# ABERFORTH SPLIT LEVEL TRUST plc

## Registered in Scotland No. 130668




# INTERIM ACCOUNTS

## 1 July 1996 to 31 March 1997

## Prepared and lodged pursuant to s.272 Companies Act 1985

# STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE INTERIM ACCOUNTS

The law requires that a company shall not make a distribution except out of profits available for the purpose. The accounts which are relevant for determining the profits available for distribution are, in the first instance, the last annual accounts. Where the distribution would be found to contravene the law if reference were made to the Company's last annual accounts, then the Directors may prepare interim accounts. Interim accounts are required to give a true and fair view of the state of affairs of the Company as at the balance sheet date and of the profit or loss of the Company for the period in respect of which the accounts are prepared. In preparing these accounts, the Directors are required to:

* select suitable accounting policies and then apply them consistently;

* make judgements and estimates that are reasonable and prudent;

* state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;

* prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# STATEMENT OF TOTAL RETURN

## (INCORPORATING THE REVENUE ACCOUNT*)

| | Notes | 9 Months to 31 March 1997 Revenue £'000 | Capital £'000 | Total £'000 | 12 Months to 30 June 1996 Revenue £'000 | Capital £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|
| Gains/(losses) on investments | 8 | - | 7,725 | 7,725 | - | 25,170 | 25,170 |
| Income | 2 | 3,033 | - | 3,033 | 4,116 | - | 4,116 |
| Investment management fee | 3 | (299) | (498) | (797) | (340) | (567) | (907) |
| Other expenses | 4 | (110) | - | (110) | (135) | - | (135) |
| **Return on ordinary activities before tax** | | **2,624** | **7,227** | **9,851** | **3,641** | **24,603** | **28,244** |
| Tax on ordinary activities | 5 | (513) | 61 | (452) | (722) | 113 | (609) |
| **Return attributable to non-equity shareholders** | | **2,111** | **7,288** | **9,399** | **2,919** | **24,716** | **27,635** |
| Dividends in respect of non-equity shares | 6 | (2,093) | - | (2,093) | (2,853) | - | (2,853) |
| **Transfer to/(from) reserves** | | **18** | **7,288** | **7,306** | **66** | **24,716** | **24,782** |
| **Returns per non-equity interest** | | | | | | | |
| **Income Share** | **7** | **6.81p** | **-** | **6.81p** | **9.41p** | **-** | **9.41p** |
| **Capital Share** | **7** | **-** | **23.50p** | **23.50p** | **-** | **79.71p** | **79.71p** |
| **Unit (One Income Share plus one Capital Share)** | **7** | **6.81** | **23.50p** | **30.31p** | **9.41p** | **79.71p** | **89.12p** |

* The revenue column of this statement is the profit and loss account of the Company.

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the period.

The accompanying notes are an integral part of this statement.

# BALANCE SHEET

| | Note | *As at 31 Mar 1997* | *As at 30 Jun 1996* |
|---|---|---|---|
| | | *£'000* | *£'000* |
| FIXED ASSETS - INVESTMENTS | | | |
| **Securities listed on the London Stock Exchange** | | 115,917 | 110,907 |
| UK Ordinary Shares | | 342 | 151 |
| UK Convertible Securities | | | |
| **Total Investments** | 8 | **116,259** | **111,058** |
| **Current Assets** | | | |
| Debtors | 9 | 2,733 | 3,086 |
| Cash at bank | | 3,443 | 365 |
| | | 6,176 | 3,451 |
| **Creditors** (amounts falling due within one year) | 10 | (1,875) | (1,255) |
| **Net Current Assets** | | 4,301 | 2,196 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **120,560** | **113,254** |
| CAPITAL AND RESERVES: NON EQUITY INTERESTS | | | |
| **Called up share capital:** | 11 | **6,201** | **6,201** |
| **Reserves:** | | | |
| Share premium account | 12 | 24,543 | 24,543 |
| Capital redemption reserve | 12 | 45,549 | 45,549 |
| Capital reserve - realised | 12 | 27,960 | 14,249 |
| Capital reserve - unrealised | 12 | 16,032 | 22,455 |
| Revenue reserve | 12 | 275 | 257 |
| | 13 | **120,560** | **113,254** |
| NET ASSET VALUES | | | |
| **Per Income Share** | | **10.9p** | **10.8p** |
| **Per Capital Share** | | **377.9p** | **354.4p** |
| **Per Unit** (being one Income Share and one Capital Share) | | **388.8p** | **365.2p** |

Approved by the Board of Directors on 16 April 1997 and signed on its behalf by M.J. Walker, Chairman.

Michael Walker.

The accompanying notes are an integral part of this balance sheet.

# CASH FLOW STATEMENT

**Reconciliation of revenue before taxation to net cash inflow from operating activities**

| | *9 mths to 31 Mar 1997* | *12 mths to 30 Jun 1996* |
|---|---|---|
| | *£'000* | *£'000* |
| Revenue before taxation | 2,624 | 3,641 |
| Scrip dividends | (27) | - |
| Tax withheld from income on investment | (558) | (789) |
| Investment management fee charged to capital | (498) | (567) |
| Decrease/(increase) in debtors | 238 | (167) |
| (Decrease)/increase in creditors | (9) | 2 |
| **Net cash inflow from operating activities** | **1,770** | **2,120** |

| **CASH FLOW STATEMENT** | **Note** | | |
|---|---|---|---|
| Net cash inflow from operating activities | | 1,770 | 2,120 |
| Returns on investments and servicing of finance | 14 | (2,294) | (3,225) |
| Taxation | 14 | 88 | (16) |
| Capital expenditure and financial investment | 14 | 3,514 | (631) |
| | | 3,078 | (1,752) |
| Equity dividends paid | | - | - |
| | | 3,078 | (1,752) |
| Management of liquid resources | | - | - |
| Financing | | - | - |
| **Increase/(decrease) in cash** | | **3,078** | **(1,752)** |

| **Reconciliation of net cash flow to movement in net debt** | **15** | |
|---|---|---|
| Increase/(decrease) in cash in the year | 3,078 | (1,752) |
| Change in Net Debt | 3,078 | (1,752) |
| Net Debt at 1 July 1996 | 365 | 2,117 |
| **Net Debt at 31 March 1997** | **3,443** | **365** |

The accompanying notes are an integral part of this statement.

# NOTES ON THE ACCOUNTS

## 1 ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been applied consistently throughout the period and with the preceding year, is set out below.

### (a) Basis of accounting

The accounts are prepared under the historical cost convention, modified to include the revaluation of investments. The accounts have been prepared in accordance with applicable accounting standards and with the Statement of Recommended Practice "Financial statements of investment trust companies" ("SORP") except for the basis of the allocation of the investment management fee and the tax effect thereon between capital and revenue. This exception is in accordance with the recommendation of the SORP that certain split capital investment trusts should not comply with those recommendations which, if implemented, could affect the financial benefits or rights attaching to different classes of security.

### (b) Valuation of investments

Quoted investments are valued at middle market prices. Where trading in the securities of an investee company is suspended, the investment is valued at the Board's estimate of its net realisable value.

Realised surpluses or deficits on the disposal of investments are taken to capital reserve - realised and unrealised surpluses and deficits on the revaluation of investments are taken to capital reserve - unrealised as explained in note 1(f) below.

### (c) Income

Dividends receivable on quoted equity shares are brought into account on the ex-dividend date.

Where the Company has elected to receive its dividends in the form of additional shares rather than in cash, the amount of the cash dividend is recognised as income. Any excess in the value of the shares received over the amount of the cash dividend is recognised in capital reserves.

Other income is accounted for on an accruals basis.

### (d) Expenses

All expenses are accounted for on an accruals basis. Expenses are charged through the revenue account except as follows:

- expenses which are incidental to the acquisition of an investment are included within the cost of the investment;
- expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment;
- expenses are charged to capital reserve-realised where a connection with the maintenance or enhancement of the value of the investments can be demonstrated. In this respect the investment management fee has been allocated 62.5% to capital reserve-realised and 37.5% to revenue account.

## (e) Taxation

Advance corporation tax ("ACT") payable on dividends paid or provided for in the year is written off, except when recoverability is considered to be reasonably certain and foreseeable. In considering recoverability, debit balances arising in respect of ACT on dividends payable or proposed at the balance sheet date are carried forward only to the extent that it is foreseen that they will be recovered against the tax liability of the current year or the subsequent year, having regard to projected dividend payments and of income for that subsequent year and the amount of any ACT likely to be paid, without being replaced by equivalent debit balances. Irrecoverable ACT is charged to the revenue account except to the extent that it arises because of the allocation of expenses to capital leading to a higher distribution.

The tax effect of different items of income/gain and expenditure/loss is allocated between capital and revenue on an equitable basis determined by the Directors.

## (f) Capital reserves

Capital Reserve - Realised

The following are accounted for in this reserve:

- gains and losses on the realisation of investments;
- expenses, together with the related taxation effect, charged to this reserve in accordance with the above policies.

Capital Reserve - Unrealised

The following are accounted for in this reserve:

- increases and decreases in the valuation of investments held at the year end.

## 2 INCOME

| | *9 mths to 31 Mar 1997 £'000* | *12 mths to 30 Jun 1996 £'000* |
|---|---|---|
| **Income from investments** | | |
| Franked investment income | 2,791 | 3,945 |
| UK unfranked investment income | - | 4 |
| Foreign income dividends | 32 | 29 |
| Scrip dividends | 27 | - |
| | 2,850 | 3,978 |
| **Other income** | | |
| Deposit interest | 166 | 126 |
| Underwriting commission | 17 | 12 |
| | 183 | 138 |
| **Total income** | **3,033** | **4,116** |
| **Total income comprises:** | | |
| Dividends | 2,850 | 3,974 |
| Interest | 166 | 130 |
| Other income | 17 | 12 |
| | 3,033 | 4,116 |
| **Income from investments:** | | |
| Listed UK | 2,850 | 3,928 |
| Unlisted | - | 50 |
| | 2,850 | 3,978 |

## 3 INVESTMENT MANAGEMENT FEE

| | *9 Months to 31 March 1997* | | | *12 Months to 30 June 1996* | | |
|---|---|---|---|---|---|---|
| | *Revenue £'000* | *Capital £'000* | *Total £'000* | *Revenue £'000* | *Capital £'000* | *Total £'000* |
| Investment management fee | 299 | 498 | 797 | 340 | 567 | 907 |

The Company's investment managers are Aberforth Partners. The contract between the Company and Aberforth Partners may be terminated by either party at any time by giving six months' notice of termination. Aberforth Partners received a quarterly management fee, payable in advance, equal to one-fifth of one per cent of the value of the total assets less current liabilities of the Company. In addition to the investment management fee, above, the Company also obtains secretarial services from Aberforth Partners. The fee for these services is recorded with other expenses (Note 4).

## 4 OTHER EXPENSES

| | *9 mths to 31 Mar 1997 £'000* | *12 mths to 30 Jun 1996 £'000* |
|---|---|---|
| Secretarial services | 40 | 53 |
| Directors' fees | 26 | 24 |
| Auditors' remuneration | 4 | 6 |
| Other | 40 | 52 |
| | 110 | 135 |

## 5 TAXATION

| | *9 Months to 31 March 1997* | | | *12 Months to 30 June 1996* | | |
|---|---|---|---|---|---|---|
| | *Revenue £'000* | *Capital £'000* | *Total £'000* | *Revenue £'000* | *Capital £'000* | *Total £'000* |
| Tax on franked investment income | 558 | - | 558 | 789 | - | 789 |
| Recoverable tax credits s.242 claim | (45) | (61) | (106) | (63) | - | (63) |
| Adjustments relating to the prior year | - | - | - | (4) | (113) | (117) |
| | 513 | (61) | 452 | 722 | (113) | 609 |

As the Company is expected to be voluntarily wound up by 30 June 2004, it is likely that irrecoverable Advance Corporation Tax will be incurred at that time. It is not known what the amount of the charge will be but, as an indication, if liquidation had occurred at 31 March 1997 the charge to capital would have been £174,000 (at 30 June 1996 - £101,000).

## 6 DIVIDENDS

| | *9 mths to 31 Mar 1997 £'000* | *12 mths to 30 Jun 1996 £'000* |
|---|---|---|
| **Income Shares** | | |
| First interim - 2.25p (Year to 30 June 1996 - 2.1p) | 698 | 651 |
| Second interim - 2.25p (Year to 30 June 1996 - 2.1p) | 697 | 651 |
| Third interim - 2.25p (Year to 30 June 1996 - 2.1p) | 698 | 652 |
| Fourth interim (Year to 30 June 1996 - 2.9p) | - | 899 |
| | 2,093 | 2,853 |

The third interim dividend for the year to 30 June 1997 of 2.25p per Income Share will be paid on 6 June 1997 to Shareholders on the register at the close of business on 2 May 1997.

## 7 RETURNS PER NON-EQUITY SHARES

| | *6 Months to 31 March 1997* | | | *12 Months to 30 June 1996* | | |
|---|---|---|---|---|---|---|
| | *Revenue £'000* | *Capital £'000* | *Total £'000* | *Revenue £'000* | *Capital £'000* | *Total £'000* |
| Income Share | 6.81p | - | 6.81p | 9.41p | - | 9.41p |
| Capital Share | - | 23.50p | 23.50p | - | 79.71p | 79.71p |

The revenue return per Income Share for the 9 months to 31 March 1997 is based on the net revenue on ordinary activities after taxation of £2,111,000 (year to 30 June 1996 - £2,919,000) and on 31,006,286 Income Shares being the weighted average number of Income Shares in issue during both periods.

The capital return per Capital Share for the 9 months to 31 March 1997 is based on net capital gains of £7,288,000 (year to 30 June 1996 - net capital gains of £24,716,000) and on 31,006,286 Capital Shares being the weighted average number of Capital Shares in issue during both periods.

## 8 INVESTMENTS

| | *Listed in UK £'000* |
|---|---|
| Opening book cost | 88,603 |
| Opening unrealised appreciation | 22,455 |
| **Opening valuation** | **111,058** |
| Movements in the period: | |
| Purchases at cost | 35,244 |
| Sales - proceeds | (37,768) |
| - realised gains on sales | 14,148 |
| Decrease in unrealised appreciation | (6,423) |
| **Closing valuation** | **116,259** |
| Closing book cost | 100,227 |
| Closing unrealised appreciation | 16,032 |
| **Closing valuation** | **116,259** |

## 8 INVESTMENTS (Cont)

| | *9 mths to 31 Mar 1997 £'000* | *12 mths to 30 Jun 1996 £'000* |
|---|---|---|
| Realised gains on sales | 14,148 | 8,904 |
| (Decrease)/increase in unrealised appreciation | (6,423) | 16,266 |
| **Gain on investments** | **7,725** | **25,170** |

## 9 DEBTORS

| | *As at 31 Mar 1997 £'000* | *As at 30 Jun 1996 £'000* |
|---|---|---|
| Amounts due from brokers | 2,141 | 2,249 |
| Investment income receivable | 503 | 741 |
| ACT recoverable | - | 25 |
| Other tax recoverable | 82 | 64 |
| Other debtors | 7 | 7 |
| | 2,733 | 3,086 |

## 10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | *As at 31 Mar 1997 £'000* | *As at 30 Jun 1996 £'000* |
|---|---|---|
| Amounts due to brokers | 1,166 | 311 |
| Proposed dividend | 698 | 899 |
| ACT on dividends | - | 25 |
| Other creditors | 11 | 20 |
| | 1,875 | 1,255 |

## 11 ORDINARY SHARE CAPITAL

| | *At 31 March 1997* | | *At 30 June 1996* | |
|---|---|---|---|---|
| | *No. of Shares* | *£'000* | *No. of Shares* | *£'000* |
| **Authorised:** | | | | |
| Income Shares of 10p | 258,750,000 | 25,875 | 258,750,000 | 25,875 |
| Capital Shares of 10p | 258,750,000 | 25,875 | 258,750,000 | 25,875 |
| | | 51,750 | | 51,750 |
| **Allotted, issued and fully paid:** | | | | |
| Income Shares of 10p | 31,006,286 | 3,100.6 | 31,006,286 | 3,100.6 |
| Capital Shares of 10p | 31,006,286 | 3,100.6 | 31,006,286 | 3,100.6 |
| | | 6,201.2 | | 6,201.2 |

Income Shareholders are entitled to all profits of the Company available for distribution by way of dividend. In a winding up they are entitled to a payment of 10 pence (their nominal value) per share plus any undistributed revenue reserve. Save in relation to any resolution to wind up the Company on or after 1 July 2001 and certain resolutions to reconstruct the Company (on which resolutions the Income Shareholders shall all be deemed to vote in favour), Income Shareholders are entitled to one vote per share.

Capital Shareholders do not participate in any dividend or in any revenue reserve. In a winding up they are entitled to all surplus assets of the Company after payment to the Income Shareholders of 10 pence per Income Share plus any undistributed revenue reserve. Capital Shareholders are entitled to one vote per share.

The Directors are obliged to convene an Extraordinary General Meeting of the Company between 1 July 2001 and 30 June 2004 at which a Special Resolution will be proposed to wind up the Company voluntarily. In common with other investment trust companies whose capital structure is similar, it is the Directors' intention (barring unforeseen circumstances) to convene such a meeting towards the end of the required period.

The Directors shall not, however, be required to convene such an Extraordinary General Meeting if a resolution shall previously have been passed to reconstruct or reorganise the Company (whether by way of unitisation or otherwise).

## 12 RESERVES

| | *Share premium account £'000* | *Capital redemption reserve £'000* | *Capital reserve-realised £'000* | *Capital reserve-unrealised £'000* | *Revenue reserve £'000* |
|---|---|---|---|---|---|
| **As at 1 July 1996** | **24,543** | **45,549** | **14,249** | **22,455** | **257** |
| Net gain on realisation of investments | - | - | 14,148 | - | - |
| Decrease in unrealised appreciation | - | - | - | (6,423) | - |
| Management fees charged to capital | - | - | (498) | - | - |
| Tax effect of capital items | - | - | 61 | - | - |
| Retained net revenue for the period | - | - | - | - | 18 |
| **As at 31 March 1997** | **24,543** | **45,549** | **27,960** | **16,032** | **275** |

## 13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | *9 mths to 31 Mar 1997 £'000* | *12 mths to 30 Jun 1996 £'000* |
|---|---|---|
| **Opening shareholders' funds** | **113,254** | **88,472** |
| Total recognised gains and losses before dividends | 9,399 | 27,635 |
| Dividends | (2,093) | (2,853) |
| **Closing shareholders' funds** | **120,560** | **113,254** |
| Attributable to Income Shareholders | 3,376 | 3,358 |
| Attributable to Capital Shareholders | 117,184 | 109,896 |
| | **120,560** | **113,254** |

## 14 GROSS CASH FLOWS

| | *9 mths to 31 Mar 1997 £'000* | *12 mths to 30 Jun 1996 £'000* |
|---|---|---|
| **Returns on investment and servicing of finance** | | |
| Non-equity dividends paid | 2,294 | 3,225 |
| **Taxation** | | |
| UK tax paid | (9) | (48) |
| UK tax recovered | 97 | 32 |
| | **88** | **(16)** |
| **Capital expenditure and financial investment** | | |
| Payments to acquire investments | (34,362) | (34,561) |
| Receipts from sales of investments | 37,876 | 33,930 |
| | **3,514** | **(631)** |

## 15 ANALYSIS OF CHANGE IN NET DEBT

| | *At 1 July 1996 £'000* | *Cash flows £'000* | *At 31 March 1997 £'000* |
|---|---|---|---|
| **Cash at bank** | **365** | **3,078** | **3,443** |

## 16 CONTINGENCIES, GUARANTEES AND FINANCIAL COMMITMENTS

Contingencies, guarantees and financial commitments of the Company as at 31 March 1997, which have not been accrued, are as follows:

| | *As at 31 Mar 1997 £'000* | *As at 30 Jun 1996 £'000* |
|---|---|---|
| Underwriting commitments | 398 | 42 |
| Placing commitments | 357 | 93 |
| | 755 | 135 |