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PERSONAL ASSETS TRUST PLC

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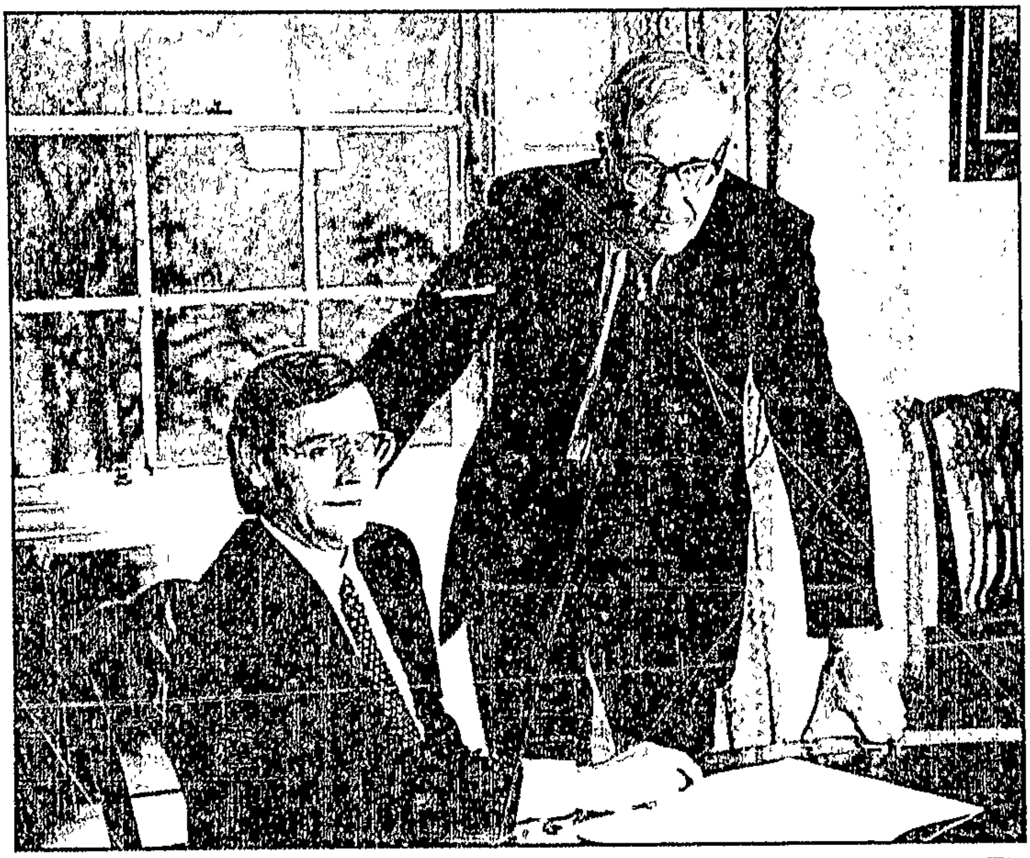


COMPANIES HOUSE
-6 AUG 1992
EDINBURGH

ANNUAL REPORT
AND ACCOUNTS
30 APRIL 1992

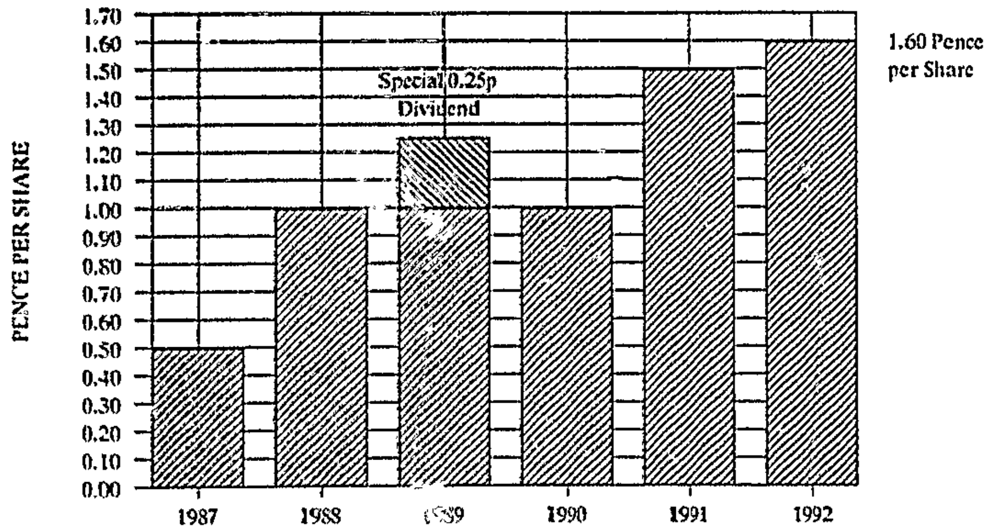
ABOUT YOUR COMPANY

Personal Assets Trust is what its name implies. It is an investment trust run for shareholders who may have committed to it a substantial proportion of their personal wealth. It differs from other investment trusts in that its activities are defined not by any particular portfolio specialism or investment method, but by a desire to satisfy the investment requirements of its shareholders. In the words adopted by your Board last year as their statement of intent 'our specialisation is our shareholders'.

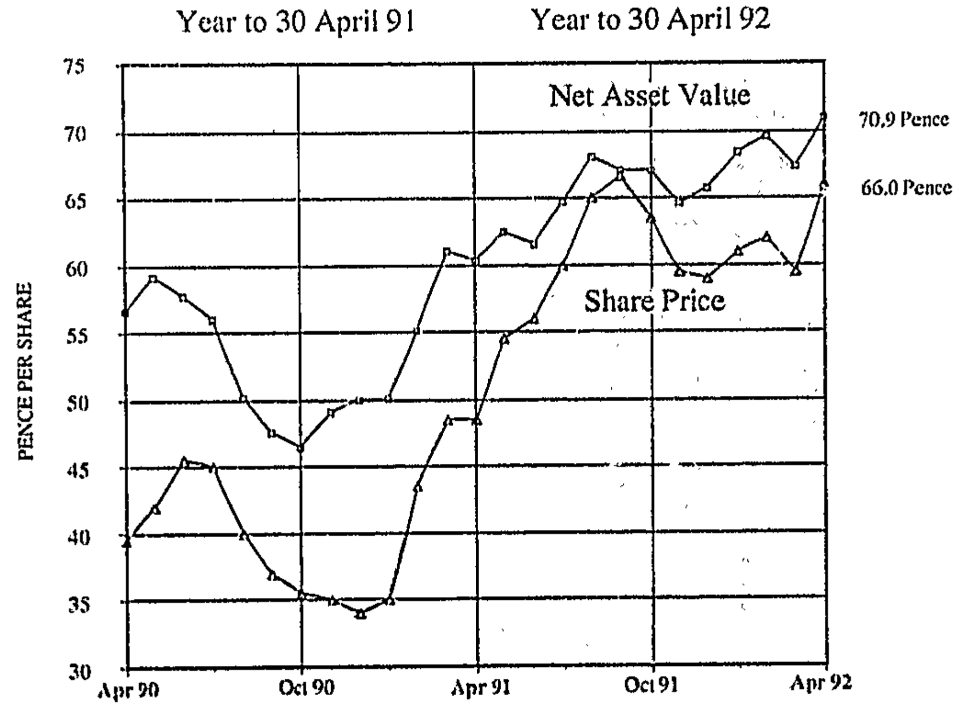
Small and flexible, free from the constraints of size faced by large general investment trusts, the restrictions of policy of specialist investment trusts, or the complex capital structures of many new investment trusts, Personal Assets aims to protect and to increase the wealth of its shareholders through successful equity investment while maintaining the payment of a worthwhile and growing dividend.

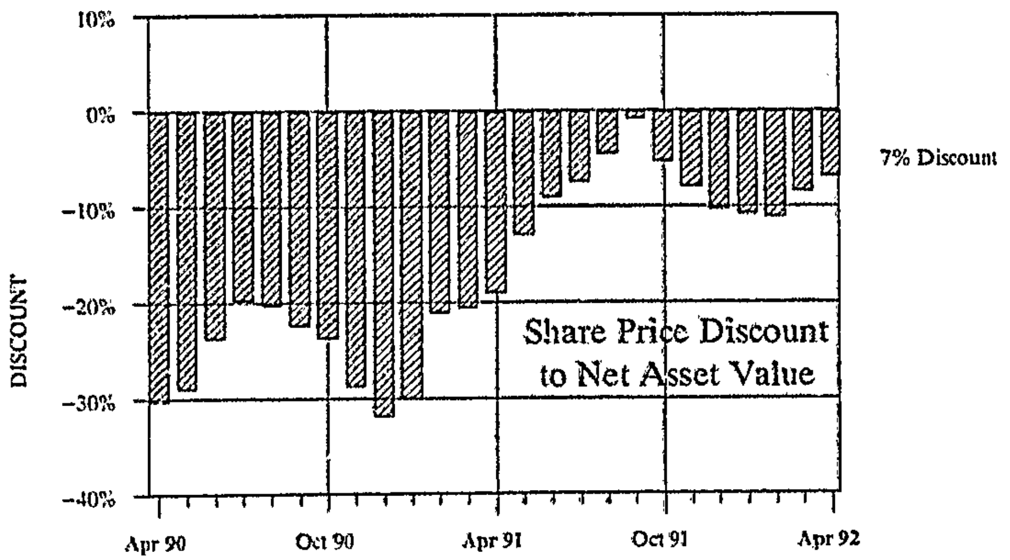
Our objectives are to achieve a superior long term investment performance, to develop tax-efficient and cost-effective means for shareholders to invest in the Company, and to eliminate (so far as is within the Board's power) the discount.

FIVE YEAR DIVIDEND RECORD



RESULTS: THE LAST TWO YEARS





CORPORATE INFORMATION

DIRECTORS

R. B. Anderson (Chairman)
I. F. Rushbrook (Investment Director)
R. J. Angus
J. M. G. Hamilton-Sharp
J. M. Menzies
P. de Salaberry

REGISTERED OFFICE

One Charlotte Square
Edinburgh EH2 4DZ

SECRETARY

G. J. Neilly, BCom, CA
Ivory & Sime plc
One Charlotte Square
Edinburgh EH2 4DZ

Tel: 031 225 1357

REGISTRARS AND TRANSFER OFFICE

Bank of Scotland
26A York Place
Edinburgh EH1 3EY

Tel: 031 442 7777

INVESTMENT MANAGER

I. F. Rushbrook
10A St Colme Street
Edinburgh EH3 6AA

Tel: 031 225 1357

BANKERS

Bank of Scotland
The Mound
Edinburgh EH1 1YZ

The Bank of New York
67 Broad Street
New York, USA

SOLICITORS

Shepherd & Wedderburn, WS
16 Charlotte Square
Edinburgh EH2 4YS

STOCKBROKERS

Cazenove & Co
Tokenhouse Yard
London EC2R 7AN

AUDITORS

Ernst & Young
Chartered Accountants
17 Abercromby Place
Edinburgh EH3 6LT

DETAILS OF DIRECTORS

Dick Anderson, Chairman of Personal Assets, was formerly senior partner of Arthur Young, Chartered Accountants, in Edinburgh. During his professional career he was personally responsible for the annual audits of many investment trust companies. He is Honorary Treasurer of the Scottish Council for Voluntary Organisations.

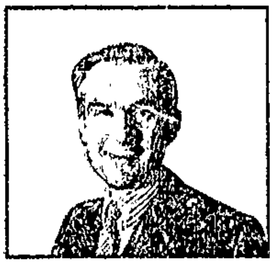
R. B. Anderson (69)

Ian Rushbrook, Investment Director of Personal Assets, has been responsible for the management of investment trusts for over twenty years. His other directorships include Ivory & Sime and London American Ventures Trust.

I. F. Rushbrook (51)

Robin Angus is a senior investment trust analyst at County NatWest WoodMac, in Edinburgh. His annual review of investment trust companies is keenly read, not only as authoritative and stimulating, but also as an entertaining insight into the industry

R. J. Angus (39)



Martin Hamilton-Sharp has worked in the City of London for over 30 years and has been an investment manager with Equitable Life since 1968. He is responsible for Equitable Life's investment trust portfolio, valued at over £600 million. His directorships include Exmoor Dual Investment Trust.

J. M. G. Hamilton-Sharp (49)

John Menzies is Chairman of John Menzies plc and on the Board of various companies, including Guardian Royal Exchange, Bank of Scotland and The Independent Investment Company.

J. M. Menzies (65)

Pascal de Salaberry has been involved in international investment management for many years and now resides in Paris. His directorships include Continental Assets Trust, European Assets Trust and The Turkey Trust.

Pascal de Salaberry (50)

CHAIRMAN'S STATEMENT

It gives me great pleasure to report to you our results for the year to 30 April 1992. Our net asset value per share increased from 60.3p to 70.9p, a rise of 18%. Our share price performed even more strongly and rose from 48½p to 66p, an increase of 36%. These were excellent returns for the year.

I am also pleased to tell you that Personal Assets won first place in the Micropal Awards for share price performance in the International General investment trust sector for the year to 31 December 1991.

Following a request from a shareholder at the last AGM, your Board reviewed the dividend policy and concluded that two payments per annum, rather than the single payment which was our custom in previous years, would be better suited to shareholders' requirements. Having increased the dividend from 1p to 1.5p last year, we have further increased it this year to 1.6p. Shareholders will find details of the Board's dividend policy on page 10 of this report.

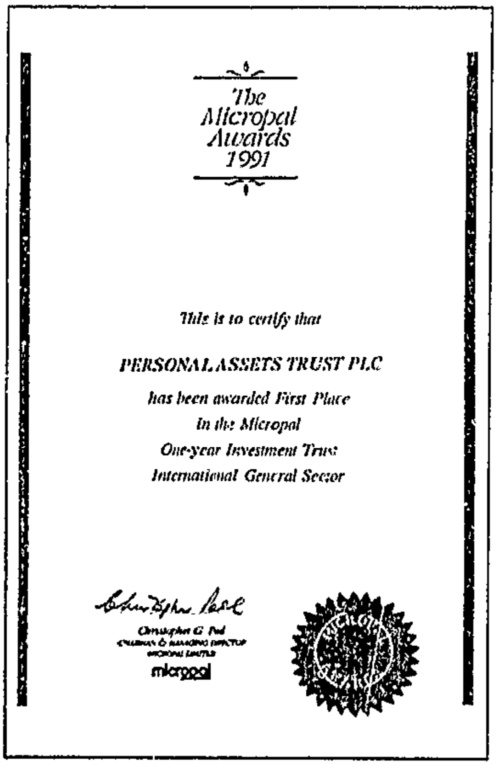
Last year we indicated that the emphasis of the portfolio would be shifted over time towards companies with larger market capitalisations, giving us the flexibility to carry out asset allocation management without incurring the 'small company penalty' of high transaction costs. This process was substantially completed by our year end.

It may be of interest to shareholders for me to comment on how we carry out the management of Personal Assets. Following my appointment as Chairman and Ian Rushbrook's as Investment Director in July 1990, we established a practice whereby those Directors who are available meet informally on a weekly basis in addition to our formal Board meeting each month. Although such frequency of meetings is extremely unusual for investment trust boards, we find it useful in providing a continuous view of the investment scene and a forum for in-depth discussion of investment ideas and corporate matters. As you are probably aware, Ian Rushbrook is a substantial shareholder of Personal Assets. Although it is highly unusual for an investment manager to have such an interest, we believe this reinforces our corporate purpose and helps to align the interests of Board, management and shareholders. Equity interests held by management are commonly believed to benefit operating companies and we do not see why this should not also apply in the case of an investment trust.

This sense of close personal involvement in the conduct of Personal Assets is one which we wish to extend, as far as is possible, to our shareholders. We have included with this report a subscription form to the magazine *Investment Trusts,* which we warmly recommend to all interested shareholders as an outstanding source of information on investment trusts.

CHAIRMAN'S STATEMENT

As far as Personal Assets itself is concerned, as an indication of our approach to the future management of the Company we reproduced last year the Prospectus Statement of The Independent Investment Company, launched in 1924 by Maynard Keynes. On page 12 you will find further discussion of how we are presently trying to put this philosophy into practice.



The Micropal Awards 1991

This is to certify that

PERSONAL ASSETS TRUST PLC

has been awarded First Place
in the Micropal
One-year Investment Trust
International General Sector

micropal

Since Personal Assets is an investment trust for the wealthy individual the two major events of the year for us were the re-election of a Conservative Government and the long-awaited removal of the restriction on the amount that can be held in a qualifying investment trust through a PEP (now £6,000 per annum). Shareholders will be aware that investment through a PEP is the most tax-efficient way for a private individual to invest in the stock market, both income and capital gains being wholly free of tax. Recognising that most PEP schemes incorporate charges that effectively negate these tax benefits, we introduced a low-cost PEP scheme to enable shareholders to invest in the shares of Personal Assets in a highly cost-effective way.

We do not believe that we will see any significant economic recovery in the UK in the coming year, or that interest rates will fall much further. We do, however, believe that ultimately a low-inflation economy coupled with the increased corporate investment which sound money makes possible will produce an outstanding environment for stock market appreciation. We do not subscribe to the 'Norwich Union heresy' that gilts offer superior prospects to equities.

No-one can guarantee successful investment performance. We shall, however, try as hard as we can to achieve it through taking on only acceptable levels of risk and trying to avoid mistakes. Shareholders should be under no illusion that it is a simple matter to outperform other professional investors in the stock market. But you have the right to expect us to try our utmost to do so, and you can be sure of our commitment.

Chairman

INVESTMENT TRUSTS FOR WEALTHY INDIVIDUALS

Wealthy individuals, contrary to general belief, are usually risk-averse with their equity portfolios. They will tend in any case to hold other risk investments—property and land, works of art and other high value tangibles, or shareholdings in companies from which they have derived their wealth. In general, therefore, their objective from their equity portfolios will be to achieve a good compound rate of return at an acceptable risk level, rather than possibly higher returns but with greater risk.

Personal Assets is not competing in the marketplace for savers of small or medium-sized amounts but is rather seeking to attract as shareholders wealthy individuals who choose Personal Assets as a conscious alternative to directly managing their own equity investments or using professional investment advisers.

Such individuals fall into two main groups:

- Wealthy or high-income UK residents who may be advisory or discretionary clients of private client stockbrokers or investment management firms.
- Expatriates (individuals working abroad, tax exiles and retirees) who have a difficult investment problem, being out of touch with the investment scene.

The advantages of investment through investment trusts for wealthy individuals as opposed to managing their own equity portfolios are considerable:

- The professional management of a diversified portfolio, enabling the investor who is unable or unwilling to pay constant attention to his individual holdings to obtain all the advantages of close supervision of his investments. The direct relationship between shareholders and an elected Board of Directors responsible for performance ensures accountability for investment decisions.
- Investment management, other administration costs and interest on borrowings are deductible from an investment trust's pre-tax income. The costs that investors incur in obtaining investment management directly and interest on borrowings by private investors for stock market investment cannot be offset for tax purposes.
- No Capital Gains Tax is payable by an investment trust, whereas a private investor, managing his portfolio directly or using a discretionary manager, is taxed at his top rate of Income Tax (currently 40%) on realised capital gains over £5,800. Thus an investment trust can buy and sell investments, or realise cash when markets are overvalued, on investment grounds alone. Such decisions could be costly for private individuals paying Capital Gains Tax.
- Any discount to the net asset value of the share price of an investment trust when purchased will result in a higher level of income to shareholders than that obtainable from an identical investment portfolio held by an individual.

INVESTMENT SERVICES FOR SHAREHOLDERS

Personal Assets is a member of Charlotte Marketing Services, a company formed to co-ordinate the retail marketing activities of the investment trusts managed by Ivory & Sime.

Following the changes to PEP legislation announced in the Budget, Charlotte Marketing Services is currently reviewing its strategy towards retail marketing. We will write to shareholders when this strategy review is completed with details of proposals in the following areas:

PEP Schemes

A low-cost PEP, as a cost-effective and tax-free form of investment, is a highly attractive way for individuals to invest in the stock market and should be considered by any wealthy individual as a first course of action if he intends to invest in an investment trust.

Shareholders will be able to invest up to £6,000 per annum in a low-cost PEP scheme.

Regular or Lump Sum Investment Plans

For shareholders with a maximum £6,000 holding of Personal Assets held through a PEP, direct investment through a regular or lump sum investment plan would be sensible for anyone wishing to make a further investment in the Company.

In order to minimise the costs of administration to the Company, we would envisage these plans being suitable for shareholders of Personal Assets wishing to invest not less than £200 per month or lump sums of not less than £2,000.

Opportunity for Shareholders to dispose of Small Holdings

Personal Assets has an unusual shareholding structure: while 25 shareholders own over 60% of the Company's shares, well over 1,000 shareholders own fewer than 1,000 shares. The costs of servicing such a large number of small shareholders are high and the benefits, if any, of such small shareholdings to their holders are low.

We have received several letters from small shareholders noting the inconvenience to the Company and themselves of relatively small shareholdings but pointing out that minimum stockbroking commissions mean that it is uneconomic for them to sell. The Directors are reviewing this problem in detail and it is our intention to establish later in 1992 a facility that will give small shareholders the opportunity of selling their shares at minimal cost should they so desire.

THE BOARD'S POLICIES FOR PERSONAL ASSETS

Investment Policy and Strategy

Last year the Board concluded that Personal Assets should be managed as a flexible investment trust specifically for wealthy individuals wishing to invest a substantial proportion of their wealth in the Company as an alternative to holding a diversified equity portfolio.

This represented an important change from Personal Assets' earlier interpretation of its brief, as being that of seeking to create a diversified portfolio of high growth (and consequentially, higher risk) investments in smaller companies and special situations. This policy had been seen as enabling the private investor to hold Personal Assets as a convenient means of obtaining a return from an area of investment that an individual would not be capable of exploiting. However, the Board concluded that such an investment approach failed to recognise both the need for private investors to have a flexible investment strategy and the major demand shift from smaller companies to larger blue chip companies. This shift, from 1984 onwards, was caused by the internationalisation of investment as large investment institutions world-wide sought to diversify away from their national markets and hence direct their purchases towards major companies in international stock markets.

Although smaller companies will rally from time to time, this basic shift to larger companies seems unlikely to reverse itself in the near future and we have continued to avoid small UK companies for the following reasons:

- Continued internationalisation of investment management will favour larger companies over smaller companies.

- Small companies are higher risk investments than large companies and should, in theory, offer a higher return. However, they suffer from volatile share prices, substantially higher dealing spreads and lack of liquidity.

- Expectations for small company performance may be over-optimistic, as witness the inconsistency in the market place between relatively low discounts on investment trusts specialising in that sector compared with relatively high discounts on investment trusts specialising in venture capital (an area of investment which has much in common with smaller companies).

- Despite considerable buying of small companies by new investment trusts and other funds launched during the year to specialise in this area, smaller companies on average failed to outperform the general indices.

- Small companies do relatively less well than large companies in an economic environment of slow economic growth, high real interest rates, and low inflation.

International Diversification

The shareholders of Personal Assets, most of whom are UK residents, will have their personal liabilities denominated mainly in Sterling. Prudent matching of assets and liabilities for investors would accordingly suggest that Personal Assets' portfolio should have a high Sterling content. Since some degree of international diversification is, however, desirable in order to reduce risk, we believe a suitable total international risk exposure for Personal Assets would normally lie in a range from 25% to 45% as a percentage of total assets.

Dividend Policy

Personal Assets' policy will be to pay as high a dividend as possible while maintaining a high level of dividend security together with flexibility of investment strategy. We view the present dividend as a base for sustained growth in the years to come and it is our intention that it should grow at least in line with inflation. Paying a 'worthwhile and growing dividend' may not make it any easier to maximise capital growth but it does impose a good investment management discipline.

Future dividends will be declared after reference to a long term strategy for both income and capital using an analysis of income projections over the medium term, rather than being determined by current earnings. Personal Assets has a considerable advantage over most other investment trusts in that it has a much larger than average Revenue Reserve (over 3 times the current level of dividend payment). This will be used when necessary to implement the Company's long term dividend policy. Using the Revenue Reserve in this way will allow the Board to determine the Company's investment strategy and any borrowing decisions independently of current earnings in a way that would be impossible for most other investment trusts.

Your Board believes that Personal Assets, as an investment trust for private individuals, should make two dividend payments per year (rather than the single payment that has been the previous practice) and that the second of these should be a second interim rather than a final dividend, in order to enable it to be paid as soon after 30 April year end as possible.

The pattern of dividend payments will be that the interim dividend for each year will equal the second interim dividend for the previous year and the second interim dividend will be not less than the previous interim dividend. Dividend payments will be made to shareholders with the publication of the Interim and Annual Reports in November and May.

Equity Exposure, Gearing and Liquidity

Personal Assets is an equity investor. We will therefore accept the basic risks of equity investment by normally maintaining a fully invested portfolio.

From time to time, when markets look particularly attractive, we may wish to increase our market exposure to over 100% of shareholders' funds through either short term or long term borrowing. Alternatively, there may be circumstances when markets appear to the Board to be significantly overvalued. At such times, Personal Assets will have the freedom to raise liquidity and hold part of its resources as cash, waiting to go back into equities at lower prices once the market overvaluation has corrected itself.

Unlisted Investments

The Board believes that unlisted investments should not be regarded as being desirable in themselves. This will not necessarily debar Personal Assets from making unlisted investments in future but any such investments will be made on a case by case basis rather than as the result of any general policy of having an unlisted portfolio.

Performance Objectives

The objective of portfolio management is not 'to invest in good companies' or 'to back management'. It is to make money from buying shares for their eventual resale in the long term after a share price performance which exceeds that of a comparable index. Probably the best general investment advice is that given by Warren Buffett, America's most successful investment manager. It is summarised in two rules. The first rule is not to make mistakes. The second rule is not to forget the first rule.

The primary objective of Personal Assets will be to maximise the share price performance through superior investment results over the longer term.

The Board will therefore have regard to the level of discount to net asset value at which the shares of Personal Assets sell. Although the share price discount is of much less importance than the long term net asset performance, a high discount is a major source of irritation to personal shareholders who, quite logically, assess their return in terms of share price performance alone. This gives the Board the responsibility of trying to ensure that the share price is 'rationally related' to intrinsic business value, which (in the case of Personal Assets) is net asset value. Should Personal Assets achieve a net asset performance superior to its competitors, we should hope not only to achieve a lower than average discount but also, ultimately, to eliminate the discount altogether.

INVESTMENT DIRECTOR'S REPORT

We have stated that 'Personal Assets aims to protect and to increase the wealth of its shareholders through equity investment'. Protecting the shareholders' wealth implies the ability to recognise stock market overvaluation and this is a subject that has troubled me for some time.

Let me start with a quotation from a letter I received over a year ago from a substantial shareholder of Personal Assets commenting on my view that as a general rule Personal Assets should remain fully invested in a diversified equity portfolio:

> *'Certainly I would hope Personal Assets would be managed in such a way that it is an appropriate investment for a substantial percentage of the wealth of a private investor. You referred to a "diversified equity portfolio". I suspect, however, that very many private investors would simply wish to make an investment suitable for retention in the long term, which they could forget about. I believe they would prefer, therefore, that the managers should have the flexibility to switch out of equities if at any point it was the view of the managers that fixed interest investment had become preferable. Does not the private investor prefer that decisions should be taken on his behalf by those better qualified to take them? Equally, tax considerations are such that a move out of the equity market is better taken by the managers than by the shareholder disposing of his shares in the company. Does it not, however, come back to the question of management? The right manager will surely know when is the time to move out of equities and when is the time to move back in again.'*

This view goes to the heart of the problem of managing an investment trust for wealthy individuals. A major advantage an investment trust has for such investors over a directly managed portfolio is that an investment trust can raise liquidity without incurring capital gains tax. If we are to protect the shareholders' wealth then we have to be able to recognise and act on serious stock market overvaluation. This is, however, a rather more difficult problem than might appear.

Last year we included in the Annual Report the prospectus statement for an investment trust launched by Maynard Keynes in 1924 and suggested that it would help shareholders to understand our approach to the future management of Personal Assets. This document has fascinated me for over twenty years because it held out the possibility of building a predictive model for the stock market. However, given the nature of investment management, short term problems always displaced my long term investigation of the possibility and it was only on joining Personal Assets that I have been able to commit the time necessary to do this.

The relevant quotation from the prospectus was:

> *'It is now known that fluctuations in the relative values of long-dated and short-dated fixed interest securities and also of fixed interest securities generally and of ordinary shares are all affected by a periodic credit cycle. Changes in the short period rate of interest affect the value of long-dated securities to a greater degree than should strictly be the case, with the result that considerable profits can be made by changing from one class to another at the appropriate phases of the credit cycle. Similar periodic changes also take place in the relative values of money on the one hand and of goods and real property on the other, which are reflected in the relative values of bonds and of shares, representing as these do respectively money claims and property, so that here also the same principle of changing from one class to another at appropriate times can be applied.'*

INVESTMENT DIRECTOR'S REPORT

Unfortunately for the shareholders of Keynes' company, these claims proved to be unfounded and the trust produced a very disappointing performance record. Keynes, twenty years later, was to admit that he had not seen a single successful instance of credit-cycle investing, buying shares in slumps and disposing of them in booms, or what is called today, 'market timing'. In the post-mortems he so often wrote about the results of investing, Keynes tried to analyse what had taken place in the economic world that neither he nor others had foreseen and ended by admitting his inability to predict the large economic shifts of markets.

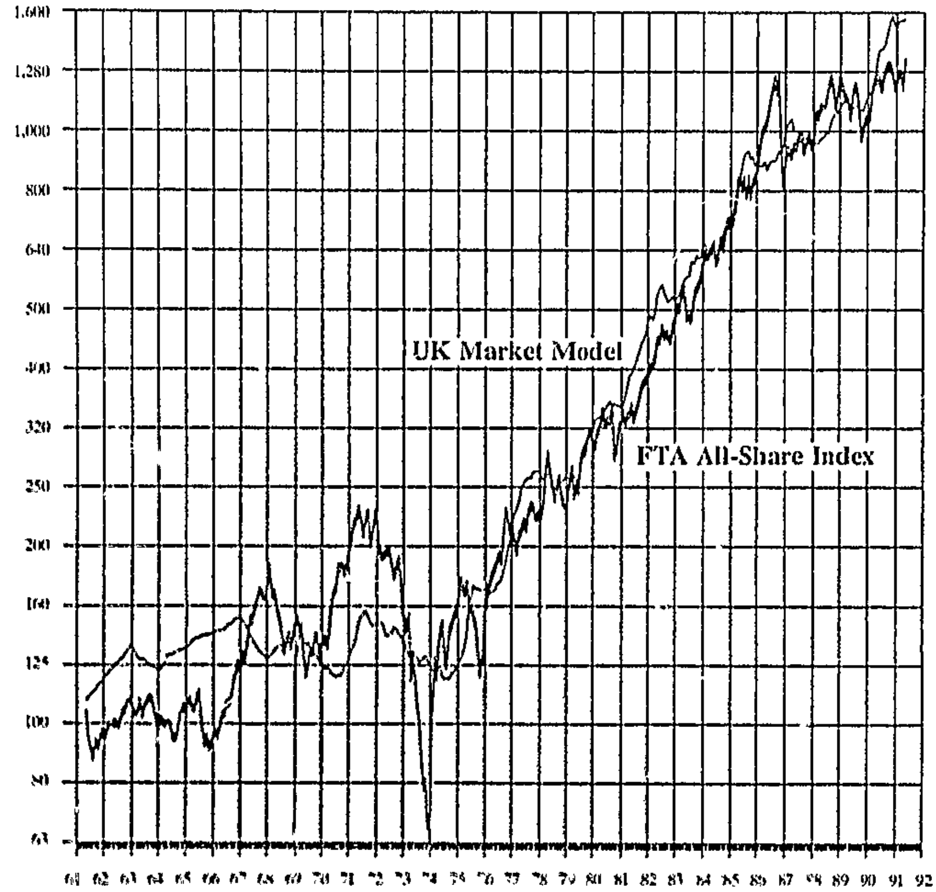
Could this be a testimonial to the remarkable collective wisdom of the market, reflecting as it does the investment decisions of hundreds of thousands of individuals? Certainly, as far as market timing is concerned, history suggests that it cannot be done—or, at least, done consistently. And academic research into Random Walk and Chaos Theory has even 'proved' it to be impossible!

During the year, however, we developed a model that incorporates the concepts of normalised earnings, economic growth and the interrelationship between inflation and interest rates as a way of trying to predict major market 'tides'. The results are quite interesting and the 'back-testing' of the model is shown on the page opposite. The top graph shows the actual performance of the FTA All-Share Index together with the model's predictions. The bottom bar chart simply displays the percentage of overvaluation or undervaluation of the market against the model at any time.

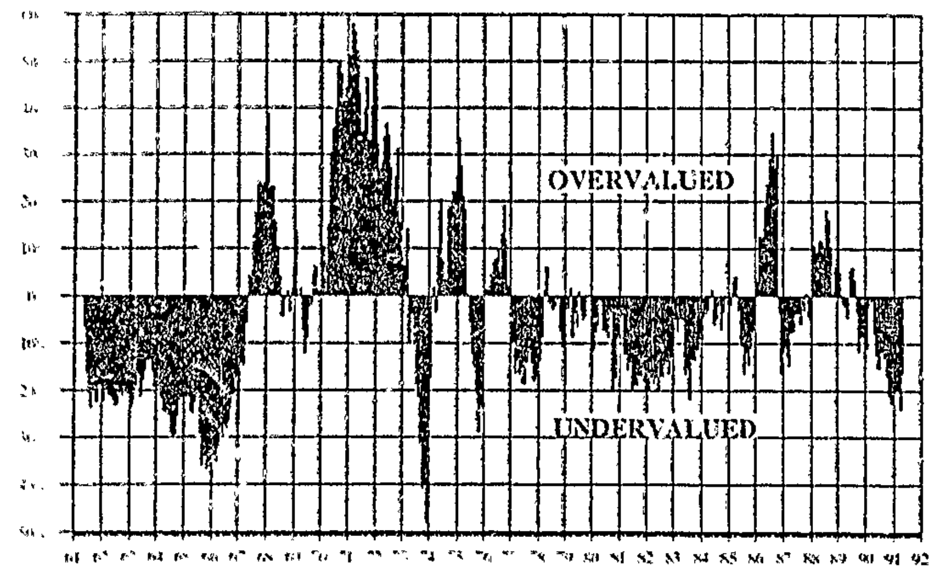
Although they are not shown here, the model's 'back-tested' predictions for the American and Japanese markets are equally close to those markets' actual movements. Its current predictions are also of interest. According to the model, the American market still looks reasonably valued while the Japanese market, despite its recent dramatic fall, still looks overvalued. The UK market, by contrast, looks significantly undervalued.

I must stress that neither I nor the Board as a whole have any intention of abdicating our responsibilities in favour of a mathematical formula. Models such as the one I have outlined can be good servants, but are invariably bad masters. The model does, however, appear to be a promising tool for Personal Assets' portfolio management over the longer term. Because we are long term investors, we shall not let it tempt us into trying to be short term traders. But we shall use it as one way of indicating when to increase liquidity (when the model suggests a 20% overvaluation) and when to re-invest (when the model suggests that the market is more than 10% undervalued). Such a strategy over the last thirty years would have been rewarding and we have no doubt that similar opportunities to catch major market 'tides' will occur during the next decade.

FTA ALL-SHARE INDEX AND UK MARKET MODEL PREDICTIONS



RELATIVE VALUE OF FTA ALL-SHARE INDEX AGAINST UK MARKET MODEL



INVESTMENT DIRECTOR'S REPORT

As far as portfolio performance and activity are concerned, no investment trust manager that I know of has ever been foolish enough to give shareholders information which would allow them to highlight his mistakes—and if there is over-much concentration on these at the AGM, then we will certainly discontinue the practice! However, we view our shareholders as partners in Personal Assets and we therefore think you might find the analysis presented opposite interesting.

While believing that the Conservatives would be re-elected, as an insurance premium against any political accidents we maintained our interest in the USA because we considered that this market was not overvalued. Unlike the UK, where we have sold and subsequently avoided small companies as a class, our US interests are split between large and small companies. For small companies to outperform large companies, experience would suggest that at least two of three conditions have to be satisfied: good economic growth (or at least its expectation), low real rates of interest, or relatively high inflation. In the UK none of these conditions applied last year and small companies failed to outperform large companies, whereas in the USA two of the three conditions did apply and small companies achieved a substantial outperformance.

As will be seen from the analysis opposite, our largest gain and loss were made on backing two runners in the 'British Broadcasting Stakes'. Scottish Television romped home first past the post for a win of £376,000 while TV-am fell at the last fence for a loss of £168,000, a net gain of £208,000 to Personal Assets for a day at the races. Scottish Television now looks to have a lucrative future at stud, while TV-am will run again in the 'Channel 5 Challenge Cup'—in which it starts as clear favourite.

Portfolio turnover for the year (defined as the average of purchases and sales divided by the average portfolio value) was approximately 20% as we completed the restructuring of the portfolio. During the year we added new holdings in four investment management companies (M&G, Edinburgh Fund Managers, Mercury Asset Management and Henderson Administration). An investment management company can be viewed as an option on the UK stock market with the company's revenue highly dependent on market levels coupled with, what should be, a largely fixed cost base. Given our view that the UK stock market is significantly undervalued, these purchases appeared to make investment sense. We have also added a holding in Scottish & Newcastle. This company, with a similar yield and price earnings ratio to other brewers, appeared undervalued insofar as it has no 'tied house' problems and has an outstanding leisure growth business in Center Parcs.

As we have previously stated, we will value our unlisted investments conservatively. Recently, SEEL re-purchased the shareholding of its previous Chairman and founder for approximately £250,000. Although at this transaction price the shares have a dividend yield of over 15%, this is the valuation we have used.

Investment Director

ANALYSIS OF PERFORMANCE OF PRESENT HOLDINGS OVER YEAR TO 30 APRIL 1992

COMPANY	30 April 1992 £000s	30 April 1991 £000s	% Return over Year	Business Activities of Companies
Kwik Fit Holdings	657	327	101%	Retailer of car replacement parts
Scottish Television	611	235	160%	Central Scotland television broadcaster
Glaxo Holdings	521	384	36%	Pharmaceuticals
Scottish & Newcastle	474	395	20%	Brewing and leisure group
Airtours	468	147	217%	Holiday tour operator
British Telecom	410	433	−5%	National telephone company
British Petroleum	402	516	−22%	Integrated international oil company
BBA Group	401	320	26%	Automotive and engineering equipment
M&G	381	341	12%	Unit trust management group
Edinburgh Fund Managers	359	310	16%	Edinburgh based investment manager
Mercury Asset Management	351	321	9%	Investment management arm of Warburg Securities
General Electric Company	337	299	13%	Electricals and electronics
National Westminster Bank	331	325	2%	One of the 'Big Four' clearing banks
Henderson Administration	328	296	11%	London based investment manager
Tate & Lyle	321	283	14%	Sugar, sweeteners, starch producer
Electricity Package Units P/Pd	320	290	10%	National electricity distribution companies
Bankside U/W Agencies	268	258	4%	Lloyds' managing and underwriting agencies (U/L)
Redland	242	252	−4%	Building materials and aggregates
SEEL	202	308	−35%	Telecom network design and installation (U/L)
TV am	114	282	−60%	Breakfast-time television broadcaster
Baronsmead Venture Capital	54	73	−26%	Venture capital fund (U/L)
UNITED KINGDOM	7,552	6,395	18%	U/L denotes an unquoted security
Philip Morris	606	533	14%	Tobacco, brewing, soft drinks, packaged foods
California Energy	623	622	0%	Geothermal energy exploration and production
Applied Power	355	308	15%	Hydraulic and industrial construction equipment
Bristol-Myers Squibb	331	344	−4%	Pharmaceuticals
Alltel Corp.	329	350	−6%	Local, toll, network and other telephone services
Wellman	282	193	47%	Recycles plastic waste into fibre
IBM	205	239	−14%	Computer hardware
Tyco Laboratories	133	175	−24%	Fire protection systems, cable, solar panels
Novell	109	19	464%	Local area computer networks
Financial Benefit	60	25	138%	Insurance company
UNITED STATES	3,033	2,808	8%	
Adjustment for net Purchases and Sales		(429)		Note:—The values of investments given as at 30 April 1991 are the equivalent values of the present holdings in companies.
NET CURRENT ASSETS	4	232		
SHAREHOLDERS' FUNDS	10,589	9,006	18%	

COMPARATIVE VALUES	30 April 1992	30 April 1991	% Change over Year
SHARE PRICE	66.00	48.50	36%
NET ASSET VALUE PER SHARE	70.92	60.32	18%
FTA ALL-SHARE INDEX	1,282.75	1,202.75	7%
STANDARDS & POOR'S COMP (£)	233.91	217.41	8%
$/£ EXCHANGE RATE	1.7740	1.7265	−3%

DIRECTORS' REPORT TO MEMBERS

The Directors have pleasure in presenting their Annual Report together with the Accounts of the Company for the year to 30 April 1992.

PRINCIPAL ACTIVITY AND STATUS

The Company carries on the business of an investment trust and has been approved as such by the Inland Revenue up to 30 April 1991. Subsequently the Company's affairs have been conducted so as to enable it to continue to seek approval.

A review of the Company's business is contained in the Chairman's Statement.

DIVIDEND

	£'000
Revenue available for dividends	250
Interim dividend paid on 11 November 1991	(112)
Second interim dividend paid on 13 May 1992	(127)
Transfer to Revenue Reserve	11

MANAGEMENT

The investment management of the Company is carried out by the Company's Investment Director, Mr Rushbrook, who is employed under a service contract that began on 2 July 1990 and continues until 30 June 1993 with provision for the Board to extend Mr Rushbrook's employment beyond this date.

Ivory & Sime provides secretarial and other corporate services to the Company under an agreement that can be terminated by either party at any time by giving one year's notice. Ivory & Sime also provides computing facilities and services to Mr Rushbrook required for the investment management of the Company.

DIRECTORS

Mr Anderson retires by rotation and being eligible offers himself for re-election at the Annual General Meeting.

Mr Rushbrook retires by rotation and being eligible offers himself for re-election at the Annual General Meeting.

FURTHER SHAREHOLDER INFORMATION

The shares of Personal Assets Trust are listed on The Stock Exchange.

A private investor can buy or sell shares either by placing an order himself with a stockbroker or by asking his bank manager, lawyer, or accountant to do so for him.

Alternatively, investment in the Company's shares through a PEP, a regular savings scheme or a lump sum form can be made through Charlotte Marketing Services which will be pleased to supply details.

(Address: One Charlotte Square, Edinburgh EH2 4DZ, Tel: 031-225 1357)

DIRECTORS' REPORT TO MEMBERS

DIRECTORS' INTERESTS

The Directors' interests in the shares of the Company as at 30 April 1992 and 1991 were as follows:

Director	Interest	1992	1991
R. B. Anderson	Beneficial	84,326	70,000
R. J. Angus	Beneficial	100,000	100,000
J. M. G. Hamilton-Sharp	Beneficial	7,218	6,189
J. M. Menzies	Beneficial	25,982	25,982
I. F. Rushbrook	Beneficial	2,650,000	2,650,000
P. de Salaberry	Beneficial	100,000	100,000
	Trustee	100,000	100,000

There have been no changes in the above holdings between 30 April 1992 and 15 May 1992.

SUBSTANTIAL INTERESTS

The following interests in excess of 3% of the shares of the Company had been notified as at 30 April 1992 and remained unchanged as at 15 May 1992:

Name	1992		Percent
Rushbrook Investment Company Limited	1,810,000	See	12.12%
I. F. Rushbrook	840,000	above	5.63%
New World Trust Corporation	1,500,000		10.05%
F. Rushbrook	1,300,000		8.71%
Ivory & Sime Investment Trust Purchase Scheme	741,212		4.96%
St Clair Investment Trust Company	560,000		3.75%
Ivory & Sime Personal Equity Plans	456,379		3.06%

SUBSIDIARY COMPANY

The Company has a wholly owned subsidiary, The Edinburgh Agency Limited, an investment company which was established in April 1992. This company has allotted its capital to Personal Assets Trust plc in nil paid form. The company has not yet commenced trading and accordingly is not consolidated. A call of £998 was payable on 1 May 1992.

AUDITORS

Ernst & Young have expressed their willingness to continue in office as auditors and a resolution proposing the re-appointment of Ernst & Young will be put to the Annual General Meeting.

By Order of the Board

G. J. Neilly, Secretary
One Charlotte Square,
Edinburgh EH2 4DZ
15 May 1992

BALANCE SHEET AS AT 30 APRIL

		1992 £'000	1991 Restated £'000
FIXED ASSETS—INVESTMENTS			
UK ordinary and preference shares		7,460	5,855
UK fixed interest shares		92	111
Overseas securities		3,033	2,808
	Note 3	10,585	8,774
NET CURRENT ASSETS			
Current assets			
Debtors: Dividends receivable		87	61
Due from brokers		43	480
Taxation recoverable		3	12
Cash at bank and on deposit		28	101
Current liabilities (amounts falling due within one year)			
Bank overdraft		—	(178)
Other creditors		(30)	(20)
Dividend payable		(127)	(224)
Net current assets		4	232
SHAREHOLDERS' ASSETS		10,589	9,006

		1992	1991
NET ASSET VALUE PER SHARE	Pence	70.92	60.32

		1992 £'000	1991 Restated £'000
Authorised Share Capital 16,000,000 Ordinary Shares of 12.5p each (£2,000,000 30 April 1992, unchanged from 30 April 1991)			
Called-up Share Capital 14,931,322 Ordinary Shares of 12.5p each (Issued, allotted and fully paid)			
Share Capital		1,866	1,866
Share Premium Account		707	707
Reserves	Note 4		
Realised Capital Reserve		4,671	4,338
Unrealised Capital Reserve		2,551	1,312
Revenue Reserve		794	783
CAPITAL AND RESERVES		10,589	9,006

Richard B. Anderson, Director

, Director

15 May 1992

The Accounting Policies on page 22 and the Notes on pages 22 to 24 form part of these accounts

REVENUE ACCOUNT FOR YEAR TO 30 APRIL

INCOME		1992 £'000	1991 Restated £'000
Franked investment income			
Listed on UK Stock Exchange		349	182
Unlisted		55	61
Unfranked investment income			
Listed on UK Stock Exchange		—	7
Listed on other stock exchanges		56	38
Unlisted		13	16
Other income			
Deposit interest		11	115
Underwriting commission		3	0
TOTAL INCOME		487	419
EXPENSES			
Management costs charged to revenue		(26)	(30)
Administrative expenses		(60)	(70)
Overdraft interest		(5)	—
Directors' fees (see below)		(28)	(19)
Auditors' remuneration		(9)	(5)
TOTAL EXPENSES		(128)	(124)
REVENUE BEFORE TAXATION		359	295
Taxation	Note 2	(109)	(79)
REVENUE AFTER TAXATION		250	216
Dividends paid/payable		(239)	(224)
NET REVENUE TRANSFERRED TO REVENUE RESERVE		11	(8)

		1992	1991
EARNINGS PER SHARE	Pence	1.67	1.45
DIVIDENDS PER SHARE	Pence	1.60	1.50

14,931,322 shares in issue (1991—same)

DIRECTORS' EMOLUMENTS	1992	1991
Fee of the Chairman	£6,750	£4,782
Fee of the previous Chairman	—	£1,110
Four Directors received Directors' fees of £4,500 each	£18,000	£13,170
One Director received a Director's fee of	£3,000	—

Mr de Salaberry waived an entitlement to fees of £1,500.

Management costs charged to Revenue were £26,000 (1991—£30,000) and charged to Realised Capital Reserve were £84,000 (1991—£59,000). The total management costs were £110,000 (1991—£89,000), which included the salary of the Investment Director of £67,783 (1991—£36,761, part year).

The Accounting Policies on page 22 and the Notes on pages 22 to 24 form part of these accounts

CASH FLOW STATEMENT
FOR YEAR TO 30 APRIL

		1992 £'000	1991 £'000
OPERATING ACTIVITIES			
Cash received from investments (net of tax):			
Franked investment income		277	189
Overseas income		48	34
Fixed interest income		10	19
Deposit interest		11	115
Other income		3	0
		349	357
Management costs		(26)	(30)
Cash paid to and on behalf of Directors		(28)	(19)
Other cash payments		(59)	(93)
Net cash inflows from operating activities	Note 5	236	215
SERVICING OF FINANCE			
Dividends paid on Ordinary Shares		(336)	(149)
Bank overdraft interest paid		(5)	—
Net cash outflow from servicing of finance		(341)	(149)
TAXATION			
Tax recovered		12	9
INVESTING ACTIVITIES			
Purchase of UK ordinary and preference shares		(1,962)	(2,324)
Sale of UK ordinary and preference shares		2,217	1,661
Purchase of overseas shares		—	(431)
Sale of overseas shares		—	466
Purchase of UK fixed interest investments		—	(546)
Sale of UK fixed interest investments		28	549
Management costs charged to capital		(84)	(59)
Net cash inflow/(outflow) from investing activities		199	(684)
NET CASH INFLOW/(OUTFLOW)		106	(609)
FINANCING			
Increase/(decrease) in cash		106	(609)

The Accounting Policies on page 22 and the Notes on pages 22 to 24 form part of these accounts

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

BASIS OF PREPARATION

The accounts are prepared under the historic cost convention modified to include revaluation of investments and in accordance with applicable accounting standards.

INVESTMENTS

Quoted investments are valued at middle market prices.
Unquoted investments are valued by the Directors.

CAPITAL AND RESERVES

Gains and losses on realisation of investments and realised exchange differences are taken to Realised Capital Reserve. Unrealised appreciation or depreciation of investments is taken to Unrealised Capital Reserve.

INCOME AND EXPENSES

Investment income and deposit interest, together with any tax credits where applicable are included in the Revenue Account on an accruals basis. Expenses and interest payable are dealt with on an accruals basis.

This basis of accounting for investment income as stated above has been adopted for the first time this year, as previously it was dealt with on a receipts basis. A prior year adjustment has been made to reflect this change in policy. Comparative figures have been adjusted accordingly.

ALLOCATION OF MANAGEMENT COSTS

The management costs of the Company are allocated between Revenue and Capital.

The basis of this policy is to charge the fixed element of the fee paid to Ivory & Sime, being £25,000, adjusted annually for inflation, to Revenue and the residual amount against the Capital of the Company. The basis of allocation in the previous year was to charge ⅓ of the total management costs to Revenue and ⅔ to Capital.

2. TAXATION

	1992 £'000	1991 Restated £'000
Tax on franked investment income	101	61
Corporation Tax at 25%	—	15
Overseas tax	8	6
	109	82
Surplus franked investment income relief	—	(3)
	109	79

Advance Corporation Tax on dividends paid will be set off against surplus franked investment income.

NOTES TO THE ACCOUNTS

3. FIXED ASSETS—INVESTMENTS

	1992 £'000	1991 £'000
Value of investments at 30 April 1991	8,774	7,620
Unrealised appreciation at 30 April 1991	(1,312)	(1,060)
Cost of investments at 30 April 1991	7,462	6,560
Purchases at cost during year	1,962	3,301
Sales at cost during year	(1,390)	(2,399)
Cost of investments at 30 April 1992	8,034	7,462
Unrealised appreciation at 30 April 1992	2,551	1,312
Value of investments at 30 April 1992	10,585	8,774
Listed: on the UK Stock Exchange	7,029	5,293
on other stock exchanges	3,033	2,789
Unlisted as valued by the Directors	523	692
	10,585	8,774
Equity securities	10,493	8,663
Fixed interest securities	92	111
	10,585	8,774

4. RESERVES

Realised Capital Reserve

		£'000
At 30 April 1991		4,338
Gain on sale of investments:	Listed	418
Management fees charged to capital		(84)
Realised exchange differences		(1)
At 30 April 1992		4,671

Unrealised Capital Reserve

		£'000
At 30 April 1991		1,312
Movement for year:	Listed	1,354
	Unlisted	(115)
At 30 April 1992		2,551

Revenue Reserve

	£'000
At 30 April 1991—as previously reported	722
Prior year adjustment	61
At 30 April 1991—restated	783
Surplus on Revenue Account	11
At 30 April 1992	794
Note: Revenue Reserve in pence per share	5.31

NOTES TO THE ACCOUNTS

5. RECONCILIATION OF OPERATING PROFIT TO CASH INFLOW FROM OPERATING ACTIVITIES

	1992 £'000	1991 £'000
Revenue before interest payable and tax	364	295
Increase/(Decrease) in creditors	10	(18)
Increase/(Decrease) in debtors	(35)	11
Tax on investment income	(103)	(73)
Net cash inflow from operating activities	236	215

Analysis of changes in cash during the year	£'000
Balance at 1 May 1991	(77)
Net cash inflow/(outflow)	106
Realised exchange differences	(1)
Balance at 30 April 1992	28

6. SIGNIFICANT INTERESTS OF COMPANY

As at 30 April 1992, Personal Assets Trust held more than 10% of the allotted share capital of the following company:

Company	Country of Registration and Business	Class of Capital	% of Class Held	% of Equity Held	Value 30 April 1992
SEEL Limited	Scotland	Ord Shares of £1 each	44.0	15.6	£201,600

REPORT OF THE AUDITORS

TO THE MEMBERS OF PERSONAL ASSETS TRUST PUBLIC LIMITED COMPANY

We have audited the accounts of Personal Assets Trust Public Limited Company on pages 19 to 24 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the Company at 30 April 1992 and of its net revenue and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

Chartered Accountants
Registered Auditor
Edinburgh
15 May 1992

HISTORIC RECORD

Date 30 April	Shareholders' Funds £'000	Net Asset Value per share Pence	Share Price Pence	Earnings per share Pence	Dividend per share Pence
At flotation in September 1983	5,397	36.15	22	NA	NA
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*
1990	8,462	56.67	39½	1.09	1.00
1991	9,006	60.32	48½	1.45	1.50
1992	10,589	70.92	66	1.67	1.60

* Includes special dividend of 0.25 of a penny per share.
Note: The figures for 1991 are restated, taking account of the prior year adjustment arising from the change in accounting policy for investment income. Years prior to 1991 have not been restated.

INDUSTRIAL AND GEOGRAPHIC ANALYSIS OF INVESTMENTS

Category	UK £'000	USA £'000	Total	Percent
Consumer	3,409	1,267	4,676	44.2%
Capital Goods	739	488	1,227	11.6%
Technology	202	314	516	4.9%
Financial	2,016	59	2,075	19.6%
Energy	722	623	1,345	12.7%
Others	464	282	746	7.0%
Total	7,552	3,033	10,585	100.0%
Percent	71.3%	28.7%	100.0%	

RATE OF EXCHANGE TO STERLING		
At 30 April	1992	1991
US Dollar	1.7740	1.7265

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the eleventh Annual General Meeting of Personal Assets Trust Public Limited Company will be held at One Charlotte Square, Edinburgh, on Friday 12 June 1992 at 12.30 p.m. for the following purposes:

To consider, and, if thought fit, pass the following Ordinary Resolutions:

1. That the Report and Accounts for the year to 30 April 1992 be approved.
2. That Mr R. B. Anderson, who retires by rotation, be re-elected as a Director.
3. That Mr I. F. Rushbrook, who retires by rotation, be re-elected as a Director.
4. That Ernst & Young, Chartered Accountants, be re-appointed as auditors and that the Directors be authorised to determine their remuneration.

To consider, and, if thought fit, pass the following resolution which will be proposed as a Special Resolution:

5. That the Directors be and are hereby empowered pursuant to Section 95 of the Companies Act 1985 ("the Act") to allot Ordinary Shares of 12.5p for cash in accordance with the authority conferred on them as if subsection 89(1) of the Act did not apply to any such allotment provided that this power shall be limited to the allotment of Ordinary Shares up to a maximum nominal value of £133,584 and shall expire, unless renewed, at the conclusion of the next Annual General Meeting after the passing of this resolution.

By Order of the Board

G. J. Neilly
Secretary
One Charlotte Square
Edinburgh EH2 4DZ

15 May 1992

Notes

A member who is entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and, on a poll, vote on his/her behalf. Such a proxy need not be a member of the Company.

A Form of Proxy for use by members is enclosed with this Report. Completion of the Form of Proxy will not prevent a member from attending the meeting and voting in person.

The contract of service between Mr Rushbrook and the Company will be available for inspection at the registered office of the Company prior to the Annual General Meeting.

Members are requested to inform the Bank of Scotland, Registrar Department, 26A York Place, Edinburgh EH1 3EY, of any change of address. This Report is forwarded to the address at present registered with the Company for communications.