Henderson TR Pacific Investment Trust plc

Report & Accounts for the year ended
31 December 2001

Company Number
2153093

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COMPANIES HOUSE 0288
11/04/02

Henderson TR Pacific Investment Trust plc is a specialist company seeking capital growth from Pacific region stock markets and economies excluding Japan and Australasia.

Objective

The company has a strategic objective of building a core portfolio of quality investments in high growth sectors with an emphasis on young companies and less mature economies.

Results

It was a difficult year for investors in Asia with mixed stock market performances. There was a decline of 7.8% in net assets per share for the full year to 79.0p. The benchmark index rose slightly, by 0.5%, due to late recoveries by Taiwan and South Korea in the final quarter.

Prospects

Economic indicators suggest that a recovery in the USA is imminent. If this happens we expect a strong cyclical bounce in Asia as valuations are low and much has been done to address the region's structural problems following the 1997 financial crisis.

A factsheet, which is updated regularly, may be accessed on Henderson Global Investors' website
http://its.henderson.com

Financial highlights

Per ordinary share	31 December 2001 in pence	31 December 2000 in pence
Net asset value	**79.0**	85.7
Earnings	**0.75**	0.74
Dividend – final	**0.25**	0.25
– special	**0.25**	0.30

Dividend

A final dividend of 0.25p net per share (2000: 0.25p) together with a special dividend of 0.25p per share (2000: 0.30p) has been recommended, payable on 12 April 2002 to shareholders on the register of members on 15 March 2002. Shares will be quoted ex-dividend on 13 March 2002.

Performance

to 31 December 2001

Total return per ordinary share	1 Year %	3 Years %	5 Years %	10 Years %
Net asset value(1)	-7.7	31.7	-26.3	105.5
Share price(1)	-16.8	28.1	-39.1	91.0
Peer group(2)	-2.3	39.7	-24.3	78.8
Benchmark index(3)	0.5	14.7	-37.5	n/a

(1) Source: AITC Services Ltd (net income reinvested).

(2) The company's performance is compared against a group of leading investment trust competitors. Source: AITC Services Ltd.

(3) Source: Datastream. MSCI AC Far East Free ex Japan Index (gross income reinvested). This index was not representative before September 1996.

Historical record

31 December	Earnings per ordinary share in pence	Dividends in pence	Total net assets in £'000s	Net asset value per ordinary share in pence
2001	**0.75**	**0.500***	**161,334**	**79.0**
2000	0.74	0.550*	176,102	85.7
1999	0.36	0.250	258,636	125.8
1998	1.24	1.000*	125,226	60.9
1997	0.69	0.450*	140,182	68.1
1996	0.90	0.250	224,900	109.8
1995	0.66	0.175	147,332	107.2
1994	0.34	0.175	140,026	104.5
1993	0.52	0.350	162,392	121.2
1992	0.37	0.350	76,803	57.3
1991	0.52	0.700*	53,546	40.0

*Includes special dividends of 0.225p net per ordinary share in 1991, 0.20p in 1997, 0.75p in 1998, 0.30p in 2000 and 0.25p in 2001.

Contents

Directors

From left to right: Wallace Clapperton, Judith Unwin, Iain Dale, Peter Berry and Michael Watt.

***Wallace Clapperton CA**
(age 67) was appointed to the Board in 1992. He is a former Chairman of Scantronic Holdings PLC and a former director of Barclays de Zoete Wedd Securities Limited.

***Judith Unwin OBE**
(age 47) was appointed to the Board in 2000. She is Head of UK Export Finance at BNP Paribas, London and has wide experience of Asian financial markets.

***Iain Dale OBE**
(Chairman) (age 61) joined the Board in 1990. He is a director of Chevalier International Holdings Ltd (Hong Kong), Bowman Power Ltd and Bioflame Ltd. He is an Ambassador for British Business and an adviser to Mitsui & Co UK Ltd. He was formerly Chairman of the South East Asian Trade Advisory Group (SEATAG), reporting to the Department of Trade & Industry and Foreign & Commonwealth Office.

***Peter Berry CMG**
(age 57) was appointed to the Board in 1994. He is Executive Chairman of The Crown Agents for Oversea Governments and Administrations and has lived and worked in several South East Asian countries. He is also Chairman of Martin Currie Portfolio Investment Trust plc, a director of Kier Group plc and a trustee of the Charities Aid Foundation.

Michael Watt ASIP
(Manager) (age 55) was appointed to the Board in 1987. He is a director of Henderson Far East Income Trust plc and Henderson Global Investors (Singapore) Limited.

*Independent director and member of the Audit and Management Engagement & Nominations Committees, of which Mr Iain Dale is Chairman.

Management

Michael Watt **William Pitman** **Krista Burwood**

Management
The portfolio is managed by **Michael Watt**. He is assisted by **William Pitman**, a director of Henderson Global Investors (Singapore) Limited and based in Singapore. **Krista Burwood ACIS** represents Henderson Secretarial Services Limited, the corporate secretary to the company.

Chairman's Statement

The Far East was not immune from the turmoil affecting world stock markets in 2001. There were wide swings in sentiment with no clear, overall or positive direction. This unfortunate situation was aggravated by US stock market downturns and the 11 September attacks.

Performance

Of the major stock markets, South Korea and Taiwan did best, achieving sterling adjusted rises of 35.9% and 13.6% respectively. On the downside, Hong Kong and Singapore fell by 22.5% and 18.8% in sterling terms. The trust suffered a negative total return of 7.7% compared with a total return of -2.3% for the peer group and +0.5% for the benchmark index, the MSCI Far East (Free) Ex-Japan Index. Having managed to beat a flat index performance at the interim stage, the second half showed a disappointing lag compared with both the benchmark index and the peer group of investment trust companies. This was due to the adoption of a more defensive investment stance in September which included a reduction in the utilisation of borrowings. The portfolio was not, therefore, appropriately positioned for the strong recovery seen in Far East stock markets in the final quarter.

Iain Dale

Dividend

As our policy focuses on seeking capital growth the company's revenues are not material and dividends are low. We have proposed a maintained final dividend payment of 0.25p net per share. In order to maintain the company's status as an Investment Trust, we are paying a special dividend of 0.25p net per share, to ensure no more than 15% of our investment income is retained. The additional income arose because our cautious investment stance led to our holding an increased number of higher yielding investments.

Challenging Environment

Economic growth turned sharply down across the region with only China and South Korea of the major economies managing to achieve respectable growth rates. For most of 2001 there were two powerful forces working against the region whose economies remain highly sensitive to economic conditions in the USA. Firstly, the recession in the USA proved more severe than had been expected and secondly, the terrorist attacks on America caused major uncertainties over the earnings prospects of even the fastest growing companies. There were relentless reductions in Asian company profits forecasts, predominantly in technology related sectors, as orders fell sharply and most companies were left with substantial idle capacity. Central banks, most notably the USA's, responded with aggressive monetary easing which was unsuccessful until the final quarter when the war against terrorism, and with it consumer sentiment, turned more positive.

Having been reasonably stable in the first half year Far East stock markets experienced a sharp "V-shaped" move in the second six months. Most indices fell significantly, challenging the financial crisis low points seen in August 1998, but bounced strongly from depressed levels in the final quarter. Notable recoveries were achieved by South Korea and Taiwan as their manufacturing-oriented economies were judged to be the most highly leveraged to a recovery in the USA.

Policy and Activity

This company's investment policy focuses squarely on opportunities for capital growth across the region, but conditions for most of 2001 made growth difficult to find. Any high growth company faced a challenging environment which began to show signs of improvement in some areas only at the year end. We were underweighted to Taiwan's stock market throughout the year which worked well until the fourth quarter's rally. This was partly offset by a raised exposure to South Korea where the economic outlook is improving, which became our largest weighted stock market, at 28.2% of total investments at the year end. We reduced portfolio weightings in Hong Kong and China which together had been overweighted compared to the benchmark index at the previous year end but were more in line at the end of 2001. Our exposure to South East Asian countries remained relatively low, as we were more optimistic over the prospects for North East Asian economies.

Borrowings

Our US$30 million loan matures in March 2002. The Board is engaged in reviewing the company's future requirements and expects to replace the existing loan with a more flexible arrangement.

Share Repurchases

During the year 1,347,000 ordinary shares were repurchased for cancellation at an average discount of 17.8%, in line with the company's policy of repurchasing shares at valuations considered to be attractive by the Board.

Corporate Governance

Good corporate governance and responsible policies towards the environment, the community and employees are all legitimate concerns of shareholders. This company's policy is to examine and monitor the policies and actions of the companies in which we invest with a view to encouraging management to recognise and address any issues. Nonetheless, Henderson TR Pacific's prime objective continues to be the pursuit of capital growth.

Charitable Contributions

The company supported children's charities in Thailand and the Philippines. Further information may be found on Page 41.

Outlook

Aggressive easing of monetary policy has set the scene for global recovery and leading indicators continue to show that this should begin in the current year, at least in the USA. Moreover, the political background appears to be improving with the early successes of the war against terrorism. Asia has now suffered two severe setbacks since 1997 with the result that company profits and valuations are low but have the prospect for significant improvement. Since the 1997 financial crisis, governments and companies have addressed their problems to a significant degree in many countries, making Asia well placed for recovery, and there is considerable pent-up demand once sentiment improves. If we can say with any confidence that the global economic and political background has stabilised and will start to recover, then Asia would be due a strong cyclical bounce. In consequence the defensive strategy adopted in September has been adjusted to a more positive stance.

Annual General Meeting

This year's AGM will be held again at Henderson Global Investors' office at 4 Broadgate, on Monday 8 April at 12.30 pm. There will be a presentation on the outlook for Asian stock markets followed by light refreshments for those who can stay on. Once again, I warmly invite all shareholders to attend.

Iain Dale OBE
4 February 2002

Stock Market Comparison

The region's stock markets achieved a very mixed performance in 2001, despite a powerful late rally which saw the benchmark index recover by 31.8% over the last three months to register a small positive return for the year overall. This was helped by strong performances by South Korea and Taiwan, the region's leading industrial economies. South Korea advanced by 35.9% over the year thanks to a 45.6% gain in the final quarter. Its economic performance proved resilient, following an upturn in consumption. Taiwan advanced by 13.6%, gaining 52.0% in the last three months. Its stock market is dominated by technology companies and was hit hard by the downturn but boosted by the strong recovery in these sectors towards the year end. Elsewhere, China proved relatively resilient in economic terms but the advance of its B Share Index by 86.2% owed more to a technical boost from opening this share class to Chinese investors. There were setbacks in Asia's other most significant stock markets, Hong Kong, still the region's largest, fell by 22.5% and Singapore fell by 18.8% due to their vulnerability to the global cyclical downturn. Some of the region's smaller markets were resilient, but at extremely low levels with Thailand and Malaysia showing modest advances whilst Indonesia and the Philippines continued to suffer.

The table below shows the performance of the main local stock market indices in absolute terms and adjusted for currency movements against the pound. These are not fully comparable with the MSCI indices shown on the next page.

Currencies

Despite the upheavals following the 1997 financial crisis there remain close links with the US dollar. Hong Kong and Malaysia are formally pegged to the dollar and China's exchange rate is also fixed in practice. For historical and competitive reasons South Korea and Taiwan are also influenced by the yen, which has recently been weakening, but the main relationship is with the dollar for these countries too. Over the year to 31 December 2001 there was a 2.6% advance in the value of the US dollar against sterling. Only those countries with tied currencies kept pace with the dollar as there was a general slippage of currency values as the economic downturn intensified. This was not a cause for concern due to sustained current account surpluses and the continued build-up of currency reserves across most of the region. Of the major currencies, the Singapore dollar fell by 3.6%, the new Taiwan dollar fell by 3.0% and the Korean won declined by 1.2% against the pound.

Stock Market Performance

Year to 31 December 2001 (percentage change)

Source: Datastream.

†The local movements on the China B Index have been calculated with reference to a US$ denominated price index.

Portfolio Performance

Peer Group
The performance of the company's assets is compared against a peer group of investment trust competitors selected by the directors.

The company achieved a total return on net assets per share of -7.7% for the year ended 31 December 2001 compared to a total return for the peer group of -2.3%. This was due to the poor performance of growth orientated investments. It also reflected the actions taken in September to move to a more defensive stance when the stock markets were close to a low point, as our first six months had shown a small outperformance against the peer group. From a longer term perspective, the company's total return in net assets over five years was -26.3% compared with a return of -24.3% for the peer group. Over ten years the trust achieved a return of 105.5% compared with the peer group's total return of 78.8%.

Benchmark Index
The Benchmark Index, the MSCI Far East (Free) ex-Japan Index, has undergone major revisions in recent years. Prior to September 1996 it was not comparable with this company's portfolio, but since then it has been broadly comparable. The last two years saw further revisions causing large changes to the benchmark from a geographical, sectoral and stock perspective.

We are not slaves to the benchmark index which is heavily weighted to large companies, with 35.5% of its value in its top ten companies at the year end. This particularly distorts the performance of the local benchmark indices when compared with individual stock markets. The trust can and does maintain positions in both sectors and countries which differ significantly from the benchmark index. We believe it should be used as a basis for comparison only.

In 2001 the MSCI Far East (Free) ex-Japan Index achieved a positive total return of +0.5% after a fourth quarter surge of +31.8%, which was led by South Korea and Taiwan. The total return of our portfolio was -7.7%. Over five years there was a 37.5% decline in the benchmark index compared to a 26.3% fall in net assets. The table below shows the performance of the company's portfolio in each country relative to the local MSCI Index.

Total return of portfolio against each MSCI stock market index for the year ended 31 December 2001.

Source: [1]The WM Co, Spectrum and [2]Datastream. The performance of the company is compared against individual MSCI Far East Country Indices.

† There were no investments in the Philippines or Indonesia.

Portfolio Structure as at 31 December 2001

Geographical Analysis

The table above shows the percentage breakdown of investments by country for both the 2001 and 2000 year ends. It also shows the benchmark index weighting for guidance. Our largest investments were in the North East Asian stock markets, reflecting our belief that these will recover first. Between them South Korea, Hong Kong, Taiwan and China accounted for 81.6% of total investments, with South Korea our largest weighting at 28.2% of investments representing an overweight position relative to the benchmark index. China was also overweighted, but not as heavily as in the previous year. Hong Kong and Taiwan were both underweighted as a result of a less optimistic perception of their scope for an early recovery. Investments in the South East Asian stock markets were well below the benchmark index weighting of 23.8%. The only portfolio exposure of significance was Singapore with 10.0% of total investments.

Sector Analysis

The sector analysis reflects classifications made by MSCI to be consistent with the benchmark index. Finance and Real Estate, at 22.0% of investments, represented the largest exposure, but this was below the benchmark index weighting of 29.6%. Consumption, which includes media-related investments accounted for 20.3% of the portfolio, and represented our most significant overweight position, against a benchmark weighting of 7.3%. The technology-related sectors, Computers and Peripherals, Semiconductors and Electronics, Software Services and Telecommunications together represented 31.4% of total investments compared with a 34.7% exposure in the benchmark index.

Portfolio Structure
continued

Top Twenty Investments

The following twenty holdings represented 47.0% of total investments compared with 51.9% at the end of the previous year. In total there were 62 investments which are listed by country and sector in the following pages.

Much useful information may be accessed from company websites. We have therefore listed the internet addresses of the top twenty investments.

Company	Website address	Country	Sector	Value of Investment £'000
Kookmin Bank	www.kookmin-bank.com	South Korea	Finance and Real Estate	8,174
Li & Fung	www.lifung.com	Hong Kong	Transport and Distribution	4,920
United Microelectronics	www.umc.com.tw	Taiwan	Semiconductors and Electronics	4,807
Shinhan Financial	www.shnhanbank.co	South Korea	Finance and Real Estate	4,584
Television Broadcasts	www.tvb.com	Hong Kong	Consumption	4,454
Samsung Electronics	www.sec.co.kr	South Korea	Semiconductors and Electronics	4,374
Samsung Fire & Marine	www.samsungfire.com	South Korea	Finance and Real Estate	4,090
Swire Pacific	www.swirepacific.com	Hong Kong	Finance and Real Estate	3,727
Hutchison Whampoa	www.hutchison-whampoa.com	Hong Kong	Finance and Real Estate	3,719
Singapore Press	www.sph.com.sg	Singapore	Consumption	3,642
Pro Mos Technologies	www.promos.com.tw	Taiwan	Semiconductors and Electronics	3,503
Huaneng Power International	www.hpi.com.cn	China	Utilities	3,477
Synnex Technology	www.synnex.com.tw	Taiwan	Computers and Peripherals	3,310
Dah Sing Financial	www.dahsing.com	Hong Kong	Finance and Real Estate	3,251
Ambit Microsystems	www.ambit.com.tw	Taiwan	Computers and Peripherals	3,162
Henderson Land	www.hld.com	Hong Kong	Finance and Real Estate	3,119
LG Electronics	www.lge.com	South Korea	Consumption	3,110
President Chain Store	www.7-11.com.tw	Taiwan	Consumption	3,109
SK Telecom	www.sktelecom.com/eng/main.html	South Korea	Telecommunications	3,037
I-Cable Communications	www.i-cablecomm.com	Hong Kong	Consumption	3,036
				78,605
			Total Investments	167,240
			Top 20 as a percentage of total investments	47.0%

Investments in Hong Kong, South Korea and Taiwan dominated the company's largest holdings with eighteen out of the top twenty stocks between them. From a sector perspective the major holdings were classified predominantly within the Finance and Real Estate category with Consumption related investments also prominent.

South Korea was strongly represented amongst the company's most important investments with two of its leading banks, Kookmin Bank and Shinhan Financial within our five largest investments. This reflected strong earnings growth and growing confidence that South Korea's reforms have begun to positively impact its economic outlook.

South Korea

South Korea staged an impressive recovery to be the region's best performing stock market in 2001. The KOSPI index rose by 37.5% in local currency terms and 35.9% in sterling terms. Strong performance came largely from the financial, electrical and cyclical industrial sectors while telecommunications lagged. The year was largely characterised by corporate restructuring especially in financial sectors coupled with easier fiscal and monetary policies which boosted domestic consumption. Our portfolio weighting in South Korea was 28.2% of total investments at the end of 2001 compared with a 14.9% weighting at the previous year end. The economy outperformed most other countries despite its heavy export exposure.

The economy expanded by some 2.5% as a rise in consumer spending helped cushion South Korea from a drop in exports. During the year South Korea reduced its external debt, improved corporate governance and managed to lower unemployment. Inflation has also come down to a more comfortable level. The won weakened against sterling by 1.2% partially tracking the yen's weakness.

The outcome of the Presidential election to be held in December 2002 may have a bearing on the "sunshine policy" in respect of North Korea. Meanwhile South Korea will co-host the World Cup soccer tournament this year and will therefore be much in the public eye. This should be positive for economic growth which we expect to reach at least 4% in the current year.

South Korea Investments		%	£'000
Collective Investment Vehicles	Atlantis Kosdaq Fund	0.9	1,503
Consumption	Cheil Communications	1.7	2,830
	LG Electronics	1.9	3,110
	Shinsegae Department Store	1.7	2,898
Finance and Real Estate	Kookmin Bank	4.9	8,174
	Samsung Fire and Marine	2.4	4,090
	Shinhan Bank	2.7	4,584
Resources and Heavy Industrial	Pohang Iron & Steel	0.9	1,523
Semiconductors and Electronics	Samsung Electronics	2.6	4,374
Software Services	NC Soft	1.8	2,942
Telecommunications	Korea Telecom	1.8	2,939
	Korea Telecom Freetel	1.7	2,864
	SK Telecom	1.8	3,037
Utilities	Korea Electric Power	1.4	2,268
Total South Korea Investments		**28.2**	**47,136**

Taiwan

Taiwan was plagued by a weaker external environment. Exports tumbled, the economy fell into the worst slump since 1970 and GDP suffered a decline of more than 2%. For the full year, exports fell by 17.1%. Electronics, which makes up the largest share of total exports, declined 29.7%. Low inflation allowed the Central Bank to cut interest rates aggressively in 2001 but unemployment nevertheless rose to 5.3%.

After a negative year in 2000 the stock market advanced early in the year when interest rates were first cut, but then fell sharply due to the poor economy. The Taiwan Index ended the year strongly, rebounding from its September lows. Over the full year the Index advanced by 17.0% in local currency terms and 13.6% in sterling terms. The technology sector led the rally with dramatic recoveries in semiconductor stocks. Our portfolio was heavily weighted towards technology related sectors, but we maintained an underweight position of 17.0% of investments at the year end in view of the political and economic difficulties suffered by Taiwan over the year.

Cross-strait relations continued to dominate the political scene for the most of the year. Some positive developments, together with continued heavy investment in mainland China by Taiwanese companies point to a more accommodating stance on both sides. Taiwan's domestic political environment was greatly improved by the December election for the Legislative Yuan. Despite a poor economic background the Democratic Progressive Party increased its representation, giving the ruling party a mandate to push through much needed reforms. The economy is expected to show a modest recovery this year with growth of some 2%.

Taiwan Investments		%	£'000
Computers and Peripherals	Ambit Microsystems	1.9	3,162
	Synnex Technology	2.0	3,310
Consumption	President Chain Store	1.9	3,109
Resources and Heavy Industrial	Nan Ya Plastics	1.7	2,947
Semiconductors and Electronics	Hon Hai Precision	1.8	3,007
	Pro Mos Technologies	2.1	3,503
	United Microelectronics	2.9	4,807
	Via Technologies	1.3	2,235
Telecommunications	Taiwan Cellular	1.4	2,424
Total Taiwan Investments		**17.0**	**28,504**

China

China's economic upturn continued in 2001. GDP growth for the full year was 7.4%, with the key drivers being strong retail sales and Government-led investment spending. China's accession to the World Trade Organisation was viewed positively although there were some concerns that this could lead to destabilising effects on the economy in the short term, as the Government steps up economic reforms. There were also concerns that the implementation of WTO obligations would lead to political disruption as the central government attempts to bring unruly provincial and municipal authorities in line.

Although China recorded the strongest economic performance in the region its stock markets were mixed. In the first half year, Chinese A-shares and B-shares rose dramatically on strong domestic liquidity as the Hong Kong listed B-shares were opened up to Chinese investors with Hong Kong bank accounts for the first time. This caused a bubble which peaked in May, coinciding with enthusiasm over the news that Beijing would host the Olympic Games in 2008. The authorities then clamped down on irregular securities trading which triggered a steep fall in stock prices. Red chips, which are subsidiaries of Mainland Chinese companies listed in Hong Kong, were hit by concerns that asset restructuring was far from complete. The index monitored here, the China B Share Index had a volatile year but ended higher by 81.5% in local currency terms and 86.2% in sterling terms, assisted by the technical factors mentioned above. Our exposure to China remained overweighted compared to the narrowly focused and unrepresentative MSCI index, at 13.9% of total investments. For 2002 we expect China to again achieve the region's highest economic growth of some 7%.

China Investments		%	£'000
Collective Investment Vehicles	China Heartland Fund	1.2	1,975
Consumption	China Resources Enterprise	1.6	2,701
	China Travel	1.3	2,128
	Global Bio-Technology	1.7	2,868
Resources and Heavy Industrial	CNOOC	1.4	2,389
Telecommunications	China Mobile (HK)	1.7	2,905
Transport and Distribution	Beijing Capital International Airport	1.2	1,951
	Cosco Pacific	1.7	2,846
Utilities	Huaneng Power International	2.1	3,477
Total China Investments		**13.9**	**23,240**

Hong Kong

Hong Kong's economy was broadly unchanged in GDP terms over 2001 and suffered severe deflationary pressure. Property developers were hit hard as consumer confidence remained weak. Residential property prices reached a low point of 60% below their 1997 peak. Hong Kong's unemployment rate rose to 6.1% at the end of the year, representing its highest level for two years. Hong Kong also suffered from a slowing in China's export growth. However, China's entry into the World Trade Organisation will be a benefit to Hong Kong as a large proportion of China's exports still pass through the Special Administrative Region.

The Hang Seng Index declined by 24.5% in 2001 and by 22.5% on a sterling adjusted basis. The stock market declined for most of the year. Post the terrorist attacks of 11 September the market hit its low point of 8,934, a drop of 40.8% from the start of the year. A year end rally was fuelled by the recovery in US stock markets and high levels of liquidity in the domestic financial system. The property sector was the strongest performer supported by high pre-sales volumes due to aggressive price discounting and the availability of cheap credit. The government has relaxed housing policy and is planning to draw down its considerable reserves to stimulate economic growth. Our portfolio had a 22.5% exposure to Hong Kong, which was underweight relative to the benchmark index reflecting the severity of its economic downturn and ongoing deflationary pressures.
A small economic recovery is expected for 2002 with growth of approximately 2%.

Hong Kong Investments		%	£'000
Collective Investment Vehicles	Chinavest Partnership*	0.1	161
Computers and Peripherals	Computer & Technologies	0.9	1,463
Consumption	I-Cable Communications	1.8	3,036
	Television Broadcasts	2.7	4,454
Electrical Equipment	Johnson Electric	1.4	2,305
Finance and Real Estate	Dah Sing Financial	1.9	3,251
	Henderson Land	1.9	3,119
	Hutchison Whampoa	2.2	3,719
	MTR Corporation	1.3	2,242
	Sun Hung Kai Properties	1.7	2,770
	Swire Pacific	2.2	3,727
Semiconductors and Electronics	Varitronix International	0.6	916
Transport and Distribution	Li & Fung	2.9	4,920
Utilities	Hong Kong & China Gas	0.9	1,505
Total Hong Kong Investments		**22.5**	**37,588**

*Unlisted Investment

Thailand

Thailand started the year promisingly but the momentum faltered as the year progressed. Overall the S.E.T. Index rose by 12.9% in local currency terms and 13.6% in sterling terms. The stock market was largely supported by the property, vehicle and finance sectors. Our portfolio weighting to Thailand was 3.7% of total investments at the year end, which was overweighted relative to the benchmark index, reflecting our belief that Thailand represents the most promising of the less developed ASEAN economies at present.

Prime Minister Thaksin Shinawatra's Thai Rak Thai party won an unprecedented majority in the Lower House of parliament in the general election at the beginning of the year. There were early fears that government policy implementation might be hampered by political uncertainty. The Prime Minister was accused of the illegal transfer of assets to relatives and domestic staff which he denied. In August, the Prime Minister was acquitted by the Constitutional Court, which gave a positive boost to the political situation.

The restructuring of the Thai banking sector proceeded at a slow pace. After much delay, the cornerstone Thai Asset Management Company (TAMC) was established in June to restructure loans and banks have begun the gradual transfer of non-performing loans to the fund. The manufacturing sector remained sluggish in 2001 due to a significant fall in export orders. In contrast, domestic consumption was robust especially for the property and car sectors reflecting substantial pent up demand after four years of depression and ongoing low interest rates. Overall, the economy expanded by some 1.0% in 2001 and this momentum suggests further scope for recovery in the current year with possible growth of about 3%.

Thailand Investments		%	£'000
Consumption	Minor Food	0.2	327
Resources and Heavy Industrial	PTTEP	0.8	1,342
	Siam Cement	0.9	1,634
Semiconductors and Electronics	Hana Microelectronics	0.6	923
Software Services	Shin Corporations	1.2	1,939
Total Thailand Investments		**3.7**	**6,165**

The Philippines

The Philippines continued to be mired in domestic problems and found little favour with international investors. The Composite Index fell by 21.8% and by 22.3% in sterling terms and we held no investments in the Philippines over the year.

President Estrada, who was impeached for corruption in January, was succeeded by Gloria Macapagal Arroyo, his vice president. The Estrada trial process, provided a difficult and unhelpful background given his continued popularity amongst rural Filipinos. The Philippine government has also had difficulties with Abu Sayyaf, a Muslim terrorist group but was promised extensive aid from the US towards the year end. The government's relationship with the Moro Islamic Liberation Front (MILF) improved gradually with the two parties keeping to the peace agreement negotiated in 2001. The privatization reform saw some signs of improvement with the ratification of the Omnibus Power Bill to restructure the Philippine power sector.

The economy was characterised by a deteriorating fiscal deficit, falling interest rates and slowing inflation. Exports came under pressure but the important agricultural sector remained steady. The strained nature of finances has reduced the government's flexibility to help in any re-capitalization of the banking system. Interest rates declined to their lowest level in recent years which will ease the bad debt situation and ultimately encourage economic activity. There was a decline in the unemployment rate in the agricultural, industrial and services sectors which may signal an improvement in 2002. Overall, the economy advanced by almost 3% and is expected to grow at around the same level for the current year but equity market valuations remain relatively high.

Philippines Investments	%	£'000
No Investments	–	–
Total Philippines Investments	–	–

Malaysia

The Kuala Lumpur Composite Index rose by 2.4% over 2001 and by 5.1% in sterling terms as the ringgit remained pegged to the US dollar. There were concerns of a deteriorating political environment and our exposure to Malaysia was well below the benchmark index weighting at 3.4% of total investments reflecting concerns over corporate governance and the severe economic downturn in an uncertain external environment. Fears of a currency re-peg discouraged foreign investors from committing funds until there was further certainty over this issue. Having been weak for most of the year the stock market recovered to finish the year above its pre-September levels.

The Malaysian government moved to restore the confidence of the investment community. It abolished a 10% exit tax on portfolio profits, removing an obstacle much criticised by foreign investors. With renewed support, the Government has accelerated the pace of reform and tightened control over the political system. This was evident from the quicker pace of debt workout amongst the country's most troubled companies. Malaysia's high dependence on exports meant that GDP growth in 2001 suffered from the poor demand for electronics exports. An additional problem was falling foreign direct investment amidst capacity closures by multinational technology companies. GDP was broadly unchanged but is likely to recover in 2002 with expansion of approximately 3%.

Malaysia Investments		%	£'000
Consumption	Resorts World	1.6	2,669
Transport and Distribution	Malaysian International Shipping	1.8	2,983
Total Malaysia Investments		**3.4**	**5,652**

Singapore

The All Share Index fell by 15.7% in local currency terms and by 18.8% in sterling terms. There was weakness across the whole market as investors were concerned about the vulnerability of the local economy to the deteriorating external environment. Economic growth turned negative in 2001 with a contraction in GDP of more than 2%. Our exposure to Singapore fell slightly to 10.0% of total investments which was underweight against the benchmark index, but it is the only ASEAN region stock market in which we were prepared to place significant funds.

One of the themes in the Singapore economy was the restructuring of the banking sector, spearheaded by the government. This resulted in the formation of three more focused banks in Singapore which should be large enough to compete regionally. Merger and acquisition activities were also evident in other sectors including technology, telecommunications and transportation. The banking and property sectors were poor performers for most of the year. However, towards the end of 2001, the property market saw a modest pick-up in demand. Developers lacked pricing power as a result of the ongoing inventory overhang but low prices and low cost financing proved attractive to purchasers.

Singapore's ruling party, the People's Action Party (PAP), swept to a landslide victory in the general election held in November 2001, securing a firm mandate to move aggressively on its economic reform programme. The government unveiled a S$11.3bn off-budget package in October to ease the economic downturn caused by Singapore's reliance on exports. This will result in an unprecedented fiscal deficit in 2001. The measures included increased spending on infrastructure to pump-prime the economy, tax rebates and easing of property rules should help the economy to grow by some 3% in 2002.

Singapore Investments		%	£'000
Consumption	Singapore Press	2.2	3,642
Finance and Real Estate	Capitaland	1.2	1,943
	Overseas Chinese Banking Corporation	1.8	2,995
Semiconductors and Electronics	Datacraft Asia	0.7	1,246
	Venture Manufacturing	1.4	2,484
Transport and Distribution	Neptune Orient Lines	1.5	2,527
Telecommunications	Singapore Telecom	1.2	1,954
Total Singapore Investments		**10.0**	**16,791**

Indonesia

2001 was a big year of change for Indonesian politics. President Wahid's impeachment in July led to a sharp appreciation of the stock market and the rupiah. The new Government's accession improved Indonesia's prospects for political and economic stability but this was severely tested post the September terrorist attacks in the USA. The new President, Megawati Sukarnoputri, whose government was still unproven, had to balance the religious sensitivities of Indonesians with the need for US backing in debt restructuring, financial assistance and foreign investment.

GDP growth for the full year of 2001 was approximately 3.0% compared to 2000's 4.8% advance. A further deterioration in investment activity and sluggish external demand led to slower economic growth. Bucking the trend, private consumption rose by 6.0%. The economy also suffered from a tight liquidity environment. Bank Indonesia could not lower interest rates as the rupiah remained volatile while inflation was running at double digit levels.

The Jakarta Composite Index saw volatile trading, falling to its year's low of 343 in April on the back of an uncertain economic environment. President Wahid's impeachment led to the market rebounding dramatically to reach the year's high of 470. As the euphoria of the change in Government wore off, the index gave back its gains. The attacks of 11 September led to all Asian markets collapsing and Indonesia was not spared. Unlike other Asian markets though, the index did not see a recovery to pre-September levels given concerns over possible Islamic extremism. The index declined by 5.8% over the year and by 10.1% in sterling terms. For yet another year we held no investments in Indonesia due to political, religious and economic uncertainties.

Indonesia Investments	%	£'000
No Investments	-	-
Total Indonesia Investments	-	-

Vietnam

With economic growth of more than 6% Vietnam's resilient performance reflected its relative insulation from the external world, and especially from the US market. In 2001 Vietnam enjoyed strong retail sales, healthy tourist arrivals, resilient industrial production and increasing foreign investment inflows and foreign reserves. A major concern for the Vietnamese economy is the non-performing loans in the banking sector. Although this accounts for only a small proportion of GDP, the risk could escalate rapidly if non-performing loans continue to build.

The Communist Party general secretary, Nong Duc Manh, aims to foster unity and stability within the party and crack down on corruption. With the ratification of the bilateral trade agreement between Vietnam and the US, improved relations between the two former enemies will have a positive impact on Vietnam's foreign investment and exports. Vietnam has also received financing from the IMF and the World Bank for poverty alleviation, placing the government under greater pressure to accelerate its reforms in key areas relating to the financial sector, state-owned enterprises and trade.

The trust raised its exposure to Vietnam in 2001 with the purchase of a position in Vietnam Enterprise Investment Fund. With the new US trade agreement and the establishment of a stock exchange we believe that Vietnam offers attractive investment opportunities at low prices.

Vietnam Investments		%	£'000
Collective Investment Vehicles	The Vietnam Fund	0.1	206
	Vietnam Enterprise Investment Fund	1.2	1,958
Total Vietnam Investments		**1.3**	**2,164**

Summary of Net Assets

at 31 December 2001

The following table summarises the net assets attributable to ordinary shareholders. The company's equity exposure amounted to 103.7% of net assets.

	2001	**2001**	2000	2000
	£'000	**%**	£'000	%
Attributable to ordinary shares				
Equities	**167,240**	**103.7**	182,523	103.6
Current assets less other liabilities	**(5,906)**	**(3.7)**	(6,421)	(3.6)
Total net assets	**161,334**	**100.0**	176,102	100.0

Report of the Directors

The directors present the audited accounts of the company for the year ended 31 December 2001.

Principal Activities and Business Review
The company is an investment company as defined in Section 266 of the Companies Act 1985 and operates as an investment trust in accordance with Section 842 of the Income and Corporation Taxes Act 1988. The company is required to seek Inland Revenue approval of its status as an investment trust under the above mentioned Section 842 every year and this approval will continue to be sought. Inland Revenue approval of the company's status as an investment trust has been received in respect of the year ended 31 December 2000, although this approval may be subject to review should there be any subsequent enquiry under Corporation Tax Self Assessment. The directors are of the opinion that the company has subsequently conducted its affairs in a manner which will enable it to continue to gain such approval. The company has no employees.

A review of the business is given in the Chairman's Statement and the Portfolio Review on pages 4 to 7.

Assets
At 31 December 2001 total net assets attributable to ordinary shares amounted to £161,334,000. The net asset value per ordinary share was 79.0p, a decrease of 7.8% from the previous year end.

Revenue and Dividend
Gross revenue of the company for the year increased from £4,349,000 to £4,351,000. Net revenue for the year after taxation was £1,533,000, compared with £1,516,000 in the previous year, an increase of £17,000.

The directors recommend a final ordinary dividend of 0.25p net per ordinary share (2000: 0.25p) and a special dividend of 0.25p (2000: 0.30p). Subject to approval at the Annual General Meeting, the dividends will be paid on 12 April 2002 to shareholders on the register at close of business on 15 March 2002.

Donations
The company made charitable donations of £23,842 during the year, of which £15,335 was paid via our Charities Aid Foundation account. Further details regarding the charities that the company supports can be found on page 41.

No payments were made for political purposes.

Directors
The directors of the company at the date of this report, all of whom held office throughout the year under review, are as shown on page 3. With the exception of Mr M J Watt, all the directors are independent of the management company. Directors' interests in the ordinary share capital of the company at 1 January 2001 and 31 December 2001 are set out below:-

	Ordinary shares of 5p	
Beneficial interest:	**31 December 2001**	1 January 2001
I L Dale (Chairman)	**26,000**	22,000
P F Berry	**14,000**	14,000
A W F Clapperton	**80,000**	80,000
M J Watt	**100,711**	96,101
J R Unwin	**Nil**	Nil

Between the year end and 14 February 2002 Mr M J Watt increased his beneficial shareholdings to 101,058 ordinary shares by purchases through the Henderson Investment Trust Share Plan in which he saves monthly. There have been no changes in the other directors' interests since the end of the financial year.

There were no contracts subsisting during or at the end of the year in which a director of the company is or was materially interested and which is or was significant in relation to the company's business. No director has a service contract with the company.

Mr M J Watt is an executive of the management company and is remunerated by that company in respect of services provided to Henderson TR Pacific under the management agreement.

The director retiring by rotation at the forthcoming Annual General Meeting (AGM) is Mr M J Watt who, being eligible, offers himself for re-election.

Report of the Directors
continued

New Zealand Listing
The company has a listing for its ordinary shares on the New Zealand Stock Exchange. Shareholders in New Zealand are able to trade their shares more easily and receive dividends in New Zealand dollars. Shares may be transferred to the Auckland branch register by contacting the registrars in New Zealand, Computershare Investor Services Limited.

Management Company
Throughout the year under review investment management, accounting, secretarial and administrative services were provided to the company by Henderson Global Investors (Holdings) plc and its wholly owned subsidiaries ("Henderson").

The management fee rate is 0.90% per annum on the first £300 million of assets. The fee on assets above £300 million, up to and including £600 million, is payable at a rate of 0.75% per annum and 0.50% per annum on assets above £600 million. In respect of the year ended 31 December 2001 these rates were applied to the average of the aggregate value of assets on the last day of each of the two preceding calendar years.

Investments in funds managed by Henderson are wholly excluded from management charges.

The management agreement may be terminated by either party by giving one year's notice.

The Manager uses certain services which are paid for, or provided by, various brokers. In return it places business, which may include transactions relating to the company, with these brokers.

Substantial Shareholdings
As at 14 February 2002 the only shareholder that had notified the company of an interest of 3% or more in the ordinary share capital was British Steel Pension Fund which held 10.20%.

ISAs/PEPs
The company has conducted its affairs, and will continue to conduct its affairs, in such a way as to comply with the Individual Savings Account (ISA) and Personal Equity Plan (PEP) Regulations as a fully qualifying investment trust (which for PEP's was from 6 April 2001).

Authority to Allot Shares and Disapplication of Pre-emption Rights
At last year's AGM the directors were empowered, until the conclusion of the 2002 AGM, to allot ordinary shares in the company. These powers were not used during the year.

The Board believes that this general power to allot shares should be continued. Accordingly, at the forthcoming AGM (notice of which is set out on page 42), an ordinary resolution will be proposed to authorise the directors to allot ordinary shares up to an aggregate nominal amount of £3,403,222 (being 68,064,453 ordinary shares or one third of the company's issued ordinary share capital at the date of this report).

In addition, a special resolution will be proposed to seek authority to allot ordinary shares for cash on a non pre-emptive basis to up to a maximum aggregate nominal amount of £510,483 (being 10,209,667 ordinary shares or 5% of the company's issued ordinary share capital at the date of this report).

The authorities to allot shares will last until the AGM of the company in 2003, or until all shares have been allotted, whichever is the earlier. The authorities may be renewed by shareholders at any time. The directors will use the authorities only if they believe that to do so would be advantageous to the company's existing shareholders and if the share price is at a premium to net asset value of at least 3%. The directors have no intention of using the authorities at the present time.

Authority to make Market Purchases of the Company's Own Shares
At the AGM in April 2001 the company was authorised to make market purchases up to 30,625,513 of the company's own issued shares for cancellation.

During the financial year the company made market purchases for cancellation of 1,347,000 shares. The aggregate consideration paid by the company for the shares, including stamp duty and commission, was £772,525. As at the date of this report, the company had valid authority outstanding, until the conclusion of this year's AGM, to make market purchases of up to 29,278,513 issued shares.

Report of the Directors

continued

The Board is seeking shareholder approval to take authority to purchase on the London Stock Exchange up to 14.9% of the company's issued share capital as at the date of the AGM (equivalent to 30,424,810 ordinary 5p shares or £1,521,240 aggregate nominal value at the date of this report).

The authority being sought will create additional potential demand for the company's shares and, because shares will only be purchased at a price below the prevailing net asset value per share, the effect of any such purchases will be to increase the net asset value of the remaining shares as well as helping to control the discount.

Under UK Listing Authority rules, the maximum price to be paid on any exercise of the authority must not exceed 105 per cent. of the average of the middle market quotations for the shares for the five business days immediately preceding the date of purchase. Purchases will be made at the discretion of the Board. The minimum price paid will be 5p per share (being the nominal value).

The purchase of shares will involve a stamp duty cost to the company of approximately 0.5 per cent. of the purchase price.

The company may utilise the authority to purchase shares by either a single purchase or a series of purchases when market conditions allow, with the aim of maximising the benefit to shareholders.

The authority to purchase shares will last until the AGM of the company in 2003, or until the whole of the 14.9% has been utilised, whichever is the earlier. The authority may be renewed by shareholders at any time.

Payment of Suppliers

It is the company's payment policy for the financial year to 31 December 2002 to obtain the best terms for all business and therefore there is no single policy as to the terms used. In general, the company agrees with its suppliers the terms on which business will take place and it is the Board's policy to abide by these terms. There were no trade creditors at the year end.

Nominee Code

Where shares in the company are held by nominee companies, the company undertakes to:

- provide to nominees who have indicated in advance a wish to receive them, copies of shareholder communications for distribution to their customers;
- encourage nominees to advise investors that they will be permitted to attend general meetings and to speak when invited to do so by the Chairman.

Investors in the Henderson Investment Trust Share Plan, ISA and PEP receive all shareholder communications. A letter of direction/instruction is provided to facilitate voting.

Going Concern

The directors believe that it is appropriate to continue to adopt the going concern basis in preparing the accounts as the assets of the company consist mainly of securities which are readily realisable and, accordingly, it has adequate financial resources to continue in operational existence for the foreseeable future.

Auditors

PricewaterhouseCoopers have expressed their willingness to continue in office as the company's registered auditors. A resolution to re-appoint PricewaterhouseCoopers as auditors to the company will be proposed at the AGM.

By order of the Board

K Burwood

Krista Burwood, ACIS
Henderson Secretarial Services Limited
Secretary
14 February 2002

Corporate Governance

Background
The UK Listing Authority requires all listed companies to disclose how they have applied the principles and complied with the provisions of the Combined Code ("the Code").

Application of the Code's Principles
The Board attaches great importance to the matters set out in the Code and applies its principles. It should be noted that, as an investment trust, most of the company's day to day responsibilities are delegated to third parties and the directors are all non-executive. Thus, not all the provisions of the Code are directly applicable to the company.

The Board and Committees
The Board currently consists of five non-executive directors, the majority of whom are independent of the company's Manager. Their biographies, on page 3, demonstrate a breadth of investment, industrial, commercial and professional experience, with an international perspective. Directors visit the Pacific region periodically.

The Board meets at least ten times a year and deals with the important aspects of the company's affairs, including the setting and monitoring of investment strategy and the review of investment performance. The Manager takes decisions as to the purchase and sale of individual investments. The Manager also ensures that all directors receive in a timely manner all relevant management, regulatory and financial information. Representatives of the Manager attend each Board meeting enabling directors to enquire further on matters of concern or seek clarification on certain issues. Matters specifically reserved for decision by the full Board have been defined and a procedure adopted for directors, in the furtherance of their duties, to take independent professional advice at the expense of the company.

The directors have access to the advice and services of the Corporate Company Secretary through its appointed representative who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

The Chairman is an independent non-executive director. A senior non-executive director has not been identified as the Board considers that all the directors have different qualities and areas of expertise on which they may lead where issues arise and to whom concerns can be conveyed.

All non-executive directors are appointed for an initial term of three years, subject to re-election and Companies Act provisions and in accordance with the existing Articles of Association stand for election at the first AGM following their appointment.

In accordance with the Articles of Association directors are required to retire every three years. The name of the director retiring by rotation at this year's AGM is given on page 20.

When a new director is appointed he or she is offered a training seminar which is held by the Manager. Directors are also provided, on a regular basis, with key information on the company's policies, regulatory and statutory requirements and internal controls. Changes affecting directors' responsibilities are advised to the Board as they arise.

The Board has established an Audit Committee and a Management Engagement & Nominations Committee. Both committees have defined terms of reference and consist of all the independent non-executive directors.

The Audit Committee is responsible for the review of the annual accounts and interim report, terms of appointment of the auditors together with their remuneration as well as non-audit services provided by the auditors. It also meets with representatives of the Manager and receives reports on the quality and effectiveness of the accounting records and management information maintained on behalf of the company.

The Management Engagement & Nominations Committee is responsible for the review of the terms of the management contract with the Manager. An annual review of the management contract is carried out. It also makes recommendations on the appointment of new directors.

Directors' Remuneration
The Board as a whole considers directors' remuneration and therefore has not appointed a separate Remuneration Committee. Since all directors are non-executive, the company is not required to comply with the principles of the Code in respect of executive directors' remuneration. Directors' fees are detailed in note 7 to the Accounts.

Corporate Governance
continued

Accountability and Audit

The statement of directors' responsibilities in respect of the accounts is set out on page 25, a statement of going concern on page 22 and a statement on social responsibility on page 25. The report of the auditors is set out on page 39.

The Board has delegated contractually to external agencies, including the Manager, the management of the investment portfolio, the custodial services (which include the safeguarding of the assets), the day to day accounting, company secretarial, administration and registration services. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of the services offered, including the control systems in operation in so far as they relate to the affairs of the company. The Board receives and considers regular reports from the Manager and ad hoc reports and information are supplied to the Board as required. In addition, the Chairman attends meetings of all the chairmen of the investment trust companies managed by the Manager; these meetings provide a forum to discuss industry matters and the Chairman reports on them to the Board.

The Manager has established an internal control framework to provide reasonable assurance on the effectiveness of the internal controls operated on behalf of its clients. The effectiveness of the internal controls is assessed by the Manager's compliance and risk department on an ongoing basis.

Internal Control

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the company. This process is subject to regular review by the Board and accords with the Internal Control Guidance for Directors on the Combined Code published in September 1999 ("the Turnbull guidance"). The process was fully in place from June 2000 and up to the date of approval of this annual report.

The Board is responsible for the company's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risks of failure to achieve the company's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board, assisted by the Manager, undertook a full review of the company's business risks and these are analysed and recorded in a risk map which is reviewed regularly. The Board receives each quarter from the Manager a formal report which details the steps taken to monitor the areas of risk, including those that are not directly the responsibility of the Manager, and which reports the details of any known internal control failures. The Board receives each year from the Manager a report on its internal controls which includes a report from the Manager's auditors on the control policies and procedures in operation. Steps will continue to be taken to embed the system of internal control and risk management into the operations and culture of the company and of its key suppliers.

The company does not have an internal audit function; it delegates to third parties most of its operations and does not employ any staff. The Board will continue to monitor the internal control procedures in order to provide assurance that they operate as intended and the directors will review from time to time whether a function equivalent to an internal audit is needed.

Relations with Shareholders

The Board is keen that the AGM be a participative event which private shareholders are encouraged to attend. The company has adopted a nominee share code which is set out on page 22. The AGM is attended by the Chairman of the Board, who is also the Chairman of the Audit and Management Engagement & Nominations committees. Proxy votes are relayed to the meeting. After the formal meeting the Manager makes a presentation to shareholders.

The Board believes that the company's policy of reporting to shareholders as soon as possible after the company's year end is valuable. Our preliminary results were published on 5 February 2002. Twenty working days' notice of the AGM has been given to shareholders as required under Code Provision C.2.4.

Corporate Governance
continued

The Notice of Meeting on page 42 sets out the business of the meeting and the special resolutions are explained more fully in the Report of the Directors on pages 20 to 22. Separate resolutions are proposed on each substantive issue.

Exercise of Voting Powers
The company has approved a corporate governance voting policy which accords with current best practice whilst maintaining a focus on financial returns and good corporate citizenship.

Statement of Compliance
The Board has conducted an annual review of the effectiveness of the system of internal control covering all controls including financial, operational and compliance controls and risk management. The annual review took into account issues arising from the regular reviews considered by the Board during the year together with any additional information necessary to enable the Board to take account of all significant aspects of internal control.

The directors consider that the company has complied with all the material provisions of the Code throughout the year ended 31 December 2001, with the exception that a senior non-executive director has not been identified and a Remuneration Committee has not been established.

Social Responsibility

Codes of good corporate governance now extend to a company's policies on the environment, employment, human rights and community relationships. Corporations are playing an increasingly important role in global economic activity and the adoption of good corporate governance enhances a company's economic prospects by reducing the risk of government and regulatory intervention and any ensuing damage to its business or reputation.

This company's policy is to examine and monitor the policies and actions of the companies in which it invests with a view to encouraging management to recognise and address any issues. Its overriding objective remains the pursuit of capital growth.

Statement of Directors' Responsibilities
in Respect of the Accounts

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the net revenue of the company for that period. In preparing those accounts, the directors are required to:

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

The directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of Total Return (incorporating the revenue account)

for the year ended 31 December 2001

Notes		Year ended 31 December 2001 Revenue £'000	Capital £'000	Total £'000	Year ended 31 December 2000 Revenue £'000	Capital £'000	Total £'000
2	Total capital losses from investments	**–**	**(12,899)**	**(12,899)**	–	(81,322)	(81,322)
3	Income from fixed asset investments	**3,791**	**–**	**3,791**	3,393	–	3,393
4	Other interest receivable and similar income	**560**	**–**	**560**	956	–	956
	Gross revenue and capital losses	**4,351**	**(12,899)**	**(8,548)**	4,349	(81,322)	(76,973)
5	Management fee	**(1,075)**	**(1,075)**	**(2,150)**	(963)	(963)	(1,926)
6 & 7	Other administrative expenses	**(450)**	**–**	**(450)**	(603)	–	(603)
	Net return/(loss) on ordinary activities before interest payable and taxation	**2,826**	**(13,974)**	**(11,148)**	2,783	(82,285)	(79,502)
8	Interest payable	**(370)**	**(1,111)**	**(1,481)**	(399)	(1,197)	(1,596)
	Net return/(loss) on ordinary activities before taxation	**2,456**	**(15,085)**	**(12,629)**	2,384	(83,482)	(81,098)
9	Taxation on net return/(loss) on ordinary activities	**(923)**	**577**	**(346)**	(868)	563	(305)
	Net return/(loss) on ordinary activities after taxation	**1,533**	**(14,508)**	**(12,975)**	1,516	(82,919)	(81,403)
	Proposed dividends						
	Final ordinary: 0.25p per share (2000: 0.25p)	**(510)**	**–**	**(510)**	(514)	–	(514)
	Special: 0.25p per share (2000: 0.30p)	**(510)**	**–**	**(510)**	(617)	–	(617)
		(1,020)	**–**	**(1,020)**	(1,131)	–	(1,131)
	Transfer to/(from) reserves	**513**	**(14,508)**	**(13,995)**	385	(82,919)	(82,534)
10	**Return/(loss) per ordinary share**	**0.75p**	**(7.08p)**	**(6.33p)**	0.74p	(40.34p)	(39.60p)

The revenue columns of this statement represent the revenue accounts of the company.

The notes on pages 29 to 38 form part of these accounts

Balance Sheet

at 31 December 2001

Notes		2001 £'000	2000 £'000
11,12	**Fixed asset investments**		
	Listed at market value – overseas	**167,079**	180,717
	Unlisted – directors' valuation	**161**	1,806
		167,240	182,523
	Current assets		
13	Debtors	**2,114**	435
	Bank balances and short term deposits	**14,204**	15,002
		16,318	15,437
14	**Creditors:** amounts falling due within one year	**(22,224)**	(1,775)
	Net current (liabilities)/assets	**(5,906)**	13,662
	Total assets less current liabilities	**161,334**	196,185
14	**Creditors:** amounts falling due after more than one year	**-**	(20,083)
	Total net assets	**161,334**	176,102
	Capital and reserves		
16	Called up share capital	**10,210**	10,277
17	Other capital reserves	**146,198**	161,412
17	Revenue reserve	**4,926**	4,413
18	**Equity shareholders' funds**	**161,334**	176,102
19	**Net asset value per ordinary share**	**79.0p**	85.7p

I L Dale } Directors
M J Watt }

The accounts were approved by the directors on 14 February 2002.

The notes on pages 29 to 38 form part of these accounts

Cash Flow Statement

for the year ended 31 December 2001

Notes		2001 £'000	2001 £'000	2000 £'000	2000 £'000
20	**Net cash inflow from operating activities**		**1,334**		1,241
	Servicing of finance				
	Interest paid	**(1,465)**		(1,587)	
	Net cash outflow from servicing of finance		**(1,465)**		(1,587)
	Taxation				
	UK income tax recovered	**198**		161	
	Net tax recovered		**198**		161
	Financial investment				
	Purchases of investments	**(74,364)**		(110,376)	
	Sales of investments	**75,168**		126,050	
	Net cash inflow from financial investment		**804**		15,674
	Equity dividends paid		**(1,131)**		(514)
	Management of liquid resources				
	Cash placed on short term deposit		**(5,872)**		(2,672)
	Net cash (outflow)/inflow before financing		**(6,132)**		12,303
	Financing				
	Repurchases of ordinary shares	**(773)**		–	
	Repayment of multi-currency loan facility	**–**		(4,550)	
	Net cash outflow from financing		**(773)**		(4,550)
	(Decrease)/increase in cash		**(6,905)**		7,753
	Reconciliation of net cash flow to movement in net debt				
21	(Decrease)/increase in cash as above		**(6,905)**		7,753
	Cash outflow from management of liquid resources		**5,872**		2,672
	Cash outflow from debt financing		**–**		4,550
	Change in net debt resulting from cash flows		**(1,033)**		14,975
	Exchange movements		**(295)**		(497)
			(1,328)		14,478
	Net debt at 1 January		**(5,081)**		(19,559)
21	**Net debt at 31 December**		**(6,409)**		(5,081)

The notes on pages 29 to 38 form part of these accounts

Notes to the Accounts

1 Accounting policies

a) Basis of accounting

The accounts are prepared on the historical cost basis of accounting, modified to include the revaluation of fixed asset investments, and in accordance with applicable accounting standards and with the Statement of Recommended Practice – "Financial Statements of Investment Trust Companies". All of the company's operations are of a continuing nature.

b) Valuation of fixed asset investments

Listed investments are valued at their middle market prices. Unlisted investments are valued at directors' current valuation. In the case of certain investments valuations reflect the premium to asset value, or to local market price, which such investments may command.

c) Capital gains and losses

Realised and unrealised capital gains and losses together with exchange rate differences arising on the translation of foreign currency assets and liabilities, are dealt with in the other capital reserves.

d) Foreign currency

Transactions recorded in overseas currencies during the year are translated into sterling at the appropriate daily exchange rates. Assets and liabilities denominated in overseas currencies at the balance sheet date are translated into sterling at the exchange rates ruling at that date. In the case of forward exchange contracts entered into to hedge fluctuating exchange rates on foreign currency assets or liabilities, the difference between the value at the contracted forward rate and the forward rate ruling at the balance sheet date is included as a debtor or provided for as a creditor and included within other capital reserves.

e) Income

Dividends receivable from equity shares are taken to the revenue account on an ex-dividend basis. Income from fixed interest debt securities and preference shares is recognised on a time apportionment basis and, if material, so as to reflect the effective yield on each such security. Bank interest is accounted for on an accruals basis.

f) Expenses and interest payable

On the basis of the Board's expected long-term split of returns in the form of capital gains and income of 75% and 25% respectively, the company charges 75% of its interest payable and investment management fee to other capital reserves.

g) Taxation

The tax effect of different items of expenditure is allocated between capital and revenue using the company's effective rate of tax for the year. Deferred taxation is provided for at the anticipated tax rate on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the accounts. A deferred tax asset or provision is established to the extent that it is probable that an asset or liability will crystallise in the future.

h) Financial instruments

Derivative instruments utilised by the company include foreign currency hedges. A derivative instrument is considered to be used for hedging purposes when it alters the market risk profile of an existing underlying exposure of the company. The company has taken advantage of the exemption allowed under FRS13 and excluded short-term debtors and creditors from disclosures under financial instruments where allowed.

Notes to the Accounts

continued

2	Total capital losses from investments	2001 £'000	2000 £'000
	Realised (losses)/gains based on historical cost or fair values	**(11,729)**	28,548
	Amounts recognised as unrealised in the previous year	**3,787**	(53,873)
	Realised losses based on carrying values at previous balance sheet date	**(7,942)**	(25,325)
	Net movement in unrealised appreciation	**(4,662)**	(55,500)
	Net loss on foreign exchange	**(295)**	(497)
	Total capital losses from investments	**(12,899)**	(81,322)

3	Income from fixed asset investments	2001 £'000	2000 £'000
	Unfranked:		
	Dividends from listed overseas equities	**3,750**	3,274
	Special dividends from listed overseas equities	**41**	119
	Total income from fixed asset investments	**3,791**	3,393

4	Other interest receivable and similar income	2001 £'000	2000 £'000
	Bank interest	**560**	956

		Year ended 31 December 2001			Year ended 31 December 2000		
5	Management fee	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
	Investment management fee	**358**	**1,075**	**1,433**	318	955	1,273
	Accounting, secretarial and administration costs	**717**	**–**	**717**	637	–	637
	Irrecoverable VAT thereon	**–**	**–**	**–**	8	8	16
		1,075	**1,075**	**2,150**	963	963	1,926

A summary of the terms of the management agreement is given in the Report of the Directors on page 21.

Notes to the Accounts

continued

6	**Other administrative expenses** (charged wholly to revenue)	**2001 £'000**	2000 £'000
	Directors' fees (note 7)	**64**	66
	Auditors' remuneration:		
	for audit services	**15**	14
	for non-audit services	**10**	11
	Bank charges	**152**	253
	Other expenses payable to the management company*	**5**	9
	AITC	**20**	72
	Printing	**63**	71
	Registrar's fees	**22**	29
	Other expenses	**75**	74
	Charitable donations	**24**	3
	Irrecoverable VAT	**–**	1
		450	603

*These relate to share plan administration services.

7 Directors' emoluments

Mr M J Watt, a director of the company, is the principal fund manager employed by Henderson Global Investors (Holdings) plc and its subsidiaries ("Henderson") in the provision of services to Henderson TR Pacific Investment Trust plc. Under the Companies Act 1985, it is necessary to state the proportion of the emoluments he receives from Henderson which relate to the management of the company even though the company does not pay these emoluments and is not involved in their determination. The company has been advised that the applicable proportion of the emoluments paid by Henderson (including performance related bonus) was £109,000 (2000: £111,000). This amount, together with the amounts paid directly by the company to the other non-executive directors, is included in the analysis stated below:

	2001 £'000	2000 £'000
Fees (paid by the company)	**64**	66
Salaries and other benefits (paid by Henderson)	**67**	63
Performance related bonus (paid by Henderson)	**42**	48
Total emoluments paid to directors	**173**	177
Pension contributions	**6**	7

The pension contributions represent those paid by Henderson on behalf of Mr M J Watt to a non-contributory defined benefit pension scheme.

Notes to the Accounts

continued

8	**Interest payable**	**2001 £'000**	2000 £'000
	On loans repayable within one year	**1,481**	41
	On loans repayable between two and five years	**–**	1,555
	Amount allocated to capital	**(1,111)**	(1,197)
	Total allocated to revenue	**370**	399

75% of interest payable has been charged to capital.

9	**Taxation on net return on ordinary activities**	**2001 £'000**	2000 £'000
	Overseas withholding tax	**346**	305
	Tax attributable to expenses and interest payable charged to capital	**577**	563
		923	868

10 Return/(loss) per ordinary share

Revenue returns per share are based on earnings attributable to the ordinary shares of £1,533,000 (2000: £1,516,000) and on the weighted average number of ordinary shares in issue during the year to 31 December 2001, being 205,129,214 (2000: 205,540,359).

Capital losses per share are based on net capital losses attributable to the ordinary shares of £14,508,000 (2000: loss £82,919,000) and on the weighted average number of shares in issue during the year, as shown above.

11	**Fixed asset investments**	**Total £'000**
	Changes in investments are as follows:	
	Valuation at 1 January 2001	182,523
	Unrealised appreciation	(8,707)
	Cost at 1 January 2001	173,816
	Additions at cost	74,364
	Disposals at cost	(88,772)
	Cost at 31 December 2001	159,408
	Unrealised appreciation	7,832
	Valuation at 31 December 2001	**167,240**

12 Subsidiary undertaking

The company has an investment in the issued ordinary share capital of its wholly owned subsidiary Interinvestment Finance Company Limited. This company is registered in England and Wales and was dormant throughout the year. The aggregate capital and reserves of the company as at 31 December 2001 was £2. This subsidiary has not been consolidated on the grounds that it is insignificant to the results of the company.

13 Debtors	2001 £'000	2000 £'000
Sales for future settlement	**1,875**	–
Taxation recoverable	**39**	209
Accrued dividend and interest income	**92**	134
Other debtors	**98**	85
Prepayments	**10**	7
	2,114	435

14 **Creditors:** amounts falling due within one year	2001 £'000	2000 £'000
Currency loan	**20,613**	–
Proposed dividends	**1,020**	1,131
Other creditors	**14**	14
Accruals	**577**	630
	22,224	1,775
Creditors: amounts falling due after more than one year		
Currency loan	**–**	20,083

The currency loan which is secured by a floating charge over the assets of the company is repayable on 14 March 2002.

15 Financial instruments

(i) Management of risk

The company's financial instruments comprise:

- Equity shares that are held in accordance with the company's investment objective as set out on the inside front cover of the report and accounts;
- Term loans and bank overdrafts, the main purpose of which is to raise finance for the company's operations; and
- Cash, liquid resources and short term debtors and creditors that arise directly from the company's operations.

It is, and has been throughout the year under review, the company's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the company's financial instruments are market price risk, interest rate risk, liquidity risk and foreign currency risk. The Board regularly reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained constant throughout the year under review.

Notes to the Accounts
continued

15 Financial instruments (continued)

Market price risk

Market price risk arises mainly from uncertainty about the future prices of financial instruments used in the company's operations. It represents the potential loss the company might suffer through holding investments in the face of price movements and movements in exchange rates. It is the Board's policy to hold an appropriate spread of investments in the portfolio in order to reduce the risk arising from factors specific to a particular country or sector. The allocation of assets to international markets and stock selection are other factors which serve to reduce market risk. The investment manager actively monitors market prices throughout the year and reports to the Board, which meets regularly to consider investment strategy.

Interest rate risk

The company finances its operations through its equity capital and reserves and its long and short term loans as well as bank overdrafts and any retained revenues arising from its activities. The company borrows in the desired currencies at both fixed and floating rates of interest and the Board imposes borrowing limits to ensure gearing levels are appropriate to market conditions and reviews these on a regular basis.

Liquidity risk

The company's assets comprise mainly readily realisable securities which can be sold to meet funding requirements if necessary. The maturity profile of the company's existing borrowings are set out in paragraph (iii) on page 35. Short term flexibility is achieved through the use of term borrowings and overdraft facilities.

Foreign currency risk

The company's total return and net assets can be significantly affected by currency translation movements as most of the company's assets and revenue are denominated in currencies other than sterling. The fund manager mitigates the individual currency risks through the international spread of investments. Borrowings in foreign currencies will be limited to levels appropriate to the asset exposure to these currencies, or to a currency which is closely aligned to the underlying asset exposure.

(ii) Interest rate risk profile of financial assets and financial liabilities

Financial assets

Most of the company's financial assets are equity shares which neither pay interest nor have a stated maturity date.

Financial liabilities

The interest rate profile of the company's financial liabilities at 31 December was:

	2001		2000	
Currency	**Fixed rate financial liabilities £'000**	**Total £'000**	Fixed rate financial liabilities £'000	Total £'000
US dollar	**20,613**	**20,613**	20,083	20,083

The US dollar fixed rate loan was drawn down on 14 March 1997 for a period of 5 years at a fixed rate of 7.0%.

15 Financial instruments (continued)

(iii) Maturity profile of the company's financial liabilities

The maturity profile of the company's financial liabilities at 31 December was as follows:

	2001 £'000	2000 £'000
In one year or less, or on demand	**20,613**	–
In more than one year but not more than five years	**–**	20,083
Total	**20,613**	20,083

The company had committed loan facilities of £30.6 million (2000: £30.1 million) of which £20.6 million (2000: £20.1 million) was drawn down and an uncommitted undrawn overdraft facility of £5 million (2000: £5 million) as at 31 December 2001. The facilities are subject to regular review by the providers.

(iv) Currency exposure

A portion of the financial assets and financial liabilities of the company are denominated in currencies other than sterling and the net assets and total return can be significantly affected by currency movements.

	31 December 2001		31 December 2000	
Currency	**Investments denominated in overseas currencies £'000**	**Net monetary (liabilities)/ assets £'000**	Investments denominated in overseas currencies £'000	Net monetary (liabilities)/ assets £'000
US dollar	**20,786**	**(10,889)**	–	(13,670)
Hong Kong dollar	**52,826**	**4,645**	58,066	15
Korean won	**41,073**	**5**	27,153	28
Singapore dollar	**15,544**	**13**	27,252	75
Thai baht	**6,165**	**–**	7,121	–
New Taiwan dollar	**25,194**	**293**	25,249	5,440
Other currencies	**5,652**	**72**	37,682	854
Total	**167,240**	**(5,861)**	182,523	(7,258)

(v) Fair values of financial assets and financial liabilities

All of the financial assets of the company are held at fair value.

Set out below is a comparison of the book values and fair values of the company's fixed rate financial liabilities at 31 December 2001:

	31 December 2001		31 December 2000	
Currency	**Book value £'000**	**Fair value £'000**	Book value £'000	Fair value £'000
US dollar	**20,613**	**20,613**	20,083	20,816

The fair value of financial liabilities has been calculated by discounting expected future cash payments at prevailing interest rates.

16	Called up share capital	2001 £'000	2000 £'000
	Authorised:		
	350,000,000 ordinary shares of 5p each	**17,500**	17,500
	Allotted, issued and fully paid:		
	204,193,359 (2000: 205,540,359) ordinary shares of 5p each	**10,210**	10,277

During the year the company repurchased for cancellation 1,347,000 of its own issued shares, leaving a balance of 204,193,359 ordinary shares for the purposes of the calculation of the net asset value per ordinary share. Details of these purchases can be found in the Report of the Directors on page 21.

17	Reserves		Other capital reserves				
		Capital redemption reserve £'000	Special reserve £'000	Unrealised reserve £'000	Realised reserve £'000	Total £'000	Revenue reserve £'000
	At 1 January 2001	5,629	100,573	7,323	47,887	161,412	4,413
	Transfer on disposal of assets	–	–	3,787	(3,787)	–	–
	Net movement on fixed asset investments	–	–	(4,662)	(7,942)	(12,604)	–
	Net movement on foreign exchange	–	–	(545)	250	(295)	–
	Expenses and interest payable charged to capital	–	–	–	(2,186)	(2,186)	–
	Tax relief on expenses and interest payable charged to capital	–	–	–	577	577	–
	Purchases of own shares	67	(773)	–	–	(706)	–
	Retained revenue	–	–	–	–	–	513
	At 31 December 2001	**5,696**	**99,800**	**5,903**	**34,799**	**146,198**	**4,926**

Unrealised appreciation at 31 December 2001 includes unrealised depreciation of £3,136,000 (2000: depreciation of £3,380,000) relating to unlisted investments.

18	Reconciliation of movement in shareholders' funds	2001 £'000	2000 £'000
	Net revenue on ordinary activities after taxation	**1,533**	1,516
	Dividends paid	**(1,020)**	(1,131)
		513	385
	Decrease in other capital reserves	**(14,508)**	(82,919)
	Purchase of 1,347,000 (2000: nil) own ordinary shares	**(773)**	–
	Net reduction to shareholders' funds	**(14,768)**	(82,534)
	Shareholders' funds at 1 January	**176,102**	258,636
	Shareholders' funds at 31 December	**161,334**	176,102

Notes to the Accounts
continued

19 Net asset value per ordinary share

The net asset value per ordinary share is based on net assets attributable to ordinary shares of £161,334,000 (2000: £176,102,000) and on the 204,193,359 (2000: 205,540,359) ordinary shares in issue at 31 December 2001.

The movements during the year of the company's assets attributable to the ordinary shares were as follows:

	£'000
Total net assets at 1 January 2001	176,102
Total net loss on ordinary activities after taxation	(12,975)
Dividends	(1,020)
Repurchase of 1,347,000 ordinary shares (see note 16)	(773)
Total net assets at 31 December 2001	**161,334**

20 Reconciliation of operating revenue to net cash inflow	**2001 £'000**	2000 £'000
Net revenue before interest payable and taxation	**2,826**	2,783
Decrease/(increase) in accrued income	**42**	(91)
Increase in other debtors	**(16)**	(19)
(Decrease)/increase in creditors	**(69)**	42
Management charge taken to other capital reserves	**(1,075)**	(963)
UK income tax deducted at source	**(28)**	(206)
Overseas withholding tax	**(346)**	(305)
Net cash inflow from operating activities	**1,334**	1,241

21 Analysis of changes in net debt	31 December 2000 £'000	Cash flow £'000	Non-cash movements £'000	Exchange movements £'000	**31 December 2001 £'000**
Net cash:					
Cash at bank and short term deposits	15,002	(1,033)	–	235	**14,204**
Less deposits treated as liquid resources	(3,391)	(5,872)	–	(128)	**(9,391)**
	11,611	(6,905)	–	107	**4,813**
Liquid resources:					
Deposits included in cash	3,391	5,872	–	128	**9,391**
Debt:					
Debt falling due within one year	–	–	(20,083)	(530)	**(20,613)**
Debt falling due after more than one year	(20,083)	–	20,083	–	**–**
	(20,083)	–	–	(530)	**(20,613)**
Net debt	(5,081)	(1,033)	–	(295)	**(6,409)**

Notes to the Accounts

continued

22 Capital commitments

At 31 December 2001 the company had no capital commitments (2000: nil).

23 Related party transactions

Under the terms of an agreement dated 2 March 1995 and a supplemental agreement dated 18 April 1996 the company has appointed wholly owned subsidiaries of Henderson Global Investors (Holdings) plc ("Henderson") to provide investment management, accounting, secretarial and administrative services. Details of the fee arrangements for these services are given in the Report of the Directors on page 21. The total of the fees paid or payable to Henderson under these agreements in respect of the year ended 31 December 2001 was £2,150,000 (excluding VAT) (2000: £1,910,000), of which £nil was outstanding at 31 December 2001 (2000: £nil). In addition to the above services Henderson has provided the company with share plan administration services.

Independent Auditor's Report

to the members of Henderson TR Pacific Investment Trust plc

We have audited the financial statements which comprise the statement of total return, the balance sheet, the cash flow statement and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards issued by the Auditing Practices Board and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Directors is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Report of the Directors, the Chairman's Statement and the Corporate Governance Statement.

We review whether the corporate governance statement on pages 23 to 25 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the company's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2001 and of its total return and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London
14 February 2002

Capital Gains Tax

In 1998 provisions which make considerable changes were made to the way that chargeable gains are calculated for non-corporate shareholders in respect of disposals made on or after 6 April 1998. From that date pooling no longer applies and disposals are matched against shares previously acquired in the following order:

- same date acquisitions;
- acquisitions within the following 30 days;
- previous acquisitions on or after 6 April 1998 (using the 'last in first out' basis);
- any shares held in the pool as at 5 April 1998;
- any shares held in the pool as at 5 April 1982;
- any shares acquired before 6 April 1965; and
- any shares acquired subsequent to the disposal.

For disposals on or after 6 April 1998 indexation is still allowed but only up to April 1998. There is now a taper relief to the amount of the chargeable gain on these disposals. The taper is 5% for each complete year of ownership after the first two complete years, with a maximum reduction of 40% after ten complete years.

In calculating the tapering relief, assets held before 17 March 1998 qualify for an extra year.

The way that chargeable gains are calculated for companies remains on the basis of pooling and indexation continues to apply.

The calculation of the tax on chargeable gains will depend on personal circumstances. The above information is of a general nature and is not exhaustive. If you are in any doubt about your personal tax position, you are recommended to contact your professional adviser.

Glossary of Terms

Discount
The amount by which the market share price of an investment trust is lower than the net asset value per share. The discount is normally expressed as a percentage of the net asset value per share.

Dividend Yield
The annual dividend expressed as a percentage of the share price.

Gearing
The term applied to the effect produced by borrowings and prior charge share capital which tends to exaggerate the return on capital and revenue.

ISA
A savings product that enables UK tax residents to invest in shares in a tax efficient way, subject to an annual limit. The annual limit for the 2001/2002 tax year is £7,000.

Net Asset Value
The value of total assets less liabilities. Liabilities for this purpose include current and long term liabilities. The net asset value divided by the number of shares in issue produces the net asset value per share.

Premium
The amount by which the market price share of an investment trust exceeds the net asset value per share. The premium is normally expressed as a percentage of the net asset value per share.

Charitable Projects

Henderson TR Pacific supported three children's charities in 2001. Two were in North Eastern Thailand where the trust has a long term relationship with the Foundation for Rural Child Development. The other was in Mindanao in the Philippines where we have provided support for the past two years to Sabakan, a church based charity providing relief to the victims of abuse.

The Foundation for Rural Child Development has achieved the Board's objectives, which were to establish and provide initial support for a number of individual projects over a ten year period, relating mainly to children's education. In 2001 a final payment of £3,500 equivalent was made to The Foundation for Rural Child Development towards the funding of a residential hostel for abused children and children from broken homes. However, we were approached by a new charity, The Child Help Foundation, with a request to support the development of educational facilities for slum children in Khon Kaen, the Provincial capital. We agreed to give two donations of £5,000 equivalent to this charity to help the project in its early stages. £5,000 was sent in 2001 and £5,000 was sent early in 2002. Following these payments this company's long relationship with children's charities in Thailand has come to a close.

The third charity, based in Pagadian in Mindanao, is receiving support from the trust at a level of £10,000 equivalent each year. We have so far financed the construction of a meeting hall and the costs of an art therapy teacher serving under the VSO scheme. Child abuse is a significant problem in the Philippines and Sabakan is the only such facility in Mindanao which is one of the Philippines' poorest and most troubled Provinces.

In total £23,842 was paid in charitable contributions in 2001. In part this reflected payments carried forward from the previous year and in part the additional payments in Thailand. In 2002 we expect to donate some £15,000 equivalent reflecting our ongoing support in the Philippines and the final payment in Thailand.

Photographs taken on a recent trip to the Philippines and Thailand.

Notice of Meeting

Notice is hereby given that the fifteenth Annual General Meeting of Henderson TR Pacific Investment Trust plc will be held at 4 Broadgate, London EC2M 2DA on Monday 8 April 2002 at 12.30 pm to consider the following:

Ordinary Business

1 That the Report of the Directors and Accounts for the year ended 31 December 2001 be received.

2 That a final dividend of 0.25p and a special dividend of 0.25p be declared.

3 That Mr M J Watt be re-elected as a director of the company.

4 To re-appoint PricewaterhouseCoopers as registered auditors to the company and to authorise the directors to determine their remuneration.

Special Business

5 THAT the Board be generally and unconditionally authorised to exercise all the powers of the company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to an aggregate nominal amount of £3,403,222 (being one third of the issued ordinary share capital at the date of this notice) PROVIDED THAT this authority shall expire upon the renewal of this power or, if earlier, at the conclusion of the next Annual General Meeting of the company after the passing of this resolution save that the company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Board may allot securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired. The directors may only use this authority when it is advantageous to the company's existing shareholders.

To consider, and if thought fit, pass the following as special resolutions:

6 THAT, subject to the passing of the previous resolution, the Board be empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94 of the said Act) for cash pursuant to the authority conferred by the previous resolution as if sub-section (1) of Section 89 of the said 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 value of £510,483 (being 5% of the issued share capital at the date of this notice) at a price per share of not less than 3% above net asset value and shall expire upon the renewal of this power or, if earlier, at the conclusion of the next Annual General Meeting of the company after the passing of this resolution save that the company may before such expiry make an offer or 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 power conferred hereby had not expired.

7 THAT the company be and it is hereby generally and unconditionally authorised to make market purchases (within the meaning of section 163 of the Companies Act 1985) of issued ordinary shares of 5p each in the capital of the company PROVIDED THAT:

(a) the maximum number of shares which may be purchased is 14.9% of the company's issued ordinary share capital at the date of the Annual General Meeting (equivalent to 30,424,810 ordinary shares at the date of this notice);

(b) the maximum price (exclusive of expenses) which may be paid for a share shall not exceed 105% of the average of the middle market quotations for the shares as taken from the London Stock Exchange Daily Official List for the five business days preceding the date of purchase;

(c) the minimum price (exclusive of expenses) which may be paid for a share shall be 5p, being the nominal value per share; and

(d) this authority shall expire at the conclusion of the next Annual General Meeting of the company save that the company may, before such expiry, enter into a contract to purchase shares under which such purchases will or may be completed or executed wholly or partly after the expiration of this authority and may make a purchase of shares in pursuance of any such contract.

By order of the Board

K Burwood

Krista Burwood, ACIS, Secretary
For and on behalf of
Henderson Secretarial Services Limited
14 February 2002

Registered Office: 4 Broadgate, London EC2M 2DA

Notice of Meeting
continued

Notes:

i) An ordinary shareholder entitled to attend and vote at the Annual General Meeting may appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the company.

ii) To be valid the enclosed form of proxy must be completed and deposited at the office of the company's registrar not less than 48 hours before the time appointed for holding the meeting.

iii) The return of the form of proxy duly completed will not preclude a member from attending and voting at the meeting.

iv) In accordance with the requirements of the Companies Act 1985, the Register of Directors' Interests will be available for inspection at the meeting.

v) The company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered on the register of members of the company at 6 pm on 6 April 2002 shall be entitled to attend or vote at the aforesaid general meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of securities after 6 pm on 6 April 2002 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

Analysis of Ordinary Shareholders
as at 31 December 2001

	Number of shareholders	%	Number of shares held	%	31 Dec 2000 %
†Private Individuals	7,060	81.0	39,169,730	19.2	16.9
††Banks and Nominees	1,411	16.2	131,957,395	64.6	61.9
Other Institutional Holders	240	2.8	33,066,234	16.2	21.2
	8,711	100.0	204,193,359	100.0	100.0

† Includes individuals who have invested through the Henderson Investment Trust Share Plan and holders on the New Zealand branch register. The number of Share Plan shareholders decreased from 3,493 to 3,263 during the financial year. On 31 December 2001 there were 690 holders of ordinary shares on the New Zealand register (2000: 712 holders). In addition there were a further 484 New Zealand shareholders on the UK register.

†† These holdings also include individual holdings through nominee accounts.

Source: Lloyds TSB Registrars Scotland

Disability Statement

Copies of this Report and Accounts or other documents issued by the company are available from the Company Secretary. If needed, copies can be made available in a variety of formats, either Braille or on audio tape or larger type as appropriate.

You can contact our Registrars, Lloyds TSB Registrars Scotland, who have installed textphones to allow speech and hearing impaired people who have their own textphones to contact them directly without the need for an intermediate operator. Specially trained operators are available during normal business hours to answer queries via this service.

Alternatively, if you prefer to go through a 'typetalk' operator (provided by the Royal National Institute for the Deaf), the number is 0800 959 598.

For investors through the Henderson Investment Trust Share Plan, Selection PEP or Selection ISA a textphone telephone service is available on 020 7850 5406. This service is available during normal business hours.

Investor Information

Directors
Iain Dale OBE (Chairman)
Peter Berry CMG
Wallace Clapperton CA
Judith Unwin OBE
Michael Watt ASIP

Investment Manager
Henderson Global Investors Limited
an company (regulated by the Financial Services Authority) represented by Michael Watt

Michael Watt is assisted in the management of the portfolio by William Pitman who is based in Singapore.

Secretary
Henderson Secretarial Services Limited
represented by Krista Burwood ACIS

Registered Office
4 Broadgate
London EC2M 2DA
Telephone: 020 7818 4100
Facsimile: 020 7377 5742

Registered Number
Registered as an investment company
in England No 2153093

Registered Auditors
PricewaterhouseCoopers
Southwark Towers
32 London Bridge Street
London SE1 9SY

Results and Dividend
Half year results announced in August
Full year results announced in February
Report and Accounts posted in March
Annual General Meeting held in London in April
Annual dividend announced February, paid in April

The London Stock Exchange Daily Official List (SEDOL) Code is 0871079

UK Registrars
Lloyds TSB Registrars Scotland
PO Box 28448
Finance House
Orchard Brae
Edinburgh EH4 1WQ
Telephone: 0870 601 5366

There is now a range of shareholder information on line. You can check your holding and find practical help on transferring shares or updating your details at **www.shareview.co.uk**

New Zealand Registrars
Computershare Investor Services Limited
PO Box 92119
Auckland 1020
New Zealand
Telephone: (New Zealand) (64) 9 488 8777
Facsimile: (New Zealand) (64) 9 488 8787

UK Stockbrokers
UBS Warburg
1 Finsbury Avenue
London EC2M 2PP

New Zealand Stockbrokers
ABN AMRO Craigs
Farming House
102-104 Spring Street
P.O. Box 13155
Tauranga, New Zealand

Share Price Information
The market price of the company's ordinary shares is quoted daily at **http://its.henderson.com** and in the Financial Times, and other leading newspapers. The Financial Times also provides an estimate of the net asset value and of the discount/premium.

Investing in Henderson TR Pacific Investment Trust plc
Ordinary shares of Henderson TR Pacific Investment Trust plc may be bought or sold directly through a stockbroker, other independent financial adviser or through a number of banks or building societies which provide this service. Alternatively, shares may be bought through the Henderson Investment Trust Share Plan and the Henderson ISA.

Henderson Investment Trust Share Plan

The Henderson Investment Trust Share Plan offers a simple and flexible way of investing in **Henderson TR Pacific Investment Trust plc**. The Share Plan offers the following:

- **Regular savings from £50 per month/quarter, or lump sum investments from £500 and additional 'top-up' from £100**
- **An income reinvestment facility. Alternatively, you can have dividends paid to your bank or building society account**
- **All paperwork and documentation is simplified and reduced to a minimum**
- **Half yearly valuations with consolidated tax certificate and complimentary newsletters**

Henderson ISA

You can invest directly in **Henderson TR Pacific Investment Trust plc** through the Henderson ISA. The ISA offers the following:

- **Tax free income and tax free growth**
- **Regular savings from £100 per month or lump sum investments from £2,000**
- **An income reinvestment facility. Alternatively, you can have dividends paid to your bank or building society account**
- **Half yearly valuations, reports and complimentary newsletters**
- **Both Mini and Maxi ISAs available for investment by lump sum or regular savings**

Henderson Transfer PEP

Although you cannot subscribe new funds to any PEP, it is possible to transfer existing PEP funds in cash from other managers into a Henderson PEP. This offers you the opportunity to invest PEP funds in **Henderson TR Pacific Investment Trust plc**.

Further Information

Please consult our website **http://its.henderson.com** or write to Henderson Global Investors, FREEPOST, Newbury RG14 2ZZ. No stamp is required.

Alternatively, please contact your professional adviser for further information or call our Investor Services Department on freephone **0800 106 106** quoting the reference **REPORT**. Please call (44) 20 7452 1315 if you are telephoning from abroad. We may record telephone calls for our mutual protection and to improve customer service.

Please remember that the value of an investment and the income from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the amount originally invested.

Tax assumptions may change if the law changes and the value of tax relief will depend upon your individual circumstances.

Henderson Global Investors is the name under which Henderson Global Investors Limited, Henderson Investment Funds Limited, Henderson Fund Management plc and Henderson Administration Limited (all regulated by the Financial Services Authority), provide investment products and services.

4 Broadgate, London EC2M 2DA.

Henderson TR Pacific Investment Trust plc is managed by

http://its.henderson.com

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