

**PERSONAL  
ASSETS  
TRUST PLC**

**INTERIM REPORT  
FOR THE SIX MONTHS ENDED  
31 OCTOBER 2009**



## FINANCIAL SUMMARY

- Personal Assets Trust plc (“PAT”) is an independent investment trust run expressly for private investors.
- Over the six months to 31 October 2009 PAT’s net asset value per share (“NAV”) rose by 13.5% to £260.67 compared to a rise of 18.9% in our benchmark, the FTSE All-Share Index. PAT’s share price rose by £30 to £263 over the same period, being a premium of 0.9% to the Company’s NAV at that date.
- Over the three years to 31 October 2009 (this being the traditional timespan over which the Board has measured performance) the NAV rose by 0.8% compared to the FTSE All-Share Index’s decline of 17.7%. This outperformance of 22.5% 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 may vary with market levels and the Board hopes that at some stage the time will be right to gear the portfolio. At 31 October 2009 PAT had effective liquidity of 17.6% of shareholders’ funds and a further 8.6% in gold bullion.
- Over the six months PAT’s shares continued to trade close to NAV. We issued 34,400 Ordinary shares, of which 5,645 were from Treasury, at a small premium (adding £8.7 million of new capital) to satisfy continuing demand for the Company’s shares.
- Earnings for the period were £2.25 per share (2008: £1.54). Earnings for the first six months should not be taken as a guide for the full year.
- The first interim dividend of £2.55 per Ordinary share (2008: £2.50) was paid to shareholders on 22 October 2009. The Board’s policy is never to cut the dividend rate and for the dividend to grow in real terms relative to both the CPI and the RPI. Accordingly, the second interim dividend for the year ended 30 April 2010, expected to be paid in April 2010, will be at least £2.55 per share. The total dividend for the year will therefore be not less than £5.10, representing an increase of at least 2.0% compared to the previous year.

## PORTFOLIO VALUATION

<b>Company</b>	<b>31 October 2009 £'000</b>	<b>Bought/ (Sold) £'000</b>	<b>30 April 2009 £'000</b>
Alliance Trust	14,222	(2,981)	16,503
Royal Dutch Shell	13,728	–	12,145
Nestlé (Switzerland)	10,707	5,310	3,320
British American Tobacco	8,743	1,956	5,737
Coca Cola (US)	8,172	8,264	–
GlaxoSmithKline	8,122	–	6,819
Diageo	7,810	7,171	–
Tesco	7,055	2,616	3,538
Berkshire Hathaway (US)	5,766	5,436	–
Philip Morris International (US)	5,140	–	4,378
Centrica	4,342	–	3,973
Johnson & Johnson (US)	3,935	731	3,177
Sage Group	3,865	1,805	1,874
Newmont Mining (US)	3,296	–	3,392
National Grid	3,181	–	2,961
Colgate Palmolive (US)	2,385	2,407	–
Other Holdings (4)	2,854	(11,666)	12,988
<b>Total Equity Holdings</b>	<b>113,323</b>	<b>21,049</b>	<b>80,805</b>
FTSE 100 Future Asset	36,507	(10,184)	39,125
<b>Effective Equity Exposure</b>	<b>149,830</b>	<b>10,865</b>	<b>119,930</b>
Gold Bullion Securities	17,530	6,751	9,955
<b>Total Gold Bullion Exposure</b>	<b>17,530</b>	<b>6,751</b>	<b>9,955</b>
<b>Liquidity</b>			
US TIPS 1.375% 15/07/18	67,834		
FTSE 100 Future Liability	(36,496)		
Net Current Assets	4,528		
<b>Total Liquidity</b>	<b>35,866</b>		<b>41,247</b>
<b>Shareholders' Funds</b>	<b>203,226</b>		<b>171,132</b>

# INTERIM MANAGEMENT REPORT

The Board of Personal Assets has been cautious on equity markets ever since central bankers' present course of fiscal profligacy became established in the second half of the 1990s. In 2008, in response to falling markets, we increased our allocation to equities and by April 2009 we had equity exposure of 70%. This level has been maintained and as markets have rallied in 2009 our exposure has increased slightly to 73%. Liquidity levels correspondingly declined from 24% to 18% while we increased our holding in gold bullion from 6% to 9%.

The six month period under review witnessed a remarkable reversal of how investors interpreted risk aversion. Fear of being in the market in the last quarter of 2008 and the first quarter of 2009 turned to fear of being out. The zero interest rate policy adopted by central banks forced investors to make an unappetising choice between holding cash, which offered a negative real return after inflation, or taking a higher risk in an effort to make a positive return. Central banks, especially the Bank of England and the Federal Reserve, encouraged this increase in risk-taking *via* what some consider to be their immoral policy of 'Quantitative Easing' — buying low risk securities, such as Gilts and Treasuries, with newly-printed money. While this has stabilised the financial system for the time being, the Bank of England's dishonest creation of (so far) £200 billion out of nothing has led to a fall in the net supply of gilts during a period of huge expansion in fiscal deficits. While policy remains so accommodative, asset classes may be driven higher on a tide of artificially generated liquidity. Remove the stimulus and the unsustainable nature of any tentative recovery will be exposed. Meanwhile, investors' expectations have been inflated and a strong turnaround in corporate earnings in the next two years has been priced into equities.

Amid this confused background we have made some changes to the portfolio. Our natural aversion to risk and our priority of preserving irreplaceable capital has led us to avoid the more speculative parts of the market that have seen a mini-bubble since March this year. Much of the recovery in share prices has been driven by financially challenged, low quality companies with a risk of insolvency. We prefer to steer clear of these, although we have benefited to an extent by owning FTSE 100 Futures which provide some exposure to the riskier parts of the market without giving us direct stock specific exposure. We believe that much of the re-rating of the cyclical and financial sectors of the market has occurred and that the risks of holding them are now on the downside. We have therefore reduced the Futures holding in favour of strong international companies such as Nestlé, Coca Cola and Colgate Palmolive, which make high and consistent returns on equity and can provide dividend certainty in the difficult economic environment we expect in the next few years. By contrast, we have sold our holdings in BP and BAE Systems, where dividends do not look sustainable in the medium term.

We continue to hold the unconventional view that gold offers protection against debasement of the currency. Sterling has rebounded this year but if the Bank of England continues to churn out what can best be described as sub-prime promissory notes on Britain's future at its current irresponsible rate there is a real risk of debasing the currency. Meanwhile, as long as interest rates are at zero there is less opportunity cost in holding gold. Printing money is unlikely to bring sustainable economic recovery and there is doubt whether the private sector is able to take up the slack from government spending. Gold offers us insurance against the fiscal and monetary stimulus going too far and it is possible that our holding of the virtuous metal may increase further.

In this report we are required also to describe risks and uncertainties for the remaining six months of the year. To the extent that the Company is 73% 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. The Company has exposure to the US dollar (which is partially hedged) and the Swiss Franc; adverse exchange rate movements may therefore affect us. A fall in the price of gold (in sterling terms) is a further risk. The Board considers that there is a negligible risk of default by its bankers or of liquidity problems arising in the FTSE Futures market. The Company's largest investment is the US Treasury 1.375% Income Protected Security (TIPS) 2018. The Board considers there to be a 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.

Sebastian Lyon, Investment Adviser

On behalf of the Board, Robin J Angus, Executive Director

# CONDENSED INCOME STATEMENT

## FOR THE SIX MONTHS ENDED 31 OCTOBER 2009

	(Unaudited) Six months ended 31 October 2009		
	Revenue Return £'000	Capital Return £'000	Total £'000
Investment income	2,708	–	2,708
Other operating income	52	–	52
Gains/(losses) on investments held at fair value	–	15,763	15,763
Foreign exchange differences	–	7,908	7,908
<b>Total income</b>	<b>2,760</b>	<b>23,671</b>	<b>26,431</b>
Expenses	(981)	–	(981)
<b>Profit/(loss) before tax</b>	<b>1,779</b>	<b>23,671</b>	<b>25,450</b>
Taxation	(66)	–	(66)
<b>Profit/(loss) and total comprehensive income for the period</b>	<b>1,713</b>	<b>23,671</b>	<b>25,384</b>
<b>Return per Ordinary share</b>	<b>£2.25</b>	<b>£31.14</b>	<b>£33.39</b>

The column of this statement headed 'Total' represents the Company'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.

The Company does not have any income or expense that is not included in the profit for the period, and therefore the 'profit for the period' is also the 'total comprehensive income for the period' as defined in International Accounting Standard 1 (revised).

### 1. Accounting Policies

The condensed financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and the accounting policies set out in the statutory accounts of the Company for the year ended 30 April 2009, apart from presentational changes required by IAS 1 'Presentation of Financial Statements (Amendment)' and disclosures as provided in note 5 required by IFRS 8 'Operating Segments'. Both IAS 1 (Amendment) and IFRS 8 became effective for accounting periods commencing 1 January 2009. The condensed financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements of the Company for the year ended 30 April 2009, which were prepared under full IFRS requirements, to the extent that they have been adopted by the European Union.

#### IAS 1 'Presentation of Financial Statements (Amendment)'

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes, if any, disclosed in a single line.

In addition the standard introduces the Statement of Comprehensive Income. It presents all items of recognised income and expenses either in a single statement, or in two linked statements. The Company has elected to present one single statement, entitled the Condensed Income Statement.

(Unaudited) Six months ended 31 October 2008			(Audited) Year ended 30 April 2009		
Revenue Return £'000	Capital Return £'000	Total £'000	Revenue Return £'000	Capital Return £'000	Total £'000
1,868	–	1,868	5,164	–	5,164
328	–	328	491	–	491
–	(6,471)	(6,471)	–	5,639	5,639
–	(18,324)	(18,324)	–	(26,359)	(26,359)
2,196	(24,795)	(22,599)	5,655	(20,720)	(15,065)
(1,056)	–	(1,056)	(1,759)	–	(1,759)
1,140	(24,795)	(23,655)	3,896	(20,720)	(16,824)
(7)	–	(7)	–	–	–
1,133	(24,795)	(23,662)	3,896	(20,720)	(16,824)
£1.54	(£33.75)	(£32.21)	£5.34	(£28.43)	(£23.09)

- The return per Ordinary share figure is based on the net profit for the six months of £25,384,000 (*six months ended 31 October 2008: net loss of £23,662,000; year ended 30 April 2009: net loss of £16,824,000*) and on 760,098 (*six months ended 31 October 2008: 734,714; year ended 30 April 2009: 728,778*) Ordinary shares, being the weighted average number of Ordinary shares in issue during the period.
- In respect of the year ending 30 April 2010 the Board has declared a first interim dividend of £2.55 per Ordinary share, which was paid on 22 October 2009. In respect of the year ended 30 April 2009 the Board declared a first interim dividend of £2.50 per Ordinary share and a second interim dividend of £2.50 per Ordinary share. This gave a total dividend for the year ended 30 April 2009 of £5.00 per Ordinary share.
- At 31 October 2009 there were 779,631 Ordinary shares in issue (*31 October 2008: 738,073; 30 April 2009: 745,231*). During the six months ended 31 October 2009 the Company issued 34,400 Ordinary shares of which 5,645 were from Treasury. At 31 October 2009, there were no Ordinary shares held in Treasury (*31 October 2008: 12,803; 30 April 2009: 5,645*).
- The Board has considered the requirement of IFRS 8 'Operating Segments'. The Board is of the view that the Company is engaged in a single segment of business, of investing in equity shares, fixed interest securities and other investments, and that therefore the Company has only a single operating segment. The Board of Directors, as a whole, has been identified as consisting the chief operating decision maker of the Company. The key measure of performance used by the Board to assess the Company's performance is the net asset value, as calculated under IFRS, and therefore no reconciliation is required between the measure of profit or loss used by the Board and that contained in the condensed financial statements.
- These are not full statutory accounts in terms of Section 434 of the Companies Act 2006 and are unaudited. Statutory accounts for the year ended 30 April 2009, which received an unqualified audit report and which did not contain a statement under Section 498 of the Companies Act 2006, have been lodged with the Registrar of Companies. No full statutory accounts in respect of any period after 30 April 2009 have been reported on by the Company's auditors or delivered to the Registrar of Companies.

## CONDENSED BALANCE SHEET

### FOR THE SIX MONTHS ENDED 31 OCTOBER 2009

	<b>(Unaudited)</b>	(Unaudited)	(Audited)
	<b>31 October</b>	31 October	30 April
	<b>2009</b>	2008	2009
	<b>£'000</b>	£'000	£'000
<b>Non current assets:</b>			
Investments held at fair value	198,687	154,991	158,183
Current assets	4,539	9,409	12,949
<b>Net assets</b>	<b>203,226</b>	164,400	171,132
<b>Equity shareholders' funds</b>	<b>203,226</b>	164,400	171,132
<b>Net asset value per Ordinary share</b>	<b>£260.67</b>	£222.74	£229.64

## CONDENSED STATEMENT OF CHANGES IN EQUITY

### FOR THE SIX MONTHS ENDED 31 OCTOBER 2009

	<b>(Unaudited)</b>	(Unaudited)	(Audited)
	<b>Six months</b>	Six months	Year
	<b>ended</b>	ended	ended
	<b>31 October</b>	31 October	30 April
	<b>2009</b>	2008	2009
	<b>£'000</b>	£'000	£'000
Opening equity shareholders' funds	171,132	188,664	188,664
Profit/(loss) for the period	25,384	(23,662)	(16,824)
Ordinary dividends paid	(1,964)	(1,849)	(3,673)
Issue of Ordinary shares	8,674	3,811	12,568
Buy-backs of Ordinary shares	–	(2,564)	(9,603)
<b>Closing equity shareholders' funds</b>	<b>203,226</b>	164,400	171,132

## CONDENSED CASH FLOW STATEMENT

### FOR THE SIX MONTHS ENDED 31 OCTOBER 2009

	<b>(Unaudited)</b> <b>Six months</b> <b>ended</b> <b>31 October</b> <b>2009</b> <b>£'000</b>	(Unaudited) Six months ended 31 October 2008 £'000	(Audited) Year ended 30 April 2009 £'000
Net cash inflow from operating activities	<b>1,792</b>	1,641	3,743
Net cash (outflow)/inflow from investing activities	<b>(20,016)</b>	14,681	16,551
<b>Net cash (outflow)/inflow before financing activities</b>	<b>(18,224)</b>	16,322	20,294
Net cash inflow/(outflow) from financing activities	<b>6,710</b>	(108)	(708)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(11,514)</b>	16,214	19,586
Cash and cash equivalents at the start of the period	<b>8,202</b>	14,660	14,660
Realised gains/(losses) on foreign currency	<b>6,841</b>	(3,205)	(26,044)
<b>Cash and cash equivalents at period end</b>	<b>3,529</b>	27,669	8,202

## **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 2009.

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,

Hamish N Buchan, Chairman

19 November 2009