

**PERSONAL
ASSETS
TRUST PLC**

**Annual Report
and Accounts
30 April 2001**

PERSONAL ASSETS TRUST PLC

ANNUAL REPORT AND ACCOUNTS 30 APRIL 2001

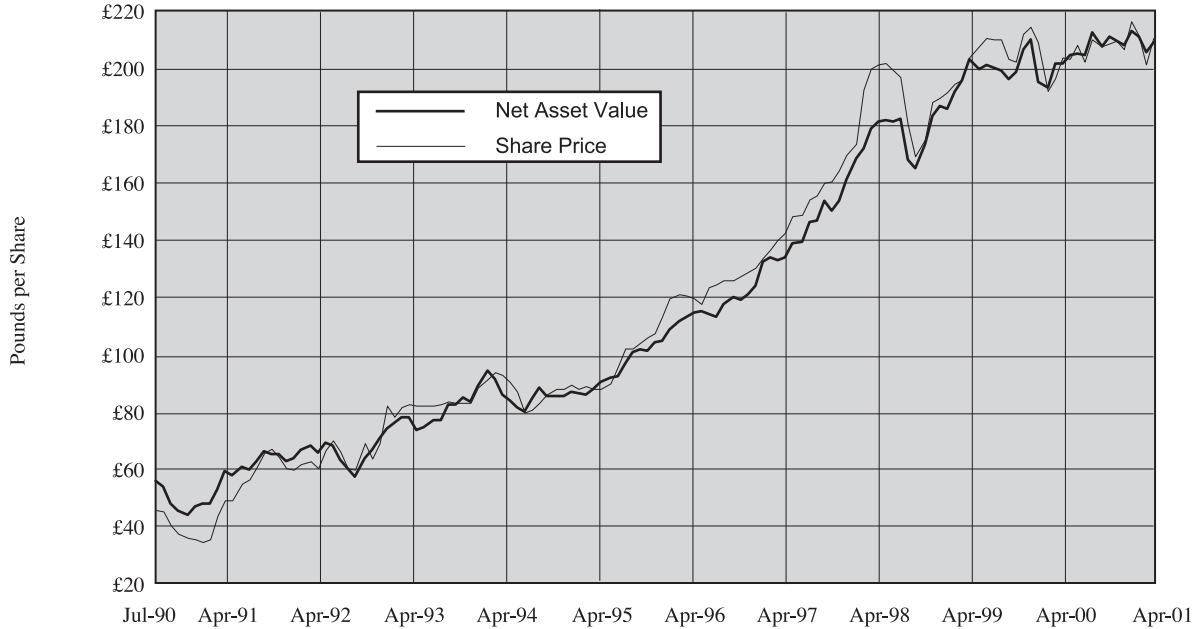
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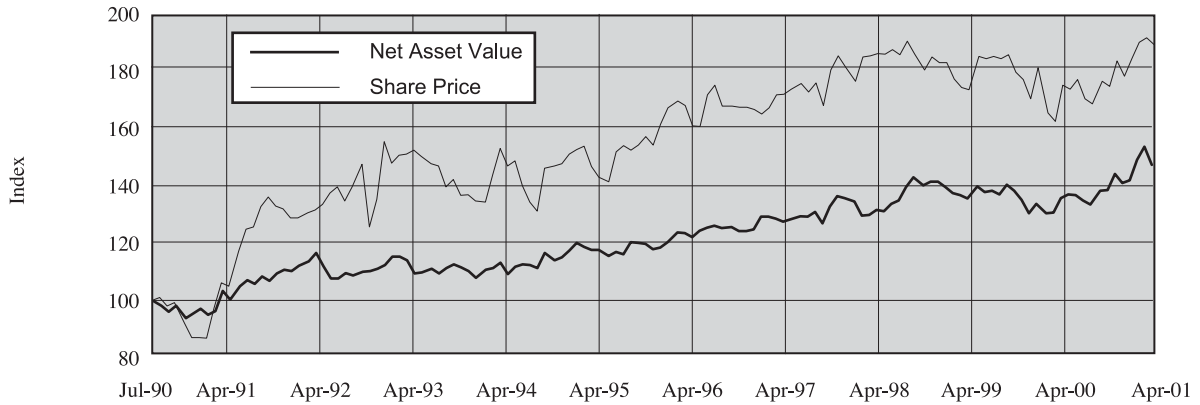
PERFORMANCE 1990-2001*

*Personal Assets became independently managed in July 1990

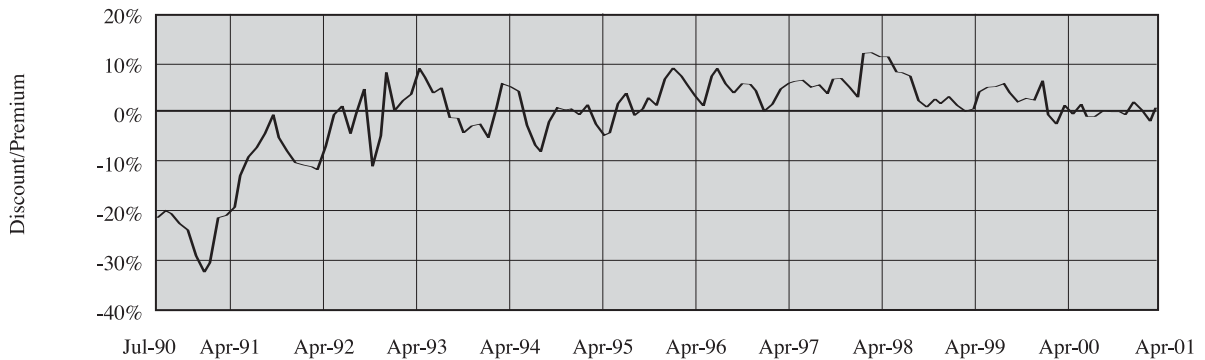
Share Price and Net Asset Value per Share in Pounds



Relative Performance Against FTSE All-Share



Share Price (Discount)/Premium to Net Asset Value



ABOUT PERSONAL ASSETS

Personal Assets Trust is run for individual investors who may wish to commit a significant proportion of their capital to an investment trust. Its aims are to protect and increase the value of shareholders' funds over the long term and to achieve as high a total return on shareholders' funds as possible given the Directors' dislike of a level of risk significantly greater than that of investing in the Company's benchmark index, the FTSE All-Share.

The FTSE All-Share Index is appropriate as Personal Assets' benchmark because most of the Company's shareholders are UK residents or expatriates who need to protect the purchasing power of their assets against inflation and to see it rise along with the standard of living in the UK. Experience shows that for such investors the UK equity market over the long term provides both protection against inflation and the best means of benefiting from UK economic growth.

Personal Assets is free from the constraints of size faced by large general trusts, the policy restrictions of specialist trusts and the complex capital structures of many more recent trusts. Furthermore, because it is almost entirely held by individual investors it does not have to take account of the differing and at times conflicting objectives of investing institutions. Personal Assets is run not by an investment management firm but by its Board. The Directors and their families together hold 13% of the share capital of the Company and the Directors run Personal Assets for people like themselves.

PERSONAL ASSETS AND ITS SHAREHOLDERS

The Board envisages that a typical Personal Assets shareholder will either have a substantial amount of capital or hope to build it out of income. Investing in Personal Assets gives such shareholders an alternative to managing a significant proportion of their own equity investments (whether directly or through professional advisers), although the Company does not offer global investment coverage and Personal Assets should not be the only shareholding of any investor who wants this.

The Directors seek to provide tax-efficient and cost-effective ways for shareholders to invest in Personal Assets. A typical shareholder, we assume, will pay Income Tax at 40% and will also be exposed to Capital Gains Tax. This has bearing on our corporate actions where shareholders' tax positions might be relevant. For example, we assume that such a shareholder would be interested in having an Individual Savings Account ("ISA") invested in an investment trust. Personal Assets therefore offers a simple, zero-charge ISA. Its unusually high subscription level (only the maximum amount permitted in any tax year can be subscribed, either by lump sum or by monthly direct debit) ensures that the Company can absorb without too much strain all the administration costs which would otherwise fall directly on the ISA investor.

Furthermore, the Directors believe it is their duty to ensure that the Company's shares do not sell at a discount to their net asset value. Accordingly, the Directors are again seeking authority at the Annual General Meeting to buy in the market, for cancellation, up to 14.99% of the Company's shares. The Board will seek to renew this authority each year.

CORPORATE INFORMATION

BOARD OF DIRECTORS

R P White (Chairman)
R J Angus
J M G Hamilton-Sharp
G J Neilly
I F Rushbrook

REGISTRARS

Lloyds TSB Registrars Scotland
117 Dundas Street
Edinburgh EH3 5ED
Tel: 0870 601 5366

INVESTMENT MANAGER

I F Rushbrook
10 St Colme Street
Edinburgh EH3 6AA
Tel: 0131-465 1000

SECRETARY

G R Hay Smith
Friends Ivory & Sime plc
One Charlotte Square
Edinburgh EH2 4DZ
Tel: 0131-465 1000

BANKERS

Chase Manhattan Bank
125 London Wall
London EC2Y 5AJ

STOCKBROKERS

Cazenove & Co
Tokenhouse Yard
London EC2R 7AN

SOLICITORS

Shepherd & Wedderburn WS
Saltire Court
20 Castle Terrace
Edinburgh EH1 2ET

AUDITORS

Ernst & Young
Ten George Street
Edinburgh EH2 2DZ

REGISTERED OFFICE

One Charlotte Square
Edinburgh EH2 4DZ
Tel: 0131-465 1000

BOARD OF DIRECTORS

Bobby White is Chairman of Personal Assets. After qualifying as a chartered accountant he spent his working life in stockbroking. He was for many years a partner in Wood Mackenzie and later, following ownership changes, was a director of Robert White & Company and Bell Lawrie White.

Bobby White (65)



Robin Angus has worked in the investment trust sector since 1977. He trained as an investment trust manager at Baillie, Gifford & Co and was for 17 years an investment trust analyst at NatWest Securities and its predecessor firms. He is a consultant to Personal Assets and works with Ian Rushbrook at Ian's office in Edinburgh.

Robin Angus (48)



Martin Hamilton-Sharp joined Equitable Life Assurance Society in 1968 and for over 20 years was responsible for the Society's substantial investment trust portfolio. In 1994 he moved to Jupiter Asset Management, to which he is now a consultant. He is also a director of a number of other investment trusts.

Martin Hamilton-Sharp (58)



Gordon Neilly is Managing Director of Intelli Corporate Finance, having previously been Finance and Business Development Director of Ivory & Sime. A former Company Secretary of Personal Assets, he has considerable experience and knowledge of investment trusts.

Gordon Neilly (40)



Ian Rushbrook, Investment Director of Personal Assets, has been responsible for the management of investment trusts for nearly 30 years. He is also Chairman of Friends Ivory & Sime Investment Trusts Business Limited.

Ian Rushbrook (61)



CHAIRMAN'S STATEMENT



Good relative performance does not necessarily buy the groceries. The year's results may therefore not excite my sister, who in one of Robin's Quarterlies was reported as clamouring for rapid share price growth. Nevertheless, this past year saw not just outstanding relative performance against our benchmark, the FTSE All-Share Index, but absolute growth too. Against a market down by 4.4% over the year, both our net asset value per share (NAV) and share price are up — the NAV by 3.6% to £207.03 (a higher level than at any year end since the Company's inception) and the share price by £6.50 to £208.50.

This NAV outperformance was owed in large measure to the high level of liquidity we maintained throughout the year. Ian's long and strongly held conviction that equity markets were overvalued has been more than justified. As he explains in his Investment Director's Report, he continues bearish and is in no rush to reduce that liquidity. His view is one I share, as a succession of profits warnings point to lower earnings and, therefore, higher and more dangerously stretched multiples.

This time last year the fall in 'dot.coms' had already begun. Nevertheless, few then would have dreamt that the '90% club' — those newly-issued dot.com companies which proceeded to lose 90% of their market value — would have achieved such a large membership in such a short time. There is now a lot of worthless paper about. While much of it is in the hands of those who should have known better, a great deal is in the hands of those who thought they had at last discovered how to make something for nothing.

In this the dot.com mania was nothing new. From tulip bulbs in the seventeenth century to Australian mines in the 1960s there have been recurrent spells of madness in the world's markets. The Internet is undoubtedly a dramatic advance for business and society. We suspect, however, that (as with railways a century and a half ago) the providers of the services will not achieve a worthwhile rate of return on aggregate investment.

Second only to the Internet as a market obsession has been corporate governance. There was therefore a certain sense of *Schadenfreude* recently when Sir Ronald Hampel, author of a report on that very subject, was hauled over the coals by institutional shareholders in a company of which he is Chairman for seeming not to have observed some of the recommendations of his own report. While this was an unusual example of 'the biter bit', a huge corporate governance 'industry' has grown up over the past 15 years. It contributes little to the economy and usually only adds to the cost of doing business. One might feel happier were it more obvious that the expenditure enabled the rogues to be apprehended speedily.

On 7 June we face a General Election. According to the opinion polls there is scarcely a Conservative left in the land despite four years of a Government which, in return for substantially higher taxation, seems to have delivered very little except management of the media. We were pleased, however, by the continuation of the Individual Savings Account (ISA) limit at the increased level of £7,000 in the last Budget. Our only regret is that Mr Brown has once more proved incapable of setting an investment limit divisible by 12. Our own zero-charge ISAs continue to be well supported and, together with our zero-charge Investment Plans (see p. 11), account for over 45% of the issued capital.

It seemed we had only just welcomed Rona Mitchell as our Secretary when marital reasons (happy ones) took her away. In her place we have appointed Gordon Hay Smith of Friends Ivory & Sime. Gordon is an experienced Company Secretary who has already made a valuable contribution to the Company. We hope he is as happy with us as we are with him.



Chairman

INVESTMENT DIRECTOR'S REPORT

As the Chairman points out, over the year to 30 April 2001 we managed not only to outperform the UK stockmarket but also to achieve an absolute gain in our net asset value per share. This rose by 3.6% to £207.03, outperforming our benchmark, the FTSE All-Share Index, by 8.4%. However, the Board's preferred measure of performance is not over one year but over rolling three-year periods. Between 30 April 1998 and 30 April 2001 Personal Assets' net asset value per share grew by 14.9% compared to the FTSE All-Share's 2.9%, an outperformance of 3.8% per annum.



What this highlights is just how poorly UK equities have performed recently. However, the reverse is true over the last ten years (even including the poor last three years). During the ten years to 30 April 2001 the FTSE All-Share rose in capital terms by 9.1% per annum and the S&P Composite Index by 12.8% per annum — and in terms of total return the FTSE achieved no less than 13.1% per annum and the S&P 15.2%.

As a result, while ten years ago the FTSE yielded 5% and the S&P 3.25%, the FTSE now yields less than 2.5% and the S&P a mere 1.25%. A similar picture emerges in terms of price earnings ratios. The multiple on the FTSE has risen from 14× earnings to over 20× and on the S&P from 17× to over 24×. What is surprising is that investors today are prepared to pay such demanding price earnings ratios for earnings that must be close to a cyclical high.

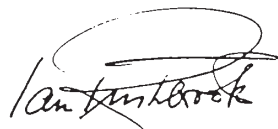
Because of this upward re-rating of equities over the last decade, not only has the risk of a future downgrading of equity valuations increased but also the rewards one can reasonably expect from equities, even if nothing untoward occurs, have declined significantly. From the current level of valuation of UK equities, no logical investor could expect more than a total return of 7.5% per annum. This is a far cry from the 16.4% average total return we have experienced from the FTSE over the last 20 years.

Meanwhile, stockmarkets continue to struggle to get back to their previous highs — but in vain, because equities are still too expensively valued despite recent falls. Furthermore, many institutional, corporate and individual investors are borrowed, geared or margined to levels such that any significant price fall in equities would prove to be not only extremely painful but also self-feeding.

Against this deterioration of the risk/reward ratio for equities, we wait for irrational expectations to give way first to irrational resentment (when and if equity markets fall significantly further) and ultimately for irrational pessimism to become the order of the day. That day is worth waiting for, because irrational pessimism brings glorious opportunities for the rational investor.

The current slowdown in the US economy will have considerable effects on corporate profits. Can interest rate reductions by Alan Greenspan turn the tide in 2001 and avert a recession? Even if the two and a half percentage point reduction in Fed rates since January does achieve this, the dramatic slowdown in growth we have already seen will still feel like a recession to the corporate sector. The shift in the US economy from high to much lower (if any) growth will eventually expose all sorts of economic misdemeanours and financial imbalances and indulgences. Only when the tide is fully out will we see what's left on the beach.

Shareholders are aware that we believe a high level of portfolio turnover to be an almost guaranteed way of underperforming the index and activity this past year was even more restrained than usual. We believe equities still to be overvalued and that the least bearish prospect is that markets will move sideways for a number of years. If, however, investors give up waiting for performance, markets will tumble. When this happens, Personal Assets will be an enthusiastic buyer of equities and will then borrow to invest even further.



Investment Director

THE BOARD'S POLICIES FOR PERSONAL ASSETS

The Management of Personal Assets

Personal Assets is run by its Board. The day-to-day management of the portfolio is the responsibility of Ian Rushbrook, the Investment Director. Robin Angus works alongside Ian and they meet with the Chairman once a week. The Board takes all major decisions collectively.

The Board's Investment Philosophy

The Board's aim is to protect and increase the value of shareholders' funds over the long term. We seek to achieve as high a total return on shareholders' funds as possible given our dislike of a level of risk significantly greater than that of investing in our benchmark, the FTSE All-Share Index. As long-term investors we measure our net asset value performance against our benchmark over rolling three-year periods. We distrust investment theories and 'investment styles', trying instead to be prudent and flexible and to use our common sense.

Guidelines for Decision-Making

There are, however, some guidelines the Board follows in making investment decisions.

- **Stable, Long-Term Investing.** We dislike high turnover because it costs money. It also wastes opportunity, since good investments often take time to achieve their potential. One of an investment manager's greatest temptations is to take a profit on a good investment too early. Another is to feel that one must justify one's existence by "*doing something*". We try to resist both these temptations.
- **Making Worthwhile Investment Decisions.** It is difficult to make good decisions. Because of this, we work hard at the decisions we do make and we want our decisions to have an appreciable effect on our net asset value per share. It would therefore be unusual for us to buy or sell a quantity of securities worth less than 2% of shareholders' funds.
- **International Diversification.** Most of our shareholders are UK residents or expatriates whose personal liabilities are denominated mainly in Sterling. We also assume that they may have invested a significant proportion of their net worth in the Company. The need for such shareholders to match their long-term Sterling liabilities with assets denominated in the same currency suggests that it is prudent for our portfolio to have a high Sterling content. A degree of international diversification will sometimes be desirable in order to reduce risk. A suitable overseas, or non-Sterling, risk exposure for Personal Assets might be as high as 40% of total assets. But it might also, depending on circumstances, be zero.
- **Recognising Our Limitations.** We cannot satisfy all the needs of every shareholder. Personal Assets does not seek to offer one-stop investment shopping for global investors, although we do intend it to supply most of the necessities of life for Sterling-based equity investors. We stick to what we know about and investors who want a stake in specialised investment areas should look for it elsewhere, over and above their shareholdings in Personal Assets.
- **Equity Exposure, Gearing, Liquidity And Derivatives.** Personal Assets is an equity investor. So we accept the basic risks of equity investment by maintaining, in normal circumstances, a fully invested portfolio. Markets may from time to time look particularly attractive and we may want to increase our market exposure to more than 100% of shareholders' funds. This we may do through using either borrowed funds or derivatives (*futures, options, warrants and the like*). Alternatively, sometimes the Board may believe markets to be considerably overvalued. We may then either hold part of our resources in cash or short-term fixed-interest securities, or use derivatives as a way to preserve capital.
- **Fixed-Interest Securities.** Personal Assets may from time to time hold fixed interest securities as an alternative to holding cash on deposit. It is not tax-efficient for investment trusts to hold fixed-interest gilts for capital gain and Personal Assets does not do so. This does not, however, apply to the preference shares of UK companies or to fixed-interest securities overseas.

THE BOARD'S POLICIES FOR PERSONAL ASSETS (CONT'D)

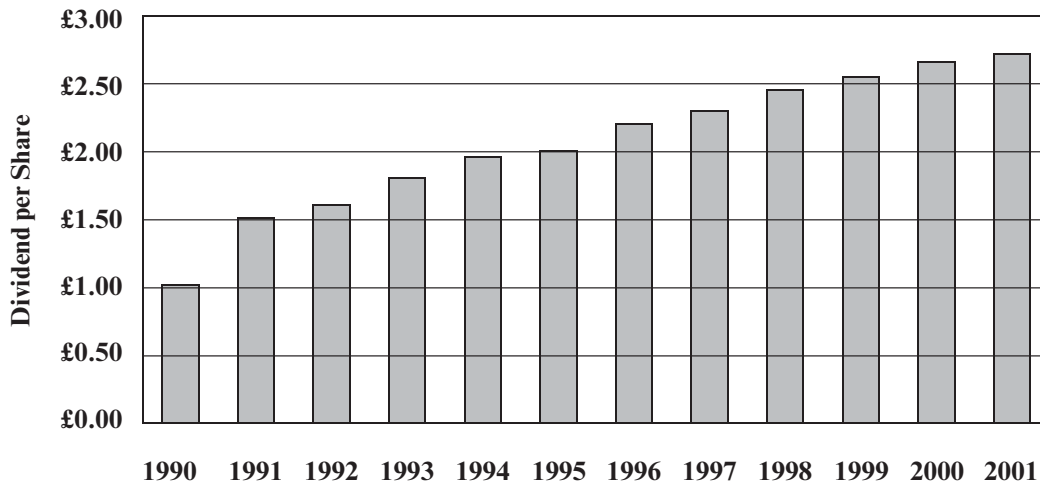
- **Currencies.** If a foreign currency in which we held portfolio investments (at present this is only the US Dollar) looked dangerously overvalued we would be prepared to sell it forward, to lock in gains and protect the Sterling value of our foreign investments.
- **Unlisted Investments.** The Board believes that for a trust like Personal Assets, investing in unlisted takes more time and energy than it is worth.
- **Use Of Other Investment Trusts.** Personal Assets may from time to time hold shares in other investment trusts if these look attractive compared to other equities. In addition, if we felt confident about the attractions of an area in which we lacked expertise, or to which we could not commit sufficient money to achieve our required degree of diversification of risk within it, we would buy shares in other investment trusts which provided the services we wanted.

Dividend Policy

Our dividend policy is to pay as high a dividend as is compatible with ensuring that future dividend payments are as secure as they reasonably can be, and preserving a high degree of flexibility in investment strategy. We intend the present dividend rate of £2.70 per share (double the last interim dividend of £1.35) to grow at least in line with inflation. It is also our policy never to cut the dividend rate. Shareholders can therefore be confident that each half-yearly payment will at least equal the previous one.

Personal Assets has an advantage over many investment trusts in that it has a bigger than average Revenue Reserve. Our Group Revenue Reserve stands at £5.17 per share, nearly twice the current rate of dividend payment. This would give us the ability to maintain or increase the dividend at times when we thought it right to hold a portfolio with a much lower average yield than at present.

Dividend Record 1990-2001



INVESTMENT TRUSTS FOR INDIVIDUAL INVESTORS

Advantages of Investing Through Investment Trusts

Higher-rate taxpayers or people who have substantial capital derive considerable advantages from investing through investment trusts rather than managing their own portfolios directly or through a financial adviser.

- Such people often do not have the time or the specialist expertise to devote their full attention to their investment portfolios. Investment trusts offer them the benefit of full-time, professional portfolio management, while the direct relationship between the shareholders and the Board of Directors whom they elect (and who are responsible for performance) ensures accountability for investment decisions.
- Investors who manage their portfolios directly or through an adviser cannot offset the investment management and administration costs they incur against their taxable income. Nor can they offset the interest paid on borrowing for equity investment purposes. Investment trusts, however, can offset all such costs against their pre-tax income.
- Higher-rate taxpayers are also taxed at their top rate of Income Tax (currently 40%) on all realised capital gains in excess of £7,500 per annum. They therefore often find themselves faced with the unwelcome choice of either paying Capital Gains Tax or making unsuitable, tax-driven investment decisions. Investment trusts, however, are wholly free of Capital Gains Tax on gains realised within their portfolios. They can therefore buy and sell investments as required *on investment grounds alone*.

Advantages of Investing Through ISAs

On 6 April 1999 the Government replaced Personal Equity Plans (“PEPs”) with Individual Savings Accounts (“ISAs”). Personal Assets accordingly established a zero-charge ISA in succession to its zero-charge PEP. Full details of the Personal Assets ISA may be obtained from the Company Secretary at the address opposite.

The following points, which may be of special interest to shareholders of Personal Assets, are set out here for information only.

- Shareholders may invest £7,000 each tax year in a Personal Assets ISA. This may be done by way of a lump sum or by monthly direct debit.
- A Personal Assets ISA consists solely of shares of Personal Assets. All the running costs are borne by the Company and there are no charges to investors.
- Investments held in an ISA are free of Capital Gains Tax and there will also be a 10% tax credit paid on dividends in each of the three tax years 2001/02, 2002/03 and 2003/04.
- It had previously been announced that the ISA limit would be £7,000 in 2000/01 and £5,000 in each tax year thereafter. In his March 2001 Budget, however, the Chancellor of the Exchequer increased the limit to £7,000 for each tax year until 2005/06.
- Existing PEPs are unaffected by the launch of ISAs and will retain their tax-free status.
- The quarterly statements sent by Bank of Scotland to holders of a Personal Assets PEP now also contain, where applicable, details of the same holders’ Personal Assets ISAs.

WAYS OF INVESTING IN PERSONAL ASSETS

Introduction

The shares of Personal Assets are listed on the London Stock Exchange and private investors can buy or sell shares by placing an order directly with a stockbroker or by asking their bank manager, lawyer or accountant to do so for them. Alternatively, investments in the Company's shares can be made through the Company's *Individual Savings Account ("ISA")*, *Monthly Investment Plan* or *Single Investment Plan*. Details of these can be obtained from the Company Secretary at the following address:

G R Hay Smith
Company Secretary
Personal Assets Trust plc
One Charlotte Square
Edinburgh EH2 4DZ

Tel: 0131-465 1000

The Board believes that the investment costs for shareholders should be kept as low as possible and therefore *no charges are made by Personal Assets to any shareholders using these investment plans*. In order to minimise the administration costs to Personal Assets, we have set the minimum investment amount for each plan at what we believe to be a level appropriate to the likely needs of our shareholders.

The Personal Assets ISA

The Personal Assets zero-charge Individual Savings Account ("ISA") consists solely of shares of Personal Assets. Subscribers are required to invest the maximum amount in each year. Subscriptions may be made either by lump sum or by monthly direct debit. The monthly direct debit is £580 together with an initial payment sufficient to make up the ISA to the full £7,000.

The Personal Assets Single Investment Plan

The Personal Assets Single Investment Plan accepts lump sums for investment in the Company's shares, the minimum sum being £5,000. As is the case for all Personal Assets investment plans, dividends are automatically reinvested. However, investors who want to invest £5,000 or more in the shares of Personal Assets but to receive their dividends in the normal way can do so using the Single Investment Plan. This requires that investors elect in their application form to have their shares transferred to the main Share Register immediately after the shares have been bought through the Plan.

The Personal Assets Monthly Investment Plan

The Personal Assets Monthly Investment Plan is available by direct debit only. It has a minimum subscription level of £500 per month.

Disposal of Shareholdings

The Directors have established a scheme whereby holders of Personal Assets may sell their shares without incurring any stockbroking costs. Details of the scheme are available from the Company Secretary at the address above.

PORTFOLIO COMPARISONS OF THE COMPANY FOR THE YEAR TO 30 APRIL 2001

COMPANY	30 April 2001 £'000	Purchases/ (Sales) £'000	30 April 2000 £'000	Business Activities of Companies
Scottish & Newcastle	£4,079		£3,901	Brewing, retail and leisure
Royal Bank of Scotland	£3,665	(£176)	£2,256	Banking and related financial services
BP Amoco	£3,135		£2,773	International oil and energy
Barclays	£2,250		£1,642	Banking and related financial services
British Assets Trust	£2,212	£2,235	–	International general investment trust
Bank of Scotland	£2,128		£1,509	Banking and related financial services
Foreign & Colonial Inv Trust	£1,954		£1,886	International general investment trust
British Telecommunications	£1,953		£4,029	Telecommunications
Rentokil Initial	£1,900		£1,757	Environmental and property services
GlaxoSmithKline	£1,847		£1,981	Pharmaceuticals
Shell Transport & Trading	£1,751		£1,567	International oil and energy
Scottish Investment Trust	£1,737		£1,726	International general investment trust
Edinburgh Investment Trust	£1,611		£1,614	UK general investment trust
Airtours	£1,145		£1,219	Holiday tour operator
BAE Systems	£910		£1,083	Aerospace and defence
Marconi	£614		£1,202	Electronics, electrical and power
SMG	£598		£907	Central Scotland TV broadcaster, newspapers
Ivory & Sime ISIS Trust	£581		£529	UK growth investment trust
Bass	£500		£488	Brewing, retail and leisure
Advance UK Trust	£325		£330	UK investment trust of investment trusts
Second London American	£50		£90	USA venture capital investment trust
Broadgate Investment Trust	–	(£1,388)	£1,296	UK general investment trust
SEEL	–	(£267)	£168	Data communications company (unlisted)
The Edinburgh Agency	£436		£332	Wholly owned consultancy company
Personal Assets Investments	£139		£131	Wholly owned investment company
UK EQUITIES	£35,520	£404	£34,416	
Philip Morris	£1,402		£564	Tobacco, brewing, soft drinks, packaged foods
Dover Corp	£1,365		£1,638	Elevators and general engineering products
Bristol-Myers Squibb	£1,251		£1,082	Pharmaceuticals
Alltel Corp	£1,145		£1,289	Local, toll, network and other telephone services
APW	£422		£1,329	Custom integrated electronic enclosure systems
Actuant Corp	£154		–	Tools, supplies and engineered solutions
USA EQUITIES	£5,739	–	£5,902	
US Infl. Index 3.875% 15/01/09	£17,781	£16,753	–	
US Treas. Strip 0% 15/05/01	£17,585	£16,989	–	
US Treas. Strip 0% 15/05/00	–	(£11,644)	£11,360	
UK Treasury 13% 14/07/00	–	(£9,569)	£9,632	
Aberdeen Dev Cap ZDP	–	(£4,202)	£4,030	
Net Current Assets	£1,375	(£7,036)	£8,411	
LIQUIDITY TOTAL	£36,741	£1,291	£33,433	
SHAREHOLDERS' FUNDS	£78,000	£4,249	£73,751	

COMPARATIVE VALUES	30 April 2001	% Change over Year	30 April 2000
SHARE PRICE	£208.50	3.2	£202.00
NET ASSET VALUE/SHARE	£207.03	3.6	£199.80
FTSE ALL-SHARE INDEX	2,869.04	(4.4)	3,001.92

RECORD

Date 30 April	Shareholders' Funds £'000	Net Asset Value per Share	Share Price	Earnings per Share	Dividend per Share
Launch Sept 1983	5,397	£36.15	£22		
1984	4,797	£32.13	£30	£0.43	£0.40
1985	6,011	£40.26	£39	£0.21	£0.20
1986	6,988	£46.80	£40	£0.38	£0.35
1987	9,168	£61.40	£54	£0.61	£0.50
1988	8,283	£55.47	£44	£1.12	£1.00
1989	9,174	£61.44	£51	£1.46	£1.25*
1990	8,462	£56.67	£39 ¹ / ₂	£1.09	£1.00
1991	9,006	£60.32	£48 ¹ / ₂	£1.45	£1.50
1992	10,589	£70.92	£66	£1.67	£1.60
1993	11,441	£75.18	£81 ¹ / ₂	£2.52	£1.80
1994	12,987	£85.34	£89 ¹ / ₂	£2.12	£1.95
1995	13,939	£91.59	£87	£2.00	£2.00
1996	19,473	£115.11	£118 ¹ / ₂	£2.90	£2.20
1997	27,865	£133.89	£141 ¹ / ₄	£3.01	£2.30
1998	48,702	£180.21	£199 ¹ / ₂	£3.57	£2.45
1999	65,200	£201.26	£202 ¹ / ₂	£3.67	£2.55
2000	73,751	£199.80	£202	£2.98	£2.625
2001	78,000	£207.03	£208 ¹ / ₂	£3.27	£2.70

Per share values have been adjusted for the 1 for 100 consolidation of ordinary shares in January 1993.

* Includes special dividend of £0.25 per share.

INDUSTRIAL AND GEOGRAPHIC ANALYSIS OF EQUITY INVESTMENTS OF THE COMPANY

Category	UK £'000	USA £'000	Total £'000	%
Energy	4,886	–	4,886	11.9
Capital Goods	1,524	1,941	3,465	8.4
Consumer	8,169	3,798	11,967	29.0
Financial	16,513	–	16,513	40.0
Others	4,428	–	4,428	10.7
Total	35,520	5,739	41,259	100.0
	86.1%	13.9%	100.0%	

RATE OF EXCHANGE TO STERLING

As at 30 April	2001	2000
US Dollar	1.4308	1.5508

DIRECTORS' REPORT TO MEMBERS

The Directors have pleasure in presenting their Annual Report together with the Accounts of the Company and the Group for the year to 30 April 2001.

PRINCIPAL ACTIVITY AND STATUS

The Company carries on the business of an investment trust and has been approved as such by the Inland Revenue up to 30 April 1999. Subsequently the Company's affairs have been conducted so as to enable it to continue to seek such approval. The Company will continue to seek approval under section 842 of the Income and Corporation Taxes Act 1988 each year. However, under Corporation Tax Self Assessment, which applies to accounting periods ending after 30 June 1999, the Inland Revenue is no longer obliged to give written approval of investment trust status.

The Company has two wholly owned subsidiaries, both incorporated in Scotland: Personal Assets Investments Limited, an investment company, and The Edinburgh Agency Limited, a consultancy company.

A review of the Company's activities is contained in the Chairman's Statement and the Investment Director's Report.

DIVIDEND

	Group £'000
Revenue available for dividends	1,217
First interim dividend (£1.35 per share) paid on 24 November 2000	500
Second interim dividend (£1.35 per share) payable on 25 May 2001	509
	<hr/>
Transfer to Revenue Reserve (£0.55 per share)	208
	<hr/>

MANAGEMENT

The investment management of the Company is carried out by the Company's Investment Director, Ian Rushbrook, who has a rolling twelve-month contract of employment. His salary is calculated on the basis of 0.85% of shareholders' funds, out of which Mr Rushbrook maintains office premises and covers the secretarial fees and various consultancy fees.

Robin Angus is a consultant to the Company and received in respect of this a fee of £50,000 from the Company, included in the 0.85% of shareholders' funds noted above, and a fee of £20,000 from The Edinburgh Agency Limited, a wholly-owned subsidiary of the Company, for the year to 30 April 2001.

Friends Ivory & Sime plc provides secretarial and other corporate services to the Company together with computing facilities and services to Ian Rushbrook used for the investment management of the Company under an agreement that can be terminated by either party at any time by giving one year's notice. The fee to Friends Ivory & Sime plc is calculated on the basis of £25,000 indexed annually to the Retail Price Index as from June 1990.

DIRECTORS

Mr Neilly and Mr Hamilton-Sharp retire by rotation and, being eligible, offer themselves for re-election at the Annual General Meeting.

AUTHORITY TO ALLOT SHARES

A special resolution will be put to the Annual General Meeting to renew the present authority of the Directors to allot for cash Ordinary Shares without application of pre-emption rights.

The Directors have allotted 799 Ordinary Shares between 30 April 2001 and 17 May 2001 and there are now 377,549 Ordinary Shares in issue.

DIRECTORS' REPORT TO MEMBERS (CONT'D)

DIRECTORS' INTERESTS

The Directors' interests in the shares of the Company at 30 April 2001 and 2000 were as follows:

Director	Interest	2001	2000
R P White	Beneficial	800	800
R J Angus	Beneficial	2,142	2,093
J M G Hamilton-Sharp	Beneficial	1,174	1,174
G J Neilly	Beneficial	101	101
I F Rushbrook	Beneficial	26,500	26,500

Mr Rushbrook's holding includes 18,100 shares which are owned by Collective Assets Trust plc, a company of which he owns 69.5% of the issued share capital.

Mr Angus acquired a further 5 shares on 2 May 2001. There have been no other changes in the above holdings between 30 April 2001 and 17 May 2001.

SUBSTANTIAL INTERESTS

The following interests in excess of 3% of the shares of the Company had been declared as at 30 April 2001. The Company's PEP/ISA and Investment Plans have acquired a further 553 and 246 shares respectively between 30 April 2001 and 17 May 2001:

Substantial Holder	Per Cent
Personal Assets Trust PEP/ISA	29.3
Personal Assets Trust Investment Plans	17.0
Collective Assets Trust plc	4.8
F Rushbrook	3.6

CORPORATE GOVERNANCE

The Company complies with the Combined Code on Corporate Governance ("the Code") except that a senior independent director has not been appointed as the Board does not consider this appropriate. In addition, as explained below, the Board does not consider it appropriate for Directors to be appointed for a specified term, as recommended by the Code.

Personal Assets is run by its Board, all of whom, except for Ian Rushbrook, are non-executive directors. All of the non-executive directors except for Mr Angus, who is a consultant to the Company, are considered to be independent. The day-to-day management of the portfolio is the responsibility of Ian Rushbrook, the Investment Director. Robin Angus works alongside Ian and they meet with the Chairman once a week. The Board takes all major decisions collectively and receives full information on the Company's assets, liabilities and other relevant information in advance of Board Meetings. Arrangements to ensure the appropriate level of corporate governance have been made by the Board. The Board believes that these are appropriate to an investment trust and enable the Company to operate within the recommendations of the Code.

DIRECTORS' REPORT TO MEMBERS (*CONT'D*)

Committees comprising the non-executive Directors carry out the functions of Audit, Remuneration and Nomination Committees, and are chaired by the Chairman of the Board.

The Board does not consider it appropriate for Directors to be appointed for a specified term as recommended by the Code. The Articles of Association require that all Directors be subject to re-election by rotation at the Annual General Meeting. The Board has agreed that all Directors should retire by rotation every three years. A Director appointed during the year must retire and be subject to re-election at the first Annual General Meeting following appointment.

The non-executive directors receive fees from the Company but do not have contracts of employment or receive pension benefits. The maximum fees payable to them in aggregate each year is laid down in the Articles of Association and presently stands at £60,000. Any increase in that figure must be approved by the shareholders. Details of the contract with the Investment Director and the consultancy arrangement with Mr Angus are shown in the Directors' Report on page 14, and the emoluments paid to the Directors during the year are shown in note 5 to the accounts. The Investment Director does not receive pension benefits, share options, bonuses or any other incentives from the Company.

Individual Directors may, at the expense of the Company, seek independent professional advice on any matter that concerns the furtherance of their duties.

The Investment Director, in the absence of explicit instructions from the Board, is empowered to exercise discretion in the use of the Company's voting rights.

The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. It has, therefore, established procedures designed to meet the particular needs of the Company, as well as the risks to which it is exposed, and which are consistent with the guidance provided by the Turnbull Committee. Based principally on Friends Ivory & Sime plc's existing risk based system of internal control, this approach seeks to identify two broad categories of risk: inherent, driven by business type, and strategic, driven by business development. These are then used to create a test matrix which identifies the key functions carried out by the Company, the individual activities undertaken within those functions, the risks associated with each activity and the controls employed to minimise those risks. A residual risk rating is then applied. The test matrix is continually updated and the Board is provided with regular reports highlighting all material changes to the risk ratings and confirming the action which has, or is being taken. A formal annual review of these procedures is carried out by the Audit Committee. Such procedures have been in place since 1 October 2000 and the Board is satisfied with their effectiveness. By their nature these procedures can provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board has reviewed the need for an internal audit function and has decided that the systems and procedures employed by Friends Ivory & Sime plc in the provision of secretarial and other corporate services, including their internal audit function and the work carried out by the Company's external auditors, provide sufficient assurance that a sound system of internal control, which safeguards shareholders' investment and the Company's assets, is maintained. An internal audit function, specific to the Company, is therefore considered unnecessary.

The Directors believe that the Group and the Company have adequate resources to continue operating and accordingly continue to adopt the going concern basis in preparing the accounts.

RELATIONS WITH SHAREHOLDERS

The Company welcomes the views of shareholders and places great importance on communication with shareholders. The Annual General Meeting of the Company provides a forum, both formal and informal, for shareholders to meet and discuss issues with the Directors of the Company.

DIRECTORS' REPORT TO MEMBERS (CONT'D)

AUDITORS

Ernst & Young has stated that it is intending to transfer its business to a limited liability partnership incorporated under the Limited Liability Partnership Act 2000, to be called Ernst & Young LLP, on 28 June 2001. The directors have consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001. A resolution to re-appoint Ernst & Young LLP as the Company's auditors will be put to the forthcoming Annual General Meeting.

INDIVIDUAL SAVINGS ACCOUNTS

The Company's shares are qualifying investments for the stocks and shares component of an Individual Savings Account.

AUTHORITY TO BUY BACK SHARES

During the year, 8,319 Ordinary Shares were bought back (nominal value of £104,000) and cancelled by the Company. The total consideration for these shares was £1,711,000.

The current authority of the Company to make market purchases of up to 14.99% of the ordinary shares in issue is due to expire on 5 July 2001, the date of the Annual General Meeting. Resolution 6, as set out in the notice of the Annual General Meeting, seeks authority to allow the Company to purchase up to 14.99% of the Ordinary Shares in issue as at the date of the passing of the resolution. The authority will expire on the date of the Company's Annual General Meeting in respect of its financial year ending 30 April 2002 or on 31 December 2002, whichever is earlier. The price paid for shares on exercise of the authority will not be less than the nominal value of £12.50 per share or more than 5% above the average of the middle market quotations of those shares for the five business days before the shares are purchased. The authority will be used only to purchase shares at a price which, after allowing for costs, will not dilute the net asset value. Any shares repurchased under this authority will be cancelled.

By Order of the Board



G R Hay Smith
Secretary
One Charlotte Square
Edinburgh EH2 4DZ
17 May 2001

**CONSOLIDATED STATEMENT OF TOTAL RETURN
(INCORPORATING THE REVENUE ACCOUNT)
FOR THE YEAR TO 30 APRIL 2001**

		2001			2000		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
	Notes						
Gains/(losses) on investments	9	–	4,778	4,778	–	(103)	(103)
Exchange differences	11	–	(2,025)	(2,025)	–	(441)	(441)
Income	2	1,797	–	1,797	1,652	–	1,652
Investment management fee	3	(239)	(443)	(682)	(210)	(390)	(600)
Other expenses	4	(187)	–	(187)	(239)	–	(239)
Return on ordinary activities before tax		1,371	2,310	3,681	1,203	(934)	269
Tax on ordinary activities	6	(154)	128	(26)	(165)	120	(45)
Return attributable to equity shareholders	12, 13	1,217	2,438	3,655	1,038	(814)	224
Dividends in respect of ordinary shares	7	(1,009)	–	(1,009)	(942)	–	(942)
Transfer to/(from) reserves		208	2,438	2,646	96	(814)	(718)
Return per ordinary £12.50 share:	8	£3.27	£6.55	£9.82	£2.98	(£2.34)	£0.64

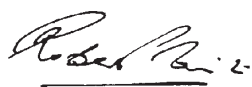
The revenue column of this statement is the revenue account of the Group.
All revenue and capital items in the above statement derive from continuing operations.

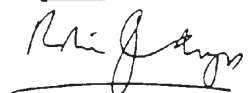
The Accounting Policies on page 21 and the Notes on pages 22 to 29 form part of these accounts.

BALANCE SHEETS AS AT 30 APRIL 2001

	Notes	Group		Company	
		2001 £'000	2000 £'000	2001 £'000	2000 £'000
Fixed assets					
Investments	9	76,050	64,877	76,625	65,340
Current assets					
Investments held by subsidiary		–	9	–	–
Debtors:					
Dividends receivable		322	484	322	484
Due from brokers		–	365	–	365
Fees receivable		69	10	–	–
Due from subsidiary		–	–	87	51
Tax recoverable		63	–	63	–
Other debtors		3	–	3	–
Cash at bank and on deposit	15, 17	2,141	11,226	1,534	10,693
		2,598	12,094	2,009	11,593
Creditors: amounts falling due within one year					
Due to brokers		–	(2,191)	–	(2,191)
Other creditors	18	(139)	(540)	(125)	(502)
Dividend payable		(509)	(489)	(509)	(489)
		(648)	(3,220)	(634)	(3,182)
Net current assets		1,950	8,874	1,375	8,411
Net assets		78,000	73,751	78,000	73,751
Capital and reserves					
Called up share capital	10	4,709	4,614	4,709	4,614
Share premium account	11	12,943	9,828	12,943	9,828
Capital redemption reserve	11	157	53	157	53
Special reserve	11	23,588	25,299	23,588	25,299
Capital reserve – realised	11	15,738	14,645	15,738	14,645
Capital reserve – unrealised	11	18,919	17,574	19,481	18,024
Revenue reserve	11	1,946	1,738	1,384	1,288
Equity shareholders' funds	12, 13	78,000	73,751	78,000	73,751
Net asset value per share:	12	£207.03	£199.80	£207.03	£199.80

The accounts on pages 18 to 29 were approved by the Board on 17 May 2001 and signed on its behalf by:


 R P White, Director


 R J Angus, Director

The Accounting Policies on page 21 and the Notes on pages 22 to 29 form part of these accounts.

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR TO 30 APRIL 2001

	2001 £'000	2000 £'000
	Notes	
Operating activities		
Investment income received	1,471	920
Deposit interest received	299	238
Other income	48	99
Investment management fees	(681)	(600)
Directors' fees	(49)	(44)
Other cash payments	(198)	(197)
Net cash inflow from operating activities	14 890	416
Taxation	(34)	210
Capital expenditure and financial investment		
Purchase of investments	(63,507)	(29,200)
Disposal of investments	55,286	27,555
Net cash outflow from capital expenditure and financial investment	(8,221)	(1,645)
Equity dividends paid	(989)	(877)
Financing		
Allotment of new shares	3,314	10,079
Shares bought back	(1,711)	(810)
Net cash inflow from financing	1,603	9,269
(Decrease)/increase in cash	15 (6,751)	7,373

The Accounting Policies on page 21 and the Notes on pages 22 to 29 form part of these accounts.

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

Basis of Preparation

The accounts are prepared under the historic cost convention modified to include the revaluation of fixed asset investments and in accordance with applicable accounting standards and with the Statement of Recommended Practice for Financial Statements of Investment Trust Companies.

Basis of Consolidation

The consolidated statement of total return and balance sheet include the accounts of the Company and its subsidiary undertakings made up to 30 April 2001. No statement of total return is presented for the Company, as permitted by section 230 of the Companies Act 1985.

Investments

Listed investments are valued at middle market prices. Unlisted investments are valued by the Directors on the basis of all the information available to them at the time of valuation. Current asset investments are valued at the lower of cost or market value.

Capital Reserves

Capital Reserve – Realised

Gains and losses on realisation of investments and realised exchange differences are accounted for in this reserve.

Capital Reserve – Unrealised

Increases and decreases in the valuation of investments held at the year end and unrealised exchange differences are accounted for in this reserve.

Income

Dividends are recognised as income on the date that the related investments are marked ex-dividend.

In accordance with FRS16 ('Current Tax'), dividend income is shown excluding any associated tax credit.

Deposit income and interest from fixed interest securities are included on an accruals basis.

Expenses

All expenses are accounted for on an accruals basis. Expenses are charged to revenue except those incurred in the maintenance and enhancement of the Company's assets and taking account of the expected long-term returns, as follows:

Investment management fees have been allocated 35% to revenue and 65% to capital.

Foreign Currency

Transactions denominated in foreign currencies are recorded at the actual exchange rate as at the date of the transaction. Monetary assets denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end. Forward currency contracts are valued at the year end rates of exchange and resulting gains or losses are offset against the unrealised gains or losses on the related investments.

NOTES TO THE ACCOUNTS (CONT'D)

	2001	2000
	£'000	£'000
2. INCOME		
Income from investments		
Franked investment income	848	640
Investment income from fixed interest securities	419	582
Overseas dividends	124	107
	1,391	1,329
Other income		
Deposit interest	297	238
Income from group undertakings	109	85
Total income	1,797	1,652
Total income comprises		
Dividends	972	747
Fixed interest securities	419	582
Other income	406	323
	1,797	1,652
Income from investments		
Listed UK	975	1,192
Listed overseas	416	107
Unlisted	–	30
	1,391	1,329

Income from group undertakings relates to the revenues of the Company's subsidiaries. Further details are set out in Note 19.

	2001			2000		
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
3. INVESTMENT MANAGEMENT FEE						
Investment management fee	239	443	682	210	390	600

Details of the above fee, together with details of the secretarial fee, are included in the Directors' Report on page 14.

	2001	2000
	£'000	£'000
4. OTHER EXPENSES		
Directors' fees	47	44
Auditors' remuneration for:		
– audit	9	9
– other services to the group	3	3
Other	128	183
	187	239

NOTES TO THE ACCOUNTS (CONT'D)

5. DIRECTORS' EMOLUMENTS

The Investment Director, the highest paid Director, received remuneration amounting to £620,500 (2000: £538,000). The Chairman received a fee of £13,000 (2000: £12,500). The remuneration of Mr Angus was £78,500 (2000: £78,000). Mr Hamilton-Sharp and Mr Neilly each received £8,500 (2000: £8,000). The remuneration of the Investment Director and Mr Angus each includes a fee of £8,500 (2000: £8,000).

	2001			2000		
6. TAX ON ORDINARY ACTIVITIES	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Overseas taxation	18	–	18	16	–	16
Corporation tax at 30% (2000: 30%)	138	(128)	10	149	(120)	29
Prior year adjustment	(2)	–	(2)	–	–	–
	154	(128)	26	165	(120)	45

7. DIVIDENDS

Dividends on ordinary shares:

First interim: £1.35 (2000: £1.30)

Second interim: £1.35 (2000: £1.325)

	500	–	500	453	–	453
	509	–	509	489	–	489
	1,009	–	1,009	942	–	942

8. RETURN PER ORDINARY SHARE

£3.27	£6.55	£9.82	£2.98	(£2.34)	£0.64
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The revenue return per ordinary share is based on the net revenue from ordinary activities, after taxation, of £1,217,000 (2000: £1,038,000), and on 372,375 (2000: 348,468) ordinary shares, being the weighted average number in issue during the year.

The capital return per ordinary share is based on a net capital gain for the financial year of £2,438,000 (2000: loss of £814,000) and on 372,375 (2000: 348,468) ordinary shares, being the weighted average number in issue during the year.

NOTES TO THE ACCOUNTS (CONT'D)

	Group	
	2001	2000
	£'000	£'000
9. INVESTMENTS		
Investments listed on a recognised investment exchange	76,050	64,709
Unlisted investments	–	168
Total investments	76,050	64,877

	Group			
	Listed UK	Listed overseas	Unlisted	Total
	£'000	£'000	£'000	£'000
Opening book cost	34,208	12,424	131	46,763
Opening unrealised appreciation	13,239	4,838	37	18,114
Opening valuation	47,447	17,262	168	64,877
Movements in the year				
Purchases at cost	2,235	59,081	–	61,316
Sales – proceeds	(15,361)	(39,293)	(267)	(54,921)
– realised (losses)/gains on sales	(148)	3,374	136	3,362
Increase/(decrease) in unrealised appreciation	772	681	(37)	1,416
Closing valuation	34,945	41,105	–	76,050
Closing book cost	20,934	35,586	–	56,520
Closing unrealised appreciation	14,011	5,519	–	19,530
	34,945	41,105	–	76,050

	Group	
	2001	2000
	£'000	£'000
Equity shares	40,684	39,855
Preference shares	–	4,030
Fixed interest securities	35,366	20,992
	76,050	64,877

Realised gains on sales	3,362	4,217
Increase/(decrease) in unrealised appreciation	1,416	(4,320)
Gains/(losses) on investments	4,778	(103)

NOTES TO THE ACCOUNTS (CONT'D)

	Company	
	2001 £'000	2000 £'000
9. INVESTMENTS (cont'd)		
Investments listed on a recognised investment exchange	76,050	64,709
Unlisted investments	–	168
Subsidiary undertakings	575	463
Total investments	76,625	65,340

	Company			
	Listed UK £'000	Listed overseas £'000	Unlisted £'000	Total £'000
Opening book cost	34,208	12,424	144	46,776
Opening unrealised appreciation	13,239	4,838	487	18,564
Opening valuation	47,447	17,262	631	65,340
Movements in the year				
Purchases at cost	2,235	59,081	–	61,316
Sales – proceeds	(15,361)	(39,293)	(267)	(54,921)
– realised (losses)/gains on sales	(148)	3,374	136	3,362
Increase in unrealised appreciation	772	681	75	1,528
Closing valuation	34,945	41,105	575	76,625
Closing book cost	20,934	35,586	13	56,533
Closing unrealised appreciation	14,011	5,519	562	20,092
	34,945	41,105	575	76,625

	Company	
	2001 £'000	2000 £'000
Equity shares	41,259	40,318
Preference shares	–	4,030
Fixed interest securities	35,366	20,992
	76,625	65,340

Realised gains on sales	3,362	4,217
Increase/(decrease) in unrealised appreciation	1,528	(4,241)
Gains/(losses) on investments	4,890	(24)

NOTES TO THE ACCOUNTS (CONT'D)

10. CALLED-UP SHARE CAPITAL

Authorised:

500,000 ordinary shares of £12.50 each

2001 £'000	2000 £'000
6,250	6,250

Allotted, called-up and fully-paid:

369,121 ordinary shares of £12.50 each at 30 April 2000

15,948 shares issued in respect of allotments

8,319 shares bought back

376,750 ordinary shares of £12.50 each at 30 April 2001

4,614
199
(104)
4,709

During the year 15,948 shares were allotted, raising £3,314,000.

11. RESERVES

Group

At beginning of year
Exchange differences
Premium resulting from allotment of shares
Share buy-backs
Net gain on realisation of investments
Increase in unrealised appreciation
Management fees charged to capital
Corporation tax
Retained net revenue for the year

	Share premium account £'000	Capital Redemption reserve £'000	Special reserve £'000	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Revenue reserve £'000
At beginning of year	9,828	53	25,299	14,645	17,574	1,738
Exchange differences	–	–	–	(1,954)	(71)	–
Premium resulting from allotment of shares	3,115	–	–	–	–	–
Share buy-backs	–	104	(1,711)	–	–	–
Net gain on realisation of investments	–	–	–	3,362	–	–
Increase in unrealised appreciation	–	–	–	–	1,416	–
Management fees charged to capital	–	–	–	(443)	–	–
Corporation tax	–	–	–	128	–	–
Retained net revenue for the year	–	–	–	–	–	208
	12,943	157	23,588	15,738	18,919	1,946

Company

At beginning of year
Exchange differences
Premium resulting from allotment of shares
Share buy-backs
Net gain on realisation of investments
Increase in unrealised appreciation
Management fees charged to capital
Corporation tax
Retained net revenue for the year

At beginning of year	9,828	53	25,299	14,645	18,024	1,288
Exchange differences	–	–	–	(1,954)	(71)	–
Premium resulting from allotment of shares	3,115	–	–	–	–	–
Share buy-backs	–	104	(1,711)	–	–	–
Net gain on realisation of investments	–	–	–	3,362	–	–
Increase in unrealised appreciation	–	–	–	–	1,528	–
Management fees charged to capital	–	–	–	(443)	–	–
Corporation tax	–	–	–	128	–	–
Retained net revenue for the year	–	–	–	–	–	96
	12,943	157	23,588	15,738	19,481	1,384

NOTES TO THE ACCOUNTS (CONT'D)

12. NET ASSET VALUE PER SHARE

The net asset value per share and the net asset value attributable to the ordinary shares at the year end were as follows:

	Net asset value per share attributable		Net asset value attributable	
	2001 £	2000 £	2001 £'000	2000 £'000
Ordinary shares	207.03	199.80	78,000	73,751

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

	Ordinary shares £'000
Total net assets attributable at beginning of year	73,751
Total recognised gains and losses for the year	3,655
Dividends declared in the year	(1,009)
Capital subscribed	3,314
Share buy-backs	(1,711)
Total net assets attributable at end of year	78,000

Net asset value per ordinary share is based on net assets shown above and 376,750 (2000: 369,121) ordinary shares, being the number of ordinary shares in issue at the year end.

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2001 £'000	2000 £'000
Opening shareholders' funds	73,751	65,200
Premium resulting from allotment of shares	3,115	9,462
Increase in share capital	199	617
Share buy-backs	(1,711)	(810)
Dividends declared on ordinary shares	(1,009)	(942)
Total recognised gains and losses for the year	3,655	224
Closing shareholders' funds	78,000	73,751

14. RECONCILIATION OF NET REVENUE BEFORE TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2001	2000
Net revenue before taxation	1,371	1,203
Tax on investment income	(82)	(16)
Investment management fees charged to capital	(443)	(390)
Decrease/(increase) in debtors	100	(379)
Decrease in creditors	(56)	(2)
Net cash inflow from operating activities	890	416

NOTES TO THE ACCOUNTS (CONT'D)

15. RECONCILIATION OF NET CASH FLOW TO MOVEMENTS IN NET FUNDS

(Decrease)/increase in cash
 Effect of foreign exchange rates
 Change in net funds
 Net funds at the beginning of the year
Net funds at the end of the year

2001 £'000	2000 £'000
(6,751)	7,373
(2,334)	(192)
(9,085)	7,181
11,226	4,045
2,141	11,226

ANALYSIS OF NET FUNDS

Cash at bank and on deposit

2,141	11,226
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16. FINANCIAL INSTRUMENTS

The Group holds investments in listed and unlisted companies and holds cash balances. The Group may from time to time enter into forward currency contracts. Cash balances are held for future investment and forward currency contracts are used to manage the exchange risk of holding foreign investments. Further information is given in 'The Board's Policies For Personal Assets' on pages 8 and 9.

The fair value of all financial assets and liabilities is not materially different from the carrying value. Forward currency contracts are valued at current exchange rates.

Short-term debtors and creditors are excluded from disclosure as allowed by FRS 13.

17. INTEREST RATE RISK

Floating rate

When the Group holds cash balances, such balances are held on overnight deposit accounts and call deposit accounts. The benchmark rate which determines the interest payments received on cash balances is the bank base rate, which at 30 April 2001 was 5.50% in the UK (2000: 6.00%) and 4.50% in the US (2000: 6.00%).

Floating interest rate exposure at 30 April 2001:

Sterling
 US Dollars

2001 £'000	2000 £'000
2,132	11,210
9	16
2,141	11,226

Fixed rate and zero rate

The Group may from time to time hold fixed interest or zero interest investments.

At 30 April 2001 the Group held:

0% US Treasury Strip 15/05/2001
 3.875% US Inflation Index Stock 15/01/2009

£'000	Period until maturity
17,585	15 days
17,781	7.71 years

At 30 April 2000 the Group held:

13% UK Treasury 14/07/2000
 0% US Treasury Strip 15/05/2000

9,632	75 days
11,360	15 days

NOTES TO THE ACCOUNTS (*CONT'D*)

18. FOREIGN CURRENCY RISK

The Group invests in overseas securities and holds foreign currency cash balances.

Currency exposure at 30 April 2001:

US Dollars

Fixed asset investments
Cash

2001 £'000	2000 £'000
5,739	5,902
9	16
5,748	5,918

At 30 April 2001 the sterling value of the US Treasury Strip was protected by a forward currency contract. The unrealised loss of £71,000 (2000: unrealised loss of £395,000) on the forward currency contract at 30 April 2001 is included in other creditors.

19. SUBSIDIARY UNDERTAKINGS

As at 30 April 2001, Personal Assets Trust's subsidiary undertakings, which have been consolidated, were as follows:

Company	Country of Incorporation and Operation	Description of shares held	% of Class held	% of Equity held	Value 30 April 2001
The Edinburgh Agency Ltd	Scotland	Ordinary £1 shares	100.0	100.0	£436,000
Personal Assets Investments Ltd	Scotland	Ordinary £1 shares	100.0	100.0	£139,000

The Edinburgh Agency Ltd generates revenues from the development of investment ideas. Its revenues for the year to 30 April 2001 amounted to £113,000 and its profits after tax to £104,000.

Personal Assets Investments Ltd undertakes investment activities. Its revenues for the year to 30 April 2001 amounted to £9,000 and its profits after tax to £8,000.

DIRECTORS' RESPONSIBILITY STATEMENT AND AUDITORS' REPORT

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are required by law to prepare accounts for each financial period which give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial period and of the revenue of the Group for that period.

They are also responsible for ensuring that adequate accounting records are maintained and that the assets of the Company and the Group are safeguarded and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The accounts have been prepared on a going concern basis, appropriate accounting policies have been used and consistently applied and reasonable and prudent judgements and estimates have been made in the preparation of the accounts. Applicable UK accounting standards have been followed.

REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF PERSONAL ASSETS TRUST PLC

We have audited the accounts on pages 18 to 29 which have been prepared under the historical cost convention as modified by the revaluation of fixed asset investments and the accounting policies set out on page 21.

Respective Responsibilities of the Directors and Auditors

The Directors are responsible for preparing the Annual Report. As described above, this includes responsibility for preparing the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority and by our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, 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 the information specified by law or the Listing Rules regarding Directors' remuneration and transactions with the Group is not disclosed.

We review whether the corporate governance statement on pages 15 and 16 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal controls cover all risks and controls, or form an opinion on the effectiveness of either the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

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 accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 30 April 2001 and of the revenue of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



ERNST & YOUNG
Registered Auditor, Edinburgh
17 May 2001

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the twentieth Annual General Meeting of Personal Assets Trust Public Limited Company will be held at One Charlotte Square, Edinburgh, on Thursday, 5 July 2001 at 12:30 pm for the following purposes:

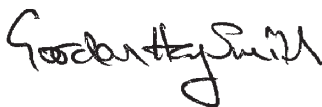
To consider and, if thought fit, pass the following Ordinary Resolutions:

1. That the Report and Accounts for the year to 30 April 2001 be received.
2. That Mr G J Neilly, who retires by rotation, be re-elected as a Director.
3. That Mr J M G Hamilton-Sharp, who retires by rotation, be re-elected as a Director.
4. That Ernst & Young LLP be re-appointed as Auditors and that the Directors be authorised to determine their remuneration.

To consider and, if thought fit, pass the following resolutions which will be proposed as Special Resolutions:

5. That, in substitution for any existing authority under section 95 of the Companies Act 1985 ("the Act"), but without prejudice to the exercise of any such authority prior to the date hereof, the Directors be and are hereby generally and unconditionally authorised, pursuant to section 95(1) of the Act, to allot ordinary shares of £12.50 each for cash in accordance with the authority conferred on them as if subsection 89(1) of the Act did not apply to such allotment, up to an aggregate nominal amount of £1,530,637.50, such power to expire, unless renewed, on the date of the next Annual General Meeting after the passing of this resolution.
6. That, in substitution for any existing authority, the Company be authorised, in accordance with section 166 of the Companies Act 1985 ("the Act"), to make market purchases (within the meaning of section 163(3) of the Act) of ordinary shares of £12.50 each ("Shares") in the share capital of the Company, provided that:
 - (i) the maximum number of Shares hereby authorised to be purchased shall be 14.99 per cent of the issued ordinary shares on the date on which the resolution is passed;
 - (ii) the minimum price (exclusive of costs) which may be paid for a Share shall be £12.50;
 - (iii) the maximum price (exclusive of costs) which may be paid for a Share shall be 105 per cent of the average of the middle market quotations (as derived from the Daily Official List of the London Stock Exchange) for the Shares for the five business days immediately preceding the date of purchase; and
 - (iv) unless previously varied, revoked or renewed, the authority hereby conferred shall expire on the earlier of the Company's Annual General Meeting in respect of its financial year ending 30 April 2002 and 31 December 2002 save that the Company may, prior to such expiry, enter into a contract to purchase Shares under such authority which will or may be completed or executed wholly or partly after such expiry and may make a purchase of Shares pursuant to any such contract.

By Order of the Board



G R Hay Smith
Secretary
One Charlotte Square
Edinburgh EH2 4DZ

17 May 2001

NOTICE OF ANNUAL GENERAL MEETING (*CONT'D*)

Notes

A member who is entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and, on a poll, vote on her/his behalf. Such a proxy need not be a member of the Company. A form of Proxy for use by members is enclosed with this Report. Completion of the Form of Proxy will not prevent a member from attending the meeting and voting in person.

The contract of service between Mr Rushbrook and the Company and minute of appointment of Mr Angus as a consultant to the Company will be available for inspection at the registered office of the Company prior to the Annual General Meeting.

Members are requested to inform Lloyds TSB Registrars Scotland Limited, 117 Dundas Street, Edinburgh EH3 5ED, of any change of address.