

11 July 2002

EDINBURGH INCOME AND VALUE TRUST PLC
PRELIMINARY RESULTS FOR THE YEAR
TO 31 MAY 2002

Investment Objective

Edinburgh Income and Value Trust and its subsidiary Edinburgh Value Zeros, managed by Edinburgh Fund Managers, is akin to a split capital investment trust but with no fixed life for the ordinary shares. The Group has investment objectives of providing ordinary shareholders with a high level of income, together with the opportunity for capital and income growth and for its zero dividend preference shareholders with a pre-determined capital entitlement in May 2005 with a competitive yield and capital cover.

Investment Policy

The Group invests in mainly UK-quoted equities, selected for their potential to provide an attractive dividend yield and capital appreciation. A significant proportion of the Group's portfolio consists of shares in small and medium-sized UK companies. The Group does not invest in shares of other split capital investment trusts.

- Net asset value per share rose by 13.8% to 153.13p which compares to a fall in the FTSE All-Share Index of 12.6 %
- Share price rose by 3.1% to 141.5p
- Total dividend for 12 months to 31 May 2002 is 9.6p
- The trust continues to focus on companies in good financial health with the ability to maintain and grow dividends

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Please note that past performance is not necessarily a guide to the future and that the value of investments and the income from them may fall as well as rise. Investors may not get back the amount they originally invested.

EDINBURGH INCOME AND VALUE TRUST

CHAIRMAN'S STATEMENT

Our policy of investing in a portfolio primarily of higher yielding smaller and medium sized companies has again proved to be successful. The stability of many of these investments enabled the Trust to avoid much of the stockmarket volatility which followed the terrorist attacks on the US and the collapse in the value of many high technology, media and telecommunications stocks.

Over the period gross assets rose by 9.7%, which compares with a drop in the FTSE All-Share Index of 12.6%. Net asset value per share rose by 13.8% from 134.58p to 153.13p, while the share price rose by a more disappointing 3.1% from 137.25p to 141.5p as the discount widened to 7.6%.

The board has declared a fourth interim dividend of 2.4p, which will be paid on 23 August 2002 to shareholders on the register on 26 July 2002. This gives a total and unchanged dividend of 9.6p for the year. On the basis of the year-end share price of 141.5p, the dividend yield was 6.8%, which compares with a yield of 2.7% on the FTSE All-Share Index at that date.

Low interest rates on deposits and the fall in bond and equity yields have meant that it has become much more difficult for investors to obtain a reasonable yield on their investments. In this environment, and especially in the light of political and economic risks at the macro level and concerns over the reliability of profits at the company level, the board continues to believe that a diversified portfolio of small and medium sized companies offering an above average yield will appeal to investors looking for a relatively safe source of income.

Income

During the year the trust generated total income of £3.4m from the following sources:

	£m	%
Equities	3.1	91
Bond Portfolio	0.2	6
Deposit Interest	<u>0.1</u>	<u>3</u>
	<u>3.4</u>	<u>100</u>

It has been a year in which there has been more than usual uncertainty over the outlook for equity dividend growth. Dividend cuts have been seen from household names such as British Telecommunications and British Airways as they have sought to conserve cash in a difficult trading environment. Our own portfolio did not hold either of these and our holdings experienced modest dividend growth over the year. We held 70 investments at 31 May 2002 of which 44 had increased their dividends, 12 cut their dividends and 14 maintained them at unchanged levels. The average yield on the portfolio at the year-end was 5.2%.

Earnings per share for the year were 10.67p, a marginal increase on the previous year.

Capital

There has been considerable coverage in the press of the difficulties being faced by some trusts in the 'split capital' sector. Trusts, like ours, with a high level of gearing through zero dividend preference shares and bank debt, have a capital structure which is based on the premise that growth in the investment portfolio will not only be positive, but will be enough to meet the loan costs and the costs of the zeros by the time they are due for repayment. Shareholders need to be aware that if this does not happen the equity shareholders funds will be hit disproportionately and, in extremis, can be wiped out completely.

The effect can be illustrated in our own capital structure. At 31 May gross assets were £66.9m and, after deducting the bank loan and the accrued value of the zero dividend preference shares, ordinary shareholders funds were £36m. It is clear that any change in the value of the gross assets will result in an identical absolute change in the value of the shareholders funds, but the percentage change in the value of the shareholders funds will be very much greater. High levels of gearing enhance the net asset value performance when the value of the portfolio is rising the opposite occurs if values are fall and the fall in the net asset value is exacerbated.

Gearing has been an important element of the group's capital structure since it was launched in April 1999 and shareholders have benefited from it. Total assets have increased by 35% and the effect of gearing has turned this into a 53% rise in the net asset value. Over the same period the FTSE All-Share Index has fallen by 16.1%.

Allocations to Capital

The group has a policy of charging 50% of the annual management fee payable to Edinburgh Fund Managers and the interest on servicing the bank loan against capital reserves. In addition all of the annual accrual on the zero dividend preference shares is also allocated against capital reserves.

The allocation of allowable expenses between capital and income reflects the board's longer-term expectation of returns.

During the past year the amount of expenses and income charged against capital reserves was £0.6m and the accrual on the zero dividend preference shares was £1.4m.

One of the benefits of allocating these to capital is that significantly more revenue is available to meet the objective of providing ordinary shareholders with a high level of income. However, as a direct consequence of reducing capital reserves, gross assets must grow by approximately 3.5% per annum until 31 May 2005 to maintain the current asset value of the ordinary shares.

The table below shows the likely impact on the net asset value (153.13p at 31 May 2002) based on various rates of growth in total assets between 31 May 2002 and 31 May 2005:

Annual Growth Rate (%)

-10.0	-7.5	-5.0	-2.5	0	+2.5	+5.0	+7.5	+10.0
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Net Asset per Ordinary Share (p)

47	65	83	102	123	144	166	190	215
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Banking Covenant

At launch the trust borrowed £11.18m from The Chase Manhattan Bank. The effective annual rate of interest on the loan is 5.97% and the loan is repayable on 31 May 2005.

The bank stipulates various covenants on the loan. During the year I can confirm that the trust did not breach any of these covenants. The key covenant is that total borrowings, as a percentage of net assets, must not exceed 55%. The ratio was 20% at 31 May 2002.

Marketing

The board continues to promote the company through the Edinburgh Fund Managers Investment Trust Initiative which provides a range of savings schemes through which investors can invest in the ordinary and zero dividend preference shares of the group in a low cost and effective manner. Shareholders can also receive up to date information on the group, including recent performance and strategy on the manager's website, www.edfd.com.

Outlook

Since 31 May 2002 stockmarkets have fallen and the trust's gross assets have decreased by 8.5% as at the date of this report. The net asset value fell by 16.1%. By comparison the FTSE All-Share Index has fallen by 8.9%. This illustrates the adverse effect of gearing in falling markets.

Concerns range from conflict in India and Pakistan and further terrorist threats, to uncertainty about the sustainability of economic recovery without stronger signs of a pick-up in business investment, but particularly damaging have been recent revelations of accounting scandals surrounding Enron and WorldCom. There is a very real sense in which investors, particularly in the USA, are questioning the very reliability and credibility of the corporate profits that are being reported.

Inevitably in a global financial market, these concerns are affecting sentiment in the UK and it may take time for this to run its course. However, more encouraging signs are emerging that global economic activity is gradually beginning to improve. It remains poorly balanced, but it is clear that monetary authorities everywhere are very sensitive to the need to tread a careful line between tightening enough to cool an overheating consumer and housing sector, while at the same time avoiding threatening any nascent corporate recovery.

A rather more defensive stance has been taken with the portfolio through the purchase of the bond holdings and the levels of cash, but we take encouragement from the prospects for the stocks in our portfolio and the attractive valuations on which they stand.

David Ritchie, Chairman

10 July 2002

EDINBURGH INCOME AND VALUE TRUST PLC
GROUP STATEMENT OF TOTAL RETURN (audited)

For the year to 31 May 2002

	Revenue £000	Capital £000	Total £000
Gains on investments	-	6,259	6,259
Investment income	3,299	-	3,299
Interest receivable	82	-	82
Other income	1	-	1
Investment management fee	(272)	(272)	(544)
Administrative expenses	(250)	-	(250)
NET RETURN BEFORE FINANCE COSTS AND TAXATION	2,860	5,987	8,847
Interest payable	(333)	(333)	(666)
RETURN ON ORDINARY ACTIVITIES BEFORE TAXATION	2,527	5,654	8,181
Taxation	-	-	-
RETURN ON ORDINARY SHARES AFTER TAXATION	2,527	5,654	8,181
Non equity minority interest	-	(1,443)	(1,443)
RETURN ATTRIBUTABLE TO EQUITY SHAREHOLDERS	2,527	4,211	6,738
Dividends in respect of equity shares	(2,275)	-	(2,275)
	252	4,211	4,463
RETURN PER ORDINARY SHARE	10.67p	17.77p	28.44p

For the year to 31 May 2001

	Revenue £000	Capital £000	Total £000
Gains on investments	-	11,472	11,472
Investment income	3,242	-	3,242
Interest receivable	91	-	91
Other income	1	-	1
Investment management fee	(252)	(252)	(504)
Administrative expenses	(227)	-	(227)
NET RETURN BEFORE FINANCE COSTS AND TAXATION	2,855	11,220	14,075
Interest payable	(334)	(334)	(668)
RETURN ON ORDINARY ACTIVITIES BEFORE TAXATION	2,521	10,886	13,407
Taxation	-	-	-
RETURN ON ORDINARY SHARES AFTER TAXATION	2,521	10,886	13,407
Non equity minority interest	-	(1,338)	(1,338)
RETURN ATTRIBUTABLE TO EQUITY SHAREHOLDERS	2,521	9,548	12,069
Dividends in respect of equity shares	(2,275)	-	(2,275)
	246	9,548	9,794
RETURN PER ORDINARY SHARE	10.64p	40.30p	50.94p

The revenue column of this statement represents the profit and loss account of the group
All revenue and capital items in the above statement derive from continuing operations

BALANCE SHEETS
(audited)

	Group	Company	Group	Company
	At 31 May	At 31 May	At 31 May	At 31 May
	2002	2002	2001	2001
	£000	£000	£000	£000
FIXED ASSETS				
Investments	65,484	65,466	59,565	59,546
CURRENT ASSETS				
Debtors	1,489	1,541	869	900
Cash and short term deposits	911	911	1,449	1,448
	2,400	2,452	2,318	2,348
CREDITORS				
Amounts falling due within one year	996	20,854	901	19,249
NET CURRENT ASSETS/(LIABILITIES)	1,404	(18,402)	1,417	(16,901)
TOTAL ASSETS LESS CURRENT LIABILITIES	66,888	47,064	60,982	42,645
CREDITORS				
Amounts falling due after more than one year	11,180	11,180	11,180	11,180
	55,708	35,884	49,802	31,465
CAPITAL AND RESERVES				
Ordinary share capital	237	237	237	237
Reserves	35,754	35,647	31,291	31,228
EQUITY SHAREHOLDERS' FUNDS	35,991	35,884	31,528	31,465
NON EQUITY MINORITY INTERESTS	19,717		18,274	
	55,708		49,802	
Adjusted net asset value per equity share	153.13p		134.58p	

GROUP CASHFLOW STATEMENT
(audited)

	Year to 31 May 2002 £000	Year to 31 May 2001 £000
Net cash inflow from operating activities	2,571	2,929
Return on investment and servicing of finance		
Interest paid	(662)	(669)
Taxation	-	-
Capital expenditure and financial investment	(172)	(1,172)
Equity dividends paid	(2,275)	(2,559)
Net cash outflow before financing	(538)	(1,471)
Net cash outflow from financing	-	(35)
Decrease in cash	(538)	(1,506)

Notes :

1. The directors have declared a fourth interim dividend of 2.4p per ordinary share, making a total of 9.6p for the year to 31 May 2002. The fourth interim dividend will be paid on 23 August 2002 to shareholders on the register on 26 July 2002. The ex dividend date is 24 July 2002.
2. The statement of total return (incorporating the revenue account), balance sheet and cashflow statements set out above do not represent full accounts in accordance with Section 240 of the Companies Act 1985. The financial information for the year ended 31 May 2001 has been extracted from the Annual Report and Accounts of the company which have been filed with the Registrar of Companies. The auditors' report on those accounts was unqualified. The statutory accounts for 2002 contain an unqualified auditors' report and will be delivered to the Registrar of Companies following the company's Annual General Meeting which will be held at Donaldson House, 97 Haymarket Terrace, Edinburgh on Wednesday, 2 October 2002 at 12.00 noon.
3. The accounts have been prepared in accordance with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies'. The accounts are prepared under the same accounting policies used for the year to 31 May 2001.
4. The annual report will be posted to shareholders on 26 July 2002 and copies will be available at the registered office of the company - Donaldson House, 97 Haymarket Terrace, Edinburgh EH12 5HD.

For Edinburgh Income and Value Trust plc
Edinburgh Fund Managers plc, SECRETARY