

**PERSONAL  
ASSETS  
TRUST PLC**

**INTERIM REPORT  
FOR THE SIX MONTHS ENDED  
31 OCTOBER 2008**



# FINANCIAL SUMMARY

- Personal Assets Trust plc (“PAT”) is an independent investment trust run expressly for private investors.
- Over the six months to 31 October 2008 PAT’s net asset value per share (“NAV”) fell by 13.5% to £222.74 compared to a fall of 29.6% in our benchmark, the FTSE All-Share Index. PAT’s share price fell by £36.25 to £222.00 over the same period, being a discount of 0.3% 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 2008 the NAV fell by 5.8% compared to the FTSE All-Share Index’s decline of 18.0%. This outperformance of 14.9% reflects our very cautious attitude to equity valuations over the period, represented by the level of liquidity we held during it.
- We continue to believe that in present circumstances it is appropriate to maintain a margin of liquidity, although this will vary with market levels and the Board hopes that at some stage the time will be right to gear the portfolio. At 31 October 2008 PAT had effective liquidity of 13% of shareholders’ funds (30 April 2008: 100%).
- Over the six months PAT’s shares continued to trade close to NAV. We issued 16,145 Ordinary shares from Treasury at a small premium (adding just over £3.8 million of new capital) to satisfy continuing demand for the Company’s shares, principally through its zero-charge Investment Plans. At 31 October 2008, 43.1% of the Company’s share capital was held in these plans. During the period the Company also bought back 11,123 Ordinary shares at a cost of £2.6 million including stamp duty, to be held in Treasury.
- Earnings for the period were £1.54 per share (2007: £2.17). Earnings for the first six months should not be taken as a guide for the full year.
- The first interim dividend of £2.50 per Ordinary share (2007: £2.25) was paid to shareholders on 24 October 2008. The Board’s stated policy is never to cut the dividend rate and for the dividend to grow in real terms. Accordingly, the second interim dividend for the year ended 30 April 2009, expected to be paid in April 2009, will be at least £2.50 per share. The total dividend for the year will therefore be not less than £5.00, representing an increase of at least 8.7% compared to the previous year.

# PORTFOLIO VALUATION

<b>Company</b>	<b>31 October 2008 £'000</b>	<b>Bought/ (Sold) £'000</b>	<b>30 April 2008 £'000</b>
Alliance Trust	13,475	12,734	4,472
Royal Dutch Shell	12,932	–	15,717
BP	12,174	–	14,664
GlaxoSmithKline	7,781	–	7,287
BT Group	2,990	–	5,785
HBOS	2,038	1,553	5,167
Philip Morris International (US)	1,964	–	1,879
Royal Bank of Scotland	1,670	1,833	5,171
Barclays	1,411	–	3,627
BAE Systems	956	–	1,283
Other Holdings (10)	5,317	–	8,582
<b>Total Equity Holdings</b>	<b>62,708</b>	16,120	<b>73,634</b>
FTSE 100 Future Asset/(Liability)	81,046	–	(74,077)
<b>Effective Equity Exposure</b>	<b>143,754</b>	16,120	<b>(443)</b>
UK Treasury 4% 07/03/09	7,021		
US TIPS 1.375% 15/07/18	51,800		
US Treasury Strip 0% 15/11/08	33,411		
Standard Life Sterling Fund	51		
FTSE 100 Future Liability	(85,072)		
Net Current Assets	13,435		
<b>Effective Liquidity</b>	<b>20,646</b>		<b>189,107</b>
<b>Shareholders' Funds</b>	<b>164,400</b>		<b>188,664</b>

# INTERIM MANAGEMENT REPORT

In a letter to shareholders on 14 October 2008, the Chairman announced that Ian Rushbrook, the Managing Director of Personal Assets Trust, had died following a short illness. The Board is undertaking a full review of the options open to the Company in best serving its shareholders' interests. The Chairman will write to shareholders again as soon as this review is complete.

As is well known, the Board of Personal Assets was for several years extremely bearish on equities. This was for the simple reason that investors appeared to be ignoring major threats to equity values. As a succession of market falls during the six months under review has demonstrated, however, this is no longer the case. Today there is fear in the market — and fear eventually brings opportunity. Given the decline in equity values since our 30 April 2008 year end, we reduced our liquidity from 100% to 25% between 23 June and 5 September 2008. This we did in a number of stages, including two temporary increases in response to short term market rises. Again in response to market movements we increased our liquidity to 40% on 9 September, reducing it once more to 25% on 6 October and further reducing it to 15% on 24 October. This active management of our liquidity was in line with our stated approach that in bull market conditions Personal Assets will tend to become more and more liquid, while in a bear market we will become increasingly invested in equities. Our policy as regards the use of liquidity continues to be that we should be flexible and responsive to market conditions.

Our principal commitment of new funds to direct equities during the period under review was a substantial addition to our holding in Alliance Trust, which we increased from 1,300,000 to 5,500,000 shares in stages between 18 August and 18 September. Alliance Trust is a solid performer, the net asset value of which has tended to move broadly in line with our benchmark, the FTSE All-Share Index, while the shares have recently tended to sell at a discount of 20% or more to net assets. Our holding was worth £13.5 million on 31 October, or 8.2% of shareholders' funds. Our only other significant investments — which in hindsight we rather regret — were to take up our rights in Royal Bank of Scotland, acquiring 916,666 new shares at a cost of 200p per share, and to add on 17 September a further 900,000 shares in HBOS to our existing holding at a price of 172½p per share.

In this Report we are required also to describe the principal risks and uncertainties for the remaining six months of the year. To the extent that the Company is 87% invested in equities, partly through FTSE 100 Futures and partly through direct holdings of shares, it is at risk of loss from adverse movements both in individual share prices and in the FTSE 100 Index. Because the Company's currency exposure is fully hedged it is not directly at risk from adverse currency movements. The Board considers that there is negligible risk of default by its bankers or of liquidity problems arising in the FTSE Futures market. The Company's largest investments are in a US Treasury 1.375% Income Protected Security (TIPS) 2018 and in a short-dated US Treasury Strip 0%. The Board considers there to be negligible risk that the US Government will default on its obligations and believes that the risk of a lack of liquidity in the market for US Treasury securities does not arise.

On behalf of the Board,

Robin J Angus, Executive Director

21 November 2008

# CONDENSED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 31 OCTOBER 2008

	(Unaudited)		
	Six months ended		
	31 October 2008		
	Revenue	Capital	Total
	return	return	
	£'000	£'000	£'000
Investment income	1,868	-	1,868
Other operating income	328	-	328
Losses on investments held at fair value	-	(6,471)	(6,471)
Foreign exchange differences	-	(18,324)	(18,324)
<b>Total income</b>	<b>2,196</b>	<b>(24,795)</b>	<b>(22,599)</b>
Expenses	(1,056)	-	(1,056)
<b>Profit/(loss) before tax</b>	<b>1,140</b>	<b>(24,795)</b>	<b>(23,655)</b>
Taxation	(7)	-	(7)
<b>Profit/(loss) for the period</b>	<b>1,133</b>	<b>(24,795)</b>	<b>(23,662)</b>
<b>Return per Ordinary share</b>	<b>£1.54</b>	<b>(£33.75)</b>	<b>(£32.21)</b>

The return per Ordinary share figure is based on the net loss for the six months of £23,662,000 (*six months ended 31 October 2007: net loss of £2,716,000; year ended 30 April 2008: net loss of £2,018,000*) and on 734,714 (*six months ended 31 October 2007: 723,990; year ended 30 April 2008: 722,662*) Ordinary shares, being the weighted average number of Ordinary shares in issue during the period.

In respect of the year ending 30 April 2009 the Board has declared a first interim dividend of £2.50 per Ordinary share, which was paid on 24 October 2008. In respect of the year ended 30 April 2008 the Board declared a first interim dividend of £2.25 per Ordinary share and a second interim dividend of £2.35 per Ordinary share. This gave a total dividend for the year ended 30 April 2008 of £4.60 per Ordinary share.

The column of this statement headed '**Total**' represents the Group's Income Statement, prepared in accordance with International Financial Reporting Standards. 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.

(Unaudited) Six months ended 31 October 2007			(Audited) Year ended 30 April 2008		
Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
2,237	-	2,237	5,219	-	5,219
399	-	399	953	-	953
-	(6,602)	(6,602)	-	(5,708)	(5,708)
-	2,318	2,318	-	(346)	(346)
<hr/> 2,636	<hr/> (4,284)	<hr/> (1,648)	<hr/> 6,172	<hr/> (6,054)	<hr/> 118
(1,059)	-	(1,059)	(2,099)	-	(2,099)
<hr/> 1,577	<hr/> (4,284)	<hr/> (2,707)	<hr/> 4,073	<hr/> (6,054)	<hr/> (1,981)
(9)	-	(9)	(37)	-	(37)
<hr/> 1,568	<hr/> (4,284)	<hr/> (2,716)	<hr/> 4,036	<hr/> (6,054)	<hr/> (2,018)
<hr/> £2.17	<hr/> (£5.92)	<hr/> (£3.75)	<hr/> £5.59	<hr/> (£8.38)	<hr/> (£2.79)

At 31 October 2008 there were 738,073 Ordinary shares in issue (*31 October 2007: 723,510; 30 April 2008: 733,051*). During the six months ended 31 October 2008 the Company issued 16,145 Ordinary shares from Treasury and bought back 11,123 Ordinary shares to be held in Treasury. At 31 October 2008, there were 12,803 Ordinary shares held in Treasury (*31 October 2007: 27,366; 30 April 2008: 17,825*). The cost of the share buy-backs, including stamp duty, amounted to £2,564,000.

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Annual Report and financial statements for the year ended 30 April 2008.

These are not statutory accounts in terms of section 434 of the Companies Act 2006 and are unaudited. The information for the year ended 30 April 2008 has been extracted from the latest published financial statements, which received an unqualified audit report and have been filed with the Registrar of Companies. No statutory accounts in respect of any period after 30 April 2008 have been reported on by the Company's auditors or delivered to the Registrar of Companies.

# CONDENSED BALANCE SHEET

AS AT 31 OCTOBER 2008

	(Unaudited) 31 October 2008 £'000	(Unaudited) 31 October 2007 £'000	(Audited) 30 April 2008 £'000
<b>Non current assets:</b>			
Investments held at fair value	<b>154,991</b>	161,793	170,546
Current assets	<b>9,409</b>	25,380	18,118
<b>Net assets</b>	<b>164,400</b>	187,173	188,664
<b>Equity shareholders' funds</b>	<b>164,400</b>	187,173	188,664
<b>Net asset value per Ordinary share</b>	<b>£222.74</b>	£258.70	£257.37

# CONDENSED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 OCTOBER 2008

	(Unaudited) Six months ended 31 October 2008 £'000	(Unaudited) Six months ended 31 October 2007 £'000	(Audited) Year ended 30 April 2008 £'000
Opening equity shareholders' funds	<b>188,664</b>	192,416	192,416
Loss for the period	<b>(23,662)</b>	(2,716)	(2,018)
Ordinary dividends paid	<b>(1,849)</b>	(1,626)	(3,329)
Issue of Ordinary shares	<b>3,811</b>	938	4,749
Buy-backs of Ordinary shares	<b>(2,564)</b>	(1,839)	(3,154)
<b>Closing equity shareholders' funds</b>	<b>164,400</b>	187,173	188,664



# CONDENSED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 31 OCTOBER 2008

	(Unaudited) Six months ended 31 October 2008 £'000	(Unaudited) Six months ended 31 October 2007 £'000	(Audited) Year ended 30 April 2008 £'000
Net cash inflow from operating activities	1,641	2,330	4,122
Net cash inflow from investing activities	14,681	25,006	11,988
<b>Net cash inflow before financing</b>	<b>16,322</b>	<b>27,336</b>	<b>16,110</b>
Net cash outflow from financing activities	(108)	(2,527)	(1,734)
<b>Net increase in cash and cash equivalents</b>	<b>16,214</b>	<b>24,809</b>	<b>14,376</b>
Cash and cash equivalents at the start of the period	14,660	304	155
Realised (losses)/gains on foreign currency	(3,205)	871	129
<b>Cash and cash equivalents at period end</b>	<b>27,669</b>	<b>25,984</b>	<b>14,660</b>

# **STATEMENT OF PRINCIPAL RISKS AND UNCERTAINTIES**

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 and currencies.

Other risks faced, and the way in which they are managed, are described in more detail under the heading Principal Risks and Risk Management within the Business Review in the Company's Annual Report for the year ended 30 April 2008.

The Company's principal risks and uncertainties have not changed since the date of the Annual Report and are not expected to change for the remaining six months of the Company's financial year.

## **DIRECTORS' RESPONSIBILITY STATEMENT IN RESPECT OF THE INTERIM REPORT**

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU;
- the Interim Management Report includes a fair review of the information required by the Disclosure and Transparency Rules ("DTR") 4.2.7R, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements;
- the Statement of Principal Risks and Uncertainties shown above is a fair review of the information required by DTR 4.2.7R; and
- the condensed financial statements include a fair review of the information required by DTR 4.2.8R, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Company during the period, and any changes in the related party transactions described in the last Annual Report that could do so.

On behalf of the Board,

Robert P White, Chairman

21 November 2008