

**PERSONAL
ASSETS
TRUST PLC**

**Interim Report
for the six months ended
31 October 2005**

Financial Highlights

- Personal Assets Trust plc (“PAT”) is an independently managed investment trust run for private investors.
- Over the six months to 31 October 2005 PAT’s net asset value per share (“NAV”) rose by 6.8% to £236.41 compared to a rise of 11.2% in our benchmark, the FTSE All-Share Index. PAT’s share price rose by £13.25 to £238 over the same period, representing a premium of 0.7% to the Company’s NAV at that date.
- The Board measures PAT’s performance over rolling three-year periods. Over the three years to 31 October 2005 the NAV rose by 30.5% compared to the FTSE All-Share Index’s rise of 37.4%.
- This is the first time in 15 years that we have underperformed our benchmark over our chosen three year period and it results from our having maintained a liquidity level of over one third during a period when the index rose by over 37%. The Board’s policy is to give preservation of capital a higher priority than seeking relative return against a rising index at a time of increasing risk and low future expected returns.
- We continue to believe that in present circumstances it is appropriate to maintain a level of liquidity of around one-third of shareholders’ funds. At 31 October 2005 PAT had effective liquidity of 36.2% (30 April 2005: 35.3%).
- On 29 June 2005 Collective Assets Trust plc (“CAT”) amalgamated with PAT. PAT issued 55,612 new ordinary shares at NAV (increasing our capital by £12.9 million) in acquiring the assets of CAT.
- Over the six months PAT’s shares continued to trade close to NAV. We issued a further 15,635 new ordinary shares (adding just under £3.7 million of new capital) at a small premium to satisfy continuing demand for the Company’s shares, principally through its zero-charge Investment Plans. At 31 October 2005, 44.2% of the Company’s share capital was held in these plans.
- Revenue earnings for the period were £1.85 per share (2004: £1.10). Earnings for the first six months should not be taken as a guide for the full year.
- The first interim dividend of £1.80 per ordinary share (2004: £1.60), was paid to shareholders on 28 October 2005. The Board’s stated policy is never to cut the dividend rate, so that shareholders can be confident that each half-yearly payment will at least equal the previous one. Therefore, the second interim dividend for the year ended 30 April 2006, expected to be paid in April 2006, will be at least £1.80 per share and the total dividend for the year will be not less than £3.60, an increase of at least 5.9% compared to the previous year.

Portfolio Valuation

	Percentage of Fund	31 October 2005 £’000	Purchases/ (Sales) £’000	30 April 2005 Restated £’000
BP	8.2	14,216	3,259	9,398
Royal Dutch Shell	7.7	13,255	4,855	7,363
RBS Group	5.3	9,237	–	9,296
HBOS	4.8	8,215	–	7,604
GlaxoSmithKline	4.3	7,345	1,748	4,851
Barclays	3.6	6,261	–	6,009
BT Group	3.2	5,531	3,214	2,394
Scottish & Newcastle	2.2	3,825	–	3,717
Scottish Investment Trust	1.2	2,146	598	1,268
Foreign & Colonial Investment Trust	1.2	2,048	316	1,410
Other holdings (17)	7.8	13,475	3,481	8,748
Exposure to FTSE 100 Future	14.3	24,751	–	34,809
Total equity exposure	63.8	110,305	17,471	96,867
US Treasury Strip 0% 15/11/05	31.7	54,726	–	–
Standard Life Sterling Fund	12.5	21,573	–	–
Liability to FTSE 100 Future	(14.5)	(24,995)	–	–
Net current assets	6.5	11,166	–	–
Net liquidity	36.2	62,470		
Equity shareholders’ funds	100.0	172,775		

Condensed Group Income Statement

for the six months ended 31 October 2005

Note	(Unaudited) Six months ended 31 October 2005			(Unaudited) Six months ended 31 October 2004 Restated (see note 8)			(Unaudited) Year ended 30 April 2005 Restated (see note 9)			
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000	
Investment income	2,028	–	2,028	934	–	934	2,667	–	2,667	
Other income	238	–	238	250	–	250	430	–	430	
Gains on investments held at fair value	–	15,595	15,595	–	1,671	1,671	–	4,150	4,150	
Foreign exchange differences	–	(5,088)	(5,088)	–	1,159	1,159	–	3,824	3,824	
	2,266	10,507	12,773	1,184	2,830	4,014	3,097	7,974	11,071	
Expenses	(931)	–	(931)	(440)	(435)	(875)	(775)	(837)	(1,612)	
Profit before tax	1,335	10,507	11,842	744	2,395	3,139	2,322	7,137	9,459	
Taxation	(21)	–	(21)	(36)	22	(14)	(76)	41	(35)	
Profit for the period	1,314	10,507	11,821	708	2,417	3,125	2,246	7,178	9,424	
Earnings per ordinary share	2	£1.85	£14.79	£16.64	£1.10	£3.73	£4.83	£3.41	£10.88	£14.29

In respect of the year ending 30 April 2006 the Board has declared a first interim dividend of £1.80 per ordinary share which was paid on 28 October 2005. In respect of the year ended 30 April 2005 the Board declared a first interim dividend of £1.60 per ordinary share and a second interim dividend of £1.80 per ordinary share. This gave a total dividend for the year ended 30 April 2005 of £3.40 per ordinary share.

The total column of this statement represents the Group's Income Statement, prepared in accordance with International Financial Reporting Standards ("IFRS"). The revenue return and capital return columns are supplementary to this and are prepared under guidance published by the Association of Investment Trust Companies. All items in the above statement derive from continuing operations.

Condensed Group Balance Sheet

as at 31 October 2005

	(Unaudited) 31 October 2005 £'000	(Unaudited) 31 October 2004 Restated (see note 8) £'000	30 April 2005 Restated (see note 9) £'000
Non current assets			
Investments held at fair value	161,853	132,345	146,115
Net current assets	10,922	7,483	4,882
Net assets	172,775	139,828	150,997
Equity shareholders' funds	172,775	139,828	150,997
Net asset value per ordinary share	£236.41	£214.94	£222.98

Condensed Group Cash Flow Statement

for the six months ended 31 October 2005

	(Unaudited) Six months ended 31 October 2005	(Unaudited) Six months ended 31 October 2004 Restated (see note 8)	Year ended 30 April 2005 Restated (see note 9)
	£'000	£'000	£'000
Net cash inflow from operating activities	1,460	732	1,352
Net cash inflow/(outflow) from investing activities	3,483	1,793	(4,825)
Net cash inflow/(outflow) before financing	4,943	2,525	(3,473)
Net cash inflow from financing activities	4,398	963	3,021
Net increase/(decrease) in cash and cash equivalents	9,341	3,488	(452)
Cash and cash equivalents at the start of the period	5,875	6,201	6,201
Realised (losses)/gains on foreign currency	(3,999)	(2,181)	126
Cash and cash equivalents at the period end	11,217	7,508	5,875

Condensed Group Statement of Changes in Equity

for the six months ended 31 October 2005

	(Unaudited) Six months ended 31 October 2005					
	Ordinary share capital £'000	Share premium £'000	Redemption reserve £'000	Capital reserve £'000	Retained earnings £'000	Total £'000
Balance at 30 April 2005 (Restated)	8,465	70,813	219	44,843	26,657	150,997
Profit for the period	–	–	–	10,507	1,314	11,821
Ordinary dividends paid	–	–	–	–	(2,525)	(2,525)
Issue of ordinary shares	890	15,680	–	–	–	16,570
Buy-backs of ordinary shares	(220)	–	220	–	(4,088)	(4,088)
Balance at 31 October 2005	9,135	86,493	439	55,350	21,358	172,775

Notes to the Financial Statements

1 Accounting policies

The financial statements of the Group have been prepared on the basis of the recognition and measurement requirements of International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (“IFRIC”).

These are the first financial statements prepared on this basis. Previously the financial statements were prepared in accordance with UK Generally Accepted Accounting Principles (“UK GAAP”) including the Statement of Recommended Practice “Financial Statements of Investment Trust Companies”. UK GAAP differs in certain respects from IFRS. When preparing the financial statements for the period to 31 October 2005 the Directors have amended certain accounting and valuation methods applied in the UK GAAP financial statements.

The disclosures required by IFRS1 “First Time Adoption of International Financial Reporting Standards” concerning the transition from UK GAAP to IFRS are given in notes 7, 8 and 9. The Company does not comply with IAS34 “Interim Financial Statements”.

2 Earnings per ordinary share

The earnings per ordinary share figure is based on the net gain for the six months of £11,821,000 (six months ended 31 October 2004: £3,125,000 as restated; year ended 30 April 2005: £9,424,000 as restated) and on 710,511 (six months ended 31 October 2004: 646,505; year ended 30 April 2005: 659,358) ordinary shares, being the weighted average number of ordinary shares in issue during the period.

With effect from 1 May 2005 management expenses have been allocated 100% to revenue. Prior to this date these costs were allocated 35% to revenue and 65% to capital.

3 Ordinary share capital

At 31 October 2005 there were 730,832 ordinary shares in issue (31 October 2004: 650,533; 30 April 2005: 677,185). During the six months ended 31 October 2005 the Company issued 71,247 ordinary shares and bought 17,600 ordinary shares to be held in Treasury. Of the 71,247 ordinary shares issued during the period, 2,166 were issued from Treasury. There were 15,434 ordinary shares held in Treasury at the period end. The cost of the share buy-backs, including stamp duty, amounted to £4,088,000.

4 First interim dividend

On 29 September 2005 the Board declared a first interim dividend of £1.80 (2004: £1.60) per ordinary share. This was paid on 28 October 2005 to shareholders registered on 7 October 2005.

5 Comparative information

The financial information contained in this interim report does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The financial information for the six months ended 31 October 2005 and 31 October 2004 has not been audited.

The information for the year ended 30 April 2005 has been extracted from the latest published audited financial statements, as restated to comply with IFRS (see note 9). The audited financial statements for the year ended 30 April 2005 have been filed with the Registrar of Companies. The report of the auditors on those accounts contained no qualification or statement under section 237(2) or (3) of the Companies Act 1985.

6 Net asset value per ordinary share

The net asset value per ordinary share is based on the net assets attributable to the equity shareholders of £172,775,000 (31 October 2004: £139,828,000 as restated; 30 April 2005: £150,997,000 as restated) and on 730,832 (31 October 2004: 650,533; 30 April 2005: 677,185) ordinary shares, being the number of ordinary shares in issue at the period end.

7 Restatement of opening balances as at 30 April 2004

At 1 May 2005 the Company adopted IFRS. In accordance with IFRS 1 the following is a summary of the results as at and for the year ended 30 April 2004, previously reported under UK GAAP, and a reconciliation to the restated IFRS results.

Investments are designated as held at fair value under IFRS and are carried at bid prices which equate to their fair value of £132,251,000. Previously, under UK GAAP, they were carried at mid prices. The aggregate difference is a revaluation downwards of £60,000.

No provision has been made for the second interim dividend on the ordinary shares for the year ended 30 April 2004 of £1.60 per share. The second interim dividend paid in respect of the year ended 30 April 2003 of £1.50 per share is now provided for in this period. Under IFRS, dividends are not recognised until paid.

The previous headings of Capital reserve – realised and Capital reserve – unrealised are now included under the heading Capital reserve.

Notes to the Financial Statements

(continued)

8 (a) Restatement of balances as at and for the six months ended 31 October 2004

At 1 May 2005 the Company adopted IFRS. In accordance with IFRS 1 the following is a summary of the results as at and for the period ended 31 October 2004, previously reported under UK GAAP, and a reconciliation to the restated IFRS results.

Investments are designated as held at fair value under IFRS and are carried at bid prices which equate to their fair value of £132,345,000. Previously, under UK GAAP, they were carried at mid prices. The aggregate difference is a revaluation downwards of £44,000.

No provision has been made for the first interim dividend on the ordinary shares for the period ended 31 October 2004 of £1.60 per share. The second interim dividend paid in respect of the year ended 30 April 2004 of £1.60 per share is now provided for in this period. Under IFRS, dividends are not recognised until paid.

The previous headings of Capital reserve – realised and Capital reserve – unrealised are now included under the heading Capital reserve.

(b) Reconciliation of the Statement of Total Return to the Income Statement for the six months ended 31 October 2004

Under IFRS the Income Statement is the equivalent of the Statement of Total Return reported previously.

	Notes	2004 £'000	EPS impact in pence
Total transfer to reserves per the Statement of Total Return		2,065	–
Add back dividends paid and declared	1	1,044	–
Investments held at fair value changed from mid to bid basis at 30 April 2004	2	60	0.09
Investments held at fair value changed from mid to bid basis at 31 October 2004	2	(44)	(0.07)
Net profit per the Income Statement		<u>3,125</u>	<u>0.02</u>

Notes to the reconciliation

1. Ordinary dividends paid during the period are dealt with through the Statement of Changes in Equity.
2. The portfolio valuations at 30 April 2004 and 31 October 2004 are required to be valued at fair value under IFRS. These values are lower than the previous valuations by £60,000 and £44,000 respectively.

(c) Restatement of balances of the Cash Flow Statement for the six months ended 31 October 2004

Tax refunded of £7,000 is now allocated to operating activities under IFRS. Previously, under UK GAAP, taxation was shown separately.

Ordinary dividends paid of £1,030,000 are now allocated to financing under IFRS. Previously, under UK GAAP, dividends were shown separately.

Notes to the Financial Statements

(continued)

9 (a) Restatement of balances as at and for the year ended 30 April 2005

At 1 May 2005 the Company adopted IFRS. In accordance with IFRS 1 the following is a summary of the results as at and for the year ended 30 April 2005, previously reported under UK GAAP, and a reconciliation to the restated IFRS results.

Investments are designated as held at fair value under IFRS and are carried at bid prices which equate to their fair value of £146,115,000. Previously, under UK GAAP, they were carried at mid prices. The aggregate difference is a revaluation downwards of £56,000.

No provision has been made for the second interim dividend on the ordinary shares for the year ended 30 April 2005 of £1.80 per share. The second interim dividend paid in respect of the year ended 30 April 2004 of £1.60 per share is now provided for in this period. Under IFRS, dividends are not recognised until paid.

The previous headings of Capital reserve – realised and Capital reserve – unrealised are now included under the heading Capital reserve.

(b) Reconciliation of the Statement of Total Return to the Income Statement for the year ended 30 April 2005

Under IFRS the Income Statement is the equivalent of the Statement of Total Return reported previously.

	Notes	2005 £'000	EPS impact in pence
Total transfer to reserves per the Statement of Total Return		7,157	–
Add back dividends paid and declared	1	2,263	–
Investments held at fair value changed from mid to bid basis at 30 April 2004	2	60	0.09
Investments held at fair value changed from mid to bid basis at 30 April 2005	2	(56)	(0.09)
Net profit per the Income Statement		<u>9,424</u>	<u>–</u>

Notes to the reconciliation

1. Ordinary dividends paid during the period are dealt with through the Statement of Changes in Equity.
2. The portfolio valuations at 30 April 2004 and 30 April 2005 are required to be valued at fair value under IFRS. These values differ from the previous valuations by £60,000 and £56,000 respectively.

(c) Restatement of balances of the Cash Flow Statement for the year ended 30 April 2005

Tax paid of £20,000 is now allocated to operating activities under IFRS. Previously, under UK GAAP, taxation was shown separately.

Ordinary dividends paid of £2,070,000 are now allocated to financing under IFRS. Previously, under UK GAAP, dividends were shown separately.

