

Aberforth Split Level Trust plc

Annual Report and Accounts

30 June 1998

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COMPANIES HOUSE 27/08/98

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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 1998

ASLeT*	**+17.0%**
Benchmark Index†	**+22.9%**

	01.07.97	**30.06.98**	% Change
Unit Net Asset Value (capital only)	360.5p	**405.8p**	+12.6%
Benchmark Index (capital only)			+19.5%
Unit Price	347.5p	**373.0p**	+7.3%
Dividends	10.75p	**12.25p**	+14.0%

Historic Total Returns

	Discrete Annual Returns	
Period	**ASLeT***	**Index†**
1 year to 30 June 1998	17.0%	22.9%
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 1998	**ASLeT***	**Index†**	**ASLeT***	**Index†**
2 years from 30 June 1996	9.4%	13.3%	19.8%	28.3%
3 years from 30 June 1995	16.6%	17.8%	58.5%	63.3%
4 years from 30 June 1994	14.9%	14.2%	74.6%	70.4%
5 years from 30 June 1993	14.4%	13.8%	96.3%	90.7%
6 years from 30 June 1992	16.5%	15.7%	149.9%	139.9%
7 years from 30 June 1991	16.7%	14.8%	195.6%	162.4%
7.1 years from inception on 14 May 1991	15.8%	13.6%	184.5%	147.9%

* 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 1.1.98 included 1,271 companies, the largest market capitalisation of which was £442m.



CHAIRMAN'S STATEMENT

PERFORMANCE

For the year to 30 June 1998, the investment performance of Aberforth Split Level Trust plc ("ASLeT"), while good in absolute terms, has underperformed its investment benchmark. In the year under review a total return of 17.0% was achieved compared with a total return of 22.9% from the Hoare Govett Smaller Companies Index (excluding investment trusts.) The comparative performance of large companies, represented by the FTSE All-Share Index, was a total return of 28.7% over the same period.

ASLeT has been in existence since May 1991 so providing seven complete years since its launch. In each of the first five, ASLeT outperformed its benchmark, in each of the last two however, this has not been the case. Your Board believes that outperformance in five of seven years combined with cumulative outperformance over four, five, six and seven years is acceptable. The last two years should be seen in that context.

Your Board has explored with the Managers the relative underperformance of the last two years, the reasons for which are examined in some detail in their Report. This comparative decline can perhaps be best described as the price to be paid for the consistent application of your Managers' "value investing" style. There is little doubt that stockmarket sentiment has favoured those investors applying a "growth" style over the last two years or so. The issue would therefore seem to be whether your Managers should have foreseen this and changed their investment style. Your Board is, however, satisfied that the consistent application of an investment style, if properly executed by a management team whose composition is stable, should over medium and long term periods outperform its benchmark and indeed those competitors who do not employ consistency of approach or enjoy continuity of personnel. Your Board also believes that the Managers' application of their "value investing" style is executed with sufficient flexibility to avoid the rigidity and the dogma of adhering to a limited range of variables in an ever changing world.

DIVIDENDS

Your Board is pleased to announce another substantial increase in this year's dividends to a total for the year of 12.25p per Income Share, up from 10.75p last year, representing an increase of 14.0%. This means that the fourth interim dividend will be 4.9p per Income Share, up from 4.0p last year, and will be paid on 4 September 1998 to holders of Income Shares on the Register on 24 July 1998. There are two main reasons for this increase in dividends. First and most important, is that dividend growth by smaller companies continued strongly during the year. Your Managers believe, however, that, while growth is likely to continue, its rate is likely to decelerate during this year. Secondly its management has served to increase the yield from the portfolio relative to that of the benchmark. As detailed in your Managers' Report, this phenomenon should be seen as 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 dividends are more than twice covered by the underlying earnings of the portfolio.



CHAIRMAN'S STATEMENT

OUTLOOK

In concluding my Interim Statement to Shareholders in January of this year, I made four observations, three of which remain valid: (1) ASLeT's portfolio offers better value than does its investment universe which, in turn, offers better value than do large companies, and small company earnings and dividends continue to grow faster than those of larger companies; (2) corporate activity continues to be a major feature amongst smaller companies with corporate acquirers emerging from within the UK, USA and Europe as well as from the development capital community; and (3) "Value Based Management" initiatives from companies increasingly sensitive to the apparent undervaluation of their shares and also to shareholders' needs and desires, are growing as a feature amongst smaller companies.

My fourth observation related to the anticipation of a more helpful macroeconomic background for small companies as base rates approached their peak for this cycle, encouraging some weakness in Sterling. Until 4 June 1998 when base rates were unexpectedly increased, this observation had appeared to hold good. Indeed until then, stockmarket sentiment, the performance of small companies and ASLeT's portfolio, were all improving. Since then, stockmarket sentiment has become negative for small companies as the macroeconomic background is perceived to be rather more hostile. My own reflection is that, while there may be some truth in this, it is also the case that base rates will reach their peak for this cycle at some point, although perhaps at a higher level than previously hoped. As this point approaches, it is reasonable to assume, other things being equal, that stockmarket sentiment will turn positive for small companies once again. While investment outperformance is never easy to achieve it would seem that ASLeT's prospects are enhanced by such currents. Most crucially, I believe that ASLeT should be able to outperform even in the current environment.

Michael Walker

Michael J Walker
Chairman
9 July 1998



PORTFOLIO INFORMATION

FIFTY LARGEST INVESTMENTS

No.	Company	Valuation £'000	% of Total	Business Activity
1.	Seton Scholl Healthcare	3,539	2.8	Healthcare
2.	Waddington	2,590	2.1	Packaging and printing
3.	Quadramatic	2,550	2.0	Engineering
4.	Dennis Group	2,319	1.8	Design and manufacture of specialist vehicles
5.	Go-Ahead Group	2,309	1.8	Bus and train operator
6.	Kewill Systems	2,281	1.8	Computer software and services
7.	Johnson Service Group	2,269	1.8	Drycleaning and textile rental
8.	Cordiant Communications Group	2,173	1.7	Advertising agency
9.	Hall Engineering (Holdings)	1,949	1.5	Engineering
10.	Portsmouth & Sunderland Newspapers	1,857	1.5	Regional newspaper and convenience retailer
11.	Singer & Friedlander Group	1,839	1.5	Merchant bank
12.	Roxboro Group	1,779	1.4	Manufacture of electronic products
13.	Adwest Automotive	1,618	1.3	Manufacture of automotive components
14.	Brewin Dolphin Holdings	1,602	1.3	Stockbroker and private client investment management
15.	Ascot	1,559	1.2	Engineering
16.	Tops Estates	1,539	1.2	Property
17.	Benchmark Group	1,511	1.2	Property
18.	Ricardo Group	1,472	1.2	Automotive consulting engineer
19.	Limit	1,468	1.2	Lloyds insurance company
20.	Transport Development Group	1,396	1.1	Logistics
21.	Norcros	1,380	1.1	Manufacture of ceramic tiles
22.	Azlan Group	1,377	1.1	Computer networking equipment and services
23.	Birkby	1,374	1.1	Workspace management
24.	Canning (W.)	1,345	1.1	Speciality chemicals
25.	Fine Art Developments	1,337	1.1	Mail order and greeting card manufacture
26.	Renold	1,285	1.0	Engineering
27.	Finlay (James)	1,279	1.0	Tea plantations and processing
28.	Fenner	1,277	1.0	Engineering
29.	Scottish Media Group	1,270	1.0	Media
30.	Rosebys	1,263	1.0	Household textile retailer
31.	Baird (William)	1,221	1.0	Garment manufacturer
32.	Filofax Group	1,219	1.0	Marketing of personal organisers
33.	Eurodis Electron	1,198	1.0	Electronic component distribution
34.	Grantchester Holdings	1,185	0.9	Property
35.	Bandt	1,178	0.9	Scaffolding and related services



PORTFOLIO INFORMATION

FIFTY LARGEST INVESTMENTS

No.	Company	Valuation £'000	% of Total	Business Activity
36.	Dee Valley Group	1,148	0.9	Water supply in Wrexham and Chester
37.	Macro 4	1,146	0.9	Computer software and services
38.	Dart Group	1,134	0.9	Transportation
39.	TransTec	1,133	0.9	Engineering
40.	TLG	1,118	0.9	Lighting manufacturer
41.	Concentric	1,094	0.9	Engineering
42.	Gerrard Group	1,090	0.9	Financial services
43.	Rathbone Brothers	1,077	0.9	Private client investment management
44.	Fisher (James) & Sons	1,065	0.8	Shipping
45.	Hampson Industries	1,060	0.8	Engineering
46.	Acal	1,059	0.8	Electronic component distribution
47.	Oxford Instruments	1,059	0.8	Manufacture of advanced instrumentation
48.	Century Inns	996	0.8	Manager of public houses
49.	Greycoat	990	0.8	Property
50.	Johnston Press	987	0.8	Regional newspapers
	Top Fifty Investments	74,963	59.5	
	Other Investments (90)	48,260	38.4	
	Total Investments	123,223	97.9	
	Net Current Assets	2,586	2.1	
	Total Assets less Liabilities	125,809	100.0	

FTSE Industry Classification Exposure Analysis

	← 30 June 1997 →					← 30 June 1998 →		
	Index Weight	Portfolio Weight	Portfolio Valuation	Net Purchases/ (Sales)	Net Appreciation/ (Depreciation)	**Portfolio Valuation**	**Portfolio Weight**	**Index Weight**
			£'000	£'000	£'000	£'000		
Mineral Extraction	*1%*	1%	859	(700)	367	**526**	**1%**	***2%***
General Industrials	*32%*	37%	41,282	2,519	1,017	**44,818**	**36%**	***29%***
Consumer Goods	*14%*	15%	16,030	(2,551)	1,496	**14,975**	**12%**	***13%***
Services	*36%*	34%	37,428	(2,963)	7,504	**41,969**	**34%**	***40%***
Utilities	*1%*	2%	2,829	(1,446)	667	**2,050**	**2%**	***1%***
Financials	*16%*	11%	12,292	3,120	3,473	**18,885**	**15%**	***15%***
	100%	100%	110,720	(2,021)	14,524	**123,223**	**100%**	***100%***



MANAGERS' REPORT

The year to 30 June 1998 has represented one of substantial absolute progress for ASLeT. The UK stockmarket has performed strongly over the period and small companies have participated to a significant extent in this rise. However, with regard to relative returns, ASLeT has fared rather less well as a consequence of underperforming its investment benchmark. The salient statistics for the reporting period are detailed below.

Total Returns	**12 months to 30 June 1998**	**28 February to 31 May 1998**
ASLeT	17.0%	15.4%
HGSC (Ex ITs)	22.9%	14.1%
FTSE All-Share	28.7%	5.4%

As can be seen from the table above the three month period between February and May 1998 has been shown separately consistent with its importance during the year representing as it does a period of strong relative performance for small companies and a period of returns in excess of the investment benchmark for ASLeT. These two considerations are of paramount importance to Shareholders and are therefore addressed in some detail.

Small companies have underperformed their larger counterparts for much of the period from the middle of 1996 as a consequence of two considerations.

First, the macroeconomic background has been relatively disadvantageous for small companies. The period has seen a tightening in monetary policy as the Government and more recently the Monetary Policy Committee have raised base rates from 5.75% in June 1996 to 7.5% now, in an attempt to ensure that economic expansion has been consistent with the growth of productive capacity in the economy. This monetary tightening has led to a strengthening in Sterling particularly against the Deutschemark where weakness of the latter has been encouraged by sluggish German economic performance and concerns as to the conduct of monetary policy post European Monetary Union.

Small companies in aggregate possess a greater degree of exposure to industrial areas of the economy and have therefore suffered as an appreciating currency has eroded the competitive position of the manufacturing base through increasing export prices in local currency terms and leading to greater competition in the domestic marketplace from cheaper imports. Clearly larger companies also possess currency exposure however much of this is translational rather than transactional and therefore merely reduces the Sterling value of overseas profit rather than impacting on long term competitiveness. Further, for large companies the US Dollar is a rather more significant currency than the Deutschemark and the former has performed rather better against Sterling over the period. As a consequence of these macroeconomic considerations profit growth from small companies, while recently better than from their larger counterparts, has fallen short of earlier expectations. Large companies, on the other hand, have achieved a somewhat better than expected outcome with cost savings as a consequence of merger activity providing additional momentum.

Secondly, although short term interest rates have risen, the yield on longer dated fixed interest securities has declined by in excess of 250 basis points since June 1996 as a consequence of high levels of



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global liquidity and falling inflationary expectations. This background has proved to be highly supportive of equity valuations and at a time of major yield shifts it is the shares of large companies with their greater level of trading liquidity which provide the natural target for investors. Falling fixed interest yields have been a global consideration, however additional domestic impetus has been provided by the granting of operational independence to the Bank of England and comments made by the Government regarding future participation in European Monetary Union.

In combination these issues have represented a powerful cocktail encouraging the outperformance of large company shares. However, as the table opposite demonstrates, this market leadership was challenged earlier in the current year with small companies managing a rather better performance which, in the view of the Managers, reflects two considerations of significance.

First, the gap in valuation between large and small company shares has stretched to such an extent that large companies have been selling on a price-earnings multiple premium of in excess of 20% to their smaller counterparts. This valuation gap has become harder to justify in the face of recent evidence demonstrating that small companies have, over the last year or so, achieved superior profit growth.

Secondly, earlier this year there was a growing belief that base rates were approaching peak levels for the current cycle. Not unnaturally this prompted a greater interest in the shares of companies likely to benefit from an easing in monetary policy and a subsequent recovery in economic growth. Companies of this type are well represented in the investment benchmark and this consideration, combined with attractive relative value, drove a period of small company share price outperformance. The rise in base rates in June has removed one of the key supports for small company share prices and performance trends in June were less favourable.

Shareholders will be aware of the fact that the long term returns achieved by ASLeT compared with the investment benchmark are satisfactory. However, the period since June 1996 has been somewhat unhelpful to the Managers' "value" style and rather more supportive of those pursuing a "growth" discipline. This reflects the fact that as the corporate environment has become more challenging and profits growth less abundant there have been fewer companies capable of maintaining high levels of real profit growth. Companies which have maintained trading momentum have seen, in some cases, valuations forced inexorably upwards to levels which your Managers believe are unsustainable over the long term as the excess returns being enjoyed will attract new industry competition eroding profitability and new stockmarket listings will increase the supply of shares. The newly created Information Technology sector is representative of this consideration with some participants capitalised in excess of 35 times operating profit. The Managers do not doubt the favourable trends within the industry but do not believe that they will be of sufficient longevity to justify profit being capitalised at such levels.

Conversely, the shares of companies where profit momentum has been somewhat lower have been of less interest to stockmarket investors. In the context of the portfolio, industrial companies are represented in this area but are not the exclusive constituents. The Managers believe that ASLeT's portfolio consists of companies with strong market positions and where good returns on capital and cash flow are being generated and available at very modest valuations in both an historic context and relative to valuations currently prevailing elsewhere in the UK equity market. This consideration has not gone unnoticed to the corporate buyer to the benefit of the portfolio over the period under review.



MANAGERS' REPORT

The period of small company outperformance over the three months from the end of February 1998 was shared by ASLeT outperforming the investment benchmark as investor interest widened beyond the very narrow population of growth stocks which had been previously so influential in driving stockmarket returns. It is the view of the Managers that the dispersion of valuations across the equity market between companies characterised as "growth" compared with those described as "value" is far too wide. Accordingly, there will be circumstances in the future which will drive the narrowing of this valuation differential which will be to the relative benefit of ASLeT.

PORTFOLIO CONSIDERATIONS

Despite the changing market environment over the period, a high level of take-over activity has been an enduring feature and Shareholders should seek some comfort from the fact that the Managers' perceptions of value have at least been shared by the corporate sector. Over the period 15 portfolio constituents were the subject of a take-over offer and several others announced that talks are taking place. The Managers believe that this outcome is superior to that of the investment universe and has therefore been helpful to relative returns. There are three factors which have driven this activity over the period and they are expected to continue to be of significance over the coming months.

First, the valuation gap between large and small companies remains wide encouraging domestic industry consolidation.

Secondly, UK assets are modestly valued in a global context encouraging either US companies to gain a foothold in the European market through acquisition in a country with a similar corporate culture or enabling Continental European companies to expand their European network.

Finally, cash rich development capital investors are becoming more active in the public market. This is a logical response to relative valuations as increased competition in the "buyout" market has forced valuations upwards therefore making opportunities in the public market more appealing despite the occasional hurdle of only being able to perform limited due diligence and the risk of an offer being exceeded by a third party.

As indicated in the Interim Report to December, the Managers put forward the expectation that Value Based Management ("VBM") which has proved to be such a powerful force in the large company arena would gain favour in the investment universe. This has indeed proved to be the case and its application has encouraged the disposal of non-core activities and/or the return of excess capital to shareholders. The stockmarket has rewarded companies who have adopted VBM through a re-rating of their shares. This should encourage others with unfocussed and/or underperforming businesses and over-capitalised balance sheets to follow suit. ASLeT has benefited from this trend in the year under review with Transport Development Group, Ascot and Rubicon being the most significant examples.

Over the reporting period the average market capitalisation of the portfolio has increased relative to the investment benchmark. Accordingly, the portfolio now possesses a greater exposure to the larger constituents of the investment universe. This reflects the expectation that the marginal purchaser



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of shares attracted to small companies by the compelling value across the whole universe is likely to favour the larger companies within the investment universe given their greater trading liquidity. This consideration has been reinforced by the consolidation underway within the investment management industry which appears to be leading towards a smaller number of larger investment portfolios with a resulting preference for companies in the universe with a larger capitalisation. Conversely, the shares of companies towards the bottom end of the investment benchmark by market capitalisation have suffered from a degree of institutional disinterest. It is not the intention of the Managers to desert this area, however, it must be recognised that value characteristics and business quality require to be particularly attractive to compensate for illiquidity and investment returns can be very uneven as value may be recognised by corporate rather than stockmarket interest. The table below highlights the portfolio size distribution at the end of the year under review compared with the preceding period and clearly demonstrates the changing shape of ASLeT's portfolio.

Distribution of Portfolio by Market Capitalisation at 30 June	**1998**	1997
Over £300m	**20%**	1%
£250m–£300m	**4%**	5%
£200m–£250m	**6%**	12%
£150m–£200m	**11%**	10%
£100m–£150m	**16%**	15%
£50m–£100m	**31%**	37%
Under £50m	**12%**	20%
	100%	100%

Figures are percentages of total value of investments.

Despite the increased pressure on the corporate sector as a consequence of the sustained high level of Sterling and rising base rates the overall performance of the portfolio in terms of profit and dividend growth has been acceptable. A measure of the underlying performance of the portfolio can be seen in the level of growth in the dividend paid to ASLeT's Shareholders which naturally reflects dividends received from the portfolio's investments. As the Chairman has indicated in his statement the growth in dividends declared to Shareholders has been 14.0%. A modest element of this expansion reflects additional income earned by the portfolio as a consequence of selling shares in companies on a lower yield than those which have been acquired as their replacements. Shareholders should be aware that such activity has been driven by the wish to enhance the value characteristics of the portfolio and dividend yield has not been an influence of significance; further in a different market environment this consideration may reverse. As Shareholders will appreciate, the strong levels of dividend growth earned over the last two years reflect good corporate profit growth at the same time as satisfactory dividend cover has enabled growth in dividends to follow that of earnings. From here it would be realistic to look for an easing in the rate of dividend growth as the twin impact of slowing sales expansion and a tough pricing environment take



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their toll on the growth of corporate profits. The table below shows the key characteristics of ASLeT's portfolio with data for last year for comparative purposes.

Portfolio Characteristics at 30 June	**1998**	1997
Number of Companies in the Portfolio	**140**	149
Average Market Capitalisation	**£147.0m**	£87.6m
Return on Equity	**14.7%**	14.3%
Debt to Shareholders' Funds	**29.7%**	28.8%
Market Capitalisation to Shareholders' Funds	**2.0x**	2.0x
Price Earnings Ratio (Historic)	**13.5x**	13.9x
Gross Dividend Yield (Historic)	**4.2%**	4.5%
Dividend Cover (Historic)	**2.2x**	2.0x

INVESTMENT OUTLOOK

Recently macroeconomic developments have destabilised financial markets and served to put a brake on the favourable trends apparent for small companies and ASLeT since the end of February. The global environment has become less favourable as the Far Eastern economies have failed to match the rather sanguine expectations which prevailed earlier in the year. Domestically events have also taken a turn for the worse with base rates being raised in June following a period of stability and many commentators are now expecting additional increases over the coming months in response to rising inflation and average earnings. At a time of conflicting economic data further base rate increases run the risk of an excessive tightening in policy and the possibility of a "hard landing" for the economy.

Clearly a sharp economic slowdown in the UK would inflict some pain on the small company universe, however, in contrast to similar periods in the past, corporate sector balance sheet gearing is modest and valuations for those companies which would be the more severely impacted seem to partially discount such an event taking place.

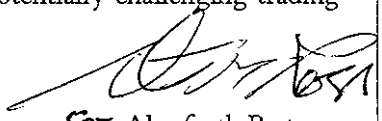
Conversely, should the economy respond favourably to the recent monetary tightening and growth slow to sustainable levels with inflationary pressures abating, then the subsequent easing in interest rates would be very helpful to the small company market and create an environment similar to that which prevailed for a number of months earlier in the year. Looking longer term, it would appear that the likelihood of the UK joining European Monetary Union, or failing that moving closer towards it, has increased. As a consequence, a substantially different short term interest rate structure would be required than that which currently prevails.

The Managers are aware of the current economic concerns. A decision to retain exposure to those companies which are seen as more cyclically sensitive reflects the recognition that, although trading momentum may be compromised in the short term, retention in the portfolio is appropriate provided



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there exists attractive business and financial characteristics and any potential trading difficulties are already reflected in the valuation. As has been seen over the last twelve months, even if the stockmarket fails to recognise the value of companies of this type, it is possible that corporate activity will provide a remunerative alternative. Further, the increased acceptance and therefore greater application of VBM should be helpful in creating corporate value against a background of a potentially challenging trading environment.



Aberforth Partners
Managers
9 July 1998



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 1998 ASLeT had in issue 31,006,286 Income Shares and 31,006,286 Capital Shares, of which approximately 8,328,000 of each class are dealt in separately on the London Stock Exchange. Approximately 22,678,000 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 1998 the middle market price of an Income Share was 74.0p.**

Details of dividends are as follows:—

			Year Ending 30 June						
	Announced	*Paid*	*1992*	*1993*	*1994*	*1995*	*1996*	*1997*	*1998*
Total (excluding special)			**9.0p**	**8.4p**	**8.45p**	**8.6p**	**9.2p**	**10.75p**	**12.25p**
First Interim	Oct	Dec	2.0p	2.0p	2.0p	2.0p	2.1p	2.25p	2.45p
Second Interim	Jan	Mar	2.0p	2.0p	2.0p	2.0p	2.1p	2.25p	2.45p
Third Interim	Apr	Jun	2.0p	2.0p	2.0p	2.0p	2.1p	2.25p	2.45p
Fourth Interim	Jul	Sept	3.0p	2.4p	2.45p	2.6p	2.9p	4.00p	4.90p
Special	Jul	Sept	—	—	—	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 1998 the net asset value of a Capital Share was 393.5p and its middle market price was 300.5p.**

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 (62) (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 (58)

Alastair Dempster is a member of the Court of Heriot-Watt University, Governor of the Edinburgh College of Art and Chairman of The Caledonian Foundation. He was formerly Chief Executive of TSB Bank Scotland plc.

David M C Michels (51)

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

Sir Fraser Morrison, CBE (50)

Sir 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
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BANKERS
Bank of Scotland
38 St Andrew Square
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30 St Vincent Place
Glasgow G1 2HL

REGISTERED OFFICE
14 Melville Street
Edinburgh EH3 7NS

AUDITORS
Ernst & Young
Ten George Street
Edinburgh EH2 2DZ

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

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 1998 and of its net revenue for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young
Registered Auditor

Edinburgh
9 July 1998

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 referred 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

Edinburgh
9 July 1998



REPORT OF THE DIRECTORS

The Directors have pleasure in submitting the Seventh Annual Report and Accounts of the Company for the year to 30 June 1998.

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 1997. 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		3,982
First interim dividend of 2.45p per Income Share paid 5 December 1997	760	
Second interim dividend of 2.45p per Income Share paid 6 March 1998	759	
Third interim dividend of 2.45p per Income Share paid 5 June 1998	760	
Fourth interim dividend of 4.90p per Income Share payable 4 September 1998	1,519	(3,798)
Transferred to revenue reserve		184

The fourth interim dividend will be paid on 4 September 1998 to Income Shareholders on the Register at close of business on 24 July 1998.

No final dividend will be declared in respect of the year ended 30 June 1998.

DIRECTORS

The Directors who held office during the year and their interests in the Shares of the Company as at 30 June 1998 and 30 June 1997 were as follows:

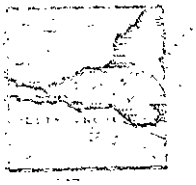
		Income Shares		Capital Shares	
		1998	1997	**1998**	1997
M J Walker	Beneficial	**10,126**	10,126	**24,626**	20,576
A C Dempster	Beneficial	**2,500**	2,500	**2,500**	2,500
D M C Michels	Beneficial	**2,000**	2,000	**2,000**	2,000
Sir Fraser Morrison	Beneficial	**2,500**	2,500	**2,500**	2,500

There has been no change in the holdings of the Directors between 30 June 1998 and 9 July 1998.

Mr D M C Michels, who retires by rotation, being eligible, offers himself for re-election at the Annual General Meeting. Sir Fraser Morrison is a Director of Clydesdale Bank plc which acts as custodian banker to the Company.

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 £11,753 (excluding VAT) during the year to 30 June 1998. The



REPORT OF THE DIRECTORS

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 9 July 1998.

Income Shares of 10p	**% Held**
Geared Income Investment Trust	10.7
Legal & General	7.4
Royal & Sun Alliance Insurance Group	4.7
Halifax Fund Management	4.3
Liverpool Victoria Insurance	4.0
Guardian Assurance	3.4
Prudential Corporation	3.3

Capital Shares of 10p	**% Held**
Royal & Sun Alliance Insurance Group	8.3
Legal & General	7.4
Exeter Asset Management	5.1
Halifax Fund Management	4.3
National Provident Institution	4.3
Liverpool Victoria Insurance	4.0
Guardian Assurance	3.4
Prudential Corporation	3.3

YEAR 2000 COMPLIANCE

Many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the Year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operations of the Company depend not only on the computer systems of Aberforth Partners, but also on those of the Company's Bankers, Registrars and other key suppliers such as providers of security pricing information. In addition, the Company has investments in many other businesses whose operations will be affected by Year 2000 issues. This exposes the Company to risk in the event that there is a failure by other parties to remedy their own Year 2000 issues.

The Directors are aware of the Year 2000 issue and are taking steps to address it. The Company is seeking assurances from advisers and significant suppliers that they are formulating appropriate strategies to deal with the problem. Once this has been completed, the Board can assess the likely impact on the activities of the Company and consider alternatives as necessary.

Given the complexity of the problem, it is not possible for any organisation to guarantee that no Year 2000 problems will remain because, at least, some level of failure may still occur. However, the Board believes that an acceptable state of readiness will be achieved. The Board is not aware of any costs associated with implementing Year 2000 compliance which will be incurred directly by the Company.

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.

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
9 July 1998



STATEMENT OF TOTAL RETURN

(INCORPORATING THE REVENUE ACCOUNT*) FOR THE YEAR ENDED 30 JUNE 1998

	Notes	1998 Revenue £'000	1998 Capital £'000	1998 Total £'000	1997 Revenue £'000	1997 Capital £'000	1997 Total £'000
Gains/(losses) on investments	9	—	14,524	14,524	—	(1,170)	(1,170)
Income	2	5,438	—	5,438	5,052	—	5,052
Investment management fee	3	(414)	(689)	(1,103)	(405)	(675)	(1,080)
Other expenses	4	(156)	—	(156)	(154)	—	(154)
Return on ordinary activities before tax		4,868	13,835	18,703	4,493	(1,845)	2,648
Tax on ordinary activities	6	(886)	8	(878)	(875)	88	(787)
Return attributable to non-equity shareholders		3,982	13,843	17,825	3,618	(1,757)	1,861
Dividends in respect of non-equity shares	7	(3,798)	—	(3,798)	(3,333)	—	(3,333)
Transfer to/(from) reserves		184	13,843	14,027	285	(1,757)	(1,472)
Returns per non-equity interest							
Income Share	8	12.84p	—	12.84p	11.67p	—	11.67p
Capital Share	8	—	44.65p	44.65p	—	(5.67p)	(5.67p)
Unit (One Income Share plus one Capital Share)	8	12.84p	44.65p	57.49p	11.67p	(5.67p)	6.00p

*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 1998

	Note	1998 £'000	1997 £'000
FIXED ASSETS: INVESTMENTS			
Securities Listed on the London Stock Exchange:			
UK Ordinary Shares		**122,141**	110,024
UK Convertible Securities		**1,082**	696
Total Investments	9	**123,223**	110,720
Current Assets			
Debtors	10	**2,150**	1,223
Cash at bank		**2,040**	2,152
		4,190	3,375
Creditors (amounts falling due within one year)	11	**(1,604)**	(2,313)
Net Current Assets		**2,586**	1,062
TOTAL ASSETS LESS CURRENT LIABILITIES		**125,809**	111,782
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	**40,185**	30,215
Capital reserve—unrealised	13	**8,605**	4,732
Revenue reserve	13	**726**	542
	14	**125,809**	111,782
NET ASSET VALUES			
PER INCOME SHARE		**12.3p**	11.7p
PER CAPITAL SHARE		**393.5p**	348.8p
PER UNIT (being one Income Share plus one Capital Share)		**405.8p**	360.5p

Michael Walker

Approved by the Board of Directors on 9 July 1998 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 1998

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

	1998 £'000	1997 £'000
Revenue before taxation	4,868	4,493
Scrip dividends	—	(27)
Tax withheld from income on investment	(944)	(936)
Investment management fee charged to capital	(689)	(675)
Decrease/(increase) in debtors	164	(204)
(Decrease)/increase in creditors	(4)	4
Net cash inflow from operating activities	3,395	2,655

CASH FLOW STATEMENT

	Note		
Net cash inflow from operating activities		3,395	2,655
Returns on investments and servicing of finance	15	(3,519)	(2,992)
Taxation	15	122	90
Capital expenditure and financial investment	15	(110)	2,034
(Decrease)/increase in cash		(112)	1,787

	Note		
Reconciliation of net cash flow to movement in net funds	16		
(Decrease)/increase in cash in the year		(112)	1,787
Change in Net Funds		(112)	1,787
Net Funds at 1 July 1997		2,152	365
Net Funds at 30 June 1998		2,040	2,152

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.

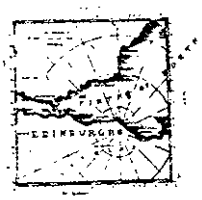
Capital reserve–unrealised.

The following are accounted for in this reserve:

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

2 INCOME

	1998 £'000	1997 £'000
Income from investments		
Franked investment income	**4,677**	4,674
UK unfranked investment income	**43**	6
Foreign income dividends	**437**	91
Scrip dividends	**—**	27
	5,157	4,798
Other income		
Deposit interest	**273**	228
Underwriting commission	**8**	26
	281	254
Total income	**5,438**	5,052
Total income comprises:		
Dividends	**5,114**	4,792
Interest	**316**	234
Other income	**8**	26
	5,438	5,052
Income from investments:		
Listed UK	**5,157**	4,798



NOTES TO THE FINANCIAL STATEMENTS

3 INVESTMENT MANAGEMENT FEE

	1998			1997		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Investment management fee	**414**	**689**	**1,103**	405	675	1,080

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

	1998	1997
	£'000	£'000
Secretarial services	**55**	54
Directors' fees (Note 5)	**35**	34
Auditors' fee	**6**	6
Other	**60**	60
	156	154

5 DIRECTORS' FEES

The emoluments of the Chairman were £10,250 (1997—£10,000) for the year. The emoluments of each of the other Directors were £8,200 (1997—£8,000) for the year.

Of these fees £8,200 (1997—£8,000) was paid to a third party in respect of making available the services of one Director.



NOTES TO THE FINANCIAL STATEMENTS

6 TAXATION

	1998			1997		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Tax attributable to franked investment income	**935**	**—**	**935**	935	—	935
Recoverable tax credits—s.242 claim	**(49)**	**(8)**	**(57)**	(60)	(88)	(148)
	886	**(8)**	**878**	875	(88)	787

7 DIVIDENDS

	1998	1997
	£'000	£'000
Income Shares		
First interim paid—2.45p (1997—2.25p)	**760**	697
Second interim paid—2.45p (1997—2.25p)	**759**	698
Third interim paid—2.45p (1997—2.25p)	**760**	698
Fourth interim payable—4.90p (1997—4.00p)	**1,519**	1,240
	3,798	3,333

8 RETURNS PER NON-EQUITY SHARES

	1998			1997		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
Income share	**12.84p**	**—**	**12.84p**	11.67p	—	11.67p
Capital share	**—**	**44.65p**	**44.65p**	—	(5.67p)	(5.67p)

The revenue return per Income Share is based on the net revenue on ordinary activities after taxation of £3,982,000 (1997: £3,618,000) 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 gains for the financial year of £13,843,000 (1997: losses of £1,757,000) 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

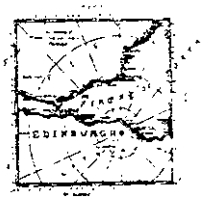
9 INVESTMENTS

	Listed in UK £'000
Opening book cost	105,988
Opening unrealised appreciation	4,732
Opening valuation	110,720
Movements in the year:	
Purchases at cost	55,458
Sales—proceeds	(57,479)
—realised gains on sales	10,651
Increase in unrealised appreciation	3,873
Closing valuation	123,223
Closing book cost	114,618
Closing unrealised appreciation	8,605
Closing valuation	123,223

	1998 £'000	1997 £'000
Realised gains and losses on sales	**10,651**	16,553
Increase/(decrease) in unrealised appreciation	**3,873**	(17,723)
Gains/(losses) on investments	**14,524**	(1,170)

10 DEBTORS

	1998 £'000	1997 £'000
Amounts due from brokers	**1,230**	100
Investment income receivable	**781**	940
ACT recoverable	**65**	48
Other tax recoverable	**67**	123
Other debtors	**7**	12
	2,150	1,223



NOTES TO THE FINANCIAL STATEMENTS

11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1998	1997
	£'000	£'000
Amounts due to brokers	**—**	1,001
Fourth interim dividend	**1,519**	1,240
ACT on dividend	**65**	48
Other creditors	**20**	24
	1,604	2,313

12 SHARE CAPITAL

	At 30 June 1998		At 30 June 1997	
	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

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	30,215	4,732	542
Net gain on realisation of investments	—	—	10,651	—	—
Increase in unrealised appreciation	—	—	—	3,873	—
Management fee charged to capital	—	—	(689)	—	—
Tax effect of capital items	—	—	8	—	—
Retained net revenue for the year	—	—	—	—	184
End of year	24,543	45,549	40,185	8,605	726



NOTES TO THE FINANCIAL STATEMENTS

14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998 £'000	1997 £'000
Opening shareholders' funds	111,782	113,254
Total recognised gains and losses before dividends	17,825	1,861
Dividends in respect of Income Shares	(3,798)	(3,333)
Closing shareholders' funds	125,809	111,782
Attributable to Income Shareholders	3,827	3,643
Attributable to Capital Shareholders	121,982	108,139
	125,809	111,782

15 GROSS CASH FLOWS

	1998 £'000	1997 £'000
Returns on investment and servicing of finance		
Non-equity dividends paid	(3,519)	(2,992)
Taxation		
UK tax paid	(30)	(9)
UK tax recovered	152	99
	122	90
Capital expenditure and financial investment		
Payments to acquire investments	(56,459)	(44,117)
Receipts from sales of investments	56,349	46,151
	(110)	2,034

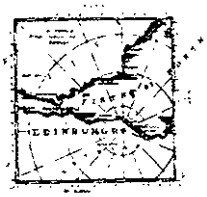
16 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 July 1997 £'000	Cash flows £'000	At 30 June 1998 £'000
Cash at bank	2,152	(112)	2,040

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:

	1998 £'000	1997 £'000
Underwriting commitments	217	—
Placing commitments	652	360
	869	360



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Seventh Annual General Meeting of Aberforth Split Level Trust plc will be held at 14 Melville Street, Edinburgh on Tuesday, 25 August 1998 at 6.00 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 1998 be adopted.
2. That Mr D M C Michels, who retires by rotation, be re-elected as a Director.
3. That Ernst & Young 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

9 July 1998

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.

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