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**ABERDEEN LEADERS LIMITED**  
**REPORT TO SHAREHOLDERS**

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Dear Shareholder,

Increasing concerns over the possibility of a war with Iraq affected global investor sentiment towards the end of the quarter. Domestic issues, including the impact of drought, also contributed to continuing falls on the Australian stockmarket.

Over the quarter the Fund's total portfolio return fell by 6.08%, which was marginally better than the index which fell by 6.99%. Aberdeen Leaders' current stock holdings provide a portfolio of high quality, with strong growth prospects for the future.

Recent economic data has been mixed. The Reserve Bank of Australia opted to leave interest rates unchanged at their July, August and September meetings. This decision is likely to have been influenced by uncertainty about the strength of the global recovery and concerns about the outlook for the rural sector domestically.

Despite ongoing economic and political uncertainty around the world, we believe that the world economy, and in particular the US and Australia, are better than many economists are forecasting. The upcoming reporting season for US companies could see surprises on the upside, given that so much doom and gloom has already been written into corporate forecasts. As far as the stockmarket itself is concerned, the virtual continuous selling over the past three months appears to be exhausting itself. Strong rallies and possibly base building at these levels are now likely.

Subject to market conditions and availability of profits, the Fund anticipates continuing its quarterly dividend policy, paying a total of 5 cents fully franked for the year to 30 June 2003. This equates to a dividend yield of 4.8%, based on the current share price, well above the current average dividend yield of 3.8% of the S&P/ASX 50 Leaders Index, which is only 83.8% franked.

Yours sincerely,



Laurence Freedman

Chairman

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## NET TANGIBLE ASSETS

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### At 30 September 2002

NTA per Share *	\$0.98
Market Price	\$1.05
Premium to NTA	7.1%
Historical Dividend Yield (100% franked )	5.9%

\* Excluding tax on unrealised gains

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## PORTFOLIO COMPOSITION

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### At 30 September 2002

Equities	95.4%
Net Cash	4.6%
Total	100.0%

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## DIVIDEND

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The total dividend paid last financial year was 6.25 cents (fully franked). Subject to market conditions and the availability of profits, the Company intends paying dividends totalling 5 cents for the year to 30 June 2003, equating to a dividend yield of 4.8%, based on the current share price. The yield is well above the current average dividend yield of 3.8% of the S&P/ASX 50 Leaders Index, which is only 83.8% franked.

The Board's decision to change the dividend policy by reducing it from 6.25 cents per share per annum previously has been taken in light of the current uncertain outlook for the world's stock markets and the recent weakness in the local market. The Board believes that such a move is prudent at this time, consistent with the Company's objectives of providing shareholders with a regular yield, but setting that yield at a level which, with continued investment in a diversified portfolio of the country's leading shares, should have the potential to deliver capital appreciation over the longer term.

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## **REVIEW OF ACTIVITIES**

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The Manager remains stock selective and value focused in our investments, preferring companies with good quality management, solid cashflows and strong balance sheets.

During the September quarter the portfolio maintained underweight positions in Media, Transport, Health and Biotechnology, while defensive sectors such as Gaming, Utilities and Alcohol were well represented. Current stock holdings provide a defensive and domestic nature to the Aberdeen Leaders portfolio, which we believe is appropriate in the current economic environment.

The strongest stocks for the Fund over the quarter were Australian Gas Light Company (+10.8%), Telecom New Zealand (+1.5%) and Westfield Trust (+2.9%).

AGL rose as the energy investment and marketing firm announced that it would remove its 5 per cent ownership limit early next month.

Telecom New Zealand rose in light of a strong performance from its Australian operations. When one of Telecom New Zealand's largest shareholders, Verizon, sold down its 21% stake, there was very strong demand from investors across the globe. This sell down removed a long-standing overhang on one of the cheapest telecommunication companies in the region.

Westfield's defensive nature and high yield helped the stock outperform in a difficult equities environment.

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## **OUTLOOK**

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Australian growth currently remains above global trends at around 3.5%. Leading indicators however, are pointing to some moderation in the economy's momentum into year-end and early 2003.

If political turmoil continues in Middle East, global equity markets are not expected to rally. Sustained high oil prices and drought in regional Australia will see Australian growth rates revised downwards. This would mean the interest rate cycle is at or close to its peak.

Interest rates could still put some pressure on financials, defensive stocks should retain their safe haven status and some growth stocks may be found at reasonable valuations. Cyclical stocks remain hostage to a turn around in global economy.

Despite relatively high interest rates, drought and global economic weakness, the strength of the Australian economy is expected to support the domestic equity market, particularly those companies with predominantly domestic earnings.

**PORTFOLIO OF ABERDEEN LEADERS LIMITED AS AT 30 SEPTEMBER 2002**

<b>Security Name</b>	<b>Market Value (\$)</b>	<b>% of Portfolio</b>	<b>% of S&amp;P/ASX 50 Leaders</b>
<b>Utilities</b>			
Australia Gas + Light	4,762,800	4.4	1.0
<b>Financials Ex-Property Trusts</b>			
AMP Limited	3,568,500	3.3	2.9
ANZ Banking Group	7,818,950	7.2	6.0
AXA Asia Pacific Holdings	3,325,000	3.1	0.5
Commonwealth Bank of Australia	6,449,960	6.0	8.3
National Australia Bank	8,704,800	8.0	11.5
Westpac Banking Corp	7,160,450	6.6	5.3
<b>Consumer</b>			
Aristocrat Leisure	3,381,000	3.1	0.3
News Corporation – Preference	3,629,460	3.3	3.5
Tabcorp Holdings Ltd	2,972,750	2.7	1.0
BRL Hardy	2,274,269	2.1	-
Fosters Group Ltd	6,094,420	5.6	2.3
Woolworths Limited	4,317,300	4.0	3.1
<b>Materials</b>			
BHP Billiton Ltd	8,995,700	8.3	7.7
Rio Tinto Limited	8,135,247	7.5	2.1
<b>Industrials</b>			
Leighton Holdings	3,178,140	2.9	-
<b>Telecommunications</b>			
Telecom Corp of NZ	4,553,920	4.2	0.9
Telstra Corp	6,256,800	5.8	7.0
<b>Property Trusts</b>			
Westfield Trust	3,450,980	3.2	1.6
<b>Energy</b>			
Woodside Petroleum	4,389,600	4.1	1.3
<b>TOTAL EQUITY</b>	<b>103,420,046</b>	<b>95.4%</b>	
<b>NET CASH</b>	<b>4,953,529</b>	<b>4.6%</b>	
<b>NET TANGIBLE ASSETS EXCLUDING DEBT</b>	<b>108,373,575</b>	<b>100.0%</b>	
<b>LOAN FACILITY</b>	<b>(50,000,000)</b>		
<b>NET TANGIBLE ASSETS</b>	<b>58,373,575</b>		

The Company is a long term investor which does not intend disposing of its total portfolio. If estimated tax on unrealised gains were to be deducted in determining the NTA, the net asset backing per share as at 30 September 2002 would be \$0.98.

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