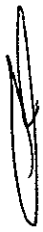
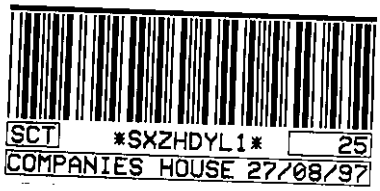


Aberforth Split Level Trust plc

Annual Report and Accounts

30 June 1997





Company Number: 130668



INVESTMENT OBJECTIVE

"The objective of Aberforth Split Level Trust plc ('ASLeT') is to achieve a total return (with gross dividends reinvested) on its assets greater than on the Hoare Govett Smaller Companies Index (excluding investment trusts) over the long term by investing in a diversified portfolio of small UK quoted companies."



INVESTMENT RECORD

TOTAL RETURN ON UNITS

Reporting Period

Year to 30 June 1997

ASLeT*	**+2.4%**
Benchmark Index†	**+4.5%**

	01.07.96	**30.06.97**	% Change
Unit Net Asset Value (capital only)	365.2p	**360.5p**	–1.3%
Benchmark Index (capital only)	1,866.23	**1,883.81**	+0.9%
Unit Price	336.0p	**347.5p**	+3.4%
Dividends	9.2p	**10.75p**	+16.8%

Historic Total Returns

	Discrete Annual Returns	
Period	**ASLeT***	**Index†**
1 year to 30 June 1997	2.4%	4.5%
1 year to 30 June 1996	32.3%	27.2%
1 year to 30 June 1995	10.1%	4.4%
1 year to 30 June 1994	12.5%	11.9%
1 year to 30 June 1993	27.3%	25.8%
1 year to 30 June 1992	18.3%	9.4%

	Compound Annual Returns		Cumulative Returns	
Periods to 30 June 1997	**ASLeT***	**Index†**	**ASLeT***	**Index†**
2 years from 30 June 1995	16.4%	15.3%	35.5%	32.9%
3 years from 30 June 1994	14.3%	11.5%	49.2%	38.7%
4 years from 30 June 1993	13.8%	11.6%	67.7%	55.2%
5 years from 30 June 1992	16.4%	14.3%	113.6%	95.3%
6 years from 30 June 1991	16.7%	13.5%	152.6%	113.6%
6.1 years from inception on 14 May 1991	15.6%	12.1%	143.2%	101.8%

* Represents unit net asset value with gross dividends reinvested.

† Represents capital appreciation on the Hoare Govett Smaller Companies Index (excluding investment trusts) with gross dividends reinvested (prior to 1.1.97 in its "Extended" version). This Index comprises the bottom 10% of all UK quoted companies by market value which at 1.1.97 included 1,255 companies, the largest market capitalisation of which was £313m.



CHAIRMAN'S STATEMENT

PERFORMANCE

For the year to 30 June 1997, the investment performance of Aberforth Split Level Trust plc ("ASLeT") has only marginally failed to maintain the consistently high standards set in each of the preceding five complete years since its launch in May 1991. In each of these years, ASLeT outperformed its benchmark whereas in the year under review a total return of 2.4% was achieved compared with a total return of 4.5% from the Hoare Govett Smaller Companies Index (excluding investment trusts). In addition, the performance of this index compared poorly with that of large companies which, represented by the FTSE All-Share Index, achieved a total return of 22.6% over the same period.

Last year I cautioned Shareholders against assuming that the relatively high absolute levels of return achieved to that point would necessarily continue indefinitely. The effect of the modest returns of the last year has been to reduce the compound annual total returns since ASLeT's inception to 15.6% and to 12.1% for its investment benchmark. The comparable figures to last year were 18.4% and 13.7% respectively.

Your Board recognises that the consistent application of the Managers' "value investing" disciplines will inevitably lead to times of relatively poor returns. In spite of this inevitability, it is nevertheless disappointing to experience. Stockmarket sentiment currently favours "growth" at the expense of "value" and has done so for some time. Your Board, however, remains satisfied with ASLeT's relative performance since its inception, which has been achieved by the same investment team throughout. Your Board believes continuity of personnel significantly improves the likelihood of achieving good long term performance.

DIVIDENDS

Your Board is pleased to announce a substantial increase in this year's dividends to a total for the year of 10.75p per Income Share, up from 9.2p last year. representing an increase of 16.8%. This means that this year's fourth interim dividend will be 4.0p per Income Share, up from 2.9p last year, and will be paid on 5 September 1997 to holders of Income Shares on the Register on 25 July 1997.

Underlying this increase in dividends is a 24.0% increase in earnings per Income Share. Three separate elements have contributed to this sharp increase. First and most important, is that, as expected, dividend growth by smaller companies continued to accelerate during the year. At this time, your Managers believe that, while growth is likely to continue, some deceleration in the rate is also likely. Second. the management of the portfolio undertaken since late 1995 has served to increase the yield on the portfolio relative to that of the benchmark index. As detailed in your Managers' Report, this phenomenon has been a by-product of their "value investing" style over the period rather than an end in itself; dividend yield *per se* has not been a major "value" criterion. It is important to note that underlying earnings from the portfolio more than twice cover underlying dividends. Third, the dividend timetable for a number of companies has been brought forward this year.

Your Managers have sought to measure the impact of each of these elements on the overall increase in earnings per Income Share and believe them to have accounted for approximately 12, 5 and 7 percentage points respectively of the aggregate growth of 24%. ASLeT's earnings would therefore have increased by about 17% in the absence of companies' dividends being brought forward. It is with this in mind that your Board has arrived at the dividends to be paid to Income Shareholders for the year. Your Board believes it prudent to retain those dividends brought forward on the reasonable assumption this pattern may reverse at some point.



■ CHAIRMAN'S STATEMENT

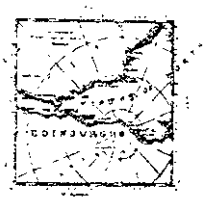
Earlier this month the new Chancellor presented his first Budget, the most relevant parts of which, for ASLeT, are the reduction to Corporation Tax rates and the changes to Advance Corporation Tax. The most immediate and tangible impact is that the Exchequer will no longer pay tax credits to pension providers and most UK corporate shareholders in respect of dividends received by them. This removes the ability in the future for ASLeT (and indeed other investment trusts and authorised unit trusts) to offset expenses against franked investment income. The Managers expect this change in taxation to reduce earnings by about 3% from the level they would be in the absence of this change. Pension providers would appear to have been the Chancellor's main target, however, and such entities will immediately experience a 20% fall in the value of dividends paid to them by UK companies. How they and UK companies react to these changes is difficult to predict at this early stage.

Finally, with regard to dividend growth, I believe it appropriate to draw the attention of Shareholders to my statement of July 1993 wherein I wrote, *inter alia,* "in a period of anticipated rising corporate profits, Capital Shareholders normally benefit more quickly as share prices rise to discount expected corporate recovery, whereas Income Shareholders are required to wait until recovery is underway and rising dividend payments are actually received by ASLeT." Your Board is pleased that Income Shareholders' patience has been rewarded and we anticipate that dividends will increase again in the new financial year. It must, however, be unlikely that the rate of growth will match that of this year. Indeed, it is difficult to predict what, if any, impact the tax changes in the recent Budget will have on companies' ability and desire to pay dividends.

■ OUTLOOK

In my Interim Statement to Shareholders in January of this year, I considered it possible to see 1997 turning into a relatively good year for small companies in terms of profit progression. At this point, this looks to be more probable than possible. In the meantime, however, the stockmarket has seen fit to de-rate these rising earnings relative to those of large companies. One may confidently predict a reversal of this at some point although, as ever, predicting the moment is not easy.

Michael J Walker
Chairman
11 July 1997



PORTFOLIO INFORMATION

FIFTY LARGEST INVESTMENTS

No.	Company	Valuation £'000	% of Total	Business Activity
1.	Canning (W.)	2,251	2.0	Chemicals
2.	Scholl	2,220	2.0	Personal care products
3.	Waddington	2,215	2.0	Packaging and printing
4.	Singer & Friedlander Group	1,727	1.5	Merchant bank
5.	Manganese Bronze Holdings	1,658	1.5	Engineering
6.	TransTec	1,627	1.5	Engineering
7.	Skillsgroup	1,587	1.4	Computer services
8.	Hampson Industries	1,575	1.4	Engineering
9.	Relyon Group	1,568	1.4	Bed manufacturing
10.	PSIT	1,537	1.4	Property
11.	Midland Independent Newspapers	1,526	1.4	Regional newspapers
12.	Kewill Systems	1,524	1.4	Computer software and services
13.	Trinity Holdings	1,505	1.3	Design and manufacture of specialist vehicles
14.	More Group	1,504	1.3	Outdoor poster advertising
15.	Johnson Group Cleaners	1,496	1.3	Drycleaning and textile rental
16.	Go-Ahead Group	1,418	1.3	Bus and train operator
17.	South Staffordshire Water Holdings	1,407	1.3	Water supply
18.	Norcros	1,390	1.2	Ceramics and printing
19.	Eurodis Electron	1,356	1.2	Electronic component distribution
20.	Fine Art Developments	1,346	1.2	Mail order and greeting card manufacture
21.	Ascot Holdings	1,310	1.2	Conglomerate
22.	Renold	1,298	1.2	Engineering
23.	Cornwell Parker	1,274	1.1	Furnishings and fabrics
24.	Finlay (James)	1,272	1.1	Tea plantations and processing
25.	Grampian Television	1,190	1.1	Television
26.	Birkby	1,176	1.0	Workspace management
27.	Fenner	1,152	1.0	Engineering
28.	Hall Engineering (Holdings)	1,120	1.0	Engineering
29.	Rosebys	1,115	1.0	Household textile retailer
30.	Roxboro Group	1,096	1.0	Manufacture of electronic products
31.	Century Inns	1,087	1.0	Manager of public houses
32.	Adwest Group	1,085	1.0	Automotive components manufacturer
33.	Dairy Crest Group	1,077	1.0	Dairy products
34.	Ferguson International Holdings	1,046	0.9	Manufacture and printing of labels
35.	Aggregate Industries	1,019	0.9	Quarry products and building materials
36.	Benchmark Group	1,012	0.9	Property



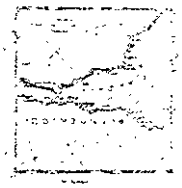
PORTFOLIO INFORMATION

FIFTY LARGEST INVESTMENTS

No.	Company	Valuation £'000	% of Total	Business Activity
37.	Yorkshire Group	1,008	0.9	Chemicals
38.	Unicorn International	987	0.9	Engineering
39.	Concentric	974	0.9	Engineering
40.	Jarvis Porter Group	973	0.9	Manufacture and printing of labels
41.	Filofax Group	956	0.9	Marketing of personal organisers
42.	Maunders (John) Group	938	0.8	Housebuilding
43.	Greggs	935	0.8	Bakery chain
44.	Bath Press Group	930	0.8	Book printing and binding
45.	Vymura	917	0.8	Wallpaper manufacturing
46.	Brockhampton Holdings	908	0.8	Water supply
47.	Quadramatic	891	0.8	Engineering
48.	Acal	890	0.8	Electronic component distribution
49.	Macro 4	887	0.8	Computer software and services
50.	Lamont Holdings	880	0.8	Diversified textile manufacturing
		63,840	57.1	
	Other Investments (99)	46,880	41.9	
	Total Investments	110,720	99.0	
	Net Current Assets	1,062	1.0	
	Total Assets less Liabilities	111,782	100.0	

FTSE Industry Classification Exposure Analysis

	← 30 June 1996 →					← 30 June 1997 →		
	Index Weight	Portfolio Weight	Portfolio Valuation	Net Purchases/ (Sales)	Net Appreciation/ (Depreciation)	**Portfolio Valuation**	**Portfolio Weight**	**Index Weight**
			£'000	£'000	£'000	**£'000**		
Mineral Extraction	*4%*	3%	2,846	(3,551)	1,564	**859**	**1%**	***1%***
General Industrials	*36%*	29%	32,480	16,387	(4,378)	**44,489**	**40%**	***35%***
Consumer Goods	*9%*	13%	14,337	(3,175)	1,661	**12,823**	**12%**	***11%***
Services	*36%*	40%	44,208	(5,912)	(868)	**37,428**	**34%**	***36%***
Utilities	*1%*	2%	2,663	425	(259)	**2,829**	**2%**	***1%***
Financials	*14%*	13%	14,524	(3,342)	1,110	**12,292**	**11%**	***16%***
	100%	100%	111,058	832	(1,170)	**110,720**	**100%**	***100%***



MANAGERS' REPORT

The year to 30 June 1997 has been one of only modest progress for ASLeT due to relatively poor share price performances from small UK quoted companies in general and ASLeT's assets achieving a return less than that of the investment benchmark. This has been the first financial year of underperformance since the inception of the Company in May 1991.

The statistics below place the returns of the financial year in the context of the exceptional returns enjoyed in the previous twelve month period. For those Shareholders who wish to look back further, the Investment Record on page 1 provides a full history of ASLeT's returns relative to the investment benchmark over the past six years.

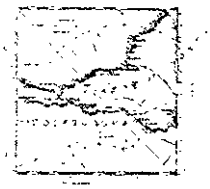
Total Returns	**12 months to 30 June 1997**	**12 months to 30 June 1996**
ASLeT	+2.4%	+32.3%
HGSC (Ex ITs)	+4.5%	+27.2%
FTSE All-Share	+22.6%	+19.6%

Since ASLeT's inception there have been periods of both outperformance and underperformance for the shares of small companies relative to their larger counterparts. Following the wide margin of underperformance of the last twelve months the Managers believe that the following points are worthy of mention:

- Twelve months ago small companies were selling on a price/earnings multiple premium of some 10% to large companies, a level of relative valuation which prevailed for significant periods in the 1980s but is relatively expensive in the context of the current decade. Such a premium requires superior earnings growth from small companies and data compiled by the Managers would indicate a performance approximately matching, but not exceeding, that of larger companies over the last twelve months. As a consequence, this valuation premium has been progressively eroded over the period.

- It is a generally held view that in periods of Sterling strength small companies should be relatively better protected as a consequence of their apparently greater domestic orientation when compared to their larger counterparts who are more currency sensitive as a consequence of a higher level of direct exports and, even more significantly, the translation of profits earned overseas. Given the relative performance of the last twelve months either other considerations have been of greater influence or this generally held view is lacking foundation. With regard to the latter, two points should be made.

  First, a number of small companies which *prima facie* appear to possess purely domestic exposure may act as suppliers to larger companies who export the finished product. In such cases the supplier is likely to suffer margin pressure as their customer requires them to share some of the currency induced pain.



MANAGERS' REPORT

Secondly, the recent strength of Sterling has been largely shared by the US Dollar. Although it is dangerous to generalise, the sensitivity of the large company universe to currency considerations may be characterised by the translation of Dollar earnings into Sterling whereas the small company universe is more accurately represented by companies exporting to Continental Europe. There the problem has been weak Deutschemark linked currencies and the associated mismatch between costs denominated in a rising Sterling but selling prices set to a greater or lesser degree in the local currency.

Given the considerations described, the environment for small companies as a consequence of Sterling appreciation has been rather more difficult than may be generally perceived.

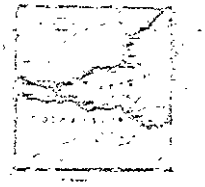
- The progressive and significant decline in fixed interest yields over the last twelve months, a trend given renewed momentum by the decision of the new Chancellor to grant operational independence to the Bank of England, has provided a supportive backdrop to the equity market.

  As has been seen in the past in an environment of rapidly declining fixed interest yields, the natural flow of liquidity into equities on the basis of relative valuation is directed towards the larger companies which, with a higher level of trading liquidity, provide the most obvious route to increase equity exposure. Flows of funds into the shares of small companies may follow thereafter once a desired equity weighting has been established. The experience of the last twelve months has been consistent with this historical pattern with the exception that investor interest has been even more narrowly focussed on the very largest quoted companies.

  This performance pattern is consistent with the general consideration of liquidity already discussed combined with a desire amongst investors to increase their exposure to the pharmaceutical and financial sectors, the latter reflecting improved perceptions as to loan book quality against a background of less volatile economic performance and technical considerations ahead of the demutualisations in the sector.

  The impact of these considerations on the performance of the key indices has been material. For example, the FTSE 100 has some 30% of its value in the banking and pharmaceutical sectors, compared with some 2% in the FTSE 250, which is representative of mid-size companies. Over the twelve months to 30 June 1997 the FTSE 100 achieved a capital only return of 24.1%, compared to 1.8% from the FTSE 250. Accordingly, the return achieved by mid-size companies, which includes within it companies capitalised at up to £2.5bn, has actually been very similar to that from small companies.

To conclude, the environment of the last twelve months is more accurately described as a period of excess return for very large companies rather than a period of small company underperformance. Preference for liquidity and a de-rating of manufacturing in the face of currency strength has made small company and indeed mid-size company underperformance inevitable – if only as a consequence of the structure of the respective stockmarket indices.



MANAGERS' REPORT

INVESTMENT PERFORMANCE

The table below highlights the portfolio size distribution at the end of the year compared with the preceding period. Over the last twelve months performance of capitalisation bands within the benchmark has not had a material impact on overall returns.

Distribution of Portfolio by Market Capitalisation at 30 June	**1997**	1996
Over £250m	**6%**	9%
£200m–£250m	**12%**	10%
£150m–£200m	**10%**	14%
£100m–£150m	**15%**	14%
£50m–£100m	**37%**	33%
Under £50m	**20%**	20%
	100%	100%

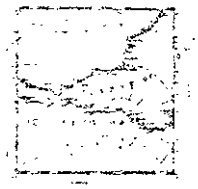
Figures are percentages of total value of investments.

In the year under review ASLeT has achieved a total return of 2.4% which is marginally inferior to the 4.5% achieved by the investment benchmark. The following attempts to paint a general picture of the investment background and the reasons for this underperformance.

As Shareholders are aware the Managers pursue a "value" investment style which seeks to isolate and purchase shares in companies which are perceived to be inexpensive and sell them when value is recognised. Accordingly, the Managers do not purchase shares in "growth companies" which may be characterised by high rates of expected growth of earnings which command expensive valuations relative to the market as a whole. The Managers believe that such companies are particularly exposed to the forces of competition and constantly evolving markets which place pressure on the ability to maintain historic performance into the future.

As was the case in the previous financial year, stockmarket fashion still appears to favour "growth" at the expense of "value" and as a consequence the Managers believe that the valuation gap between the two groups of companies has widened further. This unhelpful background impinges on ASLeT's portfolio at two levels.

First, those sectors which are perceived to possess superior growth potential have performed better in share price terms. An example of this is the strong performance of the Support Services sector when contrasted with the relatively poor performance from General Industrials. Although the Managers acknowledge that the former market area will continue to expand, sectors with excessive levels of return on capital will attract new entrants to the market and high valuations will lead to new public listings, so increasing the supply of shares. Conversely, although manufacturing companies are facing the pressures of global competition reinforced by currency strength they generally appear to offer rather better potential for share price appreciation given very depressed levels of valuation combined with some underestimation of the flexibility of the UK cost base and the potential for demand recovery. Further, the stockmarket has been relatively indiscriminate and some companies with strong domestic market shares have been as harshly treated as those selling a significant proportion of their output into Continental Europe.



MANAGERS' REPORT

Consistent with this belief, additional investments have been made in the General Industrials area and the resulting changes to the portfolio structure are shown on page 5. To date such changes have not been additive to performance as exposure to the underperforming areas of the stockmarket has been increased and exposure to more strongly performing areas reduced. The Managers believe that their actions have enhanced the value characteristics of the portfolio and therefore the potential for future performance.

Secondly, within sectors individual companies which conform to the general description of "growth" have performed rather better than those of a "value" orientation. This background has not been supportive of relative performance. Despite this fact the returns achieved by the portfolio within the majority of individual sectors have exceeded that of the returns of the respective sector benchmarks.

In this regard takeover activity has been beneficial to ASLeT's performance. Consideration of market position is an important element of the Managers' investment process, believing that a strong position will provide some support to the value of a company should the Managers' assessment of the immediate trading outlook prove to be too optimistic. In the period under review the portfolio has participated in what has been an active corporate market, with the interest of purchasers appearing to be driven by consideration of such market issues rather than the prospect of purchasing assets cheaply. Some eight portfolio constituents have been the subject of a bid or merger proposal and a further three companies have indicated to the stockmarket that a preliminary approach has been made. As value investors the Managers are relieved that their perception of value appears to be shared by others, albeit in some cases only by corporate buyers and not by other stockmarket investors.

CORPORATE PERFORMANCE

Over the reporting period economic growth appears to have accelerated although the rate of expansion from different areas of the economy has been somewhat uneven. Throughout the period consumer expenditure has been strong, consistent with growing employment and real incomes. More recently this growth has been given additional momentum by the windfall gains from demutualisations. Manufacturing output although stagnant at the beginning of the period has shown some recent recovery although its current level of expansion remains below that of the economy as a whole. To a degree the latter reflects competitive pressures from an appreciating currency and weak demand from sluggish Continental European economies. The positive side of currency strength has been a reduction in import costs which has served to restrain inflation at a time of strong growth and an economy operating at close to full capacity.

As Shareholders would expect, against this favourable background the vast majority of the constituents of the portfolio have produced acceptable levels of profit and dividend growth. The exceptions to this rule reflect either general weakness in European demand allied to currency considerations or issues specific to an individual company regarding its marketplace or management competence. One measure of the corporate performance of the portfolio constituents is the level of dividends received by ASLeT and the corresponding increase in the dividends paid to ASLeT's Income Shareholders. For the year under review, dividends declared to ASLeT's Shareholders have risen by a substantial 16.8%. In assessing this level of dividend growth, Shareholders should consider the following:



MANAGERS' REPORT

- Given the length of the current economic upswing, corporate profits have been expanding for some five years. As a consequence dividend cover, which was modest for some companies at the trough of the cycle, has now been rebuilt and dividends are growing at a faster rate than at the beginning of the cyclical upturn and that rate of expansion is now more closely linked to the underlying level of earnings growth. It would, however, be unrealistic to expect dividend growth to continue to accelerate from this point.

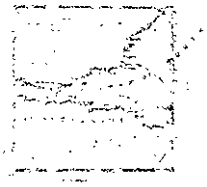
- During the fiscal year, portfolio activity has increased the level of income generated with the sale of shares of companies with a lower yield and their replacement with those on a higher yield. This generation of additional income has been a natural result of portfolio activity rather than an objective in itself. The Managers' desire to enhance the value characteristics of the portfolio has been driven by a range of value measures and dividend yield has been, at best, a peripheral consideration. Support for this contention may be found in the fact that the underlying dividend cover on the portfolio remains in excess of two times. The Managers believe that Shareholders should be aware of the fact that in a different market environment their search for value may lead to income being reduced by portfolio activity.

Accordingly, the growth in dividends paid to Shareholders this year does overstate somewhat the underlying portfolio dividend growth. However, despite this qualification, the portfolio has made good progress with regard to both profits and dividends and the activity undertaken by the Managers has enhanced the portfolio's value characteristics. The key characteristics of ASLeT's portfolio are detailed below including the equivalent figures for twelve months ago for comparative purposes.

Portfolio Characteristics at 30 June	**1997**	1996
Number of Companies in the Portfolio	**149**	130
Average Market Capitalisation	**£87.6m**	£91.8m
Return on Equity	**14.3%**	11.3%
Debt to Shareholders' Funds	**28.8%**	16.4%
Market Capitalisation to Shareholders' Funds	**2.0x**	1.8x
Price Earnings Ratio (Historic)	**13.9x**	15.9x
Gross Dividend Yield (Historic)	**4.5%**	3.6%
Dividend Cover (Historic)	**2.0x**	2.2x

INVESTMENT OUTLOOK

The combination of a strong currency and the possible increase in employers' costs through the introduction of a minimum wage may mean that corporate profits as a percentage of GDP are close to their peak in the current cycle. However, continued corporate profit growth is still anticipated despite a slowing of the economy caused by further interest rate increases as the newly "liberated" Governor of the Bank of England remains concerned regarding inflation prospects for 1998 and beyond.



MANAGERS' REPORT

Following a year of relatively poor returns for small companies compounded by a modest degree of underperformance against the investment benchmark the Managers nevertheless believe that there is some cause for optimism, the key elements of which are outlined below:

- Small companies are now as inexpensive as they have been for over four years, relative to large companies on a price/earnings multiple basis. Further, ASLeT's portfolio represents apparently better value when compared with the investment universe and consists of companies with attractive and defendable levels of return on capital and good cash generation, both these features being of key significance in the Managers' investment process.
- Takeover activity has remained a feature of the stockmarket with a steady stream of companies being acquired by their larger peers or merging to gain critical mass within a defined marketplace. The Managers are most reassured by this development as it represents an additional underpinning to share prices and contrasts sharply with previous periods where high stockmarket valuations have encouraged existing listed companies to raise money through rights issues and companies to seek a public listing. Recent behaviour is indicative of the fact that the corporate sector believes that value is present and is further reinforced by a number of portfolio constituents buying in their own shares. Accordingly in the current environment the supply of equity is being reduced which, *ceteris paribus,* should be supportive of share prices.
- Venture capital investors are, in some cases, backing transactions to purchase businesses on multiples of profit and cash flow higher than those which prevail in the stockmarket. This represents a potential anomaly as the stockmarket provides the natural exit for such transactions and therefore one must assume that venture capital investors are either particularly adept at picking the right companies or higher valuation levels are expected to prevail in the stockmarket in the future. Further, given current valuations, the possibility of venture capital funds backing managements to take existing quoted companies private should not be ignored.

It would therefore appear that small companies in general and the investment portfolio in particular offer good value by historic standards which should provide Shareholders with a degree of comfort as to future investment returns.

Aberforth Partners
Managers
11 July 1997



CAPITAL STRUCTURE

SUMMARY

Aberforth Split Level Trust plc ("ASLeT") has a split level capital structure such that Income Shareholders are entitled to all profits of the Company available for distribution and the Capital Shareholders, whilst not entitled to any dividend, will benefit from all capital appreciation achieved on the Company's assets. In a winding up, Income Shareholders are entitled, *inter alia,* to a payment of 10 pence per share in preference to any payment to Capital Shareholders.

As at 30 June 1997 ASLeT had in issue 31,006,286 Income Shares and 31,006,286 Capital Shares, of which approximately 7,492,000 of each class are dealt in separately on the London Stock Exchange. Approximately 23,514,000 Units, each comprising one Income Share and one Capital Share are also dealt in on the London Stock Exchange. Units may be presented by holders to the Company's Registrars at any time and exchanged for the underlying Income Shares and Capital Shares. In addition, holders of Income Shares and Capital Shares may exchange an equal number of Income Shares and Capital Shares for Units.

THE INCOME SHARES

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 ASLeT 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. **As at 30 June 1997 the middle market price of an Income Share was 66.0p.**

Details of dividends are as follows:—

			Year Ending 30 June					
	Announced	*Paid*	*1992*	*1993*	*1994*	*1995*	*1996*	*1997*
Total (excluding special)			**9.0p**	**8.4p**	**8.45p**	**8.6p**	**9.2p**	**10.75p**
First Interim	October	December	2.0p	2.0p	2.0p	2.0p	2.1p	2.25p
Second Interim	January	March	2.0p	2.0p	2.0p	2.0p	2.1p	2.25p
Third Interim	April	June	2.0p	2.0p	2.0p	2.0p	2.1p	2.25p
Fourth Interim	July	September	3.0p	2.4p	2.45p	2.6p	2.9p	4.00p
Special	July	September	—	—	—	1.5p	—	—

THE CAPITAL SHARES

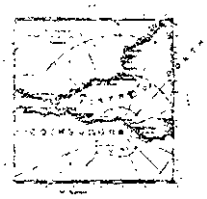
Capital Shareholders do not participate in any dividend or in any revenue reserve. In a winding up they are entitled to all surplus assets of the Company after payment to the Income Shareholders of 10 pence per Income Share plus any undistributed revenue reserve. Capital Shareholders are entitled to one vote per share. **As at 30 June 1997 the net asset value of a Capital Share was 348.8p and its middle market price was 285.5p.**

DURATION

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).

Note: The above represents a summary only. Full details of ASLeT's capital structure are available in the Company's Articles of Association.



CORPORATE INFORMATION

DIRECTORS

Michael J Walker (61) (Chairman)

Michael Walker is Chairman of James Walker (Leith) Limited, a private company which is one of the leading timber and building materials companies in Scotland. He is also Chairman of the Western General Hospital NHS Trust and a former Trustee of the Trustee Savings Bank of South of Scotland.

Alastair C Dempster (57)

Alastair Dempster is Chief Executive of TSB Bank Scotland plc. He is also a member of the Court of Heriot-Watt University and a Director of Scottish Homes and Scottish Financial Enterprise.

David M C Michels (50)

David Michels is a Director and Chief Executive of Stakis plc, a listed company that owns and operates hotels and casinos.

A Fraser Morrison, CBE (49)

Fraser Morrison is Executive Chairman of Morrison Construction Group plc, a listed company involved with property development and construction. He is also Chairman of Highlands and Islands Enterprise and a Director of Clydesdale Bank plc.

INVESTMENT MANAGERS AND SECRETARIES
Aberforth Partners
14 Melville Street
Edinburgh EH3 7NS
Tel No 0131-220 0733

REGISTERED OFFICE
14 Melville Street
Edinburgh EH3 7NS

REGISTRARS
Northern Registrars Limited
Northern House
Penistone Road
Fenay Bridge
Huddersfield HD8 0LA
Tel No 01484 606664

BANKERS
Bank of Scotland
38 St Andrew Square
Edinburgh EH2 2YR

AUDITORS
Ernst & Young
Chartered Accountants
Ten George Street
Edinburgh EH2 2DZ

SOLICITORS AND SPONSORS
Dickson Minto W.S.
11 Walker Street
Edinburgh EH3 7NE



CORPORATE GOVERNANCE

CADBURY COMMITTEE'S CODE OF BEST PRACTICE

The Company has complied with the Cadbury Committee's Code of Best Practice during the financial year with the following exceptions:

The Board of Directors comprises four wholly independent non-executive Directors and the Directors do not consider it necessary to have separate independent audit and management engagement committees. The duties of such committees are performed as business of the whole Board of Directors.

The Code of Best Practice recommends that non-executive Directors should be appointed for specified terms and reappointments should not be automatic. In light of the Company's limited duration, the Board does not consider it appropriate that Directors be appointed for a specified term. However, the Articles of Association do require that one-third of the Directors in office retire at each Annual General Meeting.

STATEMENT BY THE DIRECTORS ON THE EFFECTIVENESS OF THE COMPANY'S SYSTEM OF INTERNAL FINANCIAL CONTROLS

The Board is responsible for establishing and maintaining the Company's system of internal financial control. Internal control systems are designed to meet the particular needs of the company concerned and the risks to which it is exposed, and by their nature can provide reasonable but not absolute assurance against material misstatement or loss.

The Board meets quarterly to review the overall business of the Company and to consider the matters specifically reserved for it to decide on. At these meetings the Directors monitor the investment performance of the Company compared to its benchmark index and in relation to comparable investment trusts. The Directors also review the Company's activity over the quarter to ensure it adheres to its investment policy or, if it is considered appropriate, to authorise any change to that policy.

The Board has engaged external firms to undertake the investment management, secretarial and custodial activities of the Company. Clearly documented contractual arrangements are in place between the Company and these firms which define the areas where the Board has delegated authority to them. At least once a year the Directors receive reports detailing the internal financial control objectives and procedures adopted by each firm. Each report has been reviewed by the respective firm's auditors. The Board's examination of these reports allows it to assess the effectiveness of the external systems of financial control which affect the Company.

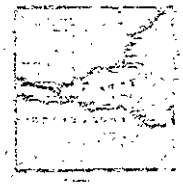
The Board, therefore, confirms that it has reviewed the effectiveness of the Company's system of internal financial control as it operated during the year.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are required by law to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the net revenue for that period.

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.

The accounts have been prepared on a going concern basis and appropriate accounting policies have been used and consistently applied. Reasonable and prudent judgements and estimates have been used in the preparation of the accounts and applicable UK accounting standards have been followed.



REPORTS BY THE AUDITORS

TO THE MEMBERS OF ABERFORTH SPLIT LEVEL TRUST PLC

We have audited the accounts on pages 18 to 27 which have been prepared under the historical cost convention modified to include the revaluation of fixed asset investments and on the basis of the accounting policies set out on page 21.

Respective responsibilities of Directors and Auditors

As described on page 14 the Company's Directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company as at 30 June 1997 and of its net revenue for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young
Chartered Accountants
Registered Auditor

Edinburgh
11 July 1997

TO ABERFORTH SPLIT LEVEL TRUST PLC ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the accounts we have reviewed the Directors' statements on pages 14 and 16 concerning the Company's compliance with the paragraphs of the Cadbury Code of Best Practice specified for our review by the London Stock Exchange and their adoption of the going concern basis in preparing the accounts. The objective of our review is to draw attention to any non-compliance with Listing Rules 12.43(j) and 12.43(v).

We carried out our review in accordance with guidance issued by the Auditing Practices Board, and assessed whether the Directors' statements on going concern and internal financial control are consistent with the information of which we are aware from our audit. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Company's system of internal financial control or its corporate governance procedures nor on the ability of the Company to continue in operational existence.

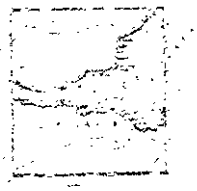
Opinion

With respect to the Directors' statements on internal financial control on page 14 and going concern on page 16, in our opinion the Directors have provided the disclosures required by the Listing Rules refered to above and such statements are consistent with the information of which we are aware from our audit work on the accounts.

Based on enquiry of certain Directors and Officers of the Company, and examination of relevant documents, in our opinion the Directors' statement on page 14 appropriately reflects the Company's compliance with the other paragraphs of the Code specified for our review by Listing Rule 12.43(j).

Ernst & Young
Chartered Accountants

Edinburgh
11 July 1997



REPORT OF THE DIRECTORS

The Directors have pleasure in submitting the Sixth Annual Report and Accounts of the Company for the year to 30 June 1997.

PRINCIPAL ACTIVITY AND STATUS

The Company is an investment company as defined in Section 266 of the Companies Act 1985 and has been approved by the Inland Revenue as an Investment Trust, within the meaning of the Income and Corporation Taxes Act 1988, up to 30 June 1996. Since that date the Company's affairs have been conducted in such a manner as to enable it to continue to seek such approval. A review of the Company's business during the year is contained in the Chairman's Statement and the Managers' Report.

DURATION OF THE COMPANY AND GOING CONCERN BASIS

Under the Articles of Association 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).

After making enquiries and notwithstanding the above, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

RESULTS AND DIVIDEND

	£'000	£'000
Revenue available for dividends		3,618
First interim dividend of 2.25p per Income Share paid 6 December 1996	697	
Second interim dividend of 2.25p per Income Share paid 7 March 1997	698	
Third interim dividend of 2.25p per Income Share paid 6 June 1997	698	
Fourth interim dividend of 4.00p per Income Share payable 5 September 1997	1,240	(3,333)
Transferred to revenue reserve		285

The fourth interim dividend will be paid on 5 September 1997 to Income Shareholders on the Register at close of business on 25 July 1997.

No final dividend will be declared in respect of the year ended 30 June 1997.

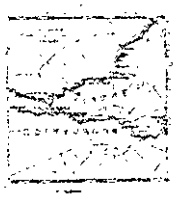
DIRECTORS

The Directors who held office during the year and their interests in the Shares of the Company as at 30 June 1997 and 30 June 1996 were as follows:

		Income Shares		Capital Shares	
		1997	1996	**1997**	1996
M J Walker	Beneficial	**10,126**	10,126	**20,576**	20,576
A C Dempster	Beneficial	**2,500**	2,500	**2,500**	2,500
D M C Michels	Beneficial	**2,000**	2,000	**2,000**	2,000
A F Morrison	Beneficial	**2,500**	2,500	**2,500**	2,500

There has been no change in the holdings of the Directors between 30 June 1997 and 11 July 1997.

Mr A C Dempster, who retires by rotation, being eligible, offers himself for re-election at the Annual General Meeting.



REPORT OF THE DIRECTORS

MANAGEMENT

Aberforth Partners are Managers and Secretaries to the Company. These services can be terminated by either party at any time by giving six months' notice of termination. Aberforth Partners receive a quarterly management fee, payable in advance, equal to one-fifth of one per cent of the value of the total net assets of the Company and a quarterly secretarial fee, payable in advance, amounting to £11,453 (excluding VAT) during the year to 30 June 1997. The secretarial fee is adjusted annually in line with the Retail Prices Index. The Directors have decided to allocate part of the management fee to the Capital Reserve. The allocation is based upon an assessment of the activities undertaken by the Managers in pursuit of the investment objectives of the Company. The Directors believe that this accounting treatment enables the accounts to present a fair view of the Company's results in terms of both Capital and Revenue.

SUBSTANTIAL INTERESTS IN SHARE CAPITAL

The Board has been advised or is aware that the following persons had a notifiable interest in the issued share capital of the Company at 11 July 1997.

Income Shares of 10p	% **Held**
United Friendly Insurance	7.6
Legal & General	7.4
Royal & Sun Alliance Insurance Group	4.7
Halifax Building Society	4.3
Guardian Assurance	4.2
Liverpool Victoria Insurance	4.0
London and Manchester Assurance Company	3.9

Capital Shares of 10p	% **Held**
Royal & Sun Alliance Insurance Group	8.3
United Friendly Insurance	7.6
Legal & General	7.4
Halifax Building Society	4.3
National Provident Institution	4.3
Guardian Assurance	4.2
Liverpool Victoria Insurance	4.0

PAYMENT POLICY

It is the Company's payment policy to ensure settlement of suppliers' invoices in accordance with the stated terms.

OTHER SHAREHOLDER INFORMATION

The affairs of the Company have been conducted in such a way as to comply with the qualifying equity rule as defined in the Personal Equity Plan Regulations. It is the current intention of the Directors that the Company will continue to conduct its affairs to satisfy this requirement.

As from 7 October 1996 the Company's securities have been traded on CREST, the new electronic system for settling UK listed securities.

AUDITORS

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

By Order of the Board
for Aberforth Partners (Secretaries)
14 Melville Street, Edinburgh EH3 7NS
11 July 1997



STATEMENT OF TOTAL RETURN

(INCORPORATING THE REVENUE ACCOUNT*) FOR THE YEAR ENDED 30 JUNE 1997

	Notes	1997 Revenue £'000	1997 Capital £'000	1997 Total £'000	1996 Revenue £'000	1996 Capital £'000	1996 Total £'000
Gains/(losses) on investments	9	—	(1,170)	(1,170)	—	25,170	25,170
Income	2	5,052	—	5,052	4,116	—	4,116
Investment management fee	3	(405)	(675)	(1,080)	(340)	(567)	(907)
Other expenses	4	(154)	—	(154)	(135)	—	(135)
Return on ordinary activities before tax		4,493	(1,845)	2,648	3,641	24,603	28,244
Tax on ordinary activities	6	(875)	88	(787)	(722)	113	(609)
Return attributable to non-equity shareholders		3,618	(1,757)	1,861	2,919	24,716	27,635
Dividends in respect of non-equity shares	7	(3,333)	—	(3,333)	(2,853)	—	(2,853)
Transfer to/(from) reserves		285	(1,757)	(1,472)	66	24,716	24,782
Returns per non-equity interest							
Income Share	8	11.67p	—	11.67p	9.41p	—	9.41p
Capital Share	8	—	(5.67p)	(5.67p)	—	79.71p	79.71p
Unit							
(One Income Share plus one Capital Share)	8	11.67p	(5.67p)	6.00p	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 year

The accompanying notes are an integral part of this statement.



BALANCE SHEET
AS AT 30 JUNE 1997

	Note	1997 £'000	1996 £'000
FIXED ASSETS: INVESTMENTS			
Securities Listed on the London Stock Exchange:			
UK Ordinary Shares		110,024	110,907
UK Convertible Securities		696	151
Total Investments	9	110,720	111,058
Current Assets			
Debtors	10	1,223	3,086
Cash at bank		2,152	365
		3,375	3,451
Creditors (amounts falling due within one year)	11	(2,313)	(1,255)
Net Current Assets		1,062	2,196
TOTAL ASSETS LESS CURRENT LIABILITIES		111,782	113,254
CAPITAL AND RESERVES: NON-EQUITY INTERESTS			
Called up Share Capital:	12	6,201	6,201
Reserves:			
Share premium account	13	24,543	24,543
Capital redemption reserve	13	45,549	45,549
Capital reserve—realised	13	30,215	14,249
Capital reserve—unrealised	13	4,732	22,455
Revenue reserve	13	542	257
	14	111,782	113,254
NET ASSET VALUES			
PER INCOME SHARE		11.7p	10.8p
PER CAPITAL SHARE		348.8p	354.4p
PER UNIT (being one Income Share plus one Capital Share)		360.5p	365.2p

Michael Walker

Approved by the Board of Directors on 11 July 1997 and signed on its behalf by M J Walker, *Chairman*

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



CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 1997

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

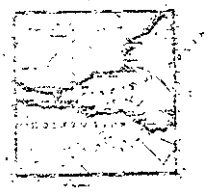
	1997 £'000	1996 £'000
Revenue before taxation	4,493	3,641
Scrip dividends	(27)	—
Tax withheld from income on investment	(936)	(789)
Investment management fee charged to capital	(675)	(567)
Increase in debtors	(204)	(167)
Increase in creditors	4	2
Net cash inflow from operating activities	2,655	2,120

CASH FLOW STATEMENT

	Note		
Net cash inflow from operating activities		2,655	2,120
Returns on investments and servicing of finance	15	(2,992)	(3,225)
Taxation	15	90	(16)
Capital expenditure and financial investment	15	2,034	(631)
Increase/(decrease) in cash		1,787	(1,752)

	Note		
Reconciliation of net cash flow to movement in net funds	16		
Increase/(decrease) in cash in the year		1,787	(1,752)
Change in Net Funds		1,787	(1,752)
Net Funds at 1 July 1996		365	2,117
Net Funds at 30 June 1997		2,152	365

The accompanying notes are an integral part of this statement.



NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been applied consistently throughout the year 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 out 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 revenue and capital on an equitable basis determined by the Directors.



NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES *(continued)*

(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.

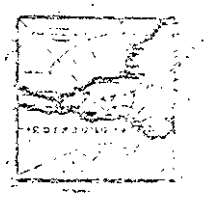
Capital Reserve–Unrealised.

The following are accounted for in this reserve:

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

2 INCOME

	1997 £'000	1996 £'000
Income from investments		
Franked investment income	**4,674**	3,945
UK unfranked investment income	**6**	4
Foreign income dividends	**91**	29
Scrip dividends	**27**	—
	4,798	3,978
Other income		
Deposit interest	**228**	126
Underwriting commission	**26**	12
	254	138
Total income	**5,052**	4,116
Total income comprises:		
Dividends	**4,792**	3,974
Interest	**234**	130
Other income	**26**	12
	5,052	4,116
Income from investments:		
Listed UK	**4,798**	3,928
Unlisted	**—**	50
	4,798	3,978



NOTES TO THE FINANCIAL STATEMENTS

3 INVESTMENT MANAGEMENT FEE

	1997			1996		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Investment management fee	**405**	**675**	**1,080**	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 receive a quarterly management fee, payable in advance, equal to one-fifth of one per cent of the value of the total net assets 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

	1997	1996
	£'000	£'000
Secretarial services	**54**	53
Directors' fees (Note 5)	**34**	24
Auditors' fee	**6**	6
Other	**60**	52
	154	135

5 DIRECTORS' FEES

The emoluments of the Chairman were £10,000 (1996—£6,840) for the year. The emoluments of each of the other Directors were £8,000 (1996—£5,700) for the year.

Of these fees £8,000 (1996—£5,700) was paid to a third party in respect of making available the services of one Director.



NOTES TO THE FINANCIAL STATEMENTS

6 TAXATION

	1997			1996		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Tax attributable to franked investment income	**935**	**—**	**935**	789	—	789
Recoverable tax credits—s.242 claim	**(60)**	**(88)**	**(148)**	(63)	—	(63)
Adjustments relating to the prior year	**—**	**—**	**—**	(4)	(113)	(117)
	875	**(88)**	**787**	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 30 June 1997 the charge to capital would have been £185,000.

7 DIVIDENDS

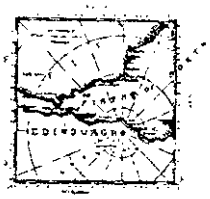
	1997 £'000	1996 £'000
Income Shares		
First interim paid—2.25p (1996—2.1p)	**697**	651
Second interim paid—2.25p (1996—2.1p)	**698**	651
Third interim paid—2.25p (1996—2.1p)	**698**	652
Fourth interim payable—4.00p (1996—2.9p)	**1,240**	899
	3,333	2,853

8 RETURNS PER NON-EQUITY SHARES

	1997			1996		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
Income share	**11.67p**	**—**	**11.67p**	9.41p	—	9.41p
Capital share	**—**	**(5.67p)**	**(5.67p)**	—	79.71p	79.71p

The revenue return per Income Share is based on the net revenue on ordinary activities after taxation of £3,618,000 (1996: £2,919,000) and on 31,006,286 Income Shares being the weighted average number of Income Shares in issue during both years.

The capital return per Capital Share is based on net capital losses for the financial year of £1,757,000 (1996: gains of £24,716,000) and on 31,006,286 Capital Shares being the weighted average number of Capital Shares in issue during both years.



NOTES TO THE FINANCIAL STATEMENTS

9 INVESTMENTS

	Listed in UK £'000
Opening book cost	88,603
Opening unrealised appreciation	22,455
Opening valuation	111,058
Movements in the year:	
Purchases at cost	44,834
Sales—proceeds	(44,002)
—realised gains/(losses) on sales	16,553
Decrease in unrealised appreciation	(17,723)
Closing valuation	110,720
Closing book cost	105,988
Closing unrealised appreciation	4,732
Closing valuation	110,720

	1997 £'000	1996 £'000
Realised gains and losses on sales	**16,553**	8,904
Increase/(decrease) in unrealised appreciation	**(17,723)**	16,266
Gains/(losses) on investments	**(1,170)**	25,170

10 DEBTORS

	1997 £'000	1996 £'000
Amounts due from brokers	**100**	2,249
Investment income receivable	**940**	741
ACT recoverable	**48**	25
Other tax recoverable	**123**	64
Other debtors	**12**	7
	1,223	3,086



NOTES TO THE FINANCIAL STATEMENTS

11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

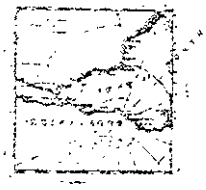
	1997	1996
	£'000	£'000
Amounts due to brokers	1,001	311
Fourth interim dividend	1,240	899
ACT on dividend	48	25
Other creditors	24	20
	2,313	1,255

12 SHARE CAPITAL

	At 30 June 1997		At 30 June 1996	
Authorised:	No. of Shares	£'000	No. of Shares	£'000
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

13 RESERVES

	Share premium account	Capital Redemption reserve	Capital reserve– realised	Capital reserve– unrealised	Revenue reserve
	£'000	£'000	£'000	£'000	£'000
Beginning of year	24,543	45,549	14,249	22,455	257
Net gain on realisation of investments	—	—	16,553	—	—
Decrease in unrealised appreciation	—	—	—	(17,723)	—
Management fee charged to capital	—	—	(675)	—	—
Tax effect of capital items	—	—	88	—	—
Retained net revenue for the year	—	—	—	—	285
End of year	24,543	45,549	30,215	4,732	542



NOTES TO THE FINANCIAL STATEMENTS

14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1997 £'000	1996 £'000
Opening shareholders' funds	113,254	88,472
Total recognised gains and losses before dividends	1,861	27,635
Dividends in respect of Income Shares	(3,333)	(2,853)
Closing shareholders' funds	111,782	113,254
Attributable to Income Shareholders	3,643	3,358
Attributable to Capital Shareholders	108,139	109,896
	111,782	113,254

15 GROSS CASH FLOWS

	1997 £'000	1996 £'000
Returns on investment and servicing of finance		
Non-equity dividends paid	(2,992)	(3,225)
Taxation		
UK tax paid	(9)	(48)
UK tax recovered	99	32
	90	(16)
Capital expenditure and financial investment		
Payments to acquire investments	(44,117)	(34,561)
Receipts from sales of investments	46,151	33,930
	2,034	(631)

16 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 July 1996 £'000	Cash flows £'000	At 30 June 1997 £'000
Cash at bank	365	1,787	2,152

17 CONTINGENCIES, GUARANTEES AND FINANCIAL COMMITMENTS

Contingencies, guarantees and financial commitments of the Company at the year-end, which have not been accrued, are as follows:

	1997 £'000	1996 £'000
Underwriting commitments	—	42
Placing commitments	360	93
	360	135



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Sixth Annual General Meeting of Aberforth Split Level Trust plc will be held at 14 Melville Street, Edinburgh on Wednesday, 27 August 1997 at 12.15 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 June 1997 be adopted.
2. That Mr A C Dempster, who retires by rotation, be re-elected as a Director.
3. That Ernst & Young, Chartered Accountants, be re-appointed as Auditors and that the Directors be authorised to determine their remuneration.

By Order of the Board

for Aberforth Partners *(Secretaries)*
14 Melville Street
Edinburgh EH3 7NS

11 July 1997

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 their behalf. Such a proxy need not also be a member of the Company.

A Form of Proxy for use by Shareholders is enclosed. Completion of the Form of Proxy will not prevent a Shareholder from attending the meeting and voting in person.

Typeset and printed by Pillans & Wilson Greenaway – Edinburgh, Glasgow, London, Manchester and Stroud 9323