Henderson TR Pacific Investment Trust plc

Report & Accounts for the year ended
31 December 2002

Company Number
2153093

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COMPANIES HOUSE 24/04/03

Objective

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

Results

The year to 31 December 2002 saw further trials and tribulations for global equity markets. The Pacific region, after showing resilience over the first part of the year, did not escape in the second half. The net asset value total return declined by 18.2% compared to falls of 17.9% for the benchmark index and 17.1% for the peer group of investments trusts.

Prospects

Asia's underlying economic strength continued to improve, so it was frustrating that its stock markets remained closely correlated to global equities. We continue to find good investment opportunities at attractive values.

Dividend

A final dividend of 0.60p net per share (2001: final 0.25p, special 0.25p) has been recommended, payable on 17 April 2003 to shareholders on the Register of Members on 14 March 2003. Shares will be quoted ex-dividend on 12 March 2003.

A factsheet, which is updated regularly, may be accessed on Henderson Global Investors' website **www.hendersontrpacific.com**

Asian Games 2002

This year's report features the 2002 Asian Games held in Pusan, South Korea between 29 September and 14 October 2002. Around 9,900 athletes and officials from 44 countries took part. Pusan is located on the south eastern side of the Korean Peninsula.

Financial highlights

Per ordinary share	**31 December 2002 in pence**	31 December 2001 in pence
Net asset value	**64.1**	79.0
Earnings	**0.77**	0.75
Dividend – final	**0.60**	0.25
– special	**–**	0.25
Gearing*	**1.3%**	4.0%

*Defined here as borrowings, less cash balances and deposits, as a percentage of shareholders' funds.

Performance

to 31 December 2002

Total return per ordinary share	1 Year %	3 Years %	5 Years %	10 Years %
Net asset value(1)	-18.2	-48.5	-3.0	16.4
Share price(1)	-6.4	-48.3	-5.9	11.2
Peer group(2)	-17.1	-40.5	4.5	18.5
Benchmark index(3)	-17.9	-43.8	-11.4	N/A

(1) Source: AITC Services Ltd (net income reinvested).
(2) Source: AITC Services Ltd. The company's performance is compared against a group of leading investment trust competitors.
(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
2002	**0.77**	**0.600**	**130,613**	**64.1**
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

#In 1996 the company issued 5,972,285 'C' Shares in connection with the acquisition of Thornton Asian Emerging Markets Investment Trust plc. In 1998 these were converted into ordinary shares.

Contents

Directors

***Iain Dale CBE** (Chairman) (age 62) joined the Board in 1990. He is a previous director of Chevalier Ltd in Hong Kong, Bowman Power Ltd and Vislink plc. He chaired Dale Electric International plc and the government's South East Asian Trade Advisory Group and sat on the British Overseas Trade Board. He currently chairs Bioflame Ltd, the British Council's BOND scheme, is an advisor to Mitsui & Co Ltd and is an Ambassador for British Business.

***Peter Berry CMG** (age 58) was appointed to the Board in 1994. He is 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.

***Wallace Clapperton CA** (age 68) 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. He will retire from the Board at the forthcoming Annual General Meeting.

***David Robins** (age 53) was appointed to the Board on 2 December 2002. He was Chief Executive Officer and subsequently Chairman of ING Barings from 1998 to 2000 and previously held senior management roles within the UBS Group. He is currently a director of Meggitt plc, The London Clearing House Ltd, MPC Investors Ltd, Bending Light Ltd and Insonic AG and associated with the following charities, New Philanthropy Capital, The East London Business Alliance and The Hackney Empire.

***Judith Unwin OBE** (age 48) 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. She is a member of the UK Government's Asia Pacific Advisory Group and a Trustee of two Arts organisations.

Michael Watt ASIP (Manager) (age 56) 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 who is based in Singapore. **Krista Burwood FCIS** represents Henderson Secretarial Services Limited, the corporate secretary to the company.

Chairman's Statement

2002 was a frustrating year for investors in Pacific region stock markets. Most East Asian economies performed well, continuing their steady recovery from the traumas following the 1997 financial crisis. Stock markets, however, remained closely correlated to the performance of global peers with notable falls in the second half offsetting a resilient performance over the first six months.

Poor Investment Sentiment

Global stock markets were adversely affected by continued weakness in the world's leading economies which failed to recover as had been hoped and suffered renewed deflationary pressure as the year progressed. A deteriorating political climate also served to depress investors' sentiment as troubles in the Middle East magnified. Company profits remained under considerable pressure leaving valuations looking high in most of the world's major stock markets. As a result there were, in sterling terms, declines of 30% in both the S&P 500 Index and the DJ Euro Stoxx Europe Index.

Iain Dale

Performance

Only Thailand and Indonesia achieved positive stock market performances with sterling adjusted rises of 8.8% and 13.9% respectively. Currencies played an important part in the adverse stock market movements since most still move in line with the US dollar, which weakened by 9.6% against sterling over the year. Of the larger stock markets only South Korea fell by less than 10% in sterling terms. Notable stock market declines were reflected in sterling adjusted falls of 41.6% in China's B Share Index, and of 27.0% and 26.1% in Taiwan and Hong Kong. Our benchmark index the MSCI AC Far East (Free) Ex-Japan Index, which rose slightly over the first half year, fell by 17.9% for the full year. Our own net assets per share had advanced by 4.5% over the first six months but for the full year suffered a decline of 18.2% on a total return basis. As a growth orientated investment trust the tendency is to perform better than the benchmark index in a rising market and worse than the index in a falling market.

Dividend

The company's policy is to seek capital growth so dividends are normally modest. The Board has in the past paid a basic final dividend and, in addition, a special dividend to meet the Inland Revenue requirement for investment trusts not to retain more than 15% of their income from shares and securities. A decision to separate administration charges from the management fee and recognise stock dividends from Taiwanese companies as income rather than capital, as had been our previous practice, resulted in revenue after tax rising by £0.7 million. Rather than continue the practice of paying special dividends, the Board will in future follow a policy of paying dividends sufficient to retain the company's status as an investment trust. A final dividend of 0.60p per share is proposed for the year.

Borrowings

Our US$ 30 million 5 year bank loan matured and was repaid in March 2002. We have been negotiating a flexible multi-currency facility, which has not yet been finalised. In the meantime a temporary multi-currency facility for £15 million remains available from the Royal Bank of Scotland PLC. This was used actively over the first few months but borrowings were reduced from August and there was low overall gearing of 1.3% at the year end.

Share Repurchases

There was a general tendency for discounts to fall amongst Far East investment trusts. Our share price discount to net assets fell from 18.9% to 6.8% over the year as a whole. However, an opportunity did arise in October to repurchase 350,000 shares for cancellation at a price of 53.0p per share, a discount of 15.6%.

Charitable Contributions

The Board agreed to contribute £18,500 in 2002 in support of children's charities in Thailand and the Philippines. Details of the company's social responsibility policy may be found on page 44 of this report.

Directors

Wallace Clapperton, who has been a dedicated and enthusiastic independent director, will retire at the forthcoming Annual General Meeting after ten years of significant service. This begins a period of change towards a new generation of independent directors who will assume the responsibility to take the company forward. On behalf of shareholders and colleagues on the Board I wish to thank Wallace for his commitment.

David Robins joined the Board on 2 December 2002 and I am delighted to be able to introduce him to shareholders at the forthcoming Annual General Meeting. David was most recently Chairman and Chief Executive of ING Barings. He previously held senior management positions at UBS and began his career as an economist covering the Far East. I am convinced David has the qualities to make a valuable contribution to the company and look forward to working with him.

We continue to maintain a balance of geographical and technical skills among the directors who as a Board can thus actively contribute to the policy and governance of the company.

The Earl of Limerick

We were greatly saddened to learn of the death of Lord Limerick on 8 January 2003, aged 72. Pat served as a director of this company and its predecessors, TR Pacific Basin Investment Trust and International Investment Trust for sixteen years. He was always highly influential and will be very fondly remembered by all of us.

Outlook

Poor global stock market sentiment continues to create attractive longer term investment opportunities for investors in Far East stock markets. Despite some outperformance over the last year, most companies continue to trade at relatively low valuations, notwithstanding better profits growth. Moreover, China is finally emerging as a strongly growing and highly significant force globally, able to manufacture in huge volume and export competitively throughout the world. Its strong growth affects the outlook both regionally and globally. For the long term we remain very optimistic for the Pacific region. Despite the prevailing uncertain global outlook we would expect that the region's attractive valuations will provide a degree of protection in an uncertain world.

Annual General Meeting

The company's sixteenth Annual General Meeting will be held again at Henderson Global Investors' office at 4 Broadgate on Monday 14 April 2003 at 12.30 pm. Michael Watt will present on the outlook for Pacific region stock markets and this will be followed by light refreshments. A map of the location of this office is provided on page 43 and I look forward to welcoming all shareholders who are able to attend.

Iain Dale CBE
24 February 2003

Stock Market Comparison

Pacific region stock markets showed disappointing performances in 2002 as equity markets globally suffered. Returns were also hit in sterling terms by a 9.6% fall in the US dollar against the pound, as the region's currencies are either linked to or influenced by the US dollar. All the region's stock markets weakened sharply over the second six months, whether in local or sterling adjusted terms. Overall Thailand achieved the strongest return in local currency terms with a positive return of 17.3% but this gain was reduced to 8.8% in sterling terms as the baht tracked the weaker US dollar. Indonesia achieved the strongest return in sterling terms at 13.9% with an advance of 8.4% in the local stock market. Both the equity market and the rupiah advanced from a low base as Indonesia achieved some degree of stability. Of the major stock markets South Korea performed best with a decline of 9.5% in the KOSPI Index. An outperforming won helped to limit the sterling adjusted decline to 9.4%. Greater China stock markets performed poorly. The China B-Share Index, having been the previous year's strongest market rising 86.2% in sterling terms, fell by 41.6% in 2002. Taiwan's stock market fell by 27.0% in sterling terms, due to its exposure to the US technology industry which continued to perform poorly. Hong Kong's Hang Seng Index suffered a fall of 26.1% in sterling terms as its domestic economy continued to suffer deflationary pressure due to its currency peg to the US dollar.

The table below shows the performance of the main local stock markets over 2002 in absolute terms and adjusted for currency movements against sterling. These are not fully comparable with the MSCI indices shown on the next page.

Currencies

Despite the 1997 crisis, which saw most of the region's currencies devalue against the US dollar, there remain close ties to the dollar. The Hong Kong dollar and Malaysian ringgit are pegged to the US dollar as is for practical purposes the Chinese renminbi. The Taiwanese dollar appreciated marginally against the weak US dollar but historically has moved closely in line. Elsewhere there was some appreciation against the US dollar with the exception of the Philippines, where the currency weakened due to worries over government finances. As reported above the Indonesian rupiah was the strongest performer, but from a very low base, followed by the Korean won whose appreciation reflected a stronger Japanese yen. The Singapore dollar and Thai baht, which would normally have been expected to track the US dollar, both showed modest appreciation though both weakened against the pound.

Stock Market Performance

Year to 31 December 2002 (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.

There was a negative total return in net assets of -18.2% for the year ended 31 December 2002 compared to a negative total return for the peer group average of -17.1%. This modest underperformance occurred over the second six months as stock markets weakened and reflected the relatively poor performance of growth orientated companies and a consequent pressure on ratings in these sectors. From a longer term perspective, over 10 years the company's performance showed a positive return of 16.4% compared to the peer group's positive return of 18.5%.

Benchmark Index

The benchmark index, the MSCI AC Far East (Free) ex-Japan Index, has undergone major revisions in recent years from a geographical, sectoral and stock perspective and prior to September 1996 was not fully comparable with the company's objectives.

We are not enthusiasts of benchmarking and the pressures for conformity to the mean level which it encourages. We can and do take large positions outside the benchmark index. Despite this, the company's performance has tracked the index quite closely over the past three years while growth orientated investments have been out of favour. In 2002 the benchmark index suffered a negative total return of -17.9% whilst the total return of the company's portfolio was -18.2%. Over five years there was a negative total return of -11.4% for the benchmark index compared with a negative total return for the company's portfolio of -3.0%. 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 2002.

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 Indonesia.

Portfolio Structure at 31 December 2002 and 2001

Geographical Analysis

The above table shows the percentage breakdown of investments by country at the end of 2002 and 2001. Also shown at the top of the table is the same information for the benchmark index. Our heaviest exposure was to South Korea with 29.3% of investments compared to 28.2% at the previous year end. Exposure to Greater China, comprising Hong Kong, Taiwan and China, fell from 53.4% of the portfolio to 39.3% after a notable reduction in Hong Kong to just 12.3% of investments. Offsetting this was a rise in exposure to selected stock markets in South East Asia in the belief that economic recovery would spread. Our exposure to ASEAN countries was raised to 31.4% of investments from 18.4%. As a result the portfolio was moved to an overweight position in South East Asia and an underweight stance in North East Asia compared to the benchmark index.

Sector Analysis

The sector analysis reflects classifications made by MSCI to be consistent with the benchmark index. The largest sector weighting was to Financials and Property at 25.2% of total investments. This remained below the benchmark weighting of 28.9%. Exposure to technology orientated sectors, represented by Information Technology and Telecommunication Services was 25.2% of the portfolio against the benchmark weighting of 32.1%. The major positive stance in the portfolio remained in favour of the consumer with strongly overweighted positions in these sectors.

Portfolio Structure
continued

Top Twenty investments

The following twenty holdings represented 49.2% of total investments compared with 47.0% at the end of the previous year. In total there were 63 investments which are fully listed by country and sector in the following pages. We have again detailed the website addresses of the top twenty investments where general information about each company may be accessed.

Company	Website address	Country	Sector	Value of Investment £'000
Samsung Electronics	www.samsungelectronics.com	South Korea	Information Technology	4,937
Johnson Electric	www.johnsonelectric.com	Hong Kong	Industrials and Transport	4,320
Li & Fung	www.lifung.com	Hong Kong	Consumer Discretionary	3,785
Huaneng Power International	www.hpi.com.cn	China	Utilities	3,700
Siam Cement	www.siamcement.com	Thailand	Materials	3,577
CNOOC	www.cnoocltd.com	China	Energy	3,560
LG Chem	www.lgchem.com	South Korea	Materials	3,404
Kookmin Bank	www.kookmin-bank.com	South Korea	Financials and Property	3,295
Shinhan Financial	www.shinhangroup.com	South Korea	Financials and Property	3,254
SK Telecom	www.sktelecom.com	South Korea	Telecommunication Services	3,220
Shinsegae	www.shinsegae.com	South Korea	Consumer Discretionary	3,127
Taiwan Semiconductor	www.tsmc.com	Taiwan	Information Technology	3,048
KT Corporation	www.kt.co.kr	South Korea	Telecommunication Services	2,988
Global Bio-Chem	www.globalbiochem.com	China	Consumer Staples	2,961
Resorts World	www.genting.com.my	Malaysia	Consumer Discretionary	2,926
Samsung SDI	www.samsungsdi.com	South Korea	Information Technology	2,868
Realtek Semiconductor	www.realtek.com.tw	Taiwan	Information Technology	2,857
Fubon Financial	www.fubongroup.com.tw	Taiwan	Financials and Property	2,821
Cathay Pacific Airways	www.cathaypacific.com	Hong Kong	Industrials and Transport	2,708
Venture	www.venture.mfg.com.sg	Singapore	Information Technology	2,489
				65,845
			Total Investments	133,792
			Top 20 as a percentage of total investments	49.2%

Our top twenty investments were more broadly based than in recent years. In the previous year investments in Hong Kong, South Korea and Taiwan accounted for eighteen of these, but this fell to fourteen as at the end of 2002 with reductions in Hong Kong and Taiwan. South Korea dominated the list with eight investments but China contributed three of our largest holdings while Malaysia, Singapore and Thailand contributed one each.

South Korea

Asian Games 2002 - Medal standing

96	80	84

Number of athletes - Men 460 Women 310

2002 was an important year for South Korea with its successful co-hosting of the world cup soccer tournament in July followed by the Asian Games held in Pusan in October. At the year end a closely fought campaign led to the surprise victory of Roh Moo-hyun, as South Korea's next President, with a mandate to engage North Korea with increased efforts to implement President Kim's Sunshine Policy. North Korea again became a major problem for the international community as it withdrew from the nuclear non proliferation treaty at the year end but its neighbours appeared keen to try to resolve these issues constructively.

Helped by a broadly based economic recovery South Korea's stock market was one of the world's strongest at the start of 2002, rising by 35% by mid April. It then followed global markets lower as concerns rose that the domestic economy might be overheating due to excessive growth in credit card debt, and fears that export growth could not be sustained with the poor performance of global economies. By the year end the KOSPI index had fallen by 9.5% to 627.5 with sentiment hit particularly at the year end due to the North Korean crisis.

Our exposure to South Korea rose to 29.3% of investments from 28.2% at the previous year end. We remain optimistic of the prospects for South Korea's economy, despite the problems noted above. Growth of around 6.0% was achieved in 2002 and should continue at around 5% in 2003. Stock market valuations continue to look attractive after two years of strong company profits growth.

South Korea Investments		%	£'000
Consumer Discretionary	Shinsegae	2.3	3,127
	Cheil Communications	1.5	1,954
Consumer Staples	Lotte Confectionery	1.2	1,597
Financials and Property	Kookmin Bank	2.5	3,295
	Shinhan Financial	2.4	3,254
	Samsung Fire & Marine	1.8	2,442
	Atlantis Kosdaq Fund	0.7	893
Information Technology	Samsung Electronics	3.7	4,937
	Samsung SDI	2.2	2,868
Materials	LG Chem	2.5	3,404
	Posco	1.1	1,478
Telecommunication Services	SK Telecom	2.4	3,220
	KT Corporation	2.2	2,988
	KT Freetel	1.4	1,894
Utilities	Korea Electric Power	1.4	1,909
Total South Korea Investments		**29.3**	**39,260**

Taiwan

Asian Games 2002 - Medal standing

10	17	25

Number of athletes - Men 214 Women 145

With 62% of Taiwan's stock market made up of electronics companies, it is closely influenced by the fortunes of the US NASDAQ Index and this held true for most of 2002. Hopes for a recovery peaked in April when the TSE Index had gained 16% over its year end level. It then slid by 39% until October, following which there was a modest recovery in line with the US technology sector. For the full year the TSE index fell by 19.8% and by 27.0% in sterling terms, one of the region's worst performances. Our exposure to Taiwan was reduced to 15.4% at the end of 2002 from 17.0% at the previous year end.

Taiwan's economy expanded by 3.5% in 2002, constrained by its focus on manufacturing for technology sectors and the relentless push into China by many Taiwanese companies. Taiwan has much to gain economically from closer links with China and this came to be recognised towards the year end as China-related stocks outperformed. Politically, however, progress remained slow, although hopes of direct links by sea and air were raised again towards the end of the year.

It seems likely that Taiwan's economy will continue to be affected both positively and negatively by China's rapid growth, and is unlikely to advance rapidly in its own right. Taiwanese companies have much to gain from China, being well placed to serve China's strongly growing domestic economy and its export markets. While Taiwan's economy may advance by only around 3% in the year ahead. There could be good scope for company profits to grow more strongly if global economic circumstances allow.

Taiwan Investments		%	£'000
Consumer Discretionary	Premier Image Technology	1.6	2,169
	Giant Manufacturing	1.5	1,966
Consumer Staples	President Chain Store	1.7	2,234
Financials and Property	Fubon Financial	2.1	2,821
Information Technology	Taiwan Semiconductor	2.3	3,048
	Realtek Semiconductor	2.1	2,857
	Compal Electronics	1.5	2,061
	Ambit Microsystems	1.2	1,611
	Pro Mos Technologies	0.7	986
	Optimax Technology	0.7	938
Total Taiwan Investments		**15.4**	**20,691**

China

Asian Games 2002 - Medal standing

150 84 74

Number of athletes - Men 379 Women 310

China's influence on the region and the world continued to grow, helped by its admission into the World Trade Organisation towards the end of 2001. This has been used as the blueprint for China's entry into the global economy and for the establishment of a stronger legal and industrial framework. China's economy grew by 8% in 2002 helped notably by a huge government infrastructure programme, a sustained rise in exports and record foreign direct investment of US$ 52.4 billion. Wealth in the relatively prosperous eastern provinces has reached a level where a consumer society is developing rapidly, with high growth in demand for housing, cars and other durables.

New leadership is taking over at the most senior level of government with the elevation of Hu Jintao to the position of Secretary General of the Communist Party. Indications are that policy will remain aggressively reformist and that the previous leadership will continue to exert strong influence. Expectations for economic growth in 2003 are high at around 7%, despite the poor global background, as investment and consumption remain strong, although concerns are mounting over the expansion of the government deficit.

Stock markets are also at an exciting point in their brief history. Domestic stock markets were recently opened to foreigners for the first time but they are subject to significant restrictions and remain immature and speculative. Their great volatility can be seen in the performance of the China B share Index which last year fell in sterling terms by 41.6% after a rise of 86.2% in the previous year. Investors must take great care in these circumstances and stock selection is critical. Our exposure to China amounted to 11.6% of investments at the year end, but many companies in our portfolio, listed on other stock markets, are heavily dependent on the ongoing development of China.

China Investments		%	£'000
Consumer Discretionary	China Travel	1.1	1,464
Consumer Staples	Global Bio-Chem	2.2	2,961
Energy	CNOOC	2.7	3,560
Financials and Property	China Heartland Fund	0.4	525
Industrials and Transport	China Shipping Development	1.2	1,688
	Beijing Capital International Airport	1.2	1,673
Utilities	Huaneng Power International	2.8	3,700
Total China Investments		**11.6**	**15,571**

Hong Kong

Asian Games 2002 - Medal standing

4 6 11

Number of athletes - Men 157 Women 61

Investments in Hong Kong were cut from 22.5% of the portfolio at the end of 2001 to 12.3% at the end of 2002, which compared with a benchmark index weighting of 21.7%. There was almost no exposure to the important property and banking sectors, reflecting our concerns over the ongoing weakness of the domestic economy. The Hang Seng Index fell by 18.2% and, because Hong Kong's dollar remained pegged to the US dollar, its weakness was fully reflected in a sterling adjusted fall of 26.1%.

Hong Kong's economy remained in the grip of deflationary pressure as prices fell by 3.1%. This continued the painful economic adjustment process forced on Hong Kong by its decision to maintain the currency peg following Asia's financial crisis, which left it uncompetitive in relation to other countries. GDP advanced by some 2% in 2002, after a worsening trend appeared to stabilise and then improve towards the year end, but growth is likely to be low in the year ahead as structural imbalances continue to exert a negative influence. Economic policy options are limited by a record US$9bn budget deficit which must be addressed by tax increases. Hong Kong remains vulnerable to competition from China with the Pearl River Delta able to offer attractive alternatives for manufacturing and services and Shanghai competing strongly as a future financial centre. Hong Kong companies able to take advantage of China's opportunities should however continue to do well.

The political structure was confirmed with the re-election of Chief Executive, Tung Chee-hwa. His policy is to focus on developing closer ties with China and the Pearl River Delta in particular. A gradual increase in the influence of China continued with concerns amongst many commentators over the survival of Hong Kong's rule of law in areas sensitive to Beijing.

Hong Kong Investments		%	£'000
Consumer Discretionary	Li & Fung	2.8	3,785
	Television Broadcasts	1.3	1,665
	i-CABLE Communications	1.1	1,481
Financials and Property	Swire Pacific	1.8	2,374
	ChinaVest Partnership*	0.1	146
Industrials and Transport	Johnson Electric	3.2	4,320
	Cathay Pacific Airways	2.0	2,708
Total Hong Kong Investments		**12.3**	**16,479**

*Unlisted Investment

Thailand

Asian Games 2002 - Medal standing

14 19 10

Number of athletes - Men 163 Women 104

The Thai stock market produced positive returns for a second consecutive year with an advance of 17.3% in 2002 for the SET Index, which represented a rise of 8.8% in sterling terms. Hopes of economic recovery pushed the index higher by more than 40% in June but the stock market retreated thereafter on global concerns. Our exposure to Thailand was raised to 11.1% of investments at the end of 2002 compared to 3.7% a year earlier.

Economic recovery gathered pace over 2002 with a broadly based advance of some 5.0% in GDP. As in many other Far East countries high government spending, leading to budget deficits, has supported the economy at the early stage of recovery. Consumer demand recovered strongly with upturns in housing and automobile demand in particular which signalled a first sign of improving consumer confidence since the 1997 crisis. Bad debts continued to be restructured and company profits showed strong growth with the result that balance sheets ended the year at their strongest levels since the crisis. It seems likely that economic growth will be sustained for 2003 at around the 4% level which should give a further strong boost to the corporate sector.

Thai politics have come a long way in recent years. Government is now in the hands of a strong leader, Thaksin Shinawatra, with a secure parliamentary majority, who is expected to maintain sound pro-business policies.

Thailand Investments		%	£'000
Consumer Discretionary	BEC World	1.2	1,557
	Minor Food	0.4	594
Energy	PTT Exploration and Production	1.2	1,649
Financials and Property	Siam Commercial Bank	1.5	1,963
	Thai Farmers Bank	1.4	1,910
	Tisco Finance	1.2	1,618
Information Technology	Hana Microelectronics	0.6	752
Materials	Siam Cement	2.7	3,577
Telecommunication Services	Shin Corporation	0.9	1,170
Total Thailand Investments		**11.1**	**14,790**

The Philippines

Asian Games 2002 - Medal standing

3	**7**	**16**

Number of athletes - Men 147 Women 73

With hopes that economic recovery would spread to the ASEAN countries which were hard hit by the 1997 crisis, a modest investment was made in the Philippines. At the year end this amounted to 0.9% of total investments and represented our first new investment there since 1998. The Manila SE Index fell by 12.8% and by 23.8% in sterling terms as the peso suffered the region's weakest performance.

Problems arose mainly as a result of a persistent budget deficit which exceeded levels agreed with the IMF but began to improve again shortly before the year end. There remain significant difficulties with corruption and inefficient tax collection but in other areas the economy showed resilience. Overall GDP advanced by 4.6%, its best performance since the Asian crisis, with stronger exports and consumer spending. This sort of growth may be possible for 2003 too given the low economic base, provided the government can successfully address its problems of revenue collection, so corporations should operate in a generally favourable environment.

The political climate has improved following President Arroyo's announcement that she will not contest the next election due in May 2004. With no second term to have to fight for, she will be in an improved position to tackle the considerable problems faced by the Philippines' government. However, it also raises uncertainty for the longer term given previous mixed experience of the Philippines' electoral system.

The Philippines Investments		%	£'000
Financials and Property	Ayala Corporation	0.9	1,194
Total Philippines Investments		**0.9**	**1,194**

Malaysia

Asian Games 2002 - Medal standing

6 8 16

Number of athletes - Men 152 Women 60

We increased exposure to Malaysia markedly over 2002 to 9.7% of total investments at the year end from 3.4% at the end of the previous year. Our reasoning was that a recovery of consumers' confidence appears to be spreading through most ASEAN economies for the first time since the 1997 crisis. The KL Composite Index traded within a relatively narrow range compared with most others in the region, peaking in April after an advance of 16% and then retreating steadily during the remainder of the year. Overall, there was a fall of just 7.2% in the local index but this was magnified to a decline of 16.1% in sterling terms due to the ringgit's peg to the US dollar.

The economic climate improved with GDP growth of some 4.0% expected for 2002. Some areas faced difficulties, such as inward investment and technology manufacturers, while most of the growth came from higher government spending and the strength of traditional industries, such as soft commodities like palm oil, which feed through directly to rural incomes. These areas are expected to continue to boost the economy with scope for an improvement in consumer spending. Another year of growth of at least 4% is in prospect. Corporate governance, which had been a major problem in Malaysia over many years, has seen much attention, with most major problems now resolved and reforms in place to protect minority shareholders.

Dr. Mahathir, the Prime Minister, will stand down this year in favour of Abdullah Ahmad Badawi, his current deputy, thus bringing to a close a chapter of over 20 years of often aggressive and autocratic leadership which has changed Malaysia greatly. Indications currently suggest that policy direction will remain the same but is likely to be more consensual in style.

Malaysia Investments		%	£'000
Consumer Discretionary	Resorts World	2.2	2,926
	Courts Mammoth	1.1	1,425
Financials and Property	SP Setia	1.5	2,071
	AMMB	1.5	1,967
	Commerce Asset	0.9	1,140
Industrials and Transport	Roadbuilder	1.1	1,523
Telecommunications Services	Maxis Communications	1.4	1,868
Total Malaysia Investments		**9.7**	**12,920**

Singapore

Asian Games 2002 - Medal standing

5 2 10

Number of athletes - Men 71 Women 25

Singapore's All Share Index fell by 18.2% and by 21.3% in sterling terms. Its peak was in March after a rise of 11% as other regional stock markets also rallied, reflecting premature hopes of a global recovery but the index then fell steadily for most of the year. Since Singapore's economy is open and sensitive to the global downturn, growth forecasts were revised down sharply. Our general policy was to raise exposure to ASEAN countries in the expectation of a consumer recovery but we reduced our direct investment in Singapore. Exposure to Singapore was reduced to 8.2% of total investments at the end of 2002 compared with 10.0% at the end of the previous year.

The Singapore government has been energetically pursuing economic reform with the objective of raising returns on investment from historically poorly performing assets and encouraging corporate Singapore to try to position itself more as a regional player. This has changed the shape of many leading companies.

However, Singapore achieved growth of only some 2.0% in GDP in 2002, reporting large quarterly swings in performance. Exports were generally weak but some large new projects helped the overall growth rate. With unemployment at a 15 year high consumer confidence was poor so the important property and finance sectors remained out of favour. Efforts by the government to stimulate the domestic economy have so far failed to improve demand. GDP growth forecasts for this year are of the order of 3% but depend greatly on the performance of the world economy. The stock market is valued at attractive levels but sentiment remains poor and we await a lead from global markets.

Singapore Investments		%	£'000
Consumer Discretionary	Singapore Press	1.6	2,091
Financials and Property	Great Eastern	1.6	2,124
	Capitaland	1.4	1,917
Industrials and Transport	Neptune Orient Lines	1.7	2,300
Information Technology	Venture	1.9	2,489
Total Singapore Investments		**8.2**	**10,921**

Indonesia

Asian Games 2002 - Medal standing

4	7	12

Number of athletes - Men 64 Women 38

2002 was a year of relative stability in Indonesia despite the tragic bombings in Bali in October, which threatened to upset an improving picture. The Jakarta SE Composite Index rose by 8.4% over the year and because the rupiah appreciated against the pound there was a positive sterling adjusted return of 13.9%, the region's strongest performance. Indeed, over the year it was currency movements more than the stock market which determined the scale of returns. In the middle of June the index peaked with an advance of 65% in sterling terms but just 39% in local currency terms. It then declined steadily as global economic and terrorist concerns took their toll. From the June peak to the October trough, shortly after the incident in Bali the index declined by 45% in sterling terms with a subsequent 26% recovery to the end of the year.

Economic policy is strongly influenced by the IMF, which must tread a fine line between Indonesia's problems and the interests of creditor nations. Government remains consensus orientated, urging religious tolerance and attempting to maintain a unified Indonesia, despite ongoing regional aspirations for independence.

Indonesia's domestic economy shared the upturn seen by most of the ASEAN nations and its exports were helped by firm commodity markets. Overall economic growth expanded by 3.7% and interest rates trended down from crisis levels. Most of the economic adjustment to prices required after the crisis have now been processed and there have been large increases in both prices and wages. It remains to be seen if this will allow consumption to continue to grow as recent indicators are mixed and the government has been forced to cut back price increases by major utilities after widespread protests.

Over the past year we have closely examined opportunities in Indonesia, which look compelling provided the economy and political background remain stable. Sadly it is still premature to be able to say this with confidence and we continue to have no exposure to Indonesian investments.

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

Vietnam

Asian Games 2002 - Medal standing

4	7	7

Number of athletes - Men 65 Women 56

The Vietnamese economy continued to expand by more than 6% in 2002 helped by higher infrastructure spending and strong consumer demand. A more aggressive reform programme following last year's ratification of the bilateral trade agreement with the USA resulted in a 32% rise in the number of foreign investment projects, still mainly from Asian companies. Project approval was decentralised with the result that provinces now compete to attract foreign investors. Many companies are looking again at Vietnam after being frustrated by the country's mid-1990s move to limit foreign influences. Some projects delayed at that time have been resuscitated and many new investors have been attracted by Vietnam's well educated but low cost workforce; a production line worker is paid around US$45 per month, at which level Vietnam is competitive with China. A stock and bond market operates in Ho Chi Minh City with 20 listings as at the end of 2002. The stock market declined by 24% in US$ terms in 2002 mainly due to its immaturity and is valued at low levels by international standards.

In 2001 we decided to raise exposure to Vietnam through the Vietnam Enterprise Investment Fund. This fund was 90% invested at the end of 2002 with 29 investments held in both listed and unlisted securities mainly bought at attractive valuations ahead of the recent improvement in business prospects. Its net asset value rose by 4.8% in US$ terms over the year. Our exposure to Vietnam amounted to a modest 1.5% of total investments.

Vietnam Investments		%	£'000
Financials and Property	Vietnam Enterprise Investment Fund	1.4	1,884
	The Vietnam Fund	0.1	82
Total Vietnam Investments		**1.5**	**1,966**

Summary of Net Assets

at 31 December 2002

The following table summarises the net assets attributable to ordinary shareholders. The company's equity exposure amounted to 102.4% of net assets.

	2002	**2002**	2001	2001
	£'000	**%**	£'000	%
Attributable to ordinary shares				
Equities	**133,792**	**102.4**	167,240	103.7
Current assets less other liabilities	**(3,179)**	**(2.4)**	(5,906)	(3.7)
Total net assets	**130,613**	**100.0**	161,334	100.0

Report of the Directors

The directors present the audited accounts of the company for the year ended 31 December 2002.

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 2001, 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 2002 total net assets attributable to ordinary shares amounted to £130,613,000. The net asset value per ordinary share was 64.1p, a decrease of 18.9% from the previous year end.

Revenue and Dividend

Gross revenue of the company for the year decreased from £4,351,000 to £3,644,000. Net revenue for the year after taxation was £1,577,000, compared with £1,533,000 in the previous year, an increase of £44,000.

The directors recommend a final dividend of 0.60p net per ordinary share (2001: final 0.25p; special 0.25p). Subject to approval at the Annual General Meeting, the dividend will be paid on 17 April 2003 to shareholders on the Register of Members at the close of business on 14 March 2003.

Donations

The company made charitable donations of £15,000 during the year, of which £10,000 was paid via a Charities Aid Foundation account. The Board has resolved to pay a further £3,500 but at the date of this report this payment has not been made. Further details regarding the charities that the company supports can be found on page 44.

No payments were made for political purposes.

Directors

The directors of the company at the date of this report all of whom, with the exception of Mr D A Robins who was appointed to the Board on 2 December, 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 2002 and 31 December 2002 are set out below:-

	Ordinary shares of 5p	
With beneficial interest:	**31 December 2002**	1 January 2002
I L Dale CBE (Chairman)	**26,000**	26,000
P F Berry CMG	**14,000**	14,000
A W F Clapperton	**80,000**	80,000
D A Robins	**3,000**	Nil*
J R Unwin OBE	**Nil**	Nil
M J Watt	**130,181**	94,230
With non-beneficial interest:		
M J Watt	**38,167†**	6,481

*As at date of appointment

†38,167 shares are held in a trust as part of a Henderson executive incentive scheme. Beneficial ownership of 6,481 shares is expected to pass to Mr Watt in April 2003 and the remaining 31,686 shares in April 2005. 6,481 shares were incorrectly stated as being held beneficially by Mr Watt in the previous annual report. This does not affect the total number of shares held by Mr Watt.

Between the year end and 24 February 2003 Mr M J Watt increased his beneficial shareholdings to 130,592 ordinary shares by purchases through the Henderson Investment Trust Share Plan in which he saves monthly. Miss J R Unwin purchased 3,491 shares on 6 February 2003. 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 I L Dale who, being eligible, offers himself for re-election. Mr A W F Clapperton retires by rotation but is not seeking re-election and will retire from the Board at the conclusion of the AGM. As Mr D A Robins was appointed during the year, in accordance with Articles of Association he will offer himself for election at the AGM.

The Board met formally eleven times during the year.

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") and Cogent Investment Operations Limited.

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 2002 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 24 February 2003 the company had been notified of interests of 3% or more in the ordinary share capital by British Steel Pension Fund which held 10.21% and Legal & General Investment Management Limited which held 3.10%.

ISAs/PEPs

The company has conducted its affairs, and intends to 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 2003 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 pages 42 and 43), an ordinary resolution will be proposed to authorise the directors to allot ordinary shares up to an aggregate nominal amount of £3,397,389 (being 67,947,786 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 £509,608 (being 10,192,167 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 2004, 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 2002 the company was authorised to make market purchases up to 30,424,810 of the company's own issued shares for cancellation.

Report of the Directors

continued

During the financial year the company made market purchases for cancellation of 350,000 shares. The aggregate consideration paid by the company for the shares, including stamp duty and commission, was £187,000. 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 30,074,810 issued shares.

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 30,372,660 ordinary 5p shares or £1,518,633 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. 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. Purchases will be made at the discretion of the Board.

The authority to purchase shares will last until the AGM of the company in 2004, 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 2003 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 welcome 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

Following the transfer of substantially all of the business of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 3 February 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the Annual General Meeting.

By order of the Board

K Burwood

Krista Burwood, FCIS
Henderson Secretarial Services Limited
Secretary
24 February 2003

Directors' Remuneration Report

Introduction
This report is submitted in accordance with the Directors' Remuneration Report Regulations 2002 in respect of the year ended 31 December 2002.

Consideration by the Directors of Matters Relating to Directors' Remuneration
The Board as a whole considered the directors' remuneration. The Board has not appointed a committee to consider matters relating to the directors' remuneration. The Board has not been provided with advice or services by any person in respect of its consideration of the directors' remuneration although the directors regularly review the fees paid to the boards of directors of other investment trust companies.

Statement of the Company's Policy of Directors' Remuneration
The Board consists entirely of non-executive directors who meet at least ten times a year to deal with the important aspects of the company's affairs. New directors are appointed with the expectation that they will serve for a period of three years. Directors' appointments are reviewed formally every three years thereafter by the Board as a whole. None of the directors has a contract of service or a contract for services and a director may resign by notice in writing to the Board at any time; there are no set notice periods. The company's policy is for the directors to be remunerated in the form of fees, payable quarterly in arrears, to the director personally. There are no long term incentive schemes provided by the company and the fees are not specifically related to the directors' performance, either individually or collectively.

The company's policy is that the fees payable to the directors should reflect the time spent by the Board on the company's affairs and the responsibilities borne by the directors and should be sufficient to enable candidates of high calibre to be recruited. The policy is for the Chairman of the Board to be paid a higher fee than the other directors in recognition of the more onerous role.

The company's Articles of Association do not limit the fees payable to the directors. In the year under review the directors' fees were paid at the following annual rates:

The Chairman £22,400; the other directors £14,000.

The policy is to review these rates annually, although such review will not necessarily result in any change to the rates.

Directors' and officers' liability insurance cover is in place in respect of the directors.

Performance Graph

The MSCI AC Far East (Free) ex-Japan Index has been selected for the above table as this is the company's benchmark index.

Amount of Each Directors' Emoluments
The fees payable by the company in respect of each of the directors who served during the year, and during 2001, were as follows:

	2002	2001
I L Dale CBE	**£22,400**	£22,400
P F Berry CMG	**£14,000**	£14,000
A W F Clapperton	**£14,000**	£14,000
J R Unwin OBE	**£14,000**	£14,000
D A Robins*	**£1,200***	N/A
M J Watt	**Nil**	Nil
TOTAL	**£65,600**	£64,400

*Mr Robins was appointed to the Board on 2 December 2002.

Directors' Remuneration Report

continued

No other remuneration or compensation was paid or payable by the company during the year to any of the current or former directors. Mr I L Dale received expenses of £4,016 (2001: £3,231) which relate to costs incurred in respect of board meeting attendance during the year. No reimbursement was made to any other director in this respect.

Mr Watt, a director of the company and principal fund manager, is employed and paid by Henderson Global Investors (Holdings) plc and its subsidiaries ("Henderson") for the provision of services to the company. Under the Companies Act 1985 and the regulations referred to above, it is necessary to state the amount which he received from Henderson which relates to the management of the company, even though the company does not pay these emoluments to him and is not involved in their determination. The company has been informed that the emoluments paid by Henderson to Mr Watt for services to the company in the year (including performance related bonus) were £111,000 (2001: £109,000) as analysed below:

	2002	2001
Salary and other benefits	**£62,000**	£67,000
Performance related bonus	**£49,000**	£42,000
TOTAL	**£111,000**	£109,000

The highest paid director's emoluments thus totalled £111,000 (2001: £109,000).

Details of the shares held by Mr Watt under a Henderson executive incentive scheme are shown on page 20.

A contribution of £6,000 (2001: £6,000) was paid by Henderson on behalf of Mr Watt to a non-contributory defined benefit pension scheme.

By order of the Board
K M Burwood FCIS
For and on behalf of
Henderson Secretarial Services Limited, Secretary

24 February 2003

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 six 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 42.

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

Corporate Governance

continued

company is not required to comply with the principles of the Code in respect of executive directors' remuneration. Directors' fees are detailed in the Directors' Remuneration Report on pages 23 and 24.

Accountability and Audit

The statement of directors' responsibilities in respect of the accounts is set out on page 27, a statement of going concern on page 22 and a statement on social responsibility on page 44. The report of the auditors is set out on page 41.

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 of these parties 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

Corporate Governance

continued

published on 4 February 2003. Twenty working days' notice of the AGM has been given to shareholders as required under Code Provision C.2.4.

The Notice of Meeting on pages 42 and 43 sets out the business of the meeting and the special resolutions are explained more fully in the Report of the Directors on pages 21 and 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 2002, with the exception that a senior non-executive director has not been identified and a Remuneration Committee has not been established.

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 2002

Notes		Year ended 31 December 2002 Revenue £'000	Capital £'000	Total £'000	Year ended 31 December 2001 Revenue £'000	Capital £'000	Total £'000
2	Total capital losses from investments	**–**	**(29,768)**	**(29,768)**	–	(12,899)	(12,899)
3	Income from fixed asset investments	**3,551**	**–**	**3,551**	3,791	–	3,791
4	Other interest receivable and similar income	**93**	**–**	**93**	560	–	560
	Gross revenue and capital losses	**3,644**	**(29,768)**	**(26,124)**	4,351	(12,899)	(8,548)
5	Management fee	**(621)**	**(1,102)**	**(1,723)**	(1,075)	(1,075)	(2,150)
6	Other administrative expenses	**(517)**	**–**	**(517)**	(450)	–	(450)
	Net return/(loss) on ordinary activities before interest payable and taxation	**2,506**	**(30,870)**	**(28,364)**	2,826	(13,974)	(11,148)
7	Interest payable	**(132)**	**(395)**	**(527)**	(370)	(1,111)	(1,481)
	Net return/(loss) on ordinary activities before taxation	**2,374**	**(31,265)**	**(28,891)**	2,456	(15,085)	(12,629)
8	Taxation on net return/(loss) on ordinary activities	**(797)**	**377**	**(420)**	(923)	577	(346)
	Net return/(loss) on ordinary activities after taxation	**1,577**	**(30,888)**	**(29,311)**	1,533	(14,508)	(12,975)
	Proposed ordinary dividends:						
	Final: 0.60p per share (2001: 0.25p)	**(1,223)**	**–**	**(1,223)**	(510)	–	(510)
	Special: Nil (2001: 0.25p)	**–**	**–**	**–**	(510)	–	(510)
		(1,223)	**–**	**(1,223)**	(1,020)	–	(1,020)
	Transfer to/(from) reserves	**354**	**(30,888)**	**(30,534)**	513	(14,508)	(13,995)
9	**Return/(loss) per ordinary share**	**0.77p**	**(15.13p)**	**(14.36)p**	0.75p	(7.08p)	(6.33p)

The revenue columns of this statement represent the profit and loss accounts of the company.

The notes on pages 31 to 40 form part of these accounts

Balance Sheet

at 31 December 2002

Notes		2002 £'000	2001 £'000
10,11	**Fixed asset investments**		
	Listed at market value – overseas	**133,646**	167,079
	Unlisted at directors' valuation	**146**	161
		133,792	167,240
	Current assets		
12	Debtors	**177**	2,114
	Bank balances and short term deposits	**5,482**	14,204
		5,659	16,318
13	**Creditors:** amounts falling due within one year	**(8,838)**	(22,224)
	Net current liabilities	**(3,179)**	(5,906)
	Total net assets	**130,613**	161,334
	Capital and reserves		
15	Called up share capital	**10,192**	10,210
16	Other reserves	**115,141**	146,198
16	Revenue reserve	**5,280**	4,926
17	**Equity shareholders' funds**	**130,613**	161,334
18	**Net asset value per ordinary share**	**64.1p**	79.0p

I L Dale }
Directors
M J Watt }

The accounts were approved by the directors on 24 February 2003.

The notes on pages 31 to 40 form part of these accounts

Cash Flow Statement

for the year ended 31 December 2002

Notes		2002 £'000	2002 £'000	2001 £'000	2001 £'000
19	**Net cash inflow from operating activities**		**533**		1,334
	Servicing of finance				
	Interest paid	**(952)**		(1,465)	
	Net cash outflow from servicing of finance		**(952)**		(1,465)
	Taxation				
	Withholding tax paid	**(119)**		–	
	UK income tax recovered	**39**		198	
	Net tax (paid)/recovered		**(80)**		198
	Financial investment				
	Purchases of investments	**(79,699)**		(74,364)	
	Sales of investments	**84,983**		75,168	
	Net cash inflow from financial investment		**5,284**		804
	Equity dividends paid		**(1,020)**		(1,131)
	Management of liquid resources				
	Cash withdrawn from/(placed on) short term deposit		**9,133**		(5,872)
	Net cash inflow/(outflow) before financing		**12,898**		(6,132)
	Financing				
	Repurchases of ordinary shares	**(187)**		(773)	
	Repayment of multi-currency loan facility	**(12,206)**		–	
	Net cash outflow from financing		**(12,393)**		(773)
	Increase/(decrease) in cash		**505**		(6,905)

Reconciliation of net cash flow to movement in net debt

Notes		2002 £'000	2001 £'000
20	Increase/(decrease) in cash as above	**505**	(6,905)
	Cash (inflow)/outflow from management of liquid resources	**(9,133)**	5,872
	Cash outflow from debt financing	**12,206**	–
	Change in net debt resulting from cash flows	**3,578**	(1,033)
	Exchange movements	**1,167**	(295)
		4,745	(1,328)
	Net debt at 1 January	**(6,409)**	(5,081)
20	**Net debt at 31 December**	**(1,664)**	(6,409)

The notes on pages 31 to 40 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" ("SORP" dated December 1995). 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 by the directors at cost unless circumstances indicate different valuations are warranted.

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 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. With effect from 1 January 2002 stock dividends paid by Taiwanese companies where withholding tax is payable are recognised as income. This represents a change in allocation from previous years when they were recognised as capital. The effect of this change is to increase revenue after tax for the year ended 31 December 2002 by £474,000.

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. As in previous years, the amount of the management fee attributable to accounting, secretarial and administration services has been charged wholly to revenue. Prior to 1 January 2002, the cost of these services was deemed to be one third of the total management fee. From 1 January 2002, the allocation in respect of these services has been refined such that these services are charged in the accounts as a fixed fee. The apportionment of the management fee between investment management and other services can be found in note 5 on page 33.

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.

Financial Reporting Standard 19 has been adopted for the period ended 31 December 2002. No restatement of prior period comparatives is required. Deferred taxation is provided on all timing differences that have originated but not reversed by the balance sheet date other than those differences regarded as permanent. Any liability to deferred tax is provided at the average rate of tax expected to apply. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

h) Financial instruments

The company does not utilise derivative instruments. 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.

2	Total capital losses from investments	2002 £'000	2001 £'000
	Realised losses based on historical cost	**(8,344)**	(11,729)
	Amounts recognised as unrealised in the previous year	**880**	3,787
	Realised losses based on carrying values at previous balance sheet date	**(7,464)**	(7,942)
	Net movement in unrealised appreciation	**(23,471)**	(4,662)
	Net gains/(losses) on foreign exchange	**1,167**	(295)
	Total capital losses from investments	**(29,768)**	(12,899)

3	Income from fixed asset investments	2002 £'000	2001 £'000
	Unfranked:		
	Dividends from listed overseas equities	**2,818**	3,750
	Taiwanese stock dividends	**592**	–
	Special dividends from listed overseas equities	**141**	41
	Total income from fixed asset investments	**3,551**	3,791

4	Other interest receivable and similar income	2002 £'000	2001 £'000
	Bank interest	**93**	560

Notes to the Accounts
continued

5 Management fee	Year ended 31 December 2002 Revenue £'000	Capital £'000	Total £'000	Year ended 31 December 2001 Revenue £'000	Capital £'000	Total £'000
Investment management fee	**362**	**1,087**	**1,449**	358	1,075	1,433
Accounting, secretarial and administration costs	**250**	**–**	**250**	717	–	717
Irrecoverable VAT thereon	**9**	**15**	**24**	–	–	–
	621	**1,102**	**1,723**	1,075	1,075	2,150

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

6 **Other administrative expenses** (charged wholly to revenue)	**2002 £'000**	2001 £'000
Directors' fees (see Directors' Remuneration Report on pages 23 and 24)	**66**	64
Auditors' remuneration:		
for audit services	**15**	15
for non-audit services	**4**	10
Bank charges	**173**	152
Other expenses payable to the management company*	**53**	5
AITC	**21**	20
Printing	**56**	63
Registrar's fees	**26**	22
Other expenses	**82**	75
Charitable donations	**19**	24
Irrecoverable VAT	**2**	–
	517	450

*These relate to share plan administration and marketing services.

7 Interest payable	Year ended 31 December 2002 Revenue £'000	Capital £'000	Total £'000	Year ended 31 December 2001 Revenue £'000	Capital £'000	Total £'000
On loans repayable within one year	**132**	**395**	**527**	370	1,111	1,481

75% of interest payable has been charged to capital.

Notes to the Accounts

continued

8 Taxation on net return/(loss) on ordinary activities	Year ended 31 December 2002 Revenue £'000	Capital £'000	Total £'000	Year ended 31 December 2001 Revenue £'000	Capital £'000	Total £'000
a) Analysis of charge in the period						
UK corporation tax at 30%	**177**	**–**	**177**	193	–	193
Double taxation relief	**(177)**	**–**	**(177)**	(193)	–	(193)
Overseas withholding tax	**420**	**–**	**420**	346	–	346
Tax attributable to expenses and interest payable charged to capital	**377**	**(377)**	**–**	577	(577)	–
	797	**(377)**	**420**	923	(577)	346

b) Factors affecting current tax charge for the year

The tax assessed for the period is higher than the standard rate of corporation tax in the UK for a large company (30%). The difference is explained below.

	2002 £'000	2001 £'000
Net profit on ordinary activities before taxation	**2,374**	2,456
Corporation tax at 30%	**712**	737
Effects of:		
Non taxable stock dividends	**(178)**	–
Overseas withholding tax	**420**	346
Double taxation relief	**(177)**	(193)
Deferred tax not provided for	**(4)**	8
Excess expenses not utilised	**130**	143
Expense relief for irrecoverable withholding tax	**(32)**	(44)
Adjustment to UK tax rate applicable	**(21)**	(20)
Tax relief on capitalised expenses	**(72)**	(78)
Disallowable expenses	**19**	24
Current tax charge for the year	**797**	923

The company has not recognised deferred tax assets of £642,000 (2001: £512,000) arising as a result of excess management expenses. These expenses will only be utilised if the company has profits chargeable to corporation tax in the future.

9 Return/(loss) per ordinary share

Revenue returns per share are based on earnings attributable to the ordinary shares of £1,577,000 (2001: £1,533,000) and on the weighted average number of ordinary shares in issue during the year to 31 December 2002, being 204,112,811 (2001: 205,129,214).

Capital losses per share are based on net capital losses attributable to the ordinary shares of £30,888,000 (2001: loss £14,508,000) and on the weighted average number of shares in issue during the year, as shown above.

Notes to the Accounts

continued

10	**Fixed asset investments**	**Total £'000**
	Changes in investments are as follows:	
	Valuation at 1 January 2002	167,240
	Unrealised appreciation	(7,832)
	Cost at 1 January 2002	159,408
	Additions at cost	80,595
	Disposals at cost	(91,452)
	Cost at 31 December 2002	148,551
	Unrealised depreciation	(14,759)
	Valuation at 31 December 2002	**133,792**

11 **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 2002 was £2. This subsidiary has not been consolidated on the grounds that it is insignificant to the results of the company.

12	**Debtors**	**2002 £'000**	2001 £'000
	Sales for future settlement	–	1,875
	Taxation recoverable	–	39
	Accrued dividend and interest income	**99**	92
	Other debtors	**68**	98
	Prepayments	**10**	10
		177	2,114

13	**Creditors:** amounts falling due within one year	**2002 £'000**	2001 £'000
	Currency loan and bank overdrafts	**7,146**	20,613
	Proposed dividends	**1,223**	1,020
	Other creditors	**14**	14
	Purchases for future settlement	**304**	–
	Interest payable	**18**	443
	Accruals	**133**	134
		8,838	22,224

14 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.

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 37. 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.

Notes to the Accounts

continued

14 **Financial instruments** (continued)

(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:

	2002			2001	
Currency	**Floating rate financial liabilities £'000**	**Fixed rate financial liabilities £'000**	**Total £'000**	Fixed rate financial liabilities £'000	Total £'000
US dollar	**7,146**	**–**	**7,146**	20,613	20,613

The US dollar fixed rate loan which was repaid in full during the year was drawn down on 14 March 1997 for a period of 5 years at a fixed rate of 7.0%.

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

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

	2002 £'000	2001 £'000
In one year or less, or on demand	**7,146**	20,613

The company had committed loan facilities of £15 million (2001: £30.6 million) of which £7.1 million (2001: £20.6 million) was drawn down and an uncommitted undrawn overdraft facility with a sub-custodian, the extent of which is determined by the sub-custodian on a regular basis by reference to the value of the securities held by it on behalf of the company. 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 2002		31 December 2001	
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	**14,288**	**(5,219)**	20,786	(10,889)
Hong Kong dollar	**28,176**	**22**	52,826	4,645
Korean won	**33,669**	**–**	41,073	5
Singapore dollar	**10,921**	**88**	15,544	13
Thai baht	**14,790**	**1**	6,165	–
New Taiwan dollar	**17,834**	**3,049**	25,194	293
Other currencies	**14,114**	**8**	5,652	72
Total	**133,792**	**(2,051)**	167,240	(5,861)

14 Financial instruments (continued)

(v) Fair values of financial assets and financial liabilities

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

15 Called up share capital	2002 £'000	2001 £'000
Authorised:		
350,000,000 ordinary shares of 5p each	**17,500**	17,500
Allotted, issued and fully paid:		
203,843,359 (2001: 204,193,359) ordinary shares of 5p each	**10,192**	10,210

During the year the company repurchased for cancellation 350,000 of its own issued shares, leaving a balance of 203,843,359 ordinary shares for the purposes of the calculation of the net asset value per ordinary share. Further details of the purchase can be found in the Report of the Directors on pages 21 and 22.

16 Reserves

	Other reserves					
	Capital redemption reserve £'000	Special reserve £'000	Unrealised reserve £'000	Realised reserve £'000	Total £'000	Revenue reserve £'000
At 1 January 2002	5,696	99,800	5,903	34,799	146,198	4,926
Transfer on disposal of assets	–	–	880	(880)	–	–
Net movement on fixed asset investments	–	–	(23,471)	(7,464)	(30,935)	–
Net movement on foreign exchange	–	–	2,007	(840)	1,167	–
Expenses and interest payable charged to capital	–	–	–	(1,497)	(1,497)	–
Tax relief on expenses and interest payable charged to capital	–	–	–	377	377	–
Purchases of own shares	18	(187)	–	–	(169)	–
Retained revenue	–	–	–	–	–	354
At 31 December 2002	**5,714**	**99,613**	**(14,681)**	**24,495**	**115,141**	**5,280**

Unrealised depreciation at 31 December 2002 includes unrealised depreciation of £3,151,000 (2001: unrealised depreciation of £3,136,000) relating to unlisted investments.

Notes to the Accounts
continued

17	Reconciliation of movement in shareholders' funds	2002 £'000	2001 £'000
	Net revenue on ordinary activities after taxation	**1,577**	1,533
	Dividends paid	**(1,223)**	(1,020)
		354	513
	Decrease in other capital reserves	**(30,888)**	(14,508)
	Purchase of 350,000 own ordinary shares (2001: 1,347,000)	**(187)**	(773)
	Net reduction to shareholders' funds	**(30,721)**	(14,768)
	Shareholders' funds at 1 January	**161,334**	176,102
	Shareholders' funds at 31 December	**130,613**	161,334

18 Net asset value per ordinary share

The net asset value per ordinary share is based on net assets attributable to the ordinary shares of £130,613,000 (2001: £161,334,000) and on the 203,843,359 (2001: 204,193,359) ordinary shares in issue at 31 December 2002.

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 2002	161,334
Total net loss on ordinary activities after taxation	(29,311)
Dividends	(1,223)
Repurchase of 350,000 ordinary shares (see note 15)	(187)
Total net assets at 31 December 2002	**130,613**

19	Reconciliation of operating revenue to net cash inflow from operating activities	2002 £'000	2001 £'000
	Net revenue before interest payable and taxation	**2,506**	2,826
	(Increase)/decrease in accrued income	**(7)**	42
	Decrease/(increase) in other debtors	**30**	(16)
	Decrease in creditors	**(1)**	(69)
	Management charge taken to other capital reserves	**(1,102)**	(1,075)
	UK income tax deducted at source	**-**	(28)
	Overseas withholding tax	**(301)**	(346)
	Taiwanese stock dividends	**(592)**	-
	Net cash inflow from operating activities	**533**	1,334

20 Analysis of changes in net debt	31 December 2001 £'000	Cash flow £'000	Exchange movements £'000	**31 December 2002 £'000**
Net cash:				
Cash at bank and short term deposits	14,204	(8,628)	(94)	**5,482**
Less deposits treated as liquid resources	(9,391)	9,133	258	**–**
	4,813	505	164	**5,482**
Liquid resources:				
Deposits included in cash	9,391	(9,133)	(258)	**–**
Debt:				
Debt falling due within one year	(20,613)	12,206	1,261	**(7,146)**
Net debt	(6,409)	3,578	1,167	**(1,664)**

21 Capital commitments

At 31 December 2002 the company had no capital commitments (2001: nil).

22 Related party transactions

Under the terms of an agreement dated 2 March 1995 and subsequent supplemental agreements the company appointed wholly owned subsidiaries of Henderson Global Investors (Holdings) plc ("Henderson") to provide investment management, accounting, secretarial and administrative services. Henderson has contracted Cogent Investment Operations Limited ("Cogent") to provide accounting and administrative services. Prior to 2 September 2002 Cogent was a wholly owned subsidiary of Henderson. After that date Cogent has been wholly independent of Henderson. Details of the fee arrangements paid to Henderson 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 2002 was £1,699,000 (excluding VAT) (2001: £2,150,000), of which £nil was outstanding at 31 December 2002 (2001: £nil). In addition to the above services Henderson has provided the company with share plan administration and marketing 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 notes to the Accounts which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out in the statement of accounting policies. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the directors' remuneration report ("the auditable part").

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the annual report, the directors' remuneration report and the 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 and the auditable part of the directors' remuneration report in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the auditable part of the directors' remuneration report have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report 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 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 Chairman's Statement, the unaudited part of the Directors' Remuneration Report, the Portfolio Review and the Corporate Governance Statement.

We review whether the Corporate Governance statement reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority, 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 and the auditable part of the Directors' Remuneration Report. 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 financial statements and the auditable part of the Directors' Remuneration Report 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 financial statements.

Opinion
In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs at 31 December 2002 and of its profit and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the Directors' Remuneration Report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
24 February 2003

The financial statements are published on the www.henderson.com and www.hendersontrpacific.com websites which are maintained by the company's Investment Manager, Henderson Global Investors Limited ("Henderson"). The maintenance and integrity of the websites maintained by Henderson or any of its subsidiaries is, so far as it relates to the company, the responsibility of Henderson. The work carried out by the auditors does not involve consideration of the maintenance and integrity of these websites and accordingly, the auditors accept no responsibility for any changes that have occurred to the financial statements since they were initially presented on the websites. Visitors to the websites need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in their jurisdiction.

Notice of Meeting

Notice is hereby given that the sixteenth Annual General Meeting of Henderson TR Pacific Investment Trust plc will be held at 4 Broadgate, London EC2M 2DA on Monday 14 April 2003 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 2002 be received.

2 To approve the Directors' Remuneration Report for the year ended 31 December 2002.

3 That a final dividend of 0.60p be declared.

4 That Mr I L Dale be re-elected a director of the company.

5 That Mr D A Robins be elected a director of the company.

6 That PricewaterhouseCoopers LLP be reappointed auditors of the company (having previously been appointed by the Board to fill the casual vacancy arising by reason of the resignation of PricewaterhouseCoopers, to hold office until the conclusion of the next general meeting at which accounts are laid before the company) and that their remuneration be fixed by the directors.

Special Business

7 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 £3,397,389 (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:

8 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 £509,608 (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.

9 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 30,372,660 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, FCIS, Secretary
For and on behalf of
Henderson Secretarial Services Limited
24 February 2003

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 12.30 pm on 12 April 2003 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 12.30 pm on 12 April 2003 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

■ Henderson Global Investors,
4 Broadgate, London EC2M 2DA

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.

Charitable Projects

In 2002 Henderson TR Pacific continued its support of children's charities with payments or commitments totalling £18,500 to two charities in Thailand and the Philippines. £10,000 was paid to Sabakan, a charity based in Mindanao in the Philippines which supports victims of child abuse, a significant problem in the Philippines. Henderson TR Pacific has supported Sabakan for several years and a further £3,500 has been promised to this charity.

As reported in last year's annual report, a payment of £5,000 was made in early 2002 to The Child Help Foundation in North Eastern Thailand to support the development of educational facilities for slum children in Khon Kaen, the provincial capital. This finally draws to a close a long term relationship with children's charities in North Eastern Thailand which the company has been supporting consistently since 1990.

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

Investor Information

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

Investment Manager
Henderson Global Investors Limited an AMP company (authorised and 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 FCIS

Registered Office
4 Broadgate
London EC2M 2DA
Telephone: 020 7818 1818

Registered Number
Registered as an investment company in England No 2153093

Registered Auditors
PricewaterhouseCoopers LLP
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 **www.hendersontrpacific.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.

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.

Analysis of Ordinary Shareholders

as at 31 December 2002

	Number of shareholders	%	Number of shares held	%	31 Dec 2001 %
†Private Individuals	6,881	78.1	38,377,959	18.8	19.2
††Banks and Nominees	1,712	19.4	157,816,440	77.4	64.6
Other Institutional Holders	219	2.5	7,648,960	3.8	16.2
	8,812	100.0	203,843,359	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 3,263 to 3,127 during the financial year. On 31 December 2002 there were 827 holders of ordinary shares on the New Zealand register (2001: 690 holders).

†† These holdings also include individual holdings through nominee accounts.
Source: Lloyds TSB Registrars Scotland

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 2002/2003 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.

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.

Ways & means.

There are various ways of investing in the Henderson TR Pacific Investment Trust plc – you can act quickly with a lump sum, invest gradually with monthly payments or enjoy a tax-efficient ISA.

The trust's shares are easily traded on the stock market. But there are also benefits in income reinvestment, regular saving and tax-efficient wrappers. Here are some options which may suit your own personal pace of investing.

The Henderson Investment Trust Share Plan is a straightforward savings scheme with a minimum lump sum investment of £500 or regular savings from £50 a month.

A **Henderson ISA** allows you to save tax-efficiently up to £7,000 p.a. with a minimum lump sum of £2,000 and regular savings from £100 a month.

A **Henderson Transfer PEP or ISA** allows you to transfer your existing PEP or ISA funds into the trust. Investments retain their tax-efficient status during and after transfer.

To find out more, visit

www.hendersontrpacific.com

or call the Henderson Investor Services Department free on

0800 832 832

or (44) 20 7818 1818 if phoning from abroad (please quote reference REPORT). You can also write to Henderson Global Investors, FREEPOST, Newbury RG14 2ZZ (no stamp required) or contact your professional adviser.

Henderson Investment Trusts

ase remember that past performance is not a guide to future performance. The value of your investment can fall as well as rise and you may get back the amount originally invested. Tax assumptions may change if the law changes and the value of tax relief will depend on individual umstances. Henderson Global Investors is the name under which Henderson Global Investors Limited, Henderson Investment Funds Limited, nderson Fund Management plc and Henderson Administration Limited (all authorised and regulated by the FSA) provide investment products services. We may record telephone calls for our mutual protection and to improve customer service. 4 Broadgate, London EC2M 2DA.

Henderson TR Pacific Investment Trust plc is managed by

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