

EDINBURGH INCOME AND VALUE TRUST PLC

SC 194 357

**THE UNAUDITED REPORT
FOR THE 6 MONTHS TO 30 NOVEMBER 2004**



EDINBURGH INCOME AND VALUE TRUST

CHAIRMAN'S STATEMENT

The period has been one of further encouraging progress as confidence in equity markets continued to build during a period of stable economic progress in the UK. The portfolio performed strongly and, thanks to the Trust's gearing, net asset value per share rose by 13.2% from 110.83p to 125.43p, compared to a rise of 6.5% in the FTSE All-Share Index. The share price rose 17.9%, as the discount narrowed to 4.4% at the end of November.

Dividend

A first interim dividend of 2.4p was paid to shareholders on 29 October 2004. The board has declared a second dividend of 2.4p, which will be paid on 11 February 2005 to shareholders on the register on 28 January 2005 and, in the absence of an unexpected deterioration in dividend receipts, it intends to pay an unchanged dividend of 9.6p for the full year.

Performance

The capital value of our equity portfolio rose by 9.8%, comfortably ahead of the main UK indices. The FTSE 100 Index rose 6.2%, the Mid Cap 250 Index rose 8.7% and the Small Cap Index rose 7.0%. The fund made particularly good gains in the construction, transport and life assurance sectors, some of it helped by rising levels of takeover activity. The portfolio has little exposure to the oil sector which performed strongly, but we benefited by having no exposure to the large and poorly performing pharmaceuticals sector.

Total assets include significant holdings of cash and bonds, which detracted to a degree from the returns achieved on our equities. However, it has to be remembered that these are held to control the overall gearing ratio of the Trust. At 30th November 2004 cash and bonds accounted for 17.8% of gross assets. Gearing, defined as the ratio of equity investments to the net asset value attributable to ordinary shareholders, fell from 194% to 180% during the period.

Outlook

The economic outlook for the UK appears relatively benign. Growth is steady at a sustainable rate and inflation remains low. Interest rates have risen and, while further increases cannot be ruled out in 2005, the authorities look well in control of monetary policy. As always there are risks ahead. In the UK the most obvious concern lies with prospects for the housing market and the impact any weakness might have on consumer confidence. Housing and consumer stocks will remain vulnerable to news on this front. Overseas the dollar and the price of oil also have the potential to move markets in either direction.

These, however, seem out-weighted by the more attractive features of the market. It does not look expensive; dividend growth is strong as a result of the improved state of corporate balance sheets; and, though profits growth may slow in 2005, it is still strong.

Looking ahead, the zero dividend preference shares are due to be repaid on 31 May 2005 and the board is currently considering options for the future of the Trust. The performance in the last 6 months has been strong in both absolute terms and by comparison with the All-Share Index, and since launch in 1999 the net asset value total return (including re-invested dividends) has been 111%, compared with a negative total return of 7% for the FTSE All-

Share Index. These excellent figures have encouraged the Board to look for ways to enable shareholders to maintain their investment in the Trust beyond the zero repayment date and we will be writing to shareholders shortly.

David Ritchie
Chairman

GROUP STATEMENT OF TOTAL RETURN (unaudited)

For six months to 30 November 2004	Revenue £000	Capital £000	Total £000
Gains on investments	-	4,895	4,895
Investment income	1,217	-	1,217
Interest receivable	188	-	188
Investment management fee	(139)	(140)	(279)
Administrative expenses	(142)	-	(142)
Net return before finance costs and taxation	1,124	4,755	5,879
Interest payable	(168)	(168)	(336)
Return on ordinary activities before taxation	956	4,587	5,543
Taxation	-	-	-
Return on ordinary shares after taxation	956	4,587	5,543
Non equity minority interest	-	(892)	(892)
Return attributable to equity shareholders	956	3,695	4,651
Dividends in respect of equity shares	(1,137)	-	(1,137)
	(181)	3,695	3,514
Return per ordinary share	4.03p	15.60p	19.63p
For six months to 30 November 2003	Revenue £000	Capital £000	Total £000
Gains on investments	-	3,623	3,623
Investment income	1,266	-	1,266
Interest receivable	153	-	153
Investment management fee	(129)	(129)	(258)
Administrative expenses	(143)	-	(143)
Net return before finance costs and taxation	1,147	3,494	4,641
Interest payable	(167)	(167)	(334)
Return on ordinary activities before taxation	980	3,327	4,307
Taxation	-	-	-
Return on ordinary shares after taxation	980	3,327	4,307
Non equity minority interest	-	(827)	(827)
Return attributable to equity shareholders	980	2,500	3,480
Dividends in respect of equity shares	(1,137)	-	(1,137)
	(157)	2,500	2,343
Return per ordinary share	4.14p	10.55p	14.69p

GROUP STATEMENT OF TOTAL RETURN
For the year to 31 May 2004

	Revenue £000	Capital £000	Total £000
Gains on investments	-	5,552	5,552
Investment income	2,684	-	2,684
Interest receivable	298	-	298
Investment management fee	(263)	(263)	(526)
Administrative expenses	(315)	-	(315)
Net return before finance costs and taxation	2,404	5,289	7,693
Interest payable	(335)	(335)	(670)
Return on ordinary activities before taxation	2,069	4,954	7,023
Taxation	-	-	-
Return on ordinary shares after taxation	2,069	4,954	7,023
Non equity minority interest	-	(1,686)	(1,686)
Return attributable to equity shareholders	2,069	3,268	5,337
Dividends in respect of equity shares	(2,275)	-	(2,275)
	(206)	3,268	3,062
Return per ordinary share	8.73p	13.79p	22.52p

BALANCE SHEET (unaudited)

	Group At 30 November 2004 £000	Company At 30 November 2004 £000	Group At 31 May 2004 £000	Company At 31 May 2004 £000
Fixed assets				
Investments	55,881	55,863	53,279	53,261
Current assets	9,650	9,742	7,858	7,950
Creditors				
Amounts falling due within one year	12,019	35,872	12,031	34,992
Net current assets/(liabilities)	(2,369)	(26,130)	(4,173)	(27,042)
Total assets less current liabilities	53,512	29,733	49,106	26,219
Creditors				
Amounts falling due after more than one year	-	-	-	-
	53,512	29,733	49,106	26,219
Capital and reserves				
Ordinary share capital	237	237	237	237
Revenue reserve	723	818	904	999
Other reserves	28,699	28,678	25,004	24,983
Equity shareholders' funds	29,659	29,733	26,145	26,219
Non equity minority interests	23,853		22,961	
	53,512		49,106	
Net asset value per equity share	125.42p		110.83p	

The financial statements on pages 3 to 7 were approved by the board on 14 January 2005 and were signed on its behalf by:

DAVID RITCHIE, Chairman



BALANCE SHEET (unaudited)

	Group At 30 November 2003 £000	Company At 30 November 2003 £000
Fixed assets		
Investments	50,708	50,690
	<hr/>	<hr/>
Current assets	8,721	8,905
Creditors		
Amounts falling due within one year	722	22,917
Net current assets	<hr/> 7,999	<hr/> (14,012)
Total assets less current liabilities	<hr/> 58,707	<hr/> 36,678
Creditors		
Amounts falling due after more than one year	11,180	11,180
	<hr/> 47,527	<hr/> 25,498
	<hr/>	<hr/>
Capital and reserves		
Ordinary share capital	237	237
Revenue reserves	953	1,047
Other reserves	24,235	24,214
	<hr/>	<hr/>
Equity shareholders' funds	25,425	25,498
	<hr/>	<hr/>
Non equity minority interests	22,102	
	<hr/> 47,527	
	<hr/>	
Net asset value per equity share	108.10p	

GROUP CASHFLOW STATEMENT (unaudited)

	Six months to 30 November 2004 £000	Six months to 30 November 2003 £000	Year to 31 May 2004 £000
Net return before finance costs and taxation	1,124	1,147	2,404
Decrease/(Increase) in debtors	160	(17)	(32)
(Decrease)/Increase in creditors	(13)	(11)	13
Expenses charged to capital	(139)	(129)	(263)
Net cash inflow from operating activities	1,132	990	2,122
Return on investment and servicing of finance			
Interest paid	(335)	(334)	(670)
Taxation	-	-	-
Capital expenditure and financial investment	2,294	(1,219)	(1,860)
Equity dividends paid	(1,137)	(1,137)	(2,275)
Net cash inflow/(outflow) before financing	1,954	(1,700)	(2,683)
Net cash inflow/(outflow) from financing	(1,373)	1,250	1,830
Increase/(decrease) in cash	581	(450)	(853)

Notes:

1. The directors have declared a second interim dividend of 2.4p per ordinary share for the period ended 31 May 2005. The second interim dividend will be paid on 11 February 2005 to shareholders on the register on 28 January 2005. The ex-dividend date is 26 January 2005.
2. The accounts are prepared under the same accounting policies used for the year ended 31 May 2004.
3. The statement of total return, balance sheet and cashflow statement set out above do not represent full statutory accounts in accordance with Section 240 of the Companies Act 1985. The financial information for the period to 31 May 2004 has been extracted from the Annual Report and Accounts of the company which have been filed with the Registrar of Companies and contained an unqualified auditors' report.
4. The interim report will be posted to shareholders in January 2005 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