

**PERSONAL  
ASSETS  
TRUST PLC**

**Annual Report  
and Accounts  
for the year ended  
30 April 2003**



## KEY FEATURES 2003

	30 April 2003	30 April 2002
Market Capitalisation	<b>£108 million</b>	£95 million
Shareholders' Funds	<b>£104 million</b>	£92 million
Share Price	<b>£193.75</b>	£209.50
NAV per share	<b>£186.32</b>	£203.38
Premium to NAV	<b>4.0%</b>	3.0%
Dividend per share	<b>£2.90</b>	£2.80
Current dividend rate *	<b>£3.00</b>	

*\* Double the last interim dividend of £1.50. It is 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.*

## PERFORMANCE FOR 3 YEARS TO 30 APRIL 2003 \*

FTSE All-Share Index	<b>-37.0%</b>
NAV per share	<b>-6.7%</b>
Share Price	<b>-4.1%</b>
NAV Outperformance	<b>+48.0%</b>
Share Price Outperformance	<b>+52.2%</b>
Dividend Increase	<b>+10.5%</b>

*\* As long-term investors we measure our net asset value performance against our benchmark, the FTSE All-Share Index, over rolling three-year periods.*



**PERSONAL ASSETS TRUST PLC**  
**ANNUAL REPORT AND ACCOUNTS 30 APRIL 2003**

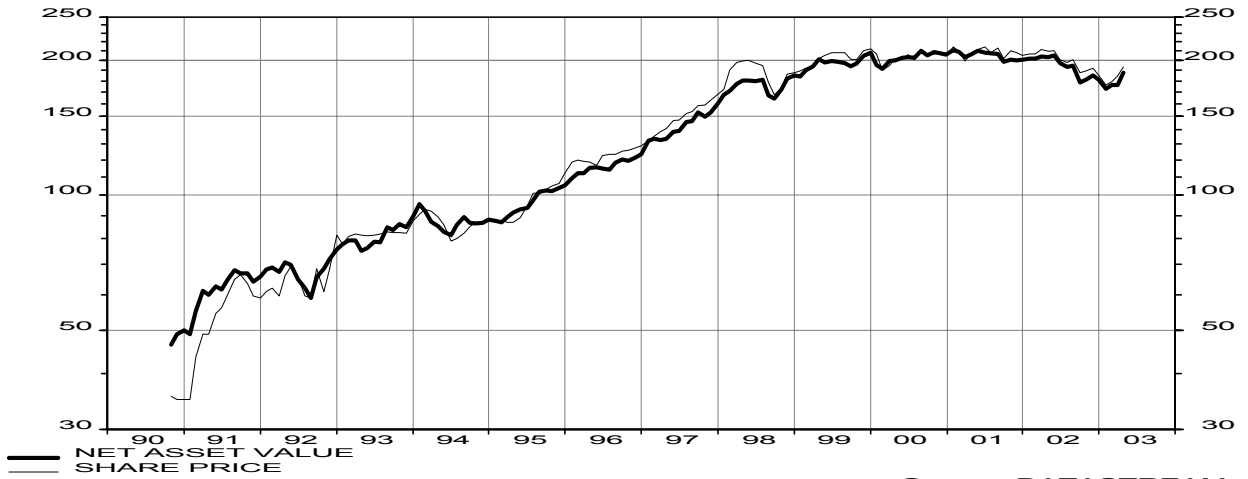
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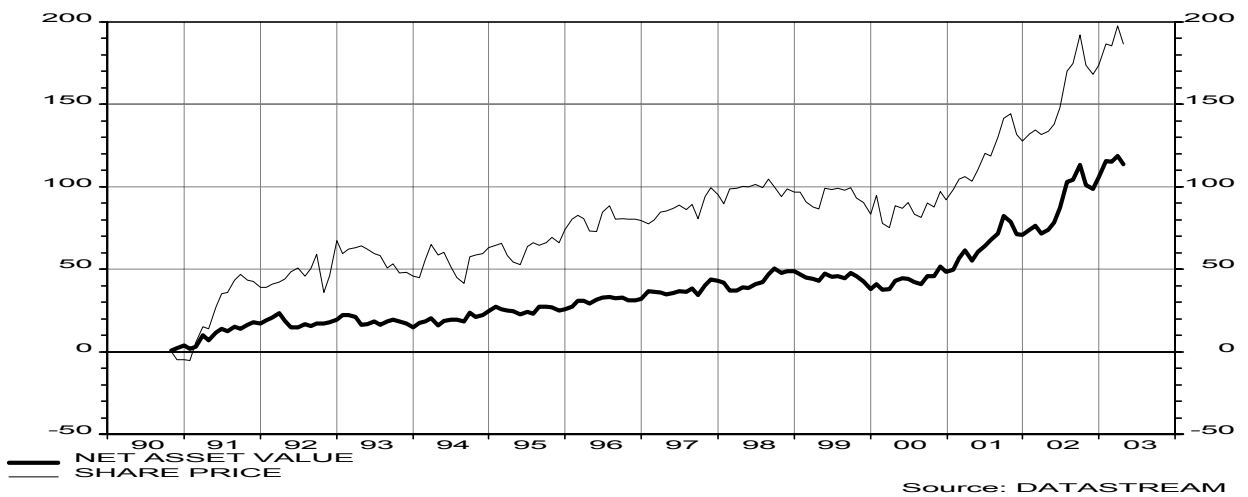
# PERFORMANCE 1990-2003\*

*\*Personal Assets became independently managed in 1990*

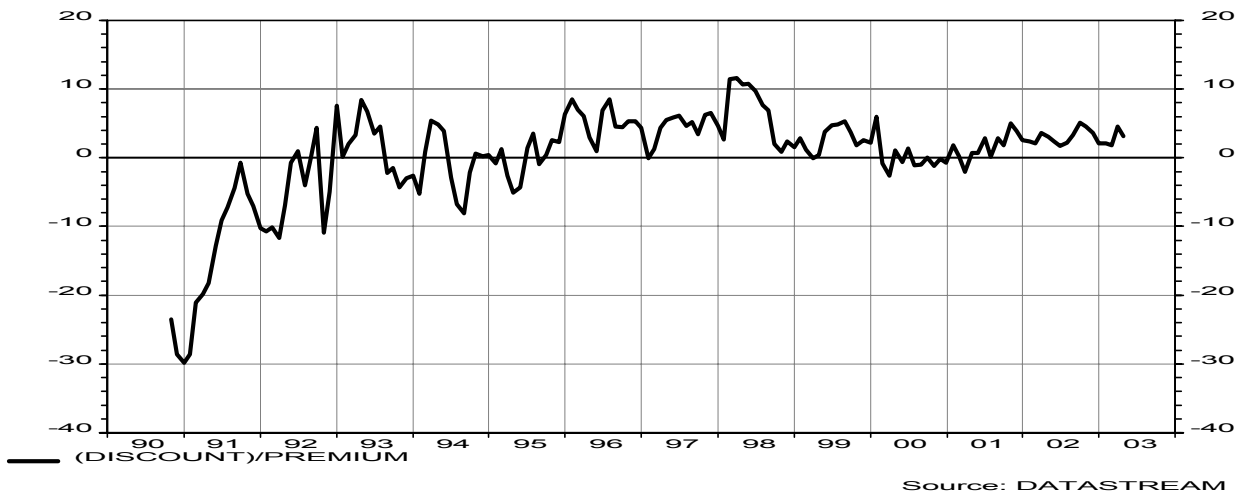
## SHARE PRICE AND NET ASSET VALUE PER SHARE IN POUNDS



## PERFORMANCE RELATIVE TO FTSE ALL-SHARE



## SHARE PRICE (DISCOUNT)/PREMIUM TO NET ASSET VALUE



## **ABOUT PERSONAL ASSETS**

Personal Assets is run for individuals who want to commit a significant proportion of their capital to an investment trust. Our aim is to protect and increase the value of shareholders' funds over the long term and to earn as high a total return as possible at a risk not significantly greater than that of investing in our benchmark index, the FTSE All-Share.

This benchmark is appropriate because shareholders are mostly UK residents or expatriates who need to protect the purchasing power of their assets and see it rise along with the standard of living in the UK. Over the long term, investing in the UK equity market has come to be the most widely recognised way for Sterling investors to guard against inflation and to benefit from UK economic growth.

Personal Assets has a simple capital structure and no policy restrictions. Owned almost entirely by individuals, it need not take account of the differing and at times conflicting objectives of the investing institutions. It is run not by an investment management firm but by its Board. The Directors, with their families, hold 9% of the share capital and run Personal Assets for people like themselves.

## **PERSONAL ASSETS AND ITS SHAREHOLDERS**

The Board envisages that a typical shareholder will either have a substantial amount of capital or expect to build it out of income. Personal Assets provides such shareholders with a more cost-effective and tax-efficient way of managing their equity investments than doing so directly or through a professional adviser. We do not, however, offer global investment coverage and so Personal Assets should not be the only shareholding of any investor who wants this.

Since our practice is to create new shares at close to net asset value to satisfy demand for our Investment Plans, investments (however large) can be made in Personal Assets well within the bid/offer spread and without the need to pay either Stamp Duty or stockbroking commission.

We also assume that a typical shareholder will pay Income Tax at 40% and will be exposed to Capital Gains Tax, so we offer a simple, zero-charge Individual Savings Account ("ISA"). For further information on Personal Assets' ISAs and Investment Plans, please see pages 11-12.

The Board's policy is to ensure that the shares of Personal Assets (unlike those of most other investment trusts) do not sell at other than a nominal discount to net asset value. Not since 1995 have the shares sold at a discount of more than a percentage point or two. Each year we seek authority from shareholders to buy for cancellation up to 14.99% of the Company's shares and we intend also to seek to renew this authority at other times should it prove necessary.

## **CORPORATE INFORMATION**

### **BOARD OF DIRECTORS**

Robert White (Chairman)  
Robin Angus  
Hamish Buchan  
Martin Hamilton-Sharp  
Gordon Neilly  
Ian Rushbrook

### **REGISTRARS**

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

### **INVESTMENT MANAGEMENT**

Ian Rushbrook (*Investment Director*)  
Steven Budge (*Management and Dealing*)  
10 St Colme Street  
Edinburgh EH3 6AA  
Telephone: 0131 225 9995

### **COMPANY SECRETARY**

Gordon Hay Smith  
ISIS Asset Management  
80 George Street  
Edinburgh EH2 3BU  
Telephone: 0131 465 1000

### **BANKERS**

JPMorgan Chase Bank  
125 London Wall  
London EC2Y 5AJ

### **STOCKBROKERS**

Cazenove & Co  
Tokenhouse Yard  
London EC2R 7AN

### **SOLICITORS**

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

### **AUDITORS**

Ernst & Young LLP  
Ten George Street  
Edinburgh EH2 2DZ

### **REGISTERED OFFICE**

80 George Street  
Edinburgh EH2 3BU  
Telephone: 0131 465 1000

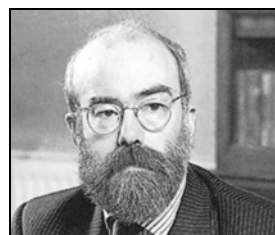


## BOARD OF DIRECTORS

**Bobby White** (67) is Chairman of Personal Assets and has been a director since 1994. 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.



**Robin Angus** (50) has worked in the investment trust sector since 1977 and has been a director of Personal Assets since 1984 (Executive Director since 2003). 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. A director of Collective Assets, he works with Ian Rushbrook at Ian's office in Edinburgh.



**Hamish Buchan** (58) joined the Board in 2001. Formerly Chairman (Scotland) of NatWest Securities, he has worked in the investment trust sector since 1969 and headed the award-winning Wood Mackenzie (later, NatWest Securities) trust research team for many years. A director of several other investment trusts, including Collective Assets, he is a Deputy Chairman of the Association of Investment Trust Companies.



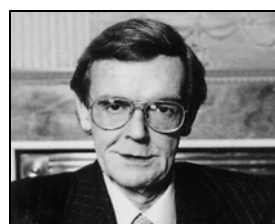
**Martin Hamilton-Sharp** (60) has been a director since 1990 and is also a director of Collective Assets. For over 20 years he was responsible for managing Equitable Life Assurance Society's substantial investment trust portfolio. He later served as a director of Jupiter Asset Management and is also a director of a number of other investment trusts.



**Gordon Neilly** (42), Chief Executive of Intelli Corporate Finance, was previously Finance and Business Development Director of Ivory & Sime (a predecessor company of ISIS Asset Management). Company Secretary of Personal Assets for 10 years, he then joined the Board in 1997 and has considerable experience and knowledge of investment trusts.



**Ian Rushbrook** (62) has been responsible for the successful management of investment trusts for over 30 years and joined the Board of Personal Assets as Investment Director in 1990. A former Deputy Chairman of Ivory & Sime (a predecessor company of ISIS Asset Management, which supplies secretarial and administrative services to Personal Assets), he is also Investment Director of Collective Assets.



## CHAIRMAN'S STATEMENT



For the fourth successive year, our benchmark (the FTSE All-Share Index) has fallen in value, this time by a large percentage. Yet again, Personal Assets has outperformed its benchmark — this year by a truly remarkable 22% — while our preferred three year span for measuring our results reveals an astonishing outperformance of no less than 48%. While all too conscious that our shareholders have got no richer over this period, we are at least glad that (unlike many other investment vehicles) Personal Assets has kept most of their money intact.

After such a miserable period for equities, it would be nice to think that a silver lining for stock markets was visible at last. As you will read in the report opposite, the Investment Manager is far from convinced. The slightly happier note, however, is that our dividend is up by 3.6%. This is in line with our policy of increasing the dividend each year by an amount that at least matches the rate of inflation (currently 3.1%). In bear markets dividends tend to assume greater importance in investors' minds — a healthy corrective to the way in which they are ignored during bull phases.

This year we reached a milestone undreamt of when Ian in 1990 took over as Investment Director of a trust then capitalised at some £5½ million. For the first time ever, our shareholders' funds have exceeded £100 million and our year end market capitalisation was £108 million. This reflects the issue during the year of £20 million worth of new shares. We thought, last year, that £16 million of new investment was an impressive enough figure. Despite the unpropitious background, however, we continue through our zero-charge ISAs and Investment Plans to attract new money at a rate much greater than that of any other investment trust in the sector. Our Investment Plans in total now represent over 44% of Personal Assets' shares in issue.

It is said that bear markets throw up what the auditors miss. They also expose how some of the capital structures of more optimistic times were built on sand. The investment trust industry has been done a great disservice over the past year by the collapse of some split capital trusts. In the final wild stages of a market bubble the prospect of a day of reckoning is overlooked. Few seemed to raise an eyebrow, before flotation, at the borrowing levels of many of these trusts. In consequence, however, the whole sector has been tarred by the same brush and inevitably the Government seems minded to introduce greater and more intrusive supervision and control. The AITC, our trade body, has so far fought successfully against the least desirable of these proposals.

It is easy enough to conclude that the financial world has brought all this new regulation on itself. However, there is also an argument that extra regulation achieves nothing other than imposing huge costs on investors, managers and advisors alike. The principles of personal responsibility and '*caveat emptor*' have fallen victim to today's compensation culture. There is something ludicrous, even obnoxious, in the idea of major financial institutions rolling over and paying 'compensation' for unproven 'mis-selling', fearful of incurring the displeasure of an all powerful Government body. Meanwhile, confidence in all financial institutions has been undermined. It will not quickly be restored — not the best background to pensions shortfalls which threaten many of the population with poverty in old age instead of the prosperous retirement to which they had looked forward.

Another significant event during the year was the publication of the 'Higgs Report' on non-executive directors. Among its remarkable conclusions was one that suggested a Board would be the stronger if it were constantly changing and its members hardly knew each other. Another proposed the appointment of a senior non-executive director as a rival to the Chairman. You will not be surprised to read that your Board does not believe this is how Personal Assets should be run. At least Higgs provides that as long as we explain why we are not implementing the proposals we need not do so.

 Chairman

## INVESTMENT DIRECTOR'S REPORT

The year to 30 April 2003 was an extraordinary one for Personal Assets. We achieved our best ever annual result against our benchmark, the FTSE All-Share Index, outperforming it by an astonishing and almost certainly unrepeatable 21.7%. Yet shareholders actually lost money on their investment in Personal Assets during the year, and Robin pours scorn on anything other than absolute returns. So perhaps it's worth mentioning that shareholders were in aggregate £15m better off than if they had invested in funds which matched the FTSE All-Share. (*And precious few funds managed to achieve even that . . . !*)



Over the last couple of years, comments from Chairmen and Managers such as *'the gearing reduced our performance by x%'* have been appearing in investment trust Reports & Accounts with ever greater frequency. It's almost as if they believed that such gearing was *ex machina* and had nothing to do with their own Board and management decisions to create the gearing in the first place and then to maintain it in falling markets. In contrast, we view our level of liquidity or gearing as probably the most fundamental decision we have to make on behalf of the shareholders of Personal Assets — much more so than which individual stocks we should buy or sell. This is why it always made me uneasy when Robin used to insist on writing about stocks in his Quarterlies. I feared that, far from being truly informative, it actually obscured the reality of what Personal Assets was doing.

We started the year with liquidity of 50%, increasing this during the first quarter to over 60%. Through transactions in FTSE 100 Futures contracts (*see next page*) we then reduced it in pre-planned stages each time the market moved downwards. As a result, by our 30 April 2003 year end we were only (!) 20% liquid. In total, we succeeded in adding over £4 million to shareholders' funds through our use of FTSE 100 Futures contracts to manage our liquidity during the year.

That, however, is history. As always, the key question is just where the market is going from here. My former Senior Partner at Ivory & Sime, Eric Ivory, once said, *'Now is always the most difficult time to make an investment decision.'* His comment was far more profound than I at first appreciated. So let me begin by stating the obvious. The level of valuation of equities affects the levels of both supply and demand; and when supply exceeds demand, then (as in all free markets) prices go down.

***Likely future selling from life and pension funds and the lack of any apparent demand from other equity investors suggests that the UK equity market still has further to fall.***

Moreover, and contrary to the view of many investment professionals, we believe that if future inflation is going to be lower and more stable than in the past then equity valuations should be ***lower*** than historic averages. This is because in a low-inflation environment equities lose their fundamental advantage over fixed interest securities of providing investors with protection against inflation. Yet, although the UK market has fallen for the fourth year running, equity valuations are still considerably ***higher*** than historic averages. This bodes ill for equities. Bear markets do not end until equity valuations become sufficiently attractive to tempt new investors. We are nowhere near such levels.

Therefore, although we are now much less liquid than previously, it isn't because we are any more enchanted with the prospects for equities. It simply reflects the fact that the UK equity market fell by around 25% during the year and we wanted to reduce our liquidity risk. This saved us from being badly caught out by April's 9.0% rise in the FTSE All-Share (the largest monthly percentage increase for over 10 years), but such a rise doesn't make us any less bearish for the medium term. Instead, it suggests that it might be advisable for us to increase our liquidity significantly at current or higher market levels. However, a word of caution is needed following a remarkable year of outperformance. If shareholders think we will get it right all the time, they are wrong. Despite behaving rationally (or even because of it — over the short term the market often defies reason), we will doubtless make many mistakes. We hope you can live with this. I certainly relish the challenge.



Investment Director

## INVESTMENT DIRECTOR'S REPORT (CONT'D)

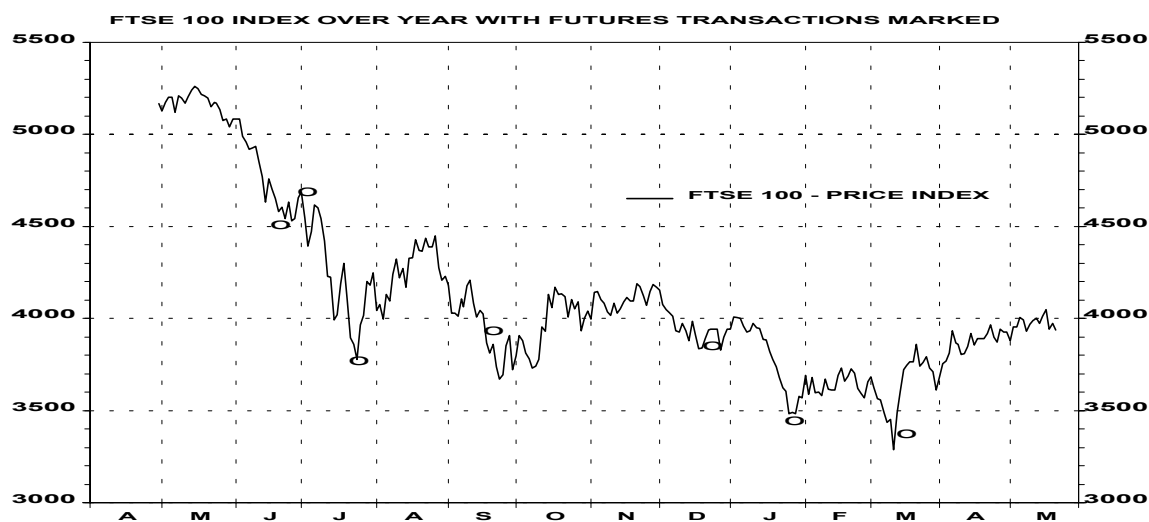
### WHY PERSONAL ASSETS HAS BEEN USING FTSE 100 FUTURES

A public debate concerning derivatives is currently taking place between Warren Buffett of Berkshire Hathaway and Alan Greenspan, Chairman of the Fed. Buffett argues that derivatives are *'Weapons of Wealth Destruction'*, whereas Greenspan argues that they have been hugely helpful in containing financial crises. While both men are right in their different ways, it must be stressed that Personal Assets' use of FTSE 100 Futures bears no relation to the use of derivatives in Warren Buffett's sense.

We have been using FTSE 100 Futures contracts as a way of reducing our liquidity in response to falling markets (making us less vulnerable to a sudden market recovery) while avoiding the extra risk and expense involved in selecting individual stocks. After a £5 million test purchase in June 2002 (*see table*), we have done this in pre-planned stages by buying futures (initially £20 million worth, then in further £10 million tranches) whenever the market has moved downwards by a previously determined percentage. Each time we buy FTSE 100 Futures giving an equity exposure of (say) £10 million, the result is simply that we reduce our effective liquidity by £10 million — nothing more, nothing less. ***FTSE 100 Futures, as used by Personal Assets, carry no derivative risks whatsoever.***

#### Results from the Use of FTSE 100 Futures

Date	Contracts Bought / (Sold)	Contract Expiry Date	Contract Price	£'000s		
				(Cost) / Proceeds	Profit / (Loss)	Cumulative
26-Jun-02	100	Sep-02	4,488	(£4,488)		
01-Jul-02	(100)	Sep-02	4,697	£4,697	£209	£209
24-Jul-02	535	Sep-02	3,730	(£19,953)		
18-Sep-02	(535)	Sep-02	3,924	£20,995	£1,042	£1,251
18-Sep-02	510	Dec-02	3,944	(£20,113)		
18-Dec-02	(510)	Dec-02	3,889	£19,836	(£277)	£974
18-Dec-02	517	Mar-03	3,876	(£20,038)		
27-Jan-03	290	Mar-03	3,442	(£9,982)		
12-Mar-03	(807)	Mar-03	3,345	£26,992	(£3,028)	(£2,054)
12-Mar-03	1,104	Jun-03	3,347	(£36,957)		
30-Apr-03	1,104	Jun-03	3,915	£43,225	£6,268	£4,214



# 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 as an Executive Director and they meet weekly with the Chairman and with other Directors of Personal Assets and our sister trust, Collective Assets. 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 not in yearly 'hops' (as is the usual practice) but over rolling three-year periods.

We distrust all investment theories, processes and 'styles', trying instead to be prudent and flexible and to use our common sense. We do, however, follow guidelines in making investment decisions.

- **Stable, Long-Term Investing.** High turnover 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 one must be constantly justifying one's existence by '*doing something*'. We try to resist these temptations.
- **Investment Decisions that make a Difference.** It is difficult to make good decisions. Because of this, we want our decisions to have an appreciable effect on our net asset value per share. It would thus be unusual for us to buy a quantity of securities worth less than 2% of shareholders' funds or to use derivatives (*see below*) to lessen or increase our equity exposure by less than 5%.
- **International Diversification to reduce Risk.** Most of our shareholders are UK residents or expatriates whose personal liabilities are denominated mainly in Sterling and who may also (we assume) have invested a significant proportion of their net worth in the Company. Their need to match their long-term Sterling liabilities with Sterling assets suggests it is prudent for our portfolio to have a high Sterling content. Some international diversification will at times be desirable in order to reduce risk. Depending on circumstances, a suitable overseas, or non-Sterling, risk exposure for Personal Assets might be as high as 40% of total assets or as low as zero.
- **Recognising our Limitations.** We cannot satisfy all the needs of every shareholder. Our chosen aim is to serve the needs of Sterling-based equity investors (including decisions about gearing and liquidity). Accordingly, shareholders who want a stake in specialised investment areas either in the UK or overseas should look for it elsewhere, over and above their holdings in Personal Assets.
- **Equity Exposure, Gearing, Liquidity and Derivatives.** Although Personal Assets has for several years not been fully invested, this is because the Board has considered that equity markets have been seriously overvalued. In normal circumstances the Board would expect Personal Assets to maintain a fully invested portfolio. When markets look particularly attractive and we want to increase our equity exposure to more than 100% of shareholders' funds, we may do so using either borrowed funds or (*more likely*) derivatives such as FTSE 100 Futures. When we believe markets to be considerably overvalued, we may either hold part of our resources in cash or short-term fixed-interest securities, or use such derivatives as a way of reducing our equity exposure.
- **Fixed-Interest Securities.** Personal Assets may from time to time hold fixed interest securities rather than using derivatives or 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 foreign fixed-interest securities.

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

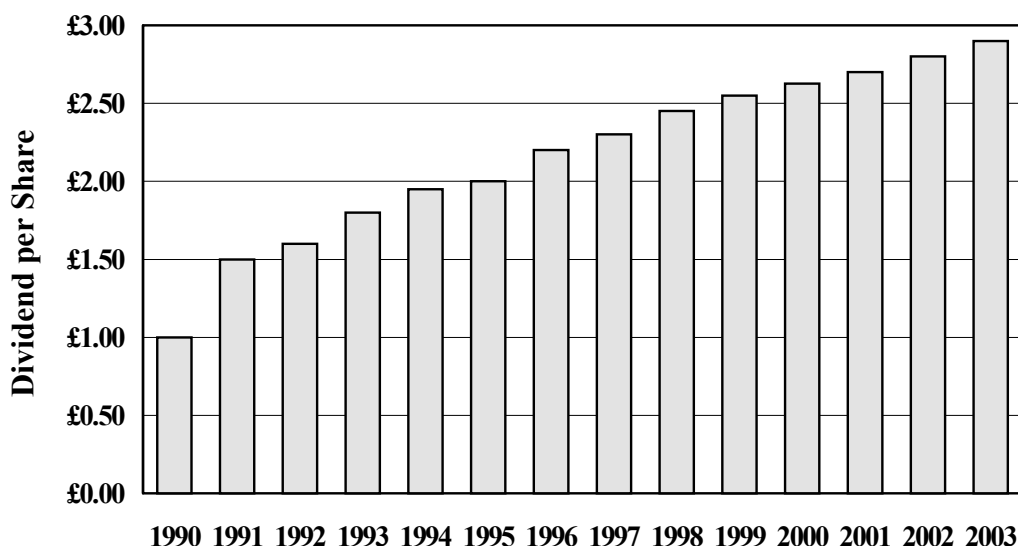
- **Currencies.** If a foreign currency in which we held equity, fixed interest or other investments (at present this is only the US Dollar) looked unsustainably overvalued we would sell forward all our exposure to it, to lock in gains and protect the Sterling value of our foreign investments.
- **Unlisted Investments.** The Board believes that for a trust like Personal Assets, investing in unlisted takes more time and energy than it is worth. We therefore do not do so.
- **Use of other Investment Trusts.** Investment trusts are public limited companies like any other and investing in them can be efficient and rewarding. 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 we would buy shares in other investment trusts which provided the exposure we wanted.

### DIVIDEND POLICY

Our dividend policy is to pay as high a dividend as is compatible with maintaining the investment flexibility we require and ensuring that future dividend payments are as secure and sustainable as they reasonably can be. We intend the present dividend rate of £3.00 per share (double the last interim dividend of £1.50) to grow at least in line with inflation. It is also our policy never to cut the dividend rate, so shareholders know that each half-yearly payment will at least equal the previous one and can work out the current annual rate by doubling the last interim dividend payment.

Personal Assets has an advantage over many investment trusts in that it has a substantial Revenue Reserve. Our Group Revenue Reserve stands at £4.45 per share, nearly one and a half times the present dividend rate. This gives us the ability to adhere to our dividend policy if we thought it right to hold a portfolio with a much lower average yield than at present.

### DIVIDEND RECORD 1990-2003



## INVESTMENT TRUSTS FOR INDIVIDUAL INVESTORS

### ADVANTAGES OF INVESTING THROUGH INVESTMENT TRUSTS

Many years of experience have convinced the Board that higher-rate taxpayers or people who have substantial capital can derive considerable advantages from investing through investment trusts rather than managing their own portfolios directly or through a financial adviser.

- **Professional Management/Board Accountability.** Private investors 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.
- **Tax Efficiency: Income.** Investors managing 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 borrowings for equity investment purposes. *Investment trusts can offset all such costs against their taxable income.*
- **Tax Efficiency: Capital and Purity of Investment Decisions.** Higher-rate taxpayers are taxed at their top rate of Income Tax (currently 40%) on all realised capital gains in excess of £7,900 per annum. Such investors managing their portfolio themselves or through professional advisers will therefore find themselves either paying Capital Gains Tax or being forced into unsuitable, tax-driven investment decisions. Investment trusts, however, are wholly free of Capital Gains Tax on gains realised within their portfolios. *Investment trusts can therefore buy and sell investments as they choose 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. By 30 April 2003 986 account holders held Personal Assets ISAs worth a total of £12 million, representing 10.8% of the Company’s shares in issue. (At the same date, Personal Assets’ ISAs, PEPs and Investment Plans were valued in total at £48 million and represented 44.2% of the Company’s shares in issue.)

Full details of the Personal Assets ISA may be obtained from the Company Secretary at the address on page 4. 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 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 the tax year 2003/04. (The 10% dividend tax credit, however, ceases thereafter.)
- The Government intends the ISA scheme to last for an initial ten years. There will be a review of the scheme after the first seven years, to decide on any changes to be made when the first ten years expire in 2009.
- Existing PEPs are unaffected by the launch of ISAs and retain their tax-free status.

## WAYS OF INVESTING IN PERSONAL ASSETS



**Steven Budge** (*left*) assists Ian Rushbrook in the day to day management of Personal Assets. **Gordon Hay Smith** (*right*) is Company Secretary. Both will be pleased to provide information to shareholders as requested. Their telephone numbers and addresses are on page 4 of this Report.



The shares of Personal Assets are listed in the Official List and traded on the London Stock Exchange and private investors can buy or sell shares by placing an order either directly with a stockbroker or through an Independent Financial Adviser. Alternatively, investments can be made through the Company's **Individual Savings Account ("ISA")**, **Single Investment Plan** or **Monthly Investment Plan**. Details of these can be obtained from the Company Secretary.

The Board believes investment costs for shareholders should be kept as low as possible. **No charges are therefore made by Personal Assets to shareholders using these investment plans.** To minimise administration costs to the Company, we have set the minimum investment for each plan at a level appropriate to what we believe to be 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 must invest the maximum amount permissible 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.

### TRANSFER OF OTHER PEPs/ISAs INTO THE PERSONAL ASSETS PEP/ISA

Transfers may be made into the Personal Assets PEP/ISA of PEPs/ISAs currently managed by other managers. Details are available from the Company Secretary.

### THE PERSONAL ASSETS SINGLE INVESTMENT PLAN

The Personal Assets Single Investment Plan accepts lump sums for investment in the Company's shares, the minimum being £5,000. (There is no maximum and sums of any size can be invested free of Stamp Duty, stockbroking commission and any other charges.) As in 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 by using the Single Investment Plan and electing in their application form to have their shares transferred to the main Share Register immediately after buying them 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 are available from the Company Secretary.



## PORTFOLIO COMPARISONS FOR THE YEAR TO 30 APRIL 2003

COMPANY	30 April 2003 £'000	Purchases/ (Sales) £'000	30 April 2002 £'000	Business Activities of Companies
GlaxoSmithKline	£4,640	£2,410	£2,490	Pharmaceuticals
Royal Bank of Scotland	£3,714	–	£4,454	Banking and related financial services
BP	£3,449	–	£5,094	International oil and energy
HBOS	£3,335	–	£3,786	Banking and related financial services
Scottish & Newcastle	£2,931	–	£5,150	Brewing, retail and leisure
Shell Transport & Trading	£2,099	–	£2,736	International oil and energy
Rentokil Initial	£1,870	–	£2,705	Environmental and property services
Barclays	£1,815	–	£2,524	Banking and related financial services
British Assets Trust	£1,399	–	£2,066	International general investment trust
BT Group	£1,246	–	£1,793	Telecommunications
Foreign & Colonial Inv Trust	£1,239	–	£1,717	International general investment trust
Scottish Investment Trust	£1,008	–	£1,510	International general investment trust
Platinum Investment Trust	£752	£1,000	–	UK smaller companies investment trust
BAE Systems	£349	–	£960	Aerospace and defence
Advance UK Trust	£348	–	£294	UK investment trust of investment trusts
Ivory & Sime ISIS Trust	£306	–	£494	UK growth investment trust
SMG	£242	–	£480	Central Scotland TV broadcaster, newspapers
MyTravel	£220	£1,236	£783	Holiday tour operator
Second London American	£32	–	£55	USA venture capital investment trust
Edinburgh Investment Trust	–	(£775)	£1,309	UK general investment trust
Exposure to FTSE 100 Future	£43,225	–	–	
Gain on FTSE 100 Future	£6,272	–	–	
The Edinburgh Agency Ltd	£581	–	£499	Wholly owned consultancy company
Personal Assets Investments Ltd	£121	–	£193	Wholly owned investment company
<b>UK EQUITY EXPOSURE</b>	<b>£81,193</b>	<b>£3,871</b>	<b>£41,092</b>	
Dover Corp	£899	–	£1,278	Elevators and general engineering products
Altria Group	£769	–	£1,494	Tobacco, brewing, soft drinks, packaged foods
Bristol-Myers Squibb	£689	–	£851	Pharmaceuticals
Actuant Corp	£334	–	£434	Tools, supplies and engineered solutions
Alltel Corp	–	(£799)	£1,019	Local, toll, network and other telephone services
<b>USA EQUITIES</b>	<b>£2,691</b>	<b>(£799)</b>	<b>£5,076</b>	
US Treasury Inflation Indexed Bond 3.875% 15/01/09	£19,584	–	£20,437	
US Treasury Strip 0% 15/08/03	£19,342	–	–	
US Treasury Strip 0% 15/05/02	–	–	£19,668	
Standard Life Sterling Fund	£9,332	–	–	
Standard Life Euro Fund	£3,510	–	£3,279	
BC Property Securities ZDP 2009	£1,125	–	£1,100	
Net Current Assets	£10,772	–	£1,778	
Liability to FTSE 100 Future	(£43,225)	–	–	
<b>LIQUIDITY TOTAL</b>	<b>£20,440</b>	<b>(£25,822)</b>	<b>£46,262</b>	
<b>SHAREHOLDERS' FUNDS</b>	<b>£104,324</b>	<b>£11,894</b>	<b>£92,430</b>	

COMPARATIVE VALUES	30 April 2003	% change over year	30 April 2002
<b>SHARE PRICE</b>	<b>£193.75</b>	<b>(7.5)</b>	<b>£209.50</b>
<b>NET ASSET VALUE/SHARE</b>	<b>£186.32</b>	<b>(8.4)</b>	<b>£203.38</b>
<b>FTSE ALL-SHARE INDEX</b>	<b>1,891.50</b>	<b>(24.7)</b>	<b>2,512.04</b>

## RECORD 1983-2003

Date 30 April	Shareholders' funds £'000	Net asset value per share	Share price	Earnings per share	Dividend per share
Launch					
September 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 <sup>(1)</sup>
<sup>(2)</sup> 1990	8,462	£56.67	£39 ½	£1.09	£1.00
1991	9,006	£60.32	£48 ½	£1.45	£1.50
1992	10,589	£70.92	£66	£1.67	£1.60
1993	11,441	£75.18	£81 ½	£2.52	£1.80
1994	12,987	£85.34	£89 ½	£2.12	£1.95
1995	13,939	£91.59	£87	£2.00	£2.00
1996	19,473	£115.11	£118 ½	£2.90	£2.20
1997	27,865	£133.89	£141 ¼	£3.01	£2.30
1998	48,702	£180.21	£199 ½	£3.57	£2.45
1999	65,200	£201.26	£202 ½	£3.67	£2.55
2000	73,751	£199.80	£202	£2.98	£2.62 ½
2001	78,000	£207.03	£208 ½	£3.27	£2.70
2002	92,430	£203.38	£209 ½	£3.88	£2.80
2003	104,324	£186.32	£193 ¾	£3.40	£2.90

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

<sup>(1)</sup> Includes special dividend of £0.25 per share.

<sup>(2)</sup> Personal Assets became independently managed in 1990.

### INDUSTRIAL AND GEOGRAPHIC ANALYSIS OF EQUITY INVESTMENTS OF THE COMPANY

Category	UK £'000	USA £'000	Total £'000	%
Energy	5,548	–	5,548	16.1
Capital Goods	349	1,233	1,582	4.6
Consumer	8,033	1,458	9,491	27.6
Financial	13,948	–	13,948	40.6
Others	3,818	–	3,818	11.1
Total	31,696	2,691	34,387	100.0
	92.2%	7.8%	100.0%	

### RATE OF EXCHANGE TO STERLING

As at 30 April	2003	2002
US Dollar	1.59825	1.4573

## 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 2003.

### PRINCIPAL ACTIVITY AND STATUS

The Company is an investment company as defined by Section 266 of the Companies Act 1985. It carries on the business of an investment trust and has been approved as such by the Inland Revenue up to 30 April 2002. 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.

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

	<b>Grou</b> <b>p</b> <b>£'000</b>
Revenue available for dividends	1,706
First interim dividend (£1.40 per share) paid on 22 November 2002	(701)
Second interim dividend (£1.50 per share) payable on 23 May 2003	(840)
Transfer to Revenue Reserve (£0.29 per share)	<u>165</u>

### MANAGEMENT

The investment management of the Company is the responsibility of the Board and is carried out on a day to day basis by the Company's Investment Director, Ian Rushbrook. Details of the contract of employment with Ian Rushbrook are disclosed in the Directors' Remuneration Report on pages 19-20.

ISIS Asset Management plc provides secretarial and other corporate services to the Company under an agreement that can be terminated by either party at any time by giving one year's notice. The fee paid to the Secretaries during the year was £40,736 (2002: £39,924). This fee is calculated on the basis of £25,000 per annum indexed annually to the Retail Price Index as from June 1990.

### DIRECTORS' INTERESTS

The Directors who served during the year and their interests in the shares of the Company at 30 April 2003 and 30 April 2002 were as follows:

<b>Director</b>	<b>Interest</b>	<b>2003</b>	<b>2002</b>
Robert White (Chairman)	Beneficial	800	800
Robin Angus	Beneficial	2,250	2,196
Hamish Buchan	Beneficial	204	204
Martin Hamilton-Sharp	Beneficial	1,174	1,174
Gordon Neilly	Beneficial	179	101
Ian Rushbrook	Beneficial	26,500	26,500

Ian Rushbrook's holding includes 18,100 shares which are owned by Collective Assets Trust plc, a company of which he owns 58.5% of the issued share capital.

There have been no changes in the above holdings between 30 April 2003 and 15 May 2003.

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

### SUBSTANTIAL INTERESTS

The following interests of 3% or more of the shares of the Company had been declared as at 30 April 2003. The Company's PEP/ISA and Investment Plans have acquired a further 865 and 1,025 shares between 30 April 2003 and 15 May 2003.

Substantial Holders	Shares Held	%
Personal Assets Trust PEP/ISA	152,610	27.2
Personal Assets Trust Investment Plans	95,046	17.0
Collective Assets Trust plc	18,100	3.2

### CORPORATE GOVERNANCE

Personal Assets is run by its Board, all of whom, except for Ian Rushbrook and Robin Angus, are non-executive directors and 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 Combined Code on Corporate Governance ("the Code").

The Company complies with the Code except as disclosed in the following two paragraphs.

The Board does not consider it appropriate for Directors to be appointed for a specified term as recommended by the Code or for a senior independent director to be appointed. The Articles of Association require that all Directors be subject to re-election by rotation at the Annual General Meeting. Since it came to the market in 1983 it has been the Company's practice 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.

Furthermore, the Board does not consider it appropriate for the Company to have separate Audit, Remuneration or Nomination Committees as recommended by the Code. All matters recommended for delegation to those Committees are considered by the full Board. The Board has resolved that any Director with a possible conflict of interest would be required to declare this possible conflict of interest and then leave the meeting prior to discussion and determination of such matters by the Board.

The non-executive Directors receive fees from the Company but do not have contracts of employment or receive pension benefits. Details of the contracts with the Investment Director and Robin Angus, and the emoluments paid to the Directors during the year, are shown in the Directors' Remuneration Report within these Accounts.

Individual Directors may, at the expense of the Company and subject to approval from one other Director, 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 his 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 an ongoing process 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 ISIS Asset Management 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

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

is then applied. The test matrix is regularly updated and the Board is provided with regular reports highlighting all material changes to the risk ratings and confirming the action which has been, or is being, taken.

A formal annual review of these procedures is carried out by the full Board, based on the reports from ISIS Asset Management plc and discussions with the Investment Director and external auditors. Such procedures have been in place throughout the year and up to the date of approval of the accounts. By their nature these procedures are designed to manage rather than eliminate risk and can only provide reasonable, but not absolute, assurance against material mis-statement or loss.

The Board has reviewed the need for an internal audit function and has decided that the systems and procedures employed by ISIS Asset Management 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 for the foreseeable future 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.

### **INDIVIDUAL SAVINGS ACCOUNTS**

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

### **DIRECTORS**

Robert White and Gordon Neilly retire by rotation at the Annual General Meeting and, being eligible, offer themselves for re-election.

Each of the Directors is appointed under a letter of appointment which does not specify any period of notice to be given in order to terminate the appointment.

### **AUDITORS**

Ernst & Young LLP have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be put to the Annual General Meeting.

### **AUTHORITY TO ALLOT SHARES**

In order to satisfy the continuing demand for the Company's shares, the Directors are seeking authority to allot shares. Resolution 6 will, if passed, authorise the Directors to allot new shares up to an aggregate nominal amount of £3,125,000, being 44.2% of the total issued shares as at 15 May 2003. Resolution 7 will, if passed, authorise the Directors to allot new shares up to an aggregate nominal amount of £3,125,000 for cash without first offering such shares to existing shareholders pro rata to their existing shareholdings. These authorities will continue in effect until the earlier of the conclusion of the Company's Annual General Meeting in respect of its financial year ending 30 April 2004 and 31 December 2004. The Directors would issue new shares pursuant to these authorities only if they believed it would be advantageous to the Company's shareholders to do so and in no circumstances would such issue of new shares result in a dilution of net asset value per share.

The Directors have allotted 5,838 Ordinary Shares between 30 April 2003 and 15 May 2003 and there are now 565,763 Ordinary Shares in issue.

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

### **AUTHORITY TO BUY BACK SHARES**

The current authority of the Company to make market purchases of up to 14.99% of the issued Ordinary Shares expires at the end of the Annual General Meeting. Resolution 8, as set out in the notice of the Annual General Meeting, seeks renewal of such authority until the Annual General Meeting in respect of the Company's financial year ending 30 April 2004 or 31 December 2004, whichever is earlier. Renewed authority to make market purchases will be in respect of approximately 85,000 Ordinary Shares. 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 to purchase shares only if, in the opinion of the Directors, a repurchase would be in the best interests of the shareholders as a whole and would result in an increase in net asset value per share for the remaining shareholders. Any shares repurchased under this authority will be cancelled.

By Order of the Board



Gordon Hay Smith  
Secretary  
80 George Street  
Edinburgh EH2 3BU  
15 May 2003

# DIRECTORS' REMUNERATION REPORT

The Board has prepared this report in accordance with the requirements of Schedule 7A to the Companies Act 1985, which applies to the Company for the first time in respect of this financial year. An Ordinary Resolution for the approval of this report will be put to the Members at the forthcoming Annual General Meeting.

The law requires the Company's auditors to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditors' opinion is included in their report on pp. 34-35.

## DIRECTORS' REMUNERATION

All of the Directors, except for Ian Rushbrook and Robin Angus, are independent non-executive Directors. The Board considers at least annually the level of Directors' remuneration, in accordance with the Combined Code on Corporate Governance ("the Code"). In respect of Directors' fees, the Company Secretary provides information on comparative levels of fees to the Board in advance of each review.

The Board concluded following the review of the level of Directors' fees for the forthcoming year that the amounts should remain unchanged.

As stated in the Directors' Report on page 16, the Board does not consider it appropriate for the Company to have a separate Remuneration Committee as recommended by the Code. All matters recommended for delegation to that Committee are considered by the full Board and the executive Directors withdraw from the meeting and take no part in the discussion whenever matters arise pertaining to their remuneration.

## POLICY ON DIRECTORS' REMUNERATION

There are separate elements to the policy on Directors' Remuneration which will continue for the year ended 30 April 2004 and subsequent years.

## SALARIES

Salaries paid to executive Directors are reviewed annually and the Company's policy is to pay salaries which, together with other benefits (in practice the Company, as explained below, as a matter of policy does not offer any other benefits to its executive Directors), will provide a remuneration package that in the opinion of the Board offers fair value for work done.

## FEES

The Board's policy is that Directors' fees should reflect the experience of the Board as a whole and be fair and comparable to those of other relevant investment trusts that are similar in size and have similar investment objectives and structures. Furthermore, the level of fees should be sufficient to attract and retain the Directors needed to oversee the Company properly and to reflect the specific circumstances of the Company, the duties and responsibilities of the Directors and the value and amount of time committed to the Company's affairs.

Directors' fees are determined within the limits set out in the Company's Articles of Association. The present limit is £100,000 in aggregate per annum and the approval of shareholders in a General Meeting would be required to change this limit.

No Directors are eligible for pension benefits, share options, long-term incentive schemes or other benefits.

## DIRECTORS' SERVICE CONTRACTS

Ian Rushbrook has a rolling twelve month contract of employment. His salary is calculated as the residual of 0.85% per annum of shareholders' funds after payments for office premises, the secretarial fee to ISIS Asset Management, Robin Angus's salary, all other employee costs, consultancy fees and any other costs pertaining to the investment management of Personal Assets.

## DIRECTORS' REMUNERATION REPORT (CONT'D)

Robin Angus was a consultant to the Company until 31 January 2003 and received in respect of this a fee of £43,000 from the Company, included in the 0.85% of shareholders' funds noted above, and a fee of £17,000 from The Edinburgh Agency Limited, a wholly-owned subsidiary of the Company, for the year to 30 April 2003. With effect from 1 February 2003 he became an employee of the Company and received in respect of this a salary of £14,000 and bonus of £10,000 (both of these included in the 0.85% of shareholders' funds noted above). He has a rolling three month contract of employment.

In the event of early termination of either of the above contracts of employment the Company will be liable to pay due entitlement of money in lieu of notice.

It is the Board's policy that non-executive Directors do not have service contracts, but new non-executive Directors are provided with a letter of appointment.

The terms of Directors' appointments provide that all Directors should retire and be subject to re-election at the first Annual General Meeting after their appointment. Directors are obliged to retire by rotation and to offer themselves for re-election by shareholders at least every three years after that. For non-executive Directors there is no notice period and no provision for compensation on early termination of appointment.

Director	Date of Appointment	Due date for Re-election
Robert White (Chairman)	1 February 1994	AGM 2003
Robin Angus	18 May 1984	AGM 2005
Hamish Buchan	5 July 2001	AGM 2005
Martin Hamilton-Sharp	16 November 1990	AGM 2004
Gordon Neilly	30 April 1997	AGM 2003
Ian Rushbrook	1 July 1990	AGM 2004

### DIRECTORS' EMOLUMENTS FOR THE YEAR (AUDITED)

The Directors who served during the year received the following emoluments in the form of salaries and fees:

Director	2003	2002
Robert White (Chairman)	£20,000	£13,000
Robin Angus*	£94,000	£78,500
Hamish Buchan	£10,000	£8,500
Martin Hamilton-Sharp	£10,000	£8,500
Gordon Neilly	£10,000	£8,500
Ian Rushbrook	£630,000	£586,000
Total	£774,000	£703,000

\* Emoluments to Robin Angus include a bonus payment of £10,000 (2002: *£nil*) made during the year.

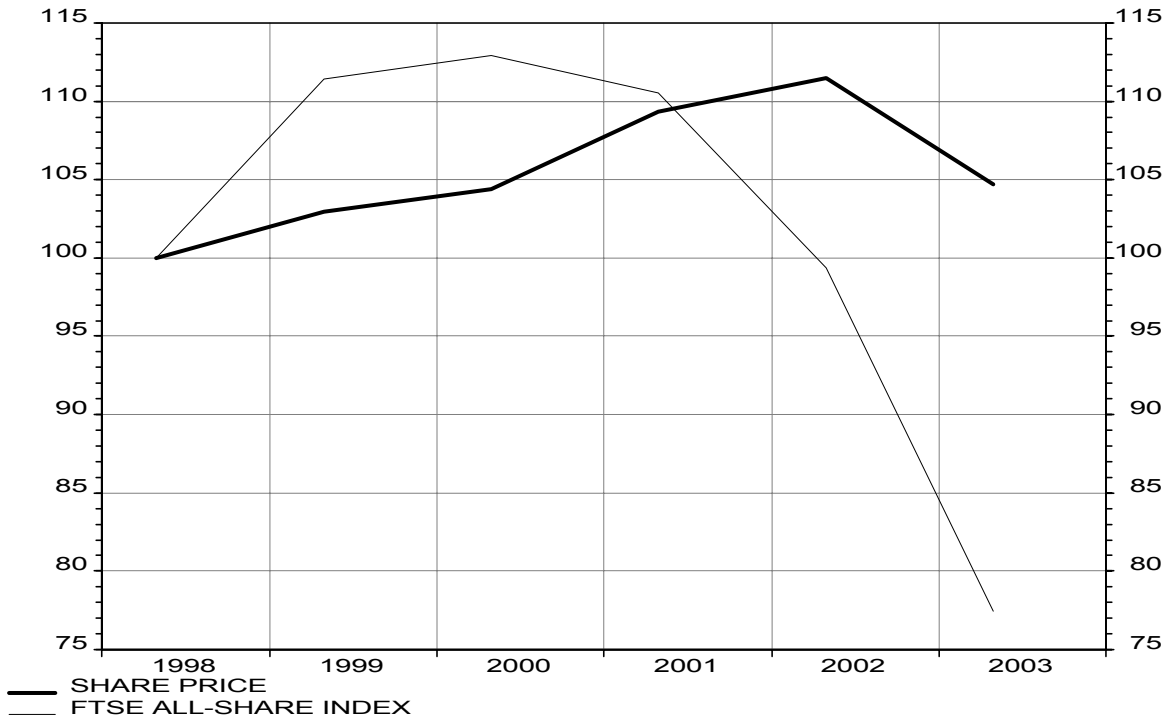
### COMPANY PERFORMANCE

The Board is responsible for the Company's investment strategy and performance, although the management of the Company's investment portfolio is delegated to the Investment Director under his contract of employment, as referred to on page 19. The graph opposite compares, for the five financial years ended 30 April 2003, the total return (assuming all dividends are reinvested) to ordinary shareholders in each period compared to the total shareholder return on a notional investment made up of shares of the same kind and number as those by reference to which the FTSE All-Share Index is calculated. This index was chosen for comparison purposes as it represents a comparable broad equity market index, of which the Company is a constituent. An explanation of the performance of the Company for the year ended 30 April 2003 is given in the Chairman's Statement and Investment Director's Report.



# DIRECTORS' REMUNERATION REPORT (CONT'D)

## SHARE PRICE AND FTSE ALL-SHARE INDEX TOTAL RETURN PERFORMANCE GRAPH



On behalf of the Board

R P White  
Director  
15 May 2003

**GROUP STATEMENT OF TOTAL RETURN  
(INCORPORATING THE REVENUE ACCOUNT)  
FOR THE YEAR TO 30 APRIL 2003**

		2003			2002		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
	Notes						
(Losses)/gains on investments	9	–	(16,776)	(16,776)	–	(2,890)	(2,890)
Gains/(losses) on derivative arrangements	11,18	–	4,214	4,214	–	–	–
Exchange differences	11	–	4,663	4,663	–	1,265	1,265
Income	2	2,588	6	2,594	2,456	15	2,471
Investment management fee	3	(291)	(541)	(832)	(260)	(482)	(742)
Other expenses	4	(381)	–	(381)	(330)	–	(330)
<b>Return on ordinary activities before tax</b>		1,916	(8,434)	(6,518)	1,866	(2,092)	(226)
Tax on ordinary activities	5,6	(210)	163	(47)	(278)	145	(133)
<b>Return attributable to equity shareholders</b>		1,706	(8,271)	(6,565)	1,588	(1,947)	(359)
Dividends in respect of ordinary shares	7	(1,541)	–	(1,541)	(1,207)	–	(1,207)
Transfer to/(from) reserves		165	(8,271)	(8,106)	381	(1,947)	(1,566)
<b>Return per ordinary £12.50 share</b>	8	£3.40	(£16.48)	(£13.08)	£3.88	(£4.75)	(£0.87)

The revenue column of this statement is the revenue account of the Group.


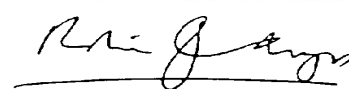
All revenue and capital items in the above statement derive from continuing operations.

The Accounting Policies on page 25 and the Notes on pages 26 to 33 form part of these accounts

## BALANCE SHEETS AT 30 APRIL 2003

		Group		Company	
		2003 £'000	2002 £'000	2003 £'000	2002 £'000
<b>Fixed assets</b>	Notes				
Investments	9	86,672	90,111	87,280	90,652
<b>Current assets</b>					
Debtors:					
Dividends and deposit interest receivable		483	411	483	395
Due from brokers		–	6	–	6
Due from subsidiary		–	–	156	119
Fees receivable		4	6	–	–
Gain on forward currency contract		–	1,403	–	1,403
FTSE 100 Future		6,272	–	6,272	–
Cash at bank and on deposit	15,17	12,240	1,323	11,458	651
		18,999	3,149	18,369	2,574
<b>Creditors: amounts falling due within one</b>					
Dividend payable		(840)	(637)	(840)	(637)
Due to brokers		–	(6)	–	–
Loss on forward currency contract		(375)	–	(375)	–
Tax payable		(29)	(113)	(10)	(93)
Other creditors		(103)	(74)	(100)	(66)
		(1,347)	(830)	(1,325)	(796)
<b>Net current assets</b>		17,652	2,319	17,044	1,778
<b>Net assets</b>		104,324	92,430	104,324	92,430
<b>Capital and reserves</b>					
Called-up share capital	10	6,999	5,681	6,999	5,681
Share premium account	11	46,649	27,967	46,649	27,967
Capital redemption reserve	11	157	157	157	157
Special reserve (distributable)	11	23,588	23,588	23,588	23,588
Capital reserve - realised	11	17,040	15,015	17,040	15,015
Capital reserve - unrealised	11	7,399	17,695	8,124	18,337
Revenue reserve	11	2,492	2,327	1,767	1,685
<b>Equity shareholders' funds</b>	12,13	104,324	92,430	104,324	92,430
<b>Net asset value per share</b>	12	£186.32	£203.38	£186.32	£203.38

The accounts on pages 22 to 33 were approved by the Board on 15 May 2003 and were signed on its behalf by:

 R P White, Director  
 R J Angus, Director

The Accounting Policies on page 25 and the Notes on pages 26 to 33 form part of these accounts

## GROUP CASH FLOW STATEMENT FOR THE YEAR TO 30 APRIL 2003

	2003 £'000	2002 £'000
	Notes	
<b>Operating activities</b>		
Investment income received	2,176	1,980
Deposit interest received	232	325
Other income	96	179
Investment management fees	(838)	(742)
Directors' fees	(70)	(53)
Other expenses	(275)	(295)
Net cash inflow from operating activities	14	1,321
<b>Taxation</b>		53
<b>Capital expenditure and financial investment</b>		
Purchase of FTSE 100 Futures	(8)	–
Disposal of FTSE 100 Futures	(2,050)	–
Purchase of investments	(78,897)	(59,830)
Disposal of investments	65,560	42,879
Net cash outflow from capital expenditure and financial investment		(15,395)
<b>Dividends paid on ordinary shares</b>		(1,338)
<b>Financing</b>		
Allotment of new shares		20,000
<b>Increase/(decrease) in cash</b>	15	4,475
		(587)

The Accounting Policies on page 25 and the Notes on pages 26 to 33 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 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 published by the Association of Investment Trust Companies in December 1995.

### **Basis of Consolidation**

The Group statement of total return and balance sheet include the accounts of the Company and its subsidiary undertakings made up to 30 April 2003. No statement of total return is presented for the Company, as permitted by Section 230 of the Companies Act 1985.

### **Investments**

Quoted investments are valued at middle market prices. Unquoted investments are valued by the Directors on the basis of all the information available to them at the time of valuation. FTSE 100 Future contracts are valued at their quoted market value at the end of the year with resulting unrealised gains or losses shown in the Balance Sheet under net current assets.

### **Capital Reserves**

#### *Capital Reserve – Realised*

Gains and losses on the realisation of investments, gains and losses on the realisation of FTSE 100 Future contracts, realised exchange differences and returns of capital are accounted for in this reserve.

#### *Capital Reserve – Unrealised*

Increases and decreases in the valuation of investments held at the year end, unrealised gains and losses on FTSE 100 Future contracts 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. Dividend income is recognised excluding any associated tax credit. Deposit income and interest from fixed interest securities are recognised 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.

### **Taxation**

The tax effect of different items of income/gain and expenditure/loss is allocated between capital and revenue as set out in notes 5 and 6 to the accounts. The standard rate of corporation tax is applied to taxable net revenue.

### **Deferred Taxation**

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or right to pay less, tax in future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted (see Note 5). Timing differences are differences arising between the Company's taxable profits and its results as stated in the accounts which are capable of reversal in one or more subsequent periods.

### **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)

### 2. INCOME

#### Income from investments

Franked investment income	
Investment income from fixed interest securities	
Overseas dividends	

#### Other income

Deposit interest	
Income earned from group undertakings	

#### Total income

#### Total income comprises

Dividends	
Fixed interest securities	
Other income	

#### Income from investments

Listed UK	
Listed overseas	

2003 £'000	2002 £'000
1,179	906
659	1,008
432	168
2,270	2,082
232	297
86	77
2,588	2,456
1,611	1,074
659	1,008
318	374
2,588	2,456
1,179	906
1,091	1,176
2,270	2,082

Income earned from group undertakings relates to the revenues of the Company's subsidiaries. Further details are set out in Note 20. The Company also received £6,000 (2002: £15,000) in respect of returns of capital during the year, which have been credited to capital reserves.

3. INVESTMENT MANAGEMENT FEE	2003			2002		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	291	541	832	260	482	742

Details of the above fee, together with details of the secretarial fee, are included in the Directors' Report on page 15 and the Directors' Remuneration Report on pages 19-20. The Investment Management fee of £832,000 shown above includes an amount of £46,000 (2002: £24,500) payable to Steven Budge, an employee of the Company.

### 4. OTHER EXPENSES

Directors' fees	
Auditors' remuneration for:	
- audit	
- other services to the group	
Other	

2003 £'000	2002 £'000
70	54
11	10
15	5
285	261
381	330

Aggregate Directors' emoluments are included with amounts shown in Notes 3 and 4 and amounted to £774,000 (2002: £703,000).

## NOTES TO THE ACCOUNTS (CONT'D)

### 5. TAX ON ORDINARY ACTIVITIES

	2003			2002		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Corporation tax at 30% (2002: 30%)	210	(163)	47	278	(145)	133

The Company has no unutilised management expenses at 30 April 2003 (2002: nil).

### 6. FACTORS AFFECTING TAX CHARGE FOR YEAR

The revenue account tax charge for the year is lower than the standard rate of corporation tax in the UK for an investment company (30%). The differences are explained below:

	2003 £'000	2002 £'000
Return on ordinary activities before taxation	1,916	1,866
Corporation tax at standard rate of 30%	575	560
<b>Effects of:</b>		
Franked investment income not subject to taxation	(354)	(272)
Corporation tax at rate of 19%	(11)	(10)
Current year tax charge (note 5)	210	278

### 7. DIVIDENDS

First interim: £1.40 (2002: £1.40)  
Second interim: £1.50 (2002: £1.40)

	2003 £'000	2002 £'000
	701	570
	840	637
	1,541	1,207

### 8. RETURN PER ORDINARY SHARE

Revenue	Capital	Total	Revenue	Capital	Total
£3.40	(£16.48)	(£13.08)	£3.88	(£4.75)	(£0.87)

The revenue return per ordinary share is based on the net revenue from ordinary activities, after taxation, of £1,706,000 (2002: £1,588,000), and on 501,825 (2002: 409,592) ordinary shares, being the weighted average number in issue during the year.

The capital return per ordinary share is based on a net capital loss for the financial year of £8,271,000 (2002: loss of £1,947,000), and on 501,825 (2002: 409,592) ordinary shares, being the weighted average number in issue during the year.

## NOTES TO THE ACCOUNTS (CONT'D)

### 9. INVESTMENTS

Investments listed on a recognised investment exchange  
Total investments

Group	
2003 £'000	2002 £'000
86,672	90,111
86,672	90,111

Opening book cost  
Opening unrealised appreciation  
Opening valuation  
**Movements in the year**  
Purchases at cost  
Sales – proceeds  
    – realised losses on sales  
Decrease in unrealised appreciation  
Closing valuation  
  
Closing book cost  
Closing unrealised (depreciation)/appreciation

Group		
Listed UK £'000	Listed overseas £'000	Total £'000
29,154	44,665	73,819
12,454	3,838	16,292
41,608	48,503	90,111
4,782	74,109	78,891
(775)	(64,779)	(65,554)
(405)	(1,586)	(1,991)
(13,022)	(1,763)	(14,785)
32,188	54,484	86,672
32,756	52,409	85,165
(568)	2,075	1,507
32,188	54,484	86,672

Equity shares  
Fixed interest securities  
Other investments  
Preference shares

Group	
2003 £'000	2002 £'000
33,779	45,627
38,926	40,105
12,842	3,279
1,125	1,100
86,672	90,111

Realised (losses)/gains on sales  
Decrease in unrealised appreciation  
Losses on investments

(1,991)	348
(14,785)	(3,238)
(16,776)	(2,890)



## NOTES TO THE ACCOUNTS (CONT'D)

### 9. INVESTMENTS (CONT'D)

Investments listed on a recognised investment exchange  
 Subsidiary undertakings  
 Total investments

Company	
2003 £'000	2002 £'000
86,578	89,960
702	692
87,280	90,652

Opening book cost  
 Opening unrealised appreciation  
 Opening valuation  
**Movements in the year**  
 Purchases at cost  
 Sales – proceeds  
     – realised losses on sales  
 (Decrease)/increase in unrealised appreciation  
 Closing valuation  
 Closing book cost  
 Closing unrealised (depreciation)/appreciation

Company			
Listed UK £'000	Listed overseas £'000	Unlisted £'000	Total £'000
29,046	44,659	13	73,718
12,454	3,801	679	16,934
41,500	48,460	692	90,652
4,782	74,093	–	78,875
(775)	(64,779)	–	(65,554)
(405)	(1,586)	–	(1,991)
(12,983)	(1,729)	10	(14,702)
32,119	54,459	702	87,280
32,648	52,387	13	85,048
(529)	2,072	689	2,232
32,119	54,459	702	87,280

Equity shares  
 Fixed interest securities  
 Other investments  
 Preference shares

Company	
2003 £'000	2002 £'000
34,387	46,168
38,926	40,105
12,842	3,279
1,125	1,100
87,280	90,652

Realised (losses)/gains on sales  
 Decrease in unrealised appreciation  
 Losses on investments

(1,991)	348
(14,702)	(3,158)
(16,693)	(2,810)

## NOTES TO THE ACCOUNTS (CONT'D)

### 10. CALLED-UP SHARE CAPITAL

**Authorised:**

1,000,000 (2002: 500,000) ordinary shares of £12.50 each

2003 £'000	2002 £'000
12,500	6,250

**Allotted, called-up and fully-paid:**

454,472 ordinary shares of £12.50 each at 30 April 2002

Shares issued in respect of allotments

5,681
1,318

559,925 ordinary shares of £12.50 each at 30 April 2003

6,999
-------

During the year 105,453 shares were allotted, raising £20,018,000 before issue costs of £18,000.

### 11. RESERVES

**Group**

At beginning of year  
Exchange differences  
Return of capital  
Premium from allotment of shares  
Net loss on realisation of investments  
Net (losses)/gains on FTSE Futures  
Decrease in unrealised appreciation  
Management fees charged to capital  
Corporation Tax  
Net revenue before dividends  
Dividends paid/payable

	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	27,967	157	23,588	15,015	17,695	2,327
Exchange differences	–	–	–	6,442	(1,779)	–
Return of capital	–	–	–	6	–	–
Premium from allotment of shares	18,682	–	–	–	–	–
Net loss on realisation of investments	–	–	–	(1,991)	–	–
Net (losses)/gains on FTSE Futures	–	–	–	(2,054)	6,268	–
Decrease in unrealised appreciation	–	–	–	–	(14,785)	–
Management fees charged to capital	–	–	–	(541)	–	–
Corporation Tax	–	–	–	163	–	–
Net revenue before dividends	–	–	–	–	–	1,706
Dividends paid/payable	–	–	–	–	–	(1,541)
At end of year	46,649	157	23,588	17,040	7,399	2,492

**Company**

At beginning of year  
Exchange differences  
Return of capital  
Premium from allotment of shares  
Net loss on realisation of investments  
Net (losses)/gains on FTSE Futures  
Decrease in unrealised appreciation  
Management fees charged to capital  
Corporation Tax  
Net revenue before dividends  
Dividends paid/payable

At beginning of year	27,967	157	23,588	15,015	18,337	1,685
Exchange differences	–	–	–	6,442	(1,779)	–
Return of capital	–	–	–	6	–	–
Premium from allotment of shares	18,682	–	–	–	–	–
Net loss on realisation of investments	–	–	–	(1,991)	–	–
Net (losses)/gains on FTSE Futures	–	–	–	(2,054)	6,268	–
Decrease in unrealised appreciation	–	–	–	–	(14,702)	–
Management fees charged to capital	–	–	–	(541)	–	–
Corporation Tax	–	–	–	163	–	–
Net revenue before dividends	–	–	–	–	–	1,623
Dividends paid/payable	–	–	–	–	–	(1,541)
At end of year	46,649	157	23,588	17,040	8,124	1,767

The Capital Redemption Reserve represents the nominal value of ordinary shares bought back by the Company since authority to do this was first obtained at an Extraordinary General Meeting in April 1999. The cost of any shares bought back is deducted from the Special Reserve, which is a distributable reserve and was created from the cancellation of the Share Premium Account, also following the Extraordinary General Meeting in April 1999.

## 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	
	2003 £	2002 £	2003 £'000	2002 £'000
Ordinary shares	186.32	203.38	104,324	92,430

Net asset value per ordinary share is based on net assets shown above and 559,925 (2002:454,472) ordinary shares, being the number of ordinary shares in issue at the year end.

### 13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003 £'000	2002 £'000
Opening shareholders' funds	92,430	78,000
Increase in share capital	1,318	972
Premium resulting from allotment of shares	18,682	15,024
Total recognised gains and losses for the year (including net income received)	(6,565)	(359)
Dividends declared on ordinary shares	(1,541)	(1,207)
Closing shareholders' funds	104,324	92,430

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

Net revenue before taxation	1,916	1,866
Tax on investment income	(19)	(19)
Investment management fees charged to capital	(541)	(482)
Return of capital	6	15
Increase in debtors	(70)	(40)
Increase in creditors	29	54
Net cash inflow from operating activities	1,321	1,394

## NOTES TO THE ACCOUNTS (CONT'D)

### 15. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2003 £'000	2002 £'000
Increase/(decrease) in cash during the period	4,475	(587)
Effect of foreign exchange rates	6,442	(231)
Change in net funds	10,917	(818)
Net funds at the beginning of the year	1,323	2,141
<b>Net funds at the end of the year</b>	<b>12,240</b>	<b>1,323</b>

#### ANALYSIS OF NET FUNDS

Cash at bank and on deposit	12,240	1,323
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### 16. FINANCIAL INSTRUMENTS

The Group holds investments in listed 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 9-10.

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 FRS13.

### 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 2003 was 3.75% in the UK (2002: 4.00%) and 1.25% in the US (2002: 1.75%).

Floating interest rate exposure at 30 April:

	2003 £'000	2002 £'000
Sterling	12,226	1,254
US Dollars	14	69
	<b>12,240</b>	<b>1,323</b>

#### Fixed rate and zero rate

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

At 30 April 2003 the Group held:

0% US Treasury Strip 15/08/2003  
US Treasury Inflation Indexed Bond 3.875% 15/01/2009  
BC Property Securities ZDP 2009

£'000	Period to maturity
19,342	107 days
19,584	5.72 years
1,125	6.09 years

At 30 April 2002 the Group held:

0% US Treasury Strip 15/05/2002  
US Treasury Inflation Indexed Bond 3.875% 15/01/2009  
BC Property Securities ZDP 2009

19,668	15 days
20,437	6.72 years
1,100	7.09 years

## NOTES TO THE ACCOUNTS (CONT'D)

### 18. MARKET PRICE RISK

The management of market price risk is part of the fund management process and is fundamental to equity investment. The portfolio is managed with an awareness of the effects of adverse price movements in the UK equity market with an objective of maximising overall returns to shareholders. The use of derivatives by the Company during the year is detailed on page 8. These contracts were specifically entered into to reduce the Company's effective liquidity and increase equity exposure to FTSE 100 companies.

### 19. FOREIGN CURRENCY RISK

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

Currency exposure at 30 April 2003:

	<b>2003</b> <b>£'000</b>	2002 £'000
<b>US Dollars</b>		
Fixed asset investments	2,701	5,119
Cash	14	69
<b>Euros</b>		
Fixed asset investments	3,510	3,279
	<b>6,225</b>	<b>8,467</b>

At 30 April 2003 the Sterling cost of the US Treasury Strip, US Treasury Inflation Indexed Bond and US Equity exposure was protected by a forward currency contract. The unrealised loss of £375,000 (2002: *unrealised gain of £1,403,000*) on the forward currency contract at 30 April 2003 is included in creditors (2002: *gain shown in debtors*).

### 20. SUBSIDIARY UNDERTAKINGS

As at 30 April 2003, Personal Assets Trust's subsidiary undertakings, which have been consolidated, were as follows:

<b>Company</b>	<b>Country of Incorporation &amp; Operation</b>	<b>Description of shares held</b>	<b>% of Class Held</b>	<b>% of Equity Held</b>	<b>Value 30 April 2003</b>
The Edinburgh Agency Ltd	Scotland	Ordinary £1 shares	100.0	100.0	£581,000
Personal Assets Investments Ltd	Scotland	Ordinary £1 shares	100.0	100.0	£121,000

The Edinburgh Agency Ltd generates revenues from the development of investment ideas. Its revenues for the year to 30 April 2003 amounted to £101,000 (2002: £100,000) and its profits after tax to £82,000 (2002: £63,000).

Personal Assets Investments Ltd undertakes investment activities. Its revenues for the year to 30 April 2003 amounted to £2,000 (2002: £21,000) and its profits after tax to £1,000 (2002: £17,000).

# **DIRECTORS' RESPONSIBILITY STATEMENT AND INDEPENDENT AUDITORS' REPORT**

## **DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors are required by law to prepare, for each financial period, accounts 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 for safeguarding the assets of the Company and of the Group 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 the Board believes that reasonable and prudent judgements and estimates have been made in the preparation of the accounts. Applicable United Kingdom accounting standards have been followed.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PERSONAL ASSETS TRUST PLC**

We have audited the Group's accounts for the year ended 30 April 2003, which comprise the Group Statement of Total Return, Balance Sheets, Group Cash Flow Statement and the related notes 1 to 20. These accounts have been prepared on the basis of the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's Members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's Members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's Members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of Directors and auditors**

The Directors are responsible for preparing the Annual Report, including the accounts which are required to be prepared in accordance with applicable United Kingdom law and accounting standards as set out in the Directors' Responsibility Statement in relation to the accounts.

Our responsibility is to audit the accounts and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the accounts give a true and fair view and whether the accounts and the part of the Directors' Remuneration Report to be audited 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 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 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 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited accounts. This other information comprises Key Features 2003, Performance for 3 years to 30 April 2003, Performance 1990-2003, the Chairman's Statement, the Investment Director's Report, Portfolio Comparisons for the Year to 30 April 2003, Record 1983-2003, the Directors' Report to Members and the Directors' Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

# DIRECTORS' RESPONSIBILITY STATEMENT AND INDEPENDENT AUDITORS' REPORT (CONT'D)

## Basis of audit opinion

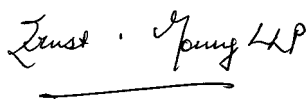
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts and the part of the Directors' Remuneration Report to be audited. It 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 and the part of the Directors' Remuneration Report to be audited 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 and the part of the Directors' Remuneration Report to be audited.

## 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 2003 and of its net revenue for the year then ended; and
- the accounts and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.



ERNST & YOUNG LLP

Registered Auditor, Edinburgh

15 May 2003

## **DOWN MEMORY LANE . . .**

*For the information of shareholders who may wish to know how such things have changed over the years, we here reproduce in its entirety the Report of the Auditors for the year to 30 April 1991.*

**REPORT OF THE AUDITORS  
TO THE MEMBERS OF PERSONAL ASSETS TRUST PUBLIC LIMITED COMPANY**

*We have audited the accounts of Personal Assets Trust Public Limited Company on pages 16 to 21 in accordance with Auditing Standards.*

*In our opinion the accounts give a true and fair view of the state of affairs of the Company at 30 April 1991 and of its net revenue and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.*

*Ernst & Young  
Chartered Accountants  
Edinburgh*

*17 May 1991*

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the twenty-second Annual General Meeting of Personal Assets Trust Public Limited Company will be held at 80 George Street, Edinburgh, on Friday, 11 July 2003 at 12:30pm for the following purposes:

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

1. That the Report and Accounts for the year to 30 April 2003 be received.
2. That Robert White, who retires by rotation, be re-elected as a Director.
3. That Gordon Neilly, who retires by rotation, be re-elected as a Director.
4. That the Directors' Remuneration Report for the year to 30 April 2003 be approved.
5. That Ernst & Young LLP be re-appointed as Auditors and that the Directors be authorised to determine their remuneration.
6. That the Directors be and are hereby generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 ("the Act") to exercise all the powers of the Company to allot relevant securities (as defined in Section 80(2) of the Act) up to an aggregate nominal amount of £3,125,000 in substitution for any existing authority under Section 80 of the Act but without prejudice to any exercise of any such authority prior to the date hereof, such authority to expire on the earlier of the date of the Company's Annual General Meeting in respect of its financial year ending 30 April 2004 and 31 December 2004, save that the Company may, before such expiry, make any offer or enter into an agreement which would or might require relevant securities to be allotted after such expiry, and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

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

7. That the Directors be and are hereby empowered, pursuant to Section 95(1) of the Companies Act 1985 ("the Act"), in substitution for any existing power under Section 95 of the Act but without prejudice to any exercise of any such power prior to the date hereof, to allot equity securities (within the meaning of Section 94(2) of the Act) for cash pursuant to, and during the period of, the authority conferred by resolution number 6 proposed at the Annual General Meeting of the Company convened for 11 July 2003, as if Section 89(1) of the Act did not apply to any such allotment, provided that this authority shall be limited to:
  - (i) the allotment of equity securities for cash in connection with or pursuant to a rights issue, open offer or any other offer in favour of the holders of Ordinary Shares in the Company ("Shares") where the Ordinary Shares respectively attributable to the interest of all such shareholders are proportionate (as nearly as may be) to the respective number of Shares held (or notionally or deemed to be held) by them but subject to such exclusions or other arrangements as the Directors may think fit in relation to fractional entitlements or to deal with problems under the laws, or requirements of, any recognised body or Stock Exchange in any territory; and
  - (ii) the allotment (other than pursuant to paragraph (i) of this resolution) of equity securities up to an aggregate nominal value of £3,125,000;

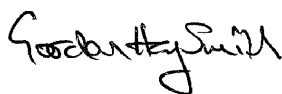
such power to expire on the earlier of the date of the Company's Annual General Meeting in respect of its financial year ending 30 April 2004 and 31 December 2004, save that the Company may, before such expiry, make any offer or agreement which would or might require equity securities to be allotted after such expiry, and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.



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

8. That, in substitution for any existing authority, but without prejudice to any exercise of any such authority prior to the date hereof, the Company be and is generally and unconditionally 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 aggregate number of Shares hereby authorised to be purchased shall be 14.99% of the issued Ordinary Shares on the date on which this resolution is passed;
  - (ii) the minimum price (exclusive of costs) which may be paid for a Share is £12.50;
  - (iii) the maximum price (exclusive of costs) which may be paid for a Share is an amount equal to 105% 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 by the Company in General Meeting, such authority shall expire on the earlier of the date of the Company's Annual General Meeting in respect of its financial year ending 30 April 2004 and 31 December 2004, save that the Company may, before such expiry, enter into a contract to purchase Shares 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 as if the power conferred hereby had not expired.

By Order of the Board



Gordon Hay Smith  
Secretary  
80 George Street  
Edinburgh EH2 3BU

15 May 2003

### 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 and return of the form of Proxy will not prevent a Member from attending the meeting and voting in person. To be effective, the form of Proxy, duly completed and executed, must be lodged at the address shown on the form of Proxy at least 48 hours before the time of the meeting together with any power of attorney under which it is signed.

To be entitled to attend or vote at the meeting (and for the purposes of determination by the Company of the number of votes they may cast), Members must be entered on the Company's Register of Members by 6:00pm on 9 July 2003, or in the event that the meeting is adjourned, on the Register of Members 48 hours before the time of any adjourned meeting.

The contract of service between Ian Rushbrook and the Company will be available for inspection at the registered office of the Company prior to the Annual General Meeting. The Articles of Association will also be available for inspection at the Annual General Meeting.

Members are requested to inform Lloyds TSB Registrars Scotland, PO Box 28448, Finance House, Orchard Brae, Edinburgh EH4 1WQ, of any change of address.