

Aberforth Split Level Trust plc

Annual Report and Accounts

30 June 1999





Company Number: 130668



■ INVESTMENT OBJECTIVE

"The objective of Aberforth Split Level Trust plc ('ASLeT') is to achieve a total return (with 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 1999

ASLeT*	**+13.1%**
Benchmark Index†	**+6.8%**

	30.06.99	01.07.98	Change
Unit Net Asset Value (capital only)	**444.3p**	405.8p	+9.5%
Benchmark Index (capital only)			+3.5%
Unit Price	**389.0p**	373.0p	+4.3%
Dividends	**13.0p**	12.25p	+6.1%

Historic Total Returns

	Discrete Annual Returns	
Period	**ASLeT***	**Index†**
1 year to 30 June 1999	13.1%	6.8%
1 year to 30 June 1998	16.1%	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 1999	**ASLeT***	**Index†**	**ASLeT***	**Index†**
2 years from 30 June 1997	14.6%	14.6%	31.4%	31.3%
3 years from 30 June 1996	10.4%	11.1%	34.5%	37.1%
4 years from 30 June 1995	15.5%	14.9%	78.0%	74.4%
5 years from 30 June 1994	14.4%	12.7%	96.0%	82.0%
6 years from 30 June 1993	14.1%	12.6%	120.4%	103.7%
7 years from 30 June 1992	15.9%	14.4%	180.6%	156.3%
8 years from 30 June 1991	16.2%	13.8%	231.9%	180.4%
8.1 years from inception on 14 May 1991	15.4%	12.7%	219.5%	164.8%

* Represents unit net asset value with net dividends reinvested since 2.7.97 prior to which gross dividends were reinvested.

† Represents capital appreciation on the Hoare Govett Smaller Companies Index (excluding investment trusts) with net dividends reinvested (prior to 1.1.97 in its "Extended" version and prior to 2.7.97 with gross dividends reinvested). This comprises the bottom 10% of all UK quoted companies by market value which at 1.1.99 included some 1,264 companies, the largest market capitalisation of which was £585m and the aggregate market capitalisation of which was £113 bn.



CHAIRMAN'S STATEMENT

PERFORMANCE

For the year to 30 June 1999 Aberforth Split Level Trust plc ("ASLeT") has outperformed its investment benchmark. In the year under review a total return of 13.1% was achieved which compares favourably with a total return of 6.8% from the Hoare Govett Smaller Companies Index (excluding investment trusts.) In addition, ASLeT also outperformed the recently created FTSE All-Small Index (excluding investment trusts) whose total return was 4.1%. The comparative performance of large companies, represented by the FTSE All-Share Index, was a total return of 10.1% over the same period.

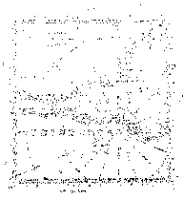
In reviewing the year, it is impossible to avoid some comment on the quite different investment performances between ASLeT's first and second halves. In the first half ASLeT's total return was a negative 16.0% while in the second half it turned into a positive 34.7%. Perhaps the only thing the two had in common was that ASLeT outperformed its benchmark index in both periods despite very different economic and stockmarket backgrounds, not the least of which was that smaller companies underperformed in the first half and outperformed in the second, in both cases by substantial margins. Your Managers' Report reviews the two periods in some detail.

Looking back over the longer term, it is gratifying to note that in the eight complete years since ASLeT's launch, it has now outperformed its benchmark index in six of those years. As Shareholders will recall, the two years of underperformance were those that preceded the year under review and therefore ASLeT's relatively significant outperformance this year is both especially pleasing and even perhaps to some a relief.

Last year, in my Statement to you, I indicated that your Board was 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. Your Board is pleased to report that your management team's composition has remained unchanged and that the consistent application of its "value investing" style has proved remunerative over the review period. Your Board is pleased to acknowledge that the consistency observed by your Managers, both in the application of their investment style and in the composition of the team, has been of major benefit to Shareholders.

DIVIDENDS

Your Board is pleased to announce an increase in this year's dividends to a total for the year of 13.00p per Income Share, up from 12.25p last year, representing an increase of 6.1%. This means that the fourth interim dividend will be 5.5p per Income Share, up from 4.9p last year, and will be paid on 3 September 1999 to holders of Income Shares on the Register on 30 July 1999. This increase is consistent with the underlying rate of dividend growth achieved by the companies held in the portfolio. While the rate of increase is less than that in the previous year, your Managers did forewarn this was the likely outcome given the subdued rate of nominal economic growth.



CHAIRMAN'S STATEMENT

GENERAL ISSUES

There are two non-investment related issues which merit being brought to the attention of Shareholders. The first is that your Board carefully considered contributing to the Association of Investment Trust Companies' forthcoming marketing campaign, the so-called "its" campaign. In concluding that it would not be appropriate to contribute, your Board considered solely whether this campaign is to be directed at potential investors of the type for which ASLeT was designed. Our conclusion was that this is not to be the case since the "its" campaign is aimed mainly at retail investors whereas ASLeT was set up to provide a service principally for institutional and wholesale investors. That is by no means to say that retail investors are in any way unwelcome but rather that the expenses involved in servicing the retail investor have always been limited.

The second issue is really one of clarification regarding ASLeT's capital structure. As Shareholders know, this comprises Capital and Income Shares only, although these are also traded as Units comprising one of each class of share. Indeed over two-thirds of ASLeT's shares are held in Unit form. Many so called split capital investment trusts also have, as part of their structure, a high level of gearing. Your Board has always believed that while it is one thing to employ gearing at the launch of a split capital investment trust when all investors can appreciate its impact on whatever class of share they may choose to own, it is quite another to introduce gearing at some later date. Balancing the costs, risks and rewards of gearing between Capital and Income Shareholders, your Board believes would be difficult to achieve. For this reason ASLeT has never been geared and it is not your Board's intention to deviate from this policy.

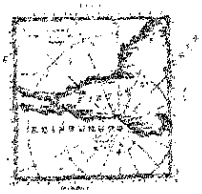
OUTLOOK

In concluding my Interim Statement to Shareholders in January of this year, I observed that the combination of easing monetary policy aimed at stimulating a recovery in economic growth combined with an active corporate market should encourage greater recognition of the attractive value offered by small companies. As it has turned out, this is very close to what has occurred since. There have, in addition, been two other important factors: the rise in long term interest rates and the strength of Sterling against the Euro. The first has served to provide assistance to your Managers' "value" investing style over "growth" investing. The second, however, continues to cause concern by virtue of the negative impact it has on the trading opportunities for many UK companies.

Despite the recent outperformance by smaller companies and the unhelpful weakness of the Euro, your Board believes that there remains plenty of scope for small companies to continue to outperform since the other factors mentioned above continue to work both in their and in ASLeT's favour.

Michael Walker

Michael J Walker
Chairman
14 July 1999



PORTFOLIO INFORMATION

FIFTY LARGEST INVESTMENTS

No.	Company	Valuation £'000	% of Total	Business Activity
1.	Cordiant Communications Group	4,517	3.3	Advertising agency
2.	Johnson Service Group	2,987	2.2	Textile rental and drycleaning
3.	Ascot	2,944	2.1	Engineering
4.	Johnston Press	2,870	2.1	Regional newspapers
5.	Waddington	2,848	2.1	Packaging and printing
6.	Birkby	2,578	1.9	Workspace management
7.	Wickes	2,573	1.9	DIY retailer
8.	British-Borneo Oil & Gas	2,478	1.8	Oil and gas exploration and production
9.	Norcros	2,415	1.8	Manufacture of ceramic tiles
10.	Macro 4	2,389	1.7	Computer software and services
11.	Holidaybreak	2,382	1.7	Holiday company
12.	Money Controls	2,352	1.7	Coin and note validation
13.	Trinity	2,225	1.6	Regional newspapers
14.	Marshalls	2,219	1.6	Manufacture of concrete building products
15.	Grantchester Holdings	2,216	1.6	Property
16.	Countrywide Assured Group	2,175	1.6	Insurance and estate agent
17.	Transport Development Group	2,150	1.6	Logistics
18.	Oasis Stores	2,090	1.5	Womenswear retailer
19.	Singer & Friedlander Group	2,047	1.5	Merchant bank
20.	Bandt	1,969	1.4	Scaffolding and industrial services
21.	Enterprise Inns	1,954	1.4	Tenanted pub operator
22.	New Look Group	1,923	1.4	Womenswear retailer
23.	Rosebys	1,852	1.3	Household textile and bed retailer
24.	Roxboro Group	1,852	1.3	Manufacture of electronic products
25.	Azlan Group	1,839	1.3	Computer networking: distribution, training and services
26.	Tops Estates	1,823	1.3	Property
27.	Fenner	1,779	1.3	Engineering
28.	Mowlem (John) & Co	1,731	1.3	Construction and other services
29.	Hewden-Stuart	1,691	1.2	Plant and tool hire
30.	Bryant Group	1,688	1.2	Housebuilding
31.	Delta	1,656	1.2	Manufacture of electrical products
32.	Celltech	1,613	1.2	Biotechnology
33.	Oxford Instruments	1,601	1.2	Manufacture of advanced instrumentation
34.	Pendragon	1,582	1.2	Motor retailing
35.	Lex Service	1,578	1.2	Auto related business services
36.	Baird (William)	1,572	1.1	Concession retailer and garment manufacturer
37.	Acal	1,531	1.1	Electronic component distribution
38.	Gerrard Group	1,530	1.1	Financial services
39.	Chapelthorpe	1,485	1.1	Manufacture of wallcoverings and fibres
40.	Avon Rubber	1,458	1.1	Rubber based automotive components

PORTFOLIO INFORMATION

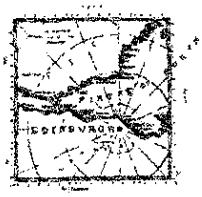
FIFTY LARGEST INVESTMENTS

No.	Company	Valuation £'000	% of Total	Business Activity
41.	Brewin Dolphin Holdings	1,409	1.0	Stockbroking and private client investment management
42.	Ellis & Everard	1,404	1.0	Chemical distribution
43.	Westbury	1,399	1.0	Housebuilding
44.	Fairey Group	1,389	1.0	Manufacture of process control equipment
45.	Grainger Trust	1,374	1.0	Property
46.	Wolverhampton & Dudley Breweries	1,336	1.0	Regional brewer and pub manager
47.	Brammer	1,310	1.0	Distribution of bearings
48.	Bellway	1,298	0.9	Housebuilding
49.	Perkins Foods	1,286	0.9	Manufacture of chilled and frozen food
50.	Cairn Energy	1,282	0.9	Oil and gas exploration and production
	Top Fifty Investments	97,649	70.9	
	Other Investments (59)	37,024	26.9	
	Total Investments	134,673	97.8	
	Net Current Assets	3,096	2.2	
	Total Assets less Liabilities	137,769	100.0	

FTSE Industry Classification Exposure Analysis

	← 30 June 1998 →				← 30 June 1999 →		
	Portfolio Weight	Portfolio Valuation	Net Purchases/ (Sales)	Net Appreciation/ (Depreciation)	**Portfolio Valuation**	**Portfolio Weight**	**Index Weight**
		£'000	£'000	£'000	**£'000**		
Resources	1%	527	3,016	1,672	**5,215**	**4%**	***3%***
Basic Industries	11%	14,086	2,539	4,825	**21,450**	**16%**	***16%***
General Industrials	18%	21,713	(3,620)	108	**18,201**	**14%**	***10%***
Cyclical Consumer Goods	7%	8,956	(1,184)	(1,799)	**5,973**	**4%**	***3%***
Non-cyclical Consumer Goods	10%	12,470	(1,937)	(641)	**9,892**	**7%**	***10%***
Cyclical Services	30%	36,483	6,700	4,490	**47,673**	**35%**	***37%***
Non-cyclical Services	1%	549	52	193	**794**	**1%**	***1%***
Utilities	1%	2,050	(893)	(244)	**913**	**1%**	***1%***
Information Technology	5%	6,647	(2,872)	1,498	**5,273**	**4%**	***5%***
Financials	16%	19,742	(2,816)	2,363	**19,289**	**14%**	***14%***
	100%	123,223	(1,015)	12,465	**134,673**	**100%**	***100%***

Note: HGSC Index weights at 30 June 1998 are not available. FTSE International implemented a major reclassification of industry sectors with effect from 1 April 1999.



MANAGERS' REPORT

In the twelve month period to 30 June 1999 ASLeT's assets have achieved a positive return significantly in excess of the investment benchmark. Small companies have underperformed their larger counterparts in the period despite a strong relative performance since the start of 1999. The salient statistics for the reporting period are detailed below.

Total Returns	12 months to 30 June 1999	6 months to 30 June 1999	6 months to 31 December 1998
ASLeT	+13.1%	+34.7%	–16.0%
HGSC (Ex ITs)	+6.8%	+30.3%	–18.0%
FTSE All-Small (ex ITs)	+4.1%	+31.1%	–20.6%
FTSE All-Share	+10.1%	+11.7%	–1.4%

As the table above shows, the twelve months may be characterised by two periods of contrasting fortunes for UK equities and the relative performance of small companies has represented a magnification of those underlying trends.

The environment for ASLeT in the opening half of its financial year was a difficult one; a consequence of both domestic and global considerations. Expectations of a soft landing for the UK economy were dealt a severe blow by the increase in base rates to 7.5% in June 1998. This action indicated that the Monetary Policy Committee perceived that the economy was growing too quickly and that wage pressures were inconsistent with the inflation target. This interest rate increase, combined with the expectation of more to follow, raised the spectre of recession and a consequential collapse in corporate profitability. The greater sensitivity of small companies to the performance of the domestic economy reversed the previously favourable trends of relative share price performance which had been in place since earlier in 1998.

Sentiment was further affected by the progressive worsening in the global economic environment. The deterioration in Asian economic performance served not only to dent expectations for corporate profitability in the USA but also questioned the integrity of the global banking system. Subsequently, financial collapse in Russia and solvency concerns for a number of hedge funds merely served to reinforce the troubled picture. With investors becoming increasingly concerned as to the risk of global deflation induced by collapsing demand and banking default, there was a desire to move portfolios towards high quality government bonds. Where equity exposure was retained there was a "flight to liquidity". Accordingly small company shares were candidates for sale and their relative illiquidity forced prices sharply downwards.

Towards the end of 1998 the reduction in global interest rates and receding fears of banking collapse encouraged investors to become rather more sanguine regarding the global economy. As investors sought to reduce the level of cash within portfolios, the shares of larger companies were the obvious purchases given their higher level of trading liquidity. Therefore in the second half of calendar 1998 the shares of small companies underperformed their larger peers both as markets fell and also as they rose.

MANAGERS' REPORT

Fortunately, 1999 has so far been in stark contrast to the second half of 1998. Globally equities have continued their rehabilitation, a trend in which the UK has participated, with the shares of small companies leading the way upwards. In the view of the Managers this reflects a number of considerations.

First, expectations for economic growth have been increased and it now looks as though the UK economy will have flirted with recession but ultimately avoided it. A process assisted by a 125 basis point reduction in base rates since the turn of the year. Small companies, in general, are more sensitive to the domestic economy and therefore it is entirely logical that they should benefit from the expectation of improving economic conditions.

Secondly, the shares of small companies were extremely inexpensive at the turn of the calendar year. Data available to the Managers showed that at the beginning of 1999 the investment universe was selling on a trailing price-earnings ratio of 10.4x and a net dividend yield of 3.55%, respectively representing a discount of 46% and a premium of 42% to the FTSE All-Share Index. As the likelihood of recession has receded and the expected pressure on corporate profits reduced, the prevailing levels of valuation have become increasingly compelling.

Thirdly, at a time of increasing investor interest, the available pool of small company shares has continued to shrink. Take-over activity, much of it cash financed, which has been a feature of the last two calendar years, has continued unabated and companies have continued to repurchase their own shares, a process given further impetus by the abolition of Advance Corporation Tax.

Historically, in periods when the shares of small companies have been popular, supply has risen to meet demand, through unquoted companies seeking a listing and existing listed companies raising additional funds through share issues to finance acquisitions and organic growth. To date supply has not increased significantly, with the new issue market remaining quiet and companies raising debt rather than equity. This trend is entirely consistent with the current environment of low interest rates and modest price-earnings multiples. The latter consideration being reinforced by a greater acceptance of the concept of "an efficient balance sheet" which emanates from across the Atlantic.

The managers of existing small company portfolios have therefore had cash to reinvest in the asset class. This has been as a result of the cash receipts from corporate activity at a time when the asset allocators within more general institutions have looked more favourably on small companies than they have for the previous two years. Given the immutable forces of supply and demand, share prices have been driven upwards. In the view of the Managers this environment is likely to remain in place for some time as they expect little increase in equity supply but anticipate that corporate activity will continue.

INVESTMENT PERFORMANCE

Shareholders will note from the panel on the previous page that ASLeT's assets achieved a return in excess of the investment benchmark in each six month period despite a very different stockmarket environment prevailing in each. The key factors which drove outperformance were investment style and corporate activity, considerations which are not readily separable.



MANAGERS' REPORT

INVESTMENT STYLE

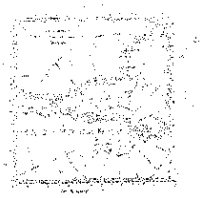
The Managers have in previous reports drawn attention to the fact that the stockmarket environment which prevailed between mid-1996 and mid-1998 was rather more favourable to a growth investment style than the value discipline which they favour. This pattern of performance was consistent with slowing economic activity making profit growth increasingly elusive. Accordingly, those companies which were able to sustain their rate of profit growth became more highly rated by investors. A process reinforced by declining long term interest rates. This decline reduces the discount rate applied to future profits, further assisting the valuation of growth companies where current profits are often modest in the context of expected future levels. The Managers do not dispute that some of the very highly rated growth companies are attractive businesses but the assumptions as to future profit growth and the level at which those profits are capitalised is excessive given natural competitive forces.

Conversely, the Managers' value style seeks to acquire shares in companies which are inexpensive in a given market environment when compared with their current or expected returns on capital and cash flow. This has led to the creation of a portfolio of companies with strong financial characteristics but lower levels of earnings growth or companies which will benefit disproportionately from an improvement in economic activity. As monetary policy was tightened and economic growth slowed companies of this type fared less well in a stockmarket context. Consequently, the divergence in valuation between the two populations of shares became extreme in an historic context.

Fortunately, over the last twelve months the environment has become progressively more helpful for a value investor for two reasons.

First, in the second half of calendar 1998 the concerns regarding the health of the global economy with regard to both future growth and the security of the banking system encouraged investors to shorten their time horizons. Hence, as investors lost confidence, there was a shift towards shares in companies whose returns were more weighted to the immediate future giving some relative support to shares with an above average yield and a lower price-earnings multiple. Conversely, growth companies where high rates of long term profit growth are required to justify the current valuation suffered as confidence declined and investment horizons were shortened. This environment was at its most powerful as markets sold off sharply in the autumn. Consequently, as a degree of confidence returned to financial markets at the tail end of the year, growth companies did stage something of a recovery. Over the second half of calendar 1998 the Managers believe that their investment style was neither a help nor a hindrance - a relative improvement on the environment which had prevailed for the previous two years.

Secondly, and more significantly, for 1999 to date, value has outperformed growth consistent with some greater optimism for economic recovery. Expectations for the global economy have recovered since the fourth quarter of last year and that has been accompanied by an upward movement in some commodity prices therefore banishing the spectre of deflation. Domestically, interest rates have been reduced, consumer optimism has recovered and economic growth looks as though it may recommence in the second half of 1999. Against this background investors have recognised that profit growth may be less elusive than in the recent past, encouraging them to look beyond the popular growth sectors of telecommunications and information technology and look more favourably on the more cyclical areas of the economy with housebuilders and retailers being relevant examples. Further, although short term interest rates have fallen, long term interest rates have risen consistent with rising expectations for



growth and inflation. This flattening of the yield curve impinges unfavourably on the valuation of growth companies as it encourages the use of a higher discount rate to future profits therefore reversing the favourable trend of the previous two years.

■ CORPORATE ACTIVITY

As previously stated the Managers' value style seeks to isolate shares in companies with favourable financial characteristics and market positions which are selling on valuations which are viewed as attractive. In many ways these are the same features which attract a corporate buyer, therefore at a time when value has been compelling corporate activity has been at high levels and has assisted the relative performance of ASLeT with 24 companies benefiting from acquisition by domestic or overseas competitors or leaving the stockmarket with the support of private equity investors. Although dangerous to generalise, it has been generally the case that, for companies capitalised in excess of £100m, corporate transactions have reflected industry consolidation on a global basis. On the other hand, for smaller index constituents the majority of transactions have reflected domestic consolidation or management taking advantage of the lack of institutional interest to take businesses out of the public arena.

Given the lack of institutional interest towards the smaller constituents of the investment universe, corporate activity has been a key driver of return in that segment of the market. For larger constituents of the investment universe, corporate activity has been of declining significance over the last six months as demand for shares from institutional investors has become a more important factor in driving returns. The Managers expect this environment to continue and, although very aware of the compelling value at the bottom end of the investment universe, it remains the case that corporate activity will continue to play a key part in unlocking that value. Accordingly, the market capitalisation distribution of the portfolio detailed below may be of interest to Shareholders.

Distribution of Portfolio by Market Capitalisation at 30 June	**1999**	1998
Over £600m	**8%**	4%
£500m–£600m	**2%**	1%
£400m–£500m	**9%**	2%
£300m–£400m	**12%**	13%
£200m–£300m	**17%**	10%
£100m–£200m	**31%**	27%
Under £100m	**21%**	43%
	100%	100%

Figures are percentages of total value of investments.



MANAGERS' REPORT

PORTFOLIO CONSIDERATIONS

Over the twelve months the pace of expansion of the economy has slowed to a virtual standstill and Sterling has not declined against the currencies of our European trading counterparts despite a substantial reduction in rates and a widening trade deficit. Clearly these are two issues of significance which have placed pressure on the trading performance of the investment universe. In the context of ASLeT's portfolio these pressures have been apparent particularly within the manufacturing and retailing sectors. However, with signs of both domestic and global recovery underway, it looks as though the period of maximum pressure on corporate profits may have passed.

With regard to dividends, the pressures noted above have resulted in some reductions in dividends paid or alternatively the maintenance of a dividend at a time of a reduction in profits, therefore reducing dividend cover. In such cases it is logical to expect that dividends will remain unchanged or increase less quickly than profits when fortunes improve. The growth in dividends declared to Income Shareholders has been 6.1% which, given the environment described, is viewed as satisfactory. Further, this level of dividend growth has not been generated through buying shares in companies with a higher yield financed by selling shares in companies with a lower yield, as the yield of the portfolio relative to the investment benchmark has actually declined over the twelve month period. This reduction of the "yield relative" should increase the level of dividend growth when compared with the level previously anticipated. However, this positive consideration requires to be tempered by the fact that the current environment of low nominal economic growth must impinge on the future dividend performance of UK equities.

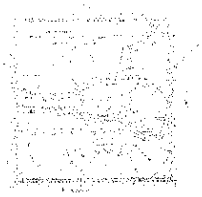
INVESTMENT OUTLOOK

The investment environment has demonstrated a significant improvement since the problems of the second half of last year. Global recovery looks to be underway, although it remains of concern that much of the economic momentum is being provided by the USA which continues to grow at an unsustainable rate, increasing the possibility of the Federal Reserve tightening monetary policy further.

Surveys indicate that recovery in the UK should become apparent in the second half of 1999 and inflationary pressures are far less of an issue than twelve months ago. Despite the significant reduction in short term interest rates, Sterling remains strong against the currencies of our European trading partners despite the much vaunted creation of the Euro. It would appear that this may persist until there is evidence of improved levels of economic activity within Continental Europe.

Against this background, currency considerations aside, small UK quoted companies appear to be relatively well placed for the following reasons.

- As a consequence of its sectoral composition the small company universe is more sensitive to changes in the level of economic activity, at a time when these expectations are rising.



MANAGERS' REPORT

- Industry consolidation remains a powerful global trend and therefore takeover activity is likely to continue. However, the absolute levels may reduce somewhat as corporate buyers find greater competition from stockmarket investors. Further, on a shorter term note, it is anticipated that activity may decline sharply towards the calendar year end given Y2K or Millennium "bug" concerns.

- Relative value remains attractive despite the recent outperformance by small companies. At 30 June 1999 small companies were selling on a trailing price-earnings ratio of 14.2x and a net dividend yield of 2.76%, respectively representing a discount of 32% and a premium of 22% to the FTSE All-Share Index. Further, ASLeT's portfolio represents even better value than the investment universe and consists of shares in companies well placed to benefit from rising economic activity with strong financial characteristics and market positions. Some salient characteristics of the portfolio are detailed below.

Portfolio Characteristics as at 30 June	**1999**	1998
Number of Companies in the Portfolio	**109**	140
Weighted Average Market Capitalisation	**£259.0m**	£177.7m
Price Earnings Ratio (Historic)	**13.1x**	13.5x
Net Dividend Yield (Historic)	**3.2%**	3.4%
Dividend Cover (Historic)	**2.4x**	2.2x

- The high absolute returns achieved by the shares of large companies over the last three years has been primarily driven by expanding price-earnings multiples as long term interest rates have declined. It now looks as though this process has substantially run its course and therefore investors may be forced to seek out value in an environment where future nominal stockmarket returns are likely to be lower.

Aberforth Partners
Managers
14 July 1999



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 1999 ASLeT had in issue 31,006,286 Income Shares and 31,006,286 Capital Shares, of which approximately 9,623,000 of each class are dealt in separately on the London Stock Exchange. Approximately 21,383,000 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 1999 the middle market price of an Income Share was 77p.**

Details of dividends are as follows:—

			Year Ending 30 June							
	Announced	*Paid*	*1992*	*1993*	*1994*	*1995*	*1996*	*1997*	*1998*	*1999*
Total (excluding special)			**9.0p**	**8.4p**	**8.45p**	**8.6p**	**9.2p**	**10.75p**	**12.25p**	**13.00p**
First Interim	Oct	Dec	2.0p	2.0p	2.0p	2.0p	2.1p	2.25p	2.45p	2.50p
Second Interim	Jan	Mar	2.0p	2.0p	2.0p	2.0p	2.1p	2.25p	2.45p	2.50p
Third Interim	Apr	Jun	2.0p	2.0p	2.0p	2.0p	2.1p	2.25p	2.45p	2.50p
Fourth Interim	Jul	Sept	3.0p	2.4p	2.45p	2.6p	2.9p	4.00p	4.90p	5.50p
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 1999 the net asset value of a Capital Share was 431.4p and its middle market price was 312.5p.**

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 (63) (Chairman) (Appointed April 1991)

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 a Director of Lothian Health Board and was formerly the Chairman of the Western General Hospital NHS Trust and a Trustee of the Trustee Savings Bank of South of Scotland.

Alastair C Dempster (59) (Appointed April 1991)

Alastair Dempster is Chairman of the Scottish Sports Council, Waddies Print Group and the Scottish Community Foundation. He was formerly Chief Executive of Lloyds TSB Scotland plc.

David M C Michels (52) (Appointed October 1994)

David Michels is Chief Executive of Hilton International CO. and a Director of Hilton Group plc, which owns and operates Hilton International hotels and Ladbroke Betting & Gaming. He is also a member of the Scottish Tourist Board.

Sir Fraser Morrison, CBE (51) (Appointed April 1991)

Sir Fraser Morrison is Executive Chairman of Morrison Construction Group plc, a listed company involved with property development and construction. He is also Vice-Chairman of Clydesdale Bank plc.

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

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

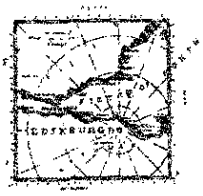
Clydesdale Bank plc
30 St Vincent Place
Glasgow G1 2HL

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



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.

REPORT BY THE AUDITORS

TO THE MEMBERS OF ABERFORTH SPLIT LEVEL TRUST PLC

We have audited the accounts on pages 19 to 30 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 pages 22 and 23.

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report including, as described above, the accounts. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange and by our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law or the Listing Rules regarding Directors' remuneration and transactions with the Company is not disclosed.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

We review whether the statement on pages 16 and 17 reflects the Company's compliance with those provisions of the Combined Code specified for our review by the Stock Exchange, and we report if it does not. We are not required to form an opinion on the effectiveness of either the Company's corporate governance procedures or its internal controls.

Basis of audit 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.

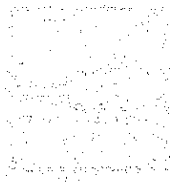
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. 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 1999 and of its net revenue for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young Ernst & Young
Registered Auditor

Edinburgh
14 July 1999



REPORT OF THE DIRECTORS

The Directors have pleasure in submitting the Eighth Annual Report and Accounts of the Company for the year to 30 June 1999.

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 1998. 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		4,194
First interim dividend of 2.50p per Income Share paid 4 December 1998	775	
Second interim dividend of 2.50p per Income Share paid 6 April 1999	775	
Third interim dividend of 2.50p per Income Share paid 4 June 1999	775	
Fourth interim dividend of 5.50p per Income Share payable 3 September 1999	1,706	(4,031)
Transferred to revenue reserve		163

The fourth interim dividend will be paid on 3 September 1999 to Income Shareholders on the Register at close of business on 30 July 1999.

No final dividend will be declared in respect of the year ended 30 June 1999.

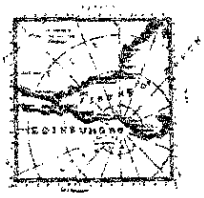
DIRECTORS

The Directors who held office during the year and their interests in the Shares of the Company as at 30 June 1999 and 30 June 1998 were as follows:

		Income Shares		Capital Shares	
		1999	1998	**1999**	1998
M J Walker	Beneficial	**10,126**	10,126	**49,926**	24,626
A C Dempster	Beneficial	**2,500**	2,500	**12,764**	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 1999 and 14 July 1999.

In accordance with the Company's Articles of Association and the Board resolution referred to below under "Corporate Governance" Mr Walker and Sir Fraser Morrison retire as Directors at the Annual General Meeting to be held on 25 August 1999. Both Mr Walker and Sir Fraser Morrison, whose biographical details are shown on page 13, are eligible and offer themselves for re-election. Sir Fraser Morrison is a Director of Clydesdale Bank plc which acts as custodian banker to the Company.



REPORT OF THE DIRECTORS

CORPORATE GOVERNANCE – THE COMBINED CODE OF BEST PRACTICE

Directors

The Board of Directors comprises four wholly independent non-executive Directors of which Mr Walker acts as Chairman on all matters considered by the Board. The Company has no executive Directors nor any employees, however the Board has engaged external firms to undertake the investment management, secretarial and custodial activities of the Company. Clear documented contractual arrangements are in place between the Company and these firms which set out the areas where the Board has delegated authority to them. The Board as a whole constitutes and performs the functions of a Management Engagement Committee and at least once a year formally reviews the terms of the agreements with the Managers and Secretaries. The Board meets quarterly to review the overall business of the Company and to consider the matters specifically reserved for it to decide on. Detailed information is provided by the Managers and Secretaries for these meetings which enable the Directors to 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.

As the Board is small there is no formal Nomination Committee and appointments of new Directors are considered by the Board as a whole. New Directors are subject to election by Shareholders at the first Annual General Meeting after their appointment and thereafter at least at every third subsequent Annual General Meeting. This policy has been adopted by Board Resolution. In light of the Company's limited duration, the Board does not consider it appropriate that Directors be appointed for a specified term. Directors may seek independent professional advice at the expense of the Company.

Directors' Remuneration

Directors' remuneration comprises solely of Directors' fees, details of which are shown in note 5 of the Accounts. No Director has a contract of service with the Company.

Relations with Shareholders

The Company was formed and continues to invest in a portfolio of small UK quoted companies managed by Aberforth Partners for the benefit of its Shareholders who are predominately financial institutions. The Managers meet most of the institutional Shareholders twice a year and give them a detailed report on the progress of the Company. Directors of the Company have also met the large institutional Shareholders and are always available to enter into dialogue with any Shareholder. All Shareholders have the opportunity to attend and vote at the Annual General Meeting during which the Directors and Managers are available to discuss key issues affecting the Company.

Accountability and Audit

The Company reports formally to Shareholders twice a year by way of the Annual Report and Accounts and the Interim Report. As mentioned above, the Managers meet major Shareholders regularly to update them and in addition net asset value and performance data are made available on a monthly basis.

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. At least once a year the Directors consider the Company's internal financial controls and receive reports from the firms to which services are subcontracted 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 Directors await further guidance before commenting formally on non-financial internal controls. The Board as a whole constitutes and performs the functions of an Audit Committee and specifically considers the financial reporting by the Company, the internal control principles adopted and the relationship with the Company's auditors.



REPORT OF THE DIRECTORS

Voting Policy

Being an investment trust, the Company is a significant shareholder in over 100 small companies listed on the London Stock Exchange. The Company has given discretionary voting powers to the Investment Managers, Aberforth Partners. Aberforth Partners exercise these voting rights on every resolution which is put to shareholders of the investments owned by the Company. Each resolution is considered individually and votes are cast as the Managers see fit.

Compliance with the Provisions of The Combined Code

Subject to the special circumstances of the Company as an investment trust and the exceptions explained above, the Company has complied with the provisions of The Combined Code during the financial year.

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. The Directors consider that, given the Managers' partnership structure, this fee basis provides an adequate performance-related incentive. Aberforth Partners also receive a quarterly secretarial fee, payable in advance, amounting to £12,247 (excluding VAT) during the year to 30 June 1999. 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 14 July 1999.

Income Shares of 10p	**% Held**
Legal & General	7.4
Geared Income Investment Trust	5.7
Halifax Fund Management	4.3
Liverpool Victoria Insurance	4.0
Royal & Sun Alliance Insurance Group	3.9
Guardian Assurance	3.4
Prudential Corporation	3.3
BFS Income & Growth Trust	3.1
Newton Exempt Fund	3.1

Capital Shares of 10p	**% Held**
Legal & General	7.4
Royal & Sun Alliance Insurance Group	6.9
Halifax Fund Management	4.3
National Provident Institution	4.3
Liverpool Victoria Insurance	4.0
Guardian Assurance	3.4
Prudential Corporation	3.3
Newton Exempt Fund	3.1

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. 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 has sought and received assurances from advisers and significant suppliers that they are formulating appropriate strategies to deal with the problem. 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.



REPORT OF THE DIRECTORS

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. The Company's shares are eligible for inclusion in an ISA.

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
14 July 1999

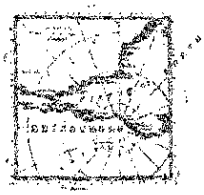
STATEMENT OF TOTAL RETURN

(INCORPORATING THE REVENUE ACCOUNT*) FOR THE YEAR ENDED 30 JUNE 1999

	Notes	1999 Revenue £'000	1999 Capital £'000	1999 Total £'000	1998 Revenue £'000	1998 Capital £'000	1998 Total £'000
Gains/(losses) on investments	9	—	12,465	12,465	—	14,524	14,524
Income	2	5,454	—	5,454	5,438	—	5,438
Investment management fee	3	(400)	(668)	(1,068)	(414)	(689)	(1,103)
Other expenses	4	(165)	—	(165)	(156)	—	(156)
Return on ordinary activities before tax		4,889	11,797	16,686	4,868	13,835	18,703
Tax on ordinary activities	6	(695)	—	(695)	(886)	8	(878)
Return attributable to non-equity shareholders		4,194	11,797	15,991	3,982	13,843	17,825
Dividends in respect of non-equity shares	7	(4,031)	—	(4,031)	(3,798)	—	(3,798)
Transfer to reserves		163	11,797	11,960	184	13,843	14,027
Returns per non-equity interest							
Income Share	8	13.53p	—	13.53p	12.84p	—	12.84p
Capital Share	8	—	38.05p	38.05p	—	44.65p	44.65p
Unit							
(One Income Share plus one Capital Share)	8	13.53p	38.05p	51.58p	12.84p	44.65p	57.49p

*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 1999

	Note	1999 £'000	1998 £'000
FIXED ASSETS: INVESTMENTS			
Securities Listed on the London Stock Exchange:			
UK Ordinary Shares		**133,580**	122,141
UK Convertible Securities		**1,093**	1,082
Total Investments	9	**134,673**	123,223
Current Assets			
Debtors	10	**2,923**	2,150
Cash at bank		**3,517**	2,040
		6,440	4,190
Creditors (amounts falling due within one year)	11	**(3,344)**	(1,604)
Net Current Assets		**3,096**	2,586
TOTAL ASSETS LESS CURRENT LIABILITIES		**137,769**	125,809
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	**45,622**	40,185
Capital reserve—unrealised	13	**14,965**	8,605
Revenue reserve	13	**889**	726
	14	**137,769**	125,809
NET ASSET VALUES	19		
PER INCOME SHARE		**12.9p**	12.3p
PER CAPITAL SHARE		**431.4p**	393.5p
PER UNIT (being one Income Share plus one Capital Share)		**444.3p**	405.8p

Michael Walker.

Approved by the Board of Directors on 14 July 1999 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 1999

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

	1999 £'000	1998 £'000
Revenue before taxation	**4,889**	4,868
Scrip dividends	**(37)**	—
Tax withheld from income on investment	**(704)**	(944)
Investment management fee charged to capital	**(668)**	(689)
(Increase)/decrease in debtors	**(138)**	164
Increase/(decrease) in creditors	**1**	(4)
Net cash inflow from operating activities	**3,343**	3,395

CASH FLOW STATEMENT

	Note		
Net cash inflow from operating activities		**3,343**	3,395
Returns on investments and servicing of finance	15	**(3,844)**	(3,519)
Taxation	15	**67**	122
Capital expenditure and financial investment	15	**1,911**	(110)
Increase/(decrease) in cash		**1,477**	(112)

Reconciliation of net cash flow to movement in net funds	16		
Increase/(decrease) in cash in the year		**1,477**	(112)
Change in Net Funds		**1,477**	(112)
Net Funds at 1 July 1998		**2,040**	2,152
Net Funds at 30 June 1999		**3,517**	2,040

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.

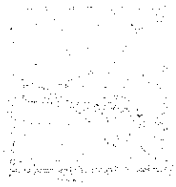
— expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment.

— 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 in the year is written off, except when recoverability is considered to be reasonably certain. 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.

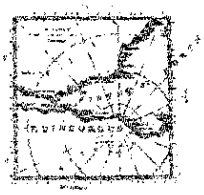
The following are accounted for in this reserve:

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

2 INCOME

	1999 £'000	1998 £'000
Income from investments		
Franked investment income (see note below)	**4,666**	4,677
UK unfranked investment income	**43**	43
Foreign income dividends	**403**	437
Scrip dividends	**75**	—
	5,187	5,157
Other income		
Deposit interest	**266**	273
Underwriting commission	**1**	8
	267	281
Total income	**5,454**	5,438
Total income comprises:		
Dividends	**5,144**	5,114
Interest	**309**	316
Other income	**1**	8
	5,454	5,438
Income from investments:		
Listed UK	**5,187**	5,157

Note: With effect from 6 April 1999 the tax credit included in franked investment income has reduced from 20% to 10%.



NOTES TO THE FINANCIAL STATEMENTS

3 INVESTMENT MANAGEMENT FEE

	1999			1998		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Investment management fee	**400**	**668**	**1,068**	414	689	1,103

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

	1999	1998
	£'000	£'000
Secretarial services	**58**	55
Directors' fees (Note 5)	**36**	35
Auditor's fees—for audit services	**7**	6
—for non-audit services	**1**	—
Other	**63**	60
	165	156

5 DIRECTORS' FEES

The emoluments of the Chairman were £10,700 (1998—£10,250) for the year. The emoluments of each of the other Directors were £8,560 (1998—£8,200) for the year.

NOTES TO THE FINANCIAL STATEMENTS

6 TAXATION

	1999			1998		
	Revenue £'000	**Capital** £'000	**Total** £'000	Revenue £'000	Capital £'000	Total £'000
Tax attributable to franked investment income	**695**	—	**695**	935	—	935
Recoverable tax credits—s.242 claim	—	—	—	(49)	(8)	(57)
	695	—	**695**	886	(8)	878

7 DIVIDENDS

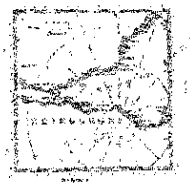
	1999	1998
	£'000	£'000
Income Shares		
First interim paid—2.50p (1998—2.45p)	**775**	760
Second interim paid—2.50p (1998—2.45p)	**775**	759
Third interim paid—2.50p (1998—2.45p)	**775**	760
Fourth interim payable—5.50p (1998—4.90p)	**1,706**	1,519
	4,031	3,798

8 RETURNS PER NON-EQUITY SHARES

	1999			1998		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
Income share	**13.53p**	—	**13.53p**	12.84p	—	12.84p
Capital share	—	**38.05p**	**38.05p**	—	44.65p	44.65p

The revenue return per Income Share is based on the net revenue on ordinary activities after taxation of £4,194,000 (1998—£3,982,000) 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 £11,797,000 (1998—£13,843,000) 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	114,618
Opening unrealised appreciation	8,605
Opening valuation	123,223
Movements in the year:	
Purchases at cost	72,455
Sales—proceeds	(73,470)
—realised gains on sales	6,105
Increase in unrealised appreciation	6,360
Closing valuation	134,673
Closing book cost	119,708
Closing unrealised appreciation	14,965
Closing valuation	134,673

	1999 £'000	1998 £'000
Realised gains on sales	**6,105**	10,651
Increase in unrealised appreciation	**6,360**	3,873
Gains/(losses) on investments	**12,465**	14,524

10 DEBTORS

	1999 £'000	1998 £'000
Amounts due from brokers	**1,988**	1,230
Investment income receivable	**915**	781
ACT recoverable	**—**	65
Other tax recoverable	**9**	67
Other debtors	**11**	7
	2,923	2,150

NOTES TO THE FINANCIAL STATEMENTS

11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999	1998
	£'000	£'000
Amounts due to brokers	**1,617**	—
Fourth interim dividend	**1,706**	1,519
ACT on dividend	**—**	65
Other creditors	**21**	20
	3,344	1,604

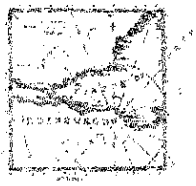
12 SHARE CAPITAL

	At 30 June 1999		At 30 June 1998	
	No. of		No. of	
Authorised:	**Shares**	**£'000**	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

In accordance with the requirements of Financial Reporting Standard No. 4, all classes of the Company's shares are defined as "non-equity". However, in the opinion of the Directors, the income and capital shares are in aggregate the true equity of the Company.

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	40,185	8,605	726
Net gain on realisation of investments	—	—	6,105	—	—
Increase in unrealised appreciation	—	—	—	6,360	—
Management fee charged to capital	—	—	(668)	—	—
Retained net revenue for the year	—	—	—	—	163
End of year	24,543	45,549	45,622	14,965	889



NOTES TO THE FINANCIAL STATEMENTS

14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1999 £'000	1998 £'000
Opening shareholders' funds	**125,809**	111,782
Total recognised gains and losses before dividends	**15,991**	17,825
Dividends in respect of Income Shares	**(4,031)**	(3,798)
Closing shareholders' funds	**137,769**	125,809
Attributable to Income Shareholders	**3,990**	3,827
Attributable to Capital Shareholders	**133,779**	121,982
	137,769	125,809

15 GROSS CASH FLOWS

	1999 £'000	1998 £'000
Returns on investment and servicing of finance		
Non-equity dividends paid	**(3,844)**	(3,519)
Taxation		
UK tax paid	**(86)**	(30)
UK tax recovered	**153**	152
	67	122
Capital expenditure and financial investment		
Payments to acquire investments	**(70,801)**	(56,459)
Receipts from sales of investments	**72,712**	56,349
	1,911	(110)

16 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 July 1998 £'000	Cash flows £'000	At 30 June 1999 £'000
Cash at bank	**2,040**	**1,477**	**3,517**

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:

	1999 £'000	1998 £'000
Underwriting commitments	**—**	217
Placing commitments	**—**	652
	—	869

NOTES TO THE FINANCIAL STATEMENTS

18 FINANCIAL INSTRUMENTS —FRS 13 DISCLOSURES

The Company's financial instruments comprise its investment portfolio (see note 9 and pages 4 and 5), cash balances, debtors and creditors that arise directly from its operations such as sales and purchases awaiting settlement and accrued income. The disclosures below exclude short-term debtors and creditors.

The main risks that the Company faces arising from its financial instruments are i) interest rate risk; and ii) market price risk, being the risk that the value of investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate or currency rate movement. Since the Company invests in UK equities, currency risk is not significant.

(i) Interest rate risk

When the Company decides to hold cash balances, all balances are held on variable rate bank accounts yielding rates of interest linked to bank base rate which was 5.0% as at 30 June 1999. The Company's policy is to hold ordinary securities and not usually to invest in fixed rate securities.

(ii) Market risk

The Company's investment portfolio is exposed to market price fluctuations which are monitored by the investment managers in pursuance of the investment objective. Further information on the investment portfolio is set out in the Managers' Report on pages 6 to 11, which is not subject to audit. The Managers do not use derivatives to manage portfolio risk.

The Company held the following categories of financial instruments at 30 June 1999:

	Book Value £'000	**Fair Value £'000**
Financial Assets		
Investment Portfolio	134,673	134,673
Cash at bank	3,517	3,517
Financial Liabilities		
Income Shares	3,101	23,875
Capital Shares	3,101	96,895

The investment portfolio consists of listed investments, which are valued at mid-market price.

The "fair values" of the income and capital shares are based on quoted market prices at 30 June 1999.

The Company has overdraft facilities with Clydesdale Bank PLC and Bank of Scotland for £5,000,000 in aggregate at an interest rate of 0.75% per annum over base rate. At the balance sheet date neither of these facilities were drawn down and both expire within one year.

The Company is a split capital investment trust. In the Directors' opinion the Income and Capital Shares are in aggregate the true equity of the Company although they must be disclosed as "non-equity" share capital (see note 12). The Shares are sterling denominated and further details of the rights attaching to them are given in the "Capital Structure" section on page 12.



NOTES TO THE FINANCIAL STATEMENTS

19 NET ASSET VALUE PER SHARE

Net asset value per Income Share is based on net assets attributable to Income Shares of £3,990,000 (1998: £3,827,000) and on 31,006,286 Income Shares in issue at 30 June 1999 (1998: 31,006,286).

Net asset value per Capital Share is based on net assets attributable to Capital Shares of £133,779,000 (1998: £121,982,000) and on 31,006,286 Capital Shares in issue at 30 June 1999 (1998: 31,006,286).

The movements during the year of the assets attributable to each class of share were as follows:

	Income Shares £'000	Capital Shares £'000	Total £'000
Total net assets attributable at beginning of year	3,827	121,982	125,809
Return on ordinary activities after taxation	4,194	11,797	15,991
Dividends	(4,031)	–	(4,031)
Total net assets attributable at end of year	3,990	133,779	137,769

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Eighth Annual General Meeting of Aberforth Split Level Trust plc will be held at 14 Melville Street, Edinburgh on Wednesday, 25 August 1999 at 6.30 p.m. for the following purposes:

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

1. That the Report and Accounts for the year to 30 June 1999 be adopted.
2. That Mr M J Walker be re-elected as a Director.
3. That Sir Fraser Morrison be re-elected as a Director.
4. 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

14 July 1999

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.

Pillans & Wilson Greenaway, Edinburgh. 13907

FORM OF PROXY

I/We ..... BLOCK CAPITALS

of ..... PLEASE

being (a) member(s) of Aberforth Split Level Trust plc ("the Company") hereby appoint the Chairman of the Meeting or (see Note 1).....

of .....

as my/our Proxy generally to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 14 Melville Street, Edinburgh on Wednesday, 25 August 1999 and at any adjournment thereof.

My/our proxy is to vote as indicated by an 'X' below in respect of the Resolutions set out in the Notice of Meeting (see Note 2):

Resolutions	*For*	*Against*
Ordinary Business 1. That the Report and Accounts for the year to 30 June 1999 be adopted		
2. That Mr M J Walker be re-elected as a Director		
3. That Sir Fraser Morrison be re-elected as a Director		
4. That Ernst & Young be re-appointed as Auditors and that the Directors be authorised to determine their remuneration		

Signed or sealed (see Note 3)..... Date .....

Notes:

1. If it is desired to appoint any other person(s) as proxy, the words 'the Chairman of the Meeting or' should be struck out and the name(s) and address(es) of the other person(s) inserted in block letters in the space provided. A proxy need not be a holder of Income Shares or Capital Shares. Any alteration or deletion must be signed or initialled.
2. The manner in which the proxy is to vote should be indicated by inserting an 'X' in the relevant box marked 'For' or 'Against'. If no such indication is given, the proxy will vote or abstain at his discretion. The proxy will act at his discretion in relation to any other business arising at the Meeting (including any resolution to adjourn the Meeting).
3. In the case of a corporation, this form of proxy should be either given under its seal or signed on its behalf by an attorney or duly authorised officer. In the case of joint holders, the signature of any one of them will suffice, but the names of all joint holders should be shown.
4. Use of this form of proxy does not preclude a holder of Income Shares or Capital Shares from attending the Meeting and voting in person.
5. To be valid, this form of proxy must be lodged with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power or authority, at the offices of the Company's Registrars, Northern Registrars Limited, Northern House, Penistone Road, Fenay Bridge, Huddersfield HD8 0LA, no later than 6.30 pm on 23 August 1999.

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BUSINESS REPLY SERVICE
Licence No HF106

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NORTHERN REGISTRARS LIMITED
NORTHERN HOUSE
PENISTONE ROAD
FENAY BRIDGE
HUDDERSFIELD HD8 0JQ

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