

ABERFORTH SMALLER COMPANIES TRUST plc

PRELIMINARY RESULTS

For the Year to 31 December 2002

FEATURES

■	Fully Diluted Net Asset Value Total Return	-9.7%
■	Benchmark Index Total Return	-23.3%
■	Increase in Dividends per Ordinary Share	+4.4%

Aberforth Smaller Companies Trust plc (ASCoT) invests only in small UK quoted companies and is managed by Aberforth Partners.

CHAIRMAN'S STATEMENT TO SHAREHOLDERS

■ REVIEW OF 2002 PERFORMANCE

The year to December 2002 has seen global stockmarkets generate negative returns - again. In the UK the total return from ASCoT's benchmark index - the Hoare Govett Smaller Companies Index (Excluding Investment Companies) - was a negative 23.3% while the total return for the FTSE All-Share Index (representative of "larger companies") was a negative 22.7%.

ASCoT has performed relatively well against this background recording a negative total return of 9.7%, therefore significantly outperforming its benchmark index. While outperforming its benchmark in both the first and second halves of the year, the degree of outperformance in the second was less than in the first half. The powerful extraneous factors that have influenced ASCoT's exceptional levels of outperformance over the last three years, have progressively waned. This is a phenomenon I foreshadowed in my Interim Report to Shareholders in July.

Your Board is pleased to recommend a final dividend of 6.20p, which produces total dividends for the year of 9.50p, an increase of 4.4% on the total dividends paid for the previous year. Subject to Shareholders' approval, the final dividend of 6.20p per share will be paid on 7 March 2003 to Shareholders on the register at close of business on 7 February 2003.

Your Board and Managers have believed for some time that equity market returns might revert to the 5 to 7% real rate achieved over the longer term and, therefore, that dividend income would become a more significant proportion of total return than in heady bull markets. In that context, your Board is particularly pleased that ASCoT's portfolio, of around 100 companies whose attractive features include an above average dividend yield, allows the payment of a reasonable, reliable and growing dividend to Shareholders.

ASCoT did not make use of its debt facilities during the period under review. This position was a reflection of your Managers' cautious view of the returns from stockmarkets in the period. However, the gearing facility remains available and it is the intention to utilise it when your Board and Managers consider the opportunity appropriate.

■ CONTINUATION VOTE

At the Annual General Meeting in February 2002, of those Shareholders who lodged the form of proxy (representing 58.5% of the then issued share capital), 99.5% were in favour of ASCoT's continuation. Your Board and Managers appreciate this support. The next scheduled continuation vote is due in February 2005.

■ WARRANTS

During the year the Company purchased for cancellation 431,500 Warrants at prices that enhanced Shareholder value. The Board will continue to take advantage of economically attractive opportunities to buy in Warrants, although time is running out! A Warrant confers the right to subscribe for one Ordinary Share of 1p on 31 March each year. This right will lapse after 31 March 2003. Consequently, Warrantholders should be aware that the last opportunity to exercise their rights is imminent. One result of exercising Warrants, at the cost of 100p each, is to entitle the holder to receive dividends declared and paid on the Ordinary Shares after the date of exercise. In respect of calendar 2002, total dividends will be 9.50p (subject to Shareholders' approval at the forthcoming Annual General Meeting).

■ SHARE BUY BACK AUTHORITY

At the Company's Annual General Meeting in February 2002 the authority to purchase up to 14.99% of the Company's Ordinary Shares was renewed. Your Board will be seeking a further renewal of this authority at the Annual General Meeting to be held on 25 February 2003. Your Board has established and keeps under careful review the circumstances under which such authority will be utilised. Should these arise, the Company will seek to purchase Ordinary Shares.

■ SUMMARY AND OUTLOOK

ASCoT has performed relatively well in 2002, yet another difficult year for stockmarkets. ASCoT's relative performance has been helped by its portfolio yield being above that of its benchmark index. Your Board believes this to be one of a number of attractive characteristics of the portfolio. In turn, this attribute permits your Board to pay reasonable, reliable and growing dividends to Shareholders at a time when income is an important component of total return.

These last three years have been amongst the worst in stockmarket history but ASCoT has achieved positive returns overall, producing the best period of relative performance in its 12 year life. There is, however, no air of complacency regarding achievements to date. Indeed, in investment we are highly conscious that every day starts a new performance period.

William Y Hughes

Chairman

21 January 2003

The Statement of Total Return, summary Balance Sheet and summary Cash Flow Statement are set out below:-

STATEMENT OF TOTAL RETURN (Incorporating the Revenue Account*)

For the Year ended 31 December 2002
(unaudited)

	12 months to 31 December 2002			12 months to 31 December 2001		
	Revenue £ 000	Capital £ 000	Total £ 000	Revenue £ 000	Capital £ 000	Total £ 000
Realised gains/(losses) on sales	-	16,715	16,715	-	19,592	19,592
Unrealised losses	-	(54,626)	(54,626)	-	(3,336)	(3,336)
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(Losses)/gains on investments	-	(37,911)	(37,911)	-	16,256	16,256
Deemed cost of Warrants purchased for cancellation	-	(651)	(651)	-	(1,443)	(1,443)
Dividend income	9,700	254	9,954	9,436	-	9,436
Interest income	495	-	495	979	-	979
Other income	52	-	52	17	-	17
Investment management fee	(1,124)	(1,873)	(2,997)	(1,065)	(1,775)	(2,840)
Other expenses	(268)	-	(268)	(233)	-	(233)
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Return on ordinary activities before tax	8,855	(40,181)	(31,326)	9,134	13,038	22,172
Tax on ordinary activities	-	-	-	-	-	-
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Return attributable to equity shareholders	8,855	(40,181)	(31,326)	9,134	13,038	22,172
Dividends in respect of equity shares	(7,966)	-	(7,966)	(7,610)	-	(7,610)
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Transfer to/(from) reserves	889	(40,181)	(39,292)	1,524	13,038	14,562
	=====	=====	=====	=====	=====	=====
Returns per Ordinary Share						
Basic	10.57p	(47.95p)	(37.38p)	10.93p	15.61p	26.54p
Diluted	10.44p	(47.38p)	(36.94p)	10.75p	15.34p	26.09p
Dividends per Ordinary Share	9.50p	-	9.50p	9.10p	-	9.10p

NOTES

The calculations of revenue return per Ordinary Share are based on net revenue of £8,855,000 (2001 – £9,134,000) and on Ordinary Shares numbering 83,798,842 (2001 – 83,537,525) in the case of basic returns and 84,808,012 (2001 – 84,989,235) in the case of diluted returns.

The calculations of capital return per Ordinary Share are based on net capital losses of £40,181,000 (2001 – gains of £13,038,000) and on Ordinary Shares numbering 83,798,842 (2001 – 83,537,525) in the case of basic returns and 84,808,012 (2001 – 84,989,235) in the case of diluted returns.

* 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.

SUMMARY BALANCE SHEET

As at 31 December 2002

(unaudited)

	31-Dec 2002 £ 000	31-Dec 2001 £ 000
Securities officially listed on the London Stock Exchange	273,543	305,074
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Debtors	1,024	1,094
Cash at bank	6,555	14,210
Creditors	(5,227)	(5,116)
	-----	-----
Net current assets	2,352	10,188
	-----	-----
Total assets less liabilities	275,895	315,262
	=====	=====
Capital and reserves: equity interests		
Called up share capital (Ordinary Shares)	839	836
Reserves:		
Share premium account	1,090	868
Special reserve	133,525	133,525
Capital reserve - realised	151,600	137,455
Capital reserve - unrealised	(21,985)	32,641
Revenue reserve	10,826	9,937
	-----	-----
	275,895	315,262
	=====	=====
Net Asset Values per Ordinary Share		
Basic	329.0p	377.0p
Fully diluted	326.3p	371.6p
Diluted - FRS 14	326.3p	371.8p

NOTES

As at 31 December 2002, the Company had 83,855,423 Ordinary Shares (2001 – 83,630,941) and 1,003,311 Warrants (2001 – 1,659,293) in issue.

On 2 April 2002, as a result of certain holders exercising the subscription rights of their Warrants, 224,482 Ordinary Shares were issued at 100p per share.

During the year to 31 December 2002, the Company bought in 431,500 Warrants for cancellation at a total cost of £951,000. No Ordinary Shares were bought in during the year.

SUMMARY CASH FLOW STATEMENT

For the Year ended 31 December 2002

(unaudited)

	12 months to 31 December 2002		12 months to 31 December 2001	
	£ 000	£ 000	£ 000	£ 000
Net cash inflow from operating activities		7,259		7,436
Returns on investment and servicing of finance				
Interest paid	-		-	
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Net cash outflow from returns on investment and servicing of finance		-		-
Capital expenditure and financial investment				
Payments to acquire investments	(120,503)		(119,098)	
Receipts from sales of investments	114,016		119,841	
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Net cash (outflow)/inflow from capital expenditure and financial investment		(6,487)		743
		-----		-----
		772		8,179
Equity dividends paid		(7,701)		(7,380)
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		(6,929)		799
Financing				
Issue of Ordinary Shares	225		371	
Warrants purchased for cancellation	(951)		(2,034)	
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Net cash outflow from financing		(726)		(1,663)
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Decrease in cash		(7,655)		(864)
		=====		=====

NOTES

1. 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 2001, 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.

2. The Annual Report is expected to be posted to shareholders on 27 January 2003. Members of the public may obtain copies from Aberforth Partners, 14 Melville Street, Edinburgh EH3 7NS or from its website at www.aberforth.co.uk.

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Aberforth Partners, Secretaries – **21 January 2003**

ANNOUNCEMENT ENDS