PERSONAL ASSETS TRUST PLC

Annual Report and Accounts for the year ended 30 April 2005

KEY FEATURES

FOR THE YEAR TO 30 APRIL 2005

	Change	**30 April 2005**	30 April 2004
Market Capitalisation	10.7%	**£152.2m**	£137.5m
Shareholders' Funds	11.1%	**£149.8m**	£134.8m
Effective Liquidity	–	**35.3%**	31.4%
Share Price	4.8%	**£224.75**	£214.50
NAV per share	5.3%	**£221.26**	£210.17
FTSE All-Share Index	7.1%	**2,397.05**	2,237.34
Premium to NAV	–	**1.6%**	2.1%
Dividend per share	9.7%	**£3.40**	£3.10
Current dividend rate *		**£3.60**	

* *Double the last interim dividend of £1.80. It is our policy never to cut the dividend rate. Shareholders can therefore be confident that each half-yearly dividend will at least equal the previous one.*

FOR THE 3 YEARS TO 30 APRIL 2005 *

	Change	**30 April 2005**	30 April 2002
Market Capitalisation	59.9%	**£152.2m**	£95.2m
Shareholders' Funds	62.1%	**£149.8m**	£92.4m
Share Price	7.3%	**£224.75**	£209.50
NAV per share	8.8%	**£221.26**	£203.38
FTSE All-Share Index	(4.6%)	**2,397.05**	2,512.04
Premium to NAV	–	**1.6%**	3.0%
Dividend per share	21.4%	**£3.40**	£2.80

* *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 2005

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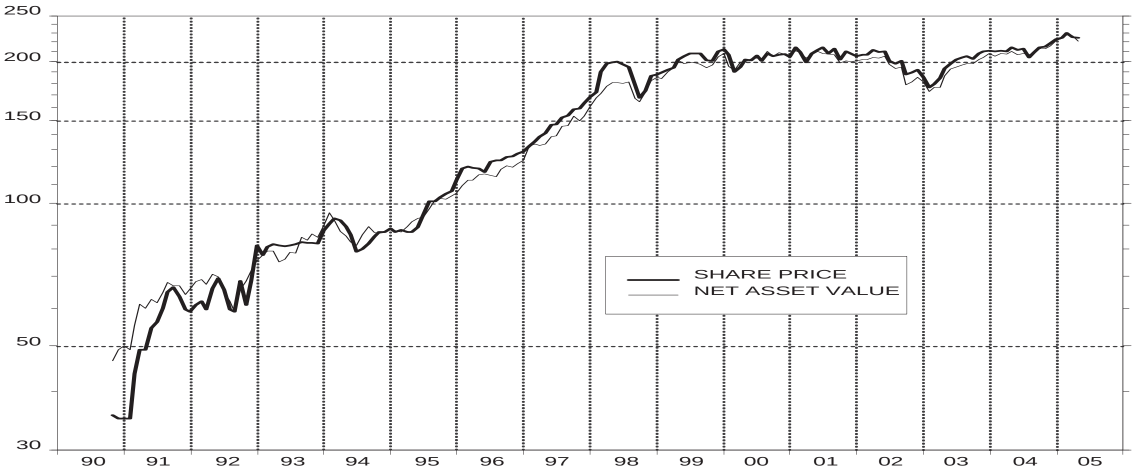
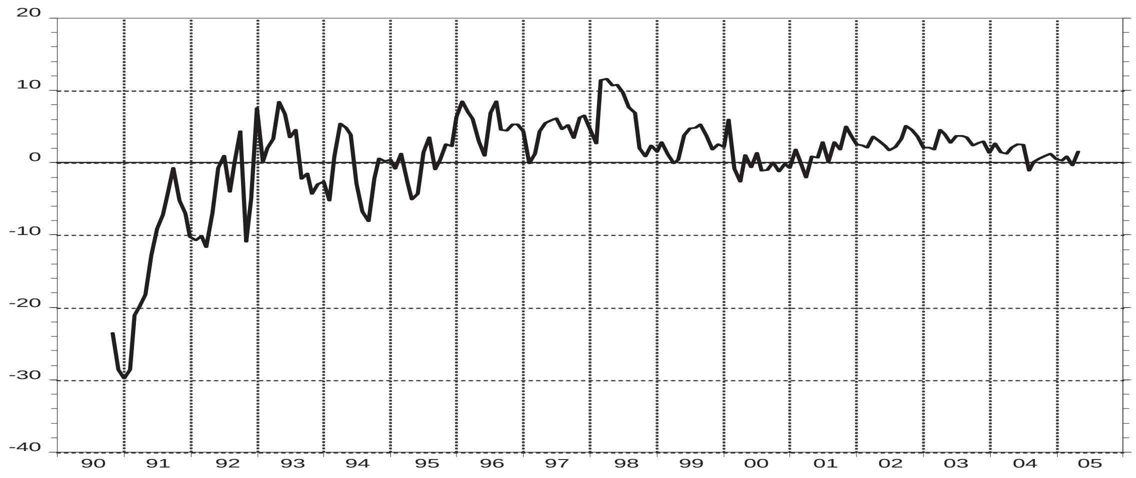
PERFORMANCE 1990-2005*

**Personal Assets became self managed in 1990*

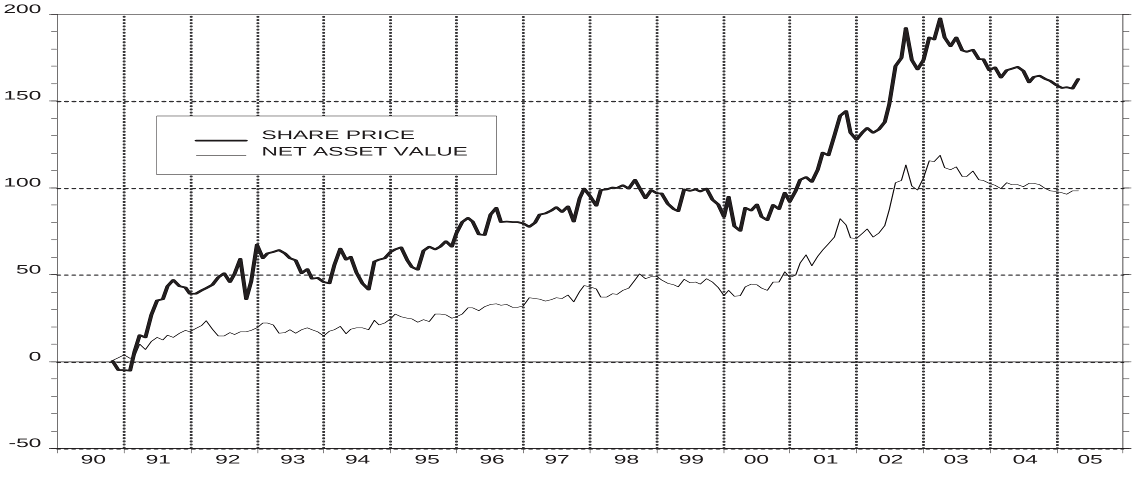
SHARE PRICE AND NET ASSET VALUE PER SHARE IN POUNDS



SHARE PRICE (DISCOUNT)/PREMIUM TO NET ASSET VALUE



PERFORMANCE RELATIVE TO FTSE ALL-SHARE



Source: DATASTREAM

About Personal Assets

Objective and Investment Policy

Personal Assets is an investment trust run expressly for private investors. Its capital structure is the simplest possible for an investment trust, consisting only of ordinary shares. Its investment policy 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. Since Personal Assets invests for the long term, the Board assesses performance not annually at the end of each accounting year but over rolling three-year periods. For further information about how the Company is run, see pages 9 and 10.

Dividend Policy

We aim to pay as high, secure and sustainable a dividend as is compatible with maintaining our investment flexibility. We intend the present dividend rate to grow at least in line with inflation and it is our policy never to cut the dividend rate, so shareholders know that each half-yearly payment will at least equal the previous one. Personal Assets also has a substantial Revenue Reserve. Our Group Revenue Reserve currently stands at £4.30 per share, comfortably in excess of the present dividend rate, and would enable us to adhere to our dividend policy even if we thought it right to hold a portfolio with a much lower average yield than at present.

Management

Personal Assets is run by its Board. The Directors and their families together hold shares in the Company worth £9.2 million. Those who manage Personal Assets therefore have a community of interest with those who invest in it.

Service to Shareholders

The Board regards Personal Assets as being in business primarily to provide the best service it can to its shareholders, whom we envisage as being private investors who either have a substantial amount of capital or expect to build it out of income. This objective is reflected in our range of zero-charge investment plans and in the Quarterly Reports we send to shareholders

Tax-Efficient and Cost-Effective Investment

The Board aims to provide tax-efficient and cost-effective ways for shareholders to invest in the Company. These include a zero-charge ISA, a zero-charge PEP and a zero-charge Investment Plan. The Investment Plan provides three options: a Single Investment Option; a Monthly Investment Option; and a Cash Income Option which allows investors to receive a quarterly cash income from the sale of shares. We also offer ISA/PEP transfer and share selling facilities. Further details of all these ways of investing in Personal Assets (which offer investors a way of buying or selling shares usually within the bid/offer spread) can be found on page 12.

Discount Policy

Investment trusts have long suffered from high and volatile discounts to net asset value ("NAV"). Because of this, the Board's policy is to ensure that the shares of Personal Assets always trade at close to NAV. Each year we seek authority from shareholders to allot new shares, to buy back for cancellation up to 14.99% of our share capital, and to hold shares in Treasury for re-sale. If need be, we will ask shareholders to renew this authority at other times during the year.

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

SECRETARIAT

Gordon Hay Smith *(Secretary)*
Steven Davidson
F&C Asset Management plc
80 George Street
Edinburgh EH2 3BU

Telephone: 0131 465 1000

INVESTMENT MANAGEMENT

Ian Rushbrook *(Managing Director)*
Robin Angus *(Executive Director)*
Steven Budge *(Management and Dealing)*
10 St Colme Street
Edinburgh EH3 6AA

Telephone: 0131 225 9995

REGISTRARS

Lloyds TSB Registrars
The Causeway
Worthing
West Sussex BN99 6DA

Telephone: 0870 601 5366

PEP/ISA ADMINISTRATORS

Halifax Share Dealing Limited
Trinity Road
Halifax HX1 2RG

Telephone: 0845 850 0181

INVESTMENT PLAN ADMINISTRATORS

Lloyds TSB Registrars Scotland
PO Box 28506
Finance House
Orchard Brae
Edinburgh EH4 1XZ

Telephone: 0870 606 0268

CUSTODIAN BANKERS

JPMorgan Chase Bank
125 London Wall
London EC2Y 5AJ

STOCKBROKERS

JPMorgan Cazenove
20 Moorgate
London EC2R 6DA

SOLICITORS

Dickson Minto WS
16 Charlotte Square
Edinburgh EH2 4DF

AUDITORS

Ernst & Young LLP
Ten George Street
Edinburgh EH2 2DZ

REGISTERED OFFICE

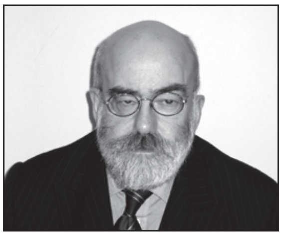
80 George Street
Edinburgh EH2 3BU

Telephone: 0131 465 1000

BOARD OF DIRECTORS

Bobby White (69) has been a director of Personal Assets since 1994 and was elected Chairman later that year. After qualifying as a chartered accountant he spent his working life in stockbroking as a partner in Wood Mackenzie and then, after ownership changes, as a director of Robert White & Co and Bell Lawrie White.

Other Trust Directorships: None.



Robin Angus (52) 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 worked with Hamish Buchan for 17 years as an investment trust analyst.

Other Trust Directorships: Collective Assets.

Hamish Buchan (60) 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) investment trust research team for many years. He is a Deputy Chairman of the Association of Investment Trust Companies.

Other Trust Directorships: Aberforth Smaller Companies; Collective Assets; JPMorganFleming American (Chairman); Scottish Investment Trust; Shires Income; Standard Life European Private Equity.

Martin Hamilton-Sharp (62) has been a director since 1990. 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.

Other Trust Directorships: BFS Income & Growth; Collective Assets; Northern Investors.

Gordon Neilly (44), Chief Executive of Intelli Corporate Finance, was previously Finance and Business Development Director of Ivory & Sime. Company Secretary of Personal Assets for 10 years, he joined the Board in 1997 and has considerable experience and knowledge of investment trusts.

Other Trust Directorships: INVESCO Leveraged High Yield Fund Limited.

Ian Rushbrook (65) has been responsible for the successful management of investment trusts for over 30 years. He joined the Board in 1990 as Investment Director (Managing Director since 2004) and is a former Deputy Chairman of Ivory & Sime (a predecessor company of F&C Asset Management, which supplies secretarial and administrative services to Personal Assets).

Other Trust Directorships: Collective Assets.

CHAIRMAN'S STATEMENT

It has been possible to make money this past year and to a modest extent we have done so, reflected in a £10¼ rise in our share price to £224¾. Readers of our Quarterlies will be aware, however, that we continue to take a bearish view of equity markets. This is not solely, or even mainly, because of political factors (see the Managing Director's Report opposite, where Ian explains our wider worries about world financial markets). However, the result of the General Election earlier in the month makes it even less likely that our view will change.

It is mildly astonishing to listen to Messrs. Blair and Brown tell us about the outstanding success of the economy when the stockmarket is scarcely higher than it was eight years ago and public spending has grown considerably. Also, most people have finally woken up to the fact that their pension funds are in deep trouble, the consequence of the static stockmarket and Gordon Brown's tax takeaway (now amounting to over £40 billion). One cannot but wonder for how long an economy can be sustained on an ever higher public sector payroll coupled with a consumer boom fuelled by borrowings secured on house prices now far removed from long term trends.

Our liquidity, together with our lack of exposure to smaller stocks, meant that we marginally underperformed our benchmark over the past year. We remain, however, usefully ahead of our preferred measure, a three year rolling average, although we are aware that even this yardstick can have its technical drawbacks and Robin tells me he intends to examine these before long in a Quarterly. Furthermore, we have been able to declare a substantial increase of nearly 10% in the dividend, well ahead of inflation at 3.2% and our highest rate of increase in nearly a decade. The minimum dividend we shall pay for the year to 30 April 2006 (the sixteenth consecutive year in which we have increased our dividend) will in consequence be nearly 6% higher at £3.60. This is more than three and a half times the rate of dividend that was being paid when Personal Assets became self-managed in 1990. During the bubble five years ago, dividends were regarded as irrelevant. Investors should never forget that dividends are nothing less than the lifeblood of equity valuation. If investment fundamentals leave the stage, it's usually only to take an encore!

Our zero-charge investment plans continue to attract sizeable funds (£9 million in this past year). Happily, Gordon Brown has restored the maximum ISA subscription to £7,000 and confirmed that annual ISAs will remain in existence at least until 2010. As indicated in Quarterly No. 34, we are adding to the range of options in our Investment Plan a Cash Income Option whereby investors can choose to receive an annual 4%, 7% or 10% of the initial amount they commit to this option as a quarterly cash income from the sale of shares. Planholders can be confident that the workings of the Cash Income Option will never cause shares to be sold on their behalf at a significant discount. As Robin points out in his most recent Quarterly (enclosed with this Report) the shares of Personal Assets have not sold at more than a nominal discount since the spring of 1995, a record in which we take considerable pride. To keep costs to a minimum, the Cash Income Option is available only to those shareholders who wish to withdraw a minimum of £1,000 per quarter.

The Directors of Collective Assets, our smaller sister company, are recommending that the company be wound up, its shareholders being offered either new shares in Personal Assets or cash. Collective Assets was established in 1998 in the expectation that it could grow by acquisition. This proved to be impractical, however, and recent changes to the Listing Rules would have required significant changes either to its Board or to the Board of Personal Assets for Ian to continue as Managing Director of both companies. In conclusion, I am pleased to welcome those shareholders who joined us when we were invited last year by the Board of Private Investors Capital Trust ("PICT") to provide a roll-over option into Personal Assets shares at a small premium to net asset value. This proved to be the preferred option of holders of over 20% of PICT's share capital.

Chairman

MANAGING DIRECTOR'S REPORT

The year to 30 April 2005 — to my surprise, if to that of no one else — turned out to be remarkable for being unremarkable. The FTSE All-Share Index, our benchmark, rose by 7.1% and the S&P Composite Index in sterling terms fell by 3.0%. Our net asset value per share increased by 5.3%, the shortfall against our benchmark being due to the drag of our liquidity. We maintained this throughout the year at around 33% in the strongly-held belief that the risks inherent in equity investment were much greater than we have seen for many a long year.

I mentioned last year that our preferred sectors were banks and oils. We continue to hold this view and at our 30 April 2005 year end our shareholders' funds were invested to the extent of 20% in banks and 14% in oils. 31% was in other equity exposure and our liquidity amounted to 35%.

Our equity orientation towards banks and oils is worth explaining further. Firstly, banking services and energy supplies are essential ingredients of any modern, sophisticated economy. Second, both sectors can be expected to grow at least in line with GDP. Third, both sectors achieve substantially higher returns on equity than market averages. Finally, both sectors are priced at below the overall equity market valuation. The UK equity market currently sells at a P/E ratio of 14.1x and a dividend yield of 3.1% whereas the banks sell at a P/E ratio of 12.1x and a dividend yield of 4.3% and the integrated oils sell at a P/E ratio of 12.8x and a dividend yield of 2.9%. While the attractions of the major oils are fairly obvious given that the oil price is well in excess of their long-term planning projections, what appears to have been missed by investors is just how attractive the banking sector is. In general, demand for banking services grows at around twice the rate of GDP, which puts banks in a growth category. Historically, banks always sold at a P/E ratio discount to the market because their capital kept being eroded by high levels of inflation. In today's absence of high inflation, banks should in our view probably carry a higher rating than the general market.

The Chairman commented on the re-election of the Labour Party to Government, which bodes ill for the future relative growth rate of the UK economy. However, what is far more important for the UK stock market is the future level of the real rate of return on financial securities.

Alan Greenspan, in response to a question at a conference of bankers in Frankfurt on 19 November last year, said:

"Rising interest rates have been advertised for so long and in so many places that anyone who hasn't appropriately hedged his position by now, obviously, is desirous of losing money."

This is an extraordinary statement that might well prove to be Alan Greenspan's epitaph.

Greenspan's comment indicates a much greater belief and confidence in the breadth and depth of derivatives markets than would appear to be justified. His comment implies that at any time, in any amount, any asset risk can be hedged ***irrespective of the underlying valuation of the assets to be hedged.*** This is nonsense — it is simply not possible for the major players in a huge bubble market to hedge themselves against a systemic risk created by the central banking authority itself.

How could the US investment banks and hedge funds possibly have followed Greenspan's advice? At the invitation of the Fed they had invested massively, using borrowed funds, in US treasuries. ***They were, in aggregate, the market. Who had the capability to absorb the risk other than themselves?***

So, perhaps logically, their reaction was not merely to ignore the advice but to increase their exposure in the belief that, if disaster struck, Greenspan would have to lower the Fed Funds rate rather than continue to raise it. After all, hadn't he already proved how successful a 1% Fed Funds rate was?!

It's been nine years, and about half a dozen financial crises, since Alan Greenspan's "irrational exuberance" speech. It will be for him to explain in the future why he didn't just let the market clear itself of its excesses rather than continue to prop it up through misjudgement after misjudgement.

MANAGING DIRECTOR'S REPORT *(CONT'D)*

As Robin commented in a previous Quarterly, ***"Equity valuations are precariously dependent on the real rates of return available on financial securities. These are grotesquely low."*** There has recently been a truly remarkable shift in the attitude of investors to risk and reward, as measured by a huge increase in the amount they are prepared to pay for the same promised returns. Over the last 2½ years the redemption yield on high yield US corporate bonds has halved from 14% to 7% and the spread on emerging market bond yields over US Treasuries has fallen from over 10% to under 4%. Over the same period, the yield on US Treasuries was unchanged at 4.8%. In other words, if one takes US Treasuries as a benchmark, investors seem to be falling over themselves to settle for much, much lower returns than they did before, in exchange for taking on higher risks.

The remarkable price increases in high yield US corporate bonds and emerging market debt (both appreciating by over 30%) have resulted from the use by US investment banks and hedge funds of ever-increasing amounts of dollar borrowings to benefit from margin spreads on ever-falling yields. So the risk/reward ratio on high-risk fixed interest financial securities has risen dramatically as the risk premium has declined.

The continued extraordinarily low level of real return on US Treasuries and UK Gilts coupled with the evaporation of the risk premium on high risk financial securities has had the effect of making equities as an asset class appear significantly more attractive than in absolute terms they actually are.

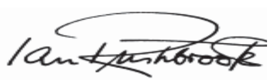
Ben Bernanke (a serious contender for Fed Chairman when Greenspan retires in January 2006) argues that a "global savings glut" explains both the wide US trade deficit and low real long-term interest rates worldwide. However, according to David Miles, chief UK economist at Morgan Stanley, the estimated total level of gross savings world-wide has risen, but only from around 23% at the end of the 1990s to around 24½% in 2004. It is implausible that such a small increase in savings could by itself have generated a fall in the level of real interest rates as substantial as that implied by the decrease in the level of yields on long dated, inflation-proofed bonds. The explanation lies with Greenspan's explosion in the money supply.

Long-term real yields have been driven down by US investment banks and hedge funds attracted to the "carry trade", whereby they could borrow overnight at negative real costs (as determined by the Fed Rate) and invest at longer maturities to earn real rates of return (aided by a depreciating dollar). Money for old rope — and a gift from Greenspan, underwritten by the American people.

Moreover, during the last four years, both the US and the UK have shifted from a 3% annual budget surplus to a 3% annual deficit, thus injecting an annual 1½% of GDP into the economy as new money. Given a typical two times multiplier, this would have produced an additional 3% of annual GDP growth. But the total GDP growth has been running at only 3% over that period in the UK and the US, so there has been no real intrinsic GDP growth at all!

It seems all too obvious that the present overstretched valuations of financial securities cannot continue indefinitely. However, it is not obvious when the current state of affairs will come to an end. The UK and US governments can continue to increase borrowings (in the UK to fund ever more public expenditure and in the US to fund even more tax cuts) while Greenspan stands prepared to hold the Fed Rate well below a neutral level in order to ensure ever more liquidity in the system. The massive current account deficits of these two Anglo-Saxon nations can go on increasing, as it doesn't appear to be in the interests of the governments of either the West or the East for them to decline. Such a transfer of wealth occurs so slowly that it is almost imperceptible. If as a crude approximation of the wealth of a nation we use ten times its GDP, then a current account deficit of 6% only impoverishes the nation by 0.6% per annum. This is a cost to be paid by our children, but a cost that politicians like the supposedly prudent Gordon Brown will find cheap at the price.

In summary, we believe equities to be overvalued, with ever increasing risks of a correction; coupled with returns that in the short to medium term cannot be expected to be other than modest.

 Managing Director

THE BOARD'S POLICIES FOR PERSONAL ASSETS

THE MANAGEMENT OF PERSONAL ASSETS

The day-to-day management of the portfolio is the responsibility of Ian Rushbrook, the Managing Director. Robin Angus works alongside Ian as an Executive Director and they meet weekly with the Chairman and with other Directors. The Board takes all major decisions collectively.

THE BOARD'S INVESTMENT PHILOSOPHY

The way we invest is determined not by abstract theory but by a desire to achieve our practical objectives as these are described in *About Personal Assets*, on page 3. Personal Assets has no policy restrictions to interfere with the investment management process. Furthermore, since it is owned almost entirely by individuals it need not take account of the differing and at times conflicting objectives of the investing institutions. We distrust all investment theories, processes and 'styles', trying instead to be prudent and flexible and to use our common sense.

THE BOARD'S INVESTMENT PRINCIPLES

Although we have no policy restrictions or investment specialisation we do have certain principles for making investment decisions. The most important of these are as follows.

- **Investment Decisions that make a Difference.** In managing Personal Assets we concentrate on decisions that will have an appreciable effect on our net asset value per share. First in order of importance come decisions about the attractiveness or otherwise (relative to cash) of the markets in which we invest and about the sectors we favour within equity markets. Stock selection complements these decisions. Because of our belief in decisions that "make a difference", our preferred practice (although there will always be exceptions to this) is not to buy a quantity of securities worth less than 2% of shareholders' funds at the time the investment is made, or to use derivatives *(see below)* to reduce or increase our equity exposure by less than a similar amount.
- **Stable, Long-Term Investing.** High turnover costs money. It also wastes opportunity, since good investment decisions (in particular, those taken for long-term strategic reasons) often take time to come to fruition. One of an investment manager's greatest temptations is to take a profit on a good investment decision too early. Another is to feel one must be constantly justifying one's existence by *'doing something'*. We resist these temptations.
- **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. We start by recognising that the UK equity market is in itself much more diversified than most other equity markets, the companies in the FTSE 100 deriving a considerable percentage of their profits from overseas. Even if we held only FTSE 100 stocks in our portfolio, therefore, we would still be substantially diversified internationally. Depending on circumstances, however, Personal Assets may want to increase this diversification by holding in addition overseas investments directly. 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 the needs of all investors. Our 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.

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

- **Gearing and Liquidity.** Our starting point is that Personal Assets is an equity investor and so in normal circumstances the Board would expect Personal Assets to maintain a fully invested portfolio. In practice, however, circumstances much of the time are not *'normal'*. For instance, Personal Assets has for several years not been fully invested, because the Board has considered that equity markets have been seriously overvalued. The Board believes in the active, although always carefully considered, use of both gearing and liquidity in investment management. When markets look particularly attractive and we want to increase our equity exposure to more than 100% of shareholders' funds, we will do so in a flexible way by using either short-term borrowed funds or *(more likely)* derivatives such as FTSE 100 Futures. When we believe markets to be 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 holding cash on deposit or using derivatives. It is not tax-efficient for Personal Assets to hold fixed-interest gilts for capital gain and so it does not do so. This does not, however, apply to the preference shares of UK companies or to foreign fixed-interest securities.
- **Currencies.** If a foreign currency in which we hold equity, fixed interest or other investments (at present this is only the US Dollar) looks overvalued we 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 unlisteds takes more time and energy than it is worth. Therefore we don't.
- **Use of other Investment Trusts.** Personal Assets may invest from time to time in other investment trusts when doing so would help us achieve our desired investment exposures. Investment trusts are public limited companies like any other and investing in them can be both efficient and rewarding. Sometimes they sell at discounts which make them look attractive compared to other UK equities. In addition, if we felt confident about the attractions of a geographical or industry area in which we lacked expertise we would buy shares in other investment trusts which provided the exposure we wanted. In the light of the changes to the London Stock Exchange Listing Rules for investment trusts which became effective in November 2003, however, it should be placed on record here that Personal Assets has a policy of not investing more than 15% of its gross assets in other listed investment companies (including investment trusts).
- **The Importance of a Sustainable and Predictable Dividend.** Personal Assets has never been, and is unlikely ever to be, a high-income investment trust. Nevertheless, our dividend rate today is more than three and a half times what it was when Personal Assets became independently managed in 1990 and we regard it as important to pay a secure and growing dividend upon which shareholders can rely. We pay two dividends a year, and it is our policy never to pay a dividend which is lower than the last one. Shareholders can therefore be sure that each half-yearly payment will at least equal the previous one and so can work out the minimum current annual dividend rate by doubling the last dividend payment.
- **The Importance of our Revenue Reserve.** Personal Assets has an advantage over many investment trusts in that it has a substantial Revenue Reserve. As mentioned on page 3, our Revenue Reserve currently stands comfortably in excess of 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, and so in normal circumstances it is our policy to maintain and, when possible, to augment our revenue reserve against this eventuality.

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 — a subject discussed in detail in Quarterlies Nos. 27-29, copies of which are still available from the Company Secretary at the address on page 4.

- **Professional Management/Board Accountability.** Private investors usually lack the time and 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 against their taxable income the investment management and administration costs they incur. 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 £8,500 per annum. Higher-rate taxpayers 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 2005 1,152 account holders held Personal Assets ISAs worth a total of £19 million, representing 12.4% of the Company’s shares in issue. At the same date, Personal Assets’ ISAs, PEPs and Investment Plans were valued in total at £68 million and represented 44.7% of the Company’s shares in issue.

New investment continues to flow into Personal Assets PEPs as investors transfer their existing PEPs from other PEP managers.

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.

- 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.
- Following the changes announced in the March 2005 Budget by Gordon Brown, who previously had seemed incapable of making his mind up from one year to the next, shareholders will be able to invest £7,000 in a Personal Assets ISA in each of the five tax years until 2009/10. This may be done by way of a lump sum or by monthly direct debit and would enable a married couple to shelter a total of £70,000 from Capital Gains Tax.
- Existing PEPs were unaffected by the launch of ISAs and retain their tax-free status.

WAYS OF INVESTING IN PERSONAL ASSETS

Steven Budge *(left)*, **Gordon Hay Smith** *(middle)* and **Steven Davidson** *(right)* will be glad to provide information about these Plans. Their telephone numbers and addresses are on page 4.

The shares of Personal Assets are listed on 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 **Investment Plan** (which offers three options, as outlined below), **Individual Savings Account ("ISA")** or **Personal Equity Plan ("PEP")**.

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 plans**.

THE PERSONAL ASSETS INVESTMENT PLAN

- **The Single Investment Option** accepts lump sums of £5,000 or more. As in all these options, dividends are automatically reinvested. Investors who want to invest £5,000 or more but to receive dividends directly can elect in their application form to have their shares transferred to the main Share Register immediately after buying them through the Plan.
- **The Monthly Investment Option** is by direct debit only (minimum £500 per month).
- **The Cash Income Option** lets investors draw an annual income of £4,000 or more (minimum £1,000 per quarter) from a shareholding in Personal Assets held within the Plan. Depending on their own tolerance of risk and view of markets, investors can choose to receive an annual 4%, 7% or 10% of the starting value of their holding as a quarterly cash income from the sale of shares. The minimum starting sum will depend on the percentage rate of cash income chosen.

THE PERSONAL ASSETS ISA *and* THE PERSONAL ASSETS PEP

The Personal Assets zero-charge Individual Savings Account ("ISA") consists solely of Personal Assets shares and all cash (whether from subscriptions or dividends) is invested in the Company's shares on the earliest dealing day. Dealing days are Wednesday and Friday of each week. Subscribers must invest the maximum amount permissible in each year. Subscriptions may be made either by lump sum or by monthly direct debit. The current rate of 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 any of the above.

DISPOSAL OF SHAREHOLDINGS

Personal Assets offers a facility whereby holders may sell their shares without incurring any stockbroking costs. Details are available from any of the above.

PORTFOLIO COMPARISONS FOR THE YEAR TO 30 APRIL 2005

COMPANY	30 April 2005 £'000	Purchases/ (Sales) £'000	30 April 2004 £'000	Business Activities of Companies
BP	£9,398	£1,536	£7,118	International oil and energy
Royal Bank of Scotland	£9,302	£1,470	£8,550	Banking and related financial services
HBOS	£7,609	£897	£6,392	Banking and related financial services
Shell Transport & Trading	£7,371	£1,139	£5,096	International oil and energy
Barclays	£6,014	£798	£4,983	Banking and related financial services
GlaxoSmithKline	£4,854	–	£4,318	Pharmaceuticals
Scottish & Newcastle	£3,717	–	£3,368	Brewing, retail and leisure
BT Group	£2,397	–	£2,142	Telecommunications
British Assets Trust	£1,598	–	£1,530	International general investment trust
Rentokil Initial	£1,563	–	£1,880	Environmental and property services
Foreign & Colonial Inv Trust	£1,410	–	£1,372	International general investment trust
Scottish Investment Trust	£1,270	–	£1,124	International general investment trust
BAE Systems	£702	–	£577	Aerospace and defence
Advance UK Trust	£570	–	£504	UK investment trust of investment trusts
ISIS UK Select Trust	£422	–	£423	UK growth investment trust
SMG	£294	–	£354	Central Scotland TV broadcaster, newspapers
Other UK Equities	£78	(£18)	£93	
Platinum Investment Trust	–	(£743)	£785	UK smaller companies investment trust
Exposure to FTSE 100 Future	£34,809	(£4,007)	£38,251	
UK EQUITY EXPOSURE	**£93,378**	**£1,072**	**£88,860**	
Altria Group	£1,360	–	£1,249	Tobacco, brewing, soft drinks, packaged foods
Dover Corp	£952	–	£1,128	Elevators and general engineering products
Actuant Corp	£643	–	£554	Tools, supplies and engineered solutions
Bristol-Myers Squibb	£586	–	£610	Pharmaceuticals
Other USA Equities	£4	–	£10	
USA EQUITY EXPOSURE	**£3,545**	**–**	**£3,551**	
TOTAL EQUITY EXPOSURE	**£96,923**	**£1,072**	**£92,411**	

LIQUIDITY			
US Treasury Strip 0% 15/05/05	£62,768		
Standard Life Sterling Fund	£21,289		
Net Current Assets	£5,169		
Liability to FTSE 100 Future	(£36,315)		
NET LIQUIDITY	**£52,911**		**£42,359**
SHAREHOLDERS' FUNDS	**£149,834**		**£134,770**

COMPARATIVE VALUES	30 April 2005	% change over year	30 April 2004
SHARE PRICE	**£224.75**	**4.8%**	**£214.50**
NET ASSET VALUE/SHARE	**£221.26**	**5.3%**	**£210.17**
FTSE ALL-SHARE INDEX	**2,397.05**	**7.1%**	**2,237.34**

RECORD 1983-2005

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(1)
(2)**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
2004	134,770	£210.17	£214 ½	£3.98	£3.10
2005	149,834	£221.26	£224 ¾	£3.41	£3.40

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

(1) Includes special dividend of £0.25 per share.

(2) Personal Assets became self managed in 1990.

INDUSTRIAL AND GEOGRAPHIC ANALYSIS OF EQUITY INVESTMENTS

Category	UK £'000	USA £'000	Total £'000	%
Resources	16,770	–	16,770	27.0%
General Industrials	702	1,595	2,297	3.7%
Non Cyclical Consumer	8,571	1,950	10,521	16.9%
Cyclical Services	1,857	–	1,857	3.0%
Non Cyclical Services	2,397	–	2,397	3.9%
Financials	28,272	–	28,272	45.5%
Total	58,569	3,545	62,114	100.0%
	94.3%	5.7%	100.0%	

RATE OF EXCHANGE TO STERLING

As at 30 April	2005	2004
US Dollar	1.90990	1.77335

DIRECTORS' REPORT

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 2005.

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 2004. 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 Managing Director's Report.

DIVIDEND

	Group £'000
Revenue available for dividends	2,246
First interim dividend (£1.60 per share) paid on 19 November 2004	(1,044)
Second interim dividend (£1.80 per share) payable on 27 May 2005	(1,219)
Transfer from Revenue Reserve (£0.03 per share)	(17)

DIRECTORS' INTERESTS

The Directors who served during the year and their interests in the shares of the Company at 30 April 2005 and 30 April 2004 were as follows:

Director	Interest	2005	2004
Robert White (Chairman)	Beneficial	800	800
Robin Angus	Beneficial	2,351	2,300
Hamish Buchan	Beneficial	214	204
Martin Hamilton-Sharp	Beneficial	1,174	1,174
Gordon Neilly	Beneficial	183	179
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 44.8% of the issued share capital.

Since 30 April 2005, Mr Angus has acquired a beneficial interest in an additional 3 shares through the automatic re-investment of dividends. There have been no other changes in the above holdings between 30 April 2005 and 23 May 2005.

SUBSTANTIAL INTERESTS

As at 23 May 2005 the following holdings represented 3% or more of the issued share capital of the Company:

Substantial Holders	Shares Held	%
Personal Assets Trust PEP/ISA	181,217	26.6
Personal Assets Trust Investment Plan	121,785	17.9
Collective Assets Trust plc	18,100	2.7

DIRECTORS' REPORT *(CONT'D)*

RESOLUTIONS TO BE PROPOSED AT THE ANNUAL GENERAL MEETING

- **ANNUAL REPORT AND ACCOUNTS**

Resolutions 1 and 2 are, respectively, to receive the Annual Report and Accounts for the year to 30 April 2005 and to approve the Directors' Remuneration Report contained therein.

- **DIRECTORS**

Resolution 3 is to re-elect Hamish Buchan, who retires by rotation. Resolutions 4 and 5 are to re-elect Robert White and Martin Hamilton-Sharp, who, having served on the Board for more than nine years, retire annually. Resolutions 6 and 7 are, respectively, to re-elect Ian Rushbrook and Robin Angus, who, as executive Directors, also retire annually.

The Board confirms that each of the Directors seeking re-election continues to provide a significant contribution to Board deliberations, and that Ian Rushbrook and Robin Angus continue to undertake their executive duties in an effective and committed manner. The Board therefore believes that it is in the interests of shareholders that these Directors be re-elected.

- **AUDITORS**

Resolution 8 is to re-appoint Ernst & Young LLP as auditors.

- **AUTHORITY TO ISSUE SHARES**

In order to meet the continuing demand for shares by the Company's investment plans, two Resolutions will be proposed.

Resolution 9 is to authorise the Directors to issue new shares up to an aggregate nominal amount of £3,125,000, being 36.7% of the total issued shares as at 23 May 2005.

Resolution 10 is to enable the Directors to issue such new shares and to re-sell shares from treasury (see Treasury Shares below) up to an aggregate nominal amount of £3,125,000 (being 36.7% of the total issued shares as at 23 May 2005) for cash without first offering such shares to existing shareholders *pro rata* to their existing shareholdings.

If approved by shareholders, the authorities sought by Resolutions 9 and 10 will continue in effect until the Company's Annual General Meeting in 2006.

The Directors issue new shares only when they believe it is advantageous to the Company's shareholders to do so and in no circumstances would such issue of new shares or re-sale of shares from treasury result in a dilution of net asset value per share.

Since the year end the Company has allotted 3,147 Ordinary Shares and there are now 680,332 Ordinary Shares in issue.

- **AUTHORITY TO BUY BACK SHARES**

During the year, the Company purchased for cancellation 4,950 Ordinary Shares with an aggregate nominal value of £61,875 for a total consideration of £1,062,000, representing 0.8% of the Ordinary Shares in issue at the previous year end.

The Company's current authority to make market purchases of up to 14.99% of the issued Ordinary Shares expires at the end of the Annual General Meeting.

Resolution 11 is to renew the authority for a further period until the Company's Annual General Meeting in 2006. 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, which may be used to buy back shares either for cancellation or to be held in treasury, will be used to purchase shares only if, in the opinion of the Directors, a purchase would be in the best interests of the shareholders as a whole and would result in an increase in the net asset value per share for the remaining shareholders.

DIRECTORS' REPORT *(CONT'D)*

The Company intends to use its existing buy back powers to purchase 18,100 Ordinary Shares held by Collective Assets Trust plc in advance of the proposed winding up of that company.

- **TREASURY SHARES**

Under UK company law investment trusts are able to acquire their own shares to hold in treasury for re-sale. The Directors consider that this facility gives the Company more flexibility in managing its share capital.

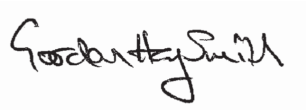
Resolutions 10 and 11 would provide the Directors with the authority they need to manage treasury shares.

Any buy-back of shares into treasury and re-sale of shares from treasury will operate within the following limits:

- No more than 10% of the Company's listed shares shall be held in treasury at any time;
- Treasury shares will only be sold at a premium to the net asset value of the shares at the time of sale;
- Treasury shares will not be sold at a discount of more than 10% to the middle market price of the shares at the time of sale; and
- Shares that have been in treasury for twelve months will be cancelled.

The Directors' present intention is that the shares to be bought back from Collective Assets Trust plc (see Authority to Buy Back Shares above) will be held in treasury.

By Order of the Board



Gordon Hay Smith
Secretary
80 George Street
Edinburgh EH2 3BU

23 May 2005

CORPORATE GOVERNANCE

Personal Assets Trust is a self-managed investment trust run by its Board, which takes all major decisions collectively. While two of the Directors, Ian Rushbrook and Robin Angus, have executive duties, all of the Directors regard themselves and one another as equal in the duties and responsibilities they owe to shareholders and accordingly work together as a unitary Board within which the Chairman (who is elected by the Directors from among their own number) acts as *primus inter pares.*

The Directors are elected by the shareholders and regard corporate governance and accountability to shareholders as being of the highest importance. They therefore place considerable emphasis on running the Company in the way they believe to be best suited to the successful management of an investment trust on behalf of its shareholders.

The Company complies with the Combined Code on Corporate Governance (the “Code”) issued by the Financial Reporting Council in July 2003 except where the Directors believe that to do so would not be in the best interests of shareholders, and has taken into account the recommendations of the AITC Code of Corporate Governance (the “AITC Code’’) which was also issued in July 2003. The instances of non-compliance with the Code are explained in the following four paragraphs.

- The Board considers that the setting up of a series of separate Committees to cover certain matters would prevent individual Directors from having a full understanding of the Company. Accordingly, 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 such Committees are considered by the full Board. Any Director with any possible conflict of interest must declare this and, unless specifically requested to remain, leave the meeting prior to discussion and determination of such matters by the other Directors.
- The Board does not consider it appropriate to follow the Code’s recommendation that Directors should be appointed for a specified term. Nor, as a unitary board, does the Board believe that a senior independent director should be appointed. The Board believes that the Company’s Articles of Association, which require that all directors be subject to re-election by rotation at the Annual General Meeting, are a more appropriate basis for ensuring the independence and accountability of the Board.
- The Board does not undertake a formal review of its own performance and that of individual Directors. Individual Directors are able to voice any concerns regarding the performance of the Board or other members of the Board to the Chairman at any time, and to any other Director if they have concerns regarding the performance of the Chairman.
- The Board does not consider it appropriate for the Company to arrange insurance cover in respect of legal action against the Directors.

All of the non-executive Directors are considered to be independent in character and judgement and, in the opinion of the Board, there are no relationships or circumstances which are likely to affect the judgement of any Director. Robert White and Martin Hamilton-Sharp have served for more than nine years. However, the Board subscribes to the view expressed within the AITC Code that long-serving Directors should not be prevented from forming part of an independent majority, and does not consider that a Director’s length of tenure reduces his ability to act independently. Two of the non-executive Directors, Hamish Buchan and Martin Hamilton-Sharp, are also Directors of Collective Assets Trust plc. However, the Board does not consider that this relationship reduces their ability to act independently in any way.

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.

Director	**Date of Appointment**	**Due date for Re-election**
Robert White (Chairman)	1 February 1994	AGM 2005
Robin Angus	18 May 1984	AGM 2005
Hamish Buchan	5 July 2001	AGM 2005
Martin Hamilton-Sharp	16 November 1990	AGM 2005
Gordon Neilly	30 April 1997	AGM 2006
Ian Rushbrook	1 July 1990	AGM 2005

CORPORATE GOVERNANCE *(CONT'D)*

Any new Directors appointed during the year must stand for re-appointment at the first Annual General Meeting following their appointment. Non-executive Directors who have served on the Board for more than nine years retire annually, as do Ian Rushbrook and Robin Angus, the two executive directors. All other Directors retire by rotation at least every three years. Other than for the two executive Directors there is no notice period and no provision for compensation on early termination of appointment.

During the year there were six Board meetings, each of which was attended by all of the Directors.

Only the two Directors with executive duties, Ian Rushbrook and Robin Angus, have contracts of service with the Company. Details of the service contracts with the two executive Directors, their remuneration, and fees paid to other Directors during the year, are shown in the Directors' Remuneration Report.

Individual Directors may, after having obtained the consent of one other Director, seek independent professional advice at the Company's expense on any matter that concerns the furtherance of their duties.

Voting on corporate resolutions of companies in which the Company invests is a matter for the whole Board. All resolutions on which the Company is entitled to vote are monitored and although normally the Company would vote in favour of all Board resolutions, any contentious matters are referred to the Directors by e-mail for comment. Any Director disagreeing that the Company should cast an affirmative vote informs the Company Secretary and requests that his view be considered by a sub-committee of the Board consisting of any two Directors (not to include the Managing Director unless a quorum would otherwise be unavailable in time). The sub-committee then considers the matter and informs the Director of its conclusion. Should the Director disagree with the sub-committee's conclusion, a full Board meeting is called to consider the matter.

The Board welcomes the views of shareholders and places great importance on communications with them. The Managing Director reports back to the Board on meetings with shareholders and the Chairman and other Directors are available to meet shareholders if required. The Annual General Meeting of the Company provides a forum, both formal and informal, for shareholders to meet and discuss issues with the Board.

The full Board, in carrying out the responsibilities of an audit committee, reviews the Annual and Interim Accounts, the system of internal controls, and the terms of appointment of the auditors together with their remuneration. The Board also reviews the objectivity of the auditors together with the terms under which they are appointed to perform non-audit services. The Board reviews the scope and results of the audit, its cost effectiveness and the independence and objectivity of the auditors, with particular regard to non-audit fees. Such fees amounted to £5,000 for the year ended 30 April 2005 (2004: £13,000) and related to the provision of taxation services. Notwithstanding such services the Board considers Ernst & Young LLP to be independent of the Company.

F&C Asset Management plc ("F&C") provides secretarial and other corporate services to the Company.

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 is consistent with the guidance provided by the Turnbull Committee. Based principally on F&C'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. The test matrix is regularly updated. A formal annual review of these procedures is carried out by the Board, based on the reports from F&C and other service providers and discussions with the Managing 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 F&C 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 the Company's assets and shareholders' investment, 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.

DIRECTORS' REMUNERATION REPORT

POLICY ON DIRECTORS' REMUNERATION

As stated under Corporate Governance on page 18, the Board does not consider it appropriate for the Company to have a separate Remuneration Committee as recommended by the Combined Code. Other than Ian Rushbrook and Robin Angus, all the Directors are considered to be independent and all matters recommended for delegation to the Remuneration Committee are considered by the full Board.

The Board's policy is that fees should be sufficient to attract and retain Directors capable of managing the Company on behalf of its shareholders. Directors' fees are reviewed annually.

Other than the two executive Directors, Directors do not have service contracts, but new Directors are provided with a letter of appointment.

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

DIRECTORS' FEES

Following review of the level of Directors' fees for the forthcoming year the Board concluded that the amounts, which had remained unchanged since 2002, should be increased. Therefore, with effect from 1 May 2005, the Chairman's fee was increased to £22,000 (previously £20,000) and the Directors' fees were increased to £11,000 (previously £10,000) per annum.

EXECUTIVE DIRECTORS' SERVICE CONTRACTS

Ian Rushbrook has a rolling twelve month contract of employment, signed in July 1990.

His salary, payable quarterly in advance, is calculated as the residual of 0.2125% per quarter of shareholders' funds after deduction of the secretarial fee payable to F&C Asset Management plc, the salary of Robin Angus as an executive Director and the salaries of other employees, the provision of office premises, consultancy fees and any other costs pertaining to the investment management of Personal Assets. In the event of early termination of Ian Rushbrook's contract of employment the Company would be liable to pay due entitlement of money in lieu of notice.

Robin Angus has a rolling twelve month contract of employment. His salary is payable monthly in arrears and is financed as stated above. Therefore no costs would be incurred by the Company in the event of early termination of his contract, for so long as Ian Rushbrook remains Managing Director.

DIRECTORS' REMUNERATION FOR THE YEAR (AUDITED)

The Directors received remuneration from fees and salaries as follows:

Director	2005	2004
Robert White (Chairman)	£20,000	£20,000
Robin Angus	£139,000†	£80,000†
Hamish Buchan	£10,000	£10,000
Martin Hamilton-Sharp	£10,000	£10,000
Gordon Neilly	£10,000	£10,000
Ian Rushbrook	£840,000*	£796,000*
Total	£1,029,000	£926,000

† The remuneration of £139,000 *(2004: £80,000)* received by Robin Angus consisted of a salary of £129,000 *(2004: £70,000)* and a Director's fee of £10,000 *(2004: same).*

* The remuneration of £840,000 *(2004: £796,000)* received by Ian Rushbrook consisted of a salary of £830,000 *(2004: £786,000)* and a Director's fee of £10,000 *(2004: same).* During the year an additional amount of £100,000 *(2004: £20,000)* was paid by the Company for the provision of office premises, to a partnership of which Ian Rushbrook is senior partner.

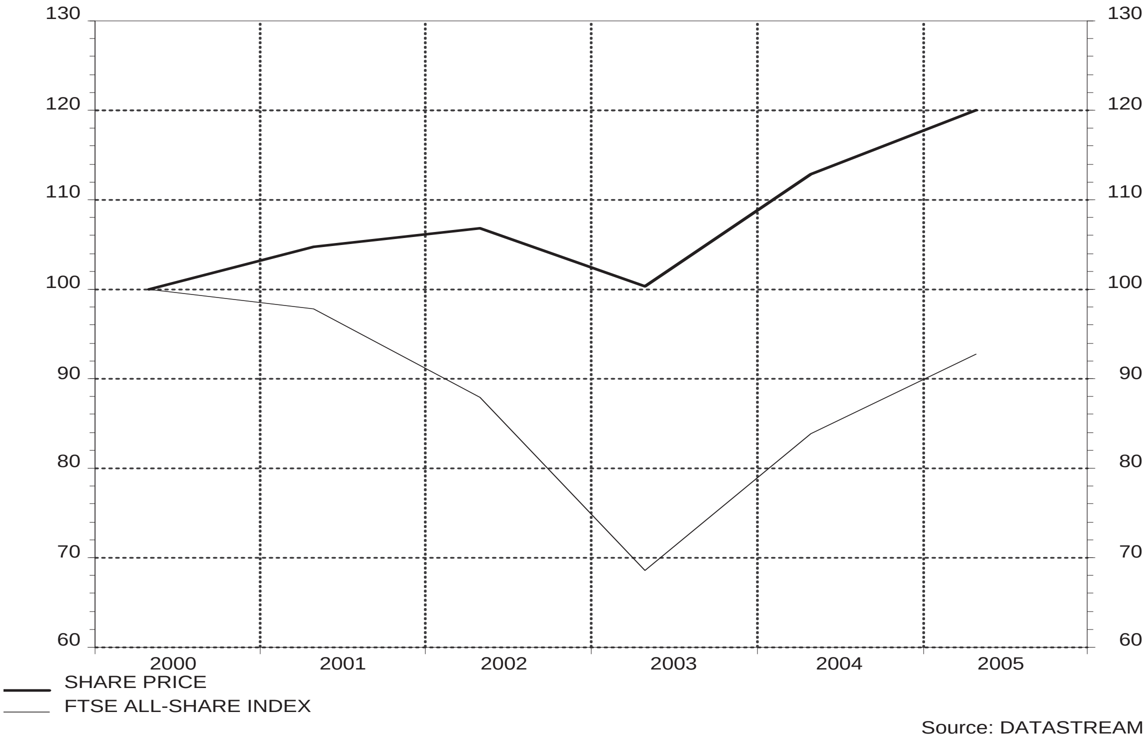
All other amounts shown in the above table relate to Directors' fees.

DIRECTORS' REMUNERATION REPORT *(CONT'D)*

COMPANY PERFORMANCE

The graph below compares, for the five financial years ended 30 April 2005, the total return (assuming all dividends were reinvested) to ordinary shareholders in each period compared to the total shareholder return on a notional investment in the FTSE All-Share Index. This index represents a comparable broad equity market index and is the Company's benchmark. An explanation of the performance of the Company for the year ended 30 April 2005 is given in the Chairman's Statement and Managing Director's Report.

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



On behalf of the Board

R P White
Director
23 May 2005

GROUP STATEMENT OF TOTAL RETURN (INCORPORATING THE REVENUE ACCOUNT) FOR THE YEAR TO 30 APRIL 2005

		2005			2004		
		Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
	Notes						
Gains on investments	9	–	2,222	2,222	–	3,355	3,355
Gains on derivative arrangements	11	–	1,924	1,924	–	6,013	6,013
Exchange differences	11	–	3,824	3,824	–	4,393	4,393
Income	2	3,097	–	3,097	3,358	12	3,370
Expenses	3	(775)	(837)	(1,612)	(729)	(696)	(1,425)
Return on ordinary activities before tax		2,322	7,133	9,455	2,629	13,077	15,706
Tax on ordinary activities	5,6	(76)	41	(35)	(257)	209	(48)
Return attributable to ordinary shareholders		2,246	7,174	9,420	2,372	13,286	15,658
Dividends in respect of ordinary shares	7	(2,263)	–	(2,263)	(1,935)	–	(1,935)
Transfer (from)/ to reserves		(17)	7,174	7,157	437	13,286	13,723
Return per share	8	£3.41	£10.88	£14.29	£3.98	£22.31	£26.29

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 2005

	Notes	Group 2005 £'000	Group 2004 £'000	Company 2005 £'000	Company 2004 £'000
Fixed assets					
Investments	9	146,171	132,311	145,996	132,321
Current assets					
Debtors:					
Dividends and deposit interest receivable		614	633	614	633
Due from subsidiary		–	–	175	168
Other debtors		105	–	105	–
Gain on FTSE 100 Future		–	565	–	565
Cash at bank and on deposit	15	5,875	6,201	5,853	5,988
		6,594	7,399	6,747	7,354
Creditors: amounts falling due within one					
Dividend payable		(1,219)	(1,026)	(1,219)	(1,026)
Liability on forward currency contract		(56)	(3,754)	(56)	(3,754)
Loss on FTSE 100 Future		(1,506)	–	(1,506)	–
Tax payable		(22)	(27)	–	–
Other creditors		(128)	(133)	(128)	(125)
		(2,931)	(4,940)	(2,909)	(4,905)
Net current assets		3,663	2,459	3,838	2,449
Net assets		149,834	134,770	149,834	134,770
Capital and reserves					
Called-up share capital	10	8,465	8,016	8,465	8,016
Share premium account	11	70,813	62,355	70,813	62,355
Capital redemption reserve	11	219	157	219	157
Special reserve (distributable)	11	22,526	23,588	22,526	23,588
Capital reserve – realised	11	36,473	33,591	36,466	33,602
Capital reserve – unrealised	11	8,426	4,134	9,352	4,965
Revenue reserve	11	2,912	2,929	1,993	2,087
Equity shareholders' funds	12,13	149,834	134,770	149,834	134,770
Net asset value per share	12	£221.26	£210.17	£221.26	£210.17

The accounts on pages 22 to 33 were approved by the Board on 23 May 2005 and were signed on its behalf by:

R P White, 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 2005

		Notes	**2005 £'000**	2004 £'000
Operating activities				
Investment income received			2,648	2,509
Deposit interest received			382	628
Other income			48	66
Expenses			(1,706)	(1,389)
Net cash inflow from operating activities		14	1,372	1,814
Taxation			(20)	(30)
Capital expenditure and financial investment				
Purchase of FTSE 100 Futures			(9)	(12)
Disposal of FTSE 100 Futures			4,006	11,730
Purchase of investments	- equity shares		(8,867)	(16,533)
	- fixed interest securities and other investments		(336,037)	(121,902)
Disposal of investments	- equity shares		3,779	2,351
	- fixed interest securities and other investments		332,303	93,800
Net cash outflow from capital expenditure and financial investment			(4,825)	(30,566)
Dividends paid on ordinary shares			(2,070)	(1,749)
Financing				
Allotment of new shares			6,153	16,723
Shares bought back			(1,062)	–
Net cash inflow from financing			5,091	16,723
Decrease in cash		15	(452)	(13,808)

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 the revaluation of fixed asset investments and in accordance with applicable accounting standards and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies'.

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 2005. As permitted by Section 230 of the Companies Act 1985, no statement of total return is presented for the Company.

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 of a capital nature, and returns of capital are accounted for in this reserve, together with the proportion of management fees allocated to capital.

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 of a capital nature are accounted for in this reserve.

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

Management expenses 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. In accordance with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies', the marginal rate of tax is applied to taxable net revenue.

Deferred Taxation
Deferred tax 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. Timing differences are differences arising between the Company's taxable profits and its results as stated in the financial statements which are capable of reversal in one or more subsequent periods. Deferred tax is measured on an undiscounted basis and by reference to enacted tax rates.

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.

2. INCOME

	2005 £'000	2004 £'000
Income from investments		
Franked investment income	2,069	1,724
Investment income from fixed interest securities	17	377
Overseas dividends	581	573
	2,667	2,674
Other income		
Deposit interest	382	628
Other income	48	56
Total income	3,097	3,358
Total income comprises		
Dividends	2,650	2,297
Fixed interest securities	17	377
Other income	430	684
	3,097	3,358
Income from investments		
Listed UK	2,086	1,724
Listed overseas	581	950
	2,667	2,674

The Company received £nil *(2004: £12,000)* in respect of returns of capital during the year, which have been credited to capital reserves.

3. EXPENSES

	2005			2004		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Management expenses	451	837	1,288	375	696	1,071
Directors' fees	70	–	70	70	–	70
Auditors' remuneration for: – audit	12	–	12	11	–	11
– other services	5	–	5	13	–	13
Other expenses	237	–	237	260	–	260
	775	837	1,612	729	696	1,425

4. DIRECTORS' FEES AND STAFF COSTS

	2005 £'000	2004 £'000
Directors' fees and salaries	1,029	926
Other salaries	74	50
Employers' national insurance	141	116
	1,244	1,092

Excluding the Directors, there was one employee during each of the years ended 30 April 2005 and 30 April 2004.

5. TAX ON ORDINARY ACTIVITIES

	2005 Revenue £'000	**2005** Capital £'000	**2005** Total £'000	2004 Revenue £'000	2004 Capital £'000	2004 Total £'000
Corporation tax at 30% *(2004: 30%)*	60	(41)	19	257	(209)	48
Foreign tax suffered	16	–	16	–	–	–
	76	(41)	35	257	(209)	48

The Company had £643,256 unrelieved excess expenses at 30 April 2005 *(2004: nil)*. It is uncertain whether the Company will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset in respect of these expenses has been recognised.

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:

	2005 £'000	2004 £'000
Return on ordinary activities before taxation	2,322	2,629
Corporation tax at standard rate of 30%	697	789
Effects of:		
Franked investment income not subject to taxation	(621)	(517)
Corporation tax at rate of 19%	–	(15)
Current year tax charge (note 5)	76	257

7. DIVIDENDS

	2005 £'000	2004 £'000
First interim: £1.60 *(2004: £1.50)*	1,044	909
Second interim: £1.80 *(2004: £1.60)*	1,219	1,026
	2,263	1,935

8. RETURN PER ORDINARY SHARE

Revenue	**Capital**	**Total**	Revenue	Capital	Total
£3.41	£10.88	£14.29	£3.98	£22.31	£26.29

The revenue return per ordinary share is based on the net revenue from ordinary activities, after taxation, of £2,246,000 *(2004: £2,372,000)*, and on 659,358 *(2004:595,622)* 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 £7,174,000 *(2004:gain of £13,286,000)*, and on 659,358 *(2004: 595,622)* ordinary shares, being the weighted average number in issue during the year.

9. INVESTMENTS

	Group 2005 £'000	Group 2004 £'000
Investments listed on a recognised investment exchange	146,171	132,311
Total investments	146,171	132,311

Group	Listed UK £'000	Listed Overseas £'000	Total £'000
Opening book cost	45,444	79,544	124,988
Opening unrealised appreciation	5,165	2,158	7,323
Opening valuation	50,609	81,702	132,311
Movements in the year			
Purchases at cost	8,867	338,853	347,720
Sales – proceeds	(3,779)	(332,303)	(336,082)
– realised gains/(losses) on sales	154	(599)	(445)
Increase/(decrease) in unrealised appreciation	2,718	(51)	2,667
Closing valuation	58,569	87,602	146,171
Closing book cost	50,686	85,495	136,181
Closing unrealised appreciation	7,883	2,107	9,990
	58,569	87,602	146,171

	Group 2005 £'000	Group 2004 £'000
Equity shares	62,114	54,160
Fixed interest securities	62,768	73,078
Other investments	21,289	5,073
	146,171	132,311

	2005	2004
Realised losses on sales	(445)	(2,461)
Increase in unrealised appreciation	2,667	5,816
Gains on investments	2,222	3,355

Of the realised gains/(losses) on sales during the year, a net gain of £375,000 *(2004: loss £1,361,000)* was included in unrealised appreciation at the previous year end.

9. INVESTMENTS *(CONT'D)*

	Company 2005 £'000	Company 2004 £'000
Investments listed on a recognised investment exchange	145,033	131,433
Subsidiary undertakings	963	888
Total investments	145,996	132,321

Company

	Listed UK £'000	Listed Overseas £'000	Unlisted £'000	Total £'000
Opening book cost	45,416	78,738	13	124,167
Opening unrealised appreciation	5,124	2,155	875	8,154
Opening valuation	50,540	80,893	888	132,321
Movements in the year				
Purchases at cost	8,834	338,573	–	347,407
Sales – proceeds	(3,728)	(332,303)	–	(336,031)
– realised gains/(losses) on sales	130	(593)	–	(463)
Increase/(decrease) in unrealised appreciation	2,738	(51)	75	2,762
Closing valuation	58,514	86,519	963	145,996
Closing book cost	50,652	84,415	13	135,080
Closing unrealised appreciation	7,862	2,104	950	10,916
	58,514	86,519	963	145,996

	Company 2005 £'000	Company 2004 £'000
Equity shares	63,018	54,970
Fixed interest securities	62,768	73,078
Other investments	20,210	4,273
	145,996	132,321

Realised losses on sales	(463)	(2,450)
Increase in unrealised appreciation	2,762	5,922
Gains on investments	2,299	3,472

Of the realised gains/(losses) on sales during the year, a net gain of £338,000 *(2004: loss £1,351,000)* was included in unrealised appreciation at the previous year end.

10. CALLED-UP SHARE CAPITAL

	2005 £'000	2004 £'000
Authorised:		
1,000,000 *(2004: 1,000,000)* ordinary shares of £12.50 each	12,500	12,500

Allotted, called-up and fully-paid:

	£'000
641,253 ordinary shares of £12.50 each at 30 April 2004	8,016
Shares issued in respect of allotments	511
Bought back for cancellation	(62)
677,185 ordinary shares of £12.50 each at 30 April 2005	8,465

During the year 40,882 shares were allotted, raising £8,971,000 before issue costs of £2,000.
Of the 40,882 shares allotted, 12,757 shares were allotted for non cash consideration of £2,816,000. All other shares allotted during the year were allotted for cash.
During the year 4,950 shares were bought back for cancellation at a cost of £1,062,000.

11. RESERVES

	Share Premium Account £'000	Capital Redemption Reserve £'000	Special Reserve £'000	Capital Reserve - Realised £'000	Capital Reserve - Unrealised £'000	Revenue Reserve £'000
Group						
At beginning of year	62,355	157	23,588	33,591	4,134	2,929
Exchange differences	–	–	–	126	3,698	–
Net premium from allotment of shares	8,458	–	–	–	–	–
Share buy backs	–	62	(1,062)	–	–	–
Net loss on realisation of investments	–	–	–	(445)	–	–
Gains on FTSE Futures	–	–	–	3,997	(2,073)	–
Increase in unrealised appreciation	–	–	–	–	2,667	–
Expenses charged to capital	–	–	–	(837)	–	–
Corporation Tax	–	–	–	41	–	–
Net revenue before dividends	–	–	–	–	–	2,246
Dividends paid/payable	–	–	–	–	–	(2,263)
At end of year	70,813	219	22,526	36,473	8,426	2,912
Company						
At beginning of year	62,355	157	23,588	33,602	4,965	2,087
Exchange differences	–	–	–	126	3,698	–
Net premium from allotment of shares	8,458	–	–	–	–	–
Share buy backs	–	62	(1,062)	–	–	–
Net loss on realisation of investments	–	–	–	(463)	–	–
Gains on FTSE Futures	–	–	–	3,997	(2,073)	–
Increase in unrealised appreciation	–	–	–	–	2,762	–
Expenses charged to capital	–	–	–	(837)	–	–
Corporation Tax	–	–	–	41	–	–
Net revenue before dividends	–	–	–	–	–	2,169
Dividends paid/payable	–	–	–	–	–	(2,263)
At end of year	70,813	219	22,526	36,466	9,352	1,993

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	
	2005 £	2004 £	**2005 £'000**	2004 £'000
Ordinary shares	221.26	210.17	149,834	134,770

Net asset value per ordinary share is based on net assets shown above and 677,185 *(2004:641,253)* ordinary shares, being the number of ordinary shares in issue at the year end.

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005 £'000	2004 £'000
Opening shareholders' funds	134,770	104,324
Increase in share capital	511	1,017
Premium resulting from allotment of shares	8,458	15,706
Share buy-backs	(1,062)	–
Total recognised gains and losses for the year (including net income received)	9,420	15,658
Dividends declared on ordinary shares	(2,263)	(1,935)
Closing shareholders' funds	149,834	134,770

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

Net revenue before taxation	2,322	2,629
Tax on investment income	(22)	(15)
Management expenses charged to capital	(837)	(696)
Return of capital	–	12
Increase in debtors	(86)	(146)
(Decrease)/increase in creditors	(5)	30
Net cash inflow from operating activities	1,372	1,814

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

	2005 £'000	2004 £'000
Decrease in cash during the period	(452)	(13,808)
Effect of foreign exchange rates	126	7,769
Change in net funds	(326)	(6,039)
Net funds at the beginning of the year	6,201	12,240
Net funds at the end of the year	5,875	6,201

ANALYSIS OF NET FUNDS

Cash at bank and on deposit	5,875	6,201

16. FINANCIAL INSTRUMENTS

The Group holds investments in listed companies and fixed interest securities, and holds cash balances. It also invests in FTSE 100 Futures and 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 Group also invests in Standard Life Sterling Fund. The benchmark rate which determines the interest payments received on cash balances and income from Standard Life Sterling Fund is the bank base rate, which at 30 April 2005 was 4.75% in the UK *(2004: 4.00%).*

Floating interest rate exposure at 30 April:	**2005 £'000**	2004 £'000
Sterling	27,164	11,274

Fixed rate and zero rate

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

At 30 April 2005 the Group held:	**£'000**	**Period to maturity**
0% US Treasury Strip 15/05/2005	62,768	15 days

At 30 April 2004 the Group held:		
0% US Treasury Strip 15/05/2004	54,673	15 days
0% US Treasury Strip 15/08/2004	18,405	107 days

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 Company continued to use derivatives during the year. These contracts were specifically entered into to reduce the Company's effective liquidity and increase equity exposure to FTSE 100 companies. Further information is given in 'The Board's Policies For Personal Assets' on pages 9-10.

19. FOREIGN CURRENCY RISK

The Group invests in overseas securities.

Currency exposure at 30 April:

	2005 £'000	2004 £'000
US Dollars		
Fixed asset investments	66,313	76,629

At 30 April 2005 the Sterling cost of the US Treasury Strip and US Equity exposure was protected by a forward currency contract. The liability of £56,000 *(2004: liability of £3,754,000)* on the U$126,700,000 *(2004: U$133,613,000)* sold forward against £66,327,000 *(2004: £71,842,000)* is included in creditors.

20. SUBSIDIARY UNDERTAKINGS

As at 30 April 2005, Personal Assets Trust's subsidiary undertakings, which have been consolidated, were as follows:

Company	**Country of Incorporation & Operation**	**Description of shares held**	**% of Class Held**	**% of Equity Held**	**Value 30 April 2005**
The Edinburgh Agency Ltd	Scotland	Ordinary £1 shares	100.0	100.0	£711,000
Personal Assets Investments Ltd	Scotland	Ordinary £1 shares	100.0	100.0	£252,000

The Edinburgh Agency Ltd generates revenues from the development of investment ideas. Its revenues for the year to 30 April 2005 amounted to £87,000 (2004: £84,000) and its profits after tax amounted to £87,000 (2004: £60,000).

Personal Assets Investments Ltd undertakes investment activities. Its revenues for the year to 30 April 2005 amounted to £11,000 (2004: £69,000) and its profits after tax amounted to £11,000 (2004: £57,000).

DIRECTORS' RESPONSIBILITY STATEMENT AND INDEPENDENT AUDITORS' REPORT

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are required by law to prepare, for each financial period, financial statements 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 financial statements 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 financial statements. 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 financial statements for the year ended 30 April 2005, which comprise the Group Statement of Total Return, Group and Company Balance Sheets, Group Cash Flow Statement and the related notes 1 to 20. These financial statements 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 financial statements 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 financial statements. The Directors are also responsible for preparing the Directors' remuneration report.

Our responsibility is to audit the financial statements 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 financial statements give a true and fair view and whether the financial statements 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 financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding Directors' remuneration and transactions with the Group is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 FRC Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

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

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises Key Features, Performance 1990-2005, About Personal Assets, Corporate Information, Board of Directors, Chairman's Statement, Managing Director's Report, The Board's Policies for Personal Assets, Investment Trusts for Individual Investors, Ways of Investing in Personal Assets, Portfolio Comparisons for the Year to 30 April 2005, Record 1983-2005, Directors' Report, Corporate Governance, Directors' Remuneration Report and Notice of Annual General Meeting. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 financial statements 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 financial statements, 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 financial statements 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 financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 April 2005 and of the net revenue of the Group for the year then ended; and
- the financial statements 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

ERNST & YOUNG LLP

Registered Auditor, Edinburgh

23 May 2005

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the twenty-fourth Annual General Meeting of Personal Assets Trust Public Limited Company will be held at 80 George Street, Edinburgh, on Thursday 14 July 2005 at 12 noon 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 2005 be received.
2. That the Directors' Remuneration Report for the year to 30 April 2005 be approved.
3. That Hamish Buchan, who retires by rotation, be re-elected as a Director.
4. That Robert White, who retires annually, be re-elected as a Director.
5. That Martin Hamilton-Sharp, who retires annually, be re-elected as a Director.
6. That Ian Rushbrook, who retires annually, be re-elected as a Director.
7. That Robin Angus, who retires annually, be re-elected as a Director.
8. That Ernst & Young LLP be re-appointed as Auditors and that the Directors be authorised to determine their remuneration.
9. That the Directors be and are hereby generally and unconditionally authorised for the purposes of 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 2006 and 31 December 2006, 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:

10. That subject to the passing of resolution numbered 9 in the notice of the meeting and in place of all existing powers the Directors be generally empowered pursuant to section 95 of the Companies Act 1985 ("the Act") to allot equity securities (within the meaning of section 94(2) to section 94(3A) of the Act) for cash, pursuant to the authority conferred by resolution numbered 9 in the notice of the meeting as if section 89(1) of the Act did not apply to the allotment. This power:
    a) expires at the end of the Company's Annual General Meeting in respect of its financial year ending 30 April 2006, but the Company may make an offer or agreement which would or might require equity securities to be allotted after expiry of this power and the Directors may allot equity securities in pursuance of that offer or agreement as if this power had not expired; and
    b) shall be limited to:
        i) the allotment of equity securities in connection with an issue in favour of holders of ordinary shares in the capital of the Company in proportion (as nearly as may be) to their existing holdings of ordinary shares, but subject to such exclusions or other arrangements as the Directors deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of a regulatory body or stock exchange; and
        ii) the allotment of equity securities for cash otherwise than pursuant to paragraph (i) up to an aggregate nominal amount equal to £3,125,000.

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

c) This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 94(3A) of the Act as if in the first paragraph of this resolution the words "pursuant to the authority conferred by resolution numbered 9 in the notice of the meeting" were omitted.

11. That, in substitution for any existing authority, the Company be authorised, generally and unconditionally, 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 shall be £12.50;

(iii) the maximum price (exclusive of costs) which may be paid for a Share shall be 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;

(iv) any shares so purchased shall be cancelled or, if the Directors so determine, held as treasury shares; and

(v) 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 2006 and 31 December 2006, 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

23 May 2005

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 Annual 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.

Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members entered on the Company's Register of Members by 6.00pm on 12 July 2005 or, in the event that the meeting is adjourned, on the Register of Members 48 hours before the time of any adjourned meeting, shall be entitled to attend or vote at the meeting (or adjourned meeting) in respect of the number of ordinary shares registered in their name at that time. Changes to the entries on the Register of Members after 6.00pm on 12 July 2005 or, in the event that the meeting is adjourned, on the Register of Members 48 hours before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting, notwithstanding any provision in any enactment, the Articles of Association of the Company or other instrument to the contrary.

The Articles of Association and copies of the executive Directors' service contracts will be available for inspection at the registered office of the Company from 11.45am on 14 July 2005 until the conclusion of the Annual General Meeting.

Members are requested to inform Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA of any change of address.