THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. When considering what action you should take, you are recommended to seek your own financial advice from your stockbroker, bank manager, solicitor, accountant or other independent professional adviser duly authorised under the Financial Services and Markets Act 2000.

If you have sold or transferred all your ordinary shares in Aberforth Smaller Companies Trust plc, please send this document, together with the accompanying form of proxy to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was or is being effected for transmission to the purchaser or transferee. However, such documents should not be forwarded or transmitted in or into any jurisdiction other than the United Kingdom, the Channel Islands or the Isle of Man.

A copy of this document, which comprises a prospectus relating to the Company prepared in accordance with the listing rules of the UK Listing Authority made under section 74 of the Financial Services and Markets Act 2000, has been delivered to the Registrar of Companies in Scotland for registration in accordance with section 83 of that Act.

The Directors and the Proposed Director of the Company, whose names appear on page 3 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors and the Proposed Director (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

ABERFORTH SMALLER COMPANIES TRUST plc

Incorporated in Scotland, registered number SC126524

Prospectus and Notice of Extraordinary General Meeting relating to the issue of New ASCoT Shares in connection with the reconstruction and winding up of Aberforth Split Level Trust plc

Sponsored by

Dickson Minto W.S.

Dickson Minto W.S., which is authorised and regulated in the United Kingdom by the Financial Services Authority, is the sponsor and solicitor to the Company. Dickson Minto W.S. is not acting for any other person in connection with the Proposals and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Dickson Minto W.S. or for providing advice in relation to the Proposals.

The New ASCoT Shares will not be registered under the United States Securities Act of 1933 or the relevant securities laws of any state of the United States, or under any of the relevant securities laws of Canada, Japan, the Republic of South Africa, the Republic of Ireland or Australia, and accordingly, the Issue is not being made and the New ASCoT Shares may not be offered, sold, resold, delivered or transferred, directly or indirectly, in or into the United States, Canada, Japan, the Republic of South Africa, the Republic of Ireland or Australia. The distribution of this document in certain jurisdictions may be restricted by law. No action has been taken by the Company that would permit an offer of New ASCoT Shares or possession or distribution of this document or any other offering or publicity material in any jurisdiction where action for that purpose is required, other than in the United Kingdom, the Channel Islands and the Isle of Man. Persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

Your attention is drawn to the section entitled "Risk Factors" in Part 2 of this document for a discussion of certain factors that should be considered by potential investors when deciding on what action to take in relation to the Proposals or otherwise.

You will find set out at the end of this document, a notice convening an extraordinary general meeting of Aberforth Smaller Companies Trust plc for 10.00 am on Wednesday, 29 October 2003, *inter alia*, to approve the Proposals. The Extraordinary General Meeting will be held at 14 Melville Street, Edinburgh EH3 7NS. The accompanying form of proxy for use by Shareholders in relation to the Extraordinary General Meeting should be completed and returned in accordance with the instructions printed on it as soon as possible and, in any event, so as to be received by not later than **10.00 am on Monday, 27 October 2003.**

29 September 2003

CONTENTS

DIRECTORS, INVESTMENT MANAGER AND ADVISERS

Directors
William Young Hughes *(Chairman)*
Marco Luigi Autimio Chiappelli
John Edward Gordon Cran
Keith Manson Miller
David Robert Shaw

Proposed Director
Hamish Noble Buchan

all non-executive and of
14 Melville Street
Edinburgh EH3 7NS

Investment Manager, Secretaries and Registered Office
Aberforth Partners
14 Melville Street
Edinburgh EH3 7NS

Sponsor and Solicitor
Dickson Minto W.S.
16 Charlotte Square
Edinburgh EH2 4DF

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

Registrar and Receiving Agent
Northern Registrars Limited
Northern House
Woodsome Park
Fenay Bridge
Huddersfield HD8 0LA

Principal Bankers
Bank of Scotland
38 St. Andrew Square
Edinburgh EH2 2YR

Clydesdale Bank plc
30 St. Vincent Place
Glasgow G1 2HL

EXPECTED TIMETABLE FOR THE COMPANY

Latest time for receipt of forms of proxy for use in relation to the Extraordinary General Meeting	10.00 am on Monday, 27 October 2003
Extraordinary General Meeting	10.00 am on Wednesday, 29 October 2003
ASCoT Calculation Date	5.00 pm on Friday, 7 November 2003
Effective Date for implementation of the Scheme	Monday, 10 November 2003
New ASCoT Shares issued and dealings commence in New ASCoT Shares	Tuesday, 11 November 2003
New ASCoT Shares issued in uncertificated form credited to stock accounts in CREST of ASLeT Shareholders entitled thereto	Tuesday, 11 November 2003
Certificates for New ASCoT Shares despatched	Monday, 17 November 2003

EXPECTED TIMETABLE FOR THE SCHEME

First extraordinary general meeting of ASLeT to approve the Scheme and announcement of the result of Elections	Wednesday, 29 October 2003
Second extraordinary general meeting of ASLeT to put ASLeT into liquidation and Effective Date of the Scheme	Monday, 10 November 2003

PART 1

ABERFORTH SMALLER COMPANIES TRUST plc

(incorporated in Scotland, registered no. SC126524)
(an investment company within the meaning of section 266 of the Companies Act 1985)

Directors	*Registered Office*
William Hughes *(Chairman)*	14 Melville Street
Marco Chiappelli	Edinburgh EH3 7NS
Edward Cran	
Keith Miller	
David Shaw	29 September 2003

To all Shareholders and, for information only, all ASLeT Shareholders

Dear Sir or Madam

INTRODUCTION

The board of Aberforth Split Level Trust plc today announced proposals for a scheme of reconstruction of ASLeT in advance of its planned winding up in June 2004. It was also announced that New ASCoT Shares would be offered as one of the roll over options for ASLeT Shareholders under the terms of the Scheme.

ASLeT was launched in May 1991 and is a split capital trust with only capital and income shares in issue which are also traded as units on the London Stock Exchange. It 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. ASLeT is also managed by Aberforth and its investment portfolio is virtually identical to that of ASCoT.

Under ASLeT's articles, the directors of ASLeT are required to put a resolution to the ASLeT Shareholders to consider the winding up or reconstruction of ASLeT no later than 30 June 2004. Following discussions between the boards of ASCoT and ASLeT and their respective advisers, it is proposed that ASLeT should be wound up pursuant to a scheme of reconstruction and that ASLeT Shareholders should be offered the opportunity to roll over their investment in ASLeT into New ASCoT Shares. As at 24 September 2003 (the latest practicable date prior to the publication of this document), ASLeT had net assets of £195 million. Under the Scheme, ASLeT Shareholders are also being offered the opportunity to roll their investment into units in a unit trust, Aberforth UK Small Companies Fund, or to realise their investment in ASLeT under the Realisation Option.

Due to the potential size of the assets to be acquired by ASCoT under the Scheme, the Directors consider that ASCoT's participation in the Scheme should be subject to the approval of Shareholders in a general meeting of the Company. In addition, the Directors will require to be authorised to issue the New ASCoT Shares. The purpose of this document is to explain the Proposals and why the Directors recommend you to vote in favour of them at the Extraordinary General Meeting. Notice of the Extraordinary General Meeting is set out at the end of this document. This document also comprises a prospectus in relation to the Company, which has been prepared by the Company in connection with its participation in the Scheme.

BENEFITS OF THE PROPOSALS FOR ASCoT

The Proposals provide an opportunity to increase ASCoT's net assets in a cost efficient manner not otherwise available to ASCoT in present market conditions. Such an increase will enhance ASCoT's profile by consolidating its position as the largest investment trust in its sector and one of the largest investment trusts overall. In turn, the enhanced size and profile of ASCoT may make it more attractive to investors and may increase liquidity in ASCoT Shares. Furthermore, ASCoT will be established as Aberforth's leading quoted product for accessing the recognised smaller companies expertise at Aberforth and disruption to ASCoT's underlying investment portfolio will be minimised by potentially significantly reducing the amount of ASLeT's overlapping portfolio that requires realisation through the market.

ASCoT's participation as a roll over option under the Scheme will not result in any dilution to the net asset value of the Existing ASCoT Shares because:

- the New ASCoT Shares being issued pursuant to the Scheme will be issued at a price that is not lower than the net asset value (including all revenue reserves and current net revenue) of an Existing ASCoT Share;
- the consideration received by ASCoT for the issue of New ASCoT Shares will consist of a portfolio of investments from ASLeT which will be valued at mid prices;
- ASLeT will bear all costs reasonably incurred by ASCoT in connection with the implementation of the Scheme, including the stamp duty payable; and
- Aberforth has agreed to bear any costs which ASCoT may incur and, for any reason, not be able to recover from ASLeT should no New ASCoT Shares be issued pursuant to the Scheme.

ASLeT invests only in Small UK Quoted Companies and its investment portfolio is virtually identical to that of ASCoT. The ASLeT assets received by ASCoT under the Scheme will therefore be compatible with its existing portfolio. Aberforth, the fund manager of ASCoT, is also the manager of ASLeT.

ASLeT Unitholders and ASLeT Capital Shareholders, other than ASLeT overseas shareholders, who do not make valid elections by Monday, 27 October 2003 at 5.00 pm will be deemed to have elected for New ASCoT Shares. ASLeT Income Shareholders, other than those holding them as Units, who do not make valid elections by such date and time will be deemed to have elected for the Realisation Option.

THE SCHEME

Details of the Scheme

Under the terms of the Scheme, ASLeT will be put into members' voluntary liquidation and ASLeT Shareholders may:

- roll over their investment into New ASCoT Shares (the "ASCoT Option"); or
- roll over their investment into units in Aberforth UK Small Companies Fund (the "AFund Option"); or
- receive cash through an orderly realisation of the assets representing their investment (the "Realisation Option"); or
- select any combination of the above as suits each ASLeT Shareholder's personal investment requirements.

The Company's participation as a roll over vehicle under the terms of the Scheme is conditional, however, on the ASCoT Shareholders passing the resolution to authorise the issue of New ASCoT Shares at the Extraordinary General Meeting of ASCoT and the New ASCoT Shares being admitted to the Official List and to trading on the main market of the London Stock Exchange.

Under the terms of the Scheme, part of ASLeT's existing investment portfolio will be transferred to the Company to satisfy elections for the ASCoT Option, part will be transferred to Aberforth UK Small Companies Fund to satisfy elections for the AFund Option and part will be realised and the cash arising from such realisation distributed to ASLeT Shareholders to satisfy elections for the Realisation Option. Transfers to ASCoT and Aberforth UK Small Companies Fund pursuant to the Scheme will be effected by the Transfer Agreement, details of which are set out in paragraph 7(c) of Part 5 of this document.

Details of the entitlements attributable to each ASLeT Share are set out in Part 3 of this document.

Realisation Pool

In addition to the investments which ASCoT will acquire pursuant to the Scheme, it is possible that ASCoT may seek to acquire further investments for cash from ASLeT's Realisation Pool.

General

Full details of the Scheme are set out in the circular to ASLeT Shareholders dated 29 September 2003, a copy of which is available for inspection at the addresses specified in paragraph 9 of Part 5 of this document.

DETAILS OF THE ISSUE

Conditions to the Issue

The issue of the New ASCoT Shares pursuant to the Scheme is subject to (i) the passing of resolution 1 to be considered at the Extraordinary General Meeting; (ii) the UK Listing Authority agreeing to admit the New ASCoT Shares to be issued under the Scheme to the Official List and the London Stock Exchange agreeing to admit such shares to trading (subject, in the case of each such admission, only to the allotment of such securities); (iii) the Scheme being approved by ASLeT Shareholders at two extraordinary general meetings and one class meeting; and (iv) the mid price of an Existing ASCoT Share on the date of Admission not standing at a premium of more than 10 per cent. to the net asset value of an ASCoT Share on the ASCoT Calculation Date. If any of those conditions is not fulfilled, then no New ASCoT Shares will be issued pursuant to the Scheme and any associated costs which ASCoT may incur and, for any reason, not be able to recover from ASLeT will be borne by Aberforth.

Maximum Number of New ASCoT Shares

The maximum number of New ASCoT Shares to be issued pursuant to the Issue is 50 million New ASCoT Shares, being 59 per cent. of the current issued share capital or 37 per cent. of the enlarged issued share capital of ASCoT. This assumes that all the ASLeT Shareholders roll their entire shareholdings over into ASCoT which is considered very unlikely. Save in relation to the allotment of New ASCoT Shares in connection with the Issue, your Directors have no present intention of issuing any further ASCoT Shares.

Dealings and Settlement

The New ASCoT Shares will be issued on Tuesday, 11 November 2003 and the issue is open to those ASLeT Shareholders on the register of members of ASLeT at the close of business on Monday, 27 October 2003 who have elected or who are deemed to have elected for New ASCoT Shares under the Scheme. Transfers will not be accepted for registration for participation in the Scheme after 5.00 p.m. on Monday, 27 October 2003. Fractions of New ASCoT Shares will not be issued under the Scheme and assets representing fractional entitlements to New ASCoT Shares will represent an accretion to the assets of the Company.

Applications have been made to the UK Listing Authority for the New ASCoT Shares to be admitted to the Official List and to the London Stock Exchange for the New ASCoT Shares to be admitted to trading. If the Scheme becomes effective and all the conditions of Issue are satisfied, it is expected that the New ASCoT Shares will be admitted to the Official List on, and that the first day of dealings in such shares on the London Stock Exchange will be, Tuesday, 11 November 2003. The New ASCoT Shares, which will be issued in registered form and may be held in either certificated or uncertificated form, will be credited as fully paid and will rank *pari passu* in all respects with the Existing ASCoT Shares.

In relation to New ASCoT Shares, temporary documents of title will not be issued pending the despatch by post of definitive certificates for such New ASCoT Shares. Pending the issue of definitive certificates for such New ASCoT Shares, transfers will be certified against the register. It is expected that definitive share certificates will be despatched in respect of the New ASCoT Shares during the week commencing 17 November 2003.

DIVIDENDS

The Company has a policy in the ordinary course of business of paying an interim dividend in September and a final dividend in March of each year.

Under the Scheme, in calculating the number of New ASCoT Shares to which an ASLeT Shareholder electing for the ASCoT Option is entitled, the net asset value of an ASCoT Share will include all ASCoT's revenue reserves and current net revenue up to the ASCoT Calculation Date. Accordingly, ASLeT Shareholders who acquire New ASCoT Shares shall be entitled to any dividends or distribution paid by ASCoT with reference to a record date after the date of issue of the New ASCoT Shares (including the dividend referred to below).

Whether or not the Proposals become effective, it is anticipated that the Company's next dividend will be the final dividend for 2003 which, in the absence of unforeseen circumstances, is anticipated to be 6.6p (as compared with 6.2p in the previous year) and is expected to be payable in March 2004. This is an estimate calculated on the basis of certain assumptions, is for illustrative purposes only and does not represent a forecast of profits.

FUTURE BOARD STRUCTURE

It is the Board's objective that it should be at the forefront of good corporate governance. For that reason, it is the Board's wish to go beyond the current minimum requirements of the Association of Investment Trust Companies and The Combined Code by having all Directors seek re-election each year, rather than every three years or after a specified term.

In addition, the Board wishes to alert Shareholders to some changes which, in the absence of unforeseen circumstances, it expects to make to its composition, including the appointment of Hamish Buchan, who is currently a director of ASLeT.

By the time of the 2005 annual general meeting (which is expected to be held in February of that year), I will have served Shareholders as Chairman for 14 years; since ASCoT's inception. I will not seek re-election at that 2005 annual general meeting and it is anticipated that David Shaw will then assume the role of Chairman.

Keith Miller will not seek re-election at the annual general meeting expected to be held in February 2004, having served Shareholders for 13 years; since ASCoT's inception.

During 2004 a further independent Director will be sought in order to ensure the Board comprises no less than five and no more than six members.

EXTRAORDINARY GENERAL MEETING

The Proposals require the approval of Shareholders. Accordingly, an Extraordinary General Meeting of the Company will be held at 10.00 am on Wednesday, 29 October 2003 at 14 Melville Street, Edinburgh EH3 7NS. Notice of the Extraordinary General Meeting is set out at the end of this document.

At the Extraordinary General Meeting an ordinary resolution will be proposed:

(i) to approve ASCoT's participation in the Scheme; and

(ii) subject to the Scheme becoming unconditional, to authorise the Directors pursuant to section 80 of the Companies Act 1985 to allot New ASCoT Shares pursuant to, or in connection with, the Issue of up to a maximum aggregate nominal amount of £500,000, such authority to expire on 31 December 2003.

A further ordinary resolution will also be proposed at the Extraordinary General Meeting to increase the aggregate level of Directors' fees to £125,000. Under the Company's articles of association, the amounts payable by the Company to the Directors by way of fees for their services as Directors may not currently exceed in aggregate £75,000 per annum or such larger sum as the Company may by ordinary resolution determine. The maximum aggregate amount of Directors' fees payable annually by the Company has not been altered since 1996 and the Board considers that the current maximum is no longer sufficient or consistent with market rates.

At the Extraordinary General Meeting, a special resolution will also be proposed to cancel the entire share premium account of the Company, including that part arising on the issue of the New ASCoT Shares. The special reserve created by the cancellation of the share premium account shall, subject to court approval, be capable of being used by the Company for any purposes for which distributable profits are available under the Companies Act 1985, including the funding of share buy-backs (subject to any restrictions which a court may impose).

ACTION TO BE TAKEN

You will find enclosed a form of proxy for use in relation to the Extraordinary General Meeting. Whether or not you propose to attend the Extraordinary General Meeting, you are asked to complete and return to the Company's registrar the form of proxy in accordance with the instructions printed on it as soon as possible and, in any event, so as to be received by not later than 10.00 am on Monday, 27 October 2003. Completion and return of a form of proxy will not prevent you from attending and voting in person at the Extraordinary General Meeting should you wish to do so.

RECOMMENDATION

Your Directors consider that the Proposals are in the best interests of Shareholders as a whole. Accordingly, your Directors unanimously recommend you to vote in favour of the resolutions to be proposed at the Extraordinary General Meeting, as they intend to do in respect of their aggregate beneficial holdings of 83,500 ASCoT Shares (representing 0.1 per cent. of the Company's issued share capital).

Yours sincerely

William Hughes
Chairman

PART 2

INFORMATION ON THE COMPANY

INTRODUCTION

ASCoT is an investment trust which invests in Small UK Quoted Companies. It was admitted to the Official List on 10 December 1990 and, as at 24 September 2003 (the latest practicable date prior to the publication of this document), had net assets of £365 million. ASCoT has a simple capital structure with only ordinary shares in issue. ASCoT is not currently geared, although a flexible £80 million debt facility is available and may be drawn on request. Aberforth is the investment manager of ASCoT.

INVESTMENT OBJECTIVE

The investment objective of ASCoT is to achieve a net asset value total return (with dividends reinvested) greater than on the HGSC Index (XIC) over the long term by investing in a diversified portfolio of Small UK Quoted Companies.

INVESTMENT POLICY AND BACKGROUND

ASCoT invests solely in Small UK Quoted Companies. The HGSC Index (XIC) comprises the smallest companies (excluding investment companies) whose aggregate market capitalisation represents 10 per cent. of the total market capitalisation of companies listed on the Official List of the London Stock Exchange and at the beginning of 2003 included 858 companies, the aggregate market capitalisation of which was £90 billion and the largest individual market capitalisation of which was £614 million.

ASCoT's portfolio normally consists of investments in over 80 individual companies. Investments are not made in AIM listed securities, securities without a stock market listing or in securities issued by investment trusts or investment companies. ASCoT's policy is to be substantially fully invested in selected investments and to use borrowings from time to time on a tactical basis to gear returns to Shareholders. ASCoT may use derivative instruments, such as financial futures and options, for the purposes of efficient portfolio management.

INVESTMENT PROCESS

In seeking investments, Aberforth's approach is fundamental in nature involving regular contact with the management of prospective and existing investments in conjunction with rigorous financial analysis of these companies. The emphasis within the portfolio reflects the desire to invest in companies whose shares represent relatively attractive value within a given stock market environment.

INVESTMENT PERFORMANCE

Aberforth has a long term record of performance which illustrates its ability to outperform the HGSC Index (XIC). Since its inception in December 1990 to 31 August 2003, a period of 12.7 years, ASCoT has generated a total return of 16.1 per cent. per annum. Over the same period, the HGSC Index (XIC) has generated a total return of 10.3 per cent. per annum.

The table below illustrates the performance of each of ASCoT, ASLeT and their benchmark index (the HGSC Index (XIC)) over a variety of years.

Compound Annual Returns (underlying net assets with dividends reinvested)

Years to 31 August 2003	**1**	**2**	**3**	**5**	**7**	**10**	**12**
HGSC Index (XIC) total return (%)	23.8	0.2	-4.7	7.1	6.1	7.6	9.4
ASCoT (%)	22.9	9.5	11.4	17.4	12.3	13.2	15.0
ASLeT (%)	22.8	9.4	11.3	16.5	11.6	12.6	14.3

Source: Aberforth Partners/ABN AMRO/London Business School (HGSC Index (XIC) in its Extended Form prior to 1 January 1997)

Shareholders and potential investors should be aware that past performance is not necessarily indicative of future performance and that the price and/or net asset value of, and income derived from, shares may go down as well as up.

INVESTMENT OUTLOOK

The Directors and Aberforth believe the following factors to be encouraging for Small UK Quoted Companies for the remainder of the Company's current financial year and in the medium term:

- The UK economy, although demonstrating some slowdown in the rate of growth over the last six months, is expected to show some recovery over the medium term. The Bank of England in its August 2003 Inflation Report pointed to a central expectation for real GDP growth of between 2 and 3 per cent. per annum to mid-2005. Further, the Bank of England indicated that, in its central projection, RPIX inflation would slip back below target in 2004 before drifting back up towards the target level of 2.5 per cent. in 2005. The expectations were conditional on the prevailing level of official interest rates of 3.5 per cent. being maintained.
- In terms of valuation, the shares of Small UK Quoted Companies look reasonably attractive from two perspectives. First, as at 31 August 2003, the price/earnings multiple for the HGSC Index (XIC) was 15.1x representing a discount of 13 per cent. to that of the FTSE All-Share Index (XIC) (in each case excluding loss makers (Source: ABN AMRO/London Business School)). Second, the net dividend yield of the HGSC Index (XIC) was 2.7 per cent. which compares to that of the FTSE All-Share Index (XIC) at 3.3 per cent. The implied respective underlying dividend covers are 2.5x and 1.7x which suggests, other things being equal, the potential for superior dividend growth for Small UK Quoted Companies.

In view of the fact that the ASLeT investment portfolio is virtually identical to ASCoT's investment portfolio, the above statements apply also to the Company's portfolio as enlarged by its participation in the Scheme.

INVESTMENT MANAGEMENT ARRANGEMENTS

Aberforth was appointed as the Company's investment manager on the Company's listing in December 1990. Aberforth was formed in May 1990 to provide institutional and wholesale investors with a high level of resources entirely focussed on Small UK Quoted Companies. ASCoT benefits from the expertise of Aberforth's seven investment professionals. Five of the seven are founding partners of Aberforth and the additional two investment professionals joined in April and May 2001. As at 24 September 2003 (the latest practicable date prior to the publication of this document), this team managed over £1.2 billion invested in Small UK Quoted Companies.

Under the terms of the investment management agreement between the Company and Aberforth, Aberforth receives a fee, payable quarterly in advance, equal to one-fifth of one per cent. of the value of the assets less all liabilities of the Company. The investment management agreement between the Company and Aberforth may be terminated by either party at any time by giving six months' notice of termination. The management fee and notice period are identical for ASLeT. In addition to the investment management fee, Aberforth is paid approximately £55,000 (plus value added tax) per annum for providing secretarial services to the Company.

Further details of the investment management agreement are set out in paragraph 7(d) of Part 5 of this document.

Aberforth's investment management team comprises the following managers:

Andrew P Bamford BCom (Hons), CA (37) – Andrew joined Aberforth in April 2001 and is currently responsible for investment research and stock selection in the following areas – Information Technology Hardware; Leisure & Hotels; and Transport.

John M Evans MA (Hons) (45) – John is a founding partner of Aberforth and is currently responsible for investment research and stock selection in the following areas – Automobiles & Parts; Construction & Building Materials; Household Goods & Textiles; Telecommunication Services; and Utilities.

Euan R Macdonald BA (Hons) (33) – Euan joined Aberforth Partners in May 2001 and is currently responsible for investment research and stock selection in the following areas – Beverages; Engineering & Machinery; Personal Care & Household Products; and Software & Computer Services.

Richard M J Newbery BA (Hons) (43) – Richard is a founding partner of Aberforth and is currently responsible for investment research and stock selection in the following areas – Electronic & Electrical Equipment; Food & Drug Retailers; Food Producers & Processors; and General Retailers.

David T M Ross FCCA (54) – David is a founding partner of Aberforth and is currently responsible for investment research and stock selection in the following areas – Insurance; Life Assurance; Real Estate; and Speciality & Other Finance.

David Warnock BCom (Hons), CDipAF (45) – David is a founding partner of Aberforth and is currently responsible for investment research and stock selection in the following areas – Chemicals; Forestry & Paper; Health; and Support Services.

Alistair J Whyte (40) – Alistair is a founding partner of Aberforth and is currently responsible for investment research and stock selection in the following areas – Aerospace & Defence; Diversified Industrials; Media & Entertainment; Mining; Oil & Gas; Pharmaceuticals & Biotechnology; and Steel and Other Metals.

DIRECTORS AND PROPOSED DIRECTOR

The Board of ASCoT comprises the following non-executive directors:

William Y Hughes CBE (63) (Chairman) (appointed November 1990), was the chairman from 1985 and chief executive from 1976 of Grampian Holdings plc (now known as Malcolm Group plc), a holding company engaged in retail, transport and sale of sporting goods, until his retiral in July 1998. He is also a past chairman of CBI Scotland and is currently chairman of The Prince's Scottish Youth Business Trust and The Prince's Trust in Scotland, a member of the UK Council of The Prince's Trust and president of Right Track.

Marco LA Chiappelli CA (59) (appointed July 2001) joined the regional newspaper company, Johnston Press plc (formerly known as F Johnston & Co Limited) in 1974 as company secretary and was finance director from 1980 until his retiral in July 2001. Before joining Johnston Press he was an audit manager with Alexander Sloan & Co. He is currently chairman of the board of governors of St Margaret's School, Edinburgh, Limited and is a former chairman of the Group of Scottish Finance Directors. He is also chairman of the Company's audit committee.

J Edward G Cran ACMA (52) (appointed July 2001) was chief executive of Cattles plc, a company involved in the consumer credit business, until his retiral in May 2001. He joined the board of Cattles plc in 1990 prior to which he held various senior positions in the credit industry.

Keith M Miller BSc (Hons) (54) (appointed November 1990) has been chief executive since 1994, and a director since 1976, of The Miller Group Limited, the UK's largest privately owned property development, housing building and construction services company.

David R Shaw CA (55) (appointed October 1994) is chairman and was previously chief executive of Bridgepoint Capital Limited (formerly known as Natwest Equity Partners) since 1989. During this period he has also sat on the board of a number of unlisted companies in which funds managed by Bridgepoint Capital Limited were major investors.

It is proposed that the following non-executive director will join the board of the Company immediately following the Effective Date:

Hamish N Buchan (58) has been a director of ASLeT since August 2000. He is a consultant in the financial sector and is a director of Collective Assets Trust plc, JPMorgan Fleming American Investment Trust plc (of which he is chairman), Personal Assets Trust plc, Standard Life European Private Equity Trust plc and Shires Income plc. He is also Deputy Chairman of the Association of Investment Trust Companies. He was an investment trust analyst with Wood Mackenzie & Co and its successor firms from 1969 until his retirement in 2000.

CORPORATE GOVERNANCE

The Board of the Company currently comprises five wholly independent non-executive Directors of which Mr Hughes acts as Chairman on all matters considered by the Board. The audit committee of the Company is chaired by Mr Chiappelli. Subject to the special circumstances of the Company as an investment trust, the Company complies with the provisions of The Combined Code, with the exception that the Directors are not appointed for a specified term and there is no designated senior independent director. As explained in Part 1 of this document, the Board intends that all Directors seek re-election each year, which the Board considers preferable to appointment for a specified term.

CANCELLATION OF SHARE PREMIUM ACCOUNT

At the Extraordinary General Meeting a special resolution will be proposed to cancel the entire share premium account of the Company, including that part arising on the issue of New ASCoT Shares under the Scheme. If this cancellation is approved by the Shareholders and by the Court, the special reserve arising on the cancellation of the share premium account shall be capable of being used by the Company for any purposes for which distributable profits are available under the Companies Act 1985, including the funding of share buy-backs (subject to any restrictions which a court may impose).

SHARE BUY BACK POLICY

The current authority of the Company to make market purchases of up to 12,569,927 ASCoT Shares expires at the end of the annual general meeting in 2004 although it is anticipated that the renewal of the authority to buy back up to 14.99 per cent. of the Company's issued share capital will be sought from Shareholders at that time. The price paid for shares will not be less than the nominal value of 1p per share nor more than 105 per cent. of the average of the middle market quotations for the shares for the five business days immediately preceding the date of purchase. Any shares purchased under the authority will be automatically cancelled thereby reducing the Company's issued share capital. It is the Directors' intention to use the share purchase facility within the guidelines established from time to time by the Board.

CONTINUATION OF THE COMPANY

The Company has no fixed duration. However, in accordance with the Articles, an ordinary resolution will be proposed at the annual general meeting of the Company in 2005 (and at every third subsequent annual general meeting) that the Company continues to manage its affairs as an investment trust. The continuation resolutions proposed in 1996, 1999 and 2002 were strongly supported by Shareholders who voted.

If such resolution is not passed, the Directors will prepare and submit to Shareholders (for approval by special resolution) proposals for the unitisation or other reconstruction of the Company. In putting forward such proposals, the Directors will seek, *inter alia*, to provide Shareholders with a means whereby they can defer any liability to capital gains tax on their investment at that time. If these proposals are not approved, Shareholders will, within 180 days of the relevant annual general meeting, have the opportunity of passing an ordinary resolution requiring the Company to be wound up.

RISK FACTORS

In considering the past performance information contained in this document, investors should bear in mind that past performance is not necessarily indicative of future results and there can be no assurance that the Company will achieve comparable results. The price of, and the income derived from, the ASCoT Shares may go down as well as up and investors may get back less than the amount originally invested in the ASCoT Shares. It may not be possible to grow or even to maintain the level of dividend paid on them in future years.

The Company's investments are subject to normal stock market fluctuations and other risks inherent in investing in securities. The relatively small market capitalisations of the companies in which the Company invests and will invest could make the market for their securities less liquid, and those securities therefore more difficult to buy and sell than the securities of large companies. Future maintenance of, and any potential increase in, dividend levels on ASCoT Shares will depend on receipt by the Company of revenue from the securities in which it invests.

As with all investment trust shares, the market price of the ASCoT Shares may not reflect their underlying net asset value and the discount (or premium) to net asset value at which the ASCoT Shares trade may fluctuate from day to day, depending on factors such as supply and demand, market conditions and general sentiment.

There can be no guarantees that any appreciation in the value of the Company's investments will occur or that the investment objective of the Company will be met. Having regard to the Company's investment objective, shareholders should be aware that short term returns may not match the potential long term returns.

The levels and bases of and reliefs from taxation may change. The tax reliefs referred to in this document are those currently available and their value depends on the individual circumstances of an investor.

Under the Articles, the Company is entitled to borrow an amount equal to shareholders' funds (subject to certain adjustments). However, the Company is not currently geared although a flexible £80 million debt facility is available and may be drawn on request. The Company has used, and may in the future use borrowings from time to time on a tactical basis to gear returns to Shareholders. The Company may use derivative instruments, such as financial futures and options, for the purposes of efficient portfolio management.

Investors should be aware that, whilst the use of borrowings should enhance the net asset value of the ASCoT Shares where the value of the Company's underlying assets is rising, it will have the opposite effect where the underlying asset value is falling.

PART 3

SUMMARY OF THE SCHEME

Overview

Under the Scheme, ASLeT will be put into members' voluntary liquidation and ASLeT Shareholders can elect to:

- roll over their investment into New ASCoT Shares (the "ASCoT Option"); or
- roll over their investment into units in Aberforth UK Small Companies Fund (the "AFund Option"); or
- receive cash through an orderly realisation of the assets representing their investment (the "Realisation Option"); or
- any combination of the above as suits each ASLeT Shareholder's personal investment requirements.

ASLeT Unitholders and ASLeT Capital Shareholders (apart from any who are overseas shareholders in ASLeT) who make no valid election will be deemed to have elected for the ASCoT Option. ASLeT Income Shareholders (other than those who hold Income Shares as part of Units) who make no valid election will be deemed to have elected for the Realisation Option.

Entitlements under the Scheme

Under the Scheme the entitlements attributable to an ASLeT Unit or an ASLeT Capital Share will be different for each Option.

The ASCoT Option

The aggregate assets which represent the ASLeT Capital Shares (including those held as Units) for which elections for the ASCoT Option have been made will be valued at mid prices and from that aggregate value the estimated stamp duty reserve tax payable on the transfer of those assets to ASCoT will be deducted. This results in a value which on a per share basis is then divided by the net asset value of an ASCoT Share (valuing ASCoT's assets at mid prices including all revenue reserves and current net revenue as at the ASCoT Calculation Date) to give the ratio at which an ASLeT Capital Share rolls over into a New ASCoT Share.

The AFund Option

For ASLeT Capital Shares (including those held as Units) in respect of which elections are made for the AFund Option, the aggregate assets representing those shares will be valued at bid prices. This results in a value which on a per share basis is then divided by the issue price of an AFund Unit (which carries no initial charge and values AFund's assets at offer prices, i.e. higher than mid prices and which also includes an amount to cover commission and stamp duty reserve tax payable on the acquisition of assets by AFund) to give the ratio at which an ASLeT Capital Share rolls over into an AFund Unit.

The Realisation Option

ASLeT Capital Shareholders (including those who hold Capital Shares as Units) electing for the Realisation Option will receive distributions of cash in the course of ASLeT's winding up to reflect the values received in the actual realisation of the assets representing the interests of those ASLeT Shareholders who elect for the Realisation Option. This will be after payment of the prior entitlement of ASLeT Income Shareholders who elect for the Realisation Option. ASLeT Shareholders electing for the Realisation Option will have their entitlements represented in the Realisation Pool. The objective of the Realisation Pool will be to seek an orderly realisation of its investments so as to achieve a timely and efficient realisation of value, recognising that ASLeT Shareholders will wish their cash as quickly as possible. ASLeT anticipates that some or all of these investments may be sold to other clients of Aberforth (including ASCoT) although the level of their buying interest and the value of the Realisation Pool cannot be determined until around 29 October 2003. While there can be no certainty that other clients of Aberforth will have an interest in buying any of the investments, Aberforth nevertheless has reason to believe such prospective buying interest could be in the region of £75 million.

ASLeT Income Shares

The value attributable under the Scheme to each ASLeT Income Share (including those held as Units), regardless of which option is elected for, is 21.5p.

Conditions of the Scheme

The Scheme is conditional upon the passing of the requisite resolutions at (i) a separate class meeting of the ASLeT Capital Shareholders convened for Wednesday, 15 October 2003, (ii) an extraordinary general meeting of ASLeT convened for Wednesday, 29 October 2003, and (iii) a second extraordinary general meeting of ASLeT convened for Monday, 10 November 2003 and the other conditions referred to in paragraphs 10 and 11 of Part 3 of the ASLeT Circular. The Scheme is not, however, conditional on ASCoT's participation and if ASCoT does not or cannot participate in the Scheme, then no New ASCoT Shares will be issued and all elections for the ASCoT Option (including deemed elections) will be deemed to be for the AFund Option.

In the event that any condition of the Scheme is not satisfied, the Scheme will not proceed.

Costs

The costs of implementing the Scheme, including the costs of ASCoT, will be borne by ASLeT. The costs relating to the transfer or realisation of the Pools will be borne out of the relevant Pool. For example, stamp duty or stamp duty reserve tax will be payable on the transfer of the ASCoT Pool to ASCoT. The ASCoT Pool (and, therefore, the ASLeT Capital Shareholders who have elected for the ASLeT Option) will bear such stamp duty without it being passed on to ASCoT. Aberforth has agreed to bear any costs which ASCoT may incur and, for any reason, not be able to recover from ASLeT should no New ASCoT Shares be issued pursuant to the Scheme.

PART 4

FINANCIAL INFORMATION

NATURE OF FINANCIAL INFORMATION

The information set out in Section A below has been extracted without material adjustment from the statutory accounts of the Company for the three financial years ended 31 December 2002 and the information set out in Section B below has been extracted without material adjustment from the announcement of unaudited interim results of the Company for the period from 1 January 2003 to 30 June 2003. The financial information contained in this Part 4 does not constitute statutory accounts within the meaning of section 240 of the Act. Statutory accounts of the Company for the financial year to 31 December 2002, in respect of which the Company's auditors, Ernst & Young LLP made an unqualified report under section 235 of the Act, have been delivered to the Registrar of Companies and such a report did not contain any statements under section 237(2) or (3) of the Act.

SECTION A:
ANNUAL ACCOUNTS FOR THE THREE FINANCIAL YEARS ENDED 31 DECEMBER 2002

STATEMENT OF TOTAL RETURN FOR THE THREE YEARS ENDED 31 DECEMBER 2002

		2002 – Audited			*2001 – Audited*			*2000 – Audited*		
		Revenue	*Capital*	*Total*	*Revenue*	*Capital*	*Total*	*Revenue*	*Capital*	*Total*
	Notes	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*
(Losses)/gains on investments	9	–	(37,911)	(37,911)	–	16,256	16,256	–	34,254	34,254
Deemed cost of Warrants purchased for cancellation	13	–	(651)	(651)	–	(1,443)	(1,443)	–	(41)	(41)
Income	2	10,247	254	10,501	10,432	–	10,432	9,898	–	9,898
Investment management fee	3	(1,124)	(1,873)	(2,997)	(1,065)	(1,775)	(2,840)	(945)	(1,576)	(2,521)
Other expenses	4	(268)	–	(268)	(233)	–	(233)	(196)	–	(196)
Net return before finance cost and taxation		8,855	(40,181)	(31,326)	9,134	13,038	22,172	8,757	32,637	41,394
Interest payable and similar costs		–	–	–	–	–	–	(41)	(69)	(110)
Return on ordinary activities before tax		8,855	(40,181)	(31,326)	9,134	13,038	22,172	8,716	32,568	41,284
Tax on ordinary activities	6	–	–	–	–	–	–	–	–	–
Return attributable to equity shareholders		8,855	(40,181)	(31,326)	9,134	13,038	22,172	8,716	32,568	41,284
Dividends in respect of equity shares	7	(7,966)	–	(7,966)	(7,610)	–	(7,610)	(7,202)	–	(7,202)
Transfer to/(from) reserves		889	(40,181)	(39,292)	1,524	13,038	14,562	1,514	32,568	34,082
Returns per ordinary share	8									
Basic		10.57p	(47.95p)	(37.38p)	10.93p	15.61p	26.54p	10.48p	39.17p	49.65p
Diluted		10.44p	(47.38p)	(36.94p)	10.75p	15.34p	26.09p	10.25p	38.31p	48.56p

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.

BALANCE SHEET FOR THE THREE YEARS ENDED 31 DECEMBER 2002

		As at 31 December		
		Audited	*Audited*	*Audited*
		2002	*2001*	*2000*
	Notes	*£000*	*£000*	*£000*
FIXED ASSETS: INVESTMENTS				
Securities officially listed on the London Stock Exchange:				
UK ordinary shares		271,310	302,734	285,178
UK convertible securities		2,233	2,340	889
Total investments	9	273,543	305,074	286,067
Current assets				
Debtors	10	1,024	1,094	5,430
Cash at bank		6,555	14,210	15,074
		7,579	15,304	20,504
Creditors (amounts falling due within one year)	11	(5,227)	(5,116)	(5,651)
Net current assets		2,352	10,188	14,853
TOTAL NET ASSETS		275,895	315,262	300,920
CAPITAL AND RESERVES: EQUITY INTERESTS				
Called up share capital:				
Ordinary Shares	12	839	836	833
Reserves:				
Share premium account	13	1,090	868	500
Special reserve	13	133,525	133,525	133,525
Capital reserve – realised	13	151,600	137,455	121,672
Capital reserve – unrealised	13	(21,985)	32,641	35,977
Revenue reserve	13	10,826	9,937	8,413
TOTAL SHAREHOLDERS' FUNDS	14	275,895	315,262	300,920
NET ASSET VALUES PER SHARE – BASIC	15	329.0p	377.0p	361.4p
NET ASSET VALUES PER SHARE – FULLY DILUTED	15	326.3p	371.6p	352.7p
NET ASSET VALUES PER SHARE – DILUTED (FRS 14)	15	326.3p	371.8p	353.5p

CASH FLOW STATEMENT FOR THE THREE YEARS ENDED 31 DECEMBER 2002

	Notes	*Audited 2002 £000*	*Audited 2001 £000*	*Audited 2000 £000*
Reconciliation of revenue before finance costs and taxation to net cash inflow from operating activities				
Revenue before finance costs and taxation		8,855	9,134	8,757
Scrip dividends		(100)	(55)	(148)
Tax withheld from income on investment		–	(5)	(12)
Tax recovered		5	12	23
Special dividends credited to capital		254	–	–
Investment management fee charged to capital		(1,873)	(1,775)	(1,576)
Decrease/(increase) in other debtors		117	123	(30)
Increase in other creditors		1	2	–
Net cash inflow from operating activities		7,259	7,436	7,014
CASH FLOW STATEMENT				
Net cash inflow from operating activities		7,259	7,436	7,014
Returns on investments and servicing of finance		–	–	(182)
Capital expenditure and financial investment	16	(6,487)	743	28,449
		772	8,179	35,281
Equity dividends paid		(7,701)	(7,380)	(6,429)
		(6,929)	799	28,852
Financing	16	(726)	(1,663)	427
(Decrease)/increase in cash		(7,655)	(864)	29,279
Reconciliation of net cash flow to movement in net funds	17			
(Decrease)/increase in cash in the year		(7,655)	(864)	29,279
Change in (Net Debt)/Net Funds		(7,655)	(864)	29,279
Net Funds/(Net Debt) at 1 January		14,210	15,074	(14,205)
Net Funds at 31 December		6,555	14,210	15,074

1. ACCOUNTING POLICIES

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

(a) Basis of accounting

The accounts are prepared under the historical cost convention, modified to include the revaluation of investments. The accounts have been prepared in accordance with applicable accounting standards and the Statement of Recommended Practice ''Financial statements of investment trust companies'' (SORP).

(b) Valuation of investments

Quoted investments are valued at mid 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. Other income is accounted for on an accruals basis.

(d) Expenses

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

- expenses which are incidental to the acquisition of an investment are included within the cost of the investment;
- expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment; and
- 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 per cent. to capital reserve-realised and 37.5 per cent. to revenue reserve, in line with the Board's expected long-term split of returns, in the form of capital gains and income respectively, from the investment portfolio of the Company.

(e) Finance costs

Finance costs are accounted for on an accruals basis. Finance costs of debt, insofar as they relate to the financing of the Company's investments or to financing activities aimed at maintaining or enhancing the value of the Company's investments, are allocated 62.5 per cent. to capital reserve-realised and 37.5 per cent. to revenue account, in line with the Board's expected long-term split of returns, in the form of capital gains and income respectively, from the investment portfolio of the Company.

(f) 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 measured on an undiscounted basis and based on enacted tax rates. 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.

(g) 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; and
- costs to purchase Warrants for cancellation.

Capital reserve-unrealised

The following are accounted for in this reserve:

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

2. INCOME

	2002 *£000*	*2001* *£000*	*2000* *£000*
Income from investments (UK listed)			
Franked investment income	9,600	9,381	9,162
Unfranked investment income	164	55	58
Scrip dividends	100	55	148
	9,864	9,491	9,368
Other income			
Deposit interest	331	924	505
Underwriting commission	52	17	25
	383	941	530
Total income	10,247	10,432	9,898
Total income comprises			
Dividends	9,700	9,436	9,310
Interest	495	979	563
Other income	52	17	25
	10,247	10,432	9,898

During 2002, the Company also received a special dividend of £254,000 which has been treated as a return of capital by the investee company and has been 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

		2002			*2001*			*2000*	
	£000 *Revenue*	*£000* *Capital*	*£000* *Total*	*£000* *Revenue*	*£000* *Capital*	*£000* *Total*	*£000* *Revenue*	*£000* *Capital*	*£000* *Total*
Investment management fee	957	1,594	2,551	906	1,511	2,417	804	1,341	2,145
Irrecoverable VAT thereon	167	279	446	159	264	423	141	235	376
Total	1,124	1,873	2,997	1,065	1,775	2,840	945	1,576	2,521

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 assets less all liabilities of the Company. In addition to the investment management fee, above, the Company also obtains secretarial services from Aberforth Partners. The fee for the secretarial services is shown with other expenses (Note 4).

4. OTHER EXPENSES

	2002 £000	2001 £000	2000 £000
Secretarial services	63	62	60
Directors' fees (Note 5)	56	53	38
Auditor's fees – for audit services	9	8	8
– for non-audit services (taxation)	1	1	1
Other expenses	139	109	89
	268	233	196

5. DIRECTORS' REMUNERATION

All of the emoluments and related employment costs of the Directors who served during the year were as follows:

	2002 £	2001 £	2000 £
W Y Hughes, Chairman	13,750	13,500	11,100
M L A Chiappelli	10,200	4,582	–
J E G Cran	10,200	4,582	–
Dr F MacKenzie (retired on 26 February 2002)	1,593	10,000	8,880
K M Miller	10,200	10,000	8,880
D R Shaw	10,200	10,000	8,880
Total fees	56,143	52,664	37,740
VAT and Employers' National Insurance	5,130	5,517	4,476
Total	61,273	58,181	42,216

6. TAXATION

	2002 £000	2001 £000	2000 £000
Analysis of tax charged on ordinary activities			
Total current tax charge for the year (see below)	–	–	–
Total deferred tax	–	–	–
Total tax charge for the year	–	–	–

Factors affecting the 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 per cent.).

The differences are explained below:

	2002	2001	2000
Returns on ordinary activities before tax	8,855	9,134	8,716
Notional corporation tax at 30 per cent.	2,657	2,740	2615
Non-taxable UK dividends	(2,910)	(2,831)	(2,793)
Tax deductible expenses charged to capital	(562)	(533)	(473)
Tax losses for which no relief has been taken	815	624	651
Total current tax charge for the year	–	–	–

The Company has not recognised an asset for deferred tax on the 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. The Company has unutilised management expenses and loan relationship losses for taxation purposes of £16,609,000 (2001 – £13,891,000, 2000 – £11,818,000).

7. DIVIDENDS

	2002 £000	2001 £000	2000 £000
Dividends in respect of Ordinary Shares			
Interim of 3.3p (2001 – 3.2p, 2000 – 3.0p) paid on 6 September 2002	2,767	2,676	2,498
Final dividend of 6.2p (2001 – 5.9p, 2000 – 5.65p) paid on 7 March 2003	5,199	4,934	4,704
	7,966	7,610	7,202

8. RETURNS PER ORDINARY SHARE

The returns per Ordinary Share are based on:

(i) a numerator being the Returns attributable to equity shareholders of:

	2002		2001		2000	
	£000 *Revenue*	£000 *Capital*	£000 *Revenue*	£000 *Capital*	£000 *Revenue*	£000 *Capital*
Basic and diluted	8,855	(40,181)	9,134	13,038	8,716	32,568

and (ii) a denominator being a specific number of shares as follows:

Basic calculation:	*2002*	*2001*	*2000*
Weighted average number of shares in issue during the year	83,798,842	83,537,525	83,135,270
Diluted calculation:			
Weighted average number of warrants in issue during the year	1,416,949	2,119,316	3,027,858
Less number of shares that would have been issued at fair value using an average share price of 347.48p (2001 – 317.45p, 2000 – 264.07p) during the year	(407,779)	(667,606)	(1,146,612)
Shares that would have been issued for no consideration	1,009,170	1,451,710	1,881,246
Add weighted average number of shares in issue during the year	83,798,842	83,537,525	83,135,270
Number of shares used to determine diluted returns per share	84,808,012	84,989,235	85,016,516

9. INVESTMENTS

	2002 £000	2001 £000	2000 £000
Listed in UK			
Opening book cost	272,433	250,090	255,367
Opening unrealised appreciation	32,641	35,977	23,958
Opening valuation	305,074	286,067	279,325
Movements in the period:			
Purchases at cost	120,448	118,386	118,904
Sales-proceeds	(114,068)	(115,635)	(146,416)
Sales-realised net gains on sales	16,715	19,592	22,235
(Decrease)/increase in unrealised appreciation	(54,626)	(3,336)	12,019
Closing valuation	273,543	305,074	286,067
Closing book cost	295,528	272,433	250,090
Closing unrealised (depreciation)/appreciation	(21,985)	32,641	35,977
Closing valuation	273,543	305,074	286,067
Realised net gains on sales	16,715	19,592	22,235
(Decrease)/increase in unrealised appreciation	(54,626)	(3,336)	12,019
(Losses)/gains on investments	(37,911)	16,256	34,254

10. DEBTORS

	2002 £000	2001 £000	2000 £000
Amounts due from brokers	52	–	4,206
Investment income receivable	939	1,075	1,201
Tax recoverable	–	5	12
Other debtors	33	14	11
	1,024	1,094	5,430

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £000	2001 £000	2000 £000
Amounts due to brokers	–	155	922
Proposed final dividend	5,199	4,934	4,704
Other creditors	28	27	25
	5,227	5,116	5,651

12. ORDINARY SHARE CAPITAL

	2002 No. of Shares	2002 £000	2001 No. of Shares	2001 £000	2000 No. of Shares	2000 £000
Authorised						
Ordinary Shares of 1p	333,299,254	3,333	333,299,254	3,333	333,299,254	3,333
Allotted, issued and fully paid						
Ordinary Shares of 1p	83,855,423	839	83,630,941	836	83,260,325	833

On 2 April 2002, as a result of certain holders exercising the subscription rights of their Warrants, 224,482 Ordinary Shares of 1p were issued at 100p per share. During the year the Company bought in 431,500 Warrants for cancellation at a total cost of £951,000.

At 31 December 2002, there were 1,003,311 Warrants in issue. Each Warrant confers the right to subscribe for one Ordinary Share of 1p at 100p on 31 March 2003, the final subscription date.

13. RESERVES

	Share premium account £000	Special reserve £000	Capital reserve – realised £000	Capital reserve – unrealised £000	Revenue reserve £000
			2002		
Opening balance	868	133,525	137,455	32,641	9,937
Premium created on exercise of Warrants	222	–	–	–	–
Net gain on realisation of investments	–	–	16,715	–	–
Decrease in unrealised appreciation	–	–	–	(54,626)	–
Special dividends credited to capital	–	–	254	–	–
Deemed cost of Warrants purchased for cancellation	–	–	(651)	–	–
Deemed original value of Warrants purchased for cancellation	–	–	(300)	–	–
Management fees charged to capital	–	–	(1,873)	–	–
Retained net revenue for the year	–	–	–	–	889
Closing balance	1,090	133,525	151,600	(21,985)	10,826
			2001		
Opening balance	500	133,525	121,672	35,977	8,413
Premium created on exercise of Warrants	368	–	–	–	–
Net gain on realisation of investments	–	–	19,592	–	–
Decrease in unrealised appreciation	–	–	–	(3,336)	–
Deemed cost of Warrants purchased for cancellation	–	–	(1,443)	–	–
Deemed original value of Warrants purchased for cancellation	–	–	(591)	–	–
Management fees charged to capital	–	–	(1,775)	–	–
Retained net revenue for the year	–	–	–	–	1,524
Closing balance	868	133,525	137,455	32,641	9,937
			2000		
Opening balance	2	133,525	101,158	23,958	6,899
Premium created on exercise of Warrants	498	–	–	–	–
Net gain on realisation of investments	–	–	22,235	–	–
Decrease in unrealised appreciation	–	–	–	12,019	–
Deemed cost of Warrants purchased for cancellation	–	–	(41)	–	–
Deemed original value of Warrants purchased for cancellation	–	–	(35)	–	–
Management fees charged to capital	–	–	(1,576)	–	–
Interest expense charged to capital	–	–	(69)	–	–
Retained net revenue for the year	–	–	–	–	1,514
Closing balance	500	133,525	121,672	35,977	8,413

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 *£000*	*2001* *£000*	*2000* *£000*
Opening shareholders' funds	315,262	300,920	266,370
Total recognised gains and losses before dividends	(31,326)	22,172	41,284
Dividends	(7,966)	(7,610)	(7,202)
Deemed original value of Warrants purchased for cancellation	(300)	(591)	(35)
Additional shareholders' funds from the exercise of Warrants	225	371	503
Closing shareholders' funds	275,895	315,262	300,920

15. NET ASSET VALUES PER SHARE

The net asset value per share and the net asset value attributable to the Ordinary Shares at the year end are calculated in accordance with their entitlements in the Articles of Association and were as follows:

	Net asset value per share attributable			*Net asset values attributable*		
	2002 *pence*	*2001* *pence*	*2000* *pence*	*2002* *£000*	*2001* *£000*	*2000* *£000*
Ordinary Shares (basic)	329.0	377.0	361.4	275,895	315,262	300,920

Basic net asset value per Ordinary Share is based on net assets of £275,895,000 (2001 – £315,262,000, 2000 –£300,920,000), and on 83,855,423 (2001 – 83,630,941, 2000 – 83,260,325) Ordinary Shares, being the number of Ordinary Shares in issue at the year-end.

Fully diluted net asset value per share is 326.3p (2001 – 371.6p, 2000 – 352.7p). This has been calculated on the assumption that the Warrants in issue were fully exercised at the year end at 1 each resulting in a larger number of Ordinary Shares totalling 84,858,734 (2001 – 85,290,234, 2000 – 86,139,222) and increased net assets of £276,898,000 (2001 – £316,921,000, 2000 – £303,799,000).

Diluted net asset value per share calculated in accordance with Financial Reporting Standard 14 (Earnings per Share) is 326.3p (2001 – 371.8p, 2000 – 353.5p). This is based on net assets and on 84,550,260 (2001 – 84,785,506, 2000 – 85,136,122) Ordinary Shares being the number of Ordinary Shares in issue at the year end plus 694,837 Ordinary Shares (2001 – 1,154,565, 2000 – 1,875,797) being the notional number of shares that would have been issued for no consideration using a year end share price of 325.25p (2001 – 328.75p, 2000 – 287.0p) to represent the fair value of an Ordinary Share.

16. GROSS CASH FLOWS

	2002 *£000*	*2001* *£000*	*2000* *£000*
Returns on investment and servicing of finance			
Interest paid	–	–	(182)
Capital expenditure and financial investment			
Payments to acquire investments	(120,503)	(119,098)	(117,834)
Receipts from sales of investments	114,016	119,841	146,283
	(6,487)	743	28,449
Financing			
Issue of Ordinary Shares	225	371	503
Warrants purchased for cancellation	(951)	(2,034)	(76)
	(726)	(1,663)	427

17. ANALYSIS OF CHANGE IN NET FUNDS

	2002			2001			2000		
	£000	£000	£000	£000	£000	£000	£000	£000	£000
	Overdrafts	*Cash at bank*	*Total*	*Overdrafts*	*Cash at bank*	*Total*	*Overdrafts*	*Cash at bank*	*Total*
Opening net funds	–	14,210	14,210	–	15,074	15,074	(14,205)	–	(14,205)
Cash flow	–	(7,655)	(7,655)	–	(864)	(864)	14,205	15,074	29,279
Closing net funds	–	6,555	6,555	–	14,210	14,210	–	15,074	15,074

18. FINANCIAL INSTRUMENTS – FRS 13 DISCLOSURES

The Company's financial instruments comprise its investment portfolio (see note 9 and pages 16 and 17), cash balances, overdrafts, debtors and creditors that arise directly from its operations such as sales and purchases awaiting settlement and accrued income. Overdrafts are utilised when the Managers believe it is in the interest of the Company to financially gear the portfolio. 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*

The Company has bank overdraft facilities totalling £80,000,000 of which Nil were utilised at 31 December 2002 (2001 and 2000 – total facilities £80,000,000 of which Nil were utilised). The interest rate on amounts utilised is variable at 0.6 per cent. (2001 and 2000 – 0.6 per cent.) over base rate with no arrangement or non-utilisation fees payable. The debt may be repaid by the Company at any time without penalty but the lender cannot withdraw the facilities without providing at lease 364 days' notice at all times.

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 at 31 December 2002 was 4.0 per cent. (2001 – 4.0 per cent., 2000 – 6.0 per cent.). 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. It is not the Managers' policy to use derivatives to manage portfolio risk.

The Company held the following categories of financial instruments at 31 December 2002:

	2002		2001		2000	
	Book Value £000	*Fair Value £000*	*Book Value £000*	*Fair Value £000*	*Book Value £000*	*Fair Value £000*
Financial Assets						
Investment Portfolio	273,543	273,543	305,074	305,074	286,067	286,067
Cash at bank	6,555	6,555	14,210	14,210	15,074	15,074

The investment portfolio consists of listed investments, which are valued at mid price. Cash, which is held in variable rate bank accounts, can be withdrawn on demand with no penalty.

19. CONTINGENCIES, GUARANTEES AND FINANCIAL COMMITMENTS

Contingencies, guarantees or financial commitments of the Company as at 31 December 2002, which have not been accrued, were as follows:

	2002 £000	2001 £000	2000 £000
Placing commitments	713	–	–

SECTION B:
UNAUDITED INTERIM RESULTS FOR THE PERIOD FROM 1 JANUARY 2003 TO 30 JUNE 2003

"CHAIRMAN'S STATEMENT

RESULTS REVIEW

For the six months to 30 June 2003 ASCoT achieved a total return of 18.5 per cent., which compares with the total return of 19.2 per cent. from the Hoare Govett Smaller Companies Index (Excluding Investment Companies), your Company's investment benchmark. Larger companies, as represented by the FTSE All-Share Index, registered a total return of 6.3 per cent. ASCoT has therefore slightly underperformed its benchmark, though the real feature of the period was the significant outperformance from smaller companies relative to their larger brethren.

Your Board is pleased to announce an increase in this year's interim dividend to 3.50p per share. This represents a rise of 6.1 per cent. compared with the equivalent period last year. This rate of increase reflects the robustness of ASCoT's portfolio in difficult economic times as well as your Board's belief that dividend yield and growth will continue to be of significance to investors' total return. The interim dividend will be paid on 5 September 2003 to Shareholders on the register on 8 August 2003.

At the Annual General Meeting held in February, Shareholders renewed the authority for your Company to buy in up to 14.99 per cent. of its Ordinary Shares. No shares have yet been bought in under this authority, but your Board would not hesitate to act should we believe it to be in Shareholders' best interests.

During the six month period, your Company was able to buy 40,000 Warrants for cancellation at a price that modestly enhanced the fully diluted net asset value. However, of greater importance was the passing of the final exercise date for the Warrants of 31 March 2003. The remaining 963,311 Warrants were exercised and the listing of the resulting Ordinary Shares took place on 9 April 2003.

With the expiry of its Warrants, ASCoT's capital structure is even simpler, now comprising only Ordinary Shares. Investment trusts' ability to enhance shareholder returns by borrowing is one of their greatest strengths, although the use of long term fixed rate debt has proved a burden to many in recent times. ASCoT is not currently geared and has no long term debt. A flexible £80m debt facility is, however, available and may be drawn down on request. This or similar facilities have been used in the past to the advantage of ASCoT's shareholders, and no doubt will be used again.

INVESTMENT BACKGROUND

The recent rally in stockmarkets around the world would appear to have been justified by a resolution of the Iraqi war, which has helped to lower the price of oil, and by the efficient containment of SARS. A remarkable feature of the rebound has been the concomitant development in the prices of other asset classes: rising equities have been accompanied by reinvigorated commodities 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 between those who worry that the Western world is following Japan into deflation and those who identify inflation as the true threat. Those in the former camp point to the legacies of the equity bubble of the late 1990s – excess capacity and a highly indebted private sector risk – and to China's emergence as a major economy. The US has responded by cutting interest rates to their lowest level for 45 years, together with tax cuts and greater public spending. On top of these, ambiguous comments about the commitment to "the strong dollar" have helped push the US currency down against the euro by 16 per cent. since 30 June 2002. But, most remarkably, Fed officials have expressed their confidence in "making sure it (deflation) doesn't happen" through the use of so-called "unconventional measures".

Financial markets are entering uncharted waters, but such measures appear to entail the use of the printing press to create more money. 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 appears to have driven 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.

Whether through luck or judgement, however, the spectre of deflation is much less frightening in the UK. Inflation, as gauged by the RPIX, is running at around 3 per cent. and, thanks to government spending and low interest rates, the economy is forecast to grow in nominal terms at least as quickly as the US and more quickly than the Eurozone in 2003. Sterling's weakness against the euro is also helpful and may assist in addressing some of the imbalances in the UK economy. In particular, it should 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. There are signs, though, that confidence is slipping and that house price inflation has fallen sharply from the 26 per cent. rate reached at the end of 2002. Against this background, and with the global economic outlook murky, 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

The six months to 30 June 2003 can be split into two distinct periods. In a continuation of the trends that prevailed in the second half of 2002, the first two and a half months were in the grip of the bear market. ASCoT performed relatively well in this period. From mid March, however, the stock market staged a strong rally that was led by small companies. ASCoT's performance lagged in this recovery phase, as the Managers questioned the fundamental justification for the revaluation of a number of businesses.

Corporate activity made a minor contribution to ASCoT's performance, though there are signs that confidence is returning. Although only 22 benchmark companies were acquired in ASCoT's first half, against 53 deals in the whole of 2002, many more are in discussions or have actually received bids. Clearly, a proportion of these approaches will fail, but there are grounds for optimism: large amounts of money in venture capital funds are waiting to be invested; 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 appear to offer good value.

The companies in ASCoT'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 per cent. higher than the corresponding payments in the previous year, although it should be noted that ASCoT's actual receipts vary from this since the portfolio is actively managed. Of the 103 businesses, 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.

With inflation around 3 per cent., this level of dividend growth is encouraging and, in the absence of robust growth in the economy at large, is due in part to the average dividend cover of the portfolio, which at the end of June was the same as that of the benchmark. This is significant, given that over ASCoT's history the portfolio's cover has been on average 11 per cent. lower than that of the benchmark. The opportunity to construct such a portfolio has been presented by the compression of the gap between the price earnings ratios of ''value'' and ''growth'' stocks that has characterised the bear market. This allowed the Managers to make selective purchases of higher quality businesses whose valuations would previously have been too demanding.

	30 June 2003		*30 June 2002*	
Characteristics	*ASCoT*	*Benchmark*	*ASCoT*	*Benchmark*
Number of Companies	103	827	96	915
Weighted Average Market Capitalisation	£309.0m	£334.0m	£317.6m	£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

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.

Therefore, despite a prompt end to the Iraqi war, economic 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 ASCoT'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 return to double-digit increases in earnings per share for the stock market as a whole. It still seems appropriate to think of real returns from equities of close to the 5-7 per cent. long term average. They will, though, be prone to wild swings from year to year, perhaps of the sort witnessed so far in 2003.

Dividend yield and dividend growth may therefore assume greater significance. From the point of view of investors in small UK quoted companies, the combination of a 3.0 per cent. yield and 2.5x dividend cover is encouraging. Although larger companies, as gauged by the FTSE All-Share Index (excluding loss makers and investment companies), boast a higher yield of 3.5 per cent., 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, ASCoT's portfolio would appear relatively well positioned. It is diversified, with holdings in 103 companies, and generates a 3.4 per cent. yield 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 ASCoT'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 returns.

William Y Hughes
Chairman
17 July 2003

INVESTMENT PORTFOLIO

FIFTY LARGEST INVESTMENTS

No	Company	Valuation £'000	% of Total	Business Activity
1	Paladin Resources	10,437	3.2	Oil and gas production
2	Johnson Service Group	9,855	3.0	Textile rental services and drycleaning
3	Bellway	8,422	2.6	Housebuilding
4	Holidaybreak	7,961	2.4	Holiday company
5	BSS Group	7,037	2.2	Distribution of plumbing supplies
6	Marshalls	6,746	2.1	Manufacture of concrete and natural stone resources
7	Abbot Group	6,359	2.0	Oil services
8	Quintain Estates & Development	6,060	1.9	Property
9	Headlam Group	5,784	1.8	Distribution of floorcoverings
10	Amlin	5,618	1.7	Insurance
	Top Ten Investments	**74,279**	**22.9**	
11	Mersey Docks and Harbour Company	5,496	1.7	Port operator
12	communisis	5,438	1.7	Direct marketing and related printing services
13	Interserve	5,430	1.7	Support services
14	Bodycote International	5,413	1.7	Engineering
15	RPC Group	5,384	1.6	Rigid plastic containers
16	Goshawk Insurance Holdings	5,083	1.6	Insurance
17	Meggitt	4,976	1.5	Aerospace
18	Spectris	4,948	1.5	Manufacture of process control equipment
19	New Look Group	4,786	1.5	Fashion retailer
20	Countrywide Assured Group	4,706	1.4	Residential property and insurance
	Top Twenty Investments	**125,939**	**38.8**	
21	Grainger Trust	4,698	1.4	Property
22	SMG	4,664	1.4	Media
23	AMEC	4,644	1.4	International contractor
24	Go-Ahead Group	4,618	1.4	Bus and train operator
25	Geest	4,602	1.4	Sale of fresh prepared foods
26	Bovis Homes Group	4,571	1.4	Housebuilding
27	Tops Estates	4,484	1.4	Property
28	Dairy Crest Group	4,435	1.4	Dairy products
29	De Vere Group	4,189	1.3	Hotels and leisure
30	Synstar	3,919	1.2	Computer services
	Top Thirty Investments	**170,763**	**52.5**	
31	Shanks Group	3,796	1.2	Waste management
32	GWR Group	3,630	1.1	Commercial radio
33	London Merchant Securities	3,626	1.1	Property and venture capital
34	Halma	3,589	1.1	Engineering
35	Spirax-Sarco Engineering	3,482	1.1	Engineering
36	HMV Group	3,388	1.0	Music, book and video retailer
37	Oxford Instruments	3,332	1.0	Manufacture of advanced instrumentation
38	Kidde	3,320	1.0	Engineering
39	ITE Group	3,268	1.0	Trade exhibitions
40	Cairn Energy	3,257	1.0	Oil and gas exploration and production
	Top Forty Investments	**205,451**	**63.1**	

FIFTY LARGEST INVESTMENTS (continued)

No	Company	Valuation £'000	% of Total	Business Activity
41	Mowlem	3,255	1.0	Construction and facilities management
42	Ultra Electronics Holdings	3,223	1.0	Defence electronics and aerospace
43	Forth Ports	3,213	1.0	Port operator with property interests
44	Thus Group	3,176	1.0	Telephone network operator
45	Arriva	3,174	1.0	Bus and transport services
46	British Polythene Industries	3,137	1.0	Manufacture of polythene sheet and film
47	Capital Radio	3,121	1.0	Commercial radio
48	Nestor Healthcare Group	2,998	0.9	Healthcare services
49	Greene King	2,824	0.9	Regional brewer and pub manager
50	Devro	2,792	0.9	Food casing manufacturer
	Top Fifty Investments	**236,364**	**72.8**	
	Other Investments (53)	74,470	22.9	
	Net Current Assets	14,131	4.3	
	Total Assets less Liabilities	**324,965**	**100.0**	

ASCoT 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.

STATEMENT OF TOTAL RETURN (INCORPORATING THE REVENUE ACCOUNT[1])
FOR THE SIX MONTHS ENDED 30 JUNE 2003

	(unaudited)					
	6 months to 30 June 2003			*6 months to 30 June 2002*		
	Revenue £000	*Capital £000*	*Total £000*	*Revenue £000*	*Capital £000*	*Total £000*
Realised (losses)/gains on sales	–	(1,260)	(1,260)	–	7,298	7,298
Unrealised gains	–	47,623	47,623	–	10,187	10,187
Gains/(losses) on investments	–	46,363	46,363	–	17,485	17,485
Deemed cost of Warrants purchased for cancellation	–	(50)	(50)	–	–	–
Dividend income	5,988	–	5,988	5,442	254	5,696
Interest income	207	–	207	299	–	299
Other income	9	–	9	48	–	48
Investment management fee	(475)	(792)	(1,267)	(580)	(967)	(1,547)
Other expenses	(146)	–	(146)	(127)	–	(127)
Return on ordinary activities before tax	5,583	45,521	51,104	5,082	16,772	21,854
Tax on ordinary activities	–	–	–	–	–	–
Return attributable to equity shareholders	5,583	45,521	51,104	5,082	16,772	21,854
Dividends in respect of equity shares	(2,969)	–	(2,969)	(2,767)	–	(2,767)
Transfer to reserves	2,614	45,521	48,135	2,315	16,772	19,087
Returns per Ordinary Share[2]:						
Basic	6.62p	53.97p	60.59p	6.07p	20.03p	26.10p
Diluted	6.59p	53.76p	60.35p	5.99p	19.76p	25.75p
Dividends per Ordinary Share	3.50p	–	3.50p	3.30p	–	3.30p

NOTES

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 period.

2. The calculations of revenue return per Ordinary Share are based on net revenue of £5,583,000 (30 June 2002 – £5,082,000) and on Ordinary Shares of 84,339,740 (30 June 2002 – 83,741,322) in the case of basic returns and 84,677,027 (30 June 2002 – 84,864,791) in the case of diluted returns.

3. The calculations of capital return per Ordinary Share are based on net gains of £45,521,000 (30 June 2002 – £16,772,000) and on Ordinary Shares of 84,339,740 (30 June 2002 – 83,741,322) in the case of basic returns and 84,677,027 (30 June 2002 – 84,864,791) in the case of diluted returns.

SUMMARY BALANCE SHEET AS AT 30 JUNE 2003

	(unaudited) *30 June 2003 £000*	*30 June 2002 £000*	*31 December 2002 £000*
Securities officially listed on the London Stock Exchange	310,834	335,263	273,543
Cash at bank	14,332	612	6,555
Debtors	5,233	2,315	1,024
Creditors	(5,434)	(3,617)	(5,227)
Net current assets/(liabilities)	14,131	(690)	2,352
Total assets less liabilities	324,965	334,573	275,895
Capital and reserves: equity interests			
Called up share capital (Ordinary Shares)	848	839	839
Reserves:			
Share premium account	2,043	1,089	1,090
Special reserve	133,525	133,525	133,525
Capital reserve – realised	149,471	144,040	151,600
Capital reserve – unrealised	25,638	42,828	(21,985)
Revenue reserve	13,440	12,252	10,826
	324,965	334,573	275,895
Net Asset Values:			
per Ordinary Share (basic)	383.1p	399.0p	329.0p
per Ordinary Share (fully diluted)	383.1p	394.0p	326.3p
per Ordinary Share (diluted – FRS 14)	383.1p	394.1p	326.3p

NOTES

At 30 June 2003, the Company had 84,818,734 Ordinary Shares (30 June 2002 and 31 December 2002 – 83,855,423) in issue. No Warrants remain in issue (30 June 2002 – 1,434,811 and 31 December 2002 – 1,003,311).

In April 2003, as a result of holders exercising the subscription rights of their Warrants, 963,311 Ordinary Shares of 1p were issued at 100p per share. During the six months to 30 June 2003, the Company purchased 40,000 Warrants for cancellation at a total cost of £77,000.

SUMMARY CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2003

	(unaudited)			
	6 months to 30 June 2003		*6 months to 30 June 2002*	
	£000	*£000*	*£000*	*£000*
Net cash inflow from operating activities		3,802		3,312
Capital expenditure and financial investment				
Payments to acquire investments	(34,101)		(61,962)	
Receipts from sales of investments	42,390		49,762	
Net cash inflow/(outflow) from capital expenditure and financial investment		8,289		(12,200)
		12,091		(8,888)
Equity dividends paid		(5,199)		(4,934)
		6,892		(13,822)
Financing				
Issue of Ordinary Shares	962		224	
Warrants purchased for cancellation	(77)		–	
Net cash inflow from financing		885		224
Increase/(decrease) in cash		7,777		(13,598)

NOTES

The same accounting policies used for the year to 31 December 2002 have been applied. The financial statements have been prepared in accordance with applicable accounting standards and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies".

The foregoing do not comprise statutory accounts (as defined in section 240(5) of the Companies Act 1985) of the Company. The statutory accounts for the year to 31 December 2002, which contained an unqualified Report of the Auditors, have been lodged with the Registrar of Companies and did not contain a statement required under section 237(2) or (3) of the Companies Act 1985."

PART 5

ADDITIONAL INFORMATION

1. INCORPORATION AND STATUS

(a) The Company was incorporated in Scotland on 30 July 1990 as a public company limited by shares under the Act with registered number SC126524. The Company operates under the Act and regulations made under the Act.

(b) The registered office and principal place of business of the Company is at 14 Melville Street, Edinburgh EH3 7NS. The Company is registered as an investment company pursuant to section 266 of the Act.

(c) The Company has been approved by the Inland Revenue as an investment trust under section 842 of the Income and Corporation Taxes Act 1988 for the financial year ended 31 December 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 and the Company will continue to seek approval each year. The Company intends that its income will consist wholly or mainly of eligible investment income as defined in section 842 of the Income and Corporation Taxes Act 1988.

2. SHARE CAPITAL

(a) The authorised and issued share capital of the Company at present and on the basis that the Scheme becomes unconditional and on the assumption that the maximum number of New ASCoT Shares are issued under the Scheme are as follows:

At present:

	Authorised		*Issued*	
Class	*Nominal Value (£)*	*Number*	*Nominal Value (£)*	*Number*
ASCoT Shares	3,332,992.54	333,299,254	848,187.34	84,818,734

After the Scheme becomes unconditional:

	Authorised		*Issued*	
Class	*Nominal Value (£)*	*Number*	*Nominal Value (£)*	*Number*
ASCoT Shares	3,332,992.54	333,299,254	1,348,187.34	134,818,734

(b) During the three years preceding the date of this document, there have been the following changes in the issued share capital of the Company:

(i) on 4 April 2001, 370,616 ASCoT Shares were allotted at an issue price of 100 pence per share pursuant to the exercise of warrants;

(ii) on 11 April 2002, 224,482 ASCoT Shares were allotted at an issue price of 100 pence per share pursuant to the exercise of warrants; and

(iii) from 1 to 2 April 2003, 963,311 ASCoT Shares were allotted at an issue price of 100 pence per share pursuant to the exercise of warrants.

(c) (i) Save as disclosed in this paragraph 2, no capital of the Company has been issued in the three years immediately preceding the date of this document for cash or for a consideration other than cash and, save pursuant to the Scheme, no capital of the Company is now proposed to be issued.

(ii) No discounts, commissions, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any capital in the three years immediately preceding the date of this document.

(iii) No share or loan capital of the Company is under option or has been agreed conditionally or unconditionally to be put under option.

(d) Subject to any special rights or restrictions attaching to any shares or any class of shares issued by the Company in the future, the holders of fully paid ASCoT Shares are entitled *pari passu* amongst themselves but in proportion to the number of ASCoT Shares held by them to share the whole of the profits of the Company paid out as dividends and the whole of any surplus in the event of the liquidation of the Company.

(e) The provisions of section 89(1) of the Act (which, to the extent not disapplied pursuant to section 95 of the Act, confer on holders ofASCoT Shares rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash) apply to the authorised but unissued share capital of the Company to the extent not disapplied.

3. MEMORANDUM AND ARTICLES OF ASSOCIATION

Clause IV(1) of the memorandum of association of the Company provides that the Company's principal object is to carry on the business of an investment trust company in all its branches. The objects of the Company are set out fully in Clause IV of the memorandum of association, which is available for inspection at the addresses specified in paragraph 9 below.

The articles of association contain, *inter alia*, provisions to the following effect:

(a) Duration

The Company has no fixed duration. However, in accordance with the Articles an ordinary resolution will be proposed at the 2005 annual general meeting (and at every third subsequent annual general meeting) that the Company continues to manage its affairs as an investment trust (as defined in section 842 of the Income and Corporation Taxes Act 1988).

In the event that the resolution that the Company continues to manage its affairs as an investment trust is not passed, the Directors will cause an extraordinary general meeting of the Company to be convened for a date not later than 180 days after the date of the said annual general meeting (or, if adjourned, the date of the adjourned meeting). Prior to, or with, the notice of such meeting the Directors shall send to shareholders detailed proposals for the unitisation or other reconstruction of the Company.

At such extraordinary general meeting the Directors will cause a resolution to be proposed instructing the Directors to implement the said detailed proposals. If such resolution (in its original or amended form) is not passed as a special resolution the Directors will (at an extraordinary general meeting which the Directors shall cause to be convened for a date not later than 180 days after the date of the annual general meeting referred to in the preceding paragraph (or, if adjourned, the date of the adjourned meeting)) cause a resolution to be proposed as an ordinary resolution requiring the Company to be wound up voluntarily.

(b) Voting Rights

Subject to any rights or restrictions for the time being attached to any class or classes of shares by or in accordance with the Articles, on a show of hands every member holding shares who, being an individual, is present in person or, being a corporation, is present by a duly authorised representative, not being himself a member entitled to vote, shall have one vote and on a poll every member present as aforesaid or represented by proxy shall have one vote for every share held by him.

No member shall, unless the Directors otherwise determine, be entitled, in respect of any share held by him, to be present or to vote on any question, either in person or by proxy at any general meeting or upon any poll or to be reckoned in a quorum, or to exercise any other right or privilege conferred by membership in relation to meetings if any call or other sum presently payable by him to the Company in respect of such share remains unpaid or if a member, or any other person appearing to be interested in the shares held by such member, has been duly served by the Directors with a Direction Notice in the manner prescribed in the paragraph headed "Restriction on Shares" below.

(c) Restriction on Shares

If any member, or any other person appearing to be interested in shares held by such member, has been duly served with a notice (a "Statutory Notice") under section 212 of the Act and is in default for the prescribed period in supplying to the Company the information thereby required, then the Directors may in their absolute discretion at any time thereafter serve on such member or on any such person a notice (a "Direction Notice") in respect of the shares in relation to which the default occurred and any other shares held by the member in question ("default shares") directing that, until the Statutory Notice has been complied with in all respects, the member shall not be entitled to be present or to vote at any general meeting or class meeting of the Company either personally or by proxy or, in the case of a corporation, by a duly authorised representative. Where the default shares represent at least 0.25 per cent. of the class of shares concerned, the Direction Notice may in addition direct that, until the Statutory Notice has been complied with in all respects, any dividends (including shares in lieu of dividends) which would otherwise be payable on such shares shall be retained by the Company without any liability to pay interest thereon when such money is finally paid to the member and/or no transfer other than an approved transfer (as defined in the Articles) of any of the shares held by the member shall be registered unless the member is not himself in default as regards supplying the information requested and the transfer is part only of the member's holding and when presented for registration is accompanied by a certificate given by the member in a form satisfactory to the Directors to the effect that after due and careful enquiry the member is satisfied that no person in default as regards supplying such information is interested in any shares subject to the transfer. The prescribed period referred to above means 14 days from the date of service of the Statutory Notice. Any Direction Notice shall have effect in accordance with its terms for so long as the default continues unremedied and (unless the Board determines otherwise) for a period of seven days thereafter.

(d) *Variation of Class Rights*

Subject to the Act and every other statute (including any orders, regulations or subordinate legislation made under them) for the time being in force concerning companies affecting the Company (the "Statutes") and whether or not the Company is a going concern or at any time during or in contemplation of the Company being wound up, the rights attached to any class of shares or any of such rights may be modified, abrogated or varied either with the consent in writing of the holders of three-fourths in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of that class.

(e) *Changes in Share Capital*

The Company may by ordinary resolution increase its share capital, alter the nominal amount of each share and cancel any unissued shares. Subject to the provisions of the Act, the Company may by special resolution reduce its share capital, any share premium account or any other undistributable reserve.

(f) *Transfer of Shares*

All transfers must be in any usual or common form or any other form which the Directors approve.

The Company has resolved, by way of a resolution of its Directors, that title to the ASCoT Shares may be transferred by means of a relevant system (as defined in The Uncertificated Securities Regulations 2001) including the relevant system of which CRESTCo Limited is to be the Operator. For so long as the Directors' resolution is in force the provisions of the articles of association of the Company will accordingly be disapplied to the extent that they are inconsistent with the holding or transferring of such shares in uncertificated form or inconsistent with the Regulations.

The Directors may refuse to register a transfer of a share, whether fully paid or not, in favour of more than four persons jointly. The Directors may decline to recognise any instrument of transfer unless it is left at the registered office, or at such other place as the Directors may from time to time determine, to be registered, accompanied by the relevant certificate(s) (unless the transfer is by a market maker or a recognised investment exchange's nominee and no certificate has been issued) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and the instrument is in respect of only one class of share and is, if required by law, duly stamped. No fee shall be charged by the Company on the registration of any instrument of transfer or any document or any instruction relating to or affecting the title to any shares or otherwise for making an entry in the register of members affecting the title to any shares. The registration of transfers may be suspended by the Directors for any period (not exceeding 30 days in any year).

(g) *Directors*

Unless otherwise determined by the Company in general meeting, the number of Directors shall not be more than seven nor less than two.

The Directors shall be paid out of the funds of the Company, by way of fees for their services as Directors, such sums as the Directors determine, not exceeding in aggregate £75,000 per annum or such larger sum as the Company may by ordinary resolution determine. An ordinary resolution will be proposed at the Extraordinary General Meeting to increase the aggregate level of Directors' fees to £125,000 per annum. Such remuneration shall be divided between the Directors as they may by resolution agree, or, failing agreement, equally and shall be deemed to accrue from day to day. The Directors may also be paid all reasonable expenses incurred by them in attending and returning from meetings of the Board or a committee of the Board or general meetings of the Company or any separate meeting of the holders of any class of shares or other securities of the Company or otherwise in or about the business of the Company.

Any Director who serves on any committee or who devotes special attention to the business of the Company or who otherwise performs services which, in the opinion of the Board, are outside the scope of the ordinary duties of a Director may be paid such extra remuneration by way of salary, commission or otherwise as the Board may determine.

At every annual general meeting, one-third of the Directors or, if their number is not three or an integral multiple of three, the number nearest to but not exceeding one-third shall retire from office by rotation. In addition to the foregoing requirement, a Director shall retire from office at the third annual general meeting after his appointment (and at the third such meeting after each reappointment) by the Company in general meeting. A retiring Director shall be eligible for re-election.

There shall be no share qualification required of any Director and section 293 of the Act (which regulates the appointment and continuation in office of Directors who have attained the age of 70) shall apply to the Company.

(h) Borrowing powers

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets (both present and future) and uncalled capital, or any part thereof, and, subject to the provisions of the Statutes and the Articles, to issue debentures, debenture stock and other securities, whether outright or as security for any debt, liability or obligation of the Company or of any third party. The Directors shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries (if any) so as to secure (so far, as regards subsidiaries, as by such exercise it can secure) that the aggregate principal amount for the time being remaining undischarged of all moneys borrowed by the Company and its subsidiaries for the time being (exclusive of borrowings between the Company and any of its subsidiaries or between such subsidiaries) shall not at the time of borrowing, without the previous sanction of the Company in general meeting, exceed an amount equal to the aggregate of:

(i) the amount paid up or credited as paid up on the share capital of the Company; and

(ii) the amount standing to the credit of the consolidated capital and revenue reserves of the Company and its subsidiaries (but adjusted as set out in the Articles),

as shown in the last published balance sheet of the Company.

(i) Reserves

The Directors may, before recommending any dividend, set aside out of the Company's profits such sums as they think proper as a reserve or reserves which will be applicable for any purpose to which the Company's profits may be properly applied and may in the meantime either be employed in the Company's business or invested in such investments as the Directors think fit. The Directors may divide the reserve fund into separate accounts and consolidate wholly or partly any separate accounts in the reserve fund. The Directors may also, without placing the same to reserve, carry forward any profits which they may think prudent not to distribute.

All surpluses arising from the realisation of investments and all other capital monies from the realisation of other assets in excess of the book value thereof and all other monies which are in the nature of accretion to capital shall be credited to a capital reserve to be maintained by the Company. Any amount of accrued but unpaid interest or any sum received in respect of such an amount shall not be treated as a surplus arising from the realisation of investments or an amount of capital money from the realisation of other assets. Any loss realised on the sale, repayment or payment of any investments or other capital asset may be carried to the debit of the capital reserve. Subject to the Statutes, the Directors may debit the realised capital reserves of the Company with the whole or such part of any management fees incurred by the Company and relating to a capital item or items as may be deemed appropriate by the Directors. All sums carried and standing to the credit of the capital reserve may be applied for any of the purposes to which sums standing to any revenue reserve are applicable except and provided that no part of the capital reserve or any other monies in the nature of accretion to capital shall be transferred to the revenue account or be regarded as or treated as profits of the Company available for distribution (as defined by section 263(2) of the Act), otherwise than by way of redemption or purchase of the Company's own shares in accordance with section 160 or section 162 of the Act, or be applied in paying dividends on any shares in the Company's capital.

(*j*) *Unclaimed Dividends*

Any dividend unclaimed after a period of 12 years from the date it was declared or became due for payment, whichever is the later, shall be forfeited and shall revert to the Company.

(*k*) *Untraced Shareholders*

The Company may sell any share of a member or any share to which a person is entitled by virtue of transmission on death or bankruptcy of a member or of any other event giving rise to its transmission by operation of law if for a continuous period of 12 years such member or person has not claimed any cash dividends provided that in such continuous period of 12 years at least three cash dividends in respect of the shares in question have become payable. The Company may only exercise its right to sell if it has, during the said period of 12 years and a further period of three months after giving notice in certain newspapers of its intention to sell such share, still received no notice either of the whereabouts or of the existence of the member or such person and has notified the London Stock Exchange of its intention to sell. The Company shall be obliged to account to the person entitled thereto for an amount equal to the net proceeds of sale.

4. DIRECTORS' AND OTHER INTERESTS

(a) The interests of the Directors and of connected persons (within the meaning of section 346 of the Act) of a Director, the existence of which is known to or could with reasonable diligence be ascertained by that Director, in the share capital of ASCoT (all beneficial except where stated otherwise) as required to be notified to ASCoT pursuant to sections 324 to 328 of the Act and which are required to be entered in the register maintained under section 325 of the Act as at the date of this document are as follows:

Name	*Number of ASCoT Shares*	*Per cent. of Issued share capital*
WY Hughes	31,000	0.04
MLA Chiappelli	10,000	0.01
JEG Cran	20,500	0.02
KM Miller	12,000	0.01
DR Shaw	10,000	0.01

Neither the Proposed Director nor any person connected with him (within the meaning of section 346 of the Act) has any interest in any ASCoT Shares.

(b) Based on the assumption that 50 million ASCoT Shares are issued under the Scheme, the interests of the Directors, the Proposed Director and of connected persons (within the meaning of section 346 of the Act) of a Director or the Proposed Director which would, if the Proposed Director were a Director, be required to be disclosed herein, and the existence of which is known to or could with reasonable diligence be ascertained by that Director or the Proposed Director, in the share capital of ASCoT (all beneficial except where stated otherwise) as it will be immediately following Admission as required to be notified to ASCoT pursuant to sections 324 or 328 of the Act and which will be entered in the register maintained under section 325 of the Act, are expected to be as follows:

Name	*Number of ASCoT Shares*	*Per cent. of Issued share capital*
WY Hughes	31,000	0.02
MLA Chiappelli	10,000	0.01
JEG Cran	20,500	0.02
KM Miller	12,000	0.01
DR Shaw	10,000	0.01

This takes no account of the interests of the Directors and the Proposed Director and their connected persons in ASLeT Shares and elections for New ASCoT Shares which the Directors and/or the Proposed Director and/or their connected persons may make under the Scheme. However, Mr Buchan currently holds 10,000 ASLeT Capital Shares and 10,000 ASLeT Income Shares and intends to elect for the ASCoT Option under the Scheme.

(c) As at 24 September 2003 (the latest practicable date prior to the publication of this document), the Company had been notified or was aware that the following shareholders had an interest in three per cent. or more of the Existing ASCoT Shares:

Name	*Existing ASCoT Shares*	*Percentage of Issued Share Capital*	*Percentage of Enlarged Issued Share Capital**
Newton Investment Management Limited	9,644,022	11.37	7.15
The Royal Bank of Scotland Group plc	3,940,202	4.65	2.92

**On the assumption that the maximum number of New ASCoT Shares is issued under the Scheme. This takes no account of the interests of ASLeT Shareholders in ASLeT Shares and elections for New ASCoT Shares which such shareholders may make under the Scheme.*

Save as disclosed above, the Company is not aware of any person who, as at 24 September 2003, directly or indirectly was interested in three per cent. or more of the Existing ASCoT Shares or who directly or indirectly, jointly or severally, exercised or could exercise control over the Company.

(d) None of the Directors has any interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company and which has been effected by the Company during the current or immediately preceding financial year or during an earlier financial year and which remains in any respect outstanding or unperformed.

(e) There are no service contracts in existence between the Company and any of its Directors or the Proposed Director nor are any such contracts proposed. Each of the Directors entered into a letter of appointment with the Company on 29 April 2003. A copy of each such letter of appointment is available for inspection at the addresses specified in paragraph 9 of Part 5 of this document. It is anticipated that the Proposed Director will enter into a letter of appointment with the Company to take effect on the day immediately following the Effective Date.

(f) There are no outstanding loans granted by the Company to any Director nor any guarantees provided for the benefit of any Director.

(g) The aggregate emoluments of the Directors for the financial year ended 31 December 2002 were £54,550. The aggregate emoluments of the Directors and the Proposed Director (on the assumption that the Scheme becomes effective on Monday, 10 November 2003) for the financial year ending 31 December 2003 are estimated to amount to £57,596.

(h) No director waived his emoluments for the financial year ended 31 December 2002 and there are no arrangements under which a Director has waived or agreed to waive future emoluments.

(i) Mr Buchan will join the board of the Company when the Scheme becomes effective and, as a consequence, the total emoluments receivable by the Directors will be increased. The emoluments receivable by the individual Directors will not be varied in consequence of the Scheme.

(j) Details of those companies and partnerships of which the Directors and the Proposed Director have been directors or partners at any time since 29 September 1998 (other than ASCoT) are as follows:

(i) *William Young Hughes*

Present directorships and partnerships:	Past directorships and partnerships:
Develica Management Limited	Stag House Five Limited
Strathcarron Hospice	The Malcolm Group (Holdings) Limited
The Prince's Scottish Youth Business Trust Limited	

(ii) *Marco Luigi Autimio Chiappelli*

Present directorships and partnerships:	Past directorships and partnerships:
St Denis and Cranley School Limited	Johnston Press plc
St Hilary's House Limited	Mirago plc
St Margaret's School, Edinburgh, Limited	
Scottish Council of Independent Schools	

(iii) *John Edward Gordon Cran*

Present directorships and partnerships:

None

Past directorships and partnerships:

Cattles PLC

(iv) *Keith Manson Miller*

Present directorships and partnerships:

J. J. Lawrence Investments Limited
John & James Lawrence (Holdings) Limited
Miller Argent (South Wales) Limited
New Edinburgh Limited
Pinehurst Park Limited
Pinehurst Park Management Limited
Queen Anne Street Limited
Riverside Park Limited
Shawfair Developments Limited
The Miller Group Limited

Past directorships and partnerships:

Miller Birch Limited

(v) *David Robert Shaw*

Present directorships and partnerships:

BC Friends and Family Limited
Bridgepoint Capital Group Limited
Bridgepoint Private Equity Limited
G.I. Founders Limited
Lorac 5991 Limited
Lorac (1998) Limited
Norcros (Holdings) Limited
Protocol Associates Limited
Scottish Equity Partners Limited
Thompson Trustees Limited
Virgin Active Group Limited

Past directorships and partnerships:

CNW Nominees Limited
Corndrive Limited
Gartmore 1990 Limited
Gartmore 1990 Trustee Limited
Gartmore Indosuez UK Recovery Fund (GP) Limited
NatWest Finance Limited
NatWest Ventures Investments Limited
NatWest Ventures Managers Limited
Royal Bank Development Capital Limited

(vi) *Hamish Noble Buchan*

Present directorships and partnerships:

Aberforth Split Level Trust plc
Collective Assets Trust plc
JPMorgan Fleming American Investment Trust plc
Personal Assets Trust plc
Scottish Council of Independent Schools
Shires Income plc
SIF Education Company Limited
Standard Life European Private Equity Trust plc
The Association of Investment Trust Companies
The Scottish Community Foundation

Past directorships and partnerships:

Scottish Financial Enterprise
SC88376 Limited (dissolved) (formerly known as Wood Mackenzie & Co Limited)

(k) At the date of this document none of the Directors nor the Proposed Director:

(i) has any unspent convictions in relation to indictable offences; or

(ii) has been bankrupt or entered into an individual voluntary arrangement; or

(iii) was a director with an executive function of any company at the time of or within 12 months preceding any receivership, compulsory liquidation, creditors voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with that company's creditors generally or with any class of its creditors; or

(iv) has been a partner in a partnership at the time of or within 12 months preceding any compulsory liquidation, administration or partnership voluntary arrangement of such partnership; or

(v) has had his assets the subject of any receivership or has been the partner of a partnership at the time of or within 12 months preceding any assets thereof being the subject of a receivership; or

(vi) has been subject to any public criticism by any statutory or regulatory authority (including any recognised professional body) or has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

5. TAXATION

The information contained in this document relating to taxation is a summary of the taxation matters which the Directors consider should be brought to the attention of prospective investors. The following statements are intended as a general guide only, are based upon the UK law and Inland Revenue practice currently in force, and relate only to the position of Shareholders who are beneficial owners of their ASCoT Shares. They may not relate to certain categories of Shareholders, such as dealers in securities. Prospective investors should consult their own professional advisers on the potential tax consequences of acquiring, holding or selling ASCoT Shares.

(a) The Company

The Company has been approved as an investment trust under section 842 of the Income and Corporation Taxes Act 1988 for the year ended 31 December 2002. It is the intention of the Directors to continue to conduct the affairs of the Company so as to satisfy the conditions for approval as an investment trust and to apply annually to the Inland Revenue for such approval which is granted retrospectively. In order to maintain its investment trust status for an accounting period, the Company must, *inter alia*, not be a close company at any time in that accounting period. The Directors do not anticipate that the Company will be a close company. In respect of each accounting period for which approval is granted, the Company will be exempt from UK taxation on its capital gains.

The Company is, however, liable to UK corporation tax on its income in the normal way, with dividends from UK resident companies being exempt from corporation tax. Income arising from overseas investments may be subject to foreign withholding taxes at varying rates, but double taxation relief may be available.

(b) Shareholders

(i) *Taxation of capital gains*

Depending on their personal circumstances, UK resident Shareholders may be subject to capital gains tax (or, in the case of corporate Shareholders, corporation tax on capital gains) in respect of any gain arising on a transfer or disposal, including a disposal on a winding up of the Company, of their ASCoT Shares unless the Shareholder is taxed as a dealer in securities, in which case any gain will be treated as income and taxed as such. Shareholders who are neither resident nor ordinarily resident in the UK and who are not carrying on a trade or profession in the UK through a branch or agency to which the ASCoT Shares are attributable as assets, will not normally be liable to UK taxation on chargeable gains arising on the sale or other disposal of their ASCoT Shares, although they may be subject to foreign taxation.

For United Kingdom resident individual Shareholders taper relief may be available to reduce the amount of the gain chargeable to tax. The availability and rate of taper relief will depend on the period of ownership of the ASCoT Shares. As the ASCoT Shares will constitute non-business assets, they will not qualify for taper relief until they have been held for a period of three years. Thereafter the gain is reduced by 5 per cent. for each complete year of ownership up to a maximum reduction of 40 per cent..

A gain on a disposal of ASCoT Shares, together with other gains less allowable losses in a fiscal year, is subject to tax at the individual's marginal tax rate to the extent that it exceeds the annual exempt amount which, for the fiscal year 2003/2004, is £7,900.

For corporate Shareholders, indexation allowance may be available to reduce the amount of the taxable gain.

(ii) *Taxation of dividends*

Under current legislation no withholding tax will be deducted from any dividends paid by the Company.

Notwithstanding the abolition of advance corporation tax in respect of dividends paid after 5 April 1999, Shareholders will receive a tax credit equal to 10 per cent. of the aggregate of the dividend and the tax credit itself (equivalent to one-ninth of the cash dividend).

UK resident individual Shareholders who are not liable to income tax in respect of their dividends will not generally be entitled to reclaim any part of the tax credit. The income tax charge in respect of dividends for lower and basic rate tax payers will be at the rate of 10 per cent. and such Shareholders will have no further liability to tax on their dividends. A higher rate tax payer will be liable to income tax on the sum of the dividend plus the tax credit (to the extent that, taking that sum as the top slice of his income, it falls above the threshold for the higher rate of income tax) at the rate of 32.5 per cent., against which he can offset the 10 per cent. tax credit.

A UK resident corporate Shareholder generally will not be liable to corporation tax on any dividend received unless it is a dealer in securities. The net dividend is taken into account in computing the taxable profits of a dealer in securities.

Shareholders who are not resident in the UK may be entitled to a payment from the Inland Revenue of a proportion of the tax credit relating to their dividends but such entitlement will depend, in general, on the provisions of any double taxation agreement or convention which exists between the UK and their country of residence. Non-UK resident Shareholders may be subject to local taxation on dividend income in their country of residence. Any person who is not resident in the UK should consult his own tax adviser on the question of the double taxation position applying between his country of residence and the UK.

(c) *Stamp duty and stamp duty reserve tax*

Subject to the following, any transfer of ASCoT Shares will be liable to *ad valorem* stamp duty (currently at the rate of 0.5 per cent., with a rounding up to the nearest £5) or (if an agreement to transfer such shares is not completed before the seventh day of the calendar month following the month in which the agreement becomes unconditional) stamp duty reserve tax (currently at the rate of 0.5 per cent.) on the actual consideration paid.

Under the CREST system for paperless transfers, no stamp duty or stamp duty reserve tax will arise on the transfer of shares into the system unless such a transfer is made for a consideration in money or money's worth, in which case a liability to stamp duty reserve tax (usually at the rate of 0.5 per cent.) will arise. Paperless transfers of shares within CREST are liable to stamp duty reserve tax (usually at the rate of 0.5 per cent. of the actual consideration paid) rather than stamp duty and stamp duty reserve tax on relevant transactions settled within the CREST system, or reported through it for regulatory purposes, is collected by CREST.

In the ordinary course of events, liability to pay any stamp duty or stamp duty reserve tax is that of the purchaser or transferee.

Special rules apply to agreements made by market makers and broker-dealers in the ordinary course of their business.

No stamp duty or stamp duty reserve tax will be payable on the issue of definitive certificates unless they are issued to persons to whom the depository receipt or clearance service charge to stamp duty reserve tax may apply (currently, at the rate of 1.5 per cent. of the issue price).

(d) *ISAs and PEPs*

ASCoT Shares will qualify for the stocks and shares component of an ISA and will be eligible to be held within a PEP, provided that they are acquired, by an ISA/PEP manager, in the market or in the Issue. Direct transfers to an ISA/PEP will render such shares transferred to be ineligible for ISAs/PEPs.

6. ACTIVITIES OF THE COMPANY AND PORTFOLIO INFORMATION

(a) The Company is an investment trust investing in Small UK Quoted Companies.

(b) The Directors, all of whom are non-executive, establish and monitor the Company's broad investment strategy and policies while its day-to-day management is undertaken by Aberforth. Details of the management agreement between the Company and Aberforth are set out in paragraph 7(d) below.

(c) The ten largest investments of the Company by value as at 24 September 2003 (the latest practicable date prior to the publication of this document) which include all investments whose value exceeds 5 per cent. of the gross assets of the Company are set out below.

Name of company	*Description of business*	*Cost (£000)*	*Market value (£000)*	*% of ASCoT's net assets*	*% of voting shares*	*Earnings per share* (p)*	*Dividends per share * (p)*	*Dividend cover* (x)*	*Net assets attributable* (£million)*
Paladin Resources plc	Oil and gas production	5,598	11,380	3.1	4.2	7.65	1.50	5.1	4.4
Johnson Service Group plc	Textile rental services and drycleaning	7,840	9,455	2.6	5.2	16.20	17.60	0.9	5.6
BSS Group plc	Distribution of plumbing supplies	4,408	8,438	2.3	4.6	26.40	12.25	2.2	4.3
Holidaybreak plc	Holiday company	3,583	8,147	2.2	3.0	35.70	20.00	1.8	1.1
Bellway plc	Housebuilding	4,206	7,852	2.2	1.1	77.80	15.75	4.9	5.3
Meggitt plc	Aerospace	5,639	7,384	2.0	1.0	6.30	7.00	0.9	2.7
Abbot Group plc	Oil services	5,139	7,154	2.0	2.2	25.80	4.00	6.5	2.9
Countrywide Assured Group plc	Residential property and insurance	5,436	6,811	1.9	1.4	15.70	6.15	2.6	1.7
Marshalls plc	Manufacture of concrete and natural stone resources	5,764	6,771	1.9	1.5	20.02	10.00	2.0	3.0
Mersey Docks and Harbour Company plc	Port operator	5,255	6,625	1.8	1.3	44.40	21.50	2.1	5.4

Note: None of these companies reported any extraordinary items in its latest audited financial year. Earnings per share figures are stated after any exceptional items and goodwill amortisation.

*All for the latest audited financial year.

(d) As at 24 September 2003, the Company had realised surpluses of £152 million and unrealised surpluses of £60 million all of which related to listed investments.

(e) The Company has not made any provisions for diminution in value of any of its investments.

7. MATERIAL CONTRACTS

Save for the agreements referred to below and other than contracts in the ordinary course of business, the Company has not (a) in the two years preceding the date of this document, entered into any contract which is or may be material to the Company or (b) entered into any contract containing provisions under which the Company has any obligation or entitlement which is material to the Company as at the date of this document.

(a) The facility agreement dated 8 and 9 October 1998 (as amended) entered into between the Company and The Governor and Company of the Bank of Scotland ("BoS") in terms of which BoS has agreed to provide the Company with a committed overdraft facility up to the amount of £80,000,000. The facility may be used only for investment by the Company in stocks and shares of companies listed on the London Stock Exchange. Bank charges in relation to the facility are payable in accordance with BoS's tariff issued to the Company from time to time. The interest rate on the facility is 0.6 per cent. per annum over BoS's base rate from time to time.

The facility is subject to review by BoS on 30 June in each year. However, in the absence of any event of default, the facility is terminable by BoS upon not less than 364 days' written notice prior to the final repayment date specified in such notice. The facility is to be repaid by the Company in full on the final repayment date. The Company may cancel all or any part of the undrawn facility provided it has given BoS not less than two business days' notice specifying the amount of the facility which it intends to cancel.

The facility agreement contains obligations on the Company to provide certain financial information to BoS and contains certain financial covenants, principally that the ratio of PBIT to the aggregate amount of interest, commission and other recurrent financial expenses attributed to the total borrowings of the Company as stated in the Company's revenue account shall not at any time be less than 2:1. The foregoing financial covenant is to be tested on a semi-annual basis by reference to the Company's latest annual and interim financial statements. In addition, the Company has, *inter alia*, covenanted that it shall not, unless it has a prior written waiver from BoS:

(i) incur or contract to incur or permit to subsist any borrowings save for (a) the BoS overdraft facility and amounts due in respect of it and (b) borrowings outstanding and due by the Company to the Clydesdale Bank plc (which borrowings are not at any time to exceed £10,000,000);

(ii) allow the aggregate amount of the borrowings due by the Company to BoS and the Clydesdale Bank plc to exceed £80,000,000; or

(iii) grant any security over its property, assets or undertaking, present or future

The facility agreement lists a number of events of default following which, *inter alia*, the BoS overdraft facility may, at the discretion of BoS, become immediately repayable. The events of default include a breach of the covenants given to BoS and a change of control of the Company.

(b) The facility agreement dated 27 May and 12 June 2003 entered into between the Company and the Clydesdale Bank plc (''Clydesdale'') in terms of which Clydesdale has agreed to provide the Company with an overdraft facility up to the amount of £10,000,000. The facility may only be used for the working capital purposes of the Company. The interest rate on the facility is 0.6 per cent. per annum over Clydesdale's base rate from time to time.

The overdraft is subject to review by Clydesdale on 30 April 2004 and annually thereafter. The overdraft automatically ceases to be available on each review date and is immediately repayable unless Clydesdale has agreed in writing to extend or renew it. Notwithstanding the foregoing, the overdraft is payable on demand and automatically ceases to be available from the date of demand.

The facility agreement contains warranties and covenants by the Company to provide certain information to Clydesdale and financial covenants, principally that the aggregate borrowings due by the Company to Clydesdale and BoS shall not at any time exceed £80,000,000 and that the Company shall not grant any security over its property, assets or undertaking, present or future.

(c) The Company intends, in connection with the Scheme, to enter into an agreement on or about the Effective Date with the Liquidators, ASLeT, the Trustee of the AFund and Aberforth Unit Trust Managers Limited pursuant to which assets of ASLeT will be transferred to ASCoT and AFund in consideration for the issue of New ASCoT Shares and AFund Units respectively subject to the terms and conditions of the Scheme. Each of the parties to the agreement has undertaken to enter into the agreement subject to the Scheme becoming unconditional and, in the case of ASCoT's undertaking only, subject to ASCoT's participation in the Scheme becoming unconditional.

(d) The investment management agreement dated 26 November 1990 between the Company and Aberforth whereby Aberforth has been appointed (subject to the instructions and directions of the Directors and to the investment policy of the Company) to manage the investments and other assets of the Company. The Company pays Aberforth a quarterly fee of 0.2 per cent. of the value of the assets of the Company (subject to certain adjustments) less all liabilities of the Company at the end of the immediately preceding quarter. The Company has agreed to pay Aberforth a fee at the same rate on the value of the assets transferred to the Company pursuant to the Scheme on a *pro rata* basis from the day following the Effective Date until 31 December 2003. Fees are payable within 30 days after the issue of the relevant invoice. Expenses are charged to capital where a connection with the maintenance or enhancement of the value of investments can be demonstrated. 62.5 per cent. of the investment management fee has been allocated to capital reserve-realised and 37.5 per cent. to the revenue account.

The appointment of Aberforth as investment manager is subject to termination by either party giving to the other not less than six months' notice. The appointment may be terminated by the Company by a lesser period of notice although (save in exceptional circumstances referred to below) there shall be payable to Aberforth by the Company compensation of an amount equal to the fee which Aberforth would have been entitled to receive if it had continued to supply investment management services for the unexpired notice period adjusted as follows. Such compensation shall be calculated by reference to the value of the assets of the Company as at close of business on the quarter end date on which Aberforth ceases to act as investment manager under the investment management agreement or, in the event that such event does not fall on a quarter end date, as at the close of business on the quarter end date immediately preceding the date on which Aberforth ceases acting as investment manager and on the basis of a fee at an annual rate of 0.8 per cent. of such value.

The appointment of Aberforth as investment manager may be terminated without compensation at any time if Aberforth, *inter alia*, is unable to pay its debts or is guilty of any gross misconduct or gross negligence in connection with the performance of its duties as investment manager.

The Company has agreed to indemnify Aberforth against all claims and demands incurred or suffered by Aberforth in relation to the performance of its duties under the investment management agreement save those which arise by reason of the negligence or default of Aberforth, its servants or agents.

(e) The administrative agreement dated 26 November 1990 between the Company and Aberforth whereby Aberforth has been appointed to provide secretarial and administrative services to the Company. The Company pays Aberforth an annual fee (exclusive of value added tax) indexed annually in line with the Retail Price Index. The initial amount of the fee was £40,000 (exclusive of value added tax) and the current amount of the fee is approximately £55,000 (exclusive of value added tax).

The appointment of Aberforth as secretary and provider of administrative services is subject to termination by either party giving to the other not less than six months' written notice. The appointment of Aberforth may be terminated without compensation at any time if Aberforth, *inter alia*, is dissolved or is found guilty of fraud or gross negligence.

The Company has agreed to indemnify Aberforth against all claims, demands and expenses arising out of the performance of its duties under the administrative agreement save those which result directly from the gross negligence, fraud or a material breach of duty of Aberforth.

Other than contracts in the ordinary course of business, ASLeT has not (a) in the two years preceding the date of this document, entered into any contract which is or may be material to ASLeT or (b) entered into any contract containing provisions under which ASLeT has any obligation or entitlement which is material to ASLeT as at the date of this document.

8. GENERAL

(a) The Company has no employees.

(b) The Company neither owns nor occupies any premises.

(c) The Company has no parent undertakings, no subsidiary undertakings and no associated companies.

(d) The auditor of the Company is Ernst & Young LLP of Ten George Street, Edinburgh EH2 2DZ and it and its predecessor firm have audited the statutory accounts of the Company for the three financial periods ending 31 December 2002.

(e) Following the Issue, the issued ordinary share capital of the Company will be fully paid as to its nominal value. The consideration to be received by the Company in respect of the issue of a New ASCoT Share is equal to the net asset value of an Existing ASCoT Share as at the ASCoT Calculation Date and will be satisfied by the transfer of assets comprising the ASCoT Pool to the Company. The net asset value per ASCoT Share as at 24 September 2003 (being the latest practicable date prior to the publication of this document) represented a premium of 428.8 pence on the nominal value of an ASCoT Share. The extent of the premium on the issue price of an ASCoT Share as at the ASCoT Calculation Date will depend upon the value of the assets to be transferred to the Company from ASLeT (acting through the Liquidators) pursuant to the Scheme and the net asset value of an ASCoT Share as at that date. The Directors consider that the consideration provided by ASCoT in the form of New ASCoT Shares is justified by the value to be received by ASCoT.

(f) No New ASCoT Shares are being marketed or are available, in whole or in part, to the public in connection with the Issue.

(g) Since 30 June 2003, the end of the last financial period for which interim financial statements have been published, there has been no significant change in the financial position of the Company save for the increase of approximately 12 per cent. in the Company's net assets between 30 June 2003 and 24 September 2003 (being the latest practicable date prior to the publication of this document).

Since 30 June 2003, the date to which the last published accounts of ASLeT were prepared, there has been no significant change in the financial position of ASLeT save for the increase of approximately 12 per cent. in ASLeT's net assets between 30 June 2003 and 24 September 2003 (being the latest practicable date prior to the publication of this document) and the estimated aggregate costs and expenses of the Scheme of £850,000 (inclusive of VAT) (being 0.4 per cent. of the net assets of ASLeT as at 24 September 2003, the latest practicable date before the publication of this document) which are payable by ASLeT.

(h) There are no legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have or, within the 12 months immediately preceding the date of this document, have had a significant effect on the Company's financial position.

ASLeT is not and has not been engaged in any legal or arbitration proceedings and, so far as the Company is aware, no legal or arbitration proceedings are threatened or pending against ASLeT which may have, or have had during the period of 12 months immediately preceding the date of this document, a significant effect on its financial position.

(i) The expenses of and incidental to the Issue are payable by ASLeT or, should no New ASCoT Shares be issued pursuant to the Scheme and such expenses not be recoverable for any reason from ASLeT, by Aberforth.

(j) The statutory accounts of the Company for the last three financial periods have been audited and reported on, under section 235 of the Act, and the reports on such statutory accounts contain no qualifications or statements under section 237(2) or (3) of the Act.

(k) Since the Company's incorporation, there has not occurred any public takeover offer by a third party in respect of the Company's shares, or any public takeover by the Company in respect of another company's shares.

(l) There are no arrangements in force under which future dividends are waived or agreed to be waived.

(m) Dickson Minto W.S. has given and not withdrawn its written consent to the issue of this document with references to its name in the form and context in which they appear.

9. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection at the registered office of the Company and at the offices of Dickson Minto W.S., Royal London House, 22/25 Finsbury Square, London EC2A 1DX, during normal business hours on any weekday (except Saturdays and public holidays) up to and including Monday, 27 October 2003:

(a) the memorandum and articles of association of the Company;

(b) the audited accounts of the Company for the two financial years ended 31 December 2001 and 31 December 2002;

(c) this document;

(d) the circular dated 29 September 2003 to ASLeT Shareholders in connection with the Scheme;

(e) the material contracts referred to in paragraph 7 above;

(f) letters of appointment between the Company and each of the Directors, each dated 29 April 2003; and

(g) the letter of consent referred to in paragraph 8(m) above.

DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise:

"Aberforth" or **"Managers"**	Aberforth Partners
"Act"	the Companies Act 1985 (as amended)
"Admission"	admission of the New ASCoT Shares to the Official List and to trading on the main market of the London Stock Exchange becoming effective
"AFund"	Aberforth UK Small Companies Fund
"AFund Option"	the right of ASLeT Shareholders to receive AFund Units under the terms of the Scheme
"AFund Pool"	the fund which represents the interests of ASLeT Shareholders who elect for the AFund Option
"AFund Units"	limited issue accumulation units in AFund
"Articles"	the articles of association of the Company
"ASCoT" or **"Company"**	Aberforth Smaller Companies Trust plc
"ASCoT Calculation Date"	the time (expected to be 5.00 pm (UK time) on Friday, 7 November 2003) as at which the value of the assets of ASLeT and ASCoT will be calculated for the purpose of determining the entitlements of ASLeT Shareholders who elect for the ASCoT Option
"ASCoT Option"	the right of ASLeT Shareholders to receive New ASCoT Shares under the terms of the Scheme
"ASCoT Pool"	the fund which represents the interests of ASLeT Shareholders who elect for the ASCoT Option
"ASCoT Shares"	the ordinary shares of 1p each in the capital of the Company
"ASLeT"	Aberforth Split Level Trust plc
"ASLeT Circular"	the document dated Monday, 29 September 2003 comprising a circular relating to ASLeT, a copy of which is available for inspection at the addresses specified in paragraph 9 of Part 5 of this document
"ASLeT Shareholders"	Capital Shareholders and/or Income Shareholders
"ASLeT Shares"	Capital Shares and/or Income Shares
"Capital Shares" or **"ASLeT Capital Shares"**	capital shares of 10p each in the capital of ASLeT
"Capital Shareholders" or **"ASLeT Capital Shareholders"**	holders of Capital Shares
"certificated" or **"in certificated form"**	shares which are not in uncertificated form
"CREST"	the computerised settlement system to facilitate the transfer of title to shares in uncertificated form operated by CRESTCo
"CRESTCo"	CRESTCo Limited
"Directors" or **"Board"**	the directors of the Company
"Effective Date"	the date on which the Scheme becomes unconditional, which is expected to be on Monday, 10 November 2003
"Election"	an election pursuant to a Form of Election and/or a deemed election pursuant to the Scheme as the context may require
"Existing ASCoT Shares"	the ASCoT Shares other than the New ASCoT Shares

"Extraordinary General Meeting"	the extraordinary general meeting of the Company convened for Wednesday, 29 October 2003 at 10.00 am and any adjournment thereof
"HGSC Index (XIC)"	the Hoare Govett Smaller Companies Index (Excluding Investment Companies)
"Income Shareholders" or **"ASLeT Income Shareholders"**	holders of Income Shares
"Income Shares" or **"ASLeT Income Shares"**	income shares of 10p each in the capital of ASLeT
"Issue"	the issue of New ASCoT Shares pursuant to the Scheme
"Liquidation Pool"	the fund to be established by the Liquidators under the Scheme to meet the outstanding liabilities of ASLeT
"Liquidators"	the liquidator or liquidators for the time being of ASLeT, jointly and severally
"London Stock Exchange"	London Stock Exchange plc
"New ASCoT Shares"	the ASCoT Shares to be issued pursuant to the Scheme
"Official List"	the Official List of the UK Listing Authority
"Overseas Shareholders"	Shareholders with a registered address outside the United Kingdom, the Channel Islands or the Isle of Man
"Pool" or **"Pools"**	the Liquidation Pool, the ASCoT Pool, the AFund Pool and the Realisation Pool, or any of them
"Proposals"	the proposals set out in Part 1 of this document
"Proposed Director"	Hamish Noble Buchan
"Realisation Pool"	the fund which represents the interests of ASLeT Shareholders who elect for the Realisation Option
"Realisation Option"	the right of ASLeT Shareholders to receive cash through the orderly realisation of the Realisation Pool under the Scheme
"Registrars"	Northern Registrars Limited of Northern House, Woodsome Park, Fenay Bridge, Huddersfield HD8 0LA
"RPIX"	the general index of retail prices (excluding mortgage interest payments) published by the Office for National Statistics (or such other office or body as may be referred to from time to time in section 833(2) of the Income and Corporation Taxes Act 1988) or, if that index is not published for any relevant month, any substituted index or index figures published by the Office for National Statistics (or such other office or body as may be referred to from time to time in section 833(2) of the Income and Corporation Taxes Act 1988) for that month
"Scheme"	the proposed scheme for the reconstruction of ASLeT, details of which are set out in Parts 1 and 3 of this document
"Shareholders"	shareholders of the Company
"Small UK Quoted Companies"	companies which are constituents of the HGSC Index (XIC) from time to time together with those companies which, because of movement in their market capitalisations or, in the case of new listings, because of their likely market capitalisations, may be considered appropriate for investment

"Transfer Agreement"	the agreement to be made pursuant *inter alia* to section 110 of the Insolvency Act 1986 for the transfer of assets of ASLeT to the Company and pursuant to the articles of association of ASLeT for the transfer of assets of ASLeT to AFund, all in accordance with the Scheme
"UK Listing Authority"	the UK Listing Authority, a division of the Financial Services Authority
"uncertificated" or **"in uncertificated form"**	a share recorded on the register as being held in uncertificated form in CREST and title to which, by virtue of the Uncertificated Securities Regulations 2001 (as amended), may be transferred by means of CREST
"Unit" or **"ASLeT Unit"**	a unit of one ASLeT Capital Share and one ASLeT Income Share
"Unitholders" or **"ASLeT Unitholders"**	holders of ASLeT Units

ABERFORTH SMALLER COMPANIES TRUST plc

(incorporated in Scotland, registered no. SC126524)
(an investment company within the meaning of section 266 of the Companies Act 1985)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Aberforth Smaller Companies Trust plc will be held at 10.00 am on Wednesday, 29 October 2003 at 14 Melville Street, Edinburgh EH3 7NS for the purpose of considering and, if thought fit, passing the following resolutions.

To consider and, if thought fit, pass the following as ordinary resolutions:

ORDINARY RESOLUTIONS

1. THAT

   (i) the acquisition by the Company of assets from Aberforth Split Level Trust plc (''ASLeT'') in accordance with the terms of the Transfer Agreement (as defined in the prospectus issued by the Company published on 29 September 2003 (''the Prospectus'')) with such non-material adjustments thereto as may be approved by the directors and the proposed participation of the Company in the scheme for the reconstruction of Aberforth Split Level Trust plc to include, without limitation, the entering into of the Transfer Agreement with the proposed liquidator of ASLeT concerning the distribution of assets of ASLeT, the acquisition by the Company of assets from ASLeT and the issue of shares of the Company to shareholders in ASLeT (in each case as described in the Prospectus) (the ''Scheme'') be and is hereby approved and save for any material changes to the Transfer Agreement the directors of the Company be and are hereby authorised to take all steps necessary or, in the opinion of the directors, desirable to give effect to the Company's participation in the Scheme; and

   (ii) subject to and conditional upon the Scheme becoming unconditional, the directors be and are hereby generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 (the ''Act'') to allot relevant securities (as defined in section 80(2) of the Act) up to an aggregate nominal amount of £500,000, such authority to expire on 31 December 2003 and to be in addition to any existing authority under section 80 of the Act but so that the directors of the Company may at any time prior to the expiry of such authority make an offer or enter into an agreement which would or might require relevant securities to be allotted after the expiry of such authority and the directors of the Company may allot relevant securities in pursuance of any such offer or agreement as if such authority had not expired, provided that such authority shall be limited to the allotment of relevant securities pursuant to, or in connection with, the Scheme.

2. THAT, pursuant to Article 99 of the Articles of Association of the Company, the maximum aggregate amount which the directors are entitled to be paid annually by way of fees for their services as directors of the Company be and is hereby increased from £75,000 to £125,000.

To consider and, if thought fit, pass the following as a special resolution:

SPECIAL RESOLUTION

3. THAT the whole amount standing to the credit of the share premium account of the Company, including that part arising on the issue of shares of the Company in connection with the scheme for the reconstruction of Aberforth Split Level Trust plc (''ASLeT'') including, *inter alia*, the issue of shares of the Company to shareholders in ASLeT described in the prospectus of the Company published on 29 September 2003, immediately following the admission of such shares to the Official List of the UK Listing Authority, be cancelled.

By order of the Board
Aberforth Partners
Secretaries

Registered Office
14 Melville Street
Edinburgh
EH3 7NS

29 September 2003

Notes:

1. A member who is entitled to attend and vote at the meeting referred to above is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him or her. A proxy need not be a member of the Company.
2. A form of proxy is enclosed for use at the meeting referred to above. The form of proxy should be completed and sent, together with the power of attorney or other authority (if any) under which it is signed, or an extract from the Books of Council and Session or a notarially certified copy of such power or authority, so as to reach the Company's registrars, Northern Registrars Limited, Northern House, Woodsome Park, Fenay Bridge, Huddersfield, HD8 0LA not later than 10.00 am on Monday, 27 October 2003.
3. Completing and returning a form of proxy will not prevent a member from attending in person at the meeting referred to above and voting should he or she so wish.
4. To have the right to attend and vote at the meeting (and also for the purposes of calculating how many votes a shareholder may cast on a poll), a shareholder must first have his or her name entered on the register of members not later than 5.00 pm on Monday, 27 October 2003. Changes to entries in the register after that time will be disregarded in determining the rights of any shareholder to attend and vote at such meeting.