Personal Assets Trust PLC

Interim Report for the Six Months ended 31 October 2014

Corporate Information

Board of Directors
Hamish Buchan (Chairman)
Robin Angus
Gordon Neilly
Stuart Paul
Frank Rushbrook

Executive Office
Robin Angus (Executive Director)
Steven Budge
Steven Cowie
Steven Davidson
Matthew Fleming

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Shareholder Information
Telephone: 0131 538 6605

Investment Adviser
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Custodian Bank
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Canary Wharf
London E14 5JP

Depositary
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25 Bank Street
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London E14 5JP

Solicitors
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Company Secretary
Steven Davidson ACIS

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Investment Plan Administration
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Lovell Park Road
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J.P. Morgan Cazenove
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Auditor
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Identification Codes
SEDOL:	0682754
ISIN:	GB0006827546
Bloomberg:	PNL LN
EPIC:	PNL

FINANCIAL SUMMARY

- Personal Assets Trust ("PAT") is an independent investment trust run expressly for private investors.
- The Company's investment policy is to protect and increase (*in that order*) the value of shareholders' funds per share over the long term.
- Over the six months to 31 October 2014 PAT's net asset value per share ("NAV") rose by 1.6% to £338.99 compared to a fall of 3.2% in our comparator, the FTSE All-Share Index. PAT's share price rose by £10.10 to £342.00 over the same period, being a premium of 0.9% to the Company's NAV at that date.
- During the period, PAT continued to maintain a high level of liquidity.

	% as at 31 October 2014	% as at 30 April 2014
US TIPS	**17.0**	16.6
UK Index-Linked Gilts	**4.7**	4.6
Gold Bullion	**10.0**	10.7
UK cash and cash equivalent	**18.5**	19.2
Overseas cash and cash equivalent	**5.7**	4.9
Total	**55.9**	56.0

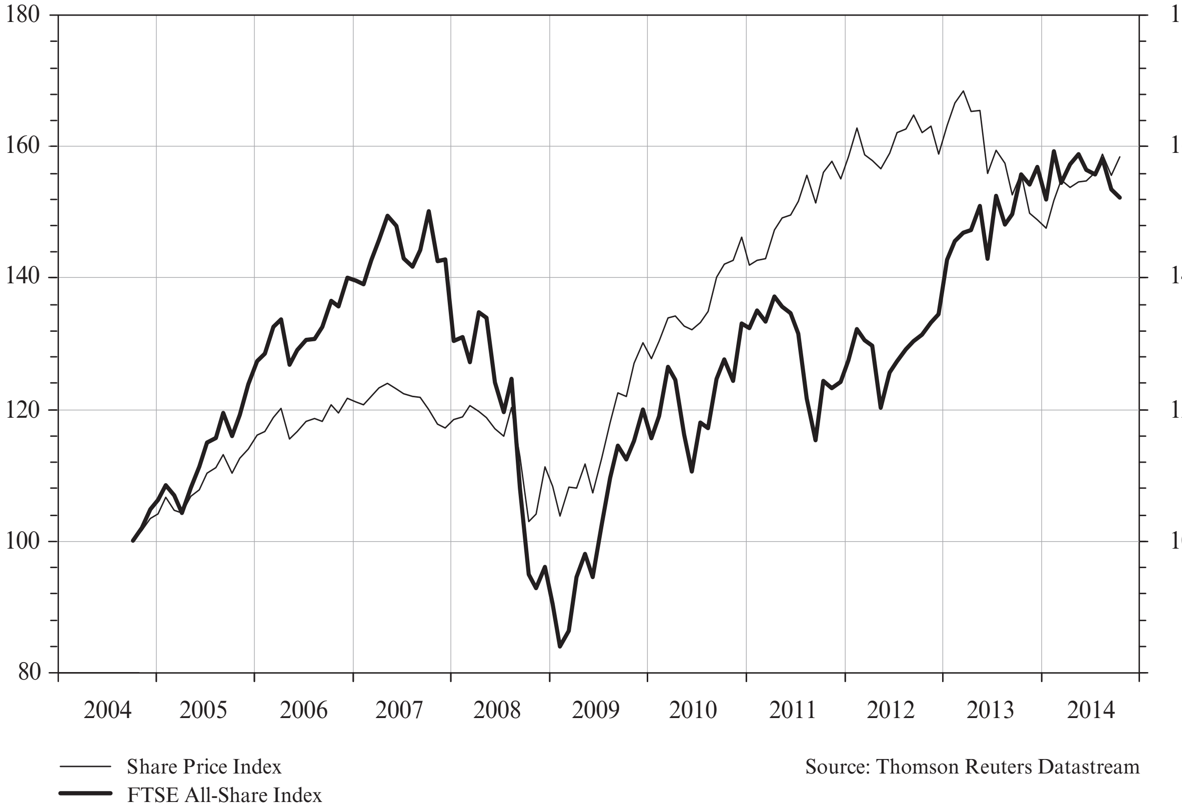
- Over the six months PAT's shares continued to trade close to NAV. We re-issued 20,510 Ordinary shares from Treasury (adding £7.0 million of new capital) at a small premium to satisfy continuing demand for the Company's shares and bought back 10,100 Ordinary shares (costing £3.4 million) at a small discount.
- Dividends are paid in July, October, January and April of each year. The first interim dividend of £1.40 per Ordinary share was paid to shareholders on 17 July 2014 and the second interim dividend of £1.40 was paid on 16 October 2014. A third interim dividend of £1.40 per Ordinary share and a fourth interim dividend of £1.40 per Ordinary share will be paid in January and April 2015 respectively, making a total for the year of £5.60 per Ordinary share. Thereafter, the Board will review the level of the dividend.

KEY FEATURES

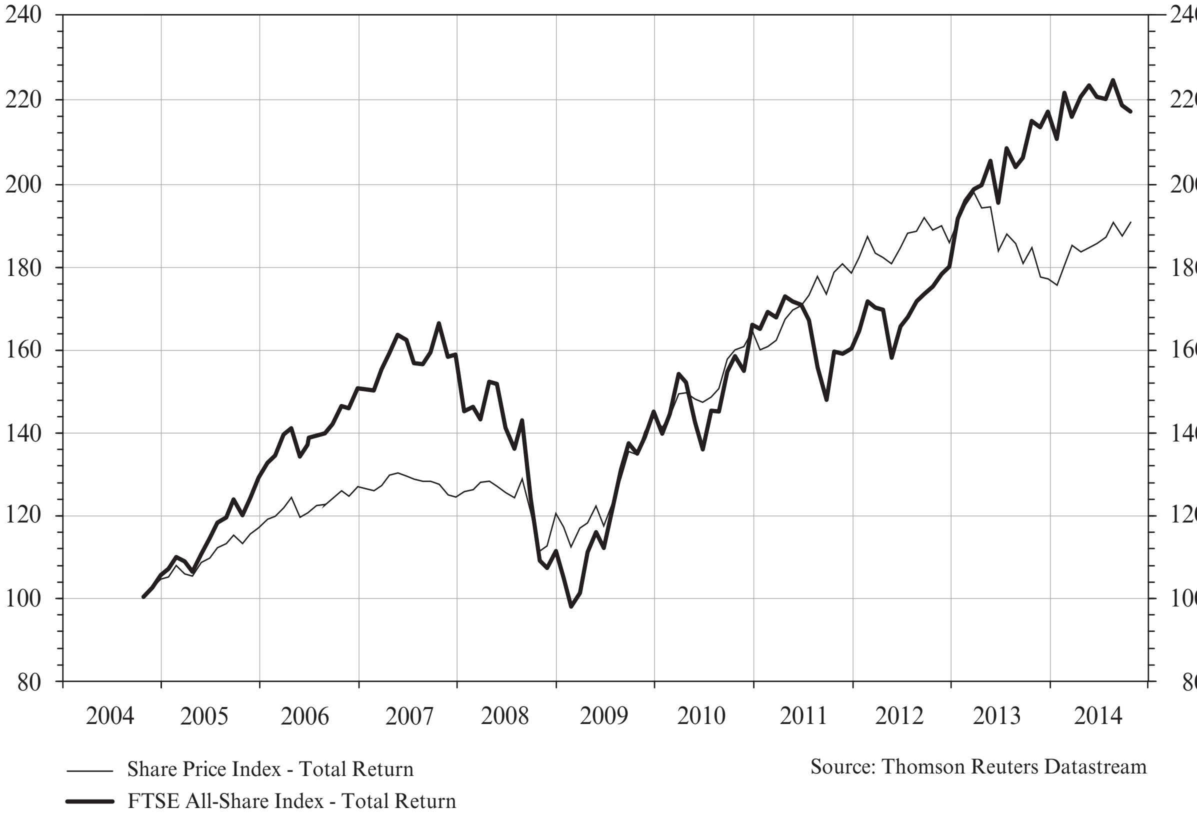
	As at 31 October 2014	As at 30 April 2014
Market Capitalisation	**£590.9m**	£570.0m
Shareholders' Funds	**£585.7m**	£573.2m
Shares Outstanding	**1,727,857**	1,717,447
Liquidity (see fourth bullet point above)	**55.9%**	56.0%
Share Price	**£342.00**	£331.90
NAV per Share	**£338.99**	£333.77
FTSE All-Share Index	**3,503.46**	3,619.83
Premium/(discount) to NAV	**0.9%**	(0.6%)
Earnings per Share	**£2.30**	£4.78
Dividend per Share	**£2.80**	£5.60

Ten Year Performance

Share Price versus FTSE All-Share Index (based to 100)



Share Price Total Return versus FTSE All-Share Index Total Return (based to 100)



PORTFOLIO AS AT 31 OCTOBER 2014

Security	Country	Equity Sector	Shareholders' funds %	Valuation 31 October 2014 £'000	Bought/ (sold) since 30 April 2014 £'000	Gain/ (loss) since 30 April 2014 £'000
Equities						
BAT	UK	Tobacco	4.7	27,716	2,678	938
Microsoft	USA	Software	3.9	23,086	–	4,244
Philip Morris	USA	Tobacco	3.8	22,032	5,946	1,910
Nestlé	Switzerland	Food Producer	3.7	21,608	–	(14)
Coca-Cola	USA	Beverages	3.6	21,198	2,651	1,292
Imperial Oil	Canada	Oil & Gas	3.3	19,394	–	449
Dr Pepper Snapple	USA	Beverages	3.0	17,806	–	4,295
Altria	USA	Tobacco	2.7	15,623	–	3,330
Sage Group	UK	Technology	2.5	14,494	1,769	(1,524)
Berkshire Hathaway	USA	Insurance	2.1	12,582	–	1,584
Colgate Palmolive	USA	Personal Products	2.0	11,831	–	539
Becton Dickinson	USA	Pharmaceuticals	2.0	11,788	(6,206)	2,925
Unilever	UK	Food Producer	1.7	9,776	–	(509)
GlaxoSmithKline	UK	Pharmaceuticals	1.5	8,923	(7,532)	(2,628)
Diageo	UK	Beverages	1.3	7,513	2,153	89
American Express	USA	Financial Services	1.2	6,746	–	526
Newcrest Mining	Australia	Mining	0.6	3,275	–	(409)
Agnico Eagle Mines	Canada	Mining	0.5	2,784	–	(543)
Newmont Mining	USA	Mining	–	–	(7,147)	(209)
Greggs	UK	Food	–	–	(4,828)	13
Total Equities			44.1	258,175	(10,516)	16,298
US TIPS	USA		17.0	99,742	–	4,830
UK Index-Linked Gilts	UK		4.7	27,486	–	849
Gold Bullion	–		10.0	58,311	–	(2,876)
UK cash and cash equivalents			18.5	108,527	n/a	n/a
Overseas cash and cash equivalents			5.7	33,489	n/a	n/a
TOTAL PORTFOLIO			**100.0**	**585,730**	**n/a**	**n/a**

GEOGRAPHIC ANALYSIS OF INVESTMENTS AND CURRENCY EXPOSURE AS AT 31 OCTOBER 2014

	UK %	USA %	Singapore %	Canada %	Switzerland %	Australia %	Total %
Equities	11	24	–	4	4	1	44
Index-Linked Securities	5	17	–	–	–	–	22
Gold Bullion	–	10	–	–	–	–	10
Cash and cash equivalents	18	1	5	–	–	–	24
Total	**34**	**52**	**5**	**4**	**4**	**1**	**100**
Net currency exposure %	59	27	5	4	4	1	100

Investment Adviser's Report

Over the half year to 31 October 2014 the net asset value per share ("NAV") of Personal Assets Trust ("PAT") rose by 1.6% while our comparator, the FTSE All-Share Index ("FTSE"), fell by 3.2%. These unmemorable numbers belie a good deal of upwards and downwards movement in markets during the period. After strong gains in equities over the past five years, there is some recognition that the growth discounted in securities prices is not occurring in the real economy. We have been saying for some time that the re-rating in stock markets, particularly since the summer of 2012, needed ultimately to be justified by higher corporate earnings. Since June 2012, however, the S&P 500 price-earnings ratio ("PER") has swollen by 35%, while the FTSE All Share PER is up 58%. A sizeable amount of the very modest corporate earnings growth during this period has been generated by financial engineering in the form of share buybacks, often using cheap debt. Top line growth remains elusive and the Federal Reserve's withdrawal of quantitative easing (which caused this huge re-rating of stock markets) on 31 October is likely to put equity prices under pressure.

Since April the global economy has shown signs of weakening, and growth and inflation numbers from Europe, Asia and Japan have been disappointing. The US housing market, after the 'buy-to-let' driven rally of 2011-13, is now softening, notwithstanding lower bond yields which should have encouraged buyers. This is an indication of the lack of demand for credit. Loan growth is very depressed for this stage in the cycle and US bank revenues are down 2.5% in the year to June. Five years on, it remains a slow, grinding recovery with little prospect of '*escape velocity*'.

During the past six months, portfolio turnover remained low. We took some profits in Becton Dickinson, which announced the purchase of medical technology company CareFusion for $12bn. Although we can see the long term strategic sense for putting the companies together, we are disappointed that Becton, historically an excellent custodian of capital, has chosen to pay such a full price from which returns are likely to be low. We also reduced our stake in GlaxoSmithKline, which is struggling to make the difficult transition from a reliance on profitable legacy drugs to a business built on more durable cash flows from successful vaccine, respiratory and consumer healthcare franchises. We disposed entirely of our modest holding of Greggs, the largest bakery chain in the UK. After a couple of difficult operating years, trading has dramatically improved thanks to the considered actions of the impressive management team. The share price and PER have duly responded and we thought too much future good news was being discounted in what is becoming an increasingly competitive food-on-the-go market. Our modest holdings in mining stocks continued to disappoint and we sold our longstanding stake in Newmont Mining. Its failure to grasp the opportunity to merge Newmont with Barrick Mining earlier this year was the last straw. These sales were counterbalanced by increasing some of our core holdings such as BAT, Coca-Cola, Diageo, Philip Morris and Sage.

Total world debt (public and private), which was 160% of GDP in 2001, reached 215% in 2013 and continues to rise. Such a debt burden inevitably lowers growth, which will ultimately lead to a default on the debt through inflation. Many shareholders ask us where the inflation will come from, particularly when, unlike in the 1970s, labour has little power to demand higher wages. They forget the prospect of inflation by debasement of the currency. An ordered example followed the devaluation of Sterling in 2008, which led to headline levels of inflation of 5.6% by September 2011. A more egregious illustration has recently occurred in Russia, where the rouble has declined in value against Sterling by 25% this year. A Russian student recently interviewed on Radio 4 gave a flavour of the damagingly fast effects of debasement, '*The most painful part is of course food … for example, for a pack [sic] of milk. It was around 50 roubles in mid-August and now you can go and see it for 65, 70; sometimes more than a 50% rise*.' The recent temporary upsurge in the forces of deflation is making the debt burden on the world economy ever heavier, and in the absence of strong growth only inflation can in the long run reduce it.

Sebastian Lyon, Investment Adviser

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

Condensed Group Income Statement

For the six months ended 31 October 2014

	(Unaudited) Six months ended 31 October 2014		
	Revenue Return £'000	**Capital Return £'000**	**Total £'000**
Investment income	**5,300**	**–**	**5,300**
Other operating income	**276**	**–**	**276**
Gains/(losses) on investments held at fair value through profit or loss	**–**	**18,361**	**18,361**
Foreign exchange (losses)/gains	**–**	**(7,350)**	**(7,350)**
Total income	**5,576**	**11,011**	**16,587**
Expenses	**(1,375)**	**(1,275)**	**(2,650)**
Profit before taxation	**4,201**	**9,736**	**13,937**
Taxation	**(223)**	**–**	**(223)**
Profit/(loss) for the period	**3,978**	**9,736**	**13,714**
Earnings per share	**£2.30**	**£5.63**	**£7.93**

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.

The Group does not have any income or expense that is not included in the profit or loss for the period other than expenses of £2,000 charged directly to the Share Premium account in respect of the issue of the Company's shares in the year ended 30 April 2014. Accordingly the 'profit or loss for the period' is also the 'total comprehensive income for the period'.

(Unaudited) Six months ended 31 October 2013 Revenue Return £'000	Capital Return £'000	Total £'000	(Audited) Year ended 30 April 2014 Revenue Return £'000	Capital Return £'000	Total £'000
5,569	–	5,569	11,194	–	11,194
174	–	174	376	–	376
–	(33,081)	(33,081)	–	(40,827)	(40,827)
–	5,439	5,439	–	13,076	13,076
5,743	(27,642)	(21,899)	11,570	(27,751)	(16,181)
(1,356)	(1,284)	(2,640)	(2,725)	(2,539)	(5,264)
4,387	(28,926)	(24,539)	8,845	(30,290)	(21,445)
(250)	–	(250)	(594)	–	(594)
4,137	(28,926)	(24,789)	8,251	(30,290)	(22,039)
£2.39	(£16.73)	(£14.34)	£4.78	(£17.54)	(£12.76)

CONDENSED GROUP BALANCE SHEET

AS AT 31 OCTOBER 2014

	(Unaudited) 31 October 2014 £'000	(Unaudited) 31 October 2013 £'000	(Audited) 30 April 2014 £'000
Non-current assets			
Investments held at fair value through profit or loss	**554,910**	534,928	541,151
Net current assets	**30,820**	48,754	32,086
Net assets	**585,730**	583,682	573,237
Total equity	**585,730**	583,682	573,237
Net asset value per Ordinary share	**£338.99**	£334.75	£333.77

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 OCTOBER 2014

	(Unaudited) Six months ended 31 October 2014 £'000	(Unaudited) Six months ended 31 October 2013 £'000	(Audited) Year ended 30 April 2014 £'000
Opening equity shareholders' funds	**573,237**	593,245	593,245
Profit/(loss) for the period	**13,714**	(24,789)	(22,039)
Ordinary dividends paid	**(4,805)**	(4,842)	(9,679)
Issue of Ordinary shares	**6,958**	20,678	24,027
Buy-back of Ordinary shares	**(3,374)**	(610)	(12,317)
Closing equity shareholders' funds	**585,730**	583,682	573,237

Condensed Group Cash Flow Statement

For the six months ended 31 October 2014

	(Unaudited) Six months ended 31 October 2014 £'000	(Unaudited) Six months ended 31 October 2013 £'000	(Audited) Year ended 30 April 2014 £'000
Net cash inflow from operating activities	**1,891**	2,332	3,458
Net cash inflow from investing activities	**5,732**	16,810	12,427
Net cash inflow before financing activities	**7,623**	19,142	15,885
Net cash (outflow)/inflow from financing activities	**(1,337)**	16,454	2,648
Net increase in cash and cash equivalents	**6,286**	35,596	18,533
Cash and cash equivalents at the start of the period	**45,068**	9,306	9,306
Realised (losses)/gains on foreign currency	**(3,185)**	11,018	17,229
Cash and cash equivalents at the end of the period	**48,169**	55,920	45,068

Notes

1. The condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standard ('IFRS') IAS 34 'Interim Financial Reporting' and the accounting policies set out in the statutory accounts of the Group for the year ended 30 April 2014. The condensed consolidated financial statements do not include all of the information required for a complete set of IFRS financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 April 2014, which were prepared under full IFRS requirements.

2. The return per Ordinary share figure is based on the net profit for the six months of £13,714,000 (six months ended 31 October 2013: net loss of £24,789,000; year ended 30 April 2014: net loss of £22,039,000) and on 1,728,358 (six months ended 31 October 2013: 1,728,586; year ended 30 April 2014: 1,727,421) Ordinary shares, being the weighted average number of Ordinary shares in issue during the respective periods.

3. In respect of the year ending 30 April 2015 the Board has declared a first interim dividend of £1.40 per Ordinary share, which was paid on 17 July 2014, a second interim dividend of £1.40 per Ordinary share, which was paid on 16 October 2014 and a third interim dividend of £1.40, which will be paid on 15 January 2015. In respect of the year ended 30 April 2014 the Board declared four interim dividends of £1.40 per Ordinary share. This gave a total dividend for the year ended 30 April 2014 of £5.60 per Ordinary share.

4. At 31 October 2014 there were 1,727,857 Ordinary shares in issue (31 October 2013: 1,743,649; 30 April 2014: 1,717,447). During the six months ended 31 October 2014 the Company re-issued 20,510 Ordinary shares from Treasury and bought back 10,100 Ordinary shares to be held in Treasury for future re-issue.

5. The Board has considered the requirements of IFRS 8 'Operating Segments'. The Board is of the view that the Group is engaged in a single segment of business, being that of investing in equity shares, fixed interest securities and other investments, and that therefore the Group has only a single operating segment.

6. The Group held the following categories of financial instruments as at 31 October 2014:

	Level 1 £'000
Investments	554,910
Current liabilities	(1,897)
Total	553,013

The above table provides an analysis of investments based on the fair value hierarchy described below and which reflects the reliability and significance of the information used to measure their fair value. The levels are determined by the lowest (that is, the least reliable or least independently observable) level of impact that is significant to the fair value measurement for the individual investment in its entirety as follows:

Level 1 reflects financial instruments quoted in an active market.

Level 2 reflects financial instruments the fair value of which is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique the variables of which include only data from observable markets.

Level 3 reflects financial instruments the fair value of which is determined in whole or in part using a valuation technique based on assumptions that are not supported by prices from observable market transactions in the same instrument and not based on available observable market data.

There were no transfers of investments between levels in the period ended 31 October 2014.

The following table summarises the Group's Level 1 investments that were accounted for at fair value in the period to 31 October 2014.

	Group (Level 1) £'000
Opening book cost	495,091
Opening fair value adjustment	46,060
Opening valuation	541,151
Movement in the year:	
Purchases at cost	226,874
Effective yield adjustment	1,739
Sales – proceeds	(233,215)
– losses on sales	(4,642)
Increase in fair value adjustment	23,003
Closing valuation at 31 October 2014	554,910
Closing book cost	485,847
Closing fair value adjustment	69,063
Closing valuation at 31 October 2014	554,910

Other aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 30 April 2014.

The fair value of the group's financial assets and liabilities as at 31 October 2014 was not materially different from their carrying values in the financial statements.

7. 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 2014, 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 2014 have been reported on by the Company's auditors or delivered to the Registrar of Companies.

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 Strategic Report in the Company's Annual Report for the year ended 30 April 2014.

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.

Related Party Transactions

During the period the Company paid £15,000 for the rental of the Executive Office to Rushbrook & Co LLP, of which Frank Rushbrook is a partner. The notice period on the lease is six months.

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 Investment Adviser's 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

21 November 2014

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