Signed

Aberforth Split Level Trust plc

Annual Report and Accounts

30 June 2003



Company Number: 130668



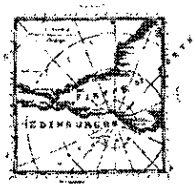
INVESTMENT OBJECTIVE

"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 Companies) over the long term by investing in a diversified portfolio of small UK quoted companies."

ASLeT invests only in small UK quoted companies and does not invest in any unquoted securities, AIM listed securities or securities issued by investment trusts or investment companies. It does not employ gearing in its capital structure.

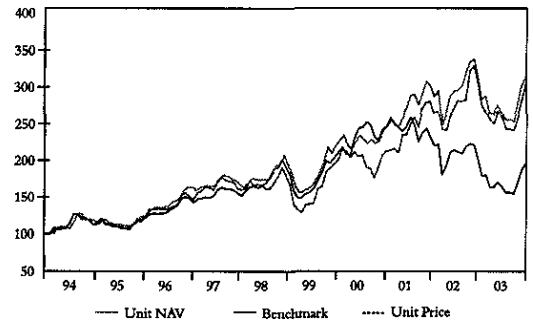
CONTENTS

Ten Year Investment Record	2
Company Summary	3
Year's Summary	6
Directors and Corporate Information	8
Information on Aberforth Partners	9
Chairman's Statement	10
Managers' Report	12
Portfolio Information	17
Long-Term Record	20
Directors' Responsibility Statement	22
Independent Auditors' Report	22
Directors' Remuneration Report	24
Report of the Directors	26
Statement of Total Return	30
Balance Sheet	31
Cash Flow Statement	32
Notes on the Accounts	33
Shareholder Information	42
Notice of Annual General Meeting	44

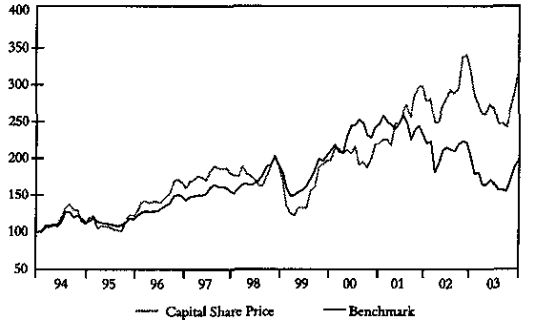


TEN YEAR INVESTMENT RECORD

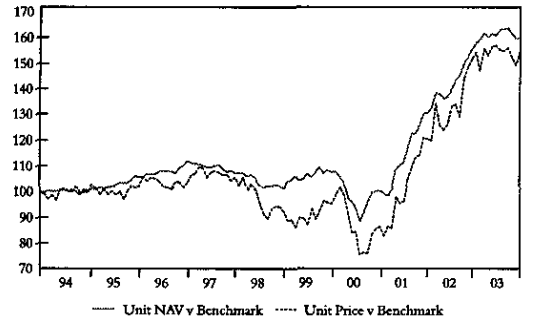
Unit Absolute Performance
(figures are total returns and have been rebased to 100 at 1 July 1993)



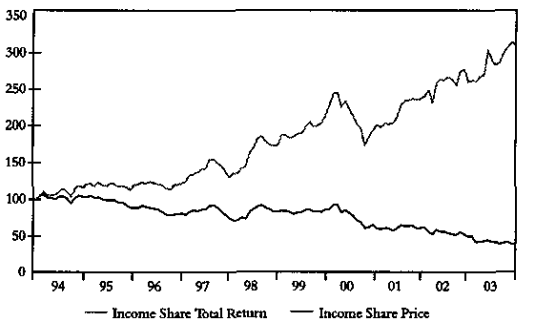
Capital Share Absolute Performance
(figures are total returns and have been rebased to 100 at 1 July 1993)



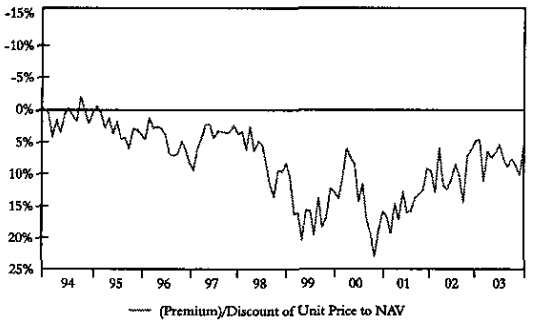
Unit Relative Performance
(figures are total returns and have been rebased to 100 at 1 July 1993)



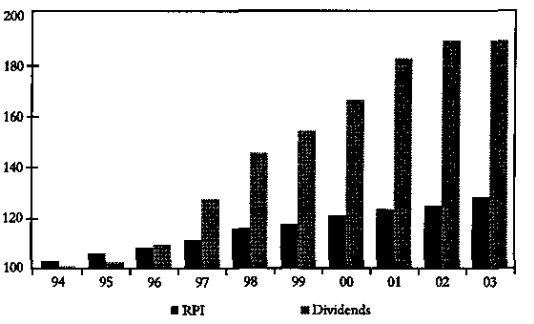
Income Share Absolute Performance
(figures are total returns and have been rebased to 100 at 1 July 1993)



(Premium)/Discount
(being the % difference between Unit Price and NAV)



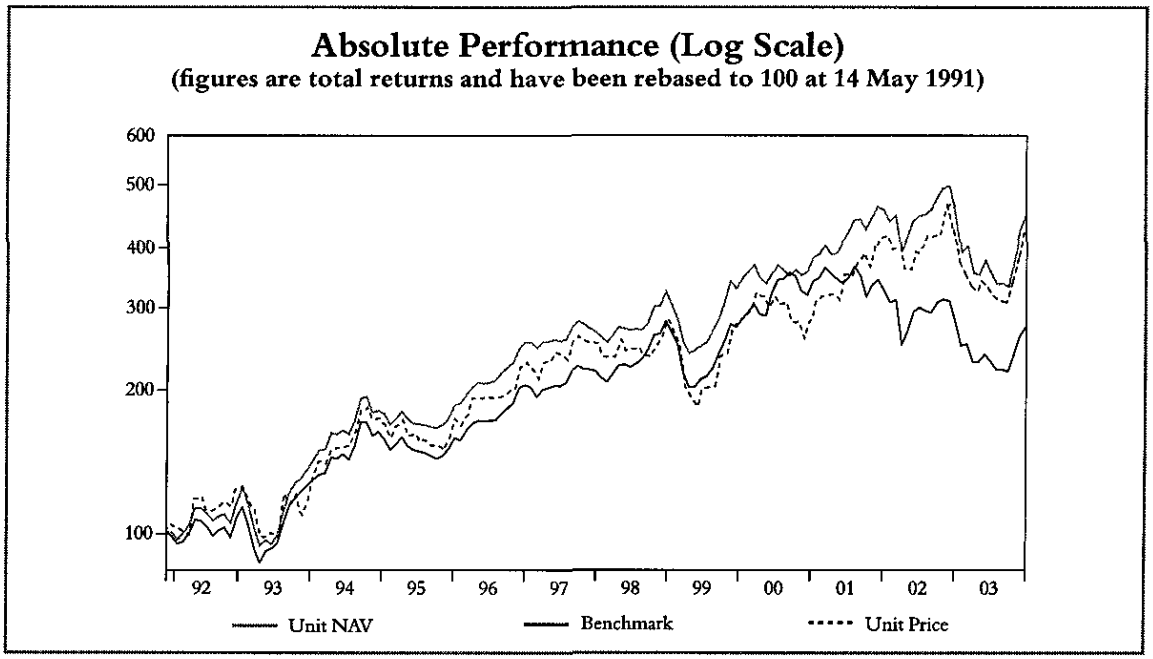
Dividends and RPI growth
(figures have been rebased to 100 at 1 June 1993)





COMPANY SUMMARY

PERFORMANCE SINCE INCEPTION ON 14 MAY 1991

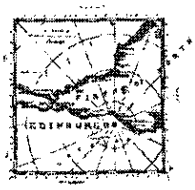


BENCHMARK INDEX

The Company's performance is measured against the total return on the Hoare Govett Smaller Companies Index (Excluding Investment Companies). This comprises the bottom 10% of all UK quoted companies by market value which at 1 January 2003 included some 858 companies, the largest market capitalisation of which was £614m and the aggregate market capitalisation of which was £90bn.

RISK

The Board believes that the Company has a relatively low risk profile in the context of the investment trust industry. This belief arises from the following factors: the Company has a relatively simple capital structure; it invests only in small UK quoted companies; it has never been geared and does not intend to employ any gearing; it has never been exposed to derivatives and does not intend any such exposure; and it outsources all its main operational activities to recognised, well-established firms. Investment in small companies is generally perceived to carry more risk than investment in large companies. While this is correct when comparing individual companies, it is much less so when comparing the volatility of returns from diversified portfolios of small and large companies. The Board believes the Company's portfolio is diversified. In addition, since the correlation of returns from small and large companies is low, there is an opportunity for investors to reduce risk by holding portfolios of both small and large companies together.



COMPANY SUMMARY

MANAGEMENT FIRM

Aberforth Partners is contracted as the Investment Managers and Secretaries to the Company. Both of these contracts can be terminated by either party at any time by giving six months' notice of termination. Aberforth Partners managed over £1.1 billion (as at 30 June 2003) invested in small UK quoted companies and further information on the firm is set out on page 9.

MANAGEMENT AND SECRETARIAL FEES

The Company pays a quarterly management fee, in advance, equal to 0.2% of the total net assets of the Company at the end of each calendar quarter. This equates to an annual fee of approximately 0.8%. However, the total fee paid each year may be slightly higher or lower than 0.8% depending on movements in the value of the Company's assets during the year. The total fee paid for the year to 30 June 2003 was £1,246,000, equal to 0.69% of the Company's total net assets at 30 June 2002 and of this 62.5% was charged to capital and 37.5% to the revenue account. The Company also pays a quarterly secretarial fee, in advance, of £13,199, equal to an annual fee of £52,794. This fee is adjusted annually in line with the Retail Prices Index. Both these fees are subject to Value Added Tax which is irrecoverable by the Company.

SHAREHOLDERS' FUNDS AND MARKET CAPITALISATION

At 30 June 2003	**Total**	**Capital Shares**	**Income Shares**
Shareholders' Funds	£173.3m	£170.2m	£3.1m
Market Capitalisation	£166.1m	£155.5m	£10.6m

CAPITAL STRUCTURE

Summary

ASLeT has a split 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 2003 ASLeT had in issue 31,006,286 Income Shares and 31,006,286 Capital Shares, of which approximately 16,836,000 of each class are dealt in separately on the London Stock Exchange. Approximately 14,170,000 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. Also, 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.



COMPANY SUMMARY

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.

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. 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). Further information is contained in the Chairman's Statement.

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

ISA STATUS

Each of the Company's listed securities are eligible for inclusion in the "Stocks and Shares" component of an Individual Savings Account.

PEP STATUS

Each of the Company's listed securities qualifies for investment in a Personal Equity Plan and the Company intends to maintain this qualification.

AITC

The Company is a member of the Association of Investment Trust Companies.

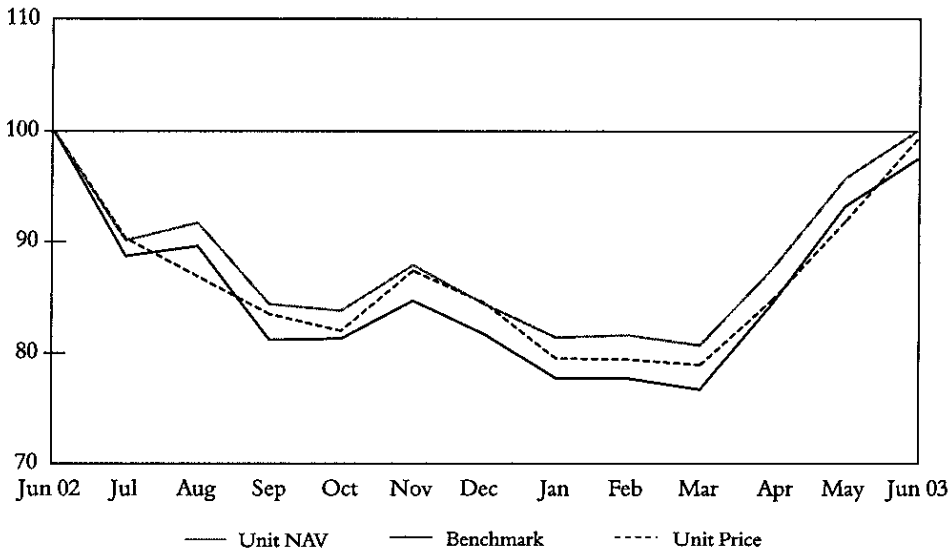


YEAR'S SUMMARY

Year to 30 June 2003 Total Returns

ASLeT Unit* Net Asset Value	**0.0%**
Benchmark Index	**-2.6%**
ASLeT Unit Price	**-0.8%**
ASLeT Capital Share Price	**-1.8%**
ASLeT Income Share Price	**19.4%**

Unit Absolute Performance
(figures are total returns and have been rebased to 100 at 1 July 2002)



*A unit comprises 1 Income Share and 1 Capital Share.



YEAR'S SUMMARY

	As at 30 June 2003	As at 30 June 2002	% Change
Total assets (before deduction of borrowings)	**£173.3m**	£180.1m	-3.8
Loans and other borrowings	**—**	—	
Shareholders' funds	**£173.3m**	£180.1m	-3.8
Market capitalisation	**£166.1m**	£171.9m	-3.4
Unit net asset value	**559.0p**	580.9p	-3.8
Capital Share net asset value	**548.9p**	567.8p	-3.3
Income Share net asset value	**10.1p**	13.1p	-22.9
Benchmark Index (capital only)	**2,067.51**	2,205.08	-6.2
Unit price	**530.0p**	554.0p	-4.3
Capital Share price	**501.5p**	510.5p	-1.8
Income Share price	**34.25p**	44.0p	-22.2
Earnings per Income Share	**16.1p**	15.5p	3.9
Dividends per Income Share (excluding 2003 Special of 3.1p)	**16.0p**	16.0p	0.0
Expense ratio (Unit)	**1.07%**	1.04%	
Portfolio turnover	**32.9%**	28.1%	
Unit discount	**5.2%**	4.6%	
Capital Share discount	**8.6%**	10.1%	

	Year to 30 June 2003		Year to 30 June 2002	
Year's high and low (on month end values)	**High**	**Low**	High	Low
Unit net asset value	**580.9p**	**458.8p**	633.0p	473.1p
Capital Share net asset value	**567.8p**	**445.5p**	614.9p	459.2p
Income Share net asset value	**17.9p**	**10.1p**	18.1p	13.1p
Unit price	**554.0p**	**424.5p**	595.0p	445.0p
Capital Share price	**510.5p**	**385.5p**	542.0p	395.5p
Income Share price	**44.5p**	**34.3p**	55.5p	44.0p
Unit discount	**4.1%**	**10.7%**	4.6%	14.0%
Capital Share discount	**8.6%**	**15.6%**	10.1%	20.1%

	Year to 30 June 2003	Year to 30 June 2002
Total return per Unit		
Revenue	**16.05p**	15.47p
Capital	**(18.83p)**	6.18p
Total	**(2.78p)**	21.65p



DIRECTORS AND CORPORATE INFORMATION

DIRECTORS

Michael J Walker (67) (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 the Chairman of the Western General Hospital NHS Trust and a Trustee of the Trustee Savings Bank of South of Scotland.

Hamish N Buchan (58) (Appointed August 2000)

Hamish Buchan is a consultant in the financial sector and is a Director of Collective Assets Trust plc, Personal Assets Trust plc, Standard Life European Private Equity Trust plc, Shires Income plc and is Chairman of JPMorgan Fleming American Investment Trust plc. He is also a Deputy Chairman of the Association of Investment Trust Companies. From 1969 until his retirement in 2000 he was an investment trust analyst with Wood Mackenzie & Co and its successor firms.

Alastair C Dempster (63) (Appointed April 1991)

Alastair Dempster is Chairman of Sportscotland, the Scottish Community Foundation and Aberforth Geared Capital & Income Trust plc. He was Chief Executive of Lloyds TSB Scotland plc.

Donald J Macdonald (56) (Appointed May 2000)

Donald Macdonald is a founding director of Macdonald Hotels plc and is responsible for its development and expansion. He has over 20 years' experience in the hotel industry, including 15 years as a managing director and 11 years as main board director of a plc.

Sir Fraser Morrison, CBE (55) (Appointed April 1991)

Until its takeover in 2000 Sir Fraser Morrison was Chairman and Chief Executive of Morrison Construction Group plc, a listed company involved with development partnerships, construction and asset management. He is also Deputy Chairman of Clydesdale Bank plc.

ADVISERS

INVESTMENT MANAGERS AND SECRETARIES
Aberforth Partners
14 Melville Street
Edinburgh EH3 7NS
Tel: 0131 220 0733
Email: **mail@aberforth.co.uk**
Website: **www.aberforth.co.uk**

REGISTERED OFFICE
14 Melville Street
Edinburgh EH3 7NS

REGISTRARS
Northern Registrars Limited
Northern House
Woodsome Park
Fenay Bridge
Huddersfield HD8 0LA
Tel: 0870 162 3131
Website: **www.northernregistrars.co.uk**

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

Clydesdale Bank plc
30 St Vincent Place
Glasgow G1 2HL

AUDITORS
Ernst & Young LLP
Ten George Street
Edinburgh EH2 2DZ

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



INFORMATION ON ABERFORTH PARTNERS

Aberforth Partners is contracted as the Investment Managers and Secretaries to the Company. Aberforth Partners was established in 1990 to provide institutional and wholesale investors with a high level of resources entirely focused on small UK quoted companies. Since then funds under management have grown to over £1.1 billion (as at 30 June 2003). Aberforth Partners is wholly owned by six partners – five founding partners who are investment managers and a sixth partner, Gordon R Young, who is responsible for administration. The firm has two additional investment managers and these seven managers work as a team managing the Company's portfolio on a collegiate basis. The founding partners have been managing the portfolio since the Company's inception in May 1991. The six partners each have a substantial personal investment in the Company. The curriculum vitae of the seven investment managers are as follows:

Andrew P Bamford (36) BCom (Hons), CA – Andy joined Aberforth Partners in April 2001 and is responsible for investment research and stock selection in the following areas – Information Technology Hardware; Leisure & Hotels; and Transport. Previously he was with Edinburgh Fund Managers for 7 years, latterly as Deputy Head of UK Small Companies, with specific responsibility for institutional clients. Prior to joining Edinburgh Fund Managers he was a senior investment analyst with General Accident for 2 years supporting the head of UK Smaller Companies. Before joining General Accident, he was a chartered accountant with Price Waterhouse.

John M Evans (45) MA (Hons) – John was a founding partner in May 1990 and is responsible for investment research and stock selection in the following areas – Automobiles & Parts; Construction & Building Materials; Household Goods & Textiles; Telecommunication Services; and Utilities. Previously he was with Ivory & Sime for 11 years where he was latterly responsible for the management of portfolios whose objectives were income and capital growth from UK equities.

Euan R Macdonald (33) BA (Hons) – Euan joined Aberforth Partners in May 2001 and is responsible for investment research and stock selection in the following areas – Beverages; Engineering & Machinery; Personal Care & Household Products; and Software & Computer Services. Previously he was with Baillie Gifford for 10 years where he managed portfolios invested in small companies both in Continental Europe and in the UK.

Richard M J Newbery (43) BA (Hons) – Richard was a founding partner in May 1990 and is responsible for investment research and stock selection in the following areas – Electronic & Electrical Equipment; Food & Drug Retailers; Food Producers & Processors; and General Retailers. Previously he was with Ivory & Sime for 9 years where he managed international portfolios for a range of clients including those with a small company specialisation.

David T M Ross (54) FCCA – David was a founding partner in May 1990 and is responsible for investment research and stock selection in the following areas – Insurance; Life Assurance; Real Estate; and Speciality & Other Finance. Previously he was with Ivory & Sime for 22 years, the last two of which were as Managing Director. He was a Director of US Smaller Companies Investment Trust plc and served as a member of the Executive Committee of the Association of Investment Trust Companies.

David Warnock (45) BCom (Hons), CDipAF – David was a founding partner in May 1990 and is responsible for investment research and stock selection in the following areas – Chemicals; Forestry & Paper; Health; and Support Services. Previously he was with Ivory & Sime for 4 years and had responsibility for the management of investment trusts whose objectives were capital and income growth from equities on a global basis. Prior to joining Ivory & Sime, he was with 3i for 7 years in both Scotland and the USA.

Alistair J Whyte (40) – Alistair was a founding partner in May 1990 and is responsible for investment research and stock selection in the following areas – Aerospace & Defence; Diversified Industrials; Media & Entertainment; Mining; Oil & Gas; Pharmaceuticals & Biotechnology; and Steel & Other Metals. Previously he was with Ivory & Sime for 11 years where latterly he managed portfolios in Asia. Prior to that he managed portfolios with the objective of capital growth from smaller companies in the UK and internationally.

Further information on Aberforth Partners is available on its website – **www.aberforth.co.uk**



CHAIRMAN'S STATEMENT

PERFORMANCE

By achieving a zero or flat total return for the year to 30 June 2003, the performance of Aberforth Split Level Trust plc (ASLeT) has bettered that of its investment benchmark, the Hoare Govett Smaller Companies Index (Excluding Investment Companies), which returned a negative 2.6% while at the same time a return of minus 9.7% was recorded by larger companies, represented by the FTSE All-Share Index.

This is my twelfth and last Annual Report to Shareholders since your Board is obliged to convene an Extraordinary General Meeting by 30 June 2004 to propose the winding up of the Company unless a resolution shall previously have been passed to reconstruct or reorganise the Company – more of this later in my Statement.

Shareholders may be interested to note that this year's zero total return is the lowest recorded by ASLeT in any of its twelve Annual Reports. To have avoided recording a negative return in any of the twelve years is a remarkable achievement. It has to be admitted though that it has a little to do with the timing of ASLeT's yearend, as there have been actually three calendar years of negative returns. Looking, however, at ASLeT's objective, much more important is the fact that your Company has now outperformed its benchmark index in nine of those twelve years providing a cumulative total return of 355.1% since inception against 155.4% for the benchmark, equivalent to 13.3% and 8.0% respectively, in terms of compound annual returns. This was achieved throughout with a consistent investment objective, benchmark index, management and value investment style. To this list should be added the names of the same Chairman and two other Directors who have preferred to be associated with a management team dedicated to increasing shareholder value at the danger of being judged "incorrect" by some current corporate governance standards . . .

DIVIDENDS

Your Board is pleased to announce that this year's "normal" dividends will amount to 16.0p, representing virtually all the year's earnings per Income Share. This comprises the first three interim dividends of 3.1p and a fourth interim dividend of 6.7p. A "Special Dividend" of 3.1p, being the distribution of accumulated revenue reserves, will also be paid. This means that the aggregate of the fourth interim dividend and the Special Dividend will be 9.8p per Income Share and will be paid on 29 August 2003 to holders of Income Shares on the register on 1 August 2003.

Comparisons between this year's dividends and those of last year are not straightforward. This year's "normal" dividends of 16.0p are unchanged over the previous year, though these drew partly on reserves; underlying earnings are actually up 3.7%. The aggregate of this year's dividends ("normal" plus Special) will be 19.1p.

As your Company nears the end of its life, in its present form, your Board considers it appropriate to distribute the accumulated reserves, in the form of the Special Dividend mentioned: these reserves have historically enabled the smoothing of dividends as well as providing comfort to investors as to the Company's ability to pay rising dividends. Neither of these features seems appropriate for the remainder of ASLeT's life and, henceforth, it is the Board's intention to distribute substantially all the Company's earnings each quarter. In order to provide some guidance to Shareholders, the following table illustrates the pattern of possible dividend payments and compares these with the year just ended:

	Dividends per Income Share	
	Possible	**Actual**
Financial Years ended 30 June	**2004**	**2003**
July to September (1st Interim)	3.9p	3.1p
October to December (2nd Interim)	3.1p	3.1p
January to March (3rd Interim)	2.6p	3.1p
April to June (4th Interim)	7.3p	6.7p
	16.9p	**16.0p**



CHAIRMAN'S STATEMENT

It should be stressed that the above do not represent forecasts of profits, but are purely estimates based on certain assumptions (including, *inter alia*, that ASLeT remains fully invested during the periods covered).

ASLeT'S REMAINING LIFE

The Company's Articles require the Directors to put a resolution to Shareholders no later than 30 June 2004 to consider the winding up or reconstruction of the Company. The Directors, with their advisers, Cazenove & Co. Ltd, are reviewing the courses of action available to the Company. At this stage, it seems likely that your Board will put proposals to Shareholders, in advance of June 2004, that will entail a scheme of reconstruction which, if implemented, would involve a winding up of the Company and enable Shareholders to elect to rollover into an investment vehicle managed by Aberforth Partners or to exit for cash via a managed realisation of the Company's remaining assets.

Your Board is conscious of the requirement to balance the interests of both Capital and Income Shareholders. With that in mind, it would be the intention of your Board to include, in any proposals to wind up the Company before 30 June 2004, provision for some payment to be made to reflect the net present value of the anticipated income that would have been payable had the Company continued until 30 June 2004. It is therefore intended that any such proposals will envisage Income Shareholders receiving such a capital payment in addition to their 10p entitlement.

OUTLOOK

Regular readers of "The Chairman's Statement" will be aware that it normally forms an amalgam of facts and comment provided by the Managers with the presentational style of the Chairman. On this final occasion, I have decided to conclude with the section that follows; it owes nothing to their input and I have had to do battle to ensure its inclusion!

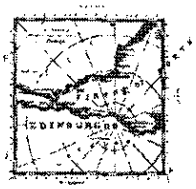
The Managers' Report details their view of the investment outlook and normally I would add that of your Board. This year, however, the outlook for your Company is somewhat limited in that, as previously noted, its natural life will before long expire! Happily, however, it should be possible for those Shareholders who for any reason wish to continue to have their investment managed by the same team of Managers to enjoy that opportunity.

The twelve years over which one is tempted to look back include the most violent fluctuations in stock values that many can remember. Somewhere above, the word "consistent" was used. During these periods of turbulence, the Directors have been reassured and, we believe, Shareholders rewarded by the consistency that has characterised every action of your Managers. Indeed not only their actions but their constitution. One wonders if there is another board of directors that has enjoyed the luxury of a twelve year period during which there have been no departures from the management team. This has allowed the Directors, on your behalf, to observe how the consistent appliance of the principles under which your Company set off has brought its rewards despite the temptations to deviate, particularly during the "TMT Boom". Their refusal, moreover, to contemplate gearing or to purchase other investment trusts has provided protection to Shareholders in the difficult circumstances that have prevailed over the last three years or so.

Consistency is not the only virtue to have been displayed by your team of Managers: the finesse, skill, application and, perhaps most of all, integrity they have displayed has not only made the job of the Board easy and enjoyable but, much more importantly one hopes, been satisfactory in the eyes of the Shareholders.

Michael Walker

Michael J Walker
Chairman
23 July 2003



MANAGERS' REPORT

INTRODUCTION

ASLeT's total return in the year to 30 June 2003 was zero. This performance compared well with that of the benchmark: the Hoare Govett Smaller Companies Index (Excluding Investment Companies) fell by 2.6% in total return terms. Small companies nevertheless succeeded in outstripping large for a fourth consecutive year, with the FTSE All-Share Index having declined by 9.7%.

While the failure to secure a positive return – the first time in ASLeT's 12 year history – is unfortunate, some solace can, perhaps, be derived from an improvement on the situation that prevailed at the interim stage, with a return of -15.6% having been registered in the first half. Though equities continued to suffer through much of the January quarter, a significant recovery since mid March helped to mitigate the worst effects of the bear market.

At 30 June 2003, UK equities, as measured by the FTSE All-Share Index, stood 24% above their March 2003 low. This is the fifth occasion since its September 2000 peak that the market has enjoyed a rally of more than 10%. History teaches that such rallies are a common but dangerous feature of a bear market. Perhaps most notoriously, the Dow Jones Industrials Index, after its initial 48% slide in the second half of 1929, managed to recover by 48% by April 1930. This seductive rally ultimately proved ruinous: from its April level, the index proceeded to lose 86% of its value over the subsequent two years.

Despite such cautionary precedents, the present rally would appear to have been justified by a resolution of some of the uncertainties that have dogged stockmarkets: most obviously, the Iraqi conflict was swiftly concluded, helping to bring down the price of oil, and SARS efficiently contained. The most remarkable feature of the rebound has been the concomitant development in the prices of other asset classes: rising stockmarkets have been accompanied by reinvigorated commodity prices, narrowing spreads on corporate debt and a falling dollar – all potentially indicative of inflation – but also by a continuation in the bull market for government bonds – hardly consistent with resurgent inflation.

These unusual price movements have fuelled a debate that has been gathering momentum since the bursting of the equities bubble over three years ago. On one side stand those who worry that the Western world is following Japan into deflation and on the other those who identify inflation as the true threat. The debate has been led in the US, where the Fed has shown itself most conscious of Japan's unhealthy precedent and has reacted by cutting interest rates 13 times to 1%, the lowest level for 45 years. Even the ECB has apparently come round to acknowledge the threat of deflation with Eurozone rates reduced to just 2%.

Those worrying about deflation point to the legacies of the great equity bubble of the late 1990s: the effects of excess capacity and a highly indebted private sector risk accentuating the underlying deflationary influences of China's emergence as a major economy. The US has responded with the standard instruments of stimulus at its disposal, combining interest rate and tax cuts with greater public spending at least at the Federal level. On top of these, ambiguous comments from the Treasury Secretary about the administration's commitment to "the strong dollar" have helped push the US currency down against the euro by 16% since 30 June 2002 and by 10% since 31 December 2002. But, most remarkably, Fed officials have expressed their confidence in "making sure it (deflation) doesn't happen" through the use of "unconventional measures".

If the loosest monetary conditions for 50 years have failed to excite those warning of excessive inflation, talk of the unconventional has not. Such measures essentially entail the use of the printing press to create more money. It is important, nonetheless, to note that financial markets are entering uncharted waters: the means



MANAGERS' REPORT

by which these new dollars are put to work are unclear. One mooted tactic, which gratifyingly goes some way to rationalise the unusual combination of asset price movements in recent months, is for the Fed to suppress yields of government bonds of all maturities by buying them with their newly printed dollars.

To date, "unconventional measures" have not been employed, but the mere suggestion by the Fed appears to have been sufficient to drive the financial markets to build in a greater likelihood of reflation. Such an outcome would probably prove more benign for equities than a slide into deflation. However, to allow stockmarkets to sustain and extend a rally that has taken the historic price earnings ratio of the S&P 500 Index to between 20x and 40x (depending on one's cynicism), profits growth in excess of inflation is required. That is something that the US has failed to achieve in recent years. To generate real earnings growth, companies can control costs for a while but, ultimately, they and consumers must buy into the inflationary rhetoric of their governments and spend.

The issues confronting the US, the world's largest economy and progenitor of the equity bubble, are inevitably relevant to the UK. According to the National Statistics Office, profits have failed to grow in real terms over the past five years, yet, following its rally, the FTSE All-Share Index (according to the London Business School) is valued on 17.4x historic earnings, far from the bargain levels of 10x or less associated with bear markets. Whether through luck or judgement, however, the spectre of deflation is much less frightening on this side of the Atlantic. Inflation, as gauged by the RPIX, is running at around 3% and, thanks to low interest rates and government spending, the economy is forecast to grow *in nominal terms* at least as quickly as the US and more quickly than the Eurozone in 2003.

Helpful to this performance is the exchange rate. Though not to the same extent as the dollar, sterling has weakened against the euro, having fallen by 17% since its peak in May 2000: in "old money" one pound is presently worth 2.82 deutsche marks. This adjustment may help to address some of the imbalances that have come to characterise the UK economy. In particular, it ought to be of more direct benefit than lower interest rates to exporters and those businesses with continental competitors: according to the National Statistics Office, the manufacturing sector's output managed a small improvement in the first quarter of 2003 after having fallen for eight consecutive quarters.

The key to the UK's relative resilience, however, remains the consumer, whose spending must have been buoyed by low interest rates and by the housing market. There are signs, though, that confidence is slipping and that house price inflation has fallen sharply from the 26% rate reached at the end of 2002. Against this background, and with the global economic outlook far from clear, it is perhaps as well that the government has opted to maximise the country's fiscal and monetary flexibility by deciding against EMU entry for the time being.

INVESTMENT PERFORMANCE

Performance in the year to 30 June 2003 can be split into two distinct periods. The first three quarters were in the grip of the bear market. Although cyclical and technology related sectors made the greatest contributions to the fall in the HGSC (XIC), the malaise was widespread: 31 of the 33 sectors represented in the benchmark failed to achieve a positive return. The final quarter marked a reversal of the trends and themes that have held sway for three years. In what seemed like a flashback to 1999, the four sectors that come under the banner of "TMT" all recorded gains of more than 30%. In sharp contrast to the first nine months, only one benchmark sector failed to achieve a positive return.



MANAGERS' REPORT

The following paragraphs and numerical Performance Attribution Analysis give some more detail as to how ASLeT performed against the benchmark.

PERFORMANCE ATTRIBUTION ANALYSIS
12 Months to 30 June 2003

	Basis Points
Stock Selection	259
Sector Selection	143
Attributable to the portfolio of investments	402
Cash	(52)
Revenue deficit	(52)
Management fee charged to capital	(51)
Total Attribution	**247**

Note: 100 basis points = 1%. Total Attribution is the difference between the capital only performance of the Unit basic net asset value and the Benchmark Index (i.e. Unit net asset value = -3.77%; Benchmark Index = -6.24%; difference is 2.47% being 247 basis points).

- The table above shows that sector selection accounted for 36% (i.e. 143 basis points/402 basis points) of the portfolio's out-performance against the benchmark. Of the benchmark's 33 sectors, ASLeT's portfolio was correctly aligned (i.e. a greater exposure than the benchmark in those sectors that performed well or a lower exposure in those sectors that performed poorly) in 19. Two made significant contributions. The first was Insurance, where thanks to continuing pricing improvements it was correct to have a greater exposure than the benchmark. The second was Construction & Building Materials, where a slew of government infrastructure projects and sustained low interest rates justified an over-weight position.
- It is worth noting that, following the substantial relative price adjustments between sectors since the bursting of the bubble, the Managers can identify opportunities in virtually all sectors. The exposure to a particular sector therefore tends to be determined by the incidence of individually attractive and appropriately valued businesses within that sector. Stock selection, which measures the performance of the portfolio's investments in each sector against that sector's benchmark return, therefore assumes greater importance. It generated the majority, 64%, of portfolio value added, making a positive contribution in 55% of the sectors to which ASLeT was exposed through the year.
- Corporate activity contributed less to ASLeT's performance than in previous years, with just four of its investments subject to take-over. In large part, this reflects a dearth of activity in the market as a whole: in calendar 2002, 53 constituents of the benchmark were acquired, down from 72 in 2001 and a remarkable 165 in 1999. The reasons for this stagnation are understandable: doubts about the global economic outlook and difficulties in securing funding.



MANAGERS' REPORT

- There are, however, signs that confidence is returning. Although only 22 benchmark companies were acquired in ASLeT's second half, many more are in discussions with potential acquirers or have actually received bids. Clearly, a proportion of these approaches will fail, but there are grounds for optimism: there are large amounts of money in venture capital funds waiting to be invested but still incurring fees; in a low growth world, management teams may seek to add value through consolidation; and, as is described below in greater detail, small UK companies are statistically good value in comparison with their larger peers.
- The companies that constitute ASLeT's portfolio have, on the whole, coped well with the uncertain economic environment. A useful means to assess this assertion is to examine their dividend payments. The dividends announced by the 103 companies in the portfolio at 30 June 2003 were 6% higher than the corresponding payments in the previous year, although it should be noted that ASLeT's actual receipts vary from this since the portfolio is actively managed. Of the 103, 13 did not, as anticipated, pay a dividend; seven cuts were endured, three of which were expected; and 23 companies reported unchanged dividends. The remaining 60 raised their payouts.
- Against a background of 3% inflation, as measured by the RPIX, it is encouraging to be able to bring together a diversified collection of companies capable of generating this level of dividend growth. The opportunity to construct such a portfolio has been presented by the broadly based falls in equity prices that have characterised the bear market. This period witnessed a compression of the gap between the price earnings ratios of "value" and "growth" stocks, allowing the Managers to make selective purchases of higher quality businesses whose valuations would previously have been too demanding.

  The benefits of this process are also illustrated in the table below, specifically in the dividend cover figures. At the end of June 2003, the dividend cover of the portfolio stood at the same level as that of the HGSC (XIC). This is significant, given that over ASLeT's history the portfolio's cover has been on average 11% lower than that of the benchmark.

	30 June 2003		30 June 2002	
Characteristics	**ASLeT**	**Benchmark**	ASLeT	Benchmark
Number of Companies	**103**	**827**	96	915
Weighted Average Market Capitalisation	**£309.0m**	**£334.0m**	£317.7m	£355.4m
Price Earnings Ratio (Historic)	**11.9x**	**13.4x**	12.3x	14.3x
Net Dividend Yield (Historic)	**3.4%**	**3.0%**	3.0%	2.8%
Dividend Cover (Historic)	**2.5x**	**2.5x**	2.7x	2.5x



MANAGERS' REPORT

INVESTMENT OUTLOOK

The threat of deflation, whether real or imagined, has profound implications for both economies and financial markets. For the Fed, the threat is very real. It has responded with interest rate cuts and, more recently, talk about "unconventional measures". The truth is that words are a more powerful weapon than actual deployment of these measures: the trick is to build confidence among consumers and businesses that deflation will not happen, so that they resume spending and investment. The risk is that, as in Japan, loose monetary conditions do not translate into greater activity in the real economy. Consumers and businesses *may*, for example, consider it more rational to reduce their indebtedness than to spend: you can take a horse to water, but you can't make it drink.

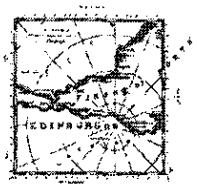
Economic uncertainty therefore continues to bedevil companies around the world. Though the quick resolution of the Iraqi conflict has reduced perceptions of risk to an extent, conditions still do not appear conducive to sustained growth in corporate profits, the *sine qua non* of successful equity investment. Such doubts are reflected in the actions of those running the businesses. Judging by the results of ASLeT's portfolio companies, management teams are doing a fine job in controlling costs. They are not, though, sufficiently confident yet to invest: their focus remains on optimising cash generation, often by setting capital expenditure at under depreciation.

The Managers do not, therefore, foresee an imminent and enduring return to double-digit increases in earnings per share for the stockmarket as a whole. It still seems appropriate to think of real returns from equities averaging close to the 5-7% long term record. They will, though, be prone to wild swings – positive or negative – from year to year, perhaps of the sort witnessed since mid March 2003.

Within such an environment, dividend yield and dividend growth assume greater significance. From the point of view of investors in small UK quoted companies, it is encouraging that the benchmark index can combine a yield of 3.0% and dividend cover of 2.5x. Although larger companies, as gauged by the FTSE All-Share Index (excluding loss makers and investment companies) boast a higher yield of 3.5%, they do so at the expense of a lower dividend cover at 1.7x and, therefore, *ceteris paribus*, inferior dividend growth prospects.

Following this logic, ASLeT's portfolio would appear relatively well positioned to cope with a background of volatile equity markets. As the table above shows, it is well diversified, with 103 holdings, and generates a yield of 3.4% without sacrificing dividend cover, which stands at 2.5x. In constructing this portfolio, the Managers have applied the same principles of value investment to which they have adhered throughout ASLeT's life. Such consistency has inevitably led to volatile relative performance, as the mood of the market has changed, but has, on the whole, resulted in respectable absolute returns.

Aberforth Partners
Managers
23 July 2003



PORTFOLIO INFORMATION

Summary of Material Portfolio Changes
12 Months to 30 June 2003

Purchases		Cost £'000	Sales		Proceeds £'000
Interserve	+	2,912	T & S Stores	ϕ	5,508
Geest	+	2,478	RAC	ϕ	2,894
Capital Radio	+	1,957	Johnston Press	ϕ	2,617
GWR Group	+	1,694	Luminar	ϕ	2,312
AMEC	+	1,652	Fitness First	ϕ	2,163
HMV Group	+	1,649	Laing (John)	ϕ	2,042
Arriva	+	1,626	Grantchester Holdings	ϕ	2,028
Bodycote International		1,453	Azlan Group	ϕ	1,970
Nestor Healthcare Group	+	1,359	Business Post Group	ϕ	1,825
Halma		1,330	Davis Service Group	ϕ	1,669
Fitness First	+	1,318	Fenner	ϕ	1,653
Keller Group	+	1,223	Bellway		1,589
JJB Sports	+	1,152	SIG	ϕ	1,490
Stagecoach Group	+	1,148	Fisher (James) & Sons		1,489
Paladin Resources		1,118	New Look Group		1,460
Crest Nicholson	+	1,004	Cairn Energy		1,385
Stanley Leisure	+	947	MFI Furniture Group	ϕ	1,331
Headlam Group		931	Uniq		1,260
Thus Group	+	919	Paladin Resources		1,249
Spectris		887	Great Portland Estates	ϕ	1,014
Other Purchases		21,836	Other Sales		20,297
Total for the period		**50,593**	Total for the period		**59,245**

The summary of material portfolio changes shows the 20 largest aggregate purchases and sales. Portfolio turnover for the year was 32.9% (2002 – 28.1%)

\+ Indicates a company which is a new holding.

ϕ Indicates a company which has been disposed of completely.

FTSE Industry Classification Exposure Analysis

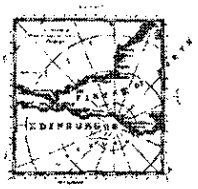
	← 30 June 2002 →					← 30 June 2003 →		
	Index Weight %	Portfolio Weight %	Portfolio Valuation £'000	Net Purchases/ (Sales) £'000	Net Appreciation/ (Depreciation) £'000	**Portfolio Valuation £'000**	**Portfolio Weight %**	***Index Weight %***
Resources	*3*	6	10,793	(933)	1,843	**11,703**	**7**	***3***
Basic Industries	*12*	12	21,139	(1,187)	173	**20,125**	**12**	***12***
General Industrials	*10*	12	22,051	1,481	(1,677)	**21,855**	**13**	***9***
Cyclical Consumer Goods	*3*	1	2,673	1,489	(617)	**3,545**	**2**	***3***
Non-cyclical Consumer Goods	*7*	5	9,789	4,255	(1,935)	**12,109**	**7**	***7***
Cyclical Services	*39*	43	76,683	(8,601)	(5,679)	**62,403**	**36**	***39***
Non-cyclical Services	*3*	3	4,548	(4,093)	1,756	**2,211**	**1**	***2***
Utilities	*2*	–	–	–	–	**–**	**–**	***1***
Information Technology	*6*	5	8,958	432	(377)	**9,013**	**5**	***7***
Financials	*15*	13	24,308	(1,495)	1,588	**24,401**	**14**	***17***
Net current assets/ (liabilities)	*n/a*	–	(835)	n/a	n/a	**5,958**	**3**	***n/a***
	100	100	180,107	(8,652)	(4,925)	**173,323**	**100**	***100***



PORTFOLIO INFORMATION

FIFTY LARGEST INVESTMENTS

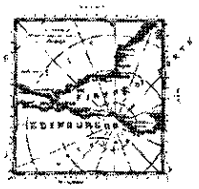
No.	Company	Valuation £'000	% of Total	Business Activity
1	Paladin Resources	5,637	3.2	Oil and gas production
2	Johnson Service Group	5,320	3.1	Textile rental services and drycleaning
3	Bellway	4,542	2.6	Housebuilding
4	Holidaybreak	4,279	2.5	Holiday company
5	BSS Group	3,781	2.2	Distribution of plumbing supplies
6	Marshalls	3,627	2.1	Manufacture of concrete and natural stone products
7	Abbot Group	3,435	2.0	Oil services
8	Quintain Estates & Development	3,273	1.9	Property
9	Headlam Group	3,109	1.8	Distribution of floorcoverings
10	Amlin	3,034	1.7	Insurance
	Top Ten Investments	**40,037**	**23.1**	
11	Mersey Docks and Harbour Company	2,947	1.7	Port operator
12	communisis	2,938	1.7	Direct marketing and related printing services
13	Bodycote International	2,923	1.7	Engineering
14	Interserve	2,917	1.7	Support services
15	RPC Group	2,908	1.7	Rigid plastic containers
16	Goshawk Insurance Holdings	2,745	1.6	Insurance
17	Meggitt	2,683	1.5	Aerospace
18	Spectris	2,664	1.5	Manufacture of process control equipment
19	New Look Group	2,566	1.5	Fashion retailer
20	Grainger Trust	2,538	1.5	Property
	Top Twenty Investments	**67,866**	**39.2**	
21	Countrywide Assured Group	2,537	1.5	Residential property and insurance
22	SMG	2,517	1.5	Media
23	AMEC	2,484	1.4	International contractor
24	Go-Ahead Group	2,479	1.4	Bus and train operator
25	Bovis Homes Group	2,469	1.4	Housebuilding
26	Geest	2,469	1.4	Sale of fresh prepared foods
27	Tops Estates	2,411	1.4	Property
28	Dairy Crest Group	2,392	1.4	Dairy products
29	De Vere Group	2,250	1.3	Hotels and leisure
30	Synstar	2,106	1.2	Computer services
	Top Thirty Investments	**91,980**	**53.1**	



PORTFOLIO INFORMATION

FIFTY LARGEST INVESTMENTS

No.	Company	Valuation £'000	% of Total	Business Activity
31	Shanks Group	2,052	1.2	Waste management
32	London Merchant Securities	1,955	1.1	Property and venture capital
33	GWR Group	1,945	1.1	Commercial radio
34	Halma	1,928	1.1	Engineering
35	Spirax-Sarco Engineering	1,874	1.1	Engineering
36	HMV Group	1,826	1.1	Music, book and video retailer
37	Kidde	1,793	1.0	Engineering
38	Oxford Instruments	1,790	1.0	Manufacture of advanced instrumentation
39	ITE Group	1,765	1.0	Trade exhibitions
40	Mowlem	1,748	1.0	Construction and facilities management
	Top Forty Investments	**110,656**	**63.8**	
41	Cairn Energy	1,737	1.0	Oil and gas exploration and production
42	Ultra Electronics Holdings	1,733	1.0	Defence electronics and aerospace
43	Forth Ports	1,724	1.0	Port operator with property interests
44	Thus Group	1,715	1.0	Telephone network operator
45	Arriva	1,702	1.0	Bus and transport services
46	British Polythene Industries	1,686	1.0	Manufacture of polythene sheet and film
47	Capital Radio	1,670	1.0	Commercial radio
48	Nestor Healthcare Group	1,619	0.9	Healthcare services
49	Greene King	1,526	0.9	Regional brewer and pub manager
50	Devro	1,508	0.9	Food casing manufacturer
	Top Fifty Investments	**127,276**	**73.5**	
	Other Investments (53)	40,089	23.1	
	Net Current Assets	5,958	3.4	
	Total Assets less Liabilities	**173,323**	**100.0**	



LONG-TERM RECORD

HISTORIC TOTAL RETURNS

	Discrete Annual Returns (%)		
Period	**Unit NAV[1]**	**Benchmark[2]**	**Unit Price[3]**
1 year to 30 June 2003	0.0	-2.6	-0.8
1 year to 30 June 2002	3.9	-13.0	9.1
1 year to 30 June 2001	24.7	-4.4	35.4
1 year to 30 June 2000	10.0	19.0	6.4
1 year to 30 June 1999	13.1	6.8	8.4
1 year to 30 June 1998	16.1	22.9	11.2
1 year to 30 June 1997	2.4	4.5	7.0
1 year to 30 June 1996	32.3	27.2	27.5
1 year to 30 June 1995	10.1	4.4	6.0
1 year to 30 June 1994	12.5	11.9	11.7
1 year to 30 June 1993	27.3	25.8	20.8
1 year to 30 June 1992	18.3	9.4	12.8

	Compound Annual Returns (%)			Cumulative Returns (%)		
Periods to 30 June 2003	**Unit NAV[1]**	**Benchmark[2]**	**Unit Price[3]**	**Unit NAV[1]**	**Benchmark[2]**	**Unit Price[3]**
2 years from 30 June 2001	1.9	-8.0	4.0	3.9	-15.3	8.2
3 years from 30 June 2000	9.0	-6.8	13.6	29.5	-19.0	46.5
4 years from 30 June 1999	9.2	-0.9	11.7	42.4	-3.6	55.9
5 years from 30 June 1998	10.0	0.6	11.1	61.2	3.0	69.1
6 years from 30 June 1997	11.0	4.0	11.1	87.1	26.6	88.0
7 years from 30 June 1996	9.7	4.1	10.5	91.6	32.2	101.2
8 years from 30 June 1995	12.3	6.7	12.5	153.5	68.2	156.5
9 years from 30 June 1994	12.1	6.5	11.8	179.2	75.6	171.8
10 years from 30 June 1993	12.1	7.0	11.7	213.9	96.5	203.7
11 years from 30 June 1992	13.4	8.6	12.5	299.7	147.2	266.9
12 years from 30 June 1991	13.8	8.6	12.6	372.7	170.4	313.7
12.1 years from inception on 14 May 1991	13.3	8.0	12.5	355.1	155.4	317.9

1 Represents Unit Net Asset Value with net dividends reinvested since 2 July 1997 prior to which gross dividends were reinvested.

2 Represents capital appreciation on the Hoare Govett Smaller Companies Index (Excluding Investment Companies) with net dividends reinvested (prior to 1 January 1997 in its "Extended" version and prior to 2 July 1997 with gross dividends reinvested).

3 Represents Unit price with net dividends reinvested since 2 July 1997, prior to which gross dividends were reinvested.



LONG-TERM RECORD

TEN YEAR CAPITAL SUMMARY

As at 30 June	Shareholders' Funds £m	Unit NAV# p	Unit Price p	Unit Discount/ (Premium)† %	Capital Share NAV p	Capital Share Price p	Income Share NAV p	Income Share Price p
1993	37.5	250.3	251.0	(0.3)	239.7	159.0	10.6	89.0
1994*	84.1	271.2	270.0	0.4	260.6	175.0	10.6	92.0
1995	88.5	285.3	275.0	3.6	274.7	193.0	10.6	79.0
1996	113.3	365.2	336.0	8.0	354.4	265.0	10.8	72.5
1997	111.8	360.5	347.5	3.6	348.8	285.5	11.7	66.0
1998	125.8	405.8	373.0	8.1	393.5	300.5	12.3	74.0
1999	137.8	444.3	389.0	12.4	431.4	312.5	12.9	77.0
2000	147.0	474.1	400.0	15.6	461.1	346.5	13.0	58.0
2001	178.4	575.2	524.0	8.9	561.5	475.0	13.7	54.5
2002	180.1	580.9	554.0	4.6	567.8	510.5	13.2	44.0
2003	**173.3**	**559.0**	**530.0**	**5.2**	**548.9**	**501.5**	**10.1**	**34.3**

\# The calculation of Unit NAV (Net Asset Value) is based on the net assets attributable to the Units and on the number of Units in issue. A Unit comprises 1 Income Share and 1 Capital Share.

† The Discount/(Premium) calculation is the difference between the Company's Unit Price and the underlying Unit Net Asset Value.

* In December 1993 the Company raised £47,375,000 (net of expenses) through a "C" Share issue.

TEN YEAR REVENUE SUMMARY

GEARING RATIOS

Year to 30 June	Available for Income Shareholders £'000	Earnings per Income Share† p	Dividends per Income Share p	Expenses ratio¶ %	Actual gearing‡ %
1993	1,265	8.43	8.40	1.28	99.0
1994*	1,912	8.47	8.45	1.08	97.7
1995Ø	2,721	8.78	8.60	1.07	97.5
1996	2,919	9.41	9.20	1.04	98.1
1997	3,618	11.67	10.75	1.07	99.0
1998	3,982	12.84	12.25	1.06	97.9
1999	4,194	13.53	13.00	1.06	97.8
2000	4,375	14.11	14.00	1.06	97.1
2001	4,984	16.07	15.40	1.01	94.0
2002	4,797	15.47	16.00	1.04	100.5
2003×	**4,978**	**16.05**	**16.00**	**1.07**	**96.6**

† The calculation of earnings per Income Share is based on the revenue from ordinary activities after taxation and the weighted average number of Income Shares in issue.

¶ Ratio of operating costs against average Shareholders' funds (calculated per AITC guidelines).

‡ Total investments divided by Shareholders' funds.

* In December 1993 the Company raised £47,375,000 (net of expenses) through a "C" Share issue.

Ø In relation to the year to 30 June 1995 and due to an accounting policy change to record dividends on an "ex-dividend" basis, the Company paid a Special Dividend of 1.50p per Income Share in addition to the 8.60p shown in the table.

× In relation to the year ended 30 June 2003, the Company declared a Special Dividend of 3.10p per Income Share in addition to the 16.00p shown in the table.



DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are required by law to prepare financial statements 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 also required to prepare a Directors' Remuneration Report.

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 financial statements 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 financial statements 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 financial statements and applicable UK accounting standards have been followed.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ABERFORTH SPLIT LEVEL TRUST PLC

We have audited the Company's financial statements for the year ended 30 June 2003, which comprise the Statement of Total Return, Balance Sheet, Cash Flow Statement and the related notes 1 to 19. These financial statements have been prepared on the basis of the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report, including the financial statements which are required to be prepared in accordance with applicable United Kingdom law and accounting standards as set out in the Directors' Responsibility Statement in relation to the financial statements.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, 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 review whether the Corporate Governance Statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of either the Company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Directors' Report, unaudited part of the Directors' Remuneration Report, Chairman's Statement, Managers' Report, Investment Objective, Ten Year Investment Record, Company Summary, Year's Summary, Directors and Corporate Information, Portfolio Information, Long-Term Record, Information on Aberforth Partners, Shareholder Information and Notice of Annual General Meeting. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, 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 financial statements and the part of the Directors' Remuneration Report to be audited 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 financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company as at 30 June 2003 and of its net revenue for the year then ended; and
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Edinburgh
23 July 2003



DIRECTORS' REMUNERATION REPORT

The Board has prepared this report, in accordance with the requirements of Schedule 7A to the Companies Act 1985, which applies to accounting periods ending on, or after 31 December 2002. An ordinary resolution for the approval of this report will be put to members at the forthcoming Annual General Meeting.

The law requires the Company's Auditors to audit certain elements of this report. These elements are described below as "audited". The Auditor's opinion is included in their report on pages 22 and 23.

REMUNERATION COMMITTEE

The Board is comprised wholly of non-executive Directors who consider and determine all matters relating to the Directors' remuneration at the beginning of each financial period. A Remuneration Committee has not been formed owing to the size of the Board.

STATEMENT OF THE COMPANY'S POLICY ON DIRECTORS' REMUNERATION

The Board's policy is that the remuneration of the Directors should reflect the experience of the Board, as a whole, and be comparable to that of similar investment trusts within the AITC's UK Smaller Companies sector. This information is provided by Aberforth Partners, as Secretaries. It is intended that this policy will remain in place for remainder of the Company's life (see page 5).

Directors' remuneration is determined within the limits set by the Company's Articles of Association and comprises solely of Directors' fees. Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or any other benefits. There are no performance conditions relating to Directors' fees.

DIRECTORS' SERVICE CONTRACTS

Directors do not have a contract of service with the Company nor are they appointed for a specific term of office. 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. A Director may be removed without notice and no compensation will be due on loss of office.

The following Directors held office during the year:

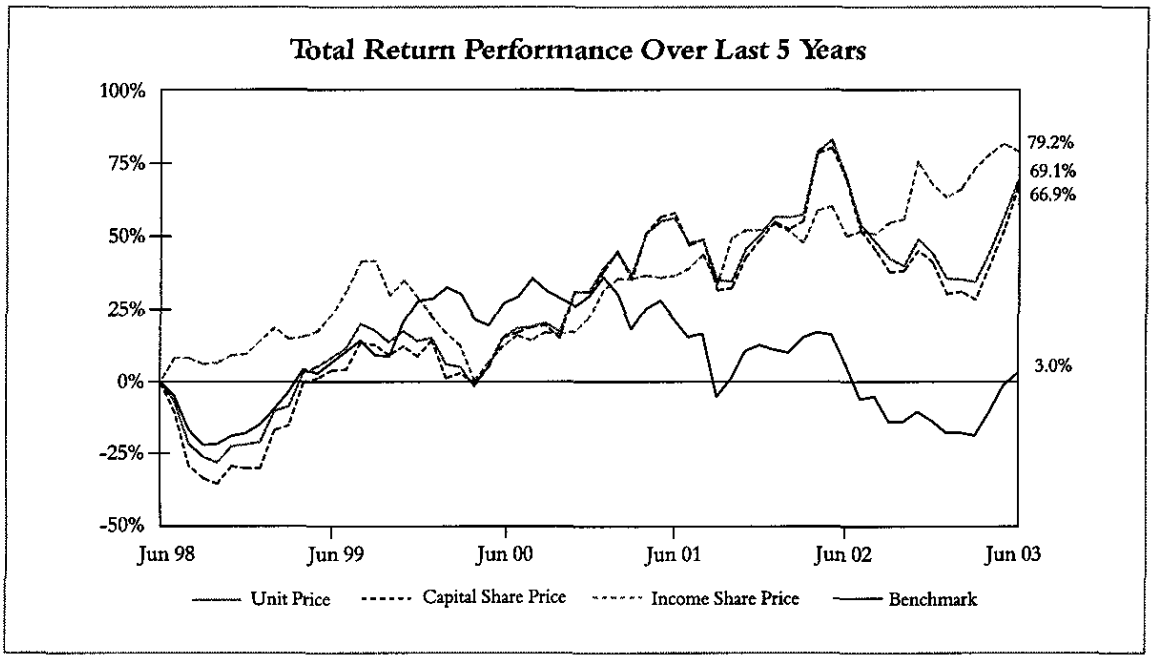
Director	**Date of Appointment**
M J Walker, *Chairman*	22 April 1991
H N Buchan	23 August 2000
A C Dempster	22 April 1991
D J Macdonald	8 May 2000
Sir Fraser Morrison	22 April 1991

SHARE PRICE PERFORMANCE

The chart opposite compares the performance of the Company's share prices against the Hoare Govett Smaller Companies Index (Excluding Investment Companies), on a total return basis (assuming all dividends reinvested). This index has been selected for purposes of comparing the performance of the Company's share prices as it has been the Company's benchmark since inception.



DIRECTORS' REMUNERATION REPORT



DIRECTORS' FEES (AUDITED)

The emoluments of the Directors who served during the year were as follows:

	Fees 2003	Fees 2002
	£	£
M J Walker, *Chairman*	**14,000**	13,500
H N Buchan	**10,400**	10,000
A C Dempster	**10,400**	10,000
D J Macdonald	**10,400**	10,000
Sir Fraser Morrison	**10,400**	10,000
	55,600	53,500

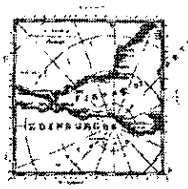
No other emoluments or pension contributions were paid by the Company to or on behalf of any other Director.

The Directors' fees payable to Sir Fraser Morrison were paid to Teasses Capital Limited, of which Sir Fraser Morrison is the Chairman. The payment was for making his services available as a Director of the Company.

APPROVAL

The Directors' Remuneration Report on pages 24 to 25 was approved by the Board on 23 July 2003 and signed on its behalf by M J Walker, *Chairman*.

Michael Walker



REPORT OF THE DIRECTORS

The Directors have pleasure in submitting the Twelfth Annual Report and Accounts of the Company for the year to 30 June 2003.

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 2002. It is the opinion of the Directors that the Company has subsequently conducted its affairs so as to enable it to continue to obtain such approval. The Company will continue to seek approval under section 842 of the Income and Corporation Taxes Act 1988 each year.

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. 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). Further information is contained in the Chairman's Statement.

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 remaining life of the Company. For this reason, they continue to adopt the going concern basis in preparing the accounts.

RESULTS AND DIVIDENDS

	£'000	£'000
Revenue available for dividends		4,978
First interim dividend of 3.10p per Income Share paid 6 December 2002	961	
Second interim dividend of 3.10p per Income Share paid 7 March 2003	961	
Third interim dividend of 3.10p per Income Share paid 6 June 2003	961	
Fourth interim dividend of 6.7p per Income Share payable 29 August 2003	2,078	
Special interim dividend of 3.1p per Income Share payable 29 August 2003	961	(5,922)
Transferred from revenue reserve		(944)

Both the fourth and special interim dividends will be paid on 29 August 2003 to Income Shareholders on the Register at close of business on 1 August 2003.

No final dividend will be declared in respect of the year ended 30 June 2003.



REPORT OF THE DIRECTORS

DIRECTORS

The Directors who held office at 30 June 2003 and their interests in the shares of the Company as at that date were as follows:

	Nature of	Income Shares		Capital Shares	
Directors	**Interest**	**2003**	2002	**2003**	2002
M J Walker	Beneficial	10,126	10,126	56,526	56,526
H N Buchan	Beneficial	10,000	10,000	10,000	10,000
A C Dempster	Beneficial	2,500	2,500	12,764	12,764
D J Macdonald	Beneficial	—	—	—	—
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 2003 and 23 July 2003.

Messrs. Dempster and Macdonald will retire by rotation, and being eligible, offer themselves for re-election at the Annual General Meeting. Biographical details are shown on page 8.

CORPORATE GOVERNANCE—THE COMBINED CODE OF BEST PRACTICE

The Board has considered the principles set out in the Combined Code and believes that the Company's current practice, given the special circumstances of an investment trust company is, in all material respects, consistent with the principles of the Combined Code. The Directors are also aware that there are many other published guidelines relating to corporate governance and, whilst these receive diligent review and consideration, the Board does not believe it appropriate to address them individually in the Annual Report. The Board is always available to discuss corporate governance issues with Shareholders.

Directors

The Board of Directors comprises five wholly independent non-executive Directors. 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. Detailed information is provided by the Managers and Secretaries for these meetings which enables 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 comprises only five non-executive Directors 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.



REPORT OF THE DIRECTORS

Relations with Shareholders

The Company was formed to, and continues to, invest in a portfolio of small UK quoted companies. The Board believes that regular contact with Shareholders, the majority of whom are institutions, is essential. The Managers meet most of the institutional Shareholders twice a year and provide them with a detailed report on the progress of the Company. Directors of the Company periodically meet the institutional Shareholders and are always available for discussion with any Shareholder. Consequently the Company does not consider it necessary to designate one person as the senior independent director. The Directors may be contacted through the Secretaries whose details are shown on page 8. 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 Company performance and other relevant information is available on the Aberforth Partners' website at **www.aberforth.co.uk**.

The Company applies the guidance published by The Institute of Chartered Accountants in England and Wales in respect of the Combined Code's sections on Internal Control (commonly known as the Turnbull Guidance on Internal Control).

The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. Internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Directors have established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This was in operation during the year and continues in place up to the date of this report. At least once a year the Directors formally review the effectiveness of the Company's system of internal control and this process principally comprises receiving and examining reports from the firms to which services are subcontracted detailing the internal control objectives and procedures adopted by each firm. Each report has been reviewed by the respective firm's auditors. The Directors have not identified any significant problems in respect of the Company's system of internal control.

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. In addition it reviews the scope and results of the audit and its cost effectiveness and the independence and objectivity of the Auditors.

Voting Policy and the Environment

The Company is a significant shareholder in approximately 100 small companies officially 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. Aberforth Partners vote against, or abstain from voting on, resolutions which they believe may damage Shareholders' rights or economic interests and under normal circumstances these concerns would have been raised with the management of the company concerned. In all other cases votes are cast in favour. Day to day management of the Company's portfolio of investments is carried out by Aberforth Partners. The Directors are aware that the Managers give consideration to environmental issues, among many other factors, when investment decisions are taken.



REPORT OF THE DIRECTORS

Compliance with the Provisions of The Combined Code

Subject to the special circumstances of the Company as an investment trust, the Company has complied with the provisions of The Combined Code during the financial year with the exception that Directors are not appointed for a specified term and there is no designated senior independent director. These issues are explained above.

MANAGEMENT

Aberforth Partners is contracted as the Investment 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 receives 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 receives a quarterly secretarial fee, payable in advance, amounting to £13,199 (excluding VAT) per quarter during the year to 30 June 2003. 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. This 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 an interest in the issued share capital of the Company at 23 July 2003.

Income Shares of 10p	**% Held**	**Capital Shares of 10p**	**% Held**
Investec Holdings (UK)	12.2	ISIS Asset Management - clients	8.9
British Empire Securities	10.0	East Riding of Yorkshire Council	6.4
ISIS Asset Management - clients	6.0	Royal London Asset Management	4.6
Abbey National	3.9	Abbey National	3.9
Britannic Investment Managers	3.2	Newton Exempt Fund	3.1
Mr & Mrs N H Lewis	3.2		
Newton Exempt Fund	3.1		

CREDITORS PAYMENT POLICY

The Company's creditors payment policy is to agree terms of payment before business is transacted, to ensure suppliers are aware of these terms and to settle bills in accordance with them. The Company did not have any trade creditors at the year end.

AUDITORS

Ernst & Young LLP 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
23 July 2003



STATEMENT OF TOTAL RETURN

(INCORPORATING THE REVENUE ACCOUNT[1])
FOR THE YEAR ENDED 30 JUNE 2003

	Note	2003 Revenue £'000	2003 Capital £'000	2003 Total £'000	2002 Revenue £'000	2002 Capital £'000	2002 Total £'000
(Losses)/gains on investments	9	—	(4,925)	(4,925)	—	2,782	2,782
Income	2	5,746	—	5,746	5,603	137	5,740
Investment management fee	3	(549)	(915)	(1,464)	(601)	(1,002)	(1,603)
Other expenses	4	(219)	—	(219)	(205)	—	(205)
Return on ordinary activities before tax		4,978	(5,840)	(862)	4,797	1,917	6,714
Tax on ordinary activities	6	—	—	—	—	—	—
Return attributable to non-equity shareholders		4,978	(5,840)	(862)	4,797	1,917	6,714
Dividends in respect of non-equity shares	7	(5,922)	—	(5,922)	(4,961)	—	(4,961)
Transfer (from)/to reserves		(944)	(5,840)	(6,784)	(164)	1,917	1,753
Returns per non-equity interest							
Income Share	8	16.05p	—	16.05p	15.47p	—	15.47p
Capital Share	8	—	(18.83p)	(18.83p)	—	6.18p	6.18p
Unit							
(being one Income Share plus one Capital Share)	8	16.05p	(18.83p)	(2.78p)	15.47p	6.18p	21.65p

[1] 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 form an integral part of this statement.



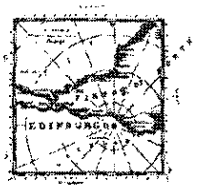
BALANCE SHEET
AS AT 30 JUNE 2003

	Note	2003 £'000	2002 £'000
FIXED ASSETS: INVESTMENTS			
Securities officially listed on the London Stock Exchange:			
UK ordinary shares		**166,701**	179,547
UK convertible securities		**664**	1,395
Total investments	9	**167,365**	180,942
Current assets			
Debtors	10	**2,820**	1,259
Cash at bank		**7,503**	645
		10,323	1,904
Creditors (amounts falling due within one year)	11	**(4,365)**	(2,739)
Net current assets/(liabilities)		**5,958**	(835)
TOTAL ASSETS LESS LIABILITIES		**173,323**	180,107
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	**83,437**	79,899
Capital reserve–unrealised	13	**13,569**	22,947
Revenue reserve	13	**24**	968
	14	**173,323**	180,107
NET ASSET VALUES	15		
PER INCOME SHARE		**10.1p**	13.1p
PER CAPITAL SHARE		**548.9p**	567.8p
PER UNIT (being one Income Share plus one Capital Share)		**559.0p**	580.9p



Approved by the Board of Directors on 23 July 2003 and signed on its behalf by M J Walker, *Chairman*

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



CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2003

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

	2003	2002
	£'000	£'000
Revenue before taxation	**4,978**	4,797
Scrip dividends	**—**	(11)
Tax recovered	**—**	6
Special dividends credited to capital	**—**	137
Investment management fee charged to capital	**(915)**	(1,002)
Decrease/(increase) in other debtors	**106**	(42)
Increase/(decrease) in other creditors	**1**	(1)
Net cash inflow from operating activities	**4,170**	3,884

CASH FLOW STATEMENT

	Note		
Net cash inflow from operating activities		**4,170**	3,884
Returns on investments and servicing of finance	16	**(5,147)**	(4,868)
Capital expenditure and financial investment	16	**7,835**	(10,569)
Increase/(decrease) in cash		**6,858**	(11,553)

Reconciliation of net cash flow to movement in net funds	17		
Increase/(decrease) in cash in the year		**6,858**	(11,553)
Change in Net Funds		**6,858**	(11,553)
Net Funds at 1 July 2002		**645**	12,198
Net Funds at 30 June 2003		**7,503**	645

The accompanying notes form an integral part of this statement.



NOTES ON THE ACCOUNTS

1 ACCOUNTING POLICIES

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

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of fixed asset investments. The accounts have been prepared in accordance with the Statement of Recommended Practice 'Financial Statements of Investment Companies' 1985 on the assumption that approval as an investment trust will be granted. The financial statements have been prepared on the going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future and be able to meet its liabilities as they fall due. There are uncertainties that the Directors have had to consider in deciding to prepare the financial statements on this basis, which are set below.

Under the Articles of Association the Directors are obliged to convene an Extraordinary General Meeting of the Company before 30 June 2004 at which a Special Resolution will be put to wind up the Company voluntarily. The Directors shall not, however, be required to convene such an Extraordinary Meeting if a resolution previously has been passed to reconstruct or reorganise the Company.

At this stage, it seems likely that the Directors will put proposals to shareholders in advance of June 2004 that will entail a scheme of reconstruction. Consequently, in considering the applicability of the going concern basis the Directors have limited their review to the period to 30 June 2004.

Notwithstanding the above the Directors consider that it is reasonable to prepare the financial statements on a going concern basis to include investments in the Company's balance sheet at mid market values and not to provide for costs of liquidation until such time as the future of the Company is more certain.

(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.

(c) Income

Dividends receivable on quoted equity shares are brought into account on the ex-dividend date. Dividend income is shown excluding any related tax credit. 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.



NOTES ON THE ACCOUNTS

1 ACCOUNTING POLICIES *(continued)*

(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

The tax effect of different items of income/gain and expenditure/loss is allocated between revenue and capital on the same basis as the particular item to which it relates, under the marginal method, using the Company's effective rate of tax for the accounting period. Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more or a right to pay less tax in the future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences arising between the Company's taxable profits and its results as stated in the accounts which are capable of reversal in one or more subsequent periods.

(f) Capital reserves

Capital reserve–realised.

The following are accounted for in this reserve:

- gains and losses on the realisation of investments;
- gains on the return of capital by way of investee companies paying special dividends;
- 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.



NOTES ON THE ACCOUNTS

2 INCOME

	2003 £'000	2002 £'000
Income from investments (UK listed)		
Franked investment income (net)	**5,522**	5,054
Unfranked investment income	**80**	64
Scrip dividends	**—**	65
	5,602	5,183
Other income		
Deposit interest	**137**	385
Underwriting commission	**7**	35
	144	420
Total income	**5,746**	5,603
Total income comprises:		
Dividends	**5,522**	5,119
Interest	**217**	449
Other income	**7**	35
	5,746	5,603

During the year ended 30 June 2002, the Company received a special dividend of £137,000 which was treated as a return of capital by the investee company and was credited to Capital Reserves. Special dividends which are considered to represent a return *of* capital to shareholders, are credited to Capital Reserves. Those special dividends paid by investee companies which are considered to be a return *on* capital to shareholders, are credited to Revenue.

3 INVESTMENT MANAGEMENT FEE

	2003			2002		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Investment management fee	**467**	**779**	**1,246**	511	853	1,364
Irrecoverable VAT thereon	**82**	**136**	**218**	90	149	239
Total	**549**	**915**	**1,464**	601	1,002	1,603

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).



NOTES ON THE ACCOUNTS

4 OTHER EXPENSES

	2003 £'000	2002 £'000
Secretarial services	**62**	61
Directors' fees (Note 5)	**56**	54
Auditors' fee–for audit services	**9**	8
–for non-audit services (taxation)	**1**	1
Other	**91**	81
	219	205

5 DIRECTORS' FEES

The emoluments and related employment costs of the Directors were as follows:

	2003 £	2002 £
M W Walker, *Chairman*	14,000	13,500
H N Buchan	10,400	10,000
A C Dempster	10,400	10,000
D J Macdonald	10,400	10,000
Sir Fraser Morrison	10,400	10,000
Total fees	55,600	53,500
VAT and Employers' National Insurance	4,925	3,932
Total	60,525	57,432

6 TAXATION

Analysis of tax charged on ordinary activities	2003 £'000	2002 £'000
Total current tax charge for the year (see below)	**—**	—
Total deferred tax	**—**	—
Total tax charge for the year	**—**	—

Factors affecting current tax charge for the year

The tax assessed for the period is lower than the standard rate of corporation tax in the UK for a large company (30%). The differences are explained below:

Returns on ordinary activities before tax	**4,978**	4,797
Corporation tax at 30%	**1,493**	1,439
Non-taxable UK dividends	**(1,657)**	(1,536)
Tax deductible expenses charged to capital	**(274)**	(301)
Tax losses for which no relief has been taken	**438**	398
Total current tax charge for the year	**—**	—

The Company has unutilised management expenses for taxation purposes of £8,559,000 (2002: £7,102,000). The Company has not recognised an asset for deferred tax on unutilised management expenses because it is unlikely that there will be suitable taxable profits from which the future reversal of a deferred tax asset may be deducted.



NOTES ON THE ACCOUNTS

7 DIVIDENDS ON INCOME SHARES

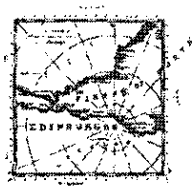
	2003	2002
	£'000	£'000
First interim paid – 3.1p (2002: 2.9p)	**961**	899
Second interim paid – 3.1p (2002: 2.9p)	**961**	899
Third interim paid – 3.1p (2002: 2.9p)	**961**	899
Fourth interim payable – 6.7p (2002: 7.3p)	**2,078**	2,264
Special interim payable – 3.1p (2002: nil)	**961**	—
	5,922	4,961

8 RETURNS PER NON-EQUITY SHARES

	2003			2002		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
Income share	**16.05p**	**—**	**16.05p**	15.47p	—	15.47p
Capital share	**—**	**(18.83p)**	**(18.83p)**	—	6.18p	6.18p

The revenue return per Income Share is based on the net revenue on ordinary activities after taxation of £4,978,000 (2002: £4,797,000) and on 31,006,286 Income Shares being the weighted average number of Income Shares in issue during both years.

The capital return per Capital Share is based on net capital losses for the financial year of £5,840,000 (2002: gains of £1,917,000) and on 31,006,286 Capital Shares being the weighted average number of Capital Shares in issue during both years.



NOTES ON THE ACCOUNTS

9 INVESTMENTS

	Listed in UK £'000
Opening book cost	157,995
Opening unrealised appreciation	22,947
Opening valuation	**180,942**
Movements in the year:	
Purchases at cost	50,593
Sales–proceeds	(59,245)
–realised gains on sales	4,453
Decrease in unrealised appreciation	(9,378)
Closing valuation	**167,365**
Closing book cost	153,796
Closing unrealised appreciation	13,569
Closing valuation	**167,365**

	2003 £'000	2002 £'000
Realised net gains on sales	**4,453**	3,445
Decrease in unrealised appreciation	**(9,378)**	(663)
(Losses)/gains on investments	**(4,925)**	2,782

10 DEBTORS

	2003 £'000	2002 £'000
Amounts due from brokers	**1,762**	95
Investment income receivable	**1,036**	1,144
Other debtors	**22**	20
	2,820	1,259

11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 £'000	2002 £'000
Amounts due to brokers	**1,302**	452
Fourth interim dividend	**2,078**	2,264
Special interim dividend	**961**	—
Other creditors	**24**	23
	4,365	2,739



NOTES ON THE ACCOUNTS

12 SHARE CAPITAL

	At 30 June 2003		At 30 June 2002	
Authorised:	**No. of Shares**	**£'000**	No. of Shares	£'000
Income Shares of 10p	**258,750,000**	**25,875**	258,750,000	25,875
Capital Shares of 10p	**258,750,000**	**25,875**	258,750,000	25,875
		51,750		51,750
Allotted, issued and fully paid:				
Income Shares of 10p	**31,006,286**	**3,100.6**	31,006,286	3,100.6
Capital Shares of 10p	**31,006,286**	**3,100.6**	31,006,286	3,100.6
		6,201.2		6,201.2

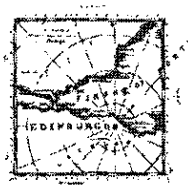
In accordance with the requirements of Financial Reporting Standard No. 4, all classes of the Company's shares are defined as "non-equity". However, in the opinion of the Directors, the income and capital shares are in aggregate the true equity of the Company.

13 RESERVES

	Share premium account £'000	**Capital redemption reserve** £'000	**Capital reserve-realised** £'000	**Capital reserve-unrealised** £'000	**Revenue reserve** £'000
Beginning of year	24,543	45,549	79,899	22,947	968
Net gain on realisation of investments	—	—	4,453	—	—
Decrease in unrealised appreciation	—	—	—	(9,378)	—
Management fee charged to capital	—	—	(915)	—	—
Net revenue deficit for the year	—	—	—	—	(944)
End of year	**24,543**	**45,549**	**83,437**	**13,569**	**24**

14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003 £'000	2002 £'000
Opening shareholders' funds	**180,107**	178,354
Total recognised gains and losses before dividends	**(862)**	6,714
Dividends in respect of Income Shares	**(5,922)**	(4,961)
Closing shareholders' funds	**173,323**	180,107
Attributable to Income Shareholders	**3,125**	4,069
Attributable to Capital Shareholders	**170,198**	176,038
	173,323	180,107



NOTES ON THE ACCOUNTS

15 NET ASSET VALUE PER SHARE

Net asset value per Income Share is based on net assets attributable to Income Shares of £3,125,000 (2002: £4,069,000) and on 31,006,286 Income Shares in issue at 30 June 2003 (2002: 31,006,286). Net asset value per Capital Share is based on net assets attributable to Capital Shares of £170,198,000 (2002: £176,038,000) and on 31,006,286 Capital Shares in issue at 30 June 2003 (2002: 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	4,069	176,038	180,107
Return on ordinary activities after taxation	4,978	(5,840)	(862)
Dividends	(5,922)	—	(5,922)
Total net assets attributable at end of year	**3,125**	**170,198**	**173,323**

16 GROSS CASH FLOWS

	2003 £'000	2002 £'000
Returns on investments and servicing of finance		
Non-equity dividends paid	**(5,147)**	(4,868)
Capital expenditure and financial investment		
Payments to acquire investments	**(49,743)**	(61,010)
Receipts from sales of investments	**57,578**	50,441
	7,835	(10,569)

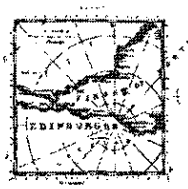
17 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 July 2002 £'000	**Cash flows £'000**	**At 30 June 2003 £'000**
Cash at bank	645	6,858	**7,503**

18 CONTINGENCIES, GUARANTEES AND FINANCIAL COMMITMENTS

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

	2003 £'000	2002 £'000
Open offer commitments	**—**	321
Placing commitments	**123**	—
Underwriting commitments	**307**	—
	430	321



NOTES ON THE ACCOUNTS

19 FINANCIAL INSTRUMENTS—FRS 13 DISCLOSURES

The Company's financial instruments comprise its investment portfolio (see note 9 and pages 18 and 19), 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 traded on the London Stock Exchange currency risk and liquidity risk are 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 3.75% as at 30 June 2003 (2002: 4.00%) and funds can be withdrawn on demand and without penalty. 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 12 to 16, which is not subject to audit. It is not the Managers' policy to use derivatives to manage portfolio risk.

The Company held the following categories of financial instruments at 30 June 2003:

	2003		2002	
	Book Value	**Fair Value**	Book Value	Fair Value
	£'000	**£'000**	£'000	£'000
Financial Assets				
Investment Portfolio	**167,365**	**167,365**	180,942	180,942
Cash at bank	**7,503**	**7,503**	645	645
Non-equity interests				
Income Shares	**3,125**	**10,620**	4,069	13,643
Capital Shares	**170,198**	**155,497**	176,038	158,287

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 2003 and 30 June 2002.

The Company has overdraft facilities with Clydesdale Bank PLC and Bank of Scotland for £5,000,000 in aggregate at interest rates linked to bank 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 pages 3 and 4.



SHAREHOLDER INFORMATION

SHAREHOLDER REGISTER ENQUIRIES

All administrative enquiries relating to Shareholders such as queries concerning holdings, dividend payments, notification of change of address, loss of certificate or to be placed on a mailing list should be addressed to the Company's registrars:

Shareholder Services Department
Northern Registrars Limited
Northern House
Woodsome Park
Fenay Bridge
Huddersfield HD8 0LA

Tel: **0870 162 3131**
Fax: **01484 600 911**
Email: **shareholder.services@northernregistrars.co.uk**
Website: **www.northernregistrars.co.uk**

PAYMENT OF DIVIDENDS

The best way to ensure that dividends are received as quickly as possible is to instruct the Company's registrars, whose address is given above, to pay them directly into a bank account; tax vouchers are then mailed to Shareholders separately. This method also avoids the risk of dividend cheques being delayed or lost in the post.

SOURCES OF FURTHER INFORMATION

The prices of the Capital Shares, Income Shares and Units are quoted daily in the *Financial Times*, *The Herald* and *The Scotsman*. These prices, together with the Net Asset Values and other financial data, can be found on the TrustNet website at **www.trustnet.com**. Other websites containing useful information on the Company are **www.aitc.co.uk** and **www.splitsonline.co.uk**. Company performance and other relevant information is available on the Aberforth Partners' website at **www.aberforth.co.uk** and are updated monthly.

HOW TO INVEST

The Company's Capital Shares, Income Shares and Units are traded on the London Stock Exchange. They can be bought or sold by placing an order with a stockbroker, by asking a professional adviser to do so, or through most banks. The Company's Managers, Aberforth Partners, do not offer any packaged products such as ISAs, PEPs, Savings Schemes or Pension Plans.

Stock Exchange Codes	Capital Shares of 10p	0-007-960
	Income Shares of 10p	0-007-959
	Units (comprising 1 Capital Share and 1 Income Share)	0-007-971

AITC

The Company is a member of the Association of Investment Trust Companies which produces a detailed Monthly Information Service on the majority of investment trusts. This can be obtained by contacting the Association of Investment Trust Companies, Durrant House, 8–13 Chiswell Street, London EC1Y 4YY Website: www.aitc.co.uk; Tel: 020 7282-5555.



SHAREHOLDER INFORMATION

FINANCIAL CALENDAR

Results	For the half year to 31 December announced	January
	For the full year to 30 June announced	July
Income Share Dividends	*First interim*	
	Ex-dividend	October/November
	Payable	December
	Second interim	
	Ex-dividend	January/February
	Payable	March
	Third interim	
	Ex-dividend	April/May
	Payable	June
	Fourth interim	
	Ex-dividend	July/August
	Payable	August/September
Interim Report	Published	January
Annual Report and Accounts	Published	July
Annual General Meeting		August
Publication of Net Asset Values		Weekly (via Aberforth Partners' website) Monthly (as weekly and also via AITC)
Website Content Update		Weekly/Monthly
Liquidation Date		by 30 June 2004

GLOSSARY OF TECHNICAL TERMS

"Discount" is the amount by which the stockmarket price per share is lower than the Net Asset Value per share. The discount is normally expressed as a percentage of the Net Asset Value per share.

"Expense Ratio" is the total annual operating costs (net of tax relief), excluding interest costs, divided by the average Shareholders' funds (calculated per AITC guidelines).

"Market Capitalisation" of a Company is calculated by multiplying the stockmarket price per share by the total number of shares in issue.

"Net Asset Value", also described as Shareholders' funds, is the value of total assets less liabilities. Liabilities for this purpose include borrowings as well as current liabilities. The Net Asset Value per share is calculated by dividing this amount by the total number of shares in issue.

"Premium" is the amount by which the stockmarket price per share exceeds the Net Asset Value per share. The premium is normally expressed as a percentage of the Net Asset Value per share.



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Twelfth Annual General Meeting of Aberforth Split Level Trust plc will be held at 14 Melville Street, Edinburgh on Wednesday, 27 August 2003 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 2003 be adopted.
2. That the Directors' Remuneration Report for the year ended 30 June 2003 be approved.
3. That Mr. Dempster be re-elected as a Director.
4. That Mr. Macdonald be re-elected as a Director.
5. That Ernst & Young LLP 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

23 July 2003

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.

No Director has a contract of service with the Company.

Pillans & Waddles, Edinburgh. 73199