

22 August 2002

## **DUNEDIN INCOME GROWTH INVESTMENT TRUST PLC**

### **INTERIM RESULTS FOR THE 6 MONTHS TO 31 JULY 2002**

The objective of Dunedin Income Growth Investment Trust is to achieve growth of income and capital from a portfolio invested in the United Kingdom.

#### **Highlights**

- Net asset value fell 16.8% compared with a fall in the FTSE All-Share Index of 17.8%.
- DIGIT's equity portfolio outperformed its benchmark with a decline of 14.7%. The poorer performance of net asset value was attributable to the effect of gearing.
- We believe that prudent levels of gearing will enhance returns to shareholders in the long term.
- The interim dividend has been increased by 2.3% to 2.20p compared to last year's interim dividend of 2.15p.
- 

For further information, please contact:-

David Binnie, Fund Manager  
Edinburgh Fund Managers plc

0131 313 1000

## CHAIRMAN'S STATEMENT

The six month period to 31 July was a disappointing one for stock market investment with the FTSE All-Share Index falling 17.8% in capital terms. DIGIT's net asset value per share fell 16.8% during the period, from 231.51p to 192.58p, but a modest reduction in the discount restricted the fall in the share price to 15.1%.

Our earnings have showed an encouraging resilience in this environment and we are declaring an interim dividend of 2.20p, which represents an increase of 2.3% on last year's figure of 2.15p.

### Performance

The UK equity market was relatively steady for several months, but in mid-May it started to fall sharply and remained very weak till the end of the period. There were several reasons for the decline. Confidence, already fragile after the events of last year, was delivered a further blow by a series of scandals concerning the accounting practices of a number of large US companies. Pension funds and insurance companies have been moving to reduce their exposure to equities for technical reasons and latterly this reduction has involved the selling of equities into an unwilling market. Finally, there have been mounting indications that economic activity has faltered recently.

The worst affected parts of the market included the technology and telecommunications sectors where profit forecasts were being cut. The pharmaceutical sector was also weak as concerns mounted over the loss of patent protection. DIGIT has relatively low exposure to these areas, but has a higher exposure to insurance companies, which suffered as a result of their investments in equities. On the other hand some stable companies held up well, for example in the beverage, tobacco and water sectors. House builders and mortgage banks also outperformed.

Overall, DIGIT's sector allocation and stock selection have been good and as a result the Trust's equity portfolio outperformed its benchmark, the All-Share Index, albeit with a decline of 14.7%. The poorer performance of the net asset value was attributable to the effect of our gearing. We have kept the level of gearing under constant review, but we continue to believe that prudent levels of gearing will enhance long term returns to shareholders and the Trust ended the period with net gearing of 16%.

## Outlook

Volatile stock markets, together with the mixed picture emerging from the most recent economic data in the UK and elsewhere, make the job of predicting the immediate outlook an unusually difficult one. However, in a longer term context we think the shares of many companies now look attractively priced and we believe DIGIT's portfolio is well positioned to provide attractive returns.

Max Ward

Chairman

**STATEMENT OF TOTAL RETURN**  
**6 months to 31 July 2002**

|  | <b>Revenue<br/>£000</b> | <b>Capital<br/>£000</b> | <b>Total<br/>£000</b> |
|--|-------------------------|-------------------------|-----------------------|
| Realised losses on investments                           | -                       | (375)                   | (375)                 |
| Unrealised losses on investments                         | -                       | (62,0)                  | (62,071)              |
| <b>TOTAL CAPITAL LOSSES ON INVESTMENTS</b>               | -                       | (62,4)                  | (62,446)              |
| Income from investments                                  | 7,981                   | -                       | 7,981                 |
| Interest receivable on short term deposits               | 323                     | -                       | 323                   |
| Other income   | 8                       | -                       | 8                     |
| Investment management fee                                | (280)                   | (654)                   | (934)                 |
| Administrative expenses                                  | (259)                   | -                       | (259)                 |
| <b>NET RETURN BEFORE FINANCE<br/>COSTS AND TAXATION</b>  | 7,773                   | (63,1)                  | (55,327)              |
| Interest payable and similar charges                     | (1,046)                 | (2,4)                   | (3,488)               |
| <b>RETURN ON ORDINARY<br/>ACTIVITIES BEFORE TAXATION</b> | 6,727                   | (65,5)                  | (58,815)              |
| Taxation   | -                       | -                       | -                     |
| <b>RETURN ATTRIBUTABLE TO<br/>EQUITY SHAREHOLDERS</b>    | 6,727                   | (65,5)                  | (58,815)              |
| Dividends in respect of equity shares                    | (3,522)                 | -                       | (3,522)               |
|  | (3,205)                 | (65,5)                  | (62,337)              |
| <b>RETURN PER ORDINARY SHARE</b>                         | <b>4.20p</b>            | <b>(40.94p)</b>         | <b>(36.74p)</b>       |
| <b>INTERIM DIVIDEND PER ORDINARY SHARES</b>              | <b>2.20p</b>            |                         |                       |

**STATEMENT OF TOTAL RETURN**  
**6 months to 31 July 2001**

|  | <b>Revenue<br/>£000</b> | <b>Capital<br/>£000</b> | <b>Total<br/>£000</b> |
|--|-------------------------|-------------------------|-----------------------|
| Realised losses on investments                   | -                       | (3,8                    | (3,895                |
| Unrealised losses on investments                 | -                       | (32,5                   | (32,556               |
|  |                         |                         |                       |
| TOTAL CAPITAL LOSSES ON INVESTMENTS              | -                       | (36,4                   | (36,451               |
| Income from investments                          | 8,017                   | -                       | 8,017                 |
| Interest receivable on short term deposits       | 230                     | -                       | 230                   |
| Other income                                     | 2                       | -                       | 2                     |
| Investment management fee                        | (315)                   | (735)                   | (1,050                |
| Administrative expenses                          | (272)                   | -                       | (272)                 |
|  |                         |                         |                       |
| NET RETURN BEFORE FINANCE<br>COSTS AND TAXATION  | 7,662                   | (37,1                   | (29,524               |
| Interest payable and similar charges             | (1,146)                 | (2,6                    | (3,819                |
|  |                         |                         |                       |
| RETURN ON ORDINARY<br>ACTIVITIES BEFORE TAXATION | 6,516                   | (39,8                   | (33,343               |
| Taxation   | -                       | -                       | -                     |
|  |                         |                         |                       |
| RETURN ATTRIBUTABLE TO<br>EQUITY SHAREHOLDERS    | 6,516                   | (39,8                   | (33,343               |
| Dividends in respect of equity shares            | (3,442)                 | -                       | (3,442                |
|  |                         |                         |                       |
|  | 3,074                   | (39,8                   | (36,785               |
|  |                         |                         |                       |
| <b>RETURN PER ORDINARY SHARE</b>                 | <b>4.07p</b>            | <b>(24.90p)</b>         | <b>(20.83p)</b>       |
|  |                         |                         |                       |
| <b>INTERIM DIVIDEND PER ORDINARY SHARES</b>      | <b>2.15p</b>            |                         |                       |

**STATEMENT OF TOTAL RETURN**  
**12 months to 31 January 2002**

|  | <b>Revenue<br/>£000</b> | <b>Capital<br/>£000</b> | <b>Total<br/>£000</b> |
|--|-------------------------|-------------------------|-----------------------|
| Realised losses on investments                           | -                       | (8,6                    | (8,647                |
| Unrealised losses on investments                         | -                       | (48,3                   | (48,319               |
| <b>TOTAL CAPITAL LOSSES ON INVESTMENTS</b>               | -                       | (56,9                   | (56,966               |
| Income from investments                                  | 13,956                  | -                       | 13,956                |
| Interest receivable on short term deposits               | 497                     | -                       | 497                   |
| Other income   | 2                       | -                       | 2                     |
| Investment management fee                                | (601)                   | (1,4                    | (2,003                |
| Administrative expenses                                  | (579)                   | -                       | (579)                 |
| <b>NET RETURN BEFORE FINANCE<br/>COSTS AND TAXATION</b>  | 13,275                  | (58,3                   | (45,093               |
| Interest payable and similar charges                     | (2,276)                 | (5,3                    | (7,586                |
| <b>RETURN ON ORDINARY<br/>ACTIVITIES BEFORE TAXATION</b> | 10,999                  | (63,6                   | (52,679               |
| Taxation   | -                       | -                       | -                     |
| <b>RETURN ATTRIBUTABLE TO<br/>EQUITY SHAREHOLDERS</b>    | 10,999                  | (63,6                   | (52,679               |
| Dividends in respect of equity shares                    | (10,806)                | -                       | (10,806               |
|  | 193                     | (63,6                   | (63,485               |
| <b>RETURN PER ORDINARY SHARE</b>                         | <b>6.87p</b>            | <b>(39.77p)</b>         | <b>(32.90p)</b>       |

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

## BALANCE SHEET

|  | At 31 July<br>2002 | At 31 January<br>2002 | At 31 July<br>2001 |
|--|--------------------|-----------------------|--------------------|
|  | £000               | £000                  | £000               |
| FIXED ASSETS                                   |                    |                       |                    |
| Investments                                    | 357,800            | 428,890               | 490,500            |
| CURRENT ASSETS                                 |                    |                       |                    |
| Debtors  | 6,206              | 1,280                 | 2,500              |
| UK Treasury Bills                              | -                  | 4,960                 | -                  |
| AAA Money Market Funds                         | 13,000             | 13,000                | -                  |
| Cash and short term deposits                   | 9,373              | 3,350                 | 4,140              |
|  | 28,579             | 22,600                | 6,640              |
| CREDITORS: Amounts falling due within one year | (8,060)            | (10,840)              | (29,800)           |
| NET CURENT ASSETS/(LIABILITIES)                | 20,519             | 11,760                | (23,160)           |
| TOTAL ASSETS LESS CURRENT LIABILITIES          | 378,319            | 440,650               | 467,340            |
| CREDITORS: Amounts falling due after one year  | (69,772)           | (69,760)              | (69,750)           |
|  | 308,547            | 370,890               | 397,590            |
| CAPITAL AND RESERVES                           |                    |                       |                    |
| Called up share capital – equity               | 40,025             | 40,020                | 40,020             |
| Other reserves                                 | 268,522            | 330,850               | 357,550            |
| TOTAL EQUITY SHAREHOLDERS' FUNDS               | 308,547            | 370,880               | 397,580            |
| <b>Net asset value per 25p ordinary share</b>  | <b>192.58p</b>     | <b>231.51p</b>        | <b>248.18p</b>     |

## CASHFLOW STATEMENT

|  | 6 months<br>to 31 July<br>2002 | 6 months<br>to 31 July<br>2001 | 12 months<br>to 31 January<br>2002 |
|--|--------------------------------|--------------------------------|------------------------------------|
|  | £000                           | £000                           | £000                               |
| Revenue before finance costs and taxation                  | 7,773                          | 7,662                          | 13,275                             |
| (Increase)/decrease in accrued income                      | (409)                          | 675                            | 823                                |
| Decrease in other debtors                                  | 165                            | 9                              | 4                                  |
| (Decrease)/increase in creditors                           | (182)                          | 2                              | 5                                  |
| Expenses charged to capital                                | (654)                          | (735)                          | (1,402)                            |
| <b>Net cash inflow from operating activities</b>           | <b>6,693</b>                   | <b>7,613</b>                   | <b>12,705</b>                      |
| Net cash outflow from servicing of finance                 | (3,481)                        | (3,481)                        | (7,572)                            |
| Total tax paid   | -                              | (411)                          | (412)                              |
| <b>Net cash (outflow)/inflow from financial investment</b> | <b>5,207</b>                   | <b>(32,321)</b>                | <b>12,299</b>                      |
| <b>Equity dividends paid</b>                               | <b>(7,365)</b>                 | <b>(7,124)</b>                 | <b>(10,565)</b>                    |
| Net cash (outflow)/inflow before financing                 | 1,054                          | (35,724)                       | 6,455                              |
| <b>Management of liquid resources</b>                      | <b>4,960</b>                   | <b>9,899</b>                   | <b>(8,061)</b>                     |
| Net cash inflow from financing                             | -                              | 25,000                         | -                                  |
| <b>Increase/(Decrease) in cash</b>                         | <b>6,014</b>                   | <b>(825)</b>                   | <b>(1,601)</b>                     |

### Notes:

1. The directors have declared an interim dividend of 2.20p (2001 – 2.20p) per ordinary share for the year ended 31 January 2003. The interim dividend, payable on 27 September 2002, will be paid to shareholders on the register on 13 September 2002. The ex dividend date is 11 September 2002.
2. The accounts have been prepared under the same accounting policies used for the year to 31 January 2002.
3. The financial information for the year ended 31 January 2002 has been extracted from the annual report and accounts of the company, which has been filed, with the Registrar of Companies and on which the auditors' report was unqualified.
4. The statement of total return (incorporating the revenue account), balance sheet and cashflow statement set out above do not represent full accounts in accordance with Section 240 of the Companies Act 1985. The accounts have been prepared in accordance with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies'.
5. The interim report will be posted to shareholders on 13 September 2002 and copies will be available at the head office of the Secretary - Edinburgh Fund Managers plc, Donaldson House, 97 Haymarket Terrace, Edinburgh EH12 5HD.

*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*