Personal Assets Trust PLC

Annual Report and Accounts for the Year ended 30 April 2008

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Because we are proposing changes to the Articles of Association we are required to include the statement below.

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, you are recommended to seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom or, if not, from another appropriately authorised financial adviser. If you have sold or otherwise transferred all your Ordinary shares in Personal Assets Trust PLC, please forward this document, together with the accompanying documents immediately to the purchaser or transferee, or to the stockbroker, bank or agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

KEY FEATURES

FOR THE YEAR TO 30 APRIL 2008

	Change	**30 April 2008**	30 April 2007
Market Capitalisation	-2.1%	**£189.3m**	£193.4m
Shareholders' Funds	-1.9%	**£188.7m**	£192.4m
Effective Liquidity	–	**100.2%**	50.7%
Share Price	-2.9%	**£258.25**	£266.00
NAV per share	-2.8%	**£257.37**	£264.70
FTSE All-Share Index	-7.6%	**3,099.94**	3,355.60
Premium to NAV	–	**0.3%**	0.5%
Dividend per share	12.2%	**£4.60**	£4.10
Current dividend rate (1)		**£4.70**	

FOR THE 3 YEARS TO 30 APRIL 2008 (2)

	Change	**30 April 2008**	30 April 2005 (3)
Market Capitalisation	24.4%	**£189.3m**	£152.2m
Shareholders' Funds	26.0%	**£188.7m**	£149.8m
Effective Liquidity	–	**100.2%**	35.3%
Share Price	14.9%	**£258.25**	£224.75
NAV per share	16.3%	**£257.37**	£221.26
FTSE All-Share Index	29.3%	**3,099.94**	2,397.05
Premium to NAV	–	**0.3%**	1.6%
Dividend per share	35.3%	**£4.60**	£3.40

FOR THE 8 YEARS TO 30 APRIL 2008 (4)

	Change	**30 April 2008**	30 April 2000 (3)
Market Capitalisation	153.8%	**£189.3m**	£74.6m
Shareholders' Funds	155.7%	**£188.7m**	£73.8m
Effective Liquidity	–	**100.2%**	45.3%
Share Price	27.8%	**£258.25**	£202.00
NAV per share	28.8%	**£257.37**	£199.80
FTSE All-Share Index	3.3%	**3,099.94**	3,001.92
Premium to NAV	–	**0.3%**	1.1%
Dividend per share	75.2%	**£4.60**	£2.625

(1) Double the last interim dividend of £2.35. 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.

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

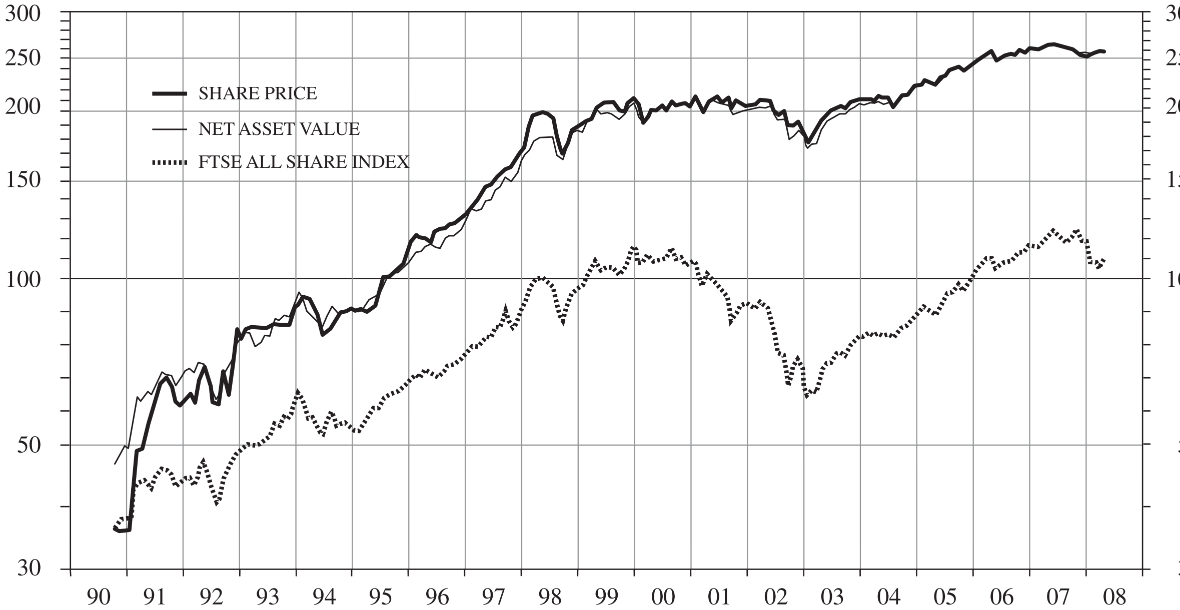
(3) UK GAAP. From 1st May 2004, the Company adopted International Financial Reporting Standards.

(4) See Managing Director's Report on pages 7–8.

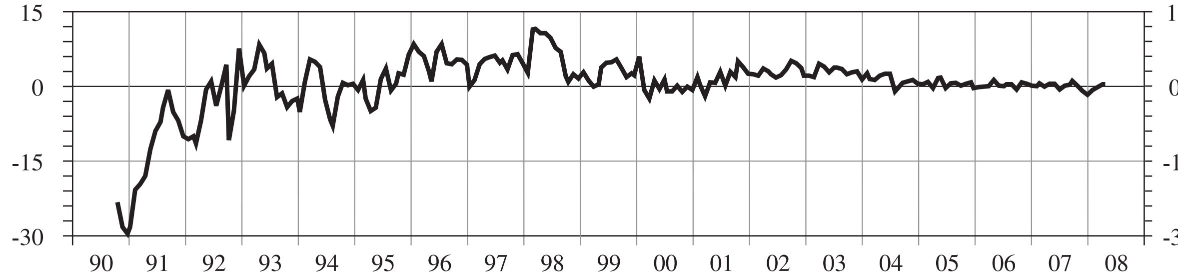
PERFORMANCE 1990-2008*

* PERSONAL ASSETS BECAME SELF MANAGED IN 1990

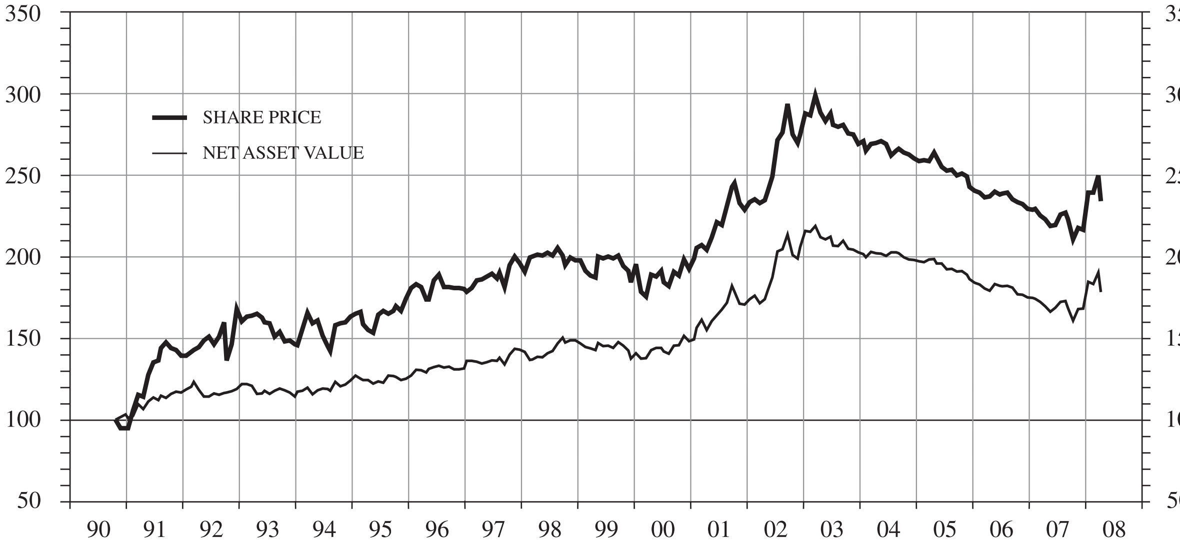
SHARE PRICE AND NET ASSET VALUE IN POUNDS VERSUS FTSE ALL-SHARE



SHARE PRICE (DISCOUNT)/PREMIUM TO NET ASSET VALUE



PERFORMANCE RELATIVE TO FTSE ALL-SHARE



RECORD 1983 - 2008

Date 30 April	Shareholders' Funds £'000	Net asset value per share	Share price	Earnings per share	Dividend per share	Dividend Growth %	Inflation (RPI) %
1983 (Sept)	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)		
1990 (2)	8,462	£56.67	£39 ½	£1.09	£1.00		
1991	9,006	£60.32	£48 ½	£1.45	£1.50	50.0	6.4
1992	10,589	£70.92	£66	£1.67	£1.60	6.7	4.3
1993	11,441	£75.18	£81 ½	£2.52	£1.80	12.5	1.3
1994	12,987	£85.34	£89 ½	£2.12	£1.95	8.3	2.6
1995	13,939	£91.59	£87	£2.00	£2.00	2.6	3.3
1996	19,473	£115.11	£118 ½	£2.90	£2.20	10.0	2.4
1997	27,865	£133.89	£141 ¼	£3.01	£2.30	4.5	2.4
1998	48,702	£180.21	£199 ½	£3.57	£2.45	6.5	4.0
1999	65,200	£201.26	£202 ½	£3.67	£2.55	4.1	1.6
2000	73,751	£199.80	£202	£2.98	£2.62 ½	2.9	3.0
2001	78,000	£207.03	£208 ½	£3.27	£2.70	2.9	1.8
2002	92,430	£203.38	£209 ½	£3.88	£2.80	3.7	1.5
2003	104,324	£186.32	£193 ¾	£3.40	£2.90	3.6	3.1
2004	134,770	£210.17	£214 ½	£3.98	£3.10	6.9	2.5
2005	149,834	£221.26	£224 ¾	£3.41	£3.40	9.7	3.2
2006	189,351	£256.14	£259 ¼	£3.78	£3.70	8.8	2.6
2007	192,416	£264.70	£266	£4.95	£4.10	10.8	4.5
2008	188,664	£257.37	£258 ¼	£5.59	£4.60	12.2	4.2

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.

Corporate Information

Board of Directors

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

Company Secretary

Steven Davidson
F&C Investment Business Ltd
80 George Street
Edinburgh EH2 3BU

Telephone: 0207 628 8000

Investment Management

Ian Rushbrook *(Managing Director)*
Robin Angus *(Executive Director)*
Steven Budge

10 St Colme Street
Edinburgh EH3 6AA

Telephone: 0131 225 9995

Registrars

Equiniti Limited
Aspect House
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Lancing
West Sussex BN99 6DA

Telephone: 0871 384 2464

ISA Administrators

Halifax Share Dealing Limited
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Leeds LS1 1NS

Telephone: 0845 850 0181

Investment Plan Administrators

Equiniti Limited
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: 0207 628 8000

BOARD OF DIRECTORS

Bobby White (72) has been a non-executive 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 (55) 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: None.

Hamish Buchan (63) joined the Board as a non-executive Director in 2001. He has worked in the investment trust sector since 1969 and headed the award-winning Wood Mackenzie (later, NatWest Securities) trust research team for many years. He is the immediate past Chairman of the Association of Investment Companies.

Other Trust Directorships: Aberforth Smaller Companies; JPMorgan American (Chairman); Scottish Investment Trust; Standard Life European Private Equity.

Martin Hamilton-Sharp (65) has been a non-executive 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: None.

Gordon Neilly (47), 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 as a non-executive Director in 1997 and has considerable experience and knowledge of investment trusts.

Other Trust Directorships: INVESCO Leveraged High Yield Fund.

Ian Rushbrook (68) has been responsible for the management of investment trusts for over 35 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 provides secretarial and administrative services to Personal Assets).

Other Trust Directorships: None

CHAIRMAN'S STATEMENT

Once or twice in my Chairman's Statement in recent years I have wondered for how long an economy could be deemed to be 'growing' when it was based on a consumer boom financed by borrowing against apparently ever rising property values coupled to massive Government spending and employment. Well, now we know. The credit crunch, far from being almost over, will in our view continue to worsen. Given that consumer debt in the UK is now greater than GDP, the unwinding process is likely to be long and painful.

Subprime mortgage failures were not the cause of the credit crunch. They were merely a catalyst. No better example of reckless UK mortgage lending exists than that of Northern Rock issuing mortgages at 125% of house purchase prices, based on six times couples' joint earnings, at the top of the housing market. It is not to be wondered at that when the asset backed commercial paper market dried up Northern Rock imploded. As you will read in the Managing Director's Report, the UK banking system is now in serious disarray. When the banks all raised their dividends in February they obviously failed to appreciate how the credit crunch was evolving. Their subsequent deeply discounted rights issues reflect not so much a liquidity crisis as a potential solvency crisis. It is obvious that the glut of UK mortgage loans on the balance sheets of UK banks have not been marked to market. Nor have we yet seen any realistic accounting for commercial property losses and hedge fund losses still to come.

Superficially, perhaps the most astonishing aspect of these events is that the major share indices are still within 7% to 10% of their all time peaks. One is almost left to conclude that the loss of hundreds of billions by the banks followed by the raising of huge sums to shore up wounded balance sheets was a matter for rejoicing. It is, of course, chiefly the oils and mining stocks which have counterbalanced the mostly disastrous performances of the housebuilding, construction, property, retailing and banking sectors. It is surely only a matter of time before Gordon Brown's self perpetuated myth of prudence and stability (no more 'boom and bust') is shown for what it is, or was. You will gather from this (fully confirmed in Ian's analysis of the situation) that we retain our bearish stance.

In the middle of March we were looking forward to reporting to you a double digit outperformance of our benchmark for the year. However, a March quarter-end bounce and a rather stronger April than seemed justified by events reduced our outperformance to just over 5%. A minor matter to celebrate, however, is that we have increased our dividend by 12.2%. Last year I reported that over the previous three years our dividend had risen at a compound rate of nearly 10% compared to 3.4% in the RPI. This year's declaration gives us a three year compound growth rate of 10.6% compared to the RPI's 3.8%, showing that we are more than keeping pace with rising inflation.

Further, we are pleased to report that at the year end we had more shares in issue than a year ago, investors having subscribed some £1.6 million of new capital. On the face of it, this is surprising in a year during which the FTSE All-Share fell by 7.6% and pessimism about markets was widespread. Our high liquidity in dangerous times does not fully explain this, since investors can always hold cash directly. I believe, rather, that the fundamental reasons are that shareholders are confident we will continue to *'do what it says on the tin'* and ensure that no appreciable discount arises on our shares and that they prefer that Personal Assets' managers should determine when the liquidity should be reinvested in equities, rather than having to take that decision themselves.

In the past year or so not a few trusts have given undertakings to their shareholders to maintain the share price at or close to net asset value. In the event, most have welched on their commitments and allowed the discount to widen far in excess of the original 5% usually proposed. With just a little pride, we are happy to report that we are, if not the only trust, very nearly the only one to maintain a share price at close to asset value. This we have done since April 1995 and since recent legislation means that our Articles of Association require to be revised we are taking the opportunity to enshrine in the Articles the principle that the share price should always be kept closely in line with the net asset value.

MANAGING DIRECTOR'S REPORT

Over the year to 30 April 2008 the FTSE All-Share Index ("FTSE"), our benchmark, fell by 7.6% while the net asset value per share ("NAV") of Personal Assets Trust ("PAT") declined by 2.8%, an outperformance of 5.2% compared to our 10.7% underperformance over three years. However, for several years now I have taken as the starting point of my report PAT's performance from 30 April 2000, the outset of what I believe has been a period of misguided Federal Reserve monetary policy. Over those eight years our NAV is up by 28.8% against our benchmark's 3.3%, an outperformance of 24.7%.

In 2006 and then again last year I looked to Lewis Carroll's *Through The Looking Glass* for inspiration. This year I turn for an explanation of the subprime débâcle and the consequential credit crunch to Douglas Adams's 1980 cult science fiction classic, *The Restaurant at the End of the Universe*.

'Many years ago this was a thriving, happy planet — people, cities, shops, a normal world. Except that on the high streets of these cities there were slightly more shoe shops than one might have thought necessary. And slowly, insidiously, the numbers of these shoe shops were increasing. It's a well-known economic phenomenon but tragic to see it in operation, for the more shoe shops there were, the more shoes they had to make and the worse the shoes and more unwearable they became. And the worse they were to wear, the more people had to buy to keep themselves shod, and the more the shops proliferated, until the whole economy of the place passed what I believe is termed the Shoe Event Horizon, and it became no longer economically possible to build anything other than shoe shops. Result — collapse, ruin, famine.'

An Event Horizon is defined as *'a boundary in spacetime, an area surrounding a black hole'*. Today we face the Credit Event Horizon. Although the problem of subprime mortgages did not surface until July 2007, the bubble began long before. During his reign as Chairman of the Fed, Alan Greenspan not only frustrated every effort to regulate the hedge fund industry and the derivatives market but in 1999 also facilitated the repeal of the Glass-Steagall Act, passed in 1933 to ensure the separation of commercial and investment banking. Repeal of Glass-Steagall gave *carte blanche* to the banks to start working on a perpetual motion money machine to be operated from their basement boiler rooms.

This *'Shadow Banking System'* generated profits for banks apparently without commitment of their own capital, through Structured Investment Vehicles ("SIVs") which borrowed funds through issuing asset backed securities and commercial paper. The risk premiums and hence yields on high risk securities fell ever lower, requiring ever higher gearing to attract institutional buyers desperately seeking high yields and ignoring the risk involved. Major losses must inevitably exist within the hedge fund industry, a major buyer of subprime mortgage-backed securities which they then geared up to increase returns. Why have these losses not yet surfaced? In theory, collateral is posted by hedge funds with their prime brokers and is marked to market. However, prime brokers know that if they call for more realistic margins they may have to assume ownership of assets they are desperate to keep off their balance sheets. So they wait, hoping the Fed can be forced to lower the Fed rate even further and that the subprime rubbish may be adequate to cover the banks' loans without further write-offs.

How the credit crunch evolves is of fundamental importance to our strategy for 2009. UK consumers have borrowed over £1.4 trillion — exceeding the entire UK GDP of £1.25 trillion — and are struggling to meet the interest payments as other household costs soar. The Bank of England ("BOE") and the Treasury say the credit crunch may be coming to an end but we suspect that this is just whistling in the dark to try to keep the nation's courage up. Although in April the BOE launched its *Special Liquidity Scheme*, effectively making mortgage loans exchangeable for Treasury Bills, this is not a replacement for the banks' ongoing mortgage lending. Nor (however much Mr Brown and Mr Darling might wish it to be so) is it to avoid foreclosures or to cut rates on existing mortgages. It is merely highly limited funding for mortgage lending already made, much of which still remains on the banks' balance sheets. As Mervyn King was at pains to make clear, *'The objective of the plan is neither to persuade banks to start lending again nor stand in the way of a housing market correction'*.

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

House prices in the UK have declined by 5% from their August 2007 peak and April's fall of 1.3% suggests an accelerating rate. UK mortgage approvals in March fell by 44% year on year, while repossessions in the first quarter of 2008 rose by 17%. The UK banking system is still precarious, however, because previously extended mortgages still have to be funded; and the problems in the real economy are only beginning. The UK economy, furthermore, is under greater threat than that of the USA. Our decade of GDP growth and economic stability was sheer illusion, born of ever mounting government and consumer debt. The UK's current account deficit is 5.7% of GDP compared to the US's trade deficit of 5.1%. The UK budget deficit is projected at 3.3% of GDP compared to the US's 2.9%. UK mortgage housing debt represents 84% of GDP compared to 75% in the US.

Although parallels are being drawn with the Great Depression, which followed a long, debt fuelled US boom, Bernanke's preoccupation with the 1929 Crash (on which he is a world expert) has not helped the world's banking system. A truer comparison is with the early 1970s, when inflation was unleashed in attempting to avoid recession. Today's crisis is not one of confidence or liquidity, but of banking solvency. The Fed grossly underestimated the scale of the subprime problem, ignored the effects of contagion on similar high risk financial securities and assumed that the answer to too much debt was to lower the Fed rate in order to generate even more debt and to float all the stricken ships off the rocks. When the credit crunch struck, the financial system screamed blue murder and brought huge pressure on the Fed to cut the Fed rate. Bernanke gave in to blackmail and the Fed's reckless monetary policy since then has accelerated the Dollar's decline. A continuation of this policy almost guarantees *both* destruction of the Dollar as the world's reserve currency *and* much higher inflation.

The problem the world faces today is one of far too much debt extended through the banking system. The chief risk is of contagion between the financial system and the real economy. The banking system, faced with near-destruction of its capital base, must withdraw a significant portion of the outstanding debt it has extended. Contrary to popular belief, the credit system has not seized up because of mistrust amongst banks in lending to each other. Rather, it is because banks have a keen understanding of their own potential funding requirements arising from foreclosure on collateral they hold on loans extended to the *'shadow banking system'* (in particular, the hedge fund sector). However, the most profitable (but highest risk) business the investment banks have is acting as prime brokers to their hedge fund associates. They would rather dump the consumer and the corporate sector before restricting the activities of their hedge funds, so (as I mentioned earlier) they are desperately letting these run on in the hope that a miracle will provide some value to the lenders.

The bailout of Bear Sterns in March proved that there was an imminent systemic threat to the US financial system. However, given the rescue by the Fed, equity markets now believe that any systemic threat to the financial system has disappeared and have been rising ever since. I believe that equity markets are deluded. The US can expect at least two more years of falling house prices, very high rates of mortgage default and foreclosures and falls in corporate earnings. The real economy and the financial system are a unified whole; changes in one affect the other. Without a well-functioning financial system, the real economy will seize up through a reduction in credit availability. Not only in terms of 'moral hazard', therefore, but also to defend the real economy the Fed should not be providing vast funding just to support hedge funds' leveraged holdings of dubious financial assets.

This is a crisis which, through mishandling, could end as a cataclysm. We therefore remain 100% liquid. In April 2008 the International Monetary Fund warned that the US financial crisis posed a 'fire and ice' (inflation and recession) threat to the world economy. So it seems appropriate to leave the last word to the great American poet, Robert Frost, who wrote:

'Some say the world will end in fire/ Some say in ice./ From what I've tasted of desire/ I hold with those who favour fire./ But if it had to perish twice,/ I think I know enough of hate/ To know that for destruction ice/ Is also great/ And would suffice.'

PORTFOLIO COMPARISONS FOR THE YEAR TO 30 APRIL 2008

Company	30 April 2008 £'000	Share-holders' funds %	Gain/ (Loss) £'000	Bought/ (Sold) £'000	30 April 2007 £'000	Sector
Royal Dutch Shell	15,717	8.3	1,880	–	13,837	Oil & Gas
BP	14,664	7.8	1,092	–	13,572	Oil & Gas
GlaxoSmithKline	7,287	3.9	(2,125)	–	9,412	Pharmaceuticals
BT Group	5,785	3.1	(2,438)	–	8,223	Telecommunications
Royal Bank of Scotland	5,171	2.7	(4,124)	(4,601)	13,896	Banks
HBOS	5,167	2.7	(6,735)	–	11,902	Banks
Alliance Trust	4,472	2.4	(358)	–	4,830	Investment Trusts
Barclays	3,627	1.9	(2,123)	(2,974)	8,724	Banks
F&C Asset Management	1,288	0.7	(129)	–	1,417	Financial Services
BAE Systems	1,283	0.7	26	–	1,257	Aerospace & Defence
British Assets Trust	1,280	0.7	(177)	–	1,457	Investment Trusts
Rentokil Initial	953	0.5	(785)	–	1,738	Support Services
Advance UK Trust	756	0.4	(160)	–	916	Investment Trusts
F&C UK Select Trust	705	0.4	(117)	–	822	Investment Trusts
TR Property	524	0.3	(216)	–	740	Investment Trusts
EP Global Opportunities	365	0.2	(50)	–	415	Investment Trusts
Scottish & Newcastle	–	–	1,505	(6,560)	5,055	Beverages
City Natural Resources	–	–	293	(1,320)	1,027	Investment Trusts
The Edinburgh Agency	–	–	–	(919)	919	Subsidiary
FTSE 100 Future Exposure	(74,077)	(39.3)	–	(65,346)	(8,731)	
UK Equity Exposure	**(5,033)**	**(2.6)**	**(14,741)**	**(81,720)**	**91,428**	
Philip Morris International [1]	1,879	1.0	1,032	847	–	Tobacco
Dover Corp	1,249	0.7	46	–	1,203	Industrial Machinery
Actuant Corp	985	0.5	222	–	763	General Industrials
Bristol-Myers Squibb	477	0.2	(145)	–	622	Pharmaceuticals
Altria Group [1]	–	–	(964)	(414)	1,378	Tobacco
Kraft Foods [1]	–	–	(36)	(427)	463	Packaged Food & Meats
USA Equity Exposure	**4,590**	**2.4**	**155**	**6**	**4,429**	
Total Equity Exposure	**(443)**	**(0.2)**	**(14,586)**	**(81,714)**	**95,857**	
Liquidity and Assets						
US Treas. Strip 0% 15/05/08	95,903	50.8			62,388	
Standard Life Sterling Fund	1,009	0.5			23,588	
Net Current Assets	23,102	12.3			1,824	
FTSE 100 Future Asset	69,093	36.6			8,759	
Liquidity	**189,107**	**100.2**			**96,559**	
Shareholders' Funds	**188,664**	**100.0**			**192,416**	

(1) On 2 April 2007 Kraft Foods was spun out from Altria Group and on 28 March 2008 Philip Morris International was spun out from Altria Group.

BUSINESS REVIEW FOR THE YEAR TO 30 APRIL 2008

INTRODUCTION

The review which follows is designed to provide shareholders with information about:

- the environment within which the Company operates;
- the Board's strategy for achieving its stated objectives;
- principal risks and risk management; *and*
- shareholders' returns measured against key performance indicators.

COMPETITIVE AND REGULATORY ENVIRONMENT

The Company is an investment trust quoted on the London Stock Exchange and is a member of the Association of Investment Companies ("AIC").

The Company operates so as to comply with section 842 of the Income and Corporation Taxes Act 1988, which allows it to be exempted from capital gains tax on investment gains.

In addition to publishing annual and interim accounts the Company announces net asset values per share daily and provides more detailed statistical information on a monthly basis to the AIC in order to enable investors and brokers to compare its performance and other relevant information with those of its peer group, the AIC Global Growth Sector.

The Company also publishes quarterly reports on subjects of investment interest to shareholders together with portfolio information and performance statistics.

STRATEGY FOR ACHIEVING OBJECTIVES

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 objective is to protect and increase *(in that order)* the value of shareholders' funds over the long term and to earn as high a total return as is compatible with a risk equivalent to that of the FTSE All-Share Index.

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.

A review of the Company's returns during the financial year, the position of the Company at the year end and the outlook for the coming year are contained within the Chairman's Statement and Managing Director's Report on pages 6–8.

- **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. Ian Rushbrook and his family own shares in the Company worth £14.3 million and the other Directors and their families together own shares worth a further £1.5 million. Those who run 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. The Board aims to provide tax-efficient and cost-effective ways for shareholders to invest in the Company. These include a zero-charge ISA and a zero-charge Investment Plan (including a Cash Income Option), details of which can be found on page 14. In addition, we hope to introduce a Self-Invested Personal Pension ("SIPP") during the course of this year.

- **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 in real terms 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.

- **'No Discount' Policy** *(see chart on page 2).* Investment trusts have long suffered from high and volatile discounts to net asset value ("NAV"). Sometimes, too, the shares of individual investment trusts may sell temporarily at a significant premium to NAV. This can put those investing regularly through investment plans at a disadvantage, because they may find themselves buying shares at a sizeable premium which almost certainly will not be sustained and which will therefore have an adverse effect on the return from their investment.

  Because of the disadvantages to shareholders of such discount and premium fluctuations, 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.

- **Investment Policy.** The way we invest is determined by a desire to achieve our objective of first protecting and then increasing our shareholders' funds. 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.

  An analysis of the investment portfolio is set out on page 9.

  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:

  i. **Investment Decisions that make a Difference.** In managing Personal Assets we concentrate on decisions that will have an appreciable effect on our NAV 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. We invest for the long term. Our equity portfolio is usually concentrated in a short list of stocks and turnover tends to be low.

  ii. **Investing Overseas.** Most of our shareholders are UK residents or expatriates whose personal liabilities are denominated mainly in Sterling and who may also have invested a significant proportion of their net worth in Personal Assets. 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. Depending on circumstances, however, Personal Assets may want to hold investments overseas, typically in the United States. The Directors believe that a suitable overseas, or non-Sterling, risk exposure for Personal Assets would range between 50% of total assets and zero.

  iii. **Liquidity and Gearing.** We believe in the active 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. In exceptional circumstances our equity exposure could be as high as 150% or our liquidity as high as 133% of shareholders' funds. These limits would not be exceeded without recourse to shareholders.

iv. **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 at present for Personal Assets to hold fixed-interest gilts for capital gain and so we do not do so. This does not, however, apply to the preference shares of UK companies or to foreign fixed-interest securities.

v. **Currencies.** If a foreign currency in which we hold investments (at present this is only the US Dollar) looks overvalued we hedge all our exposure to it by selling forward foreign exchange contracts, to lock in gains and protect the Sterling value of our foreign holdings.

vi. **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. Sometimes investment trusts 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 industrial area in which we lacked expertise we would buy shares in other investment trusts which provided the exposure we wanted. Personal Assets has a policy of not investing more than 15% of its gross assets in other listed investment companies.

PRINCIPAL RISKS AND RISK MANAGEMENT

The Board believes that the principal risks to shareholders, which it seeks to mitigate through continual review of its investments and through shareholder communication, are events or developments which can affect the general level of share prices, including, for instance, inflation or deflation, economic recessions and movements in interest rates.

Other risks faced by the Company include breach of regulatory rules which could lead to suspension of the Company's Stock Exchange listing, financial penalties, or a qualified audit report. Breach of Section 842 of the Income and Corporation Taxes Act 1988 could lead to the Company being subject to tax on capital gains.

In the mitigation and management of these risks, the Board regularly monitors the investment environment and the management of the Company's investment portfolio, and applies the principles detailed in the guidance provided by the Financial Reporting Council. The Company's internal controls are described in more detail on page 21.

PERFORMANCE

The Board assesses its performance in meeting the Company's objective against the following Key Performance Indicators:

- Net asset value per share and share price against the FTSE All-Share Index over a rolling three-year period.
- Dividend policy against the Retail Price Index.
- 'No Discount' policy.

A historical record of these indicators is contained in the Key Features on page 1 and on the following page. Additional comments are provided in the Chairman's Statement and Managing Director's Report discussing the performance of the Company over the current period.

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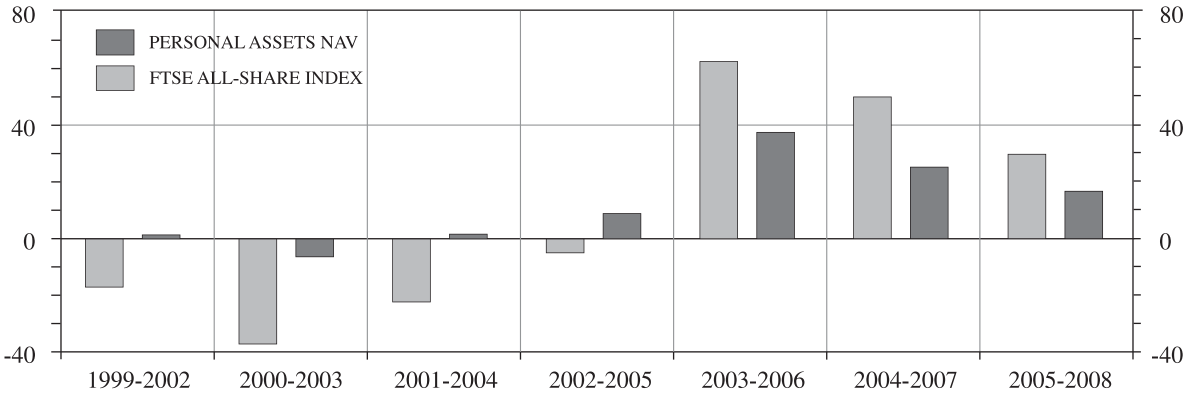
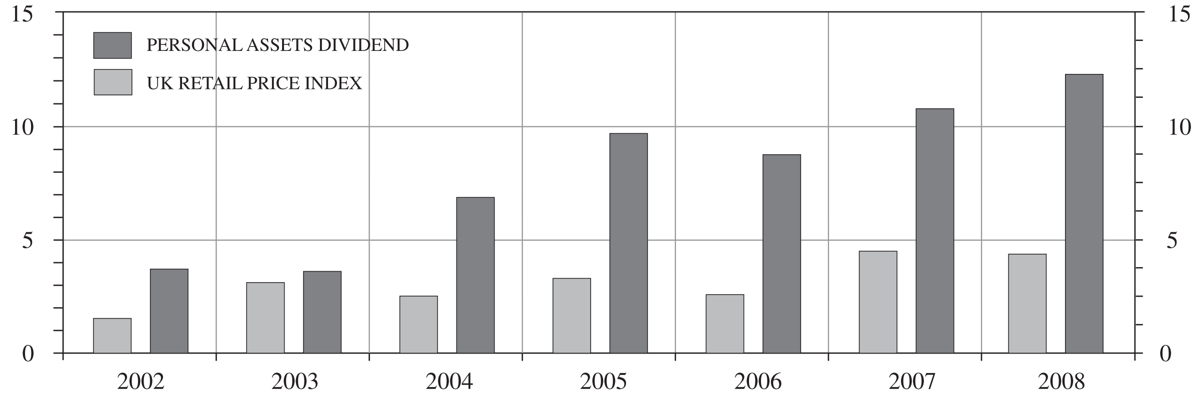
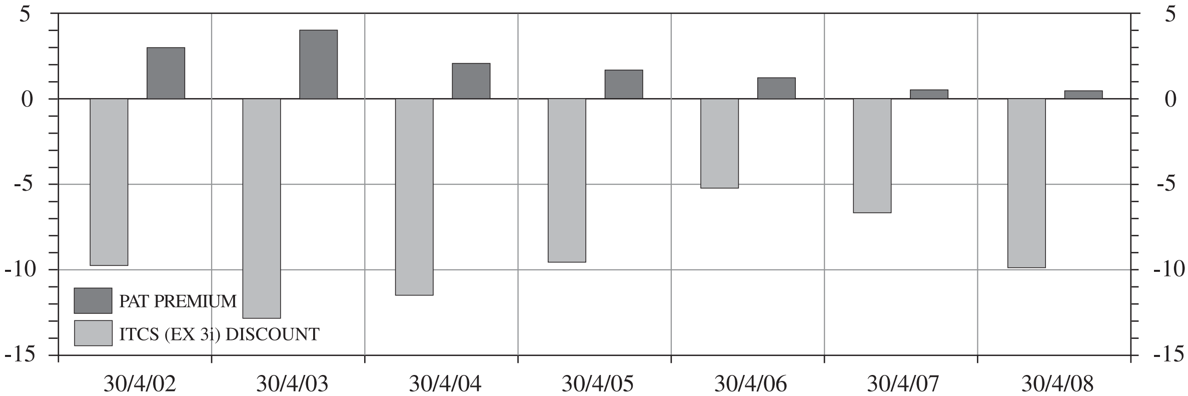
PERCENTAGE CHANGES OVER ROLLING THREE-YEAR PERIODS



PERCENTAGE CHANGES IN DIVIDEND COMPARED TO UK INFLATION



PERSONAL ASSETS – 'NO DISCOUNT' POLICY



Source: Datastream

By Order of the Board

Steven K Davidson
Secretary

80 George Street
Edinburgh EH2 3BU

23 May 2008

WAYS OF INVESTING IN PERSONAL ASSETS

Steven Budge *(left)*, and **Steven Davidson**, our Company Secretary *(right)*, will be pleased to provide information about the ways of investing in Personal Assets listed below. 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) or **Individual Savings Account ("ISA")**.

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 (minimum investment £5,000, no maximum) allows investors to acquire shares to be held within the Plan and to choose either to have dividends reinvested or to receive them directly in the usual way.

The Monthly Investment Option (minimum investment £500 per month, no maximum) allows investors to make regular investments by direct debit only and to choose either to have dividends reinvested or to receive them directly in the usual way.

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

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 £600 and the lump sum investment is £7,200. Investors can choose either to have dividends reinvested or to receive them directly in the usual way.

TRANSFER OF OTHER ISAS INTO THE PERSONAL ASSETS ISA

Transfers may be made into the Personal Assets ISA of ISAs currently managed by other managers. Details are available from either Steven Budge or Steven Davidson.

DISPOSAL OF SHAREHOLDINGS

Personal Assets offers a facility whereby holders may sell their shares without incurring any stockbroking costs. Details are available from either Steven Budge or Steven Davidson.

DIRECTORS' REPORT

The Directors have pleasure in presenting their Annual Report together with the Accounts of the Company for the year to 30 April 2008.

ACTIVITIES AND BUSINESS REVIEW

A review of the Company's activities and a business review which includes the Company's performance against it's Key Performance Indicators are given on pages 10–13 and in the Chairman's Statement and Managing Director's Report.

PRINCIPAL ACTIVITY AND STATUS

The Company is an investment company as defined by section 833 of the Companies Act 2006. It carries on the business of an investment trust and has been approved as such by the Inland Revenue up to 30 April 2007. 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 Edinburgh Agency Limited, a wholly owned subsidiary of the Company, was dissolved pursuant to Section 652A of the Companies Act 1985 on 7 March 2008.

CAPITAL STRUCTURE

As at 30 April 2008 there were 733,051 Ordinary shares of £12.50 each in issue.

The revenue profits of the Company (including accumulated revenue reserves) are available for distribution by way of interim and second interim dividends to the holders of the Ordinary shares (excluding those Ordinary shares held in Treasury which have no entitlement to dividends).

Voting rights and deadlines for exercising voting rights can be found in the Notice of Annual General Meeting on pages 37–38.

RESULTS AND DIVIDEND

The results for the year are set out in these accounts on pages 22–34.

	£'000
Revenue available for dividends	4,036
Distributed as dividends from current year revenue:	
First interim dividend (£2.25 per share) paid on 26 October 2007	(1,626)
Second interim dividend (£2.35 per share) paid on 25 April 2008	(1,703)
Retained earnings (£0.96 per share)	707

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

As far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

DIRECTORS' INTERESTS

The Directors who served during the year and their interests in the shares of the Company at 30 April 2008 and 30 April 2007 were as follows:

Director	Interest	2008	2007
Robert White *(Chairman)*	Beneficial	1,000	1,000
Robin Angus	Beneficial	2,581	2,526
Hamish Buchan	Beneficial	434	427
Martin Hamilton-Sharp	Beneficial	1,449	1,449
Gordon Neilly	Beneficial	192	188
Ian Rushbrook	Beneficial	33,985	33,985

There have been no other changes in the above holdings between 30 April 2008 and 23 May 2008.

SUBSTANTIAL INTERESTS

As at 23 May 2008 the following holdings represented 3% or more of the issued share capital of the Company:

Substantial Holders	Shares Held	Percentage
Personal Assets Trust ISA	191,030	26.1
Personal Assets Trust Investment Plan	129,113	17.6
Ian Rushbrook	33,985	4.6
Including the above, the Rushbrook family's total holdings are	55,258	*7.5*
Legal & General	31,051	4.2

FINANCIAL INSTRUMENTS

Information on the Company's financial instruments can be in *The Business Review for the Year to 30 April 2008* on pages 10–13.

PRINCIPAL RISKS AND RISK MANAGEMENT

Information on the principal risks to shareholders and management of these risks can be in *The Business Review for the Year to 30 April 2008* on pages 10–13.

DIRECTORS' INDEMNITY

The Company's Articles of Association entitle any Director or other officer of the Company, if a majority of the Directors so determines, to be indemnified out of the assets of the Company against any liability incurred by him as a Director or other officer of the Company to the extent permitted by law.

CREDITOR PAYMENT POLICY

The Company's payment policy is to settle investment transactions in accordance with market practice and to ensure settlement of supplier invoices in accordance with stated terms. The Company did not have any trade creditors at the year end.

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 2008 and to approve the Directors' Remuneration Report contained therein.

Directors

Resolutions 3, 4, 5 and 6 are, respectively, to re-elect Hamish Buchan, Martin Hamilton-Sharp, Gordon Neilly and Robert White, all of whom retire annually.

Resolution 7 and 8 are, respectively, to re-elect Robin Angus and Ian Rushbrook, who, as executive Directors, also retire annually.

The Board confirms that each of the Directors seeking re-election continues to make a significant contribution to Board deliberations, and that Robin Angus and Ian Rushbrook 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 9 is to re-appoint Ernst & Young LLP as auditors and fix their remuneration.

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 10 is to authorise the Directors to issue new shares up to an aggregate nominal amount of £915,375.00, being 9.99% of the total issued shares as at 23 May 2008.

Resolution 11 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 £915,375.00 (being 9.99% of the total issued shares as at 23

May 2008) 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 10 and 11* will continue in effect until 17 October 2009, or, if earlier, the conclusion of the Company's Annual General Meeting in 2009.

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.

Authority to Buy Back Shares

During the year, the Company purchased 12,104 Ordinary shares to be held in Treasury for a total consideration of £3,153,738, representing 1.7% of the Ordinary shares in issue at the previous year end. The Company also re-issued 18,234 Ordinary shares from Treasury for a total consideration of £4,749,017, representing 2.5% 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 12 is to renew the authority for a further period until the Company's Annual General Meeting in 2009. 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 (subject to statutory limits) 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.

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. As at 23 May 2008 the Company held 17,825 Ordinary shares in Treasury, representing 2.4% of the total issued Ordinary share capital.

Resolutions 11 and 12 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 will 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; *and*
- 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.

Amendment to the Articles of Association

Resolution 13 proposes a number of amendments to the Company's Articles of Association. Over the past year, and since Articles of Association (the "Articles") of the Company were last updated in 2004, company law in the United Kingdom has undergone major reform through the coming into force of parts of the Companies Act 2006 (the "2006 Act"). Accordingly, the Board has decided to replace the Company's existing Articles of Association with new articles which take account of these developments (the "New Articles").

The 2006 Act is being brought into force in stages, beginning in January 2007, with full implementation scheduled by October 2009. At this year's AGM, the Company proposes to adopt provisions which reflect changes in the law brought about by the 2006 Act in respect of, amongst other things, electronic communications, notice periods for meetings, proxy voting and directors' conflicts of interest.

A copy of the New Articles will be available for inspection at the offices of Dickson Minto WS, Royal London House, 22-25 Finsbury Square, London, EC2A 1DX and the registered office of the Company during normal office hours on any business day from the date of the notice of the AGM (the "Notice") until the conclusion of the Annual General Meeting and on the day of the Annual General Meeting until the conclusion of the meeting.

A summary of the material changes proposed to be brought about by the adoption of the New Articles is set out in the Appendix to the Notice. References to Article numbers are references to a particular Article in the New Articles.

DIRECTORS' REPORT *(CONT'D)* AND DIRECTORS' REMUNERATION REPORT

Recommendation

Resolutions 11,12 and 13 are, pursuant to the Company's Articles of Association, considered "special business". The Directors consider the passing of all of the resolutions set out in the Notice of the Annual General Meeting to be in the best interests of the Company and its shareholders as a whole and, accordingly, the Directors recommend that all shareholders vote in favour of them. The Directors intend to vote in favour of all of the resolutions to be proposed at the Annual General Meeting in respect of their own beneficial holdings.

By Order of the Board

SK Davidson

Steven K Davidson
Secretary

80 George Street
Edinburgh EH2 3BU

23 May 2008

DIRECTORS' REMUNERATION REPORT

POLICY ON DIRECTORS' REMUNERATION

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.

Non-executive Directors do not have service contracts but on first election are provided with a letter of appointment.

Directors do not receive any pension benefits, share options, long-term incentive schemes or other benefits. The Remuneration Committee is Hamish Buchan, Robert White, Martin Hamilton-Sharp and Gordon Neilly. The Remuneration Committee meets, at least annually, to review the Directors' fees and the remuneration paid to the Managing Director.

DIRECTORS' FEES

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

INVESTMENT MANAGEMENT

Investment management services are provided to the Company under a rolling twelve-month contract of employment signed in July 1990 with Ian Rushbrook (Managing Director). The contract covers the costs of salaries[(1)] of the Company's employees (including its two executive directors), the provision of office premises and equipment[(2)] and the provision of company secretarial and administration services[(3)].

The Investment Management Fee is calculated at 0.2125% per quarter (0.85% per annum) of shareholders' funds, payable quarterly in advance. In the year to 30 April 2008 the total cost amounted to £1,798,000 *(2007: £1,818,000).*

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(1) The Company is also responsible for employer's NIC on its employees' salaries, which in the year to 30 April 2008 amounted to £186,000 *(2007: £189,000).*

(2) £100,000 *(2007: £100,000)* was paid under the Investment Management Fee to Rushbrook & Company, a partnership of which Ian Rushbrook is senior partner, for the provision of office premises and equipment.

(3) £44,000 *(2007: £43,000)* was paid under the Investment Management Fee to F&C Investment Business Limited for the provision of company secretarial and administration services.

DIRECTORS' REMUNERATION REPORT *(CONT'D)*

EXECUTIVE DIRECTORS' SERVICE CONTRACTS

Ian Rushbrook has a rolling twelve month contract of employment (see above). His salary is paid under the Investment Management Fee. In the event of termination of his contract the Company would be liable to pay due entitlement of the Investment Management Fee in lieu of notice.

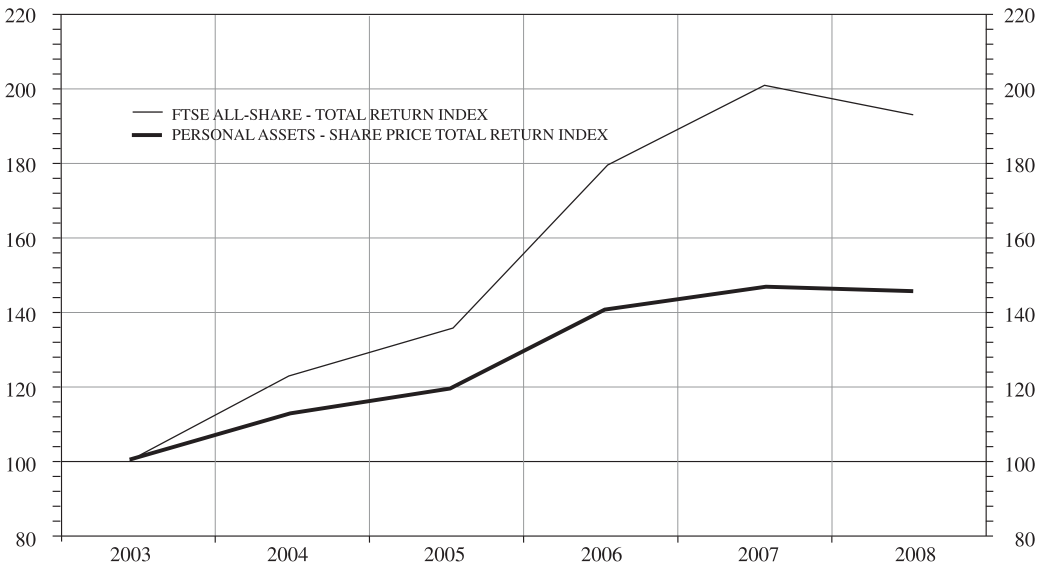
Robin Angus has a rolling twelve month contract of employment, signed in November 2002. His salary is paid under the Investment Management Fee. In the event of termination of his contract the Company would incur no liability for so long as Ian Rushbrook remains Managing Director.

DIRECTORS' REMUNERATION FOR THE YEAR (AUDITED)

	Year ended 30 April 2008		Year ended 30 April 2007	
Directors	**Fees**	**Salaries**	**Fees**	**Salaries**
Robert White (Chairman)	£24,000	–	£22,000	–
Robin Angus	£12,000	£163,000	£11,000	£144,000
Hamish Buchan	£12,000	–	£11,000	–
Martin Hamilton-Sharp	£12,000	–	£11,000	–
Gordon Neilly	£12,000	–	£11,000	–
Ian Rushbrook	£12,000	£1,231,000	£11,000	£1,271,000
Total	£84,000	£1,394,000	£77,000	£1,415,000

COMPANY PERFORMANCE

The graph below compares, for the five financial years ended 30 April 2008, the share price 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 2008 is given in the Chairman's Statement and Managing Director's Report on pages 6–8.



On behalf of the Board

Robert P White
Chairman

23 May 2008

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 fundamental. 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.

Arrangements appropriate to an investment trust in respect of corporate governance have been made by the Board. The Board has considered the principles and recommendations of the AIC's Code of Corporate Governance issued in May 2007 (the 'AIC Code') by reference to the AIC Corporate Governance Guide for Investment Companies (the 'AIC Guide'). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in Section 1 of the Combined Code on Corporate Governance issued by the Financial Reporting Council in June 2006 (the 'Combined Code'), as well as setting out additional principles and recommendations which are of specific relevance to investment trusts.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC guide (which incorporates the Combined Code), will provide better information to shareholders than if it had adopted the Combined Code.

The Company has complied throughout the year with the recommendations of the AIC Code and the relevant provisions of the Combined Code, except as disclosed below.

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 or Nomination Committees as recommended by provisions C.3.1 and A.4.1 of the Combined 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 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 for a Senior Independent Director to be appointed as recommended by provision A.3.3 of the Combined Code as it operates as a unitary Board.

The Board does not consider it appropriate for the Company to arrange insurance cover in respect of legal action against the Directors as recommended by provision A.1.5 of the Combined Code as the costs exceed any apparent benefits. The Directors are indemnified in terms of the Company's Articles of Association.

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. Martin Hamilton-Sharp, Gordon Neilly and Robert White have served for more than nine years. However, the Board subscribes to the view expressed within the AIC 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.

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 2008
Robin Angus	18 May 1984	AGM 2008
Hamish Buchan	5 July 2001	AGM 2008
Martin Hamilton-Sharp	16 November 1990	AGM 2008
Gordon Neilly	30 April 1997	AGM 2008
Ian Rushbrook	1 July 1990	AGM 2008

Any new Directors appointed during the year must stand for re-appointment at the first Annual General Meeting following their appointment. All non-executive Directors retire annually, as do Ian Rushbrook and Robin Angus, the two executive Directors. Other than for the two executive Directors there is no notice period and no provision for compensation on early termination of appointment.

CORPORATE GOVERNANCE *(CONT'D)*

During the year there were six Board meetings, each of which was attended by all of the Directors except Martin Hamilton-Sharp, who attended five meetings, and Gordon Neilly, who attended four meetings.

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 any 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 considerable 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 of the auditors, with particular regard to non-audit fees. Such fees amounted to £5,000 for the year ended 30 April 2008 *(2007: £4,000)* and related to the provision of taxation services. Notwithstanding such services the Board considers Ernst & Young LLP to be independent of the Company.

The remuneration committee, chaired by Hamish Buchan and comprising the non-executive Directors, reviews the Directors' fees and the remuneration paid to the Managing Director together with the terms and conditions thereof on an annual basis.

During the year the performance of the Board, remuneration committee and individual Directors was evaluated through a discussion based assessment process led by the Chairman. The performance of the Chairman was evaluated by the other Directors.

F&C Investment Business Limited ("F&C") provides secretarial and other corporate services to the Company.

The Board is responsible for the Company's system of internal controls and for reviewing its effectiveness. The Board has therefore established an ongoing process designed to meet the particular needs of the Company in managing the risks to which it is exposed, consistent with the internal control guidance issued by the Financial Reporting Council in October 2005. The process relies principally on F&C's existing risk based system of internal control whereby a test matrix is created that identifies the key functions carried out by the Company and other service providers, the individual activities undertaken within those functions, the risks associated with each activity and the controls employed to minimise those risks. A formal annual review of these procedures is carried out by the Board and includes consideration of internal control reports issued by F&C and other service providers.

Such review procedures have been in place throughout the financial year and up to the date of approval of the Annual Report, and the Board is satisfied with their effectiveness. These procedures are designed to manage, rather than eliminate, risk and, by their nature, can provide only reasonable, not absolute, assurance against material misstatement or loss.

The Board has reviewed the need for an internal audit function and has decided that the systems and procedures employed by F&C, which are reported on by a firm of external auditors, provide sufficient assurance that a sound system of internal control is maintained to safeguard the Company's assets. An internal audit function specific to the Company is therefore considered unnecessary.

The Directors believe that the Company has adequate resources to continue operating for the foreseeable future and accordingly continue to adopt the going concern basis in preparing the accounts.

INCOME STATEMENT

	Notes	Year ended 30 April 2008 Revenue return £'000	Capital return £'000	Total £'000	Year ended 30 April 2007 Revenue return £'000	Capital return £'000	Total £'000
Investment income	2	5,219	–	5,219	4,878	–	4,878
Other operating income	2	953	–	953	923	–	923
Losses on investments held at fair value through profit or loss	9	–	(11,670)	(11,670)	–	(772)	(772)
Gains on derivatives held at fair value through profit or loss		–	5,962	5,962	–	568	568
Foreign exchange differences		–	(346)	(346)	–	5,849	5,849
Total income		6,172	(6,054)	118	5,801	5,645	11,446
Expenses	3	(2,099)	–	(2,099)	(2,136)	–	(2,136)
Profit/(loss) before taxation		4,073	(6,054)	(1,981)	3,665	5,645	9,310
Taxation	5, 6	(37)	–	(37)	(18)	–	(18)
Profit/(loss) for the year		4,036	(6,054)	(2,018)	3,647	5,645	9,292
Earnings per share	8	£5.59	(£8.38)	(£2.79)	£4.95	£7.65	£12.60

The 'Total' column of this statement represents the Company's Income Statement, prepared in accordance with IFRS. Under IFRS the Income Statement is the equivalent of the Statement of Total Return.

The revenue return and capital return columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies.

All items in the above statement derive from continuing operations.

Supplementary information

	2008	2007
Dividends per share	£4.60	£4.10
Dividends paid out of current year income		
	£'000	**£'000**
First interim dividend of £2.25 per share (*2007: £2.00 per share)*	1,626	1,482
Second interim dividend of £2.35 per share *(2007: £2.10 per share)*	1,703	1,537
	3,329	3,019

The Accounting Policies on pages 26 to 27 and the Notes on pages 28 to 34 form part of these accounts

BALANCE SHEET

	Notes	30 April 2008 £'000	30 April 2007 £'000
Non current assets			
Investments held at fair value through profit or loss	9	170,546	189,784
Current assets			
Other receivables	10	9,397	2,672
Cash and cash equivalents		14,660	155
Total assets		194,603	192,611
Current liabilities			
Other payables	11	(5,939)	(195)
Net assets		188,664	192,416
Capital and reserves			
Ordinary share capital	12	9,386	9,386
Share premium		87,582	87,098
Capital redemption reserve		219	219
Special reserve (distributable)		22,517	22,517
Treasury share reserve		(4,669)	(6,047)
Other capital reserves		70,177	76,498
Revenue reserve		3,452	2,745
Total equity		188,664	192,416
Net asset value per Ordinary share	13	£257.37	£264.70

The financial statements were approved and authorised for issue by the Board of Directors and signed on its behalf on 23 May 2008 by:

Robert P White, Chairman

The Accounting Policies on pages 26 to 27 and the Notes on pages 28 to 34 form part of these accounts

STATEMENT OF CHANGES IN EQUITY

	Ordinary share capital £'000	Share premium £'000	Capital redemption reserve £'000	Special reserve £'000	Treasury share reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
Balance as at 30 April 2007	9,386	87,098	219	22,517	(6,047)	76,498	2,745	192,416
Transfer[1]	–	267	–	–	–	(267)	–	–
Loss for the year	–	–	–	–	–	(6,054)	4,036	(2,018)
Ordinary dividends paid	–	–	–	–	–	–	(3,329)	(3,329)
Issue of Ordinary shares	–	217	–	–	4,532	–	–	4,749
Buy-backs of Ordinary shares	–	–	–	–	(3,154)	–	–	(3,154)
Balance as at 30 April 2008	9,386	87,582	219	22,517	(4,669)	70,177	3,452	188,664

(1) The premium on shares issued from Treasury has been transferred to Share premium.

	Ordinary share capital £'000	Share premium £'000	Capital redemption reserve £'000	Special reserve £'000	Treasury share reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
Balance as at 30 April 2006	9,360	86,584	219	22,526	(2,247)	70,792	2,117	189,351
Profit for the year	–	–	–	–	–	5,645	3,647	9,292
Ordinary dividends paid	–	–	–	–	–	–	(3,019)	(3,019)
Issue of Ordinary shares	26	514	–	–	710	61	–	1,311
Buy-backs of Ordinary shares	–	–	–	(9)	(4,510)	–	–	(4,519)
Balance as at 30 April 2007	9,386	87,098	219	22,517	(6,047)	76,498	2,745	192,416

CASH FLOW STATEMENT

	Year ended 30 April 2008 £'000	Year ended 30 April 2007 £'000
Cash flows from operating activities		
(Loss)/profit before taxation	(1,981)	9,474
Losses on investments	5,708	203
Foreign exchange differences at fair value through the profit or loss	346	(5,849)
Operating cash flow before movements in working capital	4,073	3,828
Decrease/(increase) in other receivables	173	(239)
(Decrease)/increase in other payables	(87)	63
Net cash from operating activities before taxation	4,159	3,652
Taxation	(37)	(18)
Net cash inflow from operating activities	4,122	3,634
Investing activities		
Purchase of FTSE 100 Futures	(12)	(3)
Disposal of FTSE 100 Futures	10,986	719
Purchase of investments – equity shares	(5,508)	(12,948)
Purchase of investments – fixed interest and other investments	(326,666)	(160,533)
Disposal of investments – equity shares	14,306	4,875
Disposal of investments – fixed interest and other investments	318,882	148,315
Net cash inflow/(outflow) from investing activities	11,988	(19,575)
Financing activities		
Equity dividends paid	(3,329)	(3,019)
Issue of Ordinary shares	4,749	1,311
Buy-backs of Ordinary shares	(3,154)	(4,519)
Net cash outflow from financing activities	(1,734)	(6,227)
Increase/(decrease) in cash and cash equivalents	14,376	(22,168)
Cash and cash equivalents at the start of the year	155	15,313
Effect of foreign exchange rate changes	129	7,010
Cash and cash equivalents at the end of the year	14,660	155

The Accounting Policies on pages 26 to 27 and the Notes on pages 28 to 34 form part of these accounts

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These comprise standards and interpretations approved by the International Accounting Standards Board ("IASB"), together with such interpretations by the International Accounting Standards and Standing Interpretations Committee as have been approved by the International Accounting Standards Committee ("IASC") and still remain in effect, to the extent that these have been adopted by the European Union.

The financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

The principal accounting policies adopted are set out below. Where the presentational guidance set out in the Statement of Recommended Practice ("the SORP") for investment trusts issued by the Association of Investment Companies ("the AIC") in December 2005 is consistent with the requirements of IFRS, the Directors have sought to prepare the financial statements on a basis compliant with the recommendation of the SORP.

Presentation of Income Statement

In order better to reflect the activities of an investment trust company, and in accordance with guidance issued by the AIC, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been presented alongside the Income Statement. In accordance with the Company's status as a UK investment company under section 833 of the Companies Act 2006 net capital returns may not be distributed by way of dividend. Additionally, the net profit is the measure the Directors believe is appropriate in assessing the Company's compliance with certain requirements set out in section 842 of the Income and Corporation Taxes Act 1988.

Income

Dividends are recognised as income when the shareholders' right to receive payment has been established, normally the ex-dividend date.

Dividends receivable on equity shares where no ex-dividend date is quoted are recognised when the Company's right to receive payment is established.

Where the Company has received its dividends in the form of additional shares rather than cash, the amount of the cash dividend is recognised as income.

Interest income is accounted for on an accruals basis.

Expenses

All expenses are accounted for on an accruals basis and are charged fully to revenue.

Transaction costs incurred on the acquisition or disposal of investments are expensed.

Taxation

In accordance with the SORP, the marginal rate of tax is applied to taxable net revenue.

Deferred Taxation

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Investments

Investments are recognised and derecognised on the trade date where a purchase or sale is under a contract whose terms require delivery within a period of time established by the market concerned, and are initially measured at fair value.

Investments are designated in terms of IFRS as "investments held at fair value through profit or loss", and are measured at subsequent reporting dates at fair value, which is either the bid price or the last traded price, depending on the convention of the exchange on which the investment is quoted. Investments in unit trusts or OEICs are valued at the closing price released by the relevant investment manager.

Capital Redemption Reserve

The Capital Redemption Reserve represents the nominal value of Ordinary shares bought back for cancellation by the Company since authority to do this was first obtained at an Extraordinary General Meeting in April 1999.

Special Reserve

The cost of any shares bought back for cancellation is deducted from the Special Reserve, which is a distributable reserve and was created from the cancellation of the Share Premium Account, also following the Extraordinary General Meeting in April 1999.

Treasury Share Reserve

The Treasury Reserve was created following the introduction of Treasury Shares and IFRS. The cost of any shares bought back to be held in Treasury or subsequent re-sale of shares from Treasury is deducted from or added to the Treasury Share Reserve. If shares are re-sold at a premium over their cost the excess is transferred to the Share Premium Account.

Other Capital Reserves

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, returns of capital and profits/losses on shares sold from Treasury are accounted for in this Reserve.

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 also accounted for in this Reserve.

Revenue Reserve

Any surplus arising from the revenue profit for the year after payment of dividends is taken to this Reserve.

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 fair value by using the rate of exchange prevailing at the year end. The rate of exchange of US$ to Sterling at 30 April 2008 was 1.98055 *(2007: 1.99985)*.

Forward currency contracts are reported at fair value at the year end by using the rates of exchange prevailing at the year end. The forward rate of exchange of US$ to Sterling at 30 April 2008 was 1.97873 *(2007: 1.99968)*.

Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Financial liabilities and equity instruments are recorded at the proceeds received, net of issue costs.

NOTES TO THE ACCOUNTS *(CONT'D)*

2. INCOME

	2008 £'000	**2007 £'000**
Income from investments		
Franked investment income	4,571	3,598
Overseas dividends	648	1,280
	5,219	4,878
Other income		
Deposit interest	854	915
Other income	99	8
Total income	6,172	5,801
Total income comprises		
Dividends	5,219	4,878
Other income	953	923
	6,172	5,801
Income from investments		
Listed UK	4,571	3,598
Listed overseas	648	1,280
	5,219	4,878

3. EXPENSES

	2008 £'000	**2007 £'000**
Investment Management expenses	1,798	1,818
Directors' fees	84	77
Auditors' remuneration for:		
– audit	14	13
– tax services	5	4
Other expenses	198	224
	2,099	2,136

4. DIRECTORS' REMUNERATION AND EMPLOYEE COSTS

	2008 £'000	**2007 £'000**
Directors' fees and salaries	1,478	1,492
Other salaries	74	71
Employer's national insurance	186	189
	1,738	1,752

Details of the highest paid Director can be found in the Directors' Remuneration Report on pages 18–19. Excluding the Directors, there was one employee during each of the years ended 30 April 2008 and 30 April 2007.

5. TAX ON ORDINARY ACTIVITIES

	2008 £'000	2007 £'000
Foreign tax suffered	18	18
Prior year adjustment	19	–
	37	18

The Company had £1,194,000 unrelieved excess expenses at 30 April 2008 *(2007: £597,000)*. 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. The differences are explained below:

	2008 £'000	2007 £'000
(Loss)/profit before tax	(1,981)	9,310
Corporation tax at standard rate of 30%	(594)	2,793
Effects of:		
Capital losses/(gains) not subject to taxation	1,816	(1,694)
Franked investment income not subject to taxation	(1,371)	(1,079)
Excess management expenses	149	(20)
Prior year adjustment	19	–
Withholding tax suffered	18	18
Total tax charge (note 6)	37	18

7. DIVIDENDS

	2008 £'000	2007 £'000
Amounts recognised as distributions to equity holders in the year:		
Interim dividend for the year ended 30 April 2008 of £2.25 *(2007: £2.00)* per Ordinary share	1,626	1,482
Second interim dividend for the year ended 30 April 2008 of £2.35 *(2007: £2.10)* per Ordinary share	1,703	1,537
	3,329	3,019

8. RETURN PER SHARE

The revenue return per share of £5.59 (2007: £4.95) is based on the net revenue profit for the financial year of £4,036,000 (2007: £3,647,000), and on 722,662 (2007: 737,371) shares, being the weighted average number in issue during the year, excluding Treasury shares.

The capital return per share of minus £8.38 (2007: £7.65) is based on a net capital loss for the financial year of £6,054,000 (2007: profit of £5,645,000), and on 722,662 (2007: 737,371) shares, being the weighted average number in issue during the year, excluding Treasury shares.

9. INVESTMENTS

	2008 £'000	2007 £'000
Investments listed on a recognised investment exchange	170,546	188,865
Subsidiary undertakings	–	919
Total investments	170,546	189,784

	Listed UK £'000	Listed Overseas £'000	Unlisted £'000	Total £'000
Opening book cost	76,239	87,759	1	163,999
Opening unrealised appreciation	23,001	1,866	918	25,785
Opening valuation	99,240	89,625	919	189,784
Movements in the year				
Purchases at cost	5,508	327,514	–	333,022
Sales proceeds	(20,866)	(319,723)	(1)	(340,590)
Sales – realised gains on sales	6,645	4,023	–	10,668
(Decrease)/increase in unrealised appreciation	(21,483)	63	(918)	(22,338)
Closing valuation	69,044	101,502	–	170,546
Closing book cost	67,526	99,573	–	167,099
Closing unrealised appreciation	1,518	1,929	–	3,447
	69,044	101,502	–	170,546

	2008 £'000	2007 £'000
Equity shares	73,634	104,588
Fixed interest securities	95,903	62,388
Other investments	1,009	22,808
	170,546	189,784
Realised gains/(losses) on sales	10,668	(2,063)
(Decrease)/increase in unrealised appreciation	(22,338)	1,291
Losses on investments	(11,670)	(772)

Transaction costs

During the year the Company incurred transaction costs of £69,381 *(2007: £99,871)* on the purchase and sale of investments.

10. OTHER RECEIVABLES

	2008 £'000	2007 £'000
Due from brokers	7,401	–
Due from subsidiary	–	10
Gain on forward currency contract	1,069	1,544
Gain on FTSE 100 Future	–	28
Prepayments and accrued income	905	1,041
Other debtors	22	49
	9,397	2,672

11. OTHER PAYABLES

	2008 £'000	2007 £'000
Due to brokers	847	–
Loss on FTSE 100 Future	4,984	–
Other creditors	108	195
	5,939	195

12. CALLED-UP SHARE CAPITAL

	Number	£'000
Authorised:		
Ordinary shares of £12.50 each	1,000,000	12,500
Allotted, called-up and fully paid:		
Balance at 30 April 2007	750,876	9,386
Balance at 30 April 2008	750,876	9,386

Of the above shares in issue the movements in the Ordinary shares held in Treasury are as follows:

	Number	£'000
Balance at 30 April 2007	23,955	(6,047)
Purchased during the year	12,104	(3,154)
Issued during the year	(18,234)	4,532
Balance at 30 April 2008	17,825	(4,669)

The total cost of shares purchased into Treasury during the year was £3,154,000 and the total proceeds from shares issued from Treasury were £4,749,000.

13. NET ASSET VALUE PER SHARE

The net asset value per Ordinary 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	
	2008	**2007**	**2008**	**2007**
	£	**£**	**£'000**	**£'000**
Ordinary shares	257.37	264.70	188,664	192,416

Net asset value per Ordinary share is based on net assets shown above and 733,051 *(2007: 726,921)* Ordinary shares, being the number of Ordinary shares in issue at the year end.

At the year end the Company held 17,825 Ordinary shares in Treasury. To avoid any dilution of existing shareholders' interests, the Company will not re-issue these shares at below net asset value per share.

14. BUSINESS SEGMENT

The Directors are of the opinion that the Company is engaged in a single segment of business of investing in equity shares, fixed interest securities and other investments.

15. FINANCIAL INSTRUMENTS

The Company holds investments in listed companies and fixed interest securities, holds cash balances and has debtors and creditors. 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 Business Review for the Year to 30 April 2008* on pages 10–13.

The Company is exposed to various types of risk that are associated with financial instruments. The most important types are credit risk, liquidity risk, interest rate risk, market price risk and foreign currency risk.

The Board reviews and agrees policies for managing its risk exposures. These policies are summarised below and have remained unchanged for the year under review.

CREDIT RISK

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Company.

The Company's principal financial assets are investments, bank balances, cash and other receivables, which represent the Company's maximum exposure to credit risk in relation to financial assets. The Company did not have any exposure to any financial assets which were passed due or impaired at the year end.

The Company is exposed to potential failure by counterparties to deliver securities for which the Company has paid, or to pay for securities which the company has delivered. A list of pre-approved counterparties used in such transactions is maintained, and regularly reviewed by the Company, and transactions must be settled on a basis of delivery against payment. Broker counterparties are selected based on a combination of criteria, including credit rating, balance sheet strength and membership of a relevant regulatory body. Risk relating to unsettled transactions is considered to be small because of the short settlement period involved and the high credit quality of the brokers used.

All of the assets of the Company, other than cash deposits, the exposure to the FTSE 100 Future and the investment in the Standard Life Sterling Fund, are held by JPMorgan Chase Bank, the Company's custodian. Bankruptcy or insolvency of the custodian might cause the Company's rights with respect of the securities held by the custodian to be delayed or limited. The Board monitors the Company's risk by reviewing the custodian's internal control reports on a regular basis.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings, rated AA or higher, assigned by international credit rating agencies. Bankruptcy or insolvency of such financial institution might cause the Company's ability to access cash placed on deposit to be delayed or limited. The Company has no concentration of credit risk and exposure is spread over a large number of counterparties.

MARKET PRICE RISK

The fair value of equity and other financial securities held in the Company's portfolio fluctuates with changes in market prices. Prices are themselves affected by movements in currencies and interest rates and by other financial issues including the market perception of future risks. The Company's strategy for the management of market price risk is driven by the Company's investment policy as outlined within the Business Review on pages 10–13. The Board sets policies for managing this risk and meets regularly to review full, timely and relevant information on investment performance and financial results. 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. Investment and portfolio performance are discussed in more detail in the Managing Director's Report and the investment portfolio is set out on page 9.

Any changes in market conditions will directly affect the profit or loss reported through the Income Statement. A 10% increase in the value of the net equity exposure as at 30 April 2008 would have reduced net assets and income for the year by £44,000 (2007: increased by £9.6 million). A decrease of 10% would have had an equal but opposite effect.

The Company continued to use derivatives during the year. These contracts were entered into to manage the Company's effective liquidity.

LIQUIDITY RISK

Liquidity risk is the risk that the Company will encounter in realising assets or otherwise raising funds to meet financial commitments. The risk of the Company not having sufficient liquidity at any time is not considered by the Board to be significant, given the liquid nature of the portfolio of investments and the level of cash and cash equivalents ordinarily held. Cash balances are held with reputable banks with a credit rating of AA or higher, usually on overnight deposit. The Managing Director reviews liquidity at the time of each investment decision. The Board reviews liquidity exposure at each meeting.

All of the Company's financial liabilities at 30 April 2008 have a maturity period of less than three months.

INTEREST RATE RISK

Some of the Company's financial instruments are interest bearing. As such, the Company is exposed to interest rate risk due to fluctuations in the prevailing market rate.

Floating Rate

When the Company holds cash balances, such balances are held on overnight deposit accounts and call deposit accounts. The Company 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 2008 was 5.00% in the UK *(2007: 5.25%)*.

Floating interest rate exposure at 30 April:	**2008 £'000**	**2007 £'000**
Sterling	15,669	22,963

Fixed rate and zero rate

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

	£'000	**Period to maturity**
At 30 April 2008 the Company held:		
0% US Treasury Strip 15/05/2008	95,903	15 days
At 30 April 2007 the Company held:		
0% US Treasury Strip 15/05/2007	62,388	15 days

Considering effects on cash balances, an increase of 100 basis points in interest rates would have increased net assets and income for the period by £157,000 (2007: £230,000). A decrease of 100 basis points would have had an equal but opposite effect. The calculations are based on the cash balances at the balance sheet date and are not representative of the year as a whole.

FOREIGN CURRENCY RISK

The Company invests in overseas securities.

Currency exposure at 30 April:	**2008 £'000**	**2007 £'000**
US Dollars		
Fixed asset investments	100,493	66,817

At 30 April 2008 the Sterling cost of the US Treasury Strip and US equity exposure was protected by a forward currency contract. The gain of £1,069,000 *(2007: gain of £1,544,000)* on the US$200,000,000 *(2007: US$ 135,000,000)* sold forward against £102,144,000 *(2007: £69,055,000)* is included in debtors *(2007: debtors)*. All foreign exchange contracts in place at 30 April 2008 are due to mature within one month.

Given the policy to hedge currency risk by entering into forward foreign exchange currency contracts, the Board view the weakening or strengthening of Sterling against the US Dollar as having minimal impact on either income for the period or net asset value as at 30 April 2008.

DIRECTORS' RESPONSIBILITY STATEMENT AND INDEPENDENT AUDITORS' REPORT

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards adopted by the European Union.

The Directors are required to prepare financial statements for each financial year which present fairly the financial position of the company and the financial performance and cash flows of the company for that period. In preparing those financial statements the Directors are required to:

- select suitable accounting policies and apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable, and understandable information;
- provide additional disclosures when compliance with the specific requirements in the IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and performance; *and*
- state that the company has complied with IFRS, subject to any material departures disclosed and explained in the financial statements.

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

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report (including a Business Review), Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and

- the Report of the Directors includes a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that it faces.

On behalf of the Board

Robert P White
Chairman

23 May 2008

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

We have audited the financial statements ("the financial statements") of Personal Assets Trust plc for the year ended 30 April 2008 which comprise the Income Statement, Balance Sheet, Statements of Changes in Equity, Cash Flow Statement and the related notes 1–15. These financial statements have been prepared under 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.

INDEPENDENT AUDITORS' REPORT *(CONT'D)*

Respective Responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRS) as adopted by the European Union, as set out in the Statement of Directors' Responsibilities.

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 and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, 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 and that the information given in the Directors' Report is consistent with the financial statements.

We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures. We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises Key Features, Performance 1990–2008, Record 1983–2008, Corporate Information, Board of Directors, Chairman's Statement, Managing Director's Report, Portfolio Comparisons for the Year to 30 April 2008, Business Review for the Year to 30 April 2008, Ways of Investing in Personal Assets, Directors' Report, Corporate Governance, the unaudited part of the 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 International Standards on Auditing (UK and Ireland) 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 judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the 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, in accordance with IFRS as adopted by the European Union, of the state of the Company's affairs as at 30 April 2008 and of its loss for the year then ended;
- 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; and
- the information given in the Directors' Report is consistent with the financial statements.

ERNST & YOUNG LLP
Registered Auditor, Edinburgh
23 May 2008

Ernst & Young LLP

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 27th Annual General Meeting ("AGM") of Personal Assets Trust Public Limited Company will be held at 80 George Street, Edinburgh, on Thursday 17 July 2008 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 2008 be received.
2. That the Directors' Remuneration Report for the year to 30 April 2008 be approved.
3. That Hamish Buchan, who retires from office annually, be re-elected as a Director.
4. That Martin Hamilton-Sharp, who retires from office annually, be re-elected as a Director.
5. That Gordon Neilly, who retires from office annually, be re-elected as a Director.
6. That Robert White, who retires from office annually, be re-elected as a Director.
7. That Robin Angus, who retires from office annually, be re-elected as a Director.
8. That Ian Rushbrook, who retires from office annually, be re-elected as a Director.
9. That Ernst & Young LLP be re-appointed as Auditors and that the Directors be authorised to determine their remuneration.
10. 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 £915,375.00 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 17 October 2009 or, if earlier, at the conclusion of the date of the Company's AGM to be held in 2009, unless previously revoked, varied or extended by the Company in general meeting, save that the Company may, before such expiry, make an 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:

11. That subject to the passing of resolution numbered 10 in the notice of the meeting and in place of all existing powers the Directors be generally empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of sections 94(2) to section 94(3A) of the Act) for cash, pursuant to the authority conferred by resolution numbered 10 in the notice of the meeting as if section 89(1) of the Act did not apply to the allotment. This power:

    a) expires on 17 October 2009 or, if earlier, at the conclusion of the Company's AGM to be held in 2009, 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 £915,375.00.

    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 10 in the notice of the meeting" were omitted.

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

12. That, in substitution for any existing authority, the Company be authorised, generally and unconditionally, in accordance with section 166 of 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 Company's issued Ordinary share capital 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) unless previously varied, revoked or renewed by the Company in general meeting, such authority shall expire on 17 October 2009 or, if earlier at the conclusion of the Company's AGM to be held in 2009, save that the Company may, before such expiry, enter into a contract to purchase Shares under such authority which will or may be completed or executed wholly or partly after such expiry and may make a purchase of Shares pursuant to any such contract as if the power conferred hereby had not expired.

13. That, the draft regulations produced to the meeting and, for the purposes of identification, initialled by the Chairman of the meeting be adopted as the Articles of Association of the Company in substitution for, and to the entire exclusion of, the existing Articles of Association of the Company.

By Order of the Board

SK Davidson

Steven K Davidson
Secretary

80 George Street
Edinburgh EH2 3BU

23 May 2008

NOTES

A member who is entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend, speak 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 15 July 2008 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 and 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 15 July 2008 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 and vote at the meeting, notwithstanding any provision in any enactment, the Articles of Association of the Company or other instrument to the contrary.

The terms and conditions of appointment of the non-executive Directors and copies of the executive Directors' service contracts will be available for inspection at the registered office of the Company during normal business hours and at the meeting from 11.45am on 17 July 2008 until the conclusion of the meeting.

Members are requested to inform Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA of any change of address.

As at 23 May 2008, the latest practicable date prior to publication of this document, the Company had 733,051 Ordinary shares in issue with a total of 733,051 voting rights.

The members of the Company may require the company to publish, on its website, a statement setting out any matter relating to the audit of the company's accounts, including the auditors report and the conduct of the audit. The Company will be required to do so once it has received such requests from either members representing at least 5% of the total voting rights of the Company or at least 100 members who have a relevant right to vote and hold shares in the Company on which there has been paid up an average sum per member of at least £100.

A copy of the Articles of Association of the Company as proposed to be adopted with effect from the passing of resolution 13 will be available for inspection at the offices of Dickson Minto WS, Royal London House, 22-25 Finsbury Square, London, EC2A 1DX, from the date of this notice until the conclusion of the Annual General Meeting and on the date of the Annual General Meeting at the Annual General Meeting 15 minutes prior to the start until the conclusion of the meeting.

APPENDIX TO THE NOTICE OF ANNUAL GENERAL MEETING

Summary of the proposed material changes to the Articles of Association of the Company

The principal changes which would arise from the adoption of the New Articles are set out below. References to Article numbers are references to a particular Article in the New Articles.

Shares trading at a discount

The New Articles provide that the Directors shall offer to allot or shall ensure that the Company shall offer to purchase shares in the Company with a view to maintaining the middle market price at which the shares trade on the main market of the London Stock Exchange plc at close to the net asset value of a share as most recently published by the Company (taking into account any rights to which the shares are trading "ex"). The foregoing provisions of this New Article are subject to certain conditions including but not limited to the Directors being satisfied that any offer to allot or purchase shares is in the best interests of shareholders of the Company as a whole. Also, nothing in this Article shall require the Directors to take any steps that would require the Company to make a tender offer for its shares or to publish a prospectus under the provisions of the Financial Services and Markets Act 2000 (or any successor legislation).

Electronic and web communications

The New Articles allow communications to members in electronic format and permit the Company to take advantage of the provisions in the 2006 Act relating to website communications.

Various provisions are included in the New Articles to allow the Company to communicate with shareholders via electronic means and to give the directors the discretion to use electronic communications to distribute notices of meetings, annual reports, accounts and summary financial statements.

Form of resolutions and convening meetings

The existing Articles contain provisions referring to "extraordinary" resolutions and "extraordinary" general meetings. These concepts have been abolished under the 2006 Act with effect from 1 October 2007. Meetings of shareholders other than annual general meetings are referred to simply as general meetings. Any resolution requiring a 75 per cent. majority will be a "special" resolution.

The provisions of the existing Articles dealing with the convening of general meetings and annual general meetings and the length of notice required to convene such meetings are amended in the New Articles to conform to the new provisions of the 2006 Act. In particular, general meetings to consider special resolutions can now be convened on 14 clear days' notice whereas previously 21 clear days' notice was required. The annual general meeting of the Company still requires 21 clear days' notice.

Quorum

The existing Articles provide that two members present in person or by proxy and entitled to vote forms the quorum. Under the 2006 Act the quorum for a meeting can be two "qualifying persons", which includes corporate representatives. The New Articles adopt these new provisions and corporate representatives can now be counted to form the quorum of a meeting of the Company.

Proxies

Under the 2006 Act, proxies are entitled to vote on a show of hands, whereas under the existing Articles proxies are only entitled to vote on a poll. The time limits for the appointment of proxies have also been altered by the 2006 Act so weekends and bank holidays can be excluded for the purposes of the timing for delivery of proxies. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to different shares held by the shareholder. The New Articles reflect these changes.

Corporate representatives

The 2006 Act permits a corporate shareholder to appoint multiple corporate representatives who can attend, speak, vote and count towards a quorum at any general meeting. However, where multiple corporate representatives exercise votes in different ways, the 2006 Act provides that no votes have been exercised. The New Articles reflect the provisions in the 2006 Act.

Conflicts of interest

The New Articles shall, at Article 110A, retain the provisions of the existing Articles in relation to directors' conflicts of interest up to October 2008. However, with effect from the coming into force of sections 175 to 177 and 182 to 185 of the 2006 Act, these provisions will cease to apply and will be replaced by Article 110B to reflect the new provisions of the 2006 Act in relation to directors' conflicts of interests which are expected to come into force on 1 October 2008.

The 2006 Act sets out directors' general duties which largely codify the existing law but with some changes. Under the 2006 Act, from 1 October 2008, a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or may conflict, with the Company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company, an advisor to the Company or a trustee of another organisation. The 2006 Act allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, insofar as the articles of association contain a provision to this effect. The 2006 Act also allows articles to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty.

There are safeguards in the New Articles which will apply when directors decide whether to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision, and second, in taking the decision, the directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

It is also proposed that the New Articles contain provisions relating to confidential information, attendance at board meetings and the availability of board papers to protect a director being in breach of duty if a conflict of interest or a potential conflict of interest arises.

It is proposed that the New Articles will, with effect from 1 October 2008, contain provisions, in Article 110B, giving the directors authority to approve situations involving directors' conflicts of interest and to allow conflicts of interest to be dealt with by the Board.

Requirements for registration of transfer and refusal to transfer

The existing Articles provide that the Directors may refuse to register any transfer of shares not fully paid or on which the Company has a lien in their absolute discretion and without assigning any reason for the refusal. The 2006 Act introduces a new requirement for companies to register transfers or to provide the transferee with reasons for refusal as soon as possible. The New Articles reflect this new requirement.

CREST and the Uncertificated Securities Regulations

The current Articles do not contain provisions dealing with the holdings of shares in uncertificated form and the rules governing the CREST uncertificated securities system in accordance with the Uncertificated Securities Regulations 2001 (the "2001 Regulations"). The New Articles reflect the 2001 Regulations and the 2006 Act provisions by permitting shareholders holding uncertificated shares to appoint, instruct, amend and revoke proxy appointments using the CREST system. The New Articles also provide that Euroclear UK & Ireland Limited is the holder of the register of uncertificated shares in the Company and that the Company will not be liable for a failure of its obligations to maintain a register of uncertificated shares.

Register of members

The current Articles provide that the register of members shall not be closed for more than 30 days in any year. The 2006 Act repeals the provisions of the 1985 Act which allow a company to close the register of members with the result that the register must be open for inspection at all times. The New Articles reflect this provision.

Ordinary Business

Given the nature of the Company, the definition of ordinary business has been extended in the New Articles to include granting, renewing or varying any authority under section 80 of the 1985 Act, disapplying section 89 of the 1985 Act or renewing share buy back authority as ordinary business when it is transacted at an annual general meeting of the Company. The Company may, going forward, take advantage of the exception under Listing Rule 13.8.8 and the annual reports and accounts, for example, would not need to include (i) a heading drawing attention to the document's importance on the first page, (ii) a recommendation from the Board on the resolutions proposed, or (iii) a statement informing the addressee that if all securities have been sold or transferred the accounts should be passed to the person who the securities were sold or transferred to.

Stock

The existing Articles provide that the Company may by ordinary resolution convert any fully paid shares into stock. The 2006 Act abolishes the power to convert shares into stock but allows a company that currently has stock to re-convert this stock back into paid up shares of any nominal value by means of an ordinary resolution. The 2006 Act removes the current requirement for a company's articles to permit re-conversion, but a company wishing to re-convert its stock will still have to pass an ordinary resolution in advance authorising it to do so. The New Articles reflect the provisions of the 2006 Act.

Winding up

The current Articles contain provisions dealing with the distribution of assets in kind in the event of the Company going into liquidation. These provisions have been removed in the New Articles on the grounds that a provision about the powers of liquidators is really a matter for insolvency law rather than the articles of a company and the Insolvency Act 1986 confers powers on the liquidator which would enable it to do what is envisaged by the existing Articles anyway.

Articles that duplicate statutory provisions

Certain other provisions in the current Articles which replicate provisions contained in companies legislation are amended to bring them into line with the 2006 Act.