SC194352

1999

Edinburgh Income and Value Trust plc

Financial Statements for the period to 30 November 1999

FUND MANAGERS

Statement of Total Return

(unaudited)

		Period to 30 November 1999		
	Notes	Revenue £000	Capital £000	Total £000
Realised gains on investments	8	—	1,113	1,113
Unrealised losses on investments	17	—	(2,547)	(2,547)
TOTAL LOSSES ON INVESTMENTS		—	(1,434)	(1,434)
Investment income	2	2,305	—	2,305
Interest receivable		101	—	101
Investment management fee	3	(150)	(150)	(300)
Administrative expenses	4	(133)	—	(133)
NET RETURN BEFORE FINANCE COSTS AND TAXATION		2,123	(1,584)	539
Interest payable on bank loan		(209)	(210)	(419)
RETURN ON ORDINARY ACTIVITIES BEFORE TAXATION		1,914	(1,794)	120
Taxation	5	(230)	6	(224)
RETURN ATTRIBUTABLE TO EQUITY SHAREHOLDERS		1,684	(1,788)	(104)
Dividends in respect of equity shares	6	(1,066)	—	(1,066)
Transfer to reserves		618	(1,788)	(1,170)
RETURN PER ORDINARY SHARE	7	7.11p	(7.55p)	(0.44p)

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

	Notes	Period to 30 November 1999 £000	£000
FIXED ASSETS			
Investments	8		47,414
Investments in subsidiary	9		—
			47,414
CURRENT ASSETS			
Debtors	11	1,847	
Cash and short term deposits		934	
		2,781	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	12	2,068	
NET CURRENT ASSETS			713
TOTAL ASSETS LESS CURRENT LIABILITIES			48,127
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	13		27,486
			20,641
CAPITAL AND RESERVES – EQUITY INTERESTS			
Ordinary share capital	14	237	
Other reserve	15	22,383	
Capital reserve – realised	16	(50)	
Capital reserve – unrealised	17	(2,547)	
Revenue reserve	18	618	
TOTAL SHAREHOLDERS' FUNDS			20,641
NET ASSET VALUE PER EQUITY SHARE	22		87.12p

D RITCHIE, Chairman

Cashflow Statement

	Notes	Period to 30 November 1999 £000	£000
NET CASH INFLOW FROM OPERATING ACTIVITIES	19		1,578
RETURN ON INVESTMENT AND SERVICING OF FINANCE			
Interest paid			(334)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Purchase of investments		(61,801)	
Sale of investments		12,747	
			(49,054)
EQUITY DIVIDENDS PAID			(592)
FINANCING			
Issue of ordinary share capital		23,694	
Expenses of share issue		(1,035)	
New loan repayable on 27 May 2005		11,180	
New loan repayable on 31 May 2005		15,497	
			49,336
NET CASH INFLOW			934
INCREASE IN CASH	20		934

Notes to the Accounts

1 Accounting policies

A summary of the principal accounting policies, all of which have been consistently applied throughout the period is set out below.

(a) Basis of Accounting – The accounts have been prepared under the historical cost convention, modified to include the revaluation of investments. The accounts have been prepared in accordance with applicable accounting standards, with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies' on the assumption that approval as an investment trust will be granted.

(b) Investment income and interest receivable – Dividends are included in revenue by reference to the date on which the investment is quoted ex-dividend. Interest on investments and other interest receivable are dealt with on an accruals basis.

(c) Investments – Investments are valued at middle market prices.

(d) Investment in subsidiary – Any amounts subscribed for in the subsidiary Edinburgh Value Zeros (see note 23), are regarded as irrecoverable and written off.

(e) Capital reserve

Realised – Gains and losses on realisation of investments of a capital nature are dealt with in this reserve. 50% of the investment management fee, along with the associated irrecoverable VAT are also charged to this reserve.

Unrealised – Unrealised depreciation/appreciation of investments is accounted for in this reserve.

(f) Expenses – All expenses are accounted for on an accruals basis and are charged through the revenue account except where (i) they directly relate to the acquisition or disposal of an investment, in which case, they are added to the cost of the investment or deducted from the sale proceeds, and (ii) expenses are charged to capital reserve – realised where a connection with maintenance or enhancement of the value of investments can be demonstrated.

In this respect, the investment management fee and interest payable has been allocated 50% to capital reserve – realised and 50% to the revenue account.

(g) Taxation – Deferred taxation is provided on all timing differences to the extent that liabilities are likely to arise in the foreseeable future.

2 Investment income

	Period to 30 November 1999 £000
Franked investment income	2,235
Unfranked investment income	22
Interest from UK investments	48
	2,305

3 Investment management fee

	Period to 30 November 1999 £000
Investment management fee (including VAT)	300
Charged to capital	(150)
	150

The management fee of 0.75% per annum payable to Edinburgh Fund Managers plc is calculated on the gross assets of the company and any subsidiary less (i) the value of any investment funds managed by Edinburgh Fund Managers plc and (ii) 50% of the value of any investment funds managed or advised by investment managers other than Edinburgh Fund Managers plc. 50% of the management fee has been charged to the capital reserve – realised (see note 16).

The management agreement between the company and Edinburgh Fund Managers plc is terminable by either party on one year's notice.

Edinburgh Fund Managers plc also received fees of £60,000, excluding VAT, in connection with the launch of the company.

4 Administrative expenses

Directors' fees		32
Auditors' remuneration	– statutory audit	4
	– initial accounts	9
Secretarial fee		39
Printing and stationery		9
Registrars' fees		6
Other		34
		133

Directors' fees comprise the chairman's fees of £8,700 and fees of £5,800 paid to each other director.

The secretarial fee is paid to Edinburgh Fund Managers plc and is adjusted annually in line with the Retail Prices Index.

The auditors received additional non-audit fees of £35,000, excluding VAT, in connection with the launch of the company. This sum was charged to other reserves.

5 Taxation

Tax on franked investment income	224
Tax relief allocated to capital – realised (see note 16)	6
	230

Notes to the Accounts

6 Dividends on equity shares

	Period to 30 November 1999 £000
First interim dividend of 0.5p per share paid on 30 July 1999	118
Second interim dividend of 2.0p per share paid on 30 October 1999	474
Third interim dividend of 2.0p per share payable on 4 February 2000	474
	1,066

7 Return per ordinary share

The return per ordinary share is based on the following figures:

	Period to 30 November 1999
Revenue return	£1,684,000
Capital return	(£1,788,000)
Average number of ordinary shares in issue	23,693,875

8 Investments

	Fixed Interest £000	Equities £000	Total £000
Additions at cost	1,109	62,016	63,125
Sales – proceeds	—	(14,277)	(14,277)
– realised profit	—	1,113	1,113
Closing book cost	*1,109*	*48,852*	*49,961*
Closing unrealised appreciation/(depreciation)	114	(2,661)	(2,547)
Closing market value	1,223	46,191	47,414

All investments are listed on the London Stock Exchange.

9 Investment in subsidiary

	£000
Additions at cost	809
Amount written off to capital reserve – realised	(809)
Closing book cost	—
Closing unrealised appreciation	—
Closing market value	—

On 8 April 1999, 50,000 £1 ordinary shares in Edinburgh Value Zero plc were purchased and a further £759,353 was paid under the subscription agreement (see note 23).

10 Financial assets and liabilities

The company's financial instruments comprise securities, other investments, cash balances and debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement and debtors for the accrued income. The disclosures below exclude short term debtors and creditors.

Financial assets
Fixed asset investments (*see note 8*) are valued at middle market prices which equate to their fair values.

At the balance sheet date the company held a fixed interest investment with a market value of £1,223,000. This earns a return of 7.5% and matures on 12 December 2020.

Cash and short term deposits are held in floating rate accounts. The benchmark that determines the interest received or paid on balances, is the bank base rate, which was 5.00% at 30 November 1999.

Financial liabilities
The company's principal financial liabilities are detailed in note 13.

The company has entered into an interest rate swap agreement to fix the interest rate cost of the Flemings loan. At 30 November 1999, the company had an outstanding interest rate swap agreement with a notional principal value of £11,180,000 maturing on 27 May 2005. Under this agreement the company pay 5.37% per annum and receive LIBOR.

The fair market value of this swap at the period end was £714,000 and the book value was nil.

11 Debtors: amounts due within one year

	Period to 30 November 1999 £000
Dividends and interest receivable	300
Amounts due by brokers	1,530
Taxation recoverable	10
Sundry debtors	7
	1,847

12 Creditors: amounts falling due within one year

Amounts due to brokers	1,324
Investment management fee	106
Sundry creditors	40
Taxation	—
Loan interest	85
Dividend payable	474
Share issue expenses	39
	2,068

Notes to the Accounts

13 Creditors: amounts falling due after more than one year

	Period to 30 November 1999 £000
Amount due to Robert Fleming	11,180
Amount due to Edinburgh Value Zeros plc – loan	15,497
Amount due to Edinburgh Value Zeros plc – purchase of shares in subsidiary	809
	27,486

On 15 April 1999 a floating rate term loan of £11,180,000 was drawn down from Robert Fleming & Co Limited. Edinburgh Income and Value Trust plc has also entered into an interest rate swap which means that interest is paid quarterly at an effective fixed rate of 5.97% per annum. This loan is repayable on 27 May 2005.

On 15 April 1999, a loan of £15,497,000 was drawn down from Edinburgh Value Zeros plc, a wholly owned subsidiary of the company. This is an interest free loan which is due to be repaid on 31 May 2005.

14 Called up share capital

Authorised	
31,591,800 ordinary shares of 1p each	316
Allotted, issued and fully paid	
23,693,875 ordinary shares of 1p each	237

On 31 March 1999, 23,693,875 ordinary shares of 1p each were issued at 100p per share to finance the initial investments of the company. A consideration of £23,693,875 was received.

The directors intend to distribute substantially all of the income after expenses and tax to the ordinary shareholders on a quarterly basis. Repayment of the bank loan and the loan from Edinburgh Value Zeros plc will take priority over either income or capital returns to the ordinary shareholders.

15 Other reserve

Premium arising on issue of ordinary shares	23,457
Expenses of share issue	(1,074)
Closing balance	22,383

Court approval was granted on 13 September 1999 for the premium arising on issue of ordinary shares to be regarded as distributable.

Notes to the Accounts

	Period to 30 November 1999 £000

16 Capital reserve – realised

Realised gain on sale of investments	1,113
Management fee charged to capital (including VAT)	(150)
Interest paid charged to capital	(210)
Investment in subsidiary written off (see note 9)	(809)
Tax relief	6
Closing reserve	(50)

17 Capital reserve – unrealised

Movement in unrealised depreciation on investments	(2,547)
Closing reserve	(2,547)

18 Revenue reserve

Movement for the period	618
Closing reserve	618

19 Reconciliation of net revenue to net cash inflow from operating activities

Revenue from ordinary activities before interest payable and taxation	2,123
Increase in accrued income	(300)
Increase in sundry debtors	(7)
Increase in sundry creditors	146
Management fees charged to capital reserve	(150)
Tax on franked investment income included within income from UK companies	(224)
Tax on unfranked investment income included within income from UK companies	(10)
	1,578

20 Analysis of changes in net debt during the period

	Cashflows £000	At 30 November 1999 £000
Bank Balance	934	934
Debt due after more than one year	(27,486)	(27,486)
	(26,552)	(26,552)

Notes to the Accounts

	Period to 30 November 1999 £000

21 Reconciliation of movement in shareholders' funds

Revenue for the period	1,684
Realised capital loss for the period	(2,597)
Total realised loss for the period	(913)
Dividends in the period	(1,066)
Issue of shares	22,620
Closing shareholders' funds	20,641

22 Net asset value per equity share

The net asset value per equity share and the net assets attributable to the ordinary shares were as follows:

	30 November 1999
Net assets attributable	£20,641,000
Number of ordinary shares	23,693,875
Net asset value per equity share	87.12p

23 Commitments and contingencies

Edinburgh Income and Value Trust plc ('EIVT') has entered into a subscription agreement with Edinburgh Value Zeros plc ('EVZ') in which EIVT has agreed, subject to certain conditions, to subscribe in aggregate for sufficient ordinary shares in EVZ and at such prices, that will result in the assets of EVZ being sufficient to satisfy the capital entitlement on 31 May 2005 of 159.63p per share of 15,520,000 EVZ Zero Dividend Preference Shares (or the capital entitlement accrued prior to that date).

24 Approval of financial statements

The financial statements were approved by the board on 13 January 2000.

Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the revenue of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that they comply with all the above requirements. The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and to detect fraud and other irregularities.

Auditors' Report

Report of the auditors to the directors of Edinburgh Income and Value Trust plc

We have audited the initial accounts on pages 1 to 10 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on page 4.

Respective responsibilities of directors and auditors

As described on page 12, you are responsible for the preparation of the initial accounts. It is our responsibility to form an independent opinion, based on our audit, on initial accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the initial accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the initial accounts for the period from 10 March 1999 to 30 November 1999 have been properly prepared within the meaning of section 273 of the Companies Act 1985.

Ernst & Young

Ernst & Young
Registered Auditor

Edinburgh, 13 January 2000

Head Office
Edinburgh Fund Managers plc
Donaldson House
97 Haymarket Terrace
Edinburgh EH12 5HD
Telephone: 0131-313 1000