges ratio^

31 January 2021	31 January 2020
1.1%	**1.2%**
Peer group average **0.9%**	Peer group average **0.9%**

^ Alternative Performance Measure (see Glossary)

Shareholders should be aware that the Trust's relatively low turnover, and the absence of any cost of capital associated with gearing, will mean that the Trust's overall running costs are not necessarily as high as some other investment vehicles, should these be added into the ongoing cost ratio. It should also be noted that the Trust does not have a performance fee. Performance fees are not included in the peer group average.

Risk Management

The Board is responsible for the management of risks faced by the Company. Through delegation to the Audit Committee, the Board has established procedures to manage risk, to review the Company's internal control framework and establish the level and nature of the principal risks the Company is prepared to accept in order to achieve its long-term strategic objective. At least three times during the year the Audit Committee carried out a robust assessment of the principal risks and uncertainties with the assistance of Frostrow Capital (the Company's Corporate Manager, Company Secretary and Administrator). A risk management process has been established to identify and assess risks, their likelihood and the possible severity of impact. The Audit Committee has also identified the principal risks faced by the Company. These principal risks are detailed below with a high-level summary of the management through mitigation and status arrows to indicate any change in assessment during the year. The risks faced by the Company have been categorised under three headings as follows:

- Investment risks (including financial risks)
- Strategic risks
- Operational risks (including cyber crime, corporate governance, accounting, legal and regulatory)

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

Principal Risks and Uncertainties	Mitigation
Investment Risks (including financial risks)	
Market and Foreign Exchange Risk	
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) in the regions and sectors in which it invests. Emerging markets in the Asia Pacific region, in which the portfolio companies operate, are expected to be more volatile than developed markets. Stewart Investors' approach is expected to lead to performance that will deviate from that of comparators, including both market indices and other investments companies investing in the Asia Pacific Region. Investors should be aware that by investing in the Company they are exposing themselves to these risks.	To manage these risks the Board have appointed Stewart Investors to manage the portfolio within the remit of the investment objective and policy. Compliance with the investment objective and investment policy limits is monitored daily by Frostrow and Stewart Investors and reported to the Board monthly. The investment policy limits ensure that the portfolio is diversified, reducing the risks associated with individual stocks and markets. Stewart Investors report at each Board meeting on the performance of the Company's portfolio, which encompasses the rationale for investment decisions, the make-up of the portfolio, and the investment strategy. The Board undertakes, at least annually, a strategic review of the Company, its investment objective and policy, and Stewart Investors' approach to managing the mandate. The description and outcomes of the latest review is included in the Chairman's Statement. As part of its review of the going concern and viability of the Company, the Board also considers the sensitivity of the Company to changes in market prices and foreign exchange rates (see note 14), how the portfolio would perform during a market crisis, and the ability of the Company to liquidate its portfolio if the need arose. Further details are included in the Going Concern and Viability Statements. The Board have also considered the impact of passive funds on market prices in the Asia Pacific region. The Board believe that flows into/out of passive funds are likely to increase volatility in the shorter term as they inflate/deflate prices of companies in the relevant indices. However, the Board believes that over the longer term, active management and a focus on the fundamentals of each investment will prove beneficial.
Counterparty Risk	
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 to which the Company is exposed is J.P. Morgan Chase Bank, the Custodian, which is responsible for the safekeeping of the Company's assets.	Counterparty risk is managed by the Board through: Under the terms of the contract with J.P. Morgan Chase Bank, the Company's investments are required to be segregated from J.P. Morgan Chase Bank's own assets. Further information on other financial risks can be found in note 14.
Strategic Risks	
Geopolitical Risk	
Geopolitical events may have an adverse impact on the Company's performance by causing exchange rate volatility, changes in tax or regulatory environments, a reduced investment universe and/or a fall in market prices.	The Board regularly discusses global geopolitical issues and general economic conditions and developments. Political changes in recent years, particularly in the US and Asia Pacific region, have increased uncertainty and volatility in financial markets. The Board discusses developments and how they may impact decision making processes with Stewart Investors.
Climate change Risk*	
The Board is cognisant of risks arising from climate change and the impact climate change events could have on the portfolio companies and their operations, as well as on service providers to the Company.	The Board discusses the potential impact of climate change on the portfolio with Stewart Investors on a regular basis. Given Stewart Investors focus on sustainability and ESG, the Board considers the portfolio to be well positioned to deal with climate change events as they arise.
Black Swan Risk*	
A black swan event, e.g., Covid-19/ closure of major shipping routes, could lead to increased market volatility, and in a worst-case scenario, major global trade, and supply chain, breakdown resulting in significant volatility/declines in market prices.	The Board seeks to manage this risk by monitoring emerging risks and the robustness of the Stewart Investor's, and other service providers, processes for taking account of these risks. Stewart Investors investment approach includes a focus on sustainability and stewardship, which emphasises quality investments with strong balance sheets, a proven track record in previous crises, and on protecting shareholders' funds, leaving them well positioned to deal with unforeseen events. All service providers are required to have business continuity / disaster recovery policy and test them at least annually. Service providers provide updates on contingency plans for coping with major disruption to their operations.
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 manages this risk by:
Shareholder Relations	
The Company is also exposed to the risk, particularly if the investment strategy and approach are unsuccessful, that the Company underperforms its peer group and fails to achieve its Performance Objective, resulting in the Company becoming unattractive to investors and a widening of the share price discount to the net asset value per share.	In managing this risk the Board:
Operational Risk	
Service Providers	
As an externally-managed investment trust, the	To manage these risks the Board:

Company is reliant on the systems of its service providers for dealing, trade processing, administrative services, financial and other functions. If such systems were to fail or be disrupted (including as a result of cyber-crime or a pandemic) this could lead to a failure to comply with applicable laws, regulations and governance requirements and/or to a financial loss.

* Elevated to a Principal Risk during the year

Emerging Risks

Emerging risks are discussed in detail as part of the risk review process and also throughout the year to try to ensure that emerging (as well as known) risks are identified and, so far as practicable, mitigated. Current identified emerging risks are as follows:

The Company is incorporated in Scotland. As a result of a successful Scottish independence referendum it may be in the interests of shareholders to relocate its registered office to within the remaining UK.

Brexit

The Board has considered whether the UK's exit from the European Union ("Brexit") poses a discrete risk to the Company. At the date of this report, the UK?has left the EU?and has emerged from the transition period with a trade and security deal finalised with the EU?on 24 December 2020. The long-term impact and implications of this remain to be seen.

As the Company's shares are priced in sterling and its portfolio companies are priced in foreign currencies, sharp movements in exchange rates can affect the net asset value. This is not a reflection of the underlying value of the companies in their base currencies but may lead to an increase or decrease in the Company's net asset value simply because of currency movements.

Furthermore, whilst the Company's current shareholders are predominantly UK based holders, sharp or unexpected changes in investor sentiment, or tax or regulatory changes, could lead to short term selling pressure on the Company's shares which potentially could lead to the share price discount widening. Overall, however, the Board believes that over the longer term, Brexit is unlikely to materially affect the Company's business model or whether the shares trade at a premium or discount to the net asset value per share. The Board will continue to monitor developments as they occur.

Impact of Covid 19

The Board recognises that the emergence and spread of the new coronavirus strains represents a continuing risk, both to the Company's investments, investment performance and to its operations. In recent months the Investment Manager has continued its dialogue with investee companies and the Board has stayed in close contact with the Investment Manager and has been regularly monitoring portfolio and share price developments. The Board has also received assurances from all of the Company's service providers in respect of:

- their business continuity plans and the steps being taken to guarantee the ongoing efficiency of their operations while ensuring the safety and well-being of their employees;
- their cyber security measures including improved user-access controls, safe remote working and evading malicious attacks; and
- any increased risks of fraud as a result of decreased operations and possible employee terminations and weakness in user access controls resulting in the potential for management overrides.

With the emergence of several vaccines, the outlook is cautiously positive, but the Board will continue to monitor developments as they occur.

Stakeholder Interests and Board Decision-Making (Section 172 of the Companies Act 2006)

Under the new AIC Code (in February 2019), the Directors must now explain more fully how they have discharged their duty under s172 of the Companies Act 2006 in promoting the success of the Company for the benefit of the members as a whole. This includes the likely consequences of the Directors' decisions in the long-term and how they have taken wider stakeholders' needs into account.

The Directors aim to act fairly between the Company's stakeholders. The Board's approach to shareholder relations is summarised in the Corporate Governance Report. The Chairman's Statement provides an explanation of actions taken by the Directors during the year to achieve the Board's long-term aim of ensuring that the Company's shares trade at a price close to the NAV per share.

As an externally managed investment trust, the Company has no employees, customers, operations or premises. Therefore, the Company's key stakeholders (other than its shareholders) are considered to be its service providers. The need to foster business relationships with the service providers and maintain a reputation for high standards of business conduct are central to the Directors' decision-making as the Board of an externally managed investment trust. The Directors believe that fostering constructive and collaborative relationships with the Company's service providers will assist in their promotion of the success of the Company for the benefit of all shareholders.

The Board engages with representatives from its service providers throughout the year. Representatives from Stewart Investors and Frostrow are in attendance at each Board meeting. As the Investment Manager and the Corporate Manager, Company Secretary and Administrator respectively, the services they provide are fundamental to the long-term success and smooth running of the Company. The Chairman's Statement, and the Report of the Directors describe relevant decisions taken during the year relating to Stewart Investors and Frostrow. Further details about the matters discussed in Board meetings and the relationship between Stewart Investors and the Board are set out in the Corporate Governance Report. Stewart Investors' emphasis on sustainable development and their commitment to effective stewardship are particularly valued by the Board. The Chairman's Statement discusses this in further detail.

Representatives from other service providers are asked to attend Board meetings when deemed appropriate. During the prior year, the Audit Committee conducted a series of risk-focussed reviews at the offices of each of the principal service providers in order to better understand their operations, the risks facing their businesses and the potential impact on the Company should such risks materialise. The Audit Committee also appointed new auditors during the year. Further information is provided in the Audit Committee Report.

Further details are set out overleaf.

Who?	**Why?**	**How?**
STAKEHOLDER GROUP	**THE BENEFITS OF ENGAGEMENT WITH THE COMPANY'S STAKEHOLDERS**	**HOW THE BOARD, THE INVESTMENT MANAGER AND THE COMPANY'S BROKER HAVE ENGAGED WITH THE COMPANY'S STAKEHOLDERS**
Investors	Clear communication of the Company's strategy and the performance against the Company's objective can help the share price trade at a narrower discount or a premium to its net asset value per share which benefits shareholders. New shares can be issued to meet demand without net asset value per share dilution to existing shareholders. Increasing the size of the Company can benefit liquidity	The Investment Manager and the Company's broker, on behalf of the Board, complete a programme of investor relations throughout the year. In addition, the Chairman has been available to engage with the Company's larger shareholders where required. An analysis of the Company's shareholder register is provided to the Directors at each Board meeting along with marketing reports from the Investment Manager. The Board

as well as spread costs. Share buy backs are undertaken at the discretion of the Directors.	reviews and considers the marketing plans on a regular basis. Reports from the Company's broker are submitted to the Board on investor sentiment and industry issues. Key mechanisms of engagement include:

What?	Outcomes and actions
WHAT WERE THE KEY AREAS OF ENGAGEMENT?	**WHAT ACTIONS WERE TAKEN, INCLUDING MAIN DECISIONS?**
Key areas of engagement with investors • Ongoing dialogue with shareholders concerning the strategy of the Company, performance and the portfolio.	The Investment Manager engages with retail investors through a number of different channels:

Who?	Why?	How?
STAKEHOLDER GROUP	**THE BENEFITS OF ENGAGEMENT WITH THE COMPANY'S STAKEHOLDERS**	**HOW THE BOARD, THE CORPORATE MANAGER AND THE INVESTMENT MANAGER HAVE ENGAGED WITH THE COMPANY'S STAKEHOLDERS**
Investment Manager	Engagement with the Company's Investment Manager is necessary to evaluate their performance against the Company's stated strategy and to understand any risks or opportunities this may present. The Board ensures that the Investment Manager's environmental, social and governance ("ESG") approach is in line with standards elsewhere and the Board's expectations. Engagement also helps ensure that the Investment Manager's fees are closely monitored and remain competitive. Gaining a deeper understanding of the portfolio companies and their strategies as well as incorporating consideration of ESG factors into the investment process assists in understanding and mitigating risks of an investment as well as identifying future potential opportunities.	The Board meets regularly with the Company's Investment Manager throughout the year both formally at the quarterly Board meetings and informally as needed. In addition, during the pandemic extra meetings were held. The Board also receives monthly performance and compliance reporting. The Investment Manager's attendance at each Board meeting provides the opportunity for the Investment Manager and Board to further reinforce their mutual understanding of what is expected from both parties. The Board encourages the Company's Investment Manager to engage with companies and in doing so expects ESG issues to be a key consideration. Given Stewart Investors' focus on sustainability, the Board considers the portfolio to be well positioned in this regard. The Board receives an update on Stewart Investors' engagement activities by way of a dedicated report at Board meetings and at other times during the year as required.
Service Providers	The Company contracts with third parties for other services including: custody, company secretarial, accounting & administration and registrar. The Company ensures that the third parties to whom the services have been outsourced complete their roles in line with their service level agreements thereby supporting the Company in its success and ensuring compliance with its obligations.	The Board and Frostrow, acting in its capacity as Corporate Manager, Company Secretary and Administrator, engage regularly with other service providers both in one-to-one meetings and via regular written reporting. This regular interaction provides an environment where topics, issues and business development needs can be dealt with efficiently and collegiately.

What?	Outcomes and actions
WHAT WERE THE KEY AREAS OF ENGAGEMENT?	**WHAT ACTIONS WERE TAKEN, INCLUDING MAIN DECISIONS?**
Key areas of engagement with the Investment Manager on an ongoing basis are portfolio composition, performance, outlook and business updates.	
• The impact of the pandemic upon their business and how components in the portfolio dealt with the pandemic. • Regular review of the make up of the investment portfolio. • Following a period where performance had fallen behind most of the Company's peer group, the Board conducted a review with the Investment Manager in which it looked in detail at their decision making, company selection and portfolio construction. • The integration of ESG factors into the Investment	• The Board has received regular updates from the Investment Manager throughout the pandemic and its impact on investment decision making. In addition, the impact of new working practices adopted by the Investment Manager as a consequence of the pandemic have been reviewed by the Board. • As set out in the Chairman's Statement the Board concluded that the Investment Manager continued to maintain high standards of research and selection remained consistent in approach to investing sustainably in its target markets. • The Investment Manager regularly reports any ESG issues in the portfolio companies to the Board. • The matter is addressed as part of the Investment Manager's focus on sustainability.

Managers' investment processes. • The consideration of the potential impact of climate change on the portfolio companies.	

Key areas of engagement with Service Providers

• The Directors have frequent engagement with the Company's other service providers through the annual cycle of reporting. This engagement is completed with the aim of maintaining an effective working relationship and oversight of the services provided. • The Company's Auditor	• No specific action required as the reviews of the Company's service providers, have been positive and the Directors believe their continued appointment is in the best interests of the Company. • The Board kept shareholders fully informed of the circumstances in respect of KPMG LLP's decision to resign as the Company's Auditor in September 2020. Following a competitive tender process, the Board approved the appointment of BDO LLP as the Company's Auditor for the financial year ended 31 January 2021. BDO LLP's appointment as Auditor will be put to shareholders for approval at the Company's next Annual General Meeting to be held on 29 June 2021.

Who?	Why?	How?
STAKEHOLDER GROUP	**THE BENEFITS OF ENGAGEMENT WITH THE COMPANY'S STAKEHOLDERS**	**HOW THE BOARD, THE CORPORATE MANAGER AND THE INVESTMENT MANAGER HAVE ENGAGED WITH THE COMPANY'S STAKEHOLDERS**
Service Providers (continued)	The Covid-19 pandemic has meant that it was vital to make certain there were adequate procedures in place at the Company's principal service providers to ensure safety of their employees and the continued high quality service to the Company. During the year the Board initiated a process to decide on the appointment of an AIFM and Depositary as the Company's size was approaching the threshold where such appointments would be necessary.	The Board together with Frostrow have maintained regular contact with the Company's principal service providers during the pandemic, as well as carrying out a review of the service providers' business continuity plans and additional cyber security provisions. The review of the performance of the Investment Manager and the Corporate Manager, Company Secretary and Administrator is a continuous process carried out by the Board and the Engagement and Remuneration Committee (the "ERC"), with a formal evaluation being undertaken annually. Following this process, the Board decided that Frostrow should be appointed as AIFM and JP Morgan Europe Limited be appointed as Depositary. Further information can be found in the Chairmans Statement.

Social, Human Rights and Environmental Matters

As an externally-managed investment trust, the Company does not have any employees or maintain any premises, nor does it undertake any manufacturing or other physical operations itself. All its operational functions are outsourced to third party service providers. Therefore, the Company has no material, direct impact on the environment or any particular community and the Company itself has no environmental, human rights, social or community policies.

The Investment Manager engages with the Company's underlying investee companies in relation to their corporate governance practices and the development of their policies on social, community and environmental matters.

The Investment Manager (under their parent, legal entity name, First Sentier Investors) is a Tier 1 signatory to the UN Principles of Responsible Investment, an investor signatory of Climate Action 100+ and an investor member of the Institutional Investors Group on Climate Change.

What?	Outcomes and actions
WHAT WERE THE KEY AREAS OF ENGAGEMENT?	**WHAT ACTIONS WERE TAKEN, INCLUDING MAIN DECISIONS?**
The Board sought and received assurances from all of the Company's service providers that steps had been taken to maintain the ongoing efficiency of their operations while ensuring the safety and well-being of their employees.	The Board agreed to continue to monitor the position closely.

Key areas of engagement with the broker

• The Board is cognisant that the trading of the Company's shares at a persistent and significant discount to the prevailing NAV per share is not in the interests of shareholders.	• Throughout the year the Board closely monitored the Company's discount to NAV per share and received regular updates from the broker in respect of the level of discount. No shares were bought back during the year, or since the year end. (Please see the Chairman's Statement for further information.)

Integrity and Business Ethics

The Company is committed to carrying out business in an honest and fair manner with a zero-tolerance approach to bribery, tax evasion and corruption. As such, policies and procedures are in place to prevent this. In carrying out its activities, the Company aims to conduct itself responsibly, ethically and fairly, including in relation to social and human rights issues.

The Company believes that high standards of ESG make good business sense and have the potential to protect and enhance investment returns. The Investment Manager's investment criteria ensure that ESG and ethical issues are taken into account and best practice is encouraged by the Board. The Board's expectations are that its principal service providers have appropriate governance policies in place.

Performance and Future Developments

A review of the Company's year, its performance and the outlook for the Company can be found in the Chairman's Statement and in the Investment Manager's Review.

The Company's overall strategy remains unchanged.

By order of the Board

Frostrow Capital LLP

Company Secretary

29 April 2021

Board of Directors

James Williams

Independent Non-Executive Chairman

Joined the Board in 2013 and became Chairman in June 2015

James is Chairman of the Nomination Committee.

Shareholding in the Company: 50,000

Skills and Experience

James has worked in investment management for over 45 years. He was formerly the Chief Investment Officer of Baring Asset Management. He was a founder in Asia of the Henderson Baring group. James has also held several non-executive directorships and senior advisory roles.

His leadership of the Board draws on his long and varied experience on investment and public company boards, and his knowledge of the fund management industry. His focus is on long-term strategic issues, which are a key characteristic of Board discussion.

Standing for re-election

Yes

Charlotta Ginman, FCA

Independent Non-Executive Director

Joined the Board in 2014

Charlotta is Chair of the Audit Committee and the Senior Independent Director.

Shareholding in the Company: 13,789

Skills and Experience

Charlotta has held senior positions in the investment banking and the technology/telecom sectors.

As an FCA Charlotta brings to the Board, and especially the Audit Committee under her Chairship, an incisive and detailed perspective of the Company's financial position and its risk control environment. Charlotta is not afraid to confront complex issues on a range of topics.

Other Appointments

Charlotta is a non-executive Director and Chair of the Audit Committee of Polar Capital Technology Trust plc and Keywords Studios plc. She is also a non-executive Director of Unicorn AIM VCT plc, a Venture Capital Trust, and two AIM listed companies; Boku Inc and Gamma Communications plc.

As three of Charlotta's roles are with investment companies that have only 4-5 meetings a year and the other companies are all AIM listed, with less regulatory burden than a premium listing, Charlotta has sufficient time to devote to each of her roles.

Standing for re-election

Yes

Sian Hansen

Independent Non-Executive Director

Joined the Board in 2015

Sian is Chair of the Engagement & Remuneration Committee.

Shareholding in the Company: 13,907

Skills and Experience

Previously Sian was Executive Director of the Legatum Institute and before this, Managing Director of the UK think tank Policy Exchange. Earlier in her career Sian was a senior equity analyst and Co-Director of Sales for Asian Emerging Markets at Société Générale.

Sian enhances the Board's knowledge of sustainability, enabling meaningful debates with the Investment Manager to take place. As a thought leader in political and other forums she brings a valuable perspective on geo-political matters.

Other Appointments

Sian is currently Chief Operating Officer of CIT Group and a non-executive Director of the JP Morgan Multi-Asset Growth and Income plc.

Standing for re-election

Yes

Robert Talbut

Independent Non-Executive Director

Joined the Board in 2016

Shareholding in the Company: 9,611

Skills and Experience

Robert was formerly a director and Chief Investment Officer at Royal London Asset Management Limited.

His ongoing knowledge of the asset management industry and the strategic challenges that it faces together with his insights into the approaches adopted by portfolio managers is useful in many board debates. His understanding of today's corporate governance best practice and the matters that a Board must confront, helps to ensure that the Company is run in accordance with best practice.

Given his wide-ranging board and sector experience Robert is well positioned to bring alternative perspectives on issues that may come up.

Other Appointments

Robert is non-executive Chairman of Shires Income PLC, and of Schroder UK Mid Cap Fund PLC and a non executive Director of JP Morgan American Investment Trust plc.

Standing for re-election

Yes

Edward Troughton

Independent Non-Executive Director

Joined the Board in 2019

Shareholding in the Company: 18,157

Skills and Experience

Edward was previously the Principal Representative Officer of Bank of London and the Middle East in Dubai. Before that he was Managing Director of Alliance Trust Investments for seven years and Managing Director at BlackRock with various responsibilities including Head of Asia, based in Hong Kong. He started his career at Baring Asset Management as an Asian Equity portfolio manager.

Edward's experience in the investment sector and first-hand knowledge of living and working in Asia enables the Board to engage authoritatively with the Investment Manager on their investment strategy.

Other Appointments

Edward is a partner at Oldfield Partners LLP.

Standing for election

Yes

Corporate Governance

The Board and Committees

Responsibility for effective governance lies with the Board whose role is to promote the long-term success of the Company. The governance framework of the Company reflects the fact that as an externally-managed investment company it has no employees and outsources portfolio management to Stewart Investors and corporate management, company secretarial and administrative services to Frostrow Capital LLP. The Board generates value for shareholders through its oversight of the service providers and management of costs associated with running the Company.

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 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

Chair

Sian Hansen

All Independent Directors

Key responsibilities:

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

Audit Committee

Chair

Charlotta Ginman, FCA All Independent Directors

Key responsibilities:

- to review the Company's financial reports;
- to oversee the risk and control environment; and
- to have primary responsibility for the relationship with the Company's external auditor, to review their independence and performance, and to determine their remuneration.

Nomination Committee

Chairman

James Williams

All Independent Directors

Key responsibilities:

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

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 on the day of the Annual General Meeting. They can also be found on the Company's website at www.pacific-assets.co.uk.

Corporate Governance Statement

The Board has considered the principles and recommendations of the AIC Code of Corporate Governance published in February 2019 (the "AIC Code"). The AIC Code addresses all the principles set out in the UK Corporate Governance Code (the "UK Code"), as well as setting out additional provisions on issues that are of specific relevance to the Company.

The Board considers that reporting against the principles and provisions of the AIC Code (which has been endorsed by the Financial Reporting Council) will provide better information to shareholders. By reporting against the AIC Code, the Company meets its obligations under the UK Code (and associated disclosure requirements under paragraph 9.8.6 of the Listing Rules) and as such does not need to report further on issues contained in the UK Code which are irrelevant to the Company as an externally-managed investment company, including the provisions relating to the role of the chief executive, executive directors' remuneration and the internal audit function.

The AIC Code is available on the AIC's website www.theaic.co.uk and the UK Code can be viewed on the Financial Reporting Council website www.frc.org.uk. The AIC Code includes an explanation of how the AIC Code adapts the principles and provisions set out in the UK Code to make them relevant for investment companies.

The Company has complied with the principles and provisions of the AIC Code.

The Corporate Governance Statement forms part of the Report of the Directors.

Board Leadership and Purpose

Purpose and Strategy

The purpose and strategy of the Company are described in the Strategic Report.

Strategy issues and all material operational matters are considered at Board meetings.

Board Culture

The Board aims to enlist fully differences of opinion, unique vantage points and areas of expertise. The Chairman encourages open debate to foster a supportive and co-operative approach for all participants. Strategic decisions are discussed openly and constructively. The Board aims to be open and transparent with shareholders and other stakeholders, and for the Company to conduct itself responsibly, ethically and fairly in its relationships with service providers.

Shareholder Relations

Representatives of Stewart Investors and Investec Bank plc, the Company's corporate stockbroker, meet regularly with institutional shareholders and private client asset managers to discuss investment strategy, any issues or concerns and, if applicable, corporate governance matters. Reports on investor sentiment and the feedback from investor meetings are discussed with the Directors at the following Board meeting.

Shareholder Communications

The Directors welcome the views of all shareholders and place considerable importance on communications with them. Shareholders wishing to communicate with the Chairman, or any other member of the Board, may do so by writing to the Company Secretary at the offices of Frostrow Capital LLP (25 Southampton Buildings, London WC2A 1AL). Shareholders are usually encouraged to attend the Annual General Meeting, where they are normally given the opportunity to question the Chairman, the Board and representatives of Stewart Investors. In addition, Stewart Investors usually make a presentation to shareholders covering the investment performance and strategy of the Company at the Annual General meeting. However, in light of government advice relating to the ongoing pandemic at the date of this report, the Board has made different arrangements for the forthcoming AGM and these are explained in the Chairman's Statement.

Significant Holdings and Voting Rights

Details of the shareholders with substantial interests in the Company's shares, the Directors' authorities to issue and repurchase the Company's shares, and the voting rights of the shares are set out in the Report of the Directors.

Conflicts of Interest

Company Directors have a statutory obligation to avoid a situation in which they (and connected persons) have, or can have, a direct or indirect interest that conflicts, or may possibly conflict, with the interests of the Company. In line with the Companies Act 2006, the Board has the power to authorise any potential conflicts of interest that may arise and impose such limits or conditions as it thinks fit. A register of interests and potential conflicts is maintained and is reviewed at every Board meeting. No conflicts of interest arose during the year under review.

Division of Responsibilities

Responsibilities of the Chairman and the SID

The Chairman's primary role is to provide leadership to the Board, assuming responsibility for its overall effectiveness in directing the company. The Chairman is responsible for:

- taking the chair at general meetings and Board meetings, conducting meetings effectively and ensuring all Directors are involved in discussions and decision-making
- setting the agenda for Board meetings and ensuring the Directors receive accurate, timely and clear information for decision-making
- taking a leading role in determining the Board's composition and structure
- overseeing the induction of new directors and the development of the Board as a whole
- leading the annual board evaluation process and assessing the contribution of individual Directors
- supporting and also challenging the Investment Manager (and other suppliers) where necessary
- ensuring effective communications with shareholders and, where appropriate, stakeholders
- engaging with shareholders to ensure that the Board has a clear understanding of shareholder views

The Senior Independent Director (SID) serves as a sounding board for the Chairman and acts as an intermediary for the other Directors and the shareholders. The SID is responsible for:

- working closely with the Chairman and providing support
- leading the annual assessment of the performance of the Chairman
- holding meetings with the other non-executive Directors without the Chairman being present, on such occasions as necessary

- carrying out succession planning for the Chairman’s role
- working with the Chairman, other Directors and shareholders to resolve major issues
- being available to shareholders and other Directors to address any concerns or issues they feel have not been adequately dealt with through the usual channels of communication (i.e. through the Chairman or the Investment Manager)

Director Independence

The Board consists of five non-executive Directors, each of whom is independent of Stewart Investors and the Company’s other service providers. Each of the Directors, including the Chairman, was independent on appointment and continues to be independent when assessed against the circumstances set out in Provision 13 of the AIC Code (and Provision 12 of the AIC Code which relates specifically to the Chairman). The Board carefully considers these guidelines but places particular weight on the view that independence is evidenced by an individual being independent of mind, character and judgement. The Board considers that all of the Directors are independent and there are no relationships or circumstances which are likely to impair or could appear to impair their judgement.

Directors’ Other Commitments

Prior approval is obtained from the Chairman for any new appointment. All of the Directors consider that they have sufficient time to discharge their duties.

Board Meetings

The Board meets formally at least four times each year. The primary focus at regular Board meetings is the review of investment performance and associated matters, including asset allocation, marketing/investor relations, peer group information and industry issues. The Board reviews key investment and financial data, revenue and expense projections, analyses of asset allocation, transactions, customised performance metrics and performance comparisons, share price and net asset value performance. The Board’s approach to addressing the Investment Manager’s and the Company’s share price performance during the year is described in the Chairman’s Statement.

The Board is responsible for setting the Company’s corporate strategy and reviews the continued appropriateness of the Company’s investment objective, investment strategy and investment restrictions at each meeting.

Matters Reserved for Decision by the Board

The Board has adopted a schedule of matters reserved for its decision. This includes, inter alia, the following:

- Decisions relating to the strategic objectives and overall management of the Company, including the appointment or removal of the Investment Manager and other service providers, establishing the investment objectives, strategy and performance comparators, the permitted types or categories of investments, the proportion of assets that may be invested in them, and the markets in which transactions may be undertaken.

- Requirements under the Companies Act 2006, including approval of the half year and annual financial statements, recommendation of the final dividend (if any), declaration of any interim dividends, the appointment or removal of the Company Secretary, and determining the policy on share issuance and buybacks.
- Matters relating to certain Stock Exchange requirements and announcements, the Company’s internal controls, and the Company’s corporate governance structure, policies and procedures.
- Matters relating to the Board and Board committees, including the terms of reference and membership of the committees, and the appointment of directors (including the Chairman and the SID).

Day-to-day investment management is delegated to Stewart Investors and operational management is delegated to Frostrow.

The Board takes responsibility for the content of communications regarding major corporate issues, even if Stewart Investors or Frostrow acts as spokesman. The Board is kept informed of relevant promotional material that is issued by Stewart Investors.

Relationship with the Investment Manager

A representative from Stewart Investors is in attendance at each Board meeting to provide updates and address questions on specific matters and to seek approval for specific transactions which they are required to refer to the Board.

The Engagement and Remuneration Committee evaluates Stewart Investors’ performance and suitability as well as reviewing the terms of the Investment Management Agreement at least annually. The outcome of this year’s review is described in the Report of the Ditectors.

Relationship with Other Service Providers

Representatives from Frostrow are in attendance at each Board meeting to address questions on the Company’s operations, administration and governance requirements. The Engagement and Remuneration Committee monitors and evaluates all of the Company’s other service providers, including Frostrow, and also the Custodian, the Registrar and the Broker. At the most recent review in January 2021, the Committee concluded that all the service providers were performing well and should be retained on their existing terms and conditions. New fee arrangements have been agreed with Frostrow on its appointment as AIFM to the Company.

Stewardship and the Exercise of Voting Powers

The Board and the Investment Manager support the UK Stewardship Code, which sets out the principles of effective stewardship by institutional asset owners and asset managers. Stewart Investors (under their legal parent entity name, First Sentier Investors) is a Tier 1 signatory to the UK Stewardship Code. First Sentier Investors produce an annual Responsible Investment and Stewardship Report which is published on their website www.firstsentierinvestors.com/UK/en/private/responsible-investment/responsible-investment-resource-centre.html.

The Board has delegated authority to Stewart Investors (as Investment Manager) to engage with companies held in the portfolio and to vote the shares owned by the Company.

Stewart Investors have a strong commitment to effective stewardship and their approach, including their consideration of environmental, social and governance issues, is set out in their Stewardship and Corporate Engagement policy which can be found on their website www.stewartinvestors.com. During the year, the Board reviewed quarterly reports from Stewart Investors on their voting and engagement and is satisfied with their approach.

Independent Professional Advice

The Board has formalised arrangements under which the Directors, in the furtherance of their duties, may seek independent professional advice at the Company’s expense. No such advice was sought during the year.

Company Secretary

The Directors have access to the advice and services of a specialist investment trust company secretary, who is responsible for advising the Board on all governance matters. The Company Secretary ensures governance procedures are followed and that the Company complies with applicable statutory and regulatory requirements.

Composition, Succession and Evaluation

Board Evaluation

During the year an external independent review of the Board, its committees and individual Directors (including each Director’s independence) was carried out by an independent third party, Lintstock, in the form of electronic performance evaluation questionnaires.

The Board reviewed the report from Lintstock and the Chairman is leading on implementing those changes recommended by the report that the Board considered should be made. While the Board's composition was rated highly, the importance of replacing the skills of departing Directors was noted. Also the need to increase the Board's experience in sustainability matters was highlighted. While the Company's marketing strategy was considered to be good, it was also agreed that further improvements could be made.

The review concluded that the Board worked in a collegiate efficient and effective manner, and there were no material weaknesses or concerns identified.

The number of scheduled Board and Committee meetings held during the year and the number of meetings attended by each Director is set out below:

Number of meetings	Board (6)	Audit Committee (4)	Engagement & Remuneration Committee (1)	Nomination Committee (1)
James Williams	6	4	1	1
Edward Troughton	6	4	1	1
Charlotta Ginman	6	4	1	1
Sian Hansen	5*	4	1	1
Robert Talbut	6	4	1	1

* Apologies were received from Sian Hansen (due to illness) in respect of the Board meeting and Annual General Meeting held on 25 June 2020. All other Directors attended the Annual General Meeting.

Other ad hoc meetings of the Board and Committees are held in connection with specific events as and when necessary.

The Board is satisfied that the structure, mix of skills and operation of the Board, its committees, and individual Directors continue to be effective and relevant for the Company.

All Directors submit themselves for election and annual re-election thereafter by shareholders (unless they intend to retire from the Board). Following the evaluation process, the Board recommends that shareholders vote in favour of the Directors' re-election at the forthcoming AGM.

An independent external review of the Board was undertaken at the end of 2020. The results of that review are summarised on the previous page.

Succession Planning

The Board, meeting as the Nomination Committee, regularly considers its structure and recognises the need for progressive refreshment. While there were no changes to the Board during the year under review, the Board recognises that in late 2022 there will need to be some changes as certain Directors come to the end of their tenure. Please see the Chairman's Statement for further information.

The Board has an approved succession planning policy to ensure that (i) there is a formal, rigorous and transparent procedure for the appointment of new directors; and (ii) the Board is comprised of members who collectively display the necessary balance of professional skills, experience, length of service and industry/Company knowledge. The policy is reviewed annually and at such other times as circumstances may require.

During the year, the Board reviewed the policy on Directors' tenure and considered the overall length of service of the Board as a whole.

Policy on the Tenure of the Chairman and other Non-Executive Directors

The tenure of each independent, non-executive director, including the Chairman, is not ordinarily expected to exceed nine years. However, the Board has agreed that the tenure of the Chairman may be extended provided such an extension is conducive to the Board's overall orderly succession. The Board believes that this more flexible approach to the tenure of the Chairman is appropriate in the context of the regulatory rules that apply to investment companies, which ensure that the chair remains independent after appointment, while being consistent with the need for regular refreshment and diversity.

Appointments to the Board

The Nomination Committee considers annually the skills possessed by the Directors and identifies any skill shortages to be filled by new directors. The rules governing the appointment and replacement of directors are set out in the Company's Articles of Association and the aforementioned succession planning policy. Where the Board appoints a new director during the year, that director will stand for election by shareholders at the next AGM. The minimum number of directors is two and the maximum is seven. When considering new appointments, the Board endeavours to ensure that it has the capabilities required to be effective and oversee the Company's strategic priorities. This will include an appropriate range, balance and diversity of skills, experience and knowledge. The Company is committed to ensuring that any vacancies arising are filled by the most qualified candidates.

Board Diversity

The Board supports the principle of boardroom diversity, of which gender is one important aspect.

The Company's policy is that the Board should be comprised of directors who collectively display the necessary balance of professional skills, experience, length of service and industry knowledge and that appointments to the Board should be made on merit, against objective criteria, including diversity in its broadest sense. The objective of the policy is to have a broad range of approaches, backgrounds, skills, knowledge and experience represented on the Board. The Board believes that this will make the Board more effective at promoting the long-term sustainable success of the Company and generating value for all shareholders by ensuring there is a breadth of perspectives among the Directors and the challenge needed to support good decision making.

To this end achieving a diversity of perspectives and backgrounds on the Board will be a key consideration in any Director search process. The gender balance of three men and two women exceeds the original recommendation of Lord Davies' report on Women on Boards. The Board is aware that new gender representation objectives have been set for FTSE 350 companies and that targets concerning ethnic diversity have been recommended for FTSE 250 companies. The Review set a target for each FTSE 100 Board to have at least one director of colour by 2021 and for each FTSE 250 Board to have the same by 2024.

Audit, Risk and Internal Control

The Statement of Directors' Responsibilities describes the Directors' responsibility for preparing this report.

The Audit Committee Report explains the work undertaken to allow the Directors to make this statement and to apply the going concern basis of accounting. It also sets out the main roles and responsibilities and the work of the Audit Committee throughout the year, and describes the Directors' review of the Company's risk management and internal control systems.

A description of the principal risks facing the Company and an explanation of how they are being managed is provided in the Strategic Report.

The Board's assessment of the Company's longer-term viability is set out in the Report of the Directors.

Remuneration

The Directors' Remuneration Report sets out the levels of remuneration for each Director and explains how Directors' remuneration is determined.

Frostrow Capital LLP

Company Secretary

29 April 2021

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 2021.

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 listed on the premium segment of 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 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').

Alternative Performance Measures

The Financial Statements 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 in the Business Review and explained in greater detail in the Strategic Report, under the heading 'Key Performance Indicators'. The Directors believe that these measures enhance the comparability of information between reporting periods and investors in understanding the Company's performance.

The measures used for the year under review have remained consistent with the prior year.

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

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 Proposed new Articles of Association

Resolution 16 Authority to hold General Meetings (other than the AGM) on at least 14 clear days' notice

The full text of the resolutions can be found in the Notice of Annual General Meeting.

Results and Dividend

The results attributable to shareholders for the year are shown in the Income Statement. Details of the Company's dividend record and the dividend policy are outlined in the Strategic Report.

A final dividend of 2.4p per ordinary share has been proposed and, subject to shareholder approval, will be paid on 5 July 2021 to shareholders on the register on 14 May 2021. The associated ex-dividend date is 13 May 2021.

Capital Structure

As at 31 January 2021 there were 120,958,386 ordinary shares of 12.5p each ('shares') in issue (2020: 120,958,386). 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.

At the start of the year under review, the Directors had shareholder authority to issue up to 12,068,338 ordinary shares of 12.5 pence each on a non-pre-emptive basis and to buy back up to 18,090,439 ordinary shares in the market. At the Company's annual general meeting held on Thursday, 25 June 2020, these authorities expired and new authorities to allot up to 12,095,838 ordinary shares (representing 10% of the Company's issued share capital) on a non-pre-emptive basis and to buy back up to 18,131,662 ordinary shares (representing 14.99% of the Company's issued share capital) were granted.

During the year, no new shares were issued (2020: 1,085,000). No shares were repurchased during the year and there are no shares held in Treasury.

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 authorities to issue and buy-back shares are detailed in the Notice of AGM.

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.

Financial Instruments

The Company's financial instruments comprise its investment portfolio, cash balances, debtors and creditors which arise directly from its operations such as sales and purchases awaiting settlement, and accrued income. The financial risk management objectives and policies arising from its financial instruments and the exposure of the Company to risk are disclosed in note 14 to the financial statements.

Viability Statement

In accordance with the UK Corporate Governance Code, the Directors have carefully assessed the Company's position and prospects as well as the principal risks and have formed 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 financial years. The Board has chosen a five year horizon in view of the long term nature and outlook adopted by the Investment Manager when making investment decisions.

To make this assessment and in reaching this conclusion, the Audit Committee has considered the Company's financial position and its ability to liquidate its portfolio and meet its liabilities as they fall due:

- The portfolio is principally comprised of investments traded on major international stock exchanges. Based on historic analysis 80.5% of the current portfolio could be liquidated within 30 trading days with 66.5% in seven days and there is no expectation that the nature of the investments held within the portfolio will be materially different in future;
- The expenses of the Company are predictable and modest in comparison with the assets and there are no capital commitments foreseen which would alter that position; and
- The Company has no employees, only its non-executive Directors. Consequently it does not have redundancy or other employment related liabilities or responsibilities.

The Audit Committee, as well as considering the potential impact of its principal risks and various severe but plausible downside scenarios, has also considered the following assumptions in considering the Company's longer-term viability:

- There will continue to be demand for investment trusts;
- The Board and the Portfolio Manager will continue to adopt a long-term view when making investments, and anticipated holding periods will be at least five years;
- The Company invests principally in the securities of listed companies traded on international stock exchanges to which investors will wish to continue to have exposure;
- The closed ended nature of the Company means that, unlike open ended funds, it does not need to realise investments when shareholders wish to sell their shares;
- Regulation will not increase to a level that makes running the Company uneconomical; and
- The performance of the Company will continue to be satisfactory.

The ongoing pandemic was also factored into the key assumptions made by assessing its impact on the Company's key risks and whether the key risks had increased in their potential to affect the Company and its portfolio. As part of the viability assessment the Board considered the impact of one or more of the key risks crystallising, which would most likely result in a fall in the value of the portfolio and Company's NAV, and modelled severe downside scenarios based on this. In all scenarios the Board concluded that the Company would be able to meet its liabilities as they fall due.

Principal Service Providers

Investment Manager

The Company's investment portfolio is managed by Stewart Investors which had approximately £17.3 billion in assets under management as at 31 December 2020. 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 2021. During the year under review, a management fee of 0.85% of net assets was payable. Following the appointment of Frostrow as AIFM on 30 April 2021 the existing IMA will be replaced by a new IMA with Frostrow delegating its portfolio management function under the AIFM Agreement to Stewart Investors under the terms of the new IMA between Stewart Investors, the Company and Frostrow. Under the new IMA Stewart Investors primary responsibilities and fee arrangement are unchanged from the existing IMA.

Corporate Manager, Company Secretary and Administrator

Frostrow Capital LLP acts as the Corporate Manager, Company Secretary and Administrator. It is an independent provider of services to the investment companies sector and currently has 14 other investment company clients whose assets totalled approximately £9.0 billion as at 31 March 2021.

Frostrow Capital LLP provided corporate management, company secretarial and administrative services to the Company under the terms of a Management, Administrative and Secretarial Services Agreement ('Management Agreement'). During the year under review Frostrow received a fixed fee of £60,000 per annum plus 0.11% per annum of net assets up to £150 million, plus 0.075% per annum of net assets in excess of £150 million up to £500 million. Frostrow's appointment can be terminated by either party giving six months' notice.

As noted in the Chairman's Statement the Board resolved to appoint Frostrow Capital LLP as the Company's AIFM with effect from 30 April 2021 on the terms and subject to the conditions of the alternative investment fund management agreement between the Company and Frostrow (the "AIFM Agreement"). The AIFM Agreement will replace the Management Agreement. The AIFM Agreement assigns to Frostrow overall responsibility to manage the Company, subject to the supervision, review and control of the Board, and ensures that the relationship between the Company and Frostrow is compliant with the requirements of the AIFMD. Frostrow, under the terms of the AIFM Agreement provides, inter alia, the following services:

- risk management services;
- administrative and secretarial services;
- advice and guidance in respect of corporate governance requirements;
- maintenance of the Company's accounting records;
- preparation and dispatch of the annual and half yearly reports and monthly factsheets;
- ensuring compliance with applicable tax, legal and regulatory requirements; and
- portfolio management will be delegated to Stewart Investors.

Under the AIFM Agreement Frostrow will receive a fixed fee of £75,000 per annum plus 0.11% per annum of net assets up to £250 million, plus 0.075% per annum of net assets in excess of £250 million .

The AIFM Agreement is terminable on six months' notice given by either party.

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

Depositary and Custodian

J.P. Morgan Chase N.A. London branch acted as the Company's custodian during the year under review. Custody fees are charged according to the jurisdiction in which the holdings are based. Variable transaction fees are also chargeable.

As noted in the Chairman's Statement the Board resolved to appoint J.P. Morgan Europe Limited (the "Depositary") as the Company's Depositary in accordance with the AIFMD on the terms and subject to the conditions of the Depositary agreement between the Company, Frostrow and the Depositary (the "Depositary Agreement"), which will become effective on 30 April 2021.

The Depositary will provide the following services, inter alia, under its agreement with the Company:

- safekeeping and custody of the Company's custodial investments and cash;
- processing of transactions; and
- foreign exchange services.

The Depositary must take reasonable care to ensure that the Company is managed in accordance with the Financial Conduct Authority's Investment Funds Sourcebook, the AIFMD and the Company's Articles of Association.

Under the terms of the Depositary Agreement, the Depositary is entitled to receive an annual fee of the higher of £30,000 or 0.015% of the net assets of the Company up to £150 million, 0.0125% of the net assets in excess of £150 million and up to £300 million, 0.01% of the net assets in excess of £300 million and up to £500 million and 0.005% of the net assets in excess of £500 million.

The Depositary has delegated the custody and safekeeping of the Company's assets to JPMorgan Chase Bank N.A., London branch (the "Custodian") under a Global Custody Agreement ('GCA'), which replaced the existing custody arrangement. The fees under the GCA are unchanged from the previous arrangement.

The notice period on the Depositary Agreement is 90 days if terminated by the Company and 120 days if terminated by the Depositary.

Investment Manager and Manager Evaluation and Re-Appointment

The review of the performance of Stewart Investors as Investment Manager and Frostrow Capital LLP as Corporate Manager, Company Secretary and Administrator is a continuous process carried out by the Board and the Engagement and Remuneration Committee (the "ERC"), with a formal evaluation being undertaken each year. As part of this process the Board monitors the services provided by Stewart Investors and Frostrow 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 ERC formally reviewed the appointment of Stewart Investors in January 2021 with a recommendation being made to the Board.

The Board believes the continuing appointment of Stewart Investors, under the terms described above, is in the interests of shareholders. In coming to this decision the Board took into consideration the following additional reasons:

- the terms of the Investment Management Agreement, in particular the level and method of remuneration and the notice period, and the comparable arrangements of a group of the Company's peers; and
- 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 Company's Performance Objective and the Company's peer group over the medium to longer term.

The ERC also formally reviewed Frostrow's appointment in January 2021 with a formal recommendation being made to them. The Board believes the continuing appointment of Frostrow Capital LLP, under the terms described in the Report of the Directors and as amended following Frostrow's appointment as AIFM, is in the interests of shareholders. In coming to this decision, the Board took into consideration the quality and depth of experience of the management, administrative and company secretarial team that Frostrow Capital LLP allocates to the Company.

Directors

Directors' and Officers' Liability Insurance Cover

Directors' and Officers' liability insurance cover was maintained by the Board during the year ended 31 January 2021. It is intended that this policy will continue for the year ending 31 January 2022 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.

Articles of Association

Amendment of the Company's Articles of Association requires a special resolution to be passed by shareholders.

Substantial Interests in Share Capital

As at 31 March 2021, 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
Rathbones	11,703,534	9.7
Brewin Dolphin Capital Investments (Ireland)	9,212,299	7.6
Brewin Dolphin Stockbrokers	8,333,442	6.9
Smith & Williamson	7,700,280	6.4
Charles Stanley	7,160,767	5.9
Interactive Investor	5,802,471	4.8
Hargreaves Lansdown	5,387,319	4.5
Tilney	3,838,288	3.2

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.

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. Therefore, the Directors do not consider that the Company is required to make a statement under the Modern Slavery Act 2015 in relation to slavery or human trafficking. The Company's suppliers are typically professional advisers and the Company's supply chains are considered to be low risk in this regard.

Anti-Bribery and Corruption Policy

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

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

A copy of the Company's Anti Bribery and Corruption Policy can be found on its website at www.pacific?assets.co.uk. The policy is reviewed annually by the Audit Committee.

Prevention of the Facilitation of Tax Evasion

In response to the implementation of the Criminal Finances Act 2017, the Board adopted a zero-tolerance approach to the criminal facilitation of tax evasion. A copy of the Company's policy on preventing the facilitation of tax evasion can be found on the Company's website www.pacific-assets.co.uk. The policy is reviewed annually by the Audit Committee.

Global Greenhouse Gas Emissions

The Company is an investment trust, with neither employees nor premises, nor has it any financial or operational control of the assets which it owns. It 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 Reports and Directors' Reports) Regulations 2013 or the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, including those within the Company's underlying investment portfolio. Consequently, the Company consumed less than 40,000 kWh of energy during the year in respect of which the Directors' Report is prepared and therefore is exempt from the disclosures required under the Streamlined Energy and Carbon Reporting criteria.

Political Donations

The Company has not made and does not intend to make any political donations.

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

The Directors confirm that there are no disclosures to be made in regard of Listing Rule 9.8.4.

By order of the Board

Frostrow Capital LLP

Company Secretary

29 April 2021

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 are required to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

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 judgements and accounting 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
- use the going concern basis of accounting unless they either intend to liquidate the Company, to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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 ensuring the annual report and the financial statements are made available on a website, which is maintained by the Company's Investment Manager. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Going Concern

The Company's portfolio, investment activity, the Company's cash balances and revenue forecasts, and the trends and factors likely to affect the Company's performance are reviewed and discussed at each Board meeting. The Board has considered a detailed assessment of the Company's ability to meet its liabilities as they fall due, including stress tests which modelled the effects of substantial falls in portfolio valuations and liquidity constraints, on the Company's NAV, cash flows and expenses. Based on the information available to the Directors at the date of this report the conclusions drawn, including the results of the stress tests undertaken, in the Viability Statement in the Report of the Directors and the Company's cash balances, the Directors are satisfied that the Company has adequate financial resources to continue in operation for at least the next 12 months from the date of signing of this report and that, accordingly, it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

Disclosure of Information to the Auditor

The Directors who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he/she might reasonably be expected to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that 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 the return for the year ended 31 January 2021; and
- the Strategic Report and the Directors' Report include a fair review of the development and performance of information required by 4.1.8R to 4.1.11R of the FCA's Disclosure Guidance and Transparency Rules.

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

On behalf of the Board

James Williams

Chairman

29 April 2021

Audit Committee Report

for the year ended 31 January 2021

Introduction from the Chair

I am pleased to present my sixth Audit Committee report to shareholders, for the year ended 31 January 2021.

Composition

The Committee comprises all of the Company's independent non-executives. As a result, the Committee comprises the whole Board.

At least one member of the Committee has recent and relevant financial experience and the Committee as a whole has competence relevant to the investment trust sector. I am a Fellow of the Institute of Chartered Accountants in England and Wales and I chair the audit committees of two other companies, one being an investment trust; the other Committee members have a combination of financial, investment and other relevant experience gained throughout their careers. The experience of the Committee members can be assessed from the Directors' biographies.

The Committee met four times during the year with all members attending each meeting. With the exception of the meeting held on 23 September 2020, where the majority of members attended in person, all of the meetings of the Committee were held via video conference. I am pleased to confirm that this has worked well and that there has been no effect on the Committee's effectiveness.

Role and Responsibilities

A comprehensive description of the Committee's role, its duties and responsibilities, can be found in its terms of reference, which are available on the Company's website www.pacific-assets.co.uk . The terms of reference have been updated to incorporate the changes introduced by the 2019 AIC Code of Corporate Government .

Significant Issues Considered by the Audit Committee During the Year

Significant Reporting Matters Considered	**How the issue was addressed**
Audit Regulation	In the last couple of years, the UK audit sector has been subject to a number of reviews, such as those conducted by the Competition and Markets Authority ('CMA') into the Statutory Audit Market and the Kingman Review of the FRC which have resulted in a number of recommendations by the Department of Business, Enterprise, Industry and Skills('BEIS'), which the BEIS is currently consulting on. The Audit Committee has considered the various recommendations and how they may potentially affect the Company should they be implemented. The various reviews have also coincided with the FRC's own consultation proposing important changes to the UK's Ethical and Auditing Standards (last updated in 2016) which led to the publication of the revised Standards in December 2019, effective from 15 March 2020. The Committee updated the non audit services policy in-line with the ethical standards and does not at this time recommend any change to the current practices employed in the external audit process in response to these reviews, but will continue to monitor developments as they unfold. In addition to this, the Committee also reviews the outcomes of the FRC's annual Audit Quality Reviews and discusses the findings with our Auditor.
Annual Report and Financial Statements	The Board asked the Audit Committee once again to confirm that, in its opinion, the Annual Report taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's financial position, performance, business model and strategy. In doing so, the Committee considered:
Valuation of Investments	During the year the Committee reconfirmed the robustness of the Investment Manager's processes in place for recording investment transactions as well as ensuring the valuation of assets is carried out in accordance with the adopted accounting polices set out in note 1.
Existence and Ownership of Investments	Once again the Committee received assurance that all investment holdings and cash/deposit balances had been agreed by Frostrow to an independent confirmation from the Custodian or relevant bank. The Committee reviewed the internal controls reports of Frostrow Stewart Investors, as Investment Managers and JP Morgan, the Custodian.

Other Reporting Matters

COVID-19

The COVID-19 pandemic commenced just before the 2020 Annual Report was mailed out to shareholders and the Committee gave in-depth consideration to its potential effects on the Company. The long-term effect of the pandemic on the global economy will become clearer in time and the Committee will continue to monitor the impact of COVID-19, which is also captured in the Company's risk register.

In order to mitigate the business risks caused by the pandemic, the Committee continues to review the operational resilience of its various service providers, who have continued to demonstrate their ability to provide services to the expected level, whilst doing so remotely.

Recognition of Revenue from Investments

Frostrow confirmed to the Committee, as in previous years, that all dividends, both received and receivable, had been accounted for correctly. It was noted that there was an appropriate segregation of duties between Frostrow and JP Morgan.

Accounting Policies

The Committee ensured that the accounting policies set out in the notes to the financial statements were applied consistently throughout the year. In light of there being no unusual transactions during the year or other possible reasons there were no changes to currently adopted policies.

Going Concern

The Audit Committee, at the request of the Board, considered the ability of the Company to adopt the Going Concern basis for the preparation of the Financial Statements. Having reviewed the Company's financial position, the Committee is satisfied that it is appropriate for the Board to prepare the Financial Statements for the year ended 31 January 2021 on a going concern basis.

The Committee's review of the Company's financial position included consideration of the cash and cash equivalents' position of the Company; the diversification of the portfolio; and the analysis of portfolio liquidity, which estimated liquidation of c.72% of the portfolio within 10 trading days (based on current market volumes).

Stress testing was completed in determining the appropriateness of preparing the Financial Statements on a going concern basis, as set out below.

Viability Statement

The Committee considered, again on behalf of the Board, the longer-term viability of the Company in connection with the Board's statement in the Report of the Directors. The Committee reviewed the Company's financial position (including its cash flows and liquidity position), the principal risks and uncertainties and the results of stress tests.

The stress tests considered the impact of one or more of the key risks crystallising and then modelled the impact on the portfolio. The results demonstrated the impact on the Company's NAV, its expenses and its ability to meet its liabilities. Based on these results the Committee concluded it was reasonable for the Board to expect that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five financial years.

Internal Controls and Risk Management

The Board has overall responsibility for the Company's risk management and internal control systems and for reviewing their effectiveness with operational responsibility delegated to the Audit Committee. The Company applies the guidance published by the Financial Reporting Council on internal controls. Internal control systems are designed to manage, rather than eliminate, the risk of failure to achieve the business objective and can provide only reasonable and not absolute assurance against material misstatement or loss. These controls aim to ensure that the assets of the Company are safeguarded, that proper accounting records are maintained, and that the Company's financial information is reliable.

A description of the principal risks facing the Company and an explanation of how they are being managed is provided in the Strategic Report. The Directors have a robust process for identifying, evaluating and managing the risks faced by the Company, including emerging risks, which are recorded in a risk matrix. The Audit Committee, on behalf of the Board, considers each risk as well as reviewing the mitigating controls in place. The likelihood of occurrence and the impact of each risk is assessed, and the resultant numerical rating determines its ranking into 'Principal/Key', 'Significant' or 'Minor'. The Committee also considers at each meeting whether there are any emerging risks to which the Company is becoming increasingly exposed. As an externally managed investment trust, the Company is reliant on the systems utilised by its service providers. Therefore, the process also involves the Audit Committee receiving and examining internal control reports from the Company's principal service providers. The Audit Committee then reports to the Board on its findings.

The Committee reviewed the effectiveness of the Company's risk management and internal controls systems during the year. There were no changes to the Company's risk management processes during the year and no significant failings or weaknesses were identified.

The Committee also conducted its annual review of internal controls reports from Stewart Investors, Frostrow, JP Morgan and Equiniti (the Registrar). Following its review, the Committee concluded that there were no significant control weaknesses or other issues that were required to be brought to the attention of the Board. The Committee is satisfied that appropriate systems have been in place for the year under review and up to the date of approval of this report.

Half Year Report and Financial Statements

The Committee reviewed the Half Year Report and Financial Statements, which are not audited or reviewed by the external Auditor, to ensure that the accounting policies used in the Annual Financial Statements were also used at the half-year stage and that they portrayed a fair balanced and understandable picture of the period in question.

Investment Trust Status

The Committee sought and received confirmation from Frostrow that the Company continues to comply with Section 1158 of the Corporation Tax Act 2010, so that its status as an investment trust is maintained.

Withholding Tax

The Committee also monitored the reclamation of withholding tax, receiving regular updates from Frostrow on the process and the appointment of specialist local agents. In the year under review, Grant Thornton LLP provided services to the Company as tax agents in Taiwan, and S.F. Ahmed & Co. acted as tax agents in Bangladesh.

Taxation

In 2018 the rules on the taxation of Indian capital gains changed. Previously, short term capital gains (defined as capital gains on securities that had been held for less than a year) were subject to a 15% tax rate and long term capital gains were not subject to tax. Following the changes, long term capital gains became subject to a tax rate of 10%. The Committee has been monitoring the provision for Indian capital gains tax, which has increased to £5,322,000 as at 31 January 2021 (2020: £1,767,000), receiving regular updates on the position. A local tax specialist (Ernst & Young LLP) has been appointed to ensure that tax returns and any tax due are calculated accurately and in line with the relevant legislation.

Internal Audit

The Committee considered whether there was a need for the Company to have an internal audit function. As the Company delegates its day-to-day operations to third parties and has no employees, the Committee concluded that there was no such need.

Other Activities During the Year

In addition to carrying out the principal functions listed above, the Committee also reviewed:

- the Committee's terms of reference;
- Stewart Investors' list of approved brokers, commission rates and the amount of commission paid by the Company throughout the year;
- the cyber security and data storage arrangements put in place by the Company's service providers;
- the whistleblowing policies of the Company's service providers;
- the Company's anti-bribery and corruption policy;
- the Company's commitment to the prevention of the criminal facilitation of tax evasion;
- the Company's audit tender guidelines; and
- the Company's gifts and hospitality policy.

External Auditor

Appointment and Tenure

Following the resignation of the Company's Auditor, KPMG LLP in September 2020, an audit tender process was undertaken led by the Committee (further details can be found in the Chairman's Statement).

A selection of audit firms was invited to participate, and three firms submitted proposals and were interviewed by the Audit Committee.

In line with the requirements of the EU Audit Regulation, the Committee submitted two audit firm candidates for the engagement to the Board, together with a justified preference for one of them. Following due consideration, the Board resolved to appoint the Committee's preferred candidate, BDO LLP. The Directors wish to thank KPMG LLP for their service as auditor.

Peter Smith was the audit partner for the financial year under review and he has confirmed BDO's willingness to continue to act as Auditor to the Company for the forthcoming financial year. BDO's appointment is subject to shareholder approval at the next Annual General Meeting (AGM) to be held in June, and details can be found in the Notice of AGM.

As a public company listed on the London Stock Exchange, the Company is subject to mandatory auditor rotation requirements. Based on these requirements, another tender process will be conducted no later than 2030.

The Committee will, however, continue to consider annually the need to go to tender for audit quality, remuneration or independence reasons.

The Audit

The Committee reviewed BDO LLP's audit plan, including the nature and scope of the audit, on 19 January 2021. The Committee also met with BDO on 14 April 2021 to discuss the progress of the audit and the draft Annual Report. The Committee then met BDO on 27 April 2021 to review formally the outcome of the audit.

Amongst other areas, includig the areas set out in the Auditor's Report, the Auditors challenged the updated disclosures on the Company's, and Portfolio Managers, approach to ESG, the completeness of the section 172 disclosures on engagement with stakeholders, and reviewed the methodology and calculation of the Indian capital gains tax accrual.

The Committee welcomed the 'fresh pair of eyes' review that the new audit team was able to bring. There were no adverse matters brought to the Audit Committee's attention in respect of the 2021 audit, which were material or significant or which should be brought to shareholders' attention.

Remuneration

The Committee approved a fee of £34,000 for the audit for the year ended 31 January 2021 (2020: £27,000). While this represents an increase on the previous year's fee, the Committee believes that the fee is in line with general audit fees payable for the quoted investment trust sector and is reflective of the level of work required to audit a listed company.

Independence and Effectiveness

The Committee evaluated the independence of the Auditor and the effectiveness of the external audit. In order to fulfil this responsibility, the Committee reviewed:

- the senior audit personnel in the audit plan, in order to ensure that there were sufficient, suitably experienced staff with knowledge of the investment trust sector working on the audit;
- the steps the Auditor takes to ensure its independence and objectivity;
- the statement by the Auditor that they remain independent within the meaning of the relevant regulations and their professional standards;
- the extent of any non-audit services provided by the Auditor (there were none during the year under review);
- the Company's policy on former employees of the Auditor (and other service providers) joining the Board;
- the Auditor's fulfilment of the agreed audit plan, including their ability to communicate with management and to resolve any issues promptly and satisfactorily;
- the presentation of the audit findings; and
- feedback from BDO and also Frostrow as the Corporate Manager, Company Secretary and Administrator on their working relationship.

The Committee was pleased to note that whilst the audit was conducted entirely remotely due to COVID?19 restrictions, there were no signs of any inefficiencies or constraints on how the Auditor worked and interacted with the relevant parties involved.

The Committee is satisfied with the Auditor's independence and the effectiveness of the audit process.

Non-Audit Services

Neither BDO LLP nor their predecessor KPMG LLP carried out any non-audit work during the year. The Audit Committee will monitor the need for non-audit work to be performed by the Auditor, if any, in accordance with the Company's non-audit services policy which was updated in September 2020 to take the FRC's revised Ethical and Auditing Standards into consideration. A copy of the Company's non-audit services policy can be found on the Company's website at www.pacific-assets.co.uk.

Effectiveness of the Committee

Lintstock, an independent third party, commented on the effectiveness of the Committee as part of their evaluation of the Board which took place during the year. In particular the management of Committee meetings in terms of the annual cycle of work, the meeting agenda and the input during meetings was rated highly.

Charlotta Ginman FCA

Chair of the Audit Committee

29 April 2021

Directors' Remuneration Report

for the year ended 31 January 2021

Statement from the Chair

As Chair of the Engagement and Remuneration Committee, I am pleased to present the Directors' Remuneration Report to shareholders. 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 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.

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 in comparison with other companies of a similar structure and size. This is in-line with the AIC Code.

The simple fee structure reflects the non-executive nature of the Board, which itself reflects the Company's business model as an externally-managed investment trust (please refer to the Business Review for more information). Accordingly, statutory requirements relating to executive directors' and employees' pay do not apply.

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 2021 as follows: Chairman £40,500 pa (previously £38,000 pa, an increase of 6.6%); Chair of the Audit Committee £33,500 pa (previously £31,000 pa, an increase of 8.0%) ; Director £29,000 pa (previously £27,000 pa, an increase of 7.4%). These new fee levels were considered to be appropriate due to the increasing level of work and regulation that the Directors are having the deal with. The last increase to the fees paid to the Directors took effect from 1 February 2020.

Directors' Fees

The Directors as at the date of this report received the fees listed in the table in the Remuneration Report. 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 and no remuneration consultants were engaged during the year.

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 which is settled by the Company.

Approval

A resolution to approve the Remuneration Report was put to shareholders at the AGM of the Company held on 25 June 2020. Of the votes cast, 99.9% were in favour and 0.1% were against. A binding resolution to approve the Remuneration Policy was also put to shareholders at the AGM held on 25 June 2020. Of the votes cast, 99.9% were in favour and 0.1% were against.

Directors' Remuneration for the Year (audited)

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

	Date of Appointment to the Board	Fixed Fees 2021 £	Taxable Expenses 2021 £	Total Remuneration 2021 £	Fixed Fees 2020 £	Taxable Expenses 2020 £	Total Remuneration 2020 £
James Williams	1 October 2013	38,000	512	38,512	36,000	535	36,535
Charlotta Ginman	9 October 2014	31,000	–	31,000	30,000	–	30,000
Sian Hansen	3 August 2015	27,000	–	27,000	26,000	–	26,000
Robert Talbut	23 September 2016	27,000	39	27,039	26,000	338	26,338
Terry Mahony*	1 February 2004	–	–	–	26,000	–	26,000
Edward Troughton	18 December 2019	27,000	–	27,000	3,167	–	3,167
		150,000	551	150,551	147,167	873	148,040

* Mr Mahony retired as a Director on 31 January 2020.

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 the years ended 31 January 2020 and 2021.

Directors' Interests in Shares (audited)

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

		Number of shares held	
		31 January 2021	31 January 2020
James Williams	Beneficial	50,000	50,000
Charlotta Ginman	Beneficial	13,789	13,789
Sian Hansen	Beneficial	13,907	10,096
Robert Talbut	Beneficial	9,611	9,611
Edward Troughton	Beneficial	18,157	18,157
Total		130,464	126,653

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

None of the Directors are required to own shares in the Company.

Share Price Total Return

The Board has adopted the MSCI All Country Asia ex Japan Index measured on a total return, sterling adjusted basis as a comparator for the Company's performance. In accordance with statutory reporting purposes, the Directors' Remuneration Report is required to compare the Company's share price total return to that of a market index. The chart below provides this comparison.

Total Shareholder Return for the Ten Years to 31 January 2021

Source: Morningstar

Rebased to 100 as at 31 January 2011

Directors' Remuneration Policy

The Directors' Remuneration Policy is subject to a binding shareholder vote every three years. It is due to be brought before shareholders again at the 2023 AGM. There have been no changes to the Remuneration Policy during the year and no changes are proposed for the year ending 31 January 2022. If, however, the Remuneration Policy is varied, shareholder approval for the new policy will be sought at the AGM following such variation. The Board has agreed that the Directors Remuneration Policy will be reviewed at least once a year 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. However, as part of a number of proposed changes to the Company's Articles of Association, which will be considered by shareholders at this year's Annual General Meeting, it is proposed that this limit be increased to £250,000. (Please see the Chairman's Statement for further information.)

Any new Director being appointed to the Board that has not been appointed as either Chairman, Chair of the Audit Committee or Senior Independent Director will, under the increased level of fees, receive £29,000 per annum.

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.

Sian Hansen

Chair of the Engagement & Remuneration Committee

29 April 2021

Independent Auditor's Report

to the members of Pacific Assets Trust plc

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 January 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Pacific Assets Trust plc (the 'Company') for the year ended 31 January 2021 which comprise the Income Statement, the Statement of Changes in Equity, the Statement of Financial Position and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 17 November 2020 to audit the financial statements for the year ending 31 January 2021 and subsequent financial periods. The period of total uninterrupted engagement is one year, covering the year ending 31 January 2021. We remain independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining management's assessment of the going concern status and long term viability of the Company
- Evaluating management's method of assessing going concern in light of market volatility and the present uncertainties such as the impact of Covid-19.
- Challenging management's assumptions and judgements made with regards to stress-testing forecasts
- Calculating financial ratios to ascertain the financial health of the Company.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

		2021
Key audit matters	Valuation and Ownership of investments	
	Revenue Recognition	
Materiality	*Financial statements as a whole*	
	£4,160,000 based on 1% of net assets	

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter		**How the scope of our audit addressed the key audit matter**
Valuation and ownership of investments Note 8	The investment portfolio at the year-end comprised of investments at fair value through profit or loss. The investment portfolio is the most significant balance in the financial statements and is the key driver of performance. The Investment Manager's and Corporate Management,	We have responded to this matter by testing the valuation and ownership of 100% of the portfolio of investments. We performed the following procedures on valuation: In respect of the ownership of investments we have obtained direct confirmation from the custodian regarding all investments held at the

	Administration and Company Secretarial Services fees are based on the net asset value of the Company. As such, there is a potential risk of overstatement of investment valuations, however this is mitigated to an extent by the valuations being produced by the administrator and reviewed and approved by the Board. Due to the significance of this balance we considered it to be a key audit matter.	balance sheet date. Key observations: Based on our procedures performed we did not identify any material exceptions with regards to valuation or ownership of investments.
Revenue Recognition Note 2	Income arises from overseas dividends and is material and can be volatile, but is a key factor in demonstrating the performance of the portfolio. Furthermore, judgement is required in the allocation of income to revenue or capital. Accordingly we considered revenue recognition to be a key audit matter.	We have responded to this matter by developing an independent expectation of income using data analytics based on the investment holding and distributions from independent sources. We have also cross checked the portfolio against corporate actions and special dividends and challenged whether these have been appropriately accounted for as income or capital. We have analysed the population of dividend receipts to identify any items for further discussion that could indicate a potential capital distribution, for example where a dividend represents a particularly high yield. We have then traced a sample of dividend income receipts to bank. Key observations: Based on our procedures performed we concur with management's judgements and did not identify any material exceptions with regards to revenue recognition.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Financial statements 2021
Materiality	£4,160,000
Basis for determining materiality	1% of net assets
Rationale for the benchmark applied	As an investment trust, net asset value is considered to be the key measure of performance.
Performance materiality	£3,120,000
Basis for determining performance materiality	75% of materiality

Specific testing threshold

We also determined that for items impacting on revenue return, a misstatement of less than materiality for the financial statements as a whole, could influence the economic decisions of users. As a result, we determined a specific testing threshold for these items based on 10% of revenue return before tax, being £370,000.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £208,000. We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Statement specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and longer-term viability

- The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified; and
- The Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why the period is appropriate.

Other Code provisions

- Directors' statement on fair, balanced and understandable;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems; and

- the section describing the work of the audit committee.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

Directors' remuneration

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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.

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We gained an understanding of the legal and regulatory framework applicable to the Company and industry in which the Company operates, and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with Companies Act 2006, the FCA listing and DTR rules, the principles of the UK Corporate Governance Code, industry practice represented by the AIC SORP and FRS 102. We also considered the company's qualification as an Investment Trust under UK tax legislation.

We considered compliance with this framework through discussions with the Audit Committee and performed audit procedures on these areas as considered necessary.

We focused on laws and regulations that could give rise to a material misstatement in the Company financial statements and the susceptibility of the entity's financial statements to material misstatement including fraud. Our tests included, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management;
- testing of journal postings made during the year to identify potential management override of controls;
- the procedures as outlined in our key audit matters above;
- review of legal invoices and correspondence;
- checked compliance with each of the Investment Trust tax legislation tests;
- review of minutes of board meetings throughout the period; and
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations.

We gained an understanding of the relevant laws and regulations impacting the entity and the susceptibility of the financial statements to fraud through our knowledge of investment trusts, review of the prior year financial statements and discussions with management at the audit planning meeting.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Peter Smith (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor London, UK

29 April 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Income Statement

for the year ended 31 January 2021

		Year ended 31 January 2021			Year ended 31 January 2020		
		Revenue	Capital	Total	Revenue	Capital	Total
	Notes	£'000	£'000	£'000	£'000	£'000	£'000
Gains on investments	8	–	77,226	77,226	–	14,154	14,154
Exchange differences		–	(123)	(123)	–	(260)	(260)
Income	2	5,163	–	5,163	5,964	–	5,964
Investment management and management fees	3	(851)	(2,553)	(3,404)	(888)	(2,665)	(3,553)
Other expenses	4	(606)	–	(606)	(637)	–	(637)
Return before taxation		3,706	74,550	78,256	4,439	11,229	15,668
Taxation	5	(555)	(3,574)	(4,129)	(507)	(1,714)	(2,221)
Return after taxation		3,151	70,976	74,127	3,932	9,515	13,447
Return per share (p)	7	2.6	58.8	61.4	3.3	7.8	11.1

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 Other Comprehensive Income has been presented.

Statement of Changes in Equity

for the year ended 31 January 2021

	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 2019		14,984	5,737	1,648	14,572	288,784	6,949	332,674
Return after taxation		–	–	–	–	9,515	3,932	13,447
Ordinary dividends paid	6	–	–	–	–	–	(3,614)	(3,614)
Issue of shares		136	3,074	–	–	–	–	3,210
At 31 January 2020		15,120	8,811	1,648	14,572	298,299	7,267	345,717
Return after taxation		–	–	–	–	70,976	3,151	74,127
Ordinary dividends paid	6	–	–	–	–	–	(3,628)	(3,628)
At 31 January 2021		15,120	8,811	1,648	14,572	369,275	6,790	416,216

The accompanying notes are an integral part of these statements.

Statement of Financial Position

as at 31 January 2021

	Notes	£'000	2021 £'000	£'000	2020 £'000
Fixed assets					
Investments	8		404,714		309,517
Current assets					
Debtors	9	232		806	
Cash and cash equivalents		17,823		40,418	
		18,055		41,224	
Creditors (amounts falling due within one year)	10	(1,231)		(3,257)	
Net current assets			16,824		37,967
Total assets less current liabilities			421,538		347,484
Non-current liabilities					
Provision for liabilities	11		(5,322)		(1,767)
Net assets			416,216		345,717
Capital and reserves					
Called up share capital	12		15,120		15,120
Share premium account			8,811		8,811
Capital redemption reserve	15		1,648		1,648
Special reserve	15		14,572		14,572
Capital reserve	15		369,275		298,299
Revenue reserve	15		6,790		7,267

Equity shareholders' funds		416,216	345,717
Net asset value per Ordinary Share (p)	13	344.1p	285.8p

The financial statements were approved and authorised for issue by the Board of Directors on 29 April 2021 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)

Notes to the Financial Statements

1. Accounting Policies

A summary of the principal accounting policies adopted is set out below or as appropriate within the relevant note to the financial statements.

(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'), issued in October 2019, 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. The Board has considered a detailed assessment of the Company's ability to meets its liabilities as they fall due, including stress and liquidity tests which modelled the effects of substantial falls in markets and significant reductions in market liquidity (including further stressing the current economic conditions caused by the coronavirus pandemic) on the Company's assets and liabilities. In light of the results of these tests, the Company's cash balances, the liquidity of the Company's investments and the absence of any gearing, the Directors are satisfied that the Company has adequate financial resources to continue in operation for at least the next 12 months and that, accordingly, it is appropriate to adopt the going concern basis in preparing these financial statements.

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 highly liquid, carried at fair (market) value and provides a statement of changes in net assets.

The Board is of the opinion that the Company is engaged in a single segment of business, namely investing in accordance with the Company's Investment Objective, and consequently no segmental analysis is provided.

Significant Judgement

There is one significant judgement involved in the presentation of the Company's accounts being the judgement on the functional and presentational currency of the Company.

The Company's investments are made in foreign currencies, however the Board considers the Company's functional and presentational currency to be sterling. In arriving at this conclusion, the Board considered that the shares of the Company are listed on the London Stock Exchange, it is regulated in the United Kingdom and pays dividends and expenses in sterling. 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) 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 Statement of Financial Position. 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.

(c) 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.

2. Income

	2021	2020
	£'000	£'000
Income from investments		
Overseas Dividends	5,158	5,898
Bank Interest	5	66
	5,163	5,964

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.

3. Investment Management and Management Fees

		2021			2020	
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Investment management fee						
– Stewart Investors	755	2,265	3,020	794	2,381	3,175
Corporate Management, Administration and Company Secretarial Services fee –	96	288	384	94	284	378

Frostrow						
	851	2,553	3,404	888	2,665	3,553

Further information regarding Stewart Investors and Frostrow's fees can be found in the Report of the Directors.

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.

4. Other Expenses

	2021	2020
	£'000	£'000
Directors' fees	150	148
Employers NIC on directors' remuneration	13	12
Auditor's remuneration for:		
– annual audit*	41[1]	27
Custody fees	185	207
Printing and postage	27	23
Registrar fees	25	23
Broker retainer	30	30
Listing fees	28	25
Legal and professional fees	46	38
Other expenses	61	104
Total expenses	606	637

* 2020 figures refer to amounts paid to KPMG

1 Includes £7,000 payable to KPMG relating to additional work required on the 2020 audit as a result of the COVID pandemic

For accounting policy see note 3 on the prior page.

5. Taxation

(a) Analysis of Charge in the Year

		2021			2020	
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Overseas taxation	585	3	588	507	13	520
Indian capital gains tax charge	–	3,571	3,571	–	1,701	1,701
Overseas tax recoverable	(30)	–	(30)	–	–	–
	555	3,574	4,129	507	1,714	2,221

Overseas tax arose as a result of irrecoverable withholding tax on overseas dividends and Indian capital gains tax (CGT).

As an investment trust, the company is generally not subject to tax on capital gains. However, Indian capital gains tax arises on capitals gains on the sale of Indian securities at a rate of 15% on short term capital gains (defined as those where the security was held for less than a year) and 10% on long term capital gains. The charge of £3,571,000 in the year ended 31 January 2021 (31 January 2020: £1,701,000) arose on unrealised long term capital gains on securities still held and is included in deferred taxation on unrealised capital gains on Indian securities as set out in note 11.

(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 19.0% (2020: 19.0%).

The differences are explained below:

		2021			2020	
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Total return on ordinary activities before tax	3,706	74,550	78,256	4,439	11,229	15,668
Corporation tax charged at 19.0% (2020: 19.0%)	704	14,165	14,869	843	2,134	2,977
Effects of:						
(Gains) on investment not subject to UK corporation tax	–	(14,673)	(14,673)	–	(2,689)	(2,689)
Non-taxable exchange differences	–	23	23	–	49	49
Expenses not deductible for tax purposes	276	485	761	277	506	783
Income not subject to corporation tax	(980)	–	(980)	(1,120)	–	(1,120)
Indian capital gains tax charge (see note 5a)	–	3,571	3,571	–	1,701	1,701
Overseas taxation	585	3	588	507	13	520
Overseas tax recovered	(30)	–	(30)	–	–	–

Tax charge for the year	555	3,574	4,129	507	1,714	2,221

As at 31 January 2021 the Company had unutilised management expenses and other reliefs for taxation purposes of £47,721,000 (2020: £43,716,000). It is not anticipated that these will be utilised in the foreseeable future and as such no related deferred tax asset has been recognised. A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. In the 11 March 2020 budget, it was announced that the UK tax rate would remain at the current 19% and not reduce to 17% from 1 April 2020.

The March 2021 Budget announced a further increase to the main rate of corporation tax to 25% from April 2023. This rate has not been substantively enacted at the balance sheet date, as a result deferred tax balances as at 31 January 2021 continue to be measured at 19%.

The tax effect of different items of income/gain and expenditure/loss is allocated between capital and revenue as set out in this note. 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.

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 UK tax on any capital gains and losses arising on the revaluation or disposal of investments.

Deferred tax has been provided for on capital gains arising on Indian securities as noted in 5(a) above.

6. Dividends

Amounts recognised as distributable to shareholders for the year ended 31 January 2021, were as follows:

	2021	2020
	£'000	£'000
– final dividend paid for the year ended 31 January 2020 of 3.0p per share	3,628	–
– final dividend paid for the year ended 31 January 2019 of 3.0p per share	–	3,614

In respect of the year ended 31 January 2021, a final dividend of 2.4p has been proposed and will be reflected in the Annual Report for the year ending 31 January 2022. Details of the ex-dividend and payment dates are shown in the Strategic Report.

The Board's current policy is to only pay dividends out of revenue reserves. Therefore the amount available for distribution as at 31 January 2021 is £6,790,000 (2020: £7,267,000). The Company generated a revenue return in the year ended 31 January 2021 of £3,151,000 (2020: £3,932,000).

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:

	2021	2020
	£'000	£'000
Revenue available for distribution by way of dividend for the year	3,151	3,932
Final dividend of 2.4p per share (2020: interim dividend of 3.0p)	(2,903)	(3,628)
Transfer to revenue reserves	248	304

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.

7. Return per Share

The Return per share is as follows:

		2021			2020	
	Revenue	Capital	Total	Revenue	Capital	Total
	pence	pence	pence	pence	pence	pence
Basic	2.6	58.8	61.4	3.3	7.8	11.1

The total return per share is based on the total return attributable to shareholders of £74,127,000 (2020: £13,447,000).

The revenue return per share is based on the net revenue return attributable to shareholders of £3,151,000 (2020: £3,932,000).

The capital return per share is based on the net capital return attributable to shareholders of £70,976,000 (2020: return of £9,515,000).

The total return, revenue return and the capital return per share are based on the weighted average number of shares in issue during the year of 120,958,386 (2020: 120,643,454).

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

8. Investments

	2021	2020
	£'000	£'000
Investments		
Cost at start of year	222,736	208,369
Investment holding gains at start of year	86,781	88,979
Valuation at start of year	309,517	297,348
Purchases at cost	110,858	79,287
Disposal proceeds	(92,887)	(81,272)
Gains on investments	77,226	14,154
Valuation at end of year	404,714	309,517
Cost at 31 January	267,140	222,736
Investment holding gains at 31 January	137,574	86,781

Valuation at 31 January	404,714	309,517

The Company received £92,887,000 (2020: £81,272,000) from investments sold in the year. The book cost of these investments when they were purchased was £66,454,000 (2020: £64,920,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

During the year the Company incurred transaction costs on purchases of £156,000 (2020: £130,000) and transaction costs on sales of £231,000 (2020: £240,000).

Valuation of Investments

Investments are measured initially, and at subsequent reporting dates at fair value. Purchases and sales are recognised on the trade date where a contract exists 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 (i.e. developed using market data), either directly or indirectly.
- Level 3 – Inputs are unobservable (i.e. for which market data is unavailable).

All investments have been classified as Level 1 (2020: All Level 1).

9. Debtors

	2021	2020
	£'000	£'000
Amount due from brokers	–	635
Accrued income	163	134
Other debtors	69	37
	232	806

10. Creditors: Amounts Falling Due Within One Year

	2021	2020
	£'000	£'000
Amounts due to brokers	143	2,294
Investment management fee – Stewart Investors	868	784
Management fee – Frostrow	106	93
Other creditors	114	86
	1,231	3,257

11. Provisions for liabilities

	2021	2020
	£'000	£'000
Deferred taxation on unrealised capital gains on Indian securities	5,322	1,767
See note 5 for further details and accounting policy.		

12. Share Capital

	2021	2020
	£'000	£'000
Allotted and fully paid:		
120,958,386 Ordinary shares of 12.5p each (2020: 120,958,386)	15,120	15,120

During the year no Ordinary shares were issued (2020: 1,085,000 Ordinary shares issued raising net proceeds of £3,210,000).

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

The Company does not have any externally imposed capital requirements.

13. Net Asset Value Per Share

The net asset value per share of 344.1p (2020: 285.8p) is calculated on net assets of £416,216,000 (2020: £345,717,000), divided by 120,958,386 (2020: 120,958,386) shares, being the number of shares in issue at the year end.

14. 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) 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.

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;

i. 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

ii. 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 other 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 in the Stsrtegic Report. 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, the impact on the net asset value would have been £39.9 million (2020: £30.7 million). The calculations are based on the investment portfolio valuation as at the respective Statement of Financial Position dates and are not necessarily representative of the year as a whole.

Interest rate risk

Floating rate

When the Company retains cash balances the majority of the cash is held in overnight call accounts. The benchmark rate which determines the interest payments received on cash balances is the bank base rate for the relevant currency for each deposit.

Foreign currency risk

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

Foreign currency exposure:

	2021				2020			
	Investments	Cash	Debtors	Creditors	Investments	Cash	Debtors	Creditors
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Chinese Renminbi	15,613	–	–	–				
Indian rupee	164,672	5,331	-	(5,427)	129,709	1	16	(1,767)
New Taiwanese dollar	61,342	33	5	–	45,607	32	–	–
Hong Kong dollar	39,573	–	–	–	14,023	–	–	(2,094)
Philippine peso	6,677	–	–	–	9,529	–	635	–
Indonesian rupiah	21,222	–	–		21,996	–	–	(200)
Japanese yen	41,142	–	69	–	39,122	–	118	–
Bangladesh taka	15,857	–	72	–	16,461	–	–	–
Thai baht	8,623	–	–	–	5,643	–	–	–
Malaysian ringgit	5,903	–	–	–	3,424	–	–	–
Sri Lankan rupee	2,594	–	–	–	4,429	–	–	–
Singapore dollar	2,967	207	–	–	12,107	9,931	–	–
US dollar	–	190	–	–	–	11,035	–	–
Korean won	18,529	–	8	–	7,467	–	–	–
Total	404,714	5,761	154	(5,427)	309,517	20,999	769	(4,061)

At 31 January 2021 the Company had £12,062,000 of sterling cash balances (2020: £19,419,000).

During the year sterling strengthened by an average of 1.5% (2020: strengthened by 0.1%) against all of the currencies in the investment portfolio (weighted for exposure at 31 January), 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 £36.8 million (2020: negative £29.7 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 £45.0 million (2020: positive £36.4 million). The calculations are based on the investment portfolio valuation and cash balances as at the year end and are not necessarily representative of the year as a whole.

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The Investment Manager has in place a monitoring procedure in respect of counterparty risk which is reviewed on an ongoing basis. The carrying amounts of financial assets best represents the maximum credit risk exposure at the Statement of Financial Position date, and the main exposure to credit risk is via the Custodian which 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:

	2021	2020
	£'000	£'000
Cash and cash equivalents	17,823	40,418
Debtors	–	806
	17,823	41,224

All the assets of the Company which are traded on a recognised exchange are held by J.P. Morgan Chase Bank, the 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.

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. Cash is currently held at JPM Morgan Chase Bank and Lloyds Bank plc. 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.

Liquidity risk

The Company's liquidity risk is managed on an ongoing basis by the Investment Manager. Substantially all of the Company's portfolio would be realisable within one week, under normal market conditions. There maybe circumstances where market liquidity is lower than normal. Stress tests have been performed to understand how long the portfolio would take to realise in such situations. The Board are comfortable that in such a situation the Company would be able to meet its liabilities as they fall due.

Capital management policies and procedures

The Company's capital management objectives are to ensure that it will be able to continue as a going concern and to maximise the return to its equity shareholders.

The Board's policy on gearing and leverage is set out in the Strategic Report. The Company had no gearing or leverage during the current or prior year.

The capital structure of the Company consists of the equity share capital, retained earnings and other reserves as shown in the Statement of Financial Position.

The Board, with the assistance of the Corporate Manager and the Investment Manager, monitors and reviews the broad structure of the Company's capital on an ongoing basis. This includes a review of:

- the need to buy back equity shares, either for cancellation or to hold in treasury, in light of any share price discount to net asset value per share in accordance with the Company's share buy-back policy;
- the need for new issues of equity shares, including issues from treasury; and
- the extent to which revenue in excess of that which is required to be distributed should be retained.

The Company's objectives, policies and processes for managing capital are unchanged from the prior year.

15. 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.

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 4. 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.

Distributable reserves

The Revenue, Special and Capital Reserves are distributable. It is the Board's current policy to only pay dividends out of the revenue reserve.

16. 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 2021, Stewart Investors earned £3,020,000 (2020: £3,175,000) in respect of Investment Management fees, of which £868,000 (2020: £782,000) was outstanding at the year end. All material related party transactions have been disclosed in the Remuneration Report and in notes 3 and 4. Details of the remuneration and the shareholdings of all Directors can be found in the Remeration Report.

Glossary of Terms and Alternative Performance Measures ('APMs')

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 (including investment trusts).

Where an entity falls within the scope of the Directive, it must appoint a single Alternative Investment Fund Manager ('AIFM'). The core functions of an AIFM are portfolio and risk management. An AIFM can delegate one but not both of these functions. The entity must also appoint an independent Depositary whose duties include the following: the safeguarding and verification

of ownership of assets; the monitoring of cashflows; and to ensure that appropriate valuations are applied to the entity's assets.

Average Discount

The average share price for the period divided by the average net asset value for the period minus 1.

	2021	2020
	pence	pence
Average share price for the year	268.1	290.5
Average net asset value for the year	294.3	292.1
Average Discount	9.1%	0.5%

Bear Market

A condition where securities fall from recent highs. In addition it can also be associated with widespread pessimism and negative investor sentiment.

Benchmark Agnostic

An investment approach that doesn't consider index weightings when constructing portfolios.

Bottom Up Approach

An investment approach that focuses on the analysis of individual stocks rather than the significance of macroeconomic factors.

Brexit

The United Kingdom's withdrawal from the European Union.

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.

Full Market Cycle

A full market cycle is a period of time which contains a wide variety of market environments. It often refers to the period between the two latest highs, or lows, of a widely used index or historic economic trend.

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.

Long-term Sustainable

Development Tailwind

The benefit afforded to a company by it providing a solution to a specific sustainable development challenge.

MSCI Disclaimer

The MSCI information (relating to the Index) may only be used for your internal use, may not be reproduced or redisseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non?infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation lost profits) or any other damages. (www.msci.com).

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 ('NAV') Per Share Total Return

The 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.

	31 January 2021	31 January 2020
NAV Total Return	p	p
Opening NAV	285.8	277.5
Increase in NAV	61.3	11.3
Dividend paid	(3.0)	(3.0)
Closing NAV	344.1	285.8
Increase in NAV	21.4%	3.0%
Impact of reinvested dividends	0.9%	1.2%
NAV Total Return	22.3%	4.2%

Ongoing Charges

Ongoing charges are calculated by taking the Company's annualised operating expenses as a proportion of the average daily net asset value of the Company over the year. The costs of buying and selling investments are excluded, as are interest costs, taxation, cost of buying back or issuing ordinary shares and other non? recurring costs.

	31 January 2021 £'000	31 January 2020 £'000
Operating expenses	4,010	4,190
Average net assets during the year	356,104	350,745
Ongoing charges	1.1%	1.2%

Performance Objective

The Company's performance objective, against which the Investment Manager's performance is measured, is to provide shareholders with a net asset value total return in excess of the UK Consumer Price Index (CPI) plus 6% (calculated on an annual basis) measured over three to five years. The Consumer Price Index is published by the UK Office for National Statistics and represents inflation. The additional 6% is a fixed element to represent what the Board considers to be a reasonable premium on investors' capital which investing in the faster-growing Asian economies ought to provide over time. The performance objective is designed to reflect that the Investment Manager's approach does not consider index composition when investing.

Total Return (annualised)		
Share Price	NAV	CPI + 6%

	(%)	(%)	(%)
One year to 31 January 2021	25.8	22.3	6.8
Three years to 31 January 2021	10.5	9.9	7.6
Five years to 31 January 2021	13.2	13.6	8.0

Revenue Return per Share

The revenue return per share is calculated by taking the return on ordinary activities after taxation and dividing it by the weighted average number of shares in issue during the year (see note 7 for further information).

Share Price Total Return

The total return on an investment over a specified period assuming dividends paid to shareholders were reinvested in shares at the share price at the time the shares were quoted ex-dividend.

	31 January 2021	31 January 2020
Share Price Total Return	p	p
Opening share price	268.0	273.0
Increase/(decrease) in share price	68.0	(2.0)
Dividend paid	(3.0)	(3.0)
Closing share price	333.0	268.0
Increase/(decrease) in share price	25.4%	(1.8)%
Impact of reinvested dividends	0.4%	1.0%
Share Price Total Return	25.8%	(0.8)%

Top Down Approach

An investment approach that involves looking first at the macro picture of the economy.

Volatility

A measure of the range of possible returns for a given security or market index.

Notice of the Annual General Meeting

Notice is hereby given that the thirty-fifth Annual General Meeting of Pacific Assets Trust Public Limited Company (the "Company") will be held at the offices of Frostrow Capital LLP, 25 Southampton Buildings, London, WC2A 1AL on Tuesday, 29 June 2021 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 the Financial Statements for the year ended 31 January 2021 together with the Report of the Auditor thereon be received.
2. That the Directors' Remuneration Report for the year ended 31 January 2021 be approved.
3. That a final dividend for the year ended 31 January 2021 of 2.4p per share be declared.

4. That the Company's dividend policy for the year ended 31 January 2021 be approved.

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 R E Talbut be re-elected as a Director.

8. That Mr E T A Troughton be re-elected as a Director.

9. That Mr J P Williams be re-elected as a Director.

10. That BDO LLP be appointed as Auditor to hold office from the conclusion of the meeting to the conclusion of the next Annual General Meeting at which accounts are laid.

11. That the Audit Committee be authorised to determine BDO LLP's remuneration.

Special Business

To consider and, if thought fit, pass the following resolutions, of which resolutions 13, 14, 15 and 16 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 £1,511,979 (or if changed, the number representing 10% of the issued share capital of the Company immediately prior to the passing of this resolution) provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2022 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 2021 ('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 pursuant to the authority conferred on them by such Resolution 11 as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

the allotment of equity securities up to an aggregate nominal amount of £1,511,979, (or if changed, the number representing 10% of the issued share capital of the Company immediately prior to the passing of this resolution) 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 2022 or 15 months from the date of passing this resolution, whichever is the earlier, unless previously revoked, varied or renewed by the Company in general meeting and provided that the Company may before such expiry make an offer or enter into an agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

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 18,131,662 or, if changed, the number representing 14.99% of the issued share capital of the Company 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);

i. 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
ii. 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 2022 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.

Proposed new Articles of Association

1. That the articles of association produced to the meeting and signed by the chairman of the meeting for the purposes of identification be approved and adopted as the articles of association of the Company in substitution for, and to the exclusion of, the existing articles of association with effect from the conclusion of the meeting.

General Meetings

1. 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 clear days in accordance with the provisions of the Articles of Association of the Company provided that the authority shall expire on the conclusion of the next Annual General Meeting of the Company, or, if earlier, on the expiry 15 months from the date of the passing of this resolution.

By order of the Board	**Registered office**
	16 Charlotte Square
Frostrow Capital LLP	Edinburgh
Company Secretary	EH2 4DF
29 April 2021	

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.

1. 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.

1. 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.

1. 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).
2. 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).
3. 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 23 June 2020 (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.
4. 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.
5. 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.
6. 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.
7. As at 28 April 2021 (being the latest practicable date prior to the publication of this notice) the Company's issued share capital consisted of 120,958,386 ordinary shares carrying one vote each. Accordingly, the total voting rights in the Company at 28 April 2021 were 120,958,386 votes.
8. 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.
9. 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.

1. The following documents will be available for inspection at the offices of Frostrow Capital LLP, 25 Southampton Buildings, London WC2A 1AL during normal business hours on any weekday (Saturdays, Sundays and English public holidays excepted) from the date of this notice 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:
   1. copies of the Directors' letters of appointment; and
   2. copies of the Directors' deeds of indemnity.
2. 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 16 May 2019, 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.
3. Given the risks posed by the spread of Covid-19 and in accordance with the Articles and Government guidance, the Company may impose restrictions on shareholders wishing to attend the AGM. Such restrictions may include limiting the number of shareholders permitted to attend the AGM in person. Other restrictions may be imposed as the chairman of the meeting may specify in order to ensure the safety of those attending the AGM.

Proposed new Articles of Association

In addition, the proposed new articles of association of the Company, together with a copy showing all of the proposed changes to the existing articles of association of the Company, will be available for inspection on the Company's website, www.pacific-assets.co.uk and at the offices of Frostrow Capital LLP, 25 Southampton Buildings, London WC2A 1AL from the date of the Notice of Annual General Meeting until the close of the Annual General Meeting.

Explanatory Notes to the Resolutions

Resolution 1 – To receive the Report of the Directors and the Financial Statements

The Report of the Directors and the Financial Statements for the year ended 31 January 2021 will be presented to the AGM. These accounts accompany this Notice of Meeting and shareholders will be given an opportunity to ask questions at the meeting.

Resolution 2 – Remuneration Report

It is mandatory for all listed companies to put their report on Directors' Remuneration to an advisory shareholder vote every year and their Remuneration Policy to a binding shareholder vote every three years. It is anticipated that the Remuneration Policy will next be put to shareholders at the AGM in 2023.

Resolution 3 – The Declaration of a Final Dividend for the year ended 31 January 2021

Resolution 3 seeks shareholder approval for the paying of a final dividend of 2.4p per share for the year ended 31 January 2021.

Resolution 4 – Approval of the Company's Dividend Policy

Resolution 4 seeks shareholder approval of the Company's dividend policy. The Company usually recommends a final dividend for shareholders approval, however this year the Board has decided to declare an interim dividend to ensure that the dividend is paid even if the AGM needs to be postponed for reasons relating to the coronavirus outbreak. See the Chairman's Statement for further explanation.

Resolutions 5 to 9 – Re-election of Directors

Resolutions 5 to 9 deal with the re-election of each Director.

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

Resolutions 10 and 11 – Appointment of Auditor and the determination of its remuneration

Resolutions 10 and 11 relate to the appointment of BDO LLP as the Company's independent Auditor to hold office until the next AGM and also authorises the Audit Committee to set their remuneration.

Resolutions 12 and 13 – Issue of Shares

Ordinary Resolution 12 in the Notice of Annual General Meeting will renew the authority to allot share capital up to an aggregate nominal amount of £1,511,979 (equivalent to 12,095,838 shares or 10% of the Company's existing issued share capital on 28 April 2021, being the nearest practicable date prior to the signing of this Report or, if changed, the number representing 10% of the issued share capital of the Company immediately prior to the passing of this resolution). 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 28 April 2021, or, if changed, the number representing 10% of the issued share capital of the Company immediately prior to the passing of this resolution 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.

Shares will only be issued at a premium to the Company's cum income net asset value per share at the time of issue.

Resolution 14 – Repurchase of Shares

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

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 28 April 2021, being the nearest practicable date prior to the signing of this Report, (amounting to 18,131,662 shares or, if changed, the number representing 14.99% of the issued share capital of the Company immediately prior to the passing of this resolution). 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 that the authority will have to be renewed at the next AGM or earlier if the authority has been exhausted.

Resolution 15 – Proposed new Articles of Association

Special Resolution 15 seeks shareholder approval to amend the existing articles of association of the Company (the "Existing Articles") through the adoption of new articles of association (the "New Articles").

The proposed amendments to the Existing Articles are primarily to enable the Company to hold hybrid general meetings (including annual general meetings).

A hybrid meeting is a meeting at which shareholders are entitled to participate either in person or virtually via an electronic platform. In addition, it is proposed that the aggregate annual amount payable to the directors of the Company as fees is increased from £200,000 to £250,000 per annum. Certain other minor amendments are proposed to reflect changes in terminology and market practice since the Existing Articles were adopted.

Whilst the New Articles (if adopted) would permit shareholder meetings to be conducted using electronic means, these provisions will only be used where the Directors consider it is in the best of interests of shareholders for hybrid meetings to be held. Nothing in the New Articles will prevent the Company from holding physical shareholder meetings.

The full terms of the proposed amendments to the Existing Articles would have been made available for inspection as required under LR 13.8.10R (2) but for the Government restrictions implemented in response to the Coronavirus outbreak. As an alternative, a copy of the New Articles, together with a copy showing all of the proposed changes to the Existing Articles, will be available for inspection on the Company's website, www.pacific-assets.co.uk/ from the date of the AGM Notice until the close of the AGM, and will also be available for inspection at the venue of the AGM from 15 minutes before and during the AGM. In the event that the current Coronavirus related restrictions are lifted before the AGM, a hard copy of these documents will be available for inspection at the offices of Frostrow Capital LLP, 25 Southampton Buildings, London WC2A 1AL until the close of the AGM.

Resolution 16 – General Meetings

Special Resolution 15 seeks shareholder approval for the Company to hold General Meetings (other than the AGM) on at least 14 clear days' notice. The Company will only use this shorter notice period where it is merited by the purpose of the meeting and will endeavour to give at least 14 working days' notice if possible.

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 130,464 shares.

Summary of the Principal Changes to the Company's Articles of Association

Set out below is a summary of the principal amendments which will be made to the Company's Existing Articles through the adoption of the New Articles if Resolution 15 to be proposed at the AGM is approved by shareholders.

This summary is intended only to highlight the principal amendments to the Existing Articles. It is not intended to be comprehensive and cannot be relied upon to identify amendments or issues which may be of interest to all shareholders. This summary is not a substitute for reviewing the full terms of the New Articles which will be available for inspection on the Company's website, www.pacific-assets.co.uk/ and also at the offices of Frostrow Capital LLP, 25 Southampton Buildings, London WC2A 1AL from the date of the AGM Notice until the close of the AGM

Hybrid shareholder meetings

The New Articles permit the Company to hold shareholder meetings partially on a virtual basis, whereby shareholders are not required to attend the meeting in person at a physical location but may instead attend and participate using electronic means. This should make it easier for the Company's shareholders to attend shareholder meetings if the Board elects to conduct meetings using electronic means. Amendments have been made throughout the New Articles to facilitate the holding of hybrid shareholder meetings.

International tax regimes requiring the exchange of information

The Board is proposing to include provisions in the New Articles to provide the Company with the ability to require shareholders to co-operate in respect of the exchange of information in order to comply with the Company's international tax reporting obligations, including, without limitation, under or in relation to FATCA, the Common Reporting Standard and the European Union's Directive on Administrative Cooperation ("Tax Reporting Requirements").

The Existing Articles are being amended to provide the Company with the ability to require shareholders to co-operate with it in ensuring that the Company is able to comply with its Tax Reporting Requirements. The Existing Articles will also be amended to provide that (i) where any member fails to supply the relevant information to the Company within the relevant time period, the member will be deemed to have forfeited their shares and (ii) the Company will not be liable for any monies that become subject to a deduction or withholding relating to FATCA, the Common Reporting Standard or any similar laws as such liability would be to the detriment of shareholders as a whole.

Increase in Directors' fees

The Existing Articles allow for aggregate fees of up to £200,000 per annum to be paid to the directors of the Company. This maximum aggregate amount has not been increased for some time; also this will enable the Board, if it proves to be necessary, to carry, for a period of overlap, six directors rather than five. This may be necessary to facilitate transition over the coming years. The Board is therefore taking the opportunity to propose an increase to £250,000 per annum.

Contact: Mark Pope at Frostrow Capital LLP, 020 3 008 4913

Frostrow Capital LLP,

Company Secretary

30 April 2021

ANNOUNCEMENT ENDS