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THE EDINBURGH INVESTMENT TRUST plc

Annual Report
For the year ended
31 March 2004

Managed by



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EIT's website

www.itseit.co.uk

The site offers investors comprehensive information on The Edinburgh Investment Trust ("EIT" or "the Company") and its related products.

Just some of the features are:

- the latest prices
- performance figures, charts and commentary
- product information
- how to invest

Long term objectives

The achievement of capital growth at a higher rate than the FTSE All-Share Index and dividend growth above the rate of UK inflation

Company Summary

Investment Manager	Fidelity Investments International
Equity shareholders' funds	£883.6 million at 31 March 2004
Market capitalisation	£729.6 million at 31 March 2004
Capital structure	242,796,714 ordinary shares of 25p each. Each ordinary share is entitled to one vote on a show of hands and, on a poll, to one vote for every share held. £100,000,000 11½% debenture stock 2014 £100,000,000 7¾% debenture stock 2022
Management fee	0.26% per annum of the total assets of the Company, after deducting current liabilities and excluding commonly managed funds. The management agreement which was effective from 1 August 2002 is terminable by three months' notice.
ISA/PEP status	The Company's shares are eligible for Individual Savings Accounts ("ISAs"). The Company's shares can continue to be held in existing PEPs and are eligible for PEP transfers.
AITC membership	The Company is a member of The Association of Investment Trust Companies.
Website	www.itseit.co.uk

Financial Summary

	31 March 2004	31 March 2003	% change
Performance			
Capital return			
Net asset value per share	362.03p	278.59p	+30.0
FTSE All-Share Index	2,197.0	1,735.7	+26.6
Share price	300.50p	231.00p	+30.1
NAV adjusted for borrowings valued at market value	335.72p	251.38p	+33.6
Total return			
Net asset value	—	—	+35.0
FTSE All-Share Index	—	—	+31.0
Share price	—	—	+36.2
Total dividend for the year	13.15p	13.15p	—
Revenue return per share	12.26p	11.05p	+11.0
Discount			
(difference between share price and net asset value per share)			
Where borrowings are deducted at par value	17.0%	17.1%	
Where borrowings are deducted at market value	10.5%	8.1%	
Gearing			
Actual gearing ratio†	13.4%	19.0%	
Maximum potential gearing ratio†	22.6%	29.4%	
Total expense ratio			
- as % of average shareholders' funds	0.44%	0.54%	
Year's Highs/Lows			
	High	Low	
Net asset value (borrowings deducted at par)	381.00p	278.60p	
Share price	318.00p	231.00p	
Discount	13.60%	18.90%	

† Actual gearing: borrowings less net current assets and market values of futures + shareholders' funds
 Potential gearing: borrowings + shareholders' funds

Chairman's Statement

The twelve month period to 31 March 2004 has been a much more satisfactory period for the Company. During the year the net asset value increased by 30.0% out performing the FTSE All-Share Index by 3.4 percentage points. The performance was achieved through stock/sector selection and the Company's borrowings. The Board is recommending an unchanged final dividend of 8.95p per share which if approved will give a total distribution for the year of 13.15p per share. At the share price current on 31 March 2004 this is equivalent to a yield of 40% above the FTSE All-Share Index.

Scott Dobbie

I am pleased to report a much more satisfactory year in which both net asset value and share price rose by more than the 26.6% growth in the benchmark FTSE All-Share Index.

Company Performance

Capital

I reported at the interim stage sharp growth in the UK equity market. This growth continued at a slower pace in the following three months, after which the trend, although still positive, became very much weaker. For the year to 31 March 2004 the FTSE All-Share Index rose (capital only) by 26.6%.

Against this background, the Company performed well. Net asset value ("NAV") increased by 30.0%, outperforming the benchmark index by 3.4 percentage points. The total return on the net assets of the Company, being the combination of capital performance and income, exceeded that of the equivalent benchmark by some 4.0 percentage points. The Manager's Review which follows shows that both stock/sector selection and the Company's borrowings contributed to a satisfactory result.

Income

Over the last few years dividends paid to shareholders have exceeded the Company's net income, and I explained in October that the Board would not recommend any further increase in dividend payments until the Company's dividend cover had increased. Accordingly, the Board recommends that the final dividend should remain at 8.95p per share: this will be paid on 22 July to shareholders on the register at close of business on 4 June 2004. The ex-dividend date will be 2 June 2004. If the final dividend is approved by shareholders, the year's

payment will total 13.15p per share. At the share price current on 31 March 2004, this is equivalent to a yield of 4.4% - about 40% above the 3.1% yield of the FTSE All-Share Index on the same date.

The total dividend is not fully covered by this year's net income. The deficit of approximately £2.16m is less than originally anticipated because two of our large investments declared dividends, totalling about £1.1m, with an ex-dividend date rather earlier than in previous years, hence falling into this year's income. This benefit is a 'one-off'. The shortfall of £2.16m will be met by a transfer from the revenue reserve. This reserve, which after this transfer will exceed £34m, will provide the means to sustain dividends in the short term.

Share Price

The share price rose by 30.1% over the year to 31 March 2004 - 3.5 percentage points more than the benchmark index and in line with the increase in the NAV.

Historically, the Company, in common with the investment trust sector as a whole, has calculated the NAV after deducting its borrowings at par value - i.e. the price at which these borrowings will be redeemed at maturity. On this basis, the share price at 31 March 2004 stood at a discount of 17.0% to NAV. As interest rates have fallen over the past few years, the market value of debentures has risen, often substantially, and industry commentators have seen benefit in additionally calculating the NAV after deducting the market values of debentures. On this second basis, NAV at 31 March 2004 is 335.72p per share, an increase of 33.6% for the year. The share price discount to NAV on this basis is 10.5%.

Chairman's Statement

Both measures of the NAV provide useful information to shareholders and potential investors. From 30 June 2004 the statistics published by the Association of Investment Trust Companies ("AITC") will move to show net asset values on the second basis, hence apparent valuations and the discount of share price to NAV will fall. This will not reflect any change in the Company's underlying investments, or indeed in the cost of redeeming the outstanding debentures at maturity. The Company's published NAV will in future however be dependent not only as it is now on the changing value of its assets, but also on fluctuations in the market prices of its two debentures.

Over the last few months share price discounts to NAVs have generally widened across the whole investment trust sector, reflecting weakening of investor demand. The Board places great importance on Fidelity's role in building demand for shares thus helping to reduce the share price discount to NAV. To this end, Fidelity continues to promote the benefits of investment in the Company, both directly to potential investors and through independent advisors. This promotional activity apart, the Board will, when appropriate, buy back shares for cancellation, thus reducing any over-supply and enhancing the NAV for remaining shareholders. A special resolution to renew the Board's authority in this regard, which was not utilised during the year under review, will be proposed at the Annual General Meeting.

Shareholders may be aware that, since December, companies, including investment trusts, have been able to repurchase shares to hold in treasury, for possible reissue, rather than for cancellation. At this stage, it is not clear if this facility will be of benefit to the Company. The Board will, however, monitor the use of treasury shares by the investment trust sector and seek any necessary shareholder approval if these new powers appear relevant to the Company.

Investment and Risk Policies

The Board sees the Company's key purpose to be to provide an effective vehicle for the investment of long-term savings in the UK equity market. The risk and other policy parameters set by the Board, within which the Manager makes investment decisions, relate principally to portfolio risk, the use of borrowings (gearing) and the extent of decisions on liquidity –

i.e. the degree to which funds allocated for equity investment are, in anticipation of market falls, allocated temporarily to cash.

The Company is emphatically not an index-tracker and in setting policy on portfolio risk, the Board seeks to give the Manager sufficient scope to use its research and other skills to out-perform the benchmark. Both Board and Manager believe that the current risk limits – which have for most of the year under review been at the low end of the prescribed range – are sufficient to provide this scope. More sustained evidence of portfolio outperformance or changed market conditions may well lead to some increase, over time, in the Board's appetite for portfolio risk, and hence for the scale and volatility of return.

At the year end shareholders' funds were £883.6m and borrowings £200m, a potential gearing ratio of 22.6%. The Manager's investment style is one of stock selection rather than market timing and we would not normally expect funds available for equity investment to be substantially liquid. However, while 100% utilisation of the Company's gearing would be highly beneficial in a rising market the impact in a falling market would be severe. To provide clarity to both investors and to the Manager about the Company's appetite for risk in the context of gearing, the Board has decided that in the present market conditions it would not be appropriate to invest these borrowings outside the range of £80-£120 million in the equity market. This position will be reviewed regularly, but in the absence of unforeseen circumstances, is likely to remain unchanged for the next year of so.

The Board's gearing decision means that, at least in the short-term, the Company will not fully utilise its borrowings in the equity market and prompts the question of whether one of the debenture stocks should be repaid, and if not, whether the uninvested amount can be invested to yield more than cash.

Again, at the time of the Interim Report, I stated that the Board believed that given our interest rate and equity market expectations, it was not an appropriate time to redeem either debenture stock. We reviewed this question again towards the end of the year under review and reached the same conclusion. We will re-examine this matter regularly.

Chairman's Statement

At the date of this statement, we are currently holding circa £80m in cash or near cash, at rates well below the cost of the debentures. We may, in time, decide to invest some of this cash in the equity market, but the potential clearly exists meantime for some enhancement of income by investing in higher coupon instruments but only in a point in the cycle when we believe the risk to capital from firming bond yields does not offset the benefit of income gain. This too is a matter of on-going review.

The Board

In the Interim Report, I announced the appointment of Nicola Ralston and Will Samuel to the Board: both have already made a substantial contribution and they stand for election at the Annual General Meeting with the strong endorsement of their colleagues.

Roy Summers has decided to retire from the Board and accordingly will not stand for re-election. Roy, who had a distinguished career in the brewing industry, has played a significant role in the affairs of the Company since he became a Director in 1994. We have benefited greatly from Roy's counsel and his wide industry experience. I would like to thank him for all he has done for the Company, for his personal support to my predecessor and me, and on behalf of the Board to wish him well for the future.

Prospects

The markets in the year to March 2004 made good recovery from the oversold position seen at the start of the year. This positive economic background is counter-balanced by clear signals that trends in interest rates, both here and in North America, are likely to be upwards.

The tension between these two forces is likely to lead to some short-term uncertainty, but the Board remains cautiously optimistic in its outlook for UK equities and for our portfolio. We believe that The Edinburgh Investment Trust provides investors with an attractive vehicle for long-term investment in the UK equity market.

Scott Dobbie
Chairman
25 May 2004

Manager's Review

Market background

After three years of negative returns, the FTSE All-Share Index rebounded in 2003 amid growing investor optimism about the health of the global economy supported by generally strong economic data. Shares continued to advance as we moved into 2004 and

by the end of the twelve month review period to 31 March 2004, the FTSE All-Share Index had added 31% in value (on a total return basis). Daily changes in the UK equity market were less pronounced and the index exhibited strong upward momentum throughout the year. Indeed, equities became much less volatile than they had been in the previous year. The market's rise was broad-based with all major sectors achieving positive returns over the period. However, there were big variations between the performances of different sectors reflecting investors' inclination to buy more economically-sensitive companies, as the improvement in the recovery accelerated.

Increased appetite for risk following the end of the Iraq war was another aspect of the market's performance in the review period. In contrast to recent years, some of the largest absolute gains were seen among technology-related sectors. Companies providing IT hardware saw the greatest turnaround in their fortunes and the sector more than doubled in value posting a return of 138% for the year. Elsewhere, returns from other technology sectors were also robust. The electronic & electrical equipment and software sectors achieved gains of 69% and 78% respectively, as investor sentiment towards these sectors switched from pessimism to optimism. However, significant gains were by no means restricted to the technology arena. Investors also sought exposure to other parts of the market where business prospects were closely linked to brighter economic conditions. Industrial sectors, such as engineering (up 62%), fared particularly well, whilst cyclical services companies such as those involved in

Simon Fraser
(Chief Investment Officer of
Fidelity International Limited)

Rita Grewal
(Investment Director)

Charles Payne
(Relationship Director)

media & entertainment and leisure & hotels also advanced strongly recording gains of 54% and 65% respectively. In contrast, defensive areas of the market generally saw less interest from investors during the review period. However, performance was mixed even here and sectors such as health and food retailers outperformed the FTSE All-Share Index contrasting sharply with the performance of food producers and utilities, which underperformed by a wide margin.

Over the twelve month period, some of the worst performing sectors were among the largest in market capitalisation terms. The oil & gas and pharmaceuticals sectors, which together account for about one-fifth of the UK market, struggled to make progress as company-specific issues and concerns over growth prospects restricted gains in each sector to 15% and 9% respectively. Indeed, other heavyweight sectors such as banks and telecommunications also underperformed the wider market, although by a smaller margin. Nevertheless, the pattern from a company-size perspective was striking. The FTSE 100 Index recorded a gain of 26% for the year but this was eclipsed by the buoyant FTSE Mid 250 and FTSE Smallcap Indices, which rose by 63% and 64% respectively.

The FTSE All-Share Index finished the period at 2,197. Its 31% (on a total return basis) rise was a highly respectable return against a background that was far from supportive at times. The market faced a number of challenges during the year, including new terrorist attacks, accounting controversies at Parmalat and Adecco, weakness in the US dollar and the first increases in UK interest rates in over four years.

Manager's Review

Portfolio review

The twelve months to the end of March 2004 marked a satisfying period of performance for the Company's investment portfolio. On a capital only basis the net asset value per share rose by 30.0% exceeding the performance of the FTSE All-Share Index, which increased by 26.6% over the same period. In Fidelity's first full year as Manager, the Company's investment portfolio outperformed the benchmark and the Company's gearing levels, which had been a major source of underperformance in the previous year, helped to enhance these returns. Please note past performance is not a guide to future returns.

The chart opposite breaks down the various elements which have contributed to performance over the year.

The portfolio was well positioned for an environment in which expectations of a global recovery were building. Investors favoured stocks and sectors with greater exposure to the economic rebound during this period and the portfolio's bias towards the economically-sensitive service and technology sectors made notable contributions to the Company's outperformance as a result. From a market-capitalisation perspective, the portfolio's tilt towards medium-sized companies also proved helpful for returns.

In sector terms, the portfolio's overweight stance in the media & entertainment industry worked well, as optimism about economic prospects and an improvement in the advertising market translated into robust gains for most of the sector's constituents. In addition, the portfolio's holdings in this area yielded superior returns. The portfolio held Granada, which merged with Carlton Communications to form ITV during the review period. Its shares advanced strongly during the first quarter of 2004 ahead of the merger's completion, as investor enthusiasm grew about the combined group's earnings-growth potential. Other media holdings which generated good returns for the investment portfolio included United Business Media, Taylor Nelson Sofres and Informa Group.

The leisure & hotels sector was another area where stock-picking decisions enhanced the portfolio's overall performance. Shares in Hilton Group, the

	Year to 31 March 2004
Change in NAV (%)	30.0
Change in FTSE (Capital) (%)	26.6
Relative Change (%)	3.4

	Year to 31 March 2004
UK Equities	1.8
Net Borrowings	2.3
Charges	-0.7

Table 1 Analysis of capital performance
All figures are calculated ex income; similarly the FTSE All-Share Index

Company's key holding in the sector, gained steadily through the year helped by accelerating growth in its betting shop division, Ladbrokes, and improving conditions for its hotels business. The strong performance of betting-related stocks was an important factor for the Company's returns in this sector with holdings in William Hill and Stanley Leisure also making robust progress. Deregulation of the gambling industry in the UK has enabled betting companies to expand into new areas and the introduction of fixed-odd betting terminals into betting shops has been particularly lucrative. Speciality & other finance companies provided another source of outperformance in the period. Earnings in this sector tend to be closely linked to the performance of global financial markets. This is especially true for asset management companies and the Company's holding in global fund manager Amvescap made the largest contribution to the portfolio's returns in the sector. Its earnings recovery prospects appeared to improve, as rising equity markets helped its funds under management to stabilise, while its profit margins widened following significant cost cutting in its businesses. Among technology companies, exposure to software & computer services firms yielded the highest relative returns for the Company. Holding shares in LogicaCMG, a software services firm, was particularly beneficial. The Manager chose to sell the positions later in the review period.

The Company's positioning in some less economically sensitive sectors undermined its overall performance.

Manager's Review

In particular, the portfolio had more assets than the FTSE All-Share Index in the food producers & processors and tobacco sectors during much of the review period. This proved unrewarding, as both sectors aroused little investor interest in an environment which was focused on the prospects for accelerating global economic growth. Elsewhere, overweight positions in the UK's largest oil groups, BP and Shell T&T, also detracted. However, the Company's holding in Shell T&T represented the most notable source of underperformance in the oil sector after it disappointed investors by unexpectedly announcing a 20% reduction in its proven oil reserves. The Company's overweight position in the pharmaceuticals sector also generated disappointing relative returns. This was mainly because shares in GlaxoSmithKline, a key portfolio holding in the sector, ended the period virtually unchanged.

Portfolio activity

The portfolio is managed using a multi-manager approach with the Company's assets split across four individual Fidelity portfolio managers whose activities are co-ordinated by the Investment Director, Rita Grewal. By adopting this structure, the risk profile of the Company is reduced, as any potential weakness on the part of one portfolio manager is offset by the performance of the others. The Fidelity portfolio managers involved with this fund have been selected because their investment styles tend to be complementary. As a stock-picking investment management house, each Fidelity portfolio manager builds his/her portfolio using a bottom-up approach, where attractive companies are identified first and the portfolio is constructed to reflect these choices. As a result, the sector positioning of the Company is a by-product of the stock-picking process. As at 31 March 2004, the Company's key overweight sector positions were in the areas of media & entertainment, tobacco and leisure & hotels. In media & entertainment, the portfolio managers identified a number of companies where earnings recovery prospects appeared attractive. Among tobacco stocks, the portfolio managers continued to believe that the robust earnings and cash generating characteristics of these companies were being undervalued by other investors. In the leisure & hotels sector, holdings in betting and pub companies constituted the bulk of the

Company's exposure. However, the key change in sector positioning during the review period was in the telecommunication services sector. The Company was moved to an overweight stance versus the benchmark as a result of stock-picking decisions made by the portfolio managers. Elsewhere, the size of the Company's weighting in food producing companies, which had been the Company's largest relative sector position one year ago, was scaled back to a broadly neutral position versus the FTSE All-Share Index. At the end of the period, the portfolio held fewer assets than the benchmark in the investment companies, beverages and health sectors.

Purchases

The portfolio managers took the opportunity to increase their active risk in the portfolio during a bullish period for UK equities. The main aggregate purchases by the portfolio management team included transport company FirstGroup, property company Land Securities, support services company Rentokil Initial and Reuters, the news and information group. The portfolio managers also participated in the initial public offering of Yell Group, the international directory services company. Existing holdings which were increased significantly during the period included Vodafone and The Royal Bank of Scotland.

Sales

Key holdings sold during the twelve month period included mortgage and savings bank HBOS, computer services company LogicaCMG, telecommunications company Cable & Wireless and Safeway, the supermarket group which was finally acquired by WM Morrison during the first quarter of 2004. In addition, the portfolio managers decreased holdings in Alliance & Leicester, food group Unilever and Kingfisher, a retailer.

Future portfolio strategy

The equity portfolio will continue to reflect the strongest investment ideas of Fidelity's fund management team. This team is supported by one of the largest research departments of any global investment company. The investment process is based on fundamental company research where frequent meetings with company management teams play a key role in determining and reviewing the investment case

Manager's Review

for each stock. The portfolio managers do not focus on macroeconomic forecasts and the portfolio is not constructed with any specific expectations for equity market and economic performance in mind. Rather, the portfolio managers develop their economic and industry perspectives through the process of company meetings. As such, the holdings in the portfolio represent stocks where the portfolio managers believe a Company's future potential is being undervalued by other investors.

In terms of market capitalisation, the equity portfolio has greater exposure to medium-sized companies than the FTSE All-Share Index and holds proportionally fewer of its assets in larger companies. This reflects our belief that greater value can be added by stock selection amongst companies that are less intensively researched by other investors, rather than amongst larger companies where our estimates are less likely to be materially different from the consensus. The portfolio will continue to reflect the bottom-up investment decisions of the portfolio managers responsible for each sub-portfolio in the Company. Working with Fidelity's large in-house team of research analysts, they continue to look for stocks where the share price does not fully reflect the future potential of the company.

Outlook

In March's Budget, the Chancellor reiterated the Treasury's forecast for UK economic growth of between 3% and 3.5% for 2004. The estimate for government borrowing for the fiscal year 2003-4 rose marginally to £37.5bn, with falls to £33bn and £31bn predicted in the following years. The Bank of England's latest Inflation Report anticipates a gradual rise in the Consumer Price Index, starting from the middle of this year and possibly exceeding the target level of 2% by May 2006. The key areas of concern for monetary authorities continue to be the strength of consumer demand and house price inflation. Nevertheless, at its April monthly meeting, the Monetary Policy Committee specifically noted the potential damage to consumer confidence that sudden, large changes in interest rates might have. This was followed in May by a debate on whether a 0.5 percentage point rise in interest rates might help

	At 31 March 2004	
	Portfolio %	Index %
FTSE 100	78.8%	82.7%
FTSE 250	19.0%	13.7%
FTSE Small Cap	1.4%	3.6%
Other	0.8%	0.0%
	100.0%	100.0%

Table 2 Size analysis of the UK equity portfolio

Index is the FTSE All-Share Index

to moderate growth in consumer indebtedness. The conclusion was that a 0.25 percentage point rise was more appropriate given its overall objective, making it likely that a policy of small, well-flagged increases will continue.

Fidelity Investments International

25 May 2004

Thirty Largest Investments

at 31 March 2004

Company	Market Value £'000	Sector
Vodafone	79,705	Telecommunication Services
BP	76,288	Oil & Gas
GlaxoSmithKline	64,921	Pharmaceuticals & Biotechnology
HSBC	50,135	Banks
Royal Bank of Scotland	44,153	Banks
Shell Transport & Trading	35,561	Oil & Gas
British American Tobacco	24,163	Tobacco
Standard Chartered	23,945	Banks
Barclays	19,149	Banks
Lloyds TSB	18,433	Banks
Ten largest investments	436,453	40.5% of total assets less current liabilities
Centrica	17,590	Other Utilities
Tesco	17,212	Food & Drug Retailers
Hilton	15,797	Leisure & Hotels
AstraZeneca	15,706	Pharmaceuticals & Biotechnology
Aviva	14,709	Life Assurance
Imperial Tobacco	13,093	Tobacco
ITV	13,040	Media & Entertainment
Scottish & Southern Energy	12,771	Electricity
mm02	12,105	Telecommunication Services
Unilever	12,010	Food Producers & Processors
Twenty largest investments	580,486	53.8% of total assets less current liabilities
Xstrata	11,335	Mining
EMAP	10,664	Media & Entertainment
BHP Billiton	9,532	Mining
Gallaher	9,157	Tobacco
Intertek Group	8,119	Support Services
Taylor Nelson Sofres	8,076	Media & Entertainment
Allied Domecq	7,535	Beverages
Prudential	7,399	Life Assurance
Yell	7,263	Media & Entertainment
Severn Trent	7,261	Other Utilities
Thirty largest investments	666,827	61.8% of total assets less current liabilities
Other equity investments represented by		
146 holdings	348,956	
Total investments	1,015,783	94.1% of total assets less current liabilities
Net current assets	63,210	
Total assets less current liabilities	1,078,993	100%

A full list of investments is given on pages 41 to 43

Distribution of Assets

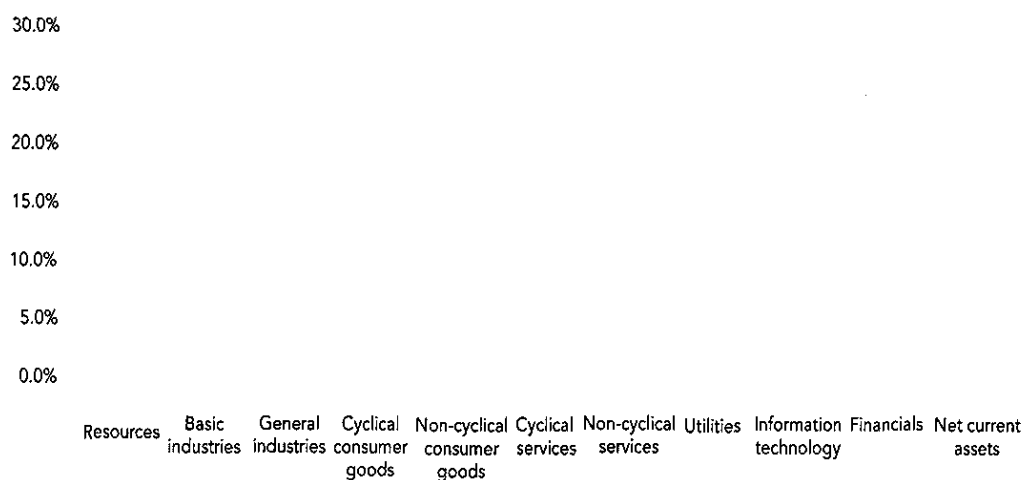
at 31 March 2004

		FTSE All-Share	Distribution of Assets	
		Index Weightings	2004	2003
Resources	Mining	4.1	3.0	1.9
	Oil & Gas	11.6	11.0	12.8
		15.7	14.0	14.7
Basic industries	Chemicals	0.8	0.5	0.9
	Construction & Building Materials	2.6	2.3	2.7
	Forestry & Paper	0.0	0.0	0.1
	Steel & Other Metals	0.1	0.0	0.0
		3.5	2.8	3.7
General industrials	Aerospace & Defence	1.3	1.5	1.6
	Electronic & Electrical Equipment	0.3	0.0	0.1
	Engineering & Machinery	0.8	0.8	0.5
		2.4	2.3	2.2
Cyclical consumer goods	Automobiles & Parts	0.3	0.3	0.8
	Household Goods & Textiles	0.1	0.2	0.0
		0.4	0.5	0.8
Non cyclical consumer goods	Beverages	2.8	1.1	0.9
	Food Producers & Processors	2.4	2.1	5.1
	Health	1.0	0.1	0.8
	Personal Care & Household Products	0.8	0.0	0.0
	Pharmaceuticals & Biotechnology	8.8	8.5	9.9
	Tobacco	2.0	4.3	4.0
		17.8	16.1	20.7
Cyclical services	General Retailers	3.6	2.5	2.6
	Leisure & Hotels	2.3	4.1	2.0
	Media & Entertainment	4.5	6.6	4.7
	Support Services	2.9	3.1	4.1
	Transport	1.9	2.0	1.4
		15.2	18.3	14.8
Non cyclical services	Food & Drug Retailers	2.4	2.4	2.6
	Telecommunications Services	9.0	8.5	7.1
		11.4	10.9	9.7
Utilities	Electricity	1.2	1.2	1.1
	Other Utilities	2.6	3.1	1.1
		3.8	4.3	2.2
Information technology	Information Technology Hardware	0.4	0.4	0.2
	Software & Computer Services	0.8	1.1	0.9
		1.2	1.5	1.1
Financials	Banks	19.1	15.8	15.7
	Insurance	0.6	0.6	0.5
	Investment Companies	2.5	0.2	0.6
	Life Assurance	2.7	2.5	1.6
	Real Estate	1.9	1.3	1.2
	Speciality & Other Finance	1.8	3.0	2.5
		28.6	23.4	22.1
Total investments		100.0	94.1	92.0
Net current assets		0.0	5.9	8.0
Total assets less current liabilities		100.0	100.0	100.0

Changes in Asset Distribution

Sector classification	Valuation at 31 March 2003 £'000	Net purchases (sales) £'000	Appreciation (depreciation) £'000	Valuation at 31 March 2004 £'000
Resources	128,342	5,648	16,822	150,812
Basic industries	32,536	(17,595)	14,018	28,959
General industrials	18,654	(3,093)	8,887	24,448
Cyclical consumer goods	7,489	(35,886)	34,102	5,705
Non cyclical consumer goods	181,512	(10,253)	2,066	173,325
Cyclical services	130,113	3,880	64,413	198,406
Non cyclical services	84,468	27,517	6,064	118,049
Utilities	19,207	21,955	5,687	46,849
Information technology	9,481	(4,907)	11,087	15,661
Financials	194,395	2,160	56,802	253,357
Futures	-	-	212	212
Total investments	806,197	(10,574)	220,160	1,015,783
Net current assets	70,222	(7,012)	-	63,210
Total assets less current liabilities	876,419	(17,586)	220,160	1,078,993

Investments - by Sector as a % of total assets less current liabilities



Analysis of Shareholders

% of ordinary shares held by shareholders

Capital Gains Tax Information

The market value of an ordinary share in the Company on 31 March 1982 was 58.49p. The price does not apply to shares held in Scottish United Investors plc at 31 March 1982 which were subsequently acquired by the Company.

Long Term Record

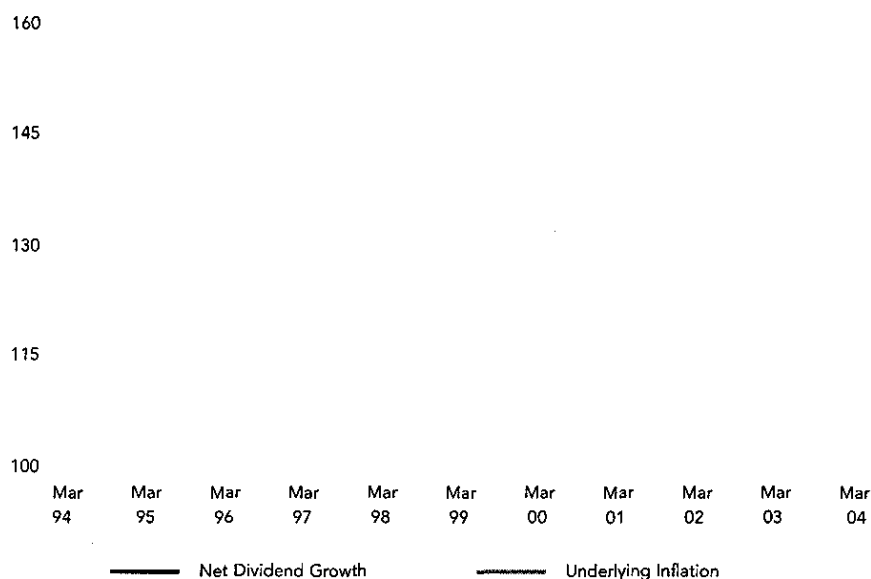
Year ended 31 March	Per ordinary share at 31 March									
	Total assets less current liabilities	Ordinary shareholders' funds	Net asset value	Revenue return	Dividend	Share price	Discount	% expenses of average shareholders' funds	Actual gearing ratio	Potential gearing ratio
	£m	£m	p	p	p	p	%	%	%	%
1993	1,097.2	883.9	300.8	9.25	8.40	263.5	12.4	0.4	22.4	24.1
1994	1,212.5	1,005.1	342.1	10.17	8.75	306.5	10.4	0.4	18.1	20.6
1995	1,097.2	939.9	319.9	10.37	9.35	292.5	8.6	0.5	14.4	16.7
1996	1,228.3	1,124.9	382.9	13.37	10.00	330.5	13.7	0.4	10.9	11.8
1997	1,337.6	1,234.3	420.1	12.56	10.75	364.5	13.2	0.4	1.0	8.4
1998	1,846.8	1,651.3	559.9	14.48	11.40	500.5	10.6	0.4	6.4	12.1
1999	1,838.4	1,642.6	557.0	11.71	11.85	464.5	16.6	0.4	11.9	12.3
2000	1,831.3	1,636.9	618.3	9.15	12.15	534.5	13.6	0.5	12.2	12.3
2001	1,576.9	1,373.3	514.0	12.07	12.45	475.5	12.1	0.5	11.9	14.6
2002	1,396.4	1,201.6	484.7	12.50	12.75	422.5	12.8	0.5	11.1	16.7
2003	876.4	681.3	278.6	11.05	13.15	231.0	17.1	0.5	19.0	29.4
2004	1,079.0	883.6	362.0	12.26	13.15	300.5	17.0	0.4	13.4	22.6

Notes:

1. Of the 11.85p dividend for 1999, 3.80p was paid as a foreign income dividend.
2. Shares have been bought back and cancelled as follows:

Year	Number of shares bought back	Cost £'000
2000	29,978,827	151,762
2001	10,978,930	56,102
2002	6,040,000	28,125
2003	4,025,000	11,935
2004	nil	n/a

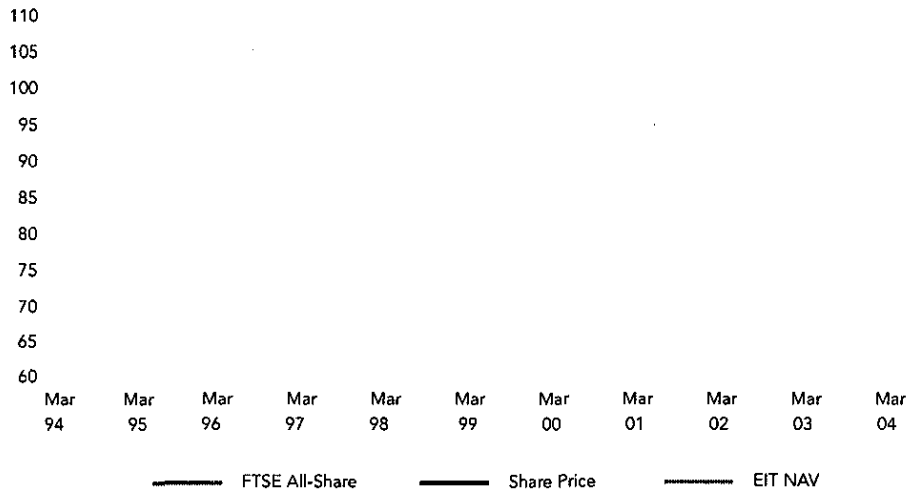
Comparison of Net Dividend Growth of The Edinburgh Investment Trust
to Underlying Inflation (figures rebased to 100)



Sources: AITC and Datastream

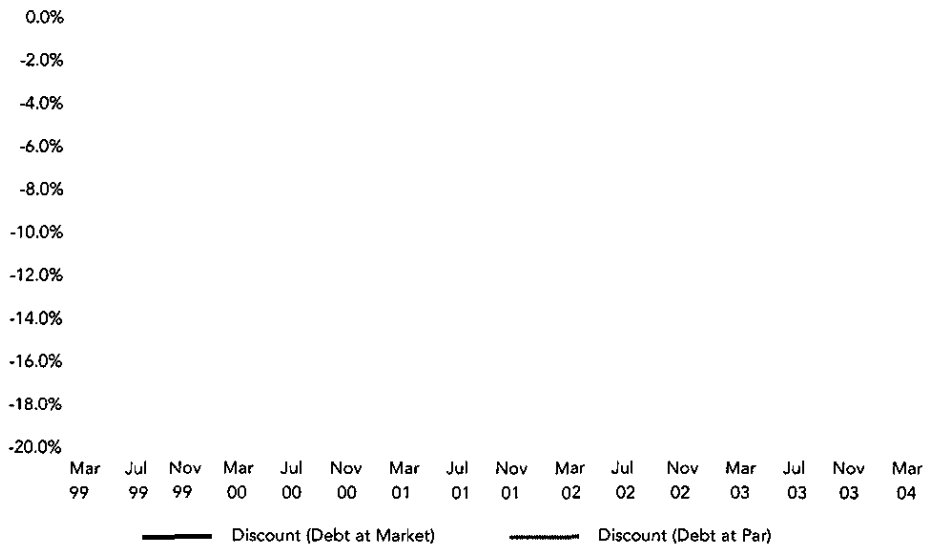
Long Term Record

Comparison of NAV and Share Price Total Return Performance of The Edinburgh Investment Trust relative to the FTSE All-Share Index (figures rebased to 100)



Sources: AITC and Datastream

Share Price discount to NAV of The Edinburgh Investment Trust



Sources: AITC and Datastream

Corporate Information

Registered Office

3 Glenfinlas Street
Edinburgh EH3 6AQ

Manager and Secretary

Fidelity Investments International
Beech Gate
Millfield Lane
Lower Kingswood
Tadworth, Surrey KT20 6RP
Telephone: 01732 361144
Fax: 01737 836892
Website: www.fidelity.co.uk

Registrars

Lloyds TSB Registrars Scotland
PO Box 28448
Finance House
Orchard Brae
Edinburgh EH4 1WQ
Fax: 0870 600 3980
Website: www.shareview.co.uk

Bankers

Bank of New York Limited

Auditors

KPMG Audit Plc
Saltire Court
20 Castle Terrace
Edinburgh EH1 2EG

Company Brokers

UBS Limited
Dresdner Kleinwort Wasserstein

Company Registration Number

SC 1836

Scott Dobbie

Chairman

Scott Dobbie** CBE (64) was appointed to the Board in 1998 and became Chairman in 2003. He began his career in Wood Mackenzie & Co. and worked for 30 years at a senior level at this and successive companies before retiring in 1999. He is the chairman of the Securities Institute and Standard Life European Private Equity Trust, a director of Premier Oil and Scottish Financial Enterprise and a commissioner of the Jersey Financial Services Commission. He is also an adviser to Deutsche Bank.

Ian Inglis

Director

Ian Inglis*, LLB, FCIBS, WS (63) was appointed to the Board in 1997 and is Chairman of the Audit Committee. He was a partner in Shepherd & Wedderburn WS from 1968 until his retirement from professional practice in April 1998, at which point he was senior partner of the firm's corporate department. He has been involved with the flotation of investment trusts, mergers, acquisitions and reconstructions. He is a former non-executive director of Bank of Scotland, British Linen Bank, Ivory & Sime UK Smaller Companies and Murray tmt PLC. He was also a member of the Scottish Advisory Group of the London Stock Exchange from 1994 to 2001.

*Member of the Audit, Management Engagement and Nomination Committees

**Member of the Management Engagement and Nomination Committees only

Board of Directors

Eileen Mackay

Director

Eileen Mackay*, CB (60) was appointed to the Board in 1996 and is Senior Independent Director. She had a long career as a senior civil servant and was Principal Finance Officer in The Scottish Office. She is now a director of The Royal Bank of Scotland Group. She is also a director of Scottish Financial Enterprise and a board member of the British Library.

Richard Barfield

Director

Richard Barfield* (57) was appointed to the Board in 2001. He was previously Chief Investment Manager at Standard Life. He is director of Equitas, The Baillie Gifford Japan Trust, The Merchants Trust, The JPMorgan Fleming Overseas Investment Trust, the Standard Life Property Income Trust and Umbro plc.

Nicola Ralston

Director

Nicola Ralston* (48) was appointed to the Board in 2003. She started her financial career in 1977 moving to Schroders in 1979. Between 1999 and 2001 she was Head of Investment Management for the Schroder Group. She retired from Schroders in 2001. She is a Business Adviser to CSTIM, a management consultancy, a director on several hedge funds and a governor of the CFA Institute.

the Board

William Samuel

Director

William Samuel* (52) was appointed to the Board in 2003. He is currently a vice chairman of Lazard in London having formerly been vice chairman of European Investment Banking at Citigroup, Chairman of HP Bulmer Holdings and Group Managing Director - Investment Bank at Schroders and a director of Schroders PLC. He joined Schroders Investment Management Department in 1977 having qualified as a Chartered Accountant and was Head of Investment Banking when Schroders sold its investment banking business to Salomon, Smith, Barney, part of Citigroup in 2000.

Roy Summers

Director

Roy Summers*, OBE, D.Univ, FIBrew (68) was appointed to the Board in 1994. He was a director of Scottish & Newcastle, is a director of Young & Cos Brewery and chairman of Canongate Technology.

Directors' Report

Business and status

The Company carries on business as an investment trust. The Inland Revenue has approved the Company's status as an investment trust under s842 of the Income and Corporation Taxes Act 1988 for the years ended 31 March 2002 and 31 March 2003, although this approval may be subject to review should there be any subsequent enquiry under Corporation Tax Self Assessment. In the opinion of the Directors, the Company has subsequently conducted its affairs so as to enable it to continue to obtain such approval.

The Company is not a close company and has no employees. It is registered as an investment company as defined in Section 266 Companies Act 1985 and operates as such.

Review of activities

During the year the Company followed the normal activities of an investment trust. Details of these are given in the Chairman's Statement and the Manager's Review.

Company's Manager

The Manager, Fidelity Investments International, a subsidiary of Fidelity International Limited, provides management, accounting, administrative and secretarial services to the Company under an agreement which was effective from 1 August 2002. Further details of this agreement are given in the Corporate Governance Statement on page 23.

The Manager also provides certain services, including marketing and administration, in connection with the Fidelity Investment Trust Share Plan and the Fidelity Individual Savings Account under the same agreement.

Commissions and interfunding

The Manager uses certain services in the course of its work for the Company and other clients that are paid for or provided by brokers through whom the Manager executes transactions for the Company and other clients. The provision of such services to the Manager is governed by the rules of the Financial Services Authority. The Manager has in place procedures and controls in order to ensure compliance with those rules and the achievement of best execution when dealing on behalf of clients with brokers.

The Manager has an arrangement with selected brokers whereby a portion of commissions from security transactions may be paid to the Company to reduce transaction costs. Amounts received by the Company under this arrangement are credited to

capital. In the year to 31 March 2004 £73,000 was received (2003: £74,000).

The Company participates in the Manager's interfund programme whereby Fidelity's traders, on occasion, identify situations where one fund managed by Fidelity is buying the same security that another fund is selling. If a trader can confirm that it would be in the interests of both accounts to execute a transaction between them rather than in the market then an interfund transaction is executed.

There is a regulatory requirement on the Manager to obtain best execution and no individual deal is entered into which prevents compliance with this requirement.

Political and charitable donations

The Company has not made any political or charitable donations in the year (2003: nil).

Share capital

During the year the Company has not used its power to buy back shares on the London Stock Exchange for cancellation (2003: 4,025,000 ordinary shares of 25p).

The principal purpose of share buy backs is to address the imbalance between the supply and demand for the Company's ordinary shares and thereby reduce both the scale and volatility of the discount at which the shares trade in relation to the underlying net asset value whilst at all times enhancing the net asset value for the remaining shareholders.

Dividends

The Directors recommend that a final dividend of 8.95p (2003 – 8.95p) per share be paid on 22 July 2004 to shareholders on the register at the close of business on 4 June 2004, making a total of 13.15p (2003 – 13.15p) per share for the year ended 31 March 2004. £2.1m has been transferred from the revenue reserve.

Directors

In accordance with the Articles of Association, Scott Dobbie retires by rotation at the Annual General Meeting and offers himself for re-election. Roy Summers also retires by rotation but will not be seeking re-election at the Annual General Meeting. Nicola Ralston and William Samuel, having been appointed during the year, will be subject to election at the forthcoming Annual General Meeting. Resolutions in respect of the foregoing will be proposed at the Annual General Meeting.

The names of the Directors and their holdings in the

Directors' Report

Company's shares are shown in Table 2 below. There have been no changes since the year end.

No contract or arrangement existed during the year in which any of the Directors had a material interest. No Director had a service contract with the Company. There have been no related party transactions requiring disclosure under FRS8.

Substantial share interests

At 25 May 2004 the substantial interests in the ordinary share capital which had been notified to the company were as shown below:

Holder	No of ordinary shares	%
Scottish Widows Investment Partnership Ltd	16,081,705 ⁽¹⁾	6.62
The Standard Life Assurance Company	16,638,876	6.85
Prudential plc	9,054,108	3.73
Legal & General Investment Management Ltd	7,794,139	3.21

Table 1 substantial share interests

(1) Includes 9,729,794 shares of a material interest (4.00%)

Corporate governance

Full details are given in the Corporate Governance Statement on pages 20 to 23.

Payments policy

The Company's payment policy is to ensure settlement of suppliers' invoices in accordance with the stated terms. In certain circumstances, settlement terms are agreed prior to business taking place.

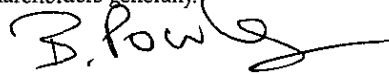
Auditors

Resolutions will be proposed at the Annual General Meeting for the re-appointment of KPMG Audit Plc as Auditors of the Company and to authorise the Directors to fix their remuneration.

Annual General Meeting - special business

At the Annual General Meeting of the Company to be held on 21 July 2004, special resolution 9 will be proposed to renew the Company's authority to make market purchases of its own shares.

The maximum number of ordinary shares which may be purchased pursuant to the authority shall be 14.99% of the issued share capital of the Company as at the date of the passing of the resolution. The minimum price which may be paid for an ordinary share shall be 25p. The maximum price for an ordinary share (exclusive of expenses) shall be an amount equal to 105% of the average of the middle market quotations for the Company's ordinary shares for the five business days immediately preceding the date of purchase. This authority, if conferred, will be exercised only if to do so would enhance the net asset value per share and is in the best interests of shareholders generally.



By order of the Board

Fidelity Investments International

Secretary

25 May 2004

	Ordinary shares held at 31 March 2004	Ordinary shares held at 31 March 2003 or on date of appointment if later	Nature of interest
Richard Barfield	6,839	4,257	Beneficial
Scott Dobbie	114,866	111,603	Beneficial
	322,416 ⁽¹⁾	2,416	Non-beneficial
The Earl of Eglinton and Winton ⁽²⁾	-	4,350	Beneficial
	-	4,969	Non-beneficial
Ian Inglis	12,000	5,000	Beneficial
Sir Gavin Laird ⁽²⁾	-	5,617	Beneficial
Eileen Mackay	1,629	1,573 ⁽³⁾	Beneficial
	1,000	1,000 ⁽³⁾	Non-beneficial
Nicola Ralston ⁽⁴⁾	15,000	-	Beneficial
William Samuel ⁽⁴⁾	23,170	-	Beneficial
Roy Summers	26,186	22,991	Beneficial
	3,844	3,679	Non-beneficial

Table 2 Directors and their holdings in the Company

(1) Non-beneficial interest largely arising as a result of Mr Dobbie's membership of the Board of Trustees of the Cambridge Endowment for Research in Finance

(2) Retired during the reporting period

(3) Re-stated - split between beneficial and non-beneficial

(4) Appointed during the reporting period

Corporate Governance Statement

The Financial Reporting Council issued a revised Combined Code on corporate governance ("the new Combined Code") in July 2003. Whilst the Company will be required only to comply with the requirements of the new Combined Code for the financial year ending 31 March 2005, the Directors have included a number of the new requirements in this report.

The Board has put in place a framework for corporate governance, which it believes is appropriate for an investment trust company and which will enable the Company to comply with the relevant provisions of the new Combined Code and, where appropriate, with the provisions of the new AITC Code of Corporate Governance. The Company is committed to high standards of corporate governance. The Board is accountable to the Company's shareholders for good governance and this statement describes how the Company applies the principles identified in the 1998 Combined Code appended to the Listing Rules of the Financial Services Authority.

The Board believes that the Company has complied throughout the accounting period with the provisions set out in Section 1 of the 1998 Combined Code except as detailed below.

Directors

The Board has overall responsibility for the Company's affairs. It delegates, through an investment management agreement and through specific instructions, the day to day management of the Company to the Manager, Fidelity Investments International. The Company has no executives or employees. There is a formal schedule of matters reserved for the Board which includes, inter alia, decisions on gearing, Board appointments, appointment of the Company Secretary, strategy,

Company structure and risk management strategy.

The Board presently consists of seven non-executive Directors, one of whom is Chairman. The provision of the 1998 Combined Code which relates to the combination of the roles of the chairman and chief executive does not apply as the Company has no executive directors.

All of the Directors are considered by the Board to be independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

Biographies of the Directors appear on pages 16 and 17 of this report. The Directors believe that the Board has a balance of skills and experience which enables it to provide effective strategic leadership and proper governance of the Company. The Senior Independent Director is Eileen Mackay.

The Board meets formally at least nine times each year. There is an annual cycle of Board meetings which is designed to address, in a systematic way, overall strategy, review of investment policy, investment performance, marketing achievements, budgets, dividend policy and communication with shareholders. Additionally Board Committees and sub groups meet to pursue matters referred from the Board as a whole and the Chairman sees the other Directors regularly without representatives of the Manager being present. The Board considers that it meets sufficiently regularly to discharge its duties effectively and the table below gives the attendance record for the formal Board and Audit Committee meetings held in the year.

Nicola Ralston was unable to attend the Board meeting and Audit Committee meeting held on 20 October

	Board Meetings		Audit Committee Meetings	
	Held	Attended	Held	Attended
Richard Barfield	10	10	4	4
Scott Dobbie	10	10	4	4
The Earl of Eglinton and Winton ⁽¹⁾	3	3	1	1
Ian Inglis	10	10	4	4
Sir Gavin Laird ⁽¹⁾	3	2	1	1
Eileen Mackay	10	10	4	4
Nicola Ralston ⁽²⁾	6	5	3	2
William Samuel ⁽³⁾	4	4	2	2
Roy Summers	10	10	4	4

(1) resigned as a Director on 2 July 2003

(2) appointed as a Director on 29 September 2003

(3) appointed as a Director on 21 October 2003

Corporate Governance Statement

2003 due to a commitment undertaken prior to her appointment as a Director of the Company.

The Nomination Committee consists of all the Directors and is chaired by Scott Dobbie. The Committee meets on an annual basis and at such other times as may be required. The Committee has written terms of reference and is responsible, *inter alia*, for identifying and nominating, for the approval of the Board, candidates to fill Board vacancies taking into account the need to maintain a balanced Board. External consultants are also used to identify potential candidates and this process resulted in the appointment of Nicola Ralston and William Samuel as Directors during the year. The Committee also considers whether Directors should be recommended for re-election by shareholders.

The Nomination Committee's written terms of reference are available at the Company's registered office and on the Company's website at www.itseit.co.uk.

Letters of appointment, which specify the terms of appointment, are issued to new Directors on appointment and include details of the time commitment required and expected duration of appointment. The terms and conditions of appointment of Directors are available for inspection at the registered office of the Company.

When a new Director is appointed to the Board, he or she is provided with all relevant information regarding the Company and their duties and responsibilities as a Director. In addition, a new Director will also spend some time with representatives of the Manager whereby he or she will become familiar with the various processes which the Manager considers necessary for the performance of its duties and responsibilities to the Company. The Company's policy is to encourage Directors to keep up-to-date and attend training courses on matters which are directly relevant to their involvement with the Company; a number of such courses was attended in the year under review. Thus training is tailored to the needs of individual Directors and, in addition, the Company organises an annual offsite meeting (which is not a formal Board meeting) at which the Directors consider a variety of topics which are relevant to the Company and assists the Directors in updating their skills and knowledge. The Directors also receive regular briefings from *inter alios* the AITC, the Auditors and the Company Secretary regarding any proposed developments or changes in law or

regulations that could affect the Company and/or the Directors.

A Director appointed during the year is required to retire and seek election by shareholders at the next Annual General Meeting. The Articles also require that one third of the Directors retire by rotation each year and seek re-election at the Annual General Meeting and also that every Director submit himself or herself for re-election at least every three years. Subject to these requirements for re-election, Directors are appointed to the Board for a specified period, initially for three years and subsequent extensions are, in each case, at the discretion of the Board.

In accordance with the Articles, Nicola Ralston and William Samuel will seek election at the Annual General Meeting. The Chairman is pleased to confirm that since joining the Company in 2003 their performance has been effective and that they continue to demonstrate commitment to the role of non-executive Director (including their membership of Board Committees).

The Chairman, Scott Dobbie retires by rotation and will offer himself for re-election at the Annual General Meeting. The Board endorses his candidature and commends his re-election to shareholders.

There is a procedure for Directors to take independent professional advice, if necessary, at the Company's expense. This is in addition to the access which every Director has to the advice and services of the Company Secretary, Fidelity Investments International, which is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

The level of Directors' fees is determined by the whole Board, and therefore a separate remuneration committee has not been appointed. Since all Directors are non-executive, the Company is not required to comply with the principles of the 1998 Combined Code in respect of executive directors' remuneration. Directors' fees are disclosed fully in each annual report (see the Directors' Remuneration Report on pages 24 and 25).

A process for the evaluation of the Board, its Committees and its Directors has been put in place to enable the Board to comply with this requirement of the new Combined Code for the year ending 31 March 2005. This will take the form of written questionnaires and interviews. The other Board members will evaluate the Chairman's performance on an annual basis.

Corporate Governance Statement

Communication with shareholders

The Directors place great importance on communication with the Company's shareholders. The Company carries out a programme of regular dialogue and individual meetings with institutional shareholders.

At the Annual General Meeting all shareholders have the opportunity to put questions to the Board and a presentation from the Manager covers the investment performance and strategy during the financial year and the outlook for the year ahead. The Board hopes that as many shareholders as possible will be able to attend the meeting.

All proxy votes are counted and, except where a poll is called, the Chairman indicates the level of proxies lodged for each resolution, and the balance for and against the resolution, after it has been dealt with on a show of hands.

The notice of meeting on pages 44 and 45 sets out the business of the Annual General Meeting. A separate resolution is proposed on each substantially separate issue including the annual report and accounts.

The Chairman of the Board and the Chairman of the Audit Committee will be available to answer questions at the Annual General Meeting.

The notice of the Annual General Meeting and related papers are sent to shareholders at least 20 working days before the meeting.

Accountability and audit

An Audit Committee has been established which is chaired by Ian Inglis, consisting of all the Directors with the exception of Scott Dobbie. The Board has taken note of the suggestion that at least one member of the Audit Committee should have recent and relevant financial experience and is satisfied that the Audit Committee is properly constituted in this respect. The Committee meets at least 4 times a year and its authority and duties are clearly defined in its written terms of reference which are available at the Company's registered office and on the Company's website. These duties include: discussing with the independent Auditors the nature and scope of the audit and reviewing the Auditors' quality control procedures; considering the scope of work undertaken by the Manager's internal audit department; monitoring the integrity of the financial statements of the Company; reviewing the interim and annual financial statements of the Company prior to

their submission to the Board; and reviewing the effectiveness of the internal control systems (including financial, operational and compliance controls and risk management). They also include responsibility for reviewing and monitoring the effectiveness of the audit process and the external Auditors' independence and objectivity with particular regard to the provision of non-audit services. The provision of non-audit services is also subject to prior Board approval. The Audit Committee of the Board meets with the independent Auditors in the absence of representatives from the Manager, at least once a year, to review these and other appropriate matters. Shareholders have the opportunity at each Annual General Meeting to vote on the re-appointment of the external Auditors for the forthcoming year.

The respective responsibilities of the Directors and the Auditors in connection with the financial statements appear on pages 24 and 26.

The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the Company's significant business and operational risks, that it has been in place for the year ended 31 March 2004 and up to the date of approval of the annual report and accounts, that it is regularly reviewed by the Board and accords with the internal control guidance for Directors on the 1998 Combined Code.

The Manager is responsible for the design, implementation and maintenance of controls and procedures to safeguard the assets of the Company and to manage its affairs properly. The system extends to operational and compliance controls and risk management. Clear lines of accountability have been established between the Board and the Manager and regular reports on controls and compliance issues are provided to the Audit Committee. In carrying out its review, the Audit Committee has had regard to the activities of the Manager, the Manager's compliance and risk function and the external Auditors. The Audit Committee's review also includes consideration of FRAG 21 and similar reports issued by the Manager and other service providers.

Corporate Governance Statement

The Board has reviewed the need for an internal audit function. The Board has decided that the systems and procedures employed by the Manager, including its internal audit function and the work carried out by the Company's external Auditors, provide sufficient assurance that a sound system of internal control, which safeguards shareholders' investment and the Company's assets, is maintained. An internal audit function, specific to the Company, is therefore considered unnecessary. The Audit Committee meets with the Manager's head of internal audit on an annual basis without other representatives from the Manager being present. The Chairman of the Audit Committee has direct access to the Manager's Head of Internal Audit and vice versa.

Investment Management Agreement

An investment management and secretarial agreement (the "Management Agreement") dated 17 and 19 July 2002 was made between the Company and Fidelity Investments International ("Fidelity"), under which Fidelity has agreed to provide investment management, administrative and secretarial services to the Company for a fee of an amount equal to 0.26 per cent per annum (plus VAT) of the Value of Funds under Management (as defined in the Management Agreement, which excludes investments in other funds managed by the Manager) payable monthly and calculated as of the last day of the preceding calendar month to which it relates.

The Management Agreement will continue unless and until terminated by either party giving to the other not less than three months' notice. The Management Agreement may also be terminated forthwith as a result of a material breach of the agreement or on the insolvency, liquidation (other than for the purpose of an amalgamation or reconstruction approved by the Board) of Fidelity. In addition, the Company may terminate the Management Agreement without compensation in the two months following a change of control of Fidelity.

Management Engagement Committee

The Management Engagement Committee which was established in January 2004 with written terms of reference, meets once a year and considers both the continuation and terms of the Management Agreement. The Committee consists of all the Directors and is chaired by Scott Dobbie. The Committee met in April 2004 and reviewed Fidelity's overall performance in the year to 31 March 2004. It

concluded that the Manager had satisfactorily met the terms of the Management Agreement and that it was in the interests of shareholders as a whole that this agreement should be continued on unchanged terms.

Responsibility as an institutional shareholder

The Board has adopted the Manager's Principles of Ownership in relation to the Company's investments. These principles include the pursuit of an active investment policy through portfolio management decisions, voting on resolutions at general meetings and maintaining a continuing dialogue with the management of investee companies. The Manager in its Principles of Ownership expressly declares that it supports the Statement of Principles drawn up by the Institutional Shareholders Committee setting out the responsibilities of institutional shareholders and agents.

The Manager instructs proxy voting on behalf of the Company in accordance with the Manager's existing guidelines and policies.

Socially responsible investment

The Manager's primary objective is to produce superior financial returns to investors. It believes that over the long term, sound social, environmental and ethical policies make good business sense and takes these issues into account when, in its view, they have a material impact on either the investment risk or the expected return from an investment. It does not screen out companies from its investment universe purely on the grounds of poor social, environmental or subjective ethical records. Instead it adopts a positive engagement approach whereby social, environmental and ethical matters are discussed with management with the aim of improving procedures and attitudes.

The Manager subscribes to research provided by the Ethical Investment Research Service to help identify those issues that could have a direct impact on the UK companies in which it invests.

Going concern

The Directors believe that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Scott Dobbie

Chairman
25 May 2004

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 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.

Directors' Remuneration Report

This report has been prepared by the Board of Directors in accordance with the requirements of Schedule 7A to the Companies Act 1985 in respect of the year ended 31 March 2004. An ordinary resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting.

Remuneration policy

The whole Board, which is comprised solely of non-executive Directors, acts as a Remuneration Committee as and when required to consider the level of the fees payable to Directors. The Board's policy is that the level of remuneration of non-executive Directors should be fair and sufficient to attract and retain the Directors needed to properly oversee the Company and to reflect the specific circumstances of the Company, the duties and responsibilities of the Directors and the value and amount of time committed to the Company's affairs. It is intended that this policy will continue for the year ending 31 March 2005 and subsequent years. The Company's Articles of Association limit the total fees payable to Directors to £250,000 per annum. Non-executive Directors are not eligible for any performance related fees, bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

As mentioned in last year's report, at the beginning of 2001 a sub-committee was formed to review the level of remuneration payable to the Chairman and the Directors of the Company. The Board, having considered, inter alia, the committee's recommendation, resolved that the Chairman should

receive an annual fee of £40,000 and that each Director should be paid a fee of £22,000 per annum. The increases in such fees were to be staged over three years with the first increase coming into effect on 1 October 2001. The third and final increase was made with effect from 1 October 2003. The Board also decided that the Senior Independent Director and the Chairman of the Audit Committee should receive an additional £5,000 per annum and £2,500 per annum respectively with effect from 1 October 2001 in respect of their additional responsibilities.

Directors' service contracts

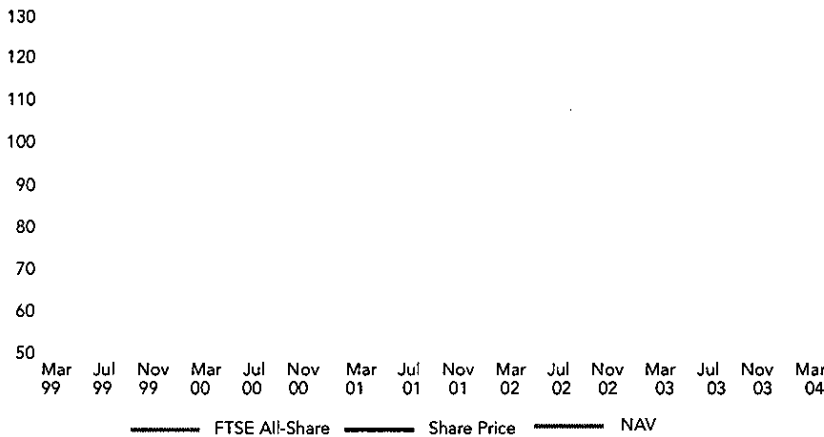
It is the Board's policy that Directors do not have service contracts, but new Directors are provided with a letter of appointment. The letter of appointment provides that Directors should retire and be subject to election at the first Annual General Meeting after their appointment. Thereafter Directors are obliged to retire by rotation, and offer themselves for re-election by shareholders at least every three years after that. There is no notice period and no provision for compensation upon early termination of appointment.

Company performance

The graph on page 25 compares the Company's net asset value and share price (on a total return basis) over the last five financial years ending 31 March 2004 with the performance of the FTSE All-Share Index over the same period. This index has been chosen as it corresponds with the Company's stated objectives as shown on page 1.

Directors' Remuneration Report

Comparison of NAV and Share Price Total Return Performance of The Edinburgh Investment Trust to FSTE All-Share Index



Sources: AITC and Datastream

Directors' emoluments for the year (audited)

During the year under review the fees paid to the Directors were as follows:

	2004 fees £	2003 fees £
Richard Barfield	21,250	19,750
Scott Dobbie ⁽¹⁾	35,578	24,750
The Earl of Eglinton and Winton ⁽²⁾	9,427	35,500
Ian Inglis ⁽³⁾	23,750	21,303
Sir Gavin Laird ⁽⁴⁾	5,605	20,697
Eileen Mackay ⁽⁵⁾	24,351	19,750
Nicola Ralston ⁽⁶⁾	11,112	-
William Samuel ⁽⁷⁾	9,798	-
Roy Summers ⁽⁸⁾	21,250	19,750
Total	162,121	161,500

(1) Scott Dobbie was appointed Chairman on 2 July 2003. He was previously Senior Independent Director.

(2) The Earl of Eglinton and Winton retired as Chairman and Director on 2 July 2003.

(3) Ian Inglis is the Chairman of the Audit Committee.

(4) Sir Gavin Laird retired as a Director on 2 July 2003.

(5) Eileen Mackay was appointed Senior Independent Director on 18 August 2003.

(6) Nicola Ralston was appointed a Director on 29 September 2003.

(7) William Samuel was appointed a Director on 21 October 2003. With effect from 5 January 2004 William Samuel's fees are paid to Lazards.

(8) Roy Summers' fees are paid to Thalassa Industries Ltd.

No Director has received any taxable expenses, compensation for loss of office or non-cash benefits for the year ended 31 March 2004 or the year ended 31 March 2003.

On behalf of the Board

Fidelity Investments International

Secretary

25 May 2004

Independent Auditors' Report

To the members of

The Edinburgh Investment Trust plc

We have audited the financial statements on pages 27 to 40. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report and the Directors' Remuneration Report. As described on page 24, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent Auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Company is not disclosed.

We review whether the statement on page 20 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's

corporate governance procedures or its risk and control procedures

We read the other information contained in the Annual Report, including the Corporate Governance Statement and the unaudited part of the Directors' Remuneration Report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit 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 financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, 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 financial statements and the part of the Directors' Remuneration Report to be audited 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 financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company as at 31 March 2004 and of the total return of the Company for the year then ended; and
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
Edinburgh
25 May 2004

KPMG Audit Plc

Statement of Total Return

for the year ended 31 March

	notes	2004			2003		
		revenue £'000	capital £'000	total £'000	revenue £'000	capital £'000	total £'000
Realised gains/(losses) on investments	10	-	3,550	3,550	-	(171,217)	(171,217)
Increase/(decrease) in unrealised appreciation	10	-	216,610	216,610	-	(315,766)	(315,766)
TOTAL CAPITAL GAINS/(LOSSES) ON INVESTMENTS		-	220,160	220,160	-	(486,983)	(486,983)
Currency losses		-	-	-	-	(2)	(2)
Income from investments	2	34,081	-	34,081	32,672	-	32,672
Interest receivable on short term deposits	2	265	-	265	1,682	-	1,682
Income from other securities	2	3,022	-	3,022	914	-	914
Underwriting commission	2	5	-	5	43	-	43
Investment management fee	3	(870)	(2,030)	(2,900)	(1,174)	(2,738)	(3,912)
Administrative expenses	4	(872)	-	(872)	(1,222)	-	(1,222)
NET RETURN/(LOSS) BEFORE FINANCE COSTS AND TAXATION		35,631	218,130	253,761	32,915	(489,723)	(456,808)
Interest payable and similar charges	6	(5,850)	(13,651)	(19,501)	(5,850)	(13,651)	(19,501)
RETURN/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAX		29,781	204,479	234,260	27,065	(503,374)	(476,309)
Tax on ordinary activities	7	(10)	-	(10)	-	-	-
RETURN/(LOSS) ON ORDINARY ACTIVITIES AFTER TAX FOR THE YEAR ATTRIBUTABLE TO EQUITY SHAREHOLDERS		29,771	204,479	234,250	27,065	(503,374)	(476,309)
Dividends	8	(31,927)	-	(31,927)	(32,016)	-	(32,016)
TRANSFER (FROM)/TO RESERVES		(2,156)	204,479	202,323	(4,951)	(503,374)	(508,325)
RETURN/(LOSS) PER ORDINARY SHARE	9	12.26p	84.22p	96.48p	11.05p	(205.49p)	(194.44p)
TOTAL DIVIDEND PER ORDINARY SHARE		13.15p			13.15p		

The revenue column of this statement is the profit and loss account of the Company.
All revenue and capital items in the above statement derive from continuing operations.
No operations were acquired or discontinued in the year.

The notes on pages 30 to 40 form an integral part of these accounts

Balance Sheet

as at 31 March

	notes	2004 £'000	2003 £'000
FIXED ASSETS			
Investments	10	1,015,783	806,197
CURRENT ASSETS			
Debtors	12	12,170	12,380
Fidelity Institutional Cash Fund		71,736	68,414
Amounts held at futures clearing houses and brokers	10	1,394	-
Cash at bank		6,122	14,808
		<u>91,422</u>	<u>95,602</u>
CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR	13	<u>(28,212)</u>	<u>(25,380)</u>
NET CURRENT ASSETS		<u>63,210</u>	<u>70,222</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,078,993</u>	<u>876,419</u>
CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
	14	<u>(195,352)</u>	<u>(195,101)</u>
TOTAL NET ASSETS		<u>883,641</u>	<u>681,318</u>
CAPITAL AND RESERVES			
Called up share capital - equity	15	60,699	60,699
Share premium	16	6,639	6,639
Capital redemption reserve	16	12,756	12,756
Capital reserve - realised	16	666,475	685,793
Capital reserve - unrealised	16	103,005	(120,792)
Revenue reserve	16	34,067	36,223
		<u>883,641</u>	<u>681,318</u>
TOTAL EQUITY SHAREHOLDERS' FUNDS	18	<u>883,641</u>	<u>681,318</u>
NET ASSET VALUE PER ORDINARY SHARE:	17	362.03p	278.59p

The financial statements on pages 27 to 40 were approved by the Board of Directors on 25 May 2004 and were signed on its behalf by:

Scott Dobbie
Chairman



The notes on pages 30 to 40 form an integral part of these accounts

Cashflow Statement

for the year ended 31 March

		2004	2003
	notes	£'000	£'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	21	<u>32,704</u>	<u>33,393</u>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest paid		<u>(19,250)</u>	<u>(19,250)</u>
NET CASH OUTFLOW FROM SERVICING OF FINANCE		<u>(19,250)</u>	<u>(19,250)</u>
FINANCIAL INVESTMENT			
Purchases of investments		(411,769)	(722,771)
Exchange losses		-	(2)
Disposals of investments		429,724	734,795
Realised losses on short futures positions closed		<u>(3,452)</u>	<u>-</u>
NET CASH INFLOW FROM FINANCIAL INVESTMENT		<u>14,503</u>	<u>12,022</u>
EQUITY DIVIDENDS PAID		<u>(31,927)</u>	<u>(31,636)</u>
NET CASH OUTFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING		<u>(3,970)</u>	<u>(5,471)</u>
NET CASH (OUTFLOW)/INFLOW FROM MANAGEMENT OF LIQUID RESOURCES		<u>(3,322)</u>	<u>29,417</u>
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING FINANCING		<u>(7,292)</u>	<u>23,946</u>
Repurchase of ordinary shares		-	<u>(11,935)</u>
NET CASH OUTFLOW FROM FINANCING		<u>-</u>	<u>(11,935)</u>
(DECREASE)/INCREASE IN CASH	19	<u>(7,292)</u>	<u>12,011</u>

The notes on pages 30 to 40 form an integral part of these accounts

Notes to the Accounts

1 Accounting Policies

The accounts have been prepared under the historical cost convention, modified to include the revaluation of investments and in accordance with applicable Accounting Standards and with the Statement of Recommended Practice 'Financial Statements of Investment Companies' (the "SORP") dated January 2003. They have also been prepared on the assumption that approval as an investment trust will continue to be granted. No prior year adjustments resulted from the adoption of the new SORP.

a) Revenue, expenses and interest payable - Income from equity investments, including taxes deducted at source, is included in revenue by reference to the date on which the investment is quoted ex-dividend. Foreign income is converted at the exchange rate applicable at the time of receipt. Interest receivable on fixed interest securities, short term deposits, expenses and interest payable are treated on an accruals basis. Where the Company has elected to receive its dividends in the form of additional shares rather than cash, the amount of the cash dividend is recognised as income. Any excess in the value of the shares received over the amount of the cash dividend is recognised in *capital reserves*.

Expenses are charged to capital where they are incurred in connection with the maintenance or enhancement of the value of the investments. In this respect the investment management fee and relevant finance costs are allocated between revenue and capital, in line with the Board's expectation of returns from the Company's investments over the long term in the form of revenue and capital respectively.

Since April 2000, the Company has allocated 70% of management fee and debenture interest to capital and 30% to income costs. In accordance with the SORP the Board has reviewed this policy and, having examined consensus forecasts of capital return and dividend payments, sees no need to change the existing policy at this time.

b) Investments - Listed investments are valued at middle market prices. Unlisted investments are valued at market prices ruling where an organised market in such investments exists; other unquoted investments are included at Directors' valuation. Where a price is not readily available the holding is valued at cost unless circumstances indicate a different valuation is warranted. In general, valuations are increased where a substantial arm's length transaction has occurred subsequent to acquisition, at a price higher than cost. Valuations are decreased where subsequent transactions have taken place at a price lower than cost or where Fidelity's Fair Value Committee is aware that the Company is experiencing operating difficulties, or there is a limited market place for the shares thus making them illiquid.

c) Transactions denominated in foreign currencies - Any such transactions are calculated in sterling at the rate of exchange ruling as at the date of the transactions. Assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Realised and unrealised capital gains and losses, including exchange differences on the translation of foreign currency assets and liabilities, are dealt with in capital reserves realised and unrealised.

d) Realised capital reserves - Gains and losses on realisation of investments and differences on exchange are dealt with in the realised capital reserves. The capital element of the investment management fee along with the associated irrecoverable VAT and relevant finance costs are charged to this reserve. Any associated tax relief is credited to this reserve.

e) Unrealised capital reserves - Increases and decreases in the valuation of investments held are dealt with in the unrealised capital reserve.

f) Taxation - *Deferred taxation is provided for in respect of all timing differences that have originated but not reversed by the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in future have occurred at the balance sheet date. A deferred tax asset is only recognised to the extent that its recovery is considered more likely than not. Deferred tax is recorded in accordance with FRS19 'Deferred Tax'.*

Notes to the Accounts

	2004 £'000	2003 £'000
2 Income		
Income from investments		
Franked investment income	33,931	32,635
UK unfranked investment income	-	37
Other investment income	60	-
Fixed interest	90	-
	<u>34,081</u>	<u>32,672</u>
Other income		
Interest receivable on short term deposits	265	1,682
Income receivable on other securities	3,022	914
Underwriting commission	5	43
	<u>37,373</u>	<u>35,311</u>
Total income		
	<u>37,373</u>	<u>35,311</u>
Total income comprises		
Dividends	33,991	32,635
Interest	265	1,682
Interest from securities	90	37
Other income	3,027	957
	<u>37,373</u>	<u>35,311</u>
Income from investments		
Listed UK	34,081	32,672
	<u>34,081</u>	<u>32,672</u>
	2004 £'000	2003 £'000

3 Investment management fee

Investment management and secretarial fee (including VAT)	2,900	3,912
Charged against capital reserve - realised (see note 16)	(2,030)	(2,738)
	<u>870</u>	<u>1,174</u>
Charged against revenue		

The investment management fee is 0.26% per annum of the total assets of the Company, after deducting current liabilities and excluding commonly managed funds. The fee is subject to VAT at the appropriate rate. The investment management fee is chargeable 30% to revenue and 70% to capital.

Notes to the Accounts

	2004 £'000	2003 £'000
4 Administrative expenses		
Directors' fees	162	162
Auditors' remuneration - audit services	14	13
- non audit services	2	8
Other expenses	694	1,039
	<u>872</u>	<u>1,222</u>

The non audit fees related to the Auditors' review in connection with the change of investment manager in 2003 and the interim accounts in 2003 and 2004.

	2004 £'000	2003 £'000
5 Directors' fees		
Directors' fees	<u>162</u>	<u>162</u>

Details of the breakdown of Directors' fees can be found on page 25 within the Directors' Remuneration Report.

	2004 £'000	2003 £'000
6 Interest payable and similar charges		
Debentures repayable after more than 5 years	19,250	19,250
Amortised debenture stock discount and issue expenses	251	251
	<u>19,501</u>	<u>19,501</u>
Charged against capital reserve - realised (see note 16)	(13,651)	(13,651)
	<u>5,850</u>	<u>5,850</u>

	2004 £'000	2003 £'000
7 Tax on ordinary activities		
a) Analysis of charge in the year		
Overseas taxation	10	-
	<u>10</u>	<u>-</u>

b) Factors affecting the tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an investment trust company (30%) (2003: 30%).

Notes to the Accounts

	2004 £'000	2003 £'000
Return on ordinary activities before tax	29,781	27,065
Return on ordinary activities multiplied by the standard rate of corporation tax of 30% (2003: 30%)	8,934	8,119
Effects of:		
Income not subject to corporation tax	(10,179)	(9,790)
Increase in excess management expenses/excess loan relationship debits in the revenue account	1,245	1,671
Overseas taxation	10	-
Current corporation tax charge (note 7a)	10	-

Investment trust companies are exempt from tax on capital gains if they meet the Inland Revenue criteria set out in s842 ICTA 1988 for a given period. Therefore, any capital return is not included in the above reconciliation.

c) At 31 March 2004, the Company had net surplus management expenses and net surplus losses on loan relationships (being the excess of interest payable on the debenture stocks and any other borrowing over interest receivable) totalling £151,680,380 (2003: £131,149,793). A deferred tax asset has not been recognised in respect of these. This is because the Company is not expected to generate taxable income in a future period in excess of the deductible expenses of that future period and accordingly, it is unlikely that the Company will be able to reduce future tax liabilities through the use of existing surplus expenses.

8 Dividends

	2004 £'000	2003 £'000
Interim dividend paid of 4.2 pence per share (2003: 4.2p)	10,197	10,340
Final proposed dividend of 8.95 pence per share (2003: 8.95p)	21,730	21,730
Overprovision of final dividend in prior year due to share buybacks	-	(54)
	<u>31,927</u>	<u>32,016</u>

9 Return per ordinary share

	revenue	2004 capital	total	revenue	2003 capital	total
Basic	<u>12.26p</u>	<u>84.22p</u>	<u>96.48p</u>	<u>11.05p</u>	<u>(205.49)p</u>	<u>(194.44)p</u>

Returns per ordinary share are based on the net revenue return on ordinary activities after taxation of £29,771,000 (2003: £27,065,000), and the capital appreciation in the year of £204,479,000 (2003: depreciation of £503,374,000) and on 242,796,714 ordinary shares (2003: 244,959,865), being the weighted average number of ordinary shares in issue during the year.

Notes to the Accounts

		2004 £'000	2003 £'000
10 Investments			
Listed in the UK		1,015,669	806,069
Total listed investments		<u>1,015,669</u>	<u>806,069</u>
Unlisted investments - Directors' valuation		114	128
		<u>1,015,783</u>	<u>806,197</u>
	listed UK £'000	unlisted £'000	total £'000
Opening book cost	926,191	798	926,989
Opening unrealised depreciation	(120,122)	(670)	(120,792)
Opening valuation	<u>806,069</u>	<u>128</u>	<u>806,197</u>
Movements in the year			
Purchases at cost	414,294	-	414,294
Sales - proceeds	(424,868)	-	(424,868)
Sales - realised gains on sales	3,550	-	3,550
Increase/(decrease) in unrealised appreciation	216,624	(14)	216,610
Closing valuation	<u>1,015,669</u>	<u>114</u>	<u>1,015,783</u>
Closing book cost	919,167	798	919,965
Closing unrealised appreciation/(depreciation)	96,502	(684)	95,818
	<u>1,015,669</u>	<u>114</u>	<u>1,015,783</u>
		2004 £'000	2003 £'000
Realised gains/(losses) on sales		3,550	(171,217)
Increase/(decrease) in unrealised appreciation		216,610	(315,766)
Gains/(losses) on investments		<u>220,160</u>	<u>(486,983)</u>

Realised gains on sales are shown net of realised losses on short futures positions closed during the year amounting to (£3,452,000) (2003: £ nil). The annualised portfolio turnover rate for the year is 42.6% (2003: 76.4%).

Futures

As at 31 March 2004 the Company had entered into contracts to sell 410 lots of FTSE 100 Index Futures June 2004. The market value equivalent of the stock reflected in the futures contracts is £18,027,700.

	2004 £'000	2003 £'000
Unrealised profit on open futures commitments	212	-
Amount held at futures clearing houses and brokers	1,394	-
	<u>1,606</u>	<u>-</u>

Under a futures agreement with Goldman, Sachs & Co ("Goldman") the Company, in security of all obligations due to Goldman thereunder, has granted a second ranking security and lien in favour of Goldman over *inter alia* funds, securities and other property of the Company, that may be held from time to time by Goldman, and all amounts due to

Notes to the Accounts

Goldman for the Company's account in respect of any futures contracts and all proceeds thereof. This security interest and lien ranks after the senior floating charges in respect of the debentures (see note 14).

11 FRS13 Financial Instruments

The investment objective of the Company is detailed on page 1. In pursuit of this objective, the Company may be exposed to various forms of risk, as described below.

The Company's financial instruments comprise:

- Investments held in accordance with the Company's investment objective and policies
- Cash, liquid resources and short-term debtors and creditors that arise from its operations
- Debenture stocks

The risks arising from the Company's financial instruments are market price risk, which comprises interest rate risk, equity price changes and foreign currency exposure, liquidity risk and counterparty credit risk. The Board reviews and agrees policies for managing each of these risks, which are summarised below. These policies have remained unchanged since the beginning of the accounting period.

It is, and has been throughout the year under review, the Company's policy that no trading in financial instruments shall be undertaken.

Short-term debtors and other short-term creditors are excluded from the following analyses.

Market risk

Market risk arises mainly from uncertainty about future prices of financial instruments used in the Company's business. It represents the potential loss the Company might suffer through holding market positions in the face of price movements and changes in exchange rates. At each Board meeting the Board considers the asset allocation of the portfolio and the risk associated with particular industry sectors within the parameters of the investment objective. The Investment Manager is responsible for actively monitoring the existing portfolio selected in accordance with the overall asset allocation parameters described above and seeks to ensure that individual stocks also meet an acceptable risk-reward profile.

The Company has the option to invest up to £200m of the above debenture stocks in the equity market from investing the full amount of these debentures. In a rising market the Company would benefit, but in a falling market the impact would be severe. In order to manage the level of gearing, the Investment Manager invests part of the assets available in short-term cash deposits. This controls the level of net gearing. As mentioned in the Chairman's statement on page 4 the current policy is that only £80m to £120m of the debenture stocks is invested in the equity market.

Short futures positions have been used during the year as a quick and effective means to decrease the Company's exposure to the equity market. Due to the movement of markets in the year transactions in short term futures have resulted in realised capital losses of £3,452,000 (2003: nil).

Fair value of financial assets and liabilities

Financial assets and liabilities are stated in the balance sheet at values which are not materially different to their fair values, with the exception of the long term fixed rate debenture stocks, whose fair value as at 31 March 2004 has been estimated on the basis of quoted market prices for the stocks and is set out below.

	2004		2003	
	fair value £'000	book value £'000	fair value £'000	book value £'000
11½% debenture stock 2014	142,652	100,000	147,041	100,000
7¾% debenture stock 2022	121,218	100,000	119,047	100,000
	<u>263,870</u>	<u>200,000</u>	<u>266,088</u>	<u>200,000</u>

Notes to the Accounts

Interest rate risk

All of the Company's long term debt is fixed rate which exposes the Company to changes in market value in the event that the debt is repaid before maturity. The debenture stocks in issue provide secure long term funding while short term flexibility is achieved through overdraft facilities. Information on the debenture stocks is provided in note 14.

The Company's financial assets are mainly invested in equity shares and other investments which neither pay interest nor have a maturity date. The Company also has substantial cash balances of £6,122,000 (2003: £14,808,000). The rate of interest on the cash balances at the year end was 3.6875% (2003: 3.0625%), consequently the risk of a decrease in cash interest earned is low. The Board imposes borrowing limits to ensure gearing levels are appropriate to market conditions.

The interest profile of the Company's financial liabilities excluding short-term creditors, as at 31 March 2004 and 2003 was as follows:

Currency	2004	2003
	<i>fixed rate</i>	<i>fixed rate</i>
	financial liabilities	financial liabilities
	£'000	£'000
UK sterling	<u>200,000</u>	<u>200,000</u>
Currency	2004	2003
	weighted	weighted
	average	average
	interest	interest
	rate	rate
UK sterling	<u>9.625%</u>	<u>9.625%</u>
Currency	2004	2003
	fixed rate financial	fixed rate financial
	liabilities: weighted	liabilities: weighted
	average period for	average period for
	which rate is fixed	which rate is fixed
UK sterling	<u>172.5 months</u>	<u>184.5 months</u>

Foreign currency risk

The Company has a small holding denominated in a currency other than the Company's base currency (sterling). The one remaining US Dollar stock with a market value equivalent to £114,000 (2003: £128,000) is due to a previous strategy where overseas unquoted stocks were held.

Liquidity risk

The Company's assets mainly comprise readily realisable securities, which can be easily sold to meet funding commitments if necessary. Short-term flexibility is achieved by the use of overdraft facilities as required. Details of the Company's borrowing commitments are explained in note 14 to the accounts.

The maturity profile of the Company's financial liabilities at 31 March 2004 and 2003 is as follows:

	2004	2003
	£'000	£'000
In more than five years	<u>200,000</u>	<u>200,000</u>
	<u>200,000</u>	<u>200,000</u>

The Company is invested in Fidelity Institutional Cash Fund plc - Sterling Fund (the "Fund"). The advantages of investing in the Fund is that the rate generated is consistent, as well as providing instant access to the invested cash. The Fund endeavours to maintain a Triple A rating (AAA) and an MR1+ rating by Moody's. The Fund will be invested in low risk short-term investments and accordingly will carry a low degree of risk. The Fund will invest in instruments

Notes to the Accounts

whose maturity or interest rate refixing date is less than one year. It is expected that the average maturity will generally be under sixty days. The Fund may invest in bankers' acceptances, certificates of deposit fixed and variable, promissory notes (master notes), commercial paper fixed and variable, floating rate notes, medium term notes, securities issued by the government primarily of an EU member state or any other OECD government (including supra-national entities) and securities or discount notes issued by agencies backed by such governments or supra-national entities and securities issued by non-government institutions. The Investment Manager receives a management fee capped at 0.15% of the net asset value of the Fund.

Counterparty risk

Certain transactions in securities that the Company enters into expose it to the risk that the counterparty will not deliver either the shares (on a purchase) or the cash (on a sale) after the Company has fulfilled its responsibilities.

The Company buys and sells investments on a delivery versus payment basis to manage risk.

The Company buys and sells investments only through brokers which have been approved by the Manager as an acceptable counterparty. Additionally, limits are set as to the maximum exposure to any broker at any time, these limits being reviewed on a regular basis.

	2004 £'000	2003 £'000
12 Debtors - amounts falling due within one year		
Amounts due from brokers	2,435	3,839
Accrued income	9,724	8,541
Overseas tax recoverable	11	-
	<u>12,170</u>	<u>12,380</u>

	2004 £'000	2003 £'000
13 Creditors - amounts falling due within one year		
Amounts due to brokers	2,803	278
Interest due on debenture stocks	2,836	2,836
Sundry creditors	843	536
Proposed final ordinary dividend	21,730	21,730
	<u>28,212</u>	<u>25,380</u>

	2004 £'000	2003 £'000
14 Creditors - amounts falling due after more than one year		
Repayable after more than 5 years:		
11 ¹ / ₂ % debenture stock 2014	100,000	100,000
7 ³ / ₄ % debenture stock 2022	100,000	100,000
Unamortised discount and expenses of debenture issue	(4,648)	(4,899)
	<u>195,352</u>	<u>195,101</u>

The 11¹/₂% debenture stock is redeemable at par on 30 June 2014 and interest is payable in half yearly instalments in June and December each year. The 7³/₄% debenture stock is redeemable at par on 30 September 2022 and interest is payable in half yearly instalments in March and September each year.

Notes to the Accounts

Both debenture stocks are secured by a floating charge over the whole of the assets of the Company.

The market value of the debenture stocks at 31 March 2004 was £263,870,000 (2003: £266,088,000).

The effect on the net asset value of deducting the debenture stocks at market value rather than at par is disclosed in note 17.

	2004 £'000	2003 £'000
15 Called-up share capital		
Authorised:		
316,099,929 (2003: 316,099,929) ordinary shares of 25p each - equity	<u>79,025</u>	<u>79,025</u>
Allotted, called up and fully paid:		
242,796,714 (2003: 242,796,714) ordinary shares of 25p each - equity	<u>60,699</u>	<u>60,699</u>

	share premium account £'000	capital redemption reserve £'000	2004 capital reserve realised £'000	capital reserve unrealised £'000	revenue reserve £'000
16 Reserves					
Beginning of year	6,639	12,756	685,793	(120,792)	36,223
Net gain on realisation of investments	-	-	3,550	-	-
Increase in unrealised appreciation	-	-	-	216,610	-
Net depreciation therein already recognised in prior periods	-	-	(7,187)	7,187	-
Management fee	-	-	(2,030)	-	-
Debenture interest and amortised expenses	-	-	(13,651)	-	-
Retained loss for the year	-	-	-	-	(2,156)
End of year	<u>6,639</u>	<u>12,756</u>	<u>666,475</u>	<u>103,005</u>	<u>34,067</u>

70% of the investment management fee and relevant finance costs have been allocated to the realised capital reserve, in line with the Board's expectation of returns from the Company's investments over the long term in the form of income and capital respectively.

17 Net asset value per share

Total shareholders' funds have been calculated in accordance with the provisions of FRS 4 'Capital Instruments'. The analysis of total shareholders' funds on the face of the balance sheet does not reflect the rights, under the Articles of Association, of the ordinary shareholders on a return of assets. These rights are reflected in the net asset value and the asset value per share attributable to ordinary shareholders at the year end, adjusted to reflect the deduction of the debenture stock at par. A reconciliation between the two sets of figures follows:-

	2004	2003
Total shareholders' funds	£883,641,000	£681,318,000
Adjusted net assets	£878,993,000	£676,419,000
Number of equity shares in issue at year end	242,796,714	242,796,714
Total shareholders' funds per share	363.94p	280.61p
Less: Unamortised debenture stock discount and issue expenses	<u>(1.91p)</u>	<u>(2.02p)</u>
Adjusted net asset value per share	<u>362.03p</u>	<u>278.59p</u>

Notes to the Accounts

	2004 £'000	2003 £'000
The movements during the year of the assets attributable to the ordinary shares were as follows:-		
Adjusted net assets at 31 March 2003	676,419	1,196,428
Total recognised capital gain/(loss) for the year	204,479	(503,374)
Revenue return for the year	29,771	27,065
Dividend appropriated in the year	(31,927)	(32,016)
Movement in unamortised debenture stock discount and issue expenses	251	251
Share buy backs	-	(11,935)
Adjusted net assets at 31 March 2004	<u>878,993</u>	<u>676,419</u>

The net asset value adjusted to include the debenture stocks at market value rather than at par is 335.72p (2003: 251.38p).

	2004 £'000	2003 £'000
18 Reconciliation of movement in shareholders' funds		
Opening shareholders' funds	681,318	1,201,578
Repurchase of ordinary shares	-	(11,935)
Total recognised gains/(losses) before dividends	234,250	(476,309)
Interim dividend paid	(10,197)	(10,340)
Proposed final dividend payable	(21,730)	(21,730)
Overprovision of final dividend in prior year due to share buybacks	-	54
Closing shareholders' funds	<u>883,641</u>	<u>681,318</u>

	2004 £'000	2003 £'000
19 Reconciliation of net cash movements to movement in net debt		
Beginning of year	(111,879)	(94,222)
Net cash (outflow)/inflow	(7,292)	12,011
Treasury bills	-	(24,831)
AAA money market funds	-	(73,000)
Fidelity Institutional Cash Fund	3,322	68,414
Debt due after more than one year	(251)	(251)
Change in net debt	<u>(4,221)</u>	<u>(17,657)</u>
End of year	<u>(116,100)</u>	<u>(111,879)</u>

Reconciliation of net cash movements to movement in net debt (continued)

	2003 £'000	Cash flows £'000	Expenses £'000	2004 £'000
Analysis of balances				
Amounts held at futures clearing houses and brokers	-	1,394	-	1,394
Cash at bank	14,808	(8,686)	-	6,122
Fidelity Institutional Cash Fund	68,414	3,322	-	71,736
Debt due after more than one year	(195,101)	-	(251)	(195,352)
End of year	<u>(111,879)</u>	<u>(3,970)</u>	<u>(251)</u>	<u>(116,100)</u>

Notes to the Accounts

	2004			2003		
	share capital £'000	debentures £'000	total £'000	share capital £'000	debentures £'000	total £'000
20 Analysis of changes in financing during the year						
Beginning of year	67,338	195,101	262,439	68,344	194,850	263,194
Cash outflow from repurchase of shares	-	-	-	(1,006)	-	(1,006)
Amortised discount and expense of issue	-	251	251	-	251	251
End of year	<u>67,338</u>	<u>195,352</u>	<u>262,690</u>	<u>67,338</u>	<u>195,101</u>	<u>262,439</u>

	2004 £'000	2003 £'000
21 Reconciliation of net revenue before finance costs and taxation to net cash inflow from operating activities		
Net return before finance costs and taxation	35,631	32,915
(Increase)/decrease in accrued income	(1,194)	2,779
Increase in sundry creditors	307	437
Management fee charged to capital	(2,030)	(2,738)
Overseas tax paid	(10)	-
Net cash inflow from operating activities	<u>32,704</u>	<u>33,393</u>

22 Contingent liabilities and capital commitments

There were no contingent liabilities or capital commitments as at 31 March 2004 (2003: nil).

23 Transactions with the Manager

The Directors have complied with the provisions of FRS8 which require disclosure of related party transactions and balances. Fidelity Investments International is the Manager and Secretary of the Company and details of the services provided and fees paid are given on page 23.

Investments

at 31 March 2004

	£'000		£'000
BASIC INDUSTRIES		MEDIA & ENTERTAINMENT	
CHEMICALS		ITV	13,040
BOC	4,116	EMAP	10,664
Croda International	1,547	Taylor Nelson Sofres	8,076
CONSTRUCTION & BUILDING MATERIALS		Yell	7,263
Wolseley	6,098	BSkyB	6,802
Barrat Developments	4,531	United Business Media	6,514
Balfour Beatty	2,855	Informa	5,187
McAlpine (Alfred)	2,741	Trinity Mirror	4,430
Persimmon	2,470	Reuters	3,829
RMC	1,830	Reed Elsevier	2,505
AMEC	1,551	GWR	1,664
McCarthy & Stone	1,052	SMG	774
Ultraframe	168	Sanctuary	432
	<u>28,959</u>	Highbury House	236
		SUPPORT SERVICES	
CYCLICAL CONSUMER GOODS		Intertek Group	8,119
AUTOMOBILES & PARTS		Compass	5,519
Inchcape	2,904	PHS	4,132
European Motor	202	Rentokil Initial	3,957
HOUSEHOLD GOODS & TEXTILES		Brambles	2,309
ALBA	2,599	Mitie	2,137
	<u>5,705</u>	Robert Walters	1,364
		Bunzl	1,301
CYCLICAL SERVICES		Serco	1,254
GENERAL RETAILERS		Davis Service	1,120
Dixons	5,722	Business Post	1,006
Kesa Electricals	5,127	Trifast	997
JJB Sports	4,064	PSD	403
Next	2,201	TRANSPORT	
Signet	2,154	Firstgroup	7,148
Matalan	1,901	BAA	6,906
Boots	1,872	Wincanton	2,285
Wyevale Garden Centres	1,216	British Airways	2,127
Brown (N)	1,150	Tibbitt & Britten	1,730
WH Smith	834	Go-Ahead	1,145
Kingfisher	802	Avis Europe	703
Body Shop	437		<u>198,406</u>
LEISURE & HOTELS		FINANCIALS	
Hilton	15,797	BANKS	
William Hill	7,224	HSBC	50,135
Stanley Leisure	4,393	Royal Bank of Scotland	44,153
De Vere	4,008	Standard Chartered	23,945
Punch Taverns	2,903	Barclays	19,149
Carnival	2,411	Lloyds TSB	18,433
Wetherspoon (JD)	2,406	Northern Rock	6,465
Intercontinental Hotels	2,237	Abbey National	5,384
Enterprise Inns	1,359	Alliance & Leicester	2,706
Center Parcs	583		
Sportingbet	527		

Investments

at 31 March 2004

	£'000		£'000
INSURANCE		SOFTWARE & COMPUTER SERVICES	
Royal & Sun Alliance Insurance	5,376	Misys	3,882
Jardine Lloyd Thompson	987	Isoft	2,477
Hiscox	344	Dimension Data	1,791
Wellington Underwriting	211	Xansa	1,350
INVESTMENT COMPANIES		Emblaze	1,211
3i	2,452	Easynet	306
LIFE ASSURANCE		Surfcontrol	187
Aviva	14,709	EIDOS	177
Prudential	7,399		<u>15,661</u>
Legal & General	3,674	NON-CYCLICAL CONSUMER GOODS	
Britannic	1,540	BEVERAGES	
REAL ESTATE		Allied Domecq	7,535
British Land	4,292	Sabmiller	2,952
Capital & Regional CV 6.75% 2016	3,165	Diageo	1,590
Countrywide Assured	2,267	FOOD PRODUCERS & PROCESSORS	
Land Securities	1,819	Unilever	12,010
Minerva	1,155	Associated British Foods	7,107
Pillar Property	1,089	Tate & Lyle	3,109
NHP	587	Sygen International	368
SPECIALITY & OTHER FINANCE		HEALTH	
Amvescap	6,511	Nestor Healthcare	526
ICAP	6,106	PHARMACEUTICALS & BIOTECHNOLOGY	
Man	5,497	GlaxoSmithKline	64,921
Intermediate Capital	5,151	AstraZeneca	15,706
Provident Financial	4,334	Galen	4,935
Schroders	2,105	Alliance Unichem	2,104
Cattles	896	Shire Pharmaceuticals	2,027
Close Brothers	856	Skyepharma	1,028
Investec	351	Celltech	994
KB Mezzanine Fund	114	TOBACCO	
	<u>253,357</u>	British American Tobacco	24,163
GENERAL INDUSTRIALS		Imperial Tobacco	13,093
AEROSPACE & DEFENCE		Gallaher	9,157
VT Group	3,849		<u>173,325</u>
Cobham	3,258	NON-CYCLICAL SERVICES	
Ultra Electronics	3,126	FOOD & DRUG RETAILERS	
Rolls-Royce	2,360	Tesco	17,212
BAE Systems	2,155	Morrison (WM) Supermarket	5,983
Meggitt	1,799	Sainsbury (J)	3,044
ENGINEERING & MACHINERY		TELECOMMUNICATION SERVICES	
Cookson	3,242	Vodafone	79,705
Weir	2,355	mmO2	12,105
Rotork	1,970		<u>118,049</u>
Bodycote International	334	RESOURCES	
	<u>24,448</u>	MINING	
INFORMATION TECHNOLOGY		Xstrata	11,335
INFORMATION TECHNOLOGY HARDWARE		BHP Billiton	9,532
Arm	2,144	Rio Tinto	5,463
Filtronic	1,147	Anglo American	3,621
CSR	669	Lonmin	1,718
Wolfson Microelectronics	320		

Investments

at 31 March 2004

	£'000
OIL & GAS	
BP	76,288
Shell Transport & Trading	35,561
Cairn Energy	3,825
Expro International	1,044
John Wood	883
Regal Petroleum	598
Premier Oil	565
Lasmo	379
	<u>150,812</u>
UTILITIES	
ELECTRICITY	
Scottish & Southern Energy	12,771
Scottish Power	604
OTHER UTILITIES	
Centrica	17,590
Severn Trent	7,261
National Grid Transco	4,161
South Staffordshire	1,971
Pennon	1,174
Kelda	1,025
AWG	292
	<u>46,849</u>
FUTURES	
FTSE 100 Index Futures	212
Total Investments	<u>1,015,783</u>
Total Equities	1,012,406
Total Bonds	3,165
Total Futures	212
	<u>1,015,783</u>

Notice of Meeting

Notice is hereby given that the one hundred and fifteenth Annual General Meeting of The Edinburgh Investment Trust plc will be held at the Caledonian Hilton Hotel, Princes Street, Edinburgh on Wednesday 21 July 2004 at 2.30pm, for the following purposes:

ORDINARY BUSINESS

1. To receive the report of the Directors and Auditors and the financial statements for the year ended 31 March 2004.
2. To approve a final dividend on the ordinary shares.
3. To re-elect Mr Scott Dobbie a Director of the Company.
4. To elect Mrs Nicola Ralston as a Director of the Company.
5. To elect Mr William Samuel as a Director of the Company.
6. To approve the Directors' Remuneration Report for the year ended 31 March 2004
7. To re-appoint KPMG Audit Plc as Auditors of the Company.
8. To authorise the Directors to fix the remuneration of the Auditors for the year to 31 March 2005.

SPECIAL BUSINESS

To consider and, if thought fit, pass the following resolution which will be proposed as a special resolution.

Special resolution

9. That, in substitution for any existing authority, the Company be and it is hereby authorised in accordance with Section 166 of the Companies Act 1985 (the "Act"), to make market purchases (within the meaning of Section 163(3) of the Act) of any of its ordinary shares of 25p each ("shares") in such

manner and upon such terms as the Directors of the Company may from time to time determine, provided that:

- (i) the maximum number of shares hereby authorised to be purchased is 14.99% of the issued share capital of the Company as at the date of the passing of this resolution;
- (ii) the minimum price which may be paid for a share shall be 25p;
- (iii) the maximum price (exclusive of expenses) which may be paid for a share shall be an amount equal to 105% of the average of the middle market quotations (as derived from the London Stock Exchange Daily Official List) for the shares for the five business days immediately preceding the date of purchase; and
- (iv) unless previously revoked, renewed or varied, the authority hereby conferred shall expire on the earlier of 20 January 2006 or at the conclusion of the Annual General Meeting of the Company to be held in 2005, save that the Company may, prior to such expiry enter into a contract or contracts to purchase shares under such authority which would or might be executed wholly or partly after the expiry of such authority and the Company may make such a purchase in pursuance of any such contract or contracts as if the authority hereby conferred had not expired.

By order of the Board

Fidelity Investments International

Secretary

11 June 2004

Notice of Meeting

Notes:

1. A member who is entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and, on a poll, vote on his/her behalf. A proxy need not be a member of the Company.
2. A form of proxy for use by shareholders is enclosed with these accounts. Completion and return of the form of proxy will not prevent any shareholder from attending the meeting and voting in person. To be valid, the form of proxy should be lodged, together with any power of attorney or other authority (if any) under which it is signed or an extract from the Books of Council and Session or a notarially certified copy of such power or authority at the address stated thereon, so as to be received not less than 48 hours before the time of the meeting.
3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those shareholders entered on the register of members of the Company as at 6.00pm on 19 July 2004 or, in the event that the meeting is adjourned, on the register of members 48 hours before the time of any adjourned

meeting, shall be entitled to attend and vote at the meeting in respect of the number of ordinary shares registered in their name at that time. Changes to the entries in the register of members after 6.00pm on 19 July 2004 or, in the event that the meeting is adjourned, in the register of members 48 hours before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting, notwithstanding any provisions in any enactment, the Articles of Association of the Company or other instrument to the contrary.

4. There are special arrangements for holders of shares through the Fidelity Investment Trust Share Plan and the Fidelity Investment Trust ISA/PEP, and for holders through InvestIT - the Edinburgh Fund Managers Investment Trust Savings Plan and ISA/PEP and Pension arrangements. These are explained in the 'Letter of Direction' which such holders will have received with this report.
5. Copies of the Directors' letters of appointment will be available prior to the Annual General Meeting.

Financial Calendar

Announcements, ordinary share dividend payments and the issue of the annual and interim reports may normally be expected in the following months:

May – Preliminary figures and recommended final dividend for year announced

June – Annual report and accounts published

July – Annual General Meeting and final dividend paid

October – Interim figures and interim dividend announced

November – Interim report for half-year to 30 September published

December – Interim dividend paid

This year's Annual General Meeting will be held at the Caledonian Hilton Hotel, Princes Street, Edinburgh on Wednesday 21 July 2004 at 2.30pm. Shareholders are asked to reply on the enclosed card if they will be attending the meeting.

Following the meeting shareholders will have the opportunity to meet informally with the Board and Manager. Tea and biscuits will be served.

Debenture interest is payable half-yearly as undernoted.

Debenture stock	interest payable
11½ % debenture stock 2014	30 June and 31 December
7¾ % debenture stock 2022	31 March and 30 September

Investing in The Edinburgh Investment Trust

The Manager of this trust – Fidelity Investments International – offers a range of options, so you can invest in the way that's best for you. Of course, as The Edinburgh Investment Trust is a listed company, you can also buy its shares through a stockbroker, share shop or bank.

Investing inside an ISA

A Fidelity ISA (Individual Savings Account) can be an excellent way to get more from your investment, because you won't have to pay income or capital gains tax on your returns.

- up to £7,000 in a Maxi ISA
- up to £3,000 in a Mini ISA

The minimum investment in the Fidelity Investment Trust ISA is £1,000 as a lump sum, £250 as a top-up or £50 a month in a regular savings plan.

5 in 1 ISA - The Edinburgh Investment Trust is one of five investment trusts managed by Fidelity. You can invest in the entire range through the Fidelity 5-in-1 ISA, which spreads your money equally across all five trusts. This offers a simple and convenient way to invest across Europe, the UK, Japan and Asia – giving you a broadly diversified portfolio in a single investment.

Charges - The standard initial charge for the Fidelity

ISA is 3.5%. The annual charge for the Edinburgh Investment Trust within an ISA is 0.5% + VAT. There is an additional yearly charge of 0.5% + VAT when you invest through an Independent Financial Adviser.

Moving money from previous PEPs and ISAs

If you have opened ISAs or PEPs with other investment companies, you can move them into The Edinburgh Investment Trust – without losing any tax benefits. This is known as a transfer and it can be a great way to give your portfolio a new focus, or to realign it with your current investment goals. During the transfer your money won't be invested in the stock market so you may miss out on any growth during this time.

Charges - The standard initial charge for a transfer is 3.5%. You won't have to pay any additional transfer costs. However, please bear in mind that your current ISA or PEP manager may ask you to pay an exit fee. The annual charge is as shown in the "Investing inside an ISA section".

Keeping you updated

If you hold The Edinburgh Investment Trust in an ISA or PEP, you will receive a yearly report detailing all your transactions and the value of your shares. Investors with the Fidelity Investment Trust Share Plan will receive statements and valuations twice a year.

The share price of The Edinburgh Investment Trust appears daily in The Financial Times, The Times, The Guardian, The Daily Telegraph, The Scotsman and The Herald. Price and performance information is also available at itseit.co.uk.

Investors can obtain the real-time share price by phoning FT Cityline on 0906 843 2422. Calls cost 60p a minute.

Investing in The Edinburgh Investment Trust

Investing outside an ISA

If you prefer to invest outside an ISA, or have already used your full ISA allowance, the **Fidelity Investment Trust Share Plan** offers you a low-cost and convenient way to put money into The Edinburgh Investment Trust.

The minimum investment is £1,000 as a lump sum, £250 as a top-up or £50 a month in a regular savings plan.

Investing for children - The Share Plan is a flexible and inexpensive way to invest on behalf of children. All you have to do is enter the initials or name of the child in the Designation Box on the Share Plan application form. A special leaflet on investing for children through investment trusts is available from Fidelity.

Charges - There are no charges for buying, selling or holding shares through the Fidelity Investment Trust Share Plan other than Stamp Duty of 0.5%, which is currently payable on all share purchases. However, if you invest through an Independent Financial Adviser, there may be an initial charge of up to 3%.

Moving existing shares to Fidelity

If you have an Edinburgh Investment Trust ISA or

PEP with the previous manager – Edinburgh Fund Managers (“EFM”) – you can transfer it to Fidelity, who will pay the exit fee charged by EFM.

Alternatively, if you have invested in the trust outside an ISA through the EFM investment trust savings scheme (InvestIT), you can move your shares to the Fidelity Share Plan – again Fidelity will cover any exit fees charged by EFM. This transfer could be particularly useful for investors who are restarting a monthly savings plan (no longer available with the EFM scheme) and want all their holdings together in one account.

An additional bonus for investors transferring holdings from EFM is that Fidelity will accept *monthly savings contributions below the minimum £50 a month.*

Holding shares directly - Finally, if you have shares in The Edinburgh Investment Trust that you bought through a broker or share shop, you can transfer them into the Fidelity Investment Trust Share Plan. Doing this allows you to reinvest your dividends and make further investments without having to pay brokerage fees. You'll also be able to set up a monthly savings plan and you will receive *statements and valuations twice a year.*

Further information

For application forms or more information about any of the investment options described here, please call the **Fidelity Investment Trust Line on 0800 41 41 10** and talk to a Fidelity customer representative (9am to 6pm).

Alternatively, you may like to visit the **Fidelity London Investor Centre** at 25 Cannon Street, next to St Paul's Cathedral.

You can also find out more by visiting itseit.co.uk or contacting your Independent Financial Adviser.

The value of tax savings and eligibility to invest in an ISA or PEP will depend on individual circumstances and all tax rules may change in the future. Past performance is not a guide to future returns. The value of investments and the income from them may fall as well as rise and the investor may not get back the amount invested. Fidelity only provides information about its products and will not give investment advice based on individual circumstances. Should you wish to seek advice, please contact an Independent Financial Adviser. The Fidelity Investment Trust ISA and PEP are offered and managed by Financial Administration Services Limited and the Fidelity Investment Trust Share Plan is offered by Fidelity Investments International. The Fidelity Investment Trust Share Plan is administered by Lloyds TSB Registrars Scotland. All companies are authorised and regulated by the Financial Services Authority. Issued by Fidelity Investments International which is authorised and regulated by the Financial Services Authority.