

9 October 2002

EDINBURGH LEVERAGED INCOME TRUST PLC

INTERIM RESULTS FOR THE SIX MONTHS TO 31 AUGUST 2002

Edinburgh Leveraged Income Trust and its subsidiary ELIT Zeros 2008 plc, managed by Edinburgh Fund Managers, is akin to a split capital investment trust but with no fixed life for the ordinary shares.

For further information please contact:

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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 LEVERAGED INCOME TRUST PLC

Chairman's statement

As shareholders will be painfully aware the decline in equity markets and the weakness in split capital investment trust share prices have continued into the current financial year. This disappointing background has led to a further sharp fall in the value of the investment portfolio. Following an earlier review the company announced various policy decisions to reduce costs and conserve cash within the company. Despite these savings, there were no assets attributable to ordinary shareholders on 31 August 2002 as a result of the falls in the portfolio.

As announced the board has been in discussions with its bankers, Bank of Scotland, and with their support, a strategy has been agreed for the ongoing management of the company. These arrangements extend until 31 December 2002 and thereafter will remain in place subject to 30 days notice by the bank. Based on this new strategy the directors have prepared these accounts on a going concern basis. The key points are as follows:

- Since 31 August 2002 existing cash balances have been used to repay approximately £11.332m of the outstanding loan with Bank of Scotland along with associated breakage costs. The outstanding loan balance after repayment is now £10.35m. A further £1.714m will be retained in a cash offset account with the bank to settle certain subscription liabilities of ELIT Zeros 2008. However, ZDP shareholders should be aware that under the agreement with the bank, ELIT Zeros have subordinated all debtors due from Edinburgh Leveraged Income Trust (ELIT) – the bank has therefore first claim on the group's assets.
- A large part of the small company portfolio has been sold. It has been agreed that the remaining holdings will be sold and the proceeds will be used to repay a further tranche of the debt.
- Income receivable from investments will be used to service interest payments on the remainder of the loan and to finance the annual expenses of running the company. These costs have been substantially reduced as the board has agreed to waive in full their directors' fees and the manager will not charge a management or secretarial fee. The costs of servicing the debt and the annual running expense is now charged 100% to income.
- After servicing the debt and the annual running costs of the company, all of the remaining income will be used to pay down the loan principal due to Bank of Scotland. Regrettably it is unlikely that the company will be in a position to commence dividend payments to convertible income and ordinary shareholders for the foreseeable future.

Shareholders may be interested to have more information about the underlying investments of the trusts in which ELIT has invested. This is provided in the following table as a "look-through" valuation of the split capital portfolio as at 30 September 2002, showing the portfolio's exposure to various asset classes.

	%
UK Equities	43.6
International Equities	11.3
Bonds	16.6
Split Capital Investment Companies	8.8
Direct Property	10.8
Cash	<u>8.9</u>
	<u>100.0</u>

Since 31 August 2002 and after allowing for the repayment of £11.332m of bank debt total assets have fallen further. As at 30 September 2002 the group's total assets less current liabilities were £8.9m and the net asset value of the zero dividend preference shares in the company's subsidiary ELIT Zeros 2008 was nil. We continue to manage the company and its subsidiary so that ZDP holders are positioned to benefit from any upturn in markets. Regrettably, however, I have to warn that it is extremely unlikely that ordinary shareholders will receive any return of value unless there is a dramatic rebound in equity markets.

Once again it gives me no pleasure to report these dire results. I can assure shareholders that the Board and managers have done everything in their power to protect the interests of all classes of shareholders. Although considerable uncertainty remains we have endeavoured to ensure that the Trust can remain in existence, so that shareholders can retain some hope of a recovery – however unlikely and however small.

Richard Martin
Chairman

9 October 2002

GROUP STATEMENT OF TOTAL RETURN (unaudited)
Six months to 31 August 2002

	Revenue £'000	Capital £'000	Total £'000
Losses on investments		(
Losses on disposal of UK Treasury Bills			
Investment income			
Interest receivable			
Other income			
Investment management fee			
Administrative expenses			
Net return before finance costs and taxation		(
Interest payable			
Loan Breakage Costs			
Return on ordinary activities before taxation		(
Taxation			
Return on ordinary activities after taxation		(
Non equity minority interests			
Return attributable to members of the parent company		(
Dividends and appropriations in respect of convertible income shares	(8)	-	(8)
Return attributable to equity shareholders		(25,7	(2
Dividends in respect of equity shares			
		(25,7	(2
Adjusted return per ordinary share		(54.57	(53

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.

GROUP STATEMENT OF TOTAL RETURN (unaudited)
3 January 2001 to 28 February 2002

	Revenue £'000	Capital £'000	Total £'000
Losses on investments		((
Losses on disposal of UK Treasury Bills			
Investment income			
Interest receivable			
Other income			
Investment management fee			
Administrative expenses			
Net return before finance costs and taxation		((2
Interest payable			
Return on ordinary activities before taxation		((2
Taxation			
Return on ordinary activities after taxation		((2
Non equity minority interests			
Return attributable to members of the parent company		(32,6	(27,75
Dividends and appropriations in respect of convertible income shares	(15)	-	(15)
Return attributable to equity shareholders		(32,6	(27,77
Dividends in respect of equity shares	((3,6
		(36,6	(31,40
Adjusted return per ordinary share		(69.2	(59

GROUP STATEMENT OF TOTAL RETURN (unaudited)
Six months to 31 August 2001

	Revenue £'000	Capital £'000	Total £'000
Losses on investments			
Losses on disposal of UK Treasury Bills			
Investment income			
Interest receivable			
Other income			
Investment management fee			
Administrative expenses			
Net return before finance costs and taxation			
Interest payable			
Return on ordinary activities before taxation			
Taxation			
Return on ordinary activities after taxation			
Non equity minority interests			
Return attributable to members of the parent company		(
Dividends and appropriations in respect of convertible income shares	(8)	-	(8)
Return attributable to equity shareholders		(11,0	(
Dividends in respect of equity shares	(
		(11,0	(10
Adjusted return per ordinary share		(23.40	(17

BALANCE SHEET (unaudited)

	Group at 31 August 2002 £'000	Company at 31 August 2002 £'000	Group at 28 February 2002	Company at 28 February 2002 £'000
FIXED ASSETS				
Investments	8,526	8,476	48,132	48,083
CURRENT ASSETS				
Debtors	385	405	496	501
Cash at bank and AAA money market funds	13,942	13,936	5,488	5,483
Treasury bills	-	-	-	-
	14,327	14,341	5,984	5,984
CREDITORS: Amounts falling due within one year	380	10,071	1,090	10,370
NET CURRENT ASSETS	13,947	4,265	4,894	(4,386)
TOTAL ASSETS LESS CURRENT LIABILITIES	22,473	12,741	53,026	43,697
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	21,682	21,681	27,432	27,432
	791	(8,941)	25,594	16,265
CAPITAL AND RESERVES				
Called up share capital	472	472	472	472
Convertible income shares	86	86	86	86
Special reserve	47,468	47,468	47,468	47,468
Capital reserves	(58,367)	(58,361)	(32,632)	(32,631)
Revenue reserves	1,374	(1,400)	857	870
EQUITY SHAREHOLDERS FUNDS	(8,967)	(8,941)	16,251	16,265
NON EQUITY MINORITY INTERESTS	9,758		9,343	
	791		25,594	
Net asset value per equity share	(19.02p)		34.47p	

BALANCE SHEET (unaudited)

	Group at 31 August 2001 £'000	Company at 31 August 2001 £'000
FIXED ASSETS		
Investments	67,779	67,729
CURRENT ASSETS		
Debtors	1,275	1,276
Cash at bank and AAA money market funds	1,593	1,590
Treasury bills	4,956	4,956
	7,824	7,822
CREDITORS: Amounts falling due within one year	1,906	10,798
NET CURRENT ASSETS	5,918	(2,976)
TOTAL ASSETS LESS CURRENT LIABILITIES	73,697	64,753
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	27,432	27,432
	46,265	37,321
CAPITAL AND RESERVES		
Called up share capital	472	472
Convertible income shares	86	86
Special reserve	-	-
Capital reserves	36,436	36,437
Revenue reserves	318	326
	37,312	37,321
EQUITY SHAREHOLDERS FUNDS	8,953	
NON EQUITY MINORITY INTERESTS	46,265	
Net asset value per equity share	79.13p	

GROUP CASHFLOW STATEMENT (unaudited)

	Six months to 31 August 2002		Period 3 January 2001 to 28 February 2002	
	£000	£'000	£'000	£000
Return on ordinary activities before taxation		1,248		5,818
Increase in accrued income		248		(424)
Increase in sundry debtors		(14)		(12)
Increase in creditors		(122)		172
Management fee charged to capital		-		(384)
Tax on unfranked investment income		-		(12)
NET CASH INFLOW FROM OPERATING ACTIVITIES		1,360		5,158
RETURN ON INVESTMENT AND SERVICING OF FINANCE				
Interest paid	823		(1,370)	
Non-equity dividends paid	-		(192)	
		(823)		(1,562)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT				
Purchase of investments	(355)		(100,763)	
Sales of investments	14,489		22,868	
		14,134		(77,895)
EQUITY DIVIDENDS PAID		(428)		(3,396)
MANAGEMENT OF LIQUID RESOURCES		-		11,611
FINANCING				
Issue of ordinary share capital	-		36	
Issue of preference shares	-		45,402	
Loan breakage costs	(39)			
Acquisition and issue expenses	-		(1,298)	
New loan repayable on 3 March 2008	(5,750)		27,432	
		(5,789)		71,572
INCREASE IN CASH		8,454		5,488

GROUP CASHFLOW STATEMENT (unaudited)
Six months to 31 August 2001

	£000	£000
Return on ordinary activities before taxation		3,178
Increase in accrued income		(662)
Increase in sundry debtors		(9)
Increase in creditors		223
Management fee charged to capital		(221)
Tax on unfranked investment income		(12)
		<u>2,497</u>
NET CASH INFLOW FROM OPERATING ACTIVITIES		
RETURN ON INVESTMENT AND SERVICING OF FINANCE		
Interest paid	454	
Non-equity dividends paid	<u>-</u>	(454)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Purchase of investments	(93,987)	
Sales of investments	<u>16,531</u>	(77,456)
EQUITY DIVIDENDS PAID		(1,227)
MANAGEMENT OF LIQUID RESOURCES		6,660
FINANCING		
Issue of ordinary share capital	45,402	
Issue of preference shares	37	
Acquisition and issue expenses	(1,298)	
New loan repayable on 3 March 2008	<u>27,432</u>	71,573
INCREASE IN CASH		<u>1,593</u>

Notes :

1. The accounts have been prepared in accordance with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies'. The same accounting policies have been applied throughout the period. Franked investment income is reported net of tax credits in accordance with FRS 16 'Current Tax'.

Management fees and interest payable are allocated 100% to revenue (2002–35% to revenue and 65% to capital).

2. There will be no interim dividend payable per ordinary share.
3. There will be no interim dividend payable per convertible income share.
4. The adjusted revenue return on the statement of total recognised gains and losses reflects the distributable return on the equity shares. The revenue return attributable to the equity shareholders' has, however, been calculated in accordance with the Financial Reporting Standard 4 'Capital instruments'. The difference between these figures relates to the treatment of the convertible income shares and is shown below:

	31 August 2002 p	31 August 2002 p	28 February 2001 p
Basic revenue return attributable to equity shareholders	1.08	10.30	5.87
Convertible income share finance credit – FRS14	(0.39)	(0.78)	(0.39)
Adjusted revenue return attributable to equity shareholders'	0.69	9.52	5.48

The average number of equity shares in issue during the period was 47,151,766 (2002–47,151,766).

5. The statement of total return, balance sheet and cash flow statement do not represent full accounts in accordance with Section 240 of the Companies Act 1985.
6. Full accounts for the period to 28 February 2002 were submitted on 28 May 2002. The next set of statutory accounts will be prepared for the year to 28 February 2003.
7. The investments include £7,906,000 of holdings in highly geared investment trusts. These are carried in the financial statements at mid market value in accordance with the company's accounting policies. The market for such shares is very illiquid and the prices at which the securities could be realised is uncertain. Solely as an indication, the equivalent bid prices from these holdings at the balance sheet date was £5,908,000 approximately 25% lower than mid market prices.
8. Post balance sheet event. On 9 September 2002 £11,332,347 of the bank loan was repaid.
9. The interim report will be posted to shareholders on 19 October 2002 and copies will be available at the registered office of the company - Donaldson House, 97 Haymarket Terrace, Edinburgh EH12 5HD.

for Edinburgh Leveraged Income Trust plc,
Edinburgh Fund Managers plc, SECRETARY
END

AUDITORS' REPORT

INDEPENDENT REVIEW REPORT TO EDINBURGH LEVERAGED INCOME TRUST PLC

Introduction

We have been instructed by the company to review the financial information for the six months ended 31 August 2002 which comprises the Group Statement of Total Return, Balance Sheet, Cash Flow Statement and the related notes 1 to 8. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data, and based thereon, assessing whether the accounting policies and presentation have been consistently applied, unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 August 2002.

Ernst & Young LLP

Edinburgh 9 October 2002