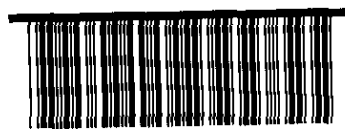


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Edinburgh Worldwide Investment Trust plc

Annual Report and Accounts 31 October 1999

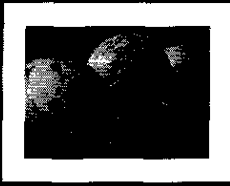


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Edinburgh
FUND MANAGERS



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Objective

The achievement of long term capital growth in excess of the capital return (in sterling terms) of the Morgan Stanley Capital International World Index by investing in stock markets throughout the world.

Financial Summary

| | 31 October 1999 | 31 October 1998 | % change |
|--|-----------------|-----------------|----------|
| Net asset value per share | 270.8p | 202.1p | 34.0 |
| Net asset value total return per share | — | — | 35.1 |
| Share Price | 214.25p | 167.5p | 27.9 |
| MSCI World Index (sterling terms) | | | |
| – Capital return | — | — | 26.0 |
| – Total return | — | — | 27.9 |
| Actual gearing ratio | 9.8% | -1.7% | — |
| Maximum potential gearing ratio | 29.9% | 39.7% | — |
| Earnings per share | 2.80p | 0.39p* | — |
| Total dividends per share | 2.20p | 0.25p* | — |
| Total expense ratio | | | |
| – as % of average total assets | 0.9% | 1.0%* | |
| – as % of average shareholders' funds | 1.2% | 1.3%* | |

* for the period 9 July to 31 October 1998



Chairman's Statement

In this the company's first full financial year, I am pleased to report that for the twelve months to 31 October 1999 the net asset value per share increased by 34.0% to 270.83p, substantially beating the MSCI World Index which rose by 26.0% (in sterling terms) in the same period. The outperformance of the net asset value was attributable largely to excellent stock selection and it is encouraging to report that all geographic segments of the portfolio produced returns ahead of the relevant index.

The share price rose by 27.9% to 214.25p and represented a discount of 20.9% to net asset value at 31 October 1999. A detailed analysis of the asset performance is included in the Manager's Review.

Revenue

The revenue return for the year amounted to 2.80p and the Board is recommending a final dividend of 1.70p which will be paid on 1 February 2000 to shareholders on the register on 6 January 2000. When combined with the interim dividend of 0.50p, the total dividend paid for the year will amount to 2.20p.

Share Buy Backs

The company received approval from shareholders at last year's Annual General Meeting to purchase its own shares and subsequently applied to the Court of Session to cancel a proportion of its share premium account. Approval from the Court was received in April 1999 and a new special reserve was established to fund purchases of the company's shares. The board intends to purchase shares for cancellation when there is an imbalance between the supply of and demand for the company's shares and a buyback would enhance the net asset value per share for continuing shareholders. The company did not repurchase any of its shares in the period to 31 October 1999.

Marketing

The Association of Investment Trust Companies (AITC) has recently embarked on a campaign to improve the awareness of potential investors to the attractions of investment trusts. The company, as a member of the AITC, has agreed to contribute £53,000 per annum over the next three years to this campaign which will hopefully lead to a reduction in the discount to net assets.

In addition, the board will continue to promote the company more specifically through the manager's "investment trust initiative" whereby Edinburgh Worldwide participates in the retail products operated by Edinburgh Fund Managers. These products currently comprise of a savings scheme, personal equity plans, individual savings accounts and pension plans and enable investors to make monthly savings or lump sum investments in the company's shares in a low cost and convenient manner. The company's contribution to this initiative was £44,000 for the year.



Chairman's Statement

Outlook

Faster economic growth is generating a healthy environment for corporate profits and analysts' forecasts have been increased repeatedly in recent months. While further small increases in interest rates may be required to keep inflation under control, the pre-emptive actions by central banks in the UK, Europe and the USA have been welcomed by investors as signals that previously damaging boom to bust cycles will be avoided. A continuation of growth and low inflation should be rewarding for investors in global equities in the year ahead.

Annual General Meeting

The AGM will be held in Donaldson House, Edinburgh on 28 January 2000. I look forward to welcoming shareholders.

David A Coltman

Chairman

7 December 1999



Manager's Review

After the trauma of late last year, global equity markets staged a powerful rally. As central banks moved to cut interest rates, investors' confidence returned and the concerns regarding an economic collapse quickly disappeared. The belief that the authorities would reduce interest rates to whatever level was required to ensure economic stability galvanised global investors. The stocks leading the rebound were those that had fallen by the greatest amount in the previous months and included, in particular, the technology and financial sectors. The net asset value per share rose by 34.0%, which was well ahead of the 26.0% gain recorded by the MSCI World Index. The attribution analysis table below shows that stock selection was the main contributor to the outperformance.

Attribution analysis for the year to 31 October 1999

| | % |
|------------------------------|------|
| Increase in Net Asset Value | 34.0 |
| Increase in MSCI World Index | 26.0 |
| Difference | 8.0 |

Difference is attributable to:

| | Currency % | Asset Allocation % | Stock Selection % | Total % |
|-------------------|---------------|-----------------------|----------------------|------------|
| US equities | (0.1) | (0.1) | 8.6 | 8.4 |
| UK equities | 0.0 | (0.5) | 0.6 | 0.1 |
| European equities | (0.2) | 0.4 | (0.1) | 0.1 |
| Japanese equities | (0.2) | (0.2) | 0.9 | 0.5 |
| Pacific Basin | (0.1) | 0.7 | 0.1 | 0.7 |
| Emerging markets | 0.0 | 0.1 | 0.0 | 0.1 |
| Futures/options | — | (1.8) | — | (1.8) |
| Borrowings | — | 10.0 | — | 10.0 |
| Cash | — | (7.9) | — | (7.9) |
| Capital charges | — | (2.4) | — | (2.4) |
| Retained revenue | — | 0.2 | — | 0.2 |
| | (0.6) | (1.5) | 10.1 | 8.0 |

MARKET BACKGROUND

USA

Once it had been established that a global meltdown had been avoided and that equity markets had regained their equilibrium, it became possible to examine global trends in a more logical manner. From the beginning of 1999 it became more evident that the US economy would show strong growth in the foreseeable future and that the outcome of lower interest rates was an upturn in consumer spending. This surge in spending was fuelled by rising real wages, reduced mortgage payments and increasing gains in wealth due to a rising stockmarket. However, despite such strength in the consumer sector, inflation has remained well under control. This was the dilemma that US investors faced; strong growth with apparently no inflation. This became particularly acute in the second half of the year as the authorities raised interest rates twice with little sign of either a slowdown or increasing inflation.

The lack of inflation was the result of a loss in pricing power in many industries due to competition, not only from domestic sources, but also from Asia, which benefited from extremely competitive currencies. With this background investors emphasised areas of the market which had some ability to pass on prices or which had become adept at operating in a disinflationary environment. This led investors to the larger companies which had both the resources to invest in productivity enhancing systems and the management to operate in such a harsh environment. The traditional growth sectors



of technology and communications were the prime beneficiaries although some cyclical stocks had a brief moment of glory in April when there was a sharp rise in such sectors as paper and chemicals. This however was more a recognition of the large discrepancy in valuations rather than any belief in the longer term attraction of these industries. During the year US equities rose 27.7% with most of the gains being achieved in the first half of the year.

Japan

In Japan, the problems facing the authorities were completely different given the depressed nature of the economy. During the year, the Government announced several fiscal packages to support growth and evidence appeared finally that the economy might be growing. Consumer confidence picked up and industrial production rose which led to optimism that the country was on a sustainable growth trend. Inflation remained non-existent and there was no thought of increasing interest rates. Indeed the Bank of Japan was under great pressure to loosen monetary policy further to guarantee the rebound in activity.

Investors were heartened by announcements on corporate restructuring, as well as a brighter economic outlook. In the first instance, this was mainly confined to the banking sector, which was being submerged under a mountain of bad debt but latterly this spread to other areas. Profitability and capital returns were taking on new importance in corporate Japan.

As a result of an improved economic background and corporate restructuring, foreign investors returned to a market they had previously deserted. Over the period, Japanese equities returned 60% in sterling terms after a 13% appreciation in the Yen. The best returns came from those companies which were restructuring or tagged with the 'New Japan' label, such as technology and communication.

Europe

European markets were relatively disappointing after the initial rebound in November and

December. The introduction of the Euro at the start of 1999 was an operational success but a failure in terms of attracting investor interest. During the course of the year, the Euro weakened from its introductory rate of US\$1.18 per Euro to US\$1.04. This weakness not only reflected the underlying state of the economy and the interest rate reduction in March, but also the withdrawal of funds by US investors to facilitate investment in Japan.

However, the positive side of Euro weakness was the improved competitive position of European, particularly German, exports. This was a major support to the economy and, towards the end of the period, there was evidence that an improvement in activity was occurring. Although Germany and Italy were struggling, the economies in other parts of Europe were performing well. Spain, Holland and France experienced a much better environment. There was a strong move in cyclical stocks, such as chemicals and paper, during the spring but, towards the end of the year, interest returned to the more growth orientated sectors such as technology and financials.

Over the period, the best returns were achieved in France, Sweden and Finland. Sweden prospered due to the recovery in paper stocks and also the continuing interest in technology, while Finland was driven by the performance of Nokia. The returns in France were more balanced with retailers, financials and technology stocks all contributing to a strong market. Over the year Finland (mainly Nokia) rose 104%, Sweden 49% and France 26%. The laggards were the smaller markets of Ireland and Spain, which made little progress. Their stockmarkets had performed well in the run up to monetary union and were ignored as economic activity seemed to improve in the 'core' countries of France and Germany. Switzerland with its bias towards financial and pharmaceutical stocks also disappointed with a gain of less than 1% in sterling terms.

UK

UK equities exhibited similar trends to European markets. As evidence and conviction grew that the



Manager's Review

UK economy would avoid a slowdown, there was a distinct change in market emphasis. Stocks which had previously been ignored by investors, such as general industrials and small companies, began to perform strongly in the spring, a move which continued well into the summer. Although there was little sign of inflationary pressure, the *Monetary Policy Committee of the Bank of England* became concerned about the speed of the recovery and decided to increase interest rates in September. This initiated a complete reversal in market behaviour as investors returned to the previous favourites of telecommunications and pharmaceuticals stocks. Financial stocks also performed well, being supported by the expectation of further consolidation in the sector. The bid for National Westminster Bank by Bank of Scotland was a timely reminder of the likelihood of continuing merger activity.

Asia

The recovery in Asia was much quicker and more robust than was expected. With competitive and stable currencies, interest rates fell sharply facilitating a recovery in domestic demand allied to a strong export performance. The continuing strength of the US economy and the recovery in Japan were of tremendous benefit to Asia. Singapore was a prime beneficiary of this improved outlook and equities surged over 90% in the period. The market was helped by a number of structural reforms such as the amalgamation of foreign and local shares and a reduction in the amount of capital that commercial banks had to hold at the central bank. Singapore, being a major provider of components to the computer industry, also benefited from the increasing demand for electronic goods. Hong Kong rose 25% with strong performances from the market leaders which had been bought by the Hong Kong Monetary Authority to help support the market. With investors increasing their appetite for risk, it was not surprising that Australia underperformed the other markets. Its defensive nature had served it well in the crisis, but even a surge in some commodity prices could not prevent it lagging the region with a return of 12%.

PERFORMANCE

During the year to 31 October 1999 the net asset value of the fund rose 34.0%. This compared to a gain of 26.0% in the Morgan Stanley Capital International World Index. An overweight position in the fast recovering markets of Asia, particularly Singapore, was beneficial to performance. Within the Asian portfolios stock selection was positive with United Overseas Bank, Singapore Airlines and Singapore Press being the main contributors. Overall, the Asian portfolio rose 44.4% compared to a rise of 25.6% in the MSCI Pacific Basin ex Japan Index.

An underweight position in Japan was detrimental to performance but stock selection within the country more than compensated for this index position. Communication stocks, such as Hikari Tsushen, NTT Mobile and NTT all made substantial progress as investors became attracted to those areas of the economy which offered the fastest growth. Restructuring was another theme in the market and this benefited NSK, a ballbearing company, and Kyocera, an electronics component manufacturer. The Japanese portfolio rose 70.8% compared to a gain of 60.6% in the corresponding MSCI Index.

Returns from the rest of the world's stockmarkets failed to match those of the Pacific region but were in themselves extremely satisfactory. Despite ongoing concerns regarding valuation levels, Wall Street put in a strong performance rising 27.7%. The prime drivers of the market were technology and communications, although some cyclical sectors did have a short period of outperformance in April. The fund's US equity portfolio produced a return well in excess of the market with a rise of 45.0%. Although the fund benefited from the performances of Sun Microsystems, Texas Instruments and America On Line in the technology sector, there were significant contributors to performance from stocks outwith that area. Walmart, Johnson and Johnson, General Electric and Tyco, the industrial conglomerate, were notable successes.



The overall return from Europe was 13.5%, but this masked some large divergences. Sweden and Finland, with a heady mix of paper and technology stocks, made very strong progress. France also witnessed significant gains, while the smaller markets of Spain and Ireland made little or no progress. The German market only rose 8.5% *but the portfolio benefited substantially from holdings in Mannesmann and Deutsche Telekom.* The portfolio was also well served by its Dutch holdings, KPN, the telecommunications company, and UPC, the cable company. Over the year the Europe (ex UK) portfolio rose 13.5% compared to a 13.1% in the corresponding benchmark.

The UK was one of the least profitable regions for global investors with a return of 12.8%. The UK portfolio however returned 16.8% with telecom stocks, such as BT and Vodafone, making a significant contribution. A full weighting in BP Amoco, which benefited from the rise in the oil price, and Barclays, where there were rumours of takeover activity, were also major contributors to the gains in the portfolio.

An encouraging feature of the overall portfolio in the past year was the *outperformance of all regions* relative to the local benchmark. The positive contribution from good stock selection has continued into the new financial year.

PORTFOLIO

As a result of the increase in gearing in the early part of the year, the weightings in the United States, Asia and Japan were increased. There was a reduction in *European exposure due to the poorer economic outlook* in 'core' Europe and the uncertainty surrounding the progress of the Euro. The resultant allocation was run for most of the period and gearing was increased further to around 10% with purchases of Japanese equities in the summer. Later on, the portfolio reduced its overweight position in UK equities to rebuild the weightings in Europe where we expect equity markets to benefit from economic recovery and further corporate activity. At the end of the period the portfolio maintained its

bias towards the smaller Asian markets at the expense of Japan. After benefiting from a run in more cyclical stocks during the summer, the overall portfolio emphasis was shifted towards more growth orientated sectors, such as telecommunications and pharmaceuticals.

PROSPECTS

The recent increases in interest rates by central banks have been seen as pre-emptive moves to dampen any incipient inflation problems. This is a very positive development for financial markets and is likely to mean that future interest rate increases are limited. Against this background, bond yields should remain around current levels which will provide support to equities. As *global growth picks up due to recoveries in Japan and Europe*, corporate earnings are likely to rise significantly, adding to the attractiveness of equities. One of the key factors determining the outlook for equities is the performance of the US economy and US stockmarket. There are tentative signs of a welcome slowdown in the economy and, with no sign of inflation, the possibility of a series of interest rate increases is reduced. Should this come to pass then US equities, which are highly valued in historical terms, are unlikely to suffer a major setback which will be highly encouraging for global equities.

In the near term, we are likely to maintain a neutral position towards US equities while favouring Asian markets over Japan. The weightings in Europe are likely to be increased slightly at the expense of the United Kingdom.

One common feature is increasing corporate activity as companies seek to protect margins in an environment of no pricing power. Much of the recent activity has taken place in the communications and financial sectors and we remain optimistic for companies in these areas as well as the pharmaceutical sector.

Edinburgh Fund Managers plc
7 December 1999



Distribution of Investments

at 31 October 1999

| | North America % | Europe (ex UK) % | United Kingdom % | Japan % | Pacific (ex Japan) % | Emerging Markets % | Total % | MSCI World Index % |
|----------------------------------|-----------------|------------------|------------------|-------------|----------------------|--------------------|--------------|--------------------|
| Energy | | | | | | | 8.9 | 8.5 |
| Energy sources | 2.5 | 1.4 | 1.1 | — | — | — | 5.0 | 5.3 |
| Utilities, electrical & gas | 1.2 | 2.2 | 0.5 | — | — | — | 3.9 | 3.2 |
| Materials | | | | | | | 7.6 | 4.5 |
| Building materials & components | — | 0.7 | — | — | — | — | 0.7 | 0.7 |
| Chemicals | — | 0.8 | — | — | — | — | 0.8 | 2.0 |
| Forest products & paper | 1.8 | — | — | — | — | — | 1.8 | 0.6 |
| Metals | 0.4 | 1.5 | — | 0.8 | — | 0.3 | 3.0 | 0.9 |
| Miscellaneous materials | 1.3 | — | — | — | — | — | 1.3 | 0.3 |
| Capital equipment | | | | | | | 17.9 | 16.1 |
| Aerospace & military technology | 1.0 | — | 0.3 | — | — | — | 1.3 | 0.7 |
| Construction & housing | — | 0.6 | — | — | — | — | 0.6 | 0.4 |
| Data processing & reproduction | 1.1 | — | — | — | — | — | 1.1 | 2.6 |
| Electrical & electronics | 5.3 | 0.7 | 0.5 | — | — | — | 6.5 | 4.7 |
| Electronic components | 3.1 | — | — | 1.1 | — | — | 4.2 | 5.4 |
| Energy equipment & services | — | — | — | — | — | — | — | 0.4 |
| Industrial components | 1.6 | — | — | 0.6 | — | — | 2.2 | 0.9 |
| Machinery & engineering | 0.6 | 1.0 | — | 0.4 | — | — | 2.0 | 1.0 |
| Consumer goods | | | | | | | 13.2 | 19.4 |
| Appliances & household durables | — | 0.9 | — | 0.8 | — | — | 1.7 | 1.2 |
| Automobiles | — | — | 0.4 | — | — | — | 0.4 | 2.4 |
| Beverages & tobacco | 1.1 | — | — | — | — | — | 1.1 | 2.2 |
| Food & household products | 2.0 | — | — | — | — | — | 2.0 | 2.7 |
| Health & personal care | 4.2 | 0.7 | 1.6 | 0.9 | — | — | 7.4 | 9.8 |
| Recreation, other consumer goods | — | — | — | — | — | — | — | 0.9 |
| Textile & apparel | — | — | — | 0.6 | — | — | 0.6 | 0.2 |
| Services | | | | | | | 29.1 | 29.0 |
| Broadcasting & publishing | 3.8 | 0.7 | 0.4 | — | 0.2 | — | 5.1 | 2.6 |
| Business & public services | 4.1 | 1.6 | 0.6 | — | — | — | 6.3 | 8.3 |
| Leisure & tourism | 1.6 | 0.6 | — | — | 0.2 | — | 2.4 | 1.4 |
| Merchandising | 3.2 | — | 0.4 | — | — | 0.2 | 3.8 | 5.1 |
| Telecommunications | 2.7 | 1.6 | 1.8 | 2.4 | 1.3 | — | 9.8 | 9.9 |
| Transportation | — | — | — | — | 0.8 | — | 0.8 | 1.4 |
| Wholesale & international trade | — | — | — | 0.9 | — | — | 0.9 | 0.3 |
| Finance | | | | | | | 19.8 | 19.1 |
| Banking | 3.4 | 3.6 | 1.8 | 2.8 | 1.8 | — | 13.4 | 10.4 |
| Financial services | — | — | — | — | — | — | — | 3.4 |
| Insurance | 3.0 | 1.9 | 0.6 | — | — | — | 5.5 | 4.5 |
| Real estate | — | — | — | — | 0.9 | — | 0.9 | 0.8 |
| Other | | | | | | | 3.5 | 3.4 |
| Gold mines | — | — | — | — | — | — | — | 0.1 |
| Multi-industry | 1.7 | — | 0.2 | — | — | — | 1.9 | 3.3 |
| Unit trusts | — | 0.7 | — | — | — | 0.9 | 1.6 | — |
| Total portfolio | 50.7 | 21.2 | 10.2 | 11.3 | 5.2 | 1.4 | 100.0 | |
| MSCI World Index | 52.5 | 21.5 | 9.7 | 13.6 | 2.7 | — | | 100.0 |



List of Largest Investments

at 31 October 1999

| Company | Market Value £000 | Country | Sector classification | % price change* |
|-----------------------------------|----------------------|--|--------------------------------|--------------------|
| Microsoft | 3,379 | USA | Business & public services | 78.5 |
| General Electric | 3,336 | USA | Electrical & electronics | 58.1 |
| Wal-Mart Stores | 3,247 | USA | Merchandising | 67.5 |
| Texas Instruments | 3,063 | USA | Electrical & electronics | 186.5 |
| Cisco Systems | 2,785 | USA | Electronic components | 139.8 |
| International Paper | 2,590 | USA | Forest products & paper | (6.6) |
| American International | 2,509 | USA | Insurance | 53.9 |
| Tyco International | 2,470 | USA | Multi-industry | 32.2 |
| Warner-Lambert | 2,442 | USA | Health & personal care | 3.9 |
| McDonald's | 2,376 | USA | Leisure & tourism | (5.1) |
| <i>Ten largest investments</i> | <i>28,197</i> | <i>19.4% of the total value of investments</i> | | |
| Colgate-Palmolive | 2,360 | USA | Food & household products | 12.8 |
| Intel | 2,319 | USA | Industrial components | 77.2 |
| Sumitomo Bank | 2,254 | Japan | Banking | 31.0 |
| Time Warner | 2,236 | USA | Broadcasting & publishing | 52.8 |
| Johnson & Johnson | 2,177 | USA | Health & personal care | 31.2 |
| MCI Worldcom | 2,165 | USA | Telecommunications | 58.5 |
| Chase Manhattan | 2,093 | USA | Banking | 56.7 |
| Mediaone | 2,081 | USA | Broadcasting & publishing | 43.6 |
| Halliburton | 1,952 | USA | Energy equipment and services | (20.7) |
| Mobil | 1,948 | USA | Energy | 30.6 |
| <i>Twenty largest investments</i> | <i>49,782</i> | <i>34.2% of the total value of investments</i> | | |
| Hikari Tsushin | 1,911 | Japan | Telecommunications | 89.2 |
| Axa Financial | 1,860 | USA | Insurance | (1.7) |
| Enron | 1,801 | USA | Utilities | 26.2 |
| EMC | 1,793 | USA | Electronic components | 37.2 |
| HSBC Holdings | 1,683 | Hong Kong | Banking | 60.4 |
| Sun Microsystems | 1,667 | USA | Data processing & reproduction | 49.3 |
| BP Amoco | 1,634 | UK | Energy | 2.3 |
| NTT Mobile Communications | 1,618 | Japan | Telecommunications | 274.9 |
| Texaco | 1,571 | USA | Energy | 5.6 |
| Kyocera | 1,559 | Japan | Electronic components | 67.0 |
| <i>Thirty largest investments</i> | <i>66,879</i> | <i>45.9% of the total value of investments</i> | | |

* Price change since 31 October 1998, or if later, date of purchase.



Corporate Information

Registered Office

Donaldson House
97 Haymarket Terrace
Edinburgh EH12 5HD
Telephone: 0131-313 1000

Manager and Secretary

Edinburgh Fund Managers plc
Donaldson House
97 Haymarket Terrace
Edinburgh EH12 5HD
Telephone: 0131-313 1000
Website: www.edfd.com
Regulated by IMRO and
the Personal Investment Authority

Registrar

Lloyds TSB Registrars Scotland
117 Dundas Street
Edinburgh EH3 5ED
Telephone: 0870-601 5366

Banker

Citibank
IFSC House
Custom Quay House
Dublin 1
Ireland

Auditors

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

Company Broker

Deutsche Bank
Winchester House
1 Great Winchester Street
London EC2N 2DB

Company Registration Number

SC 184775



Board of Directors

David A Coltman

Chairman

David Coltman (57), appointed on 1 May 1998, is senior vice president of United Airlines, based in Chicago, and was previously managing director of British Caledonian Airways and chairman of the Galileo International Partnership. He is a director of a number of other companies.

Robert A G Douglas Miller

Director

Robert Douglas Miller (62), appointed on 1 May 1998, is chairman of Jenners (Princes Street, Edinburgh). He is also a director of Dunedin Income Growth Investment Trust.

David H L Reid

Director

David Reid (53), appointed on 1 May 1998, is an investment manager with The NCL Group. He was previously a director of Fleming Private Asset Management.

The Honourable Kim Fraser

Director

The Honourable Kim Fraser (53), appointed on 15 December 1998, is an Independent Financial Advisor responsible for a diverse family business and is a director of several private companies. Previously, he was a director of Strauss Turnbull & Co.

All directors are members of the Audit and Management Engagement Committee.



Directors' Report

Introduction

The company was incorporated as a public limited company on 6 April 1998 and commenced business on 9 July 1998.

Business and status

The company carries on business as an investment trust for the purpose of the Income and Corporation Taxes Act 1988 and has been approved as such by the Inland Revenue for the period ended 31 October 1998, the latest period for which accounts have been submitted. The company has subsequently conducted its affairs so as to enable it to continue to seek such approval. The close company provisions of the Act do not apply to the company.

The company is an investment company within the terms of Section 266 of the Companies Act 1985.

As a PEPable investment trust, the company conducted its affairs in such a way as to comply with the requirements. The company intends to conduct its affairs in such a way as to continue to satisfy the requirements.

Review of activities

During the period 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.

Dividends

The directors recommend that a final dividend of 1.7p is to be paid to shareholders on the register

on 6 January 2000. The ex-dividend date is 29 December 1999 and, subject to shareholder approval, the dividend will be paid on 1 February 2000.

Directors

The names of the directors who served throughout the period and their holdings in the company's shares are shown in Table 1 below.

The Earl of Eglinton and Winton and Mr Fleming retired at the conclusion of the Annual General Meeting held on 29 January 1999.

Mr Coltman has since notified the company that he bought a further 208 shares through InvestIT, the regular savings scheme. The company has not been notified of any other changes in the directors' holdings below between 31 October 1999 and 7 December 1999.

In accordance with the Articles of Association, Mr Coltman retires from the board at the Annual General Meeting and will be proposed for re-election.

No contract or arrangement subsisted during the period in which any of the directors was materially interested. No director had a service contract with the company.

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.

Year 2000 Compliance

The year 2000 compliance project is being implemented by Edinburgh Fund Managers plc (the 'manager') to ensure that its systems and services continue to operate into the new millennium. The manager completed the audit, testing and upgrade phases of the project during 1998. Contingency planning, supplier monitoring and critical systems re-testing are continuing throughout 1999. All costs will be met by the manager.

| | Ordinary shares | | Nature of interest |
|----------------------------|-----------------|------------------|--------------------|
| | 31 October 1999 | 31 October 1998* | |
| D A Coltman | 49,129 | 46,066 | Beneficial |
| R A G Douglas Miller | 33,938 | 20,000 | Beneficial |
| | 16,725 | 16,725 | Non beneficial |
| D H L Reid | 250,000 | 100,000 | Beneficial |
| The Honourable Kim Fraser† | 2,900 | — | Beneficial |

Table 1 Directors and their holdings in the company
† appointed on 11 December 1998

* or date of appointment



Corporate Governance

Compliance

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 Combined Code (appended to the London Stock Exchange Listing Rules).

The board confirms that the company has complied throughout the accounting period with the provisions set out in Section 1 of the Code. As permitted by the London Stock Exchange the company has complied with provision D(2.1) of the Code on internal controls by reporting on internal financial controls in accordance with guidance issued in 1994.

Directors

All directors are considered by the board to be independent of the company and the manager and free of any material relationship with the manager which could interfere with the exercise of their independent judgement.

Biographies of the board members appear on page 11 of the annual report. Each director has the requisite range of business and financial experience which enables the board to provide clear and effective leadership and proper stewardship of the company. The senior independent director is Mr Douglas Miller.

The board meets at least six times each year and more frequently where business needs require. The board has a schedule of matters reserved to it for decision and the requirement for board approval on these matters is communicated directly to the senior staff of the manager. Such matters include strategy, borrowings, treasury and dividend policy. Full and timely information is provided to the board to enable the directors to function effectively and to discharge their responsibilities. The board also reviews the financial statements, performance and revenue budgets.

The role of the chief executive officer has effectively been delegated to the manager under the terms of the investment management agreement and, therefore, is not considered to be relevant.

There is an agreed procedure for directors to take independent professional advice if necessary and 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, Edinburgh Fund Managers plc, which is responsible to the board for ensuring that board procedures are followed and that applicable rules and regulations are complied with.

Appointments to the board of directors are considered by the whole board. Possible new directors are identified against the requirements of the company's business and the need to have a balanced board. External search consultants may be used to ensure that a wide range of candidates can be considered. Every director is entitled to receive appropriate training as deemed necessary.

A director appointed during the year is required, under the provisions of the company's Articles of Association, 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. All directors are required to submit themselves for re-election at least every three years.

Relations with shareholders

The directors place a great deal of importance on communication with shareholders. The report and accounts are widely distributed to other parties who have an interest in the company's performance. Shareholders and potential investors may obtain up to date information on the company through the manager's freephone information service and the company responds to letters from shareholders on a wide range of issues.



Directors' Report

The notice of the annual general meeting included within the annual report and accounts is sent out at least 20 working days in advance of the meeting. All shareholders have the opportunity to put questions at the company's annual general meeting.

Proxy voting as an institutional shareholder
The manager on behalf of the company, will exercise proxy votes if they believe it is appropriate.

Accountability and audit

The respective responsibilities of the directors and the auditors in connection with the financial statements appear on pages 15 and 16.

The board is responsible for maintaining a system of internal control designed to provide assurance with regard to the safeguarding of assets, the maintenance of proper accounting records and the reliability of the financial information used within the business or for publication. The responsibility to ensure compliance with regulations and company law to provide effective and efficient operation and investment management has been delegated to the manager under the terms of the *investment management agreement*.

The manager operates control policies and procedures to safeguard the assets of the company and to manage its affairs properly. The system also extends to operational and compliance controls and risk management. Clear lines of accountability have been established and regular detailed reports of financial information are provided to the board. The manager's internal audit function operates an annual audit programme.

The directors have reviewed the effectiveness of the system of internal financial controls which has been in operation during the year. Any system of

internal financial control can only provide reasonable and not absolute assurance of meeting the internal financial control objectives.

The directors have appointed an audit and management engagement committee, chaired by Mr Reid. The committee considers reports from the external auditors as well as from the manager. The scope and effectiveness of the external audit is kept under review and the independence and objectivity of the external auditors are also considered on a regular basis, with particular regard to the level of non-audit fees. No non-audit fees were paid in respect of the year under review.

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 accounts.

Substantial share interests

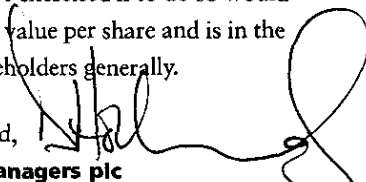
As at 7 December 1999, the company had been notified of substantial interests in the ordinary share capital as noted in Table 2 below.

Auditors

The company's auditors, KPMG Audit Plc, are willing to continue in office and resolutions will be proposed at the Annual General Meeting to re-appoint them 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 28 January 2000, a special resolution will be proposed to give the company the authority to purchase its own shares. This authority, if conferred, will only be exercised 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,

Edinburgh Fund Managers plc
Secretary
Edinburgh, 7 December 1999

| Holder | No of ordinary shares | % |
|---------------------------------------|-----------------------|-----|
| DC Thomson | 3,500,000 | 7.1 |
| Merchant Investors Assurance Company* | 1,475,000 | 3.0 |

Table 2 Substantial share interests

* Non-beneficial interest



Statement of Directors' Responsibilities

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

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

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



Auditors' Report

To the members of

Edinburgh Worldwide Investment Trust plc

We have audited the financial statements on pages 17 to 28.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 15 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange, and by our profession's ethical guidance.

We report to you our opinions as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. 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 or the Listing Rules regarding directors' remuneration and transactions with the company is not disclosed.

We review whether the statement on pages 12 to 14 reflects the company's compliance with those provisions of the Combined Code specified for our review by the Stock Exchange, and we report if it does not. We are not required to form an opinion on the effectiveness of the company's corporate governance procedures or its internal controls.

We read the other information contained in the Annual Report, including the corporate governance statement, 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. 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 group'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 are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 October 1999 and of the return for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


KPMG Audit Plc

Chartered Accountants

Registered Auditor

Edinburgh, 7 December 1999



Statement of Total Return

for the period to 31 October

| | Notes | Revenue £000 | 1999 Capital £000 | Total £000 | Revenue £000 | 1998* Capital £000 | Total £000 |
|--|-------|-----------------|-------------------------|---------------|-----------------|--------------------------|-----------------|
| Realised gains on investments | | — | 7,914 | 7,914 | — | (9,043) | (9,043) |
| Unrealised gains on investments | | — | 27,714 | 27,714 | — | (10,032) | (10,032) |
| Currency losses | | — | (12) | (12) | — | (1,155) | (1,155) |
| TOTAL CAPITAL GAINS ON INVESTMENTS | | — | 35,616 | 35,616 | — | (20,230) | (20,230) |
| Income from investments | 2 | 1,745 | — | 1,745 | 466 | — | 466 |
| Interest receivable | | 1,227 | — | 1,227 | 235 | — | 235 |
| Other income | | 26 | — | 26 | 8 | — | 8 |
| Investment management fee | 3 | (271) | (814) | (1,085) | (70) | (210) | (280) |
| Administrative expenses | 4 | (303) | — | (303) | (126) | (36) | (162) |
| NET RETURN BEFORE FINANCE COSTS AND TAXATION | | 2,424 | 34,802 | 37,226 | 513 | (20,476) | (19,963) |
| Interest payable and similar charges | 5 | (568) | (1,679) | (2,247) | (174) | (515) | (689) |
| RETURN ON ORDINARY ACTIVITIES BEFORE TAXATION | | 1,856 | 33,123 | 34,979 | 339 | (20,991) | (20,652) |
| Taxation | 6 | (485) | 274 | (211) | (150) | 65 | (85) |
| RETURN ATTRIBUTABLE TO EQUITY SHAREHOLDERS | | 1,371 | 33,397 | 34,768 | 189 | (20,926) | (20,737) |
| Dividend in respect of equity shares | 7 | (1,078) | — | (1,078) | (122) | — | (122) |
| | | 293 | 33,397 | 33,690 | 67 | (20,926) | (20,859) |
| RETURN PER ORDINARY SHARE | 8 | 2.80p | 68.15p | 70.95p | 0.39p | (42.70p) | (42.31p) |
| TOTAL DIVIDENDS PER ORDINARY SHARE | 7 | 2.20p | | | 0.25p | | |

The revenue column of this statement represents the revenue account of the company.

All revenue and capital items in the above statement derive from continuing operations.

* For the period 6 April to 31 October 1998



Balance Sheet

at 31 October

| | Notes | 1999 | | 1998 | |
|--|-------|---------------|----------------|---------------|----------------|
| | | £000 | £000 | £000 | £000 |
| FIXED ASSETS | | | | | |
| Investments | 9 | | 145,717 | | 103,324 |
| Investment property | 10 | | 180 | | 180 |
| | | | <u>145,897</u> | | <u>103,504</u> |
| CURRENT ASSETS | | | | | |
| Debtors | 11 | 2,231 | | 1,404 | |
| Treasury bills | | 17,739 | | 11,897 | |
| Cash and short term deposits | | 9,362 | | 23,223 | |
| | | <u>29,332</u> | | <u>36,524</u> | |
| CREDITORS: AMOUNTS FALLING | | | | | |
| DUE WITHIN ONE YEAR | 12 | (2,839) | | (1,665) | |
| NET CURRENT ASSETS | | | <u>26,493</u> | | <u>34,859</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | <u>172,390</u> | | <u>138,363</u> |
| CREDITORS: AMOUNTS FALLING | | | | | |
| DUE AFTER MORE THAN ONE YEAR | 13 | | (39,673) | | (39,336) |
| | | | <u>132,717</u> | | <u>99,027</u> |
| CAPITAL AND RESERVES | | | | | |
| Called up share capital | 14 | | 2,450 | | 2,450 |
| Share premium | 15 | | 82,180 | | 117,400 |
| Special reserve | 16 | | 35,220 | | — |
| Capital reserve – realised | 17 | | (3,681) | | (9,701) |
| Capital reserve – unrealised | 18 | | 16,188 | | (11,189) |
| Revenue reserve | 19 | | 360 | | 67 |
| TOTAL EQUITY SHAREHOLDERS' FUNDS | | | <u>132,717</u> | | <u>99,027</u> |
| NET ASSET VALUE PER ORDINARY SHARE | 25 | | <u>270.83p</u> | | <u>202.08p</u> |

The financial statements on pages 17 to 28 were approved by the board on 7 December 1999 and were signed on its behalf by:


 DAVID A COLTMAN, Director

Cashflow Statement

for the period to 31 October

| | Notes | 1999 £000 | 1998 £000 |
|---------------------------------------|-------|-----------------|---------------|
| NET CASH INFLOW | | | |
| FROM OPERATING ACTIVITIES | 20 | 1,643 | 94 |
| SERVICING OF FINANCE | | | |
| Interest paid | | <u>(2,277)</u> | <u>(2)</u> |
| NET CASH OUTFLOW | | | |
| FROM SERVICING OF FINANCE | | (2,277) | (2) |
| TAXATION | | | |
| UK tax paid | | (1) | (9) |
| Overseas tax paid | | <u>(248)</u> | <u>(62)</u> |
| TOTAL TAX PAID | | (249) | (71) |
| FINANCIAL INVESTMENT | | | |
| Purchase of investments | | (118,046) | (48,338) |
| Sale of investments | | <u>110,952</u> | <u>42,308</u> |
| NET CASH OUTFLOW FROM | | | |
| FINANCIAL INVESTMENT | | (7,094) | (6,030) |
| EQUITY DIVIDENDS PAID | | <u>(367)</u> | <u>—</u> |
| NET CASH OUTFLOW BEFORE USE OF | | | |
| LIQUID RESOURCES AND FINANCING | | (8,344) | (6,009) |
| NET CASH OUTFLOW FROM | | | |
| MANAGEMENT OF LIQUID RESOURCES | 23 | (5,842) | (11,897) |
| FINANCING | | | |
| Issue of ordinary shares | | — | 2,984 |
| Expenses of share issue | 21 | — | (36) |
| Multi-currency loan | 21 | — | <u>38,179</u> |
| NET CASH INFLOW FROM FINANCING | | | |
| | | <u>—</u> | <u>41,127</u> |
| DECREASE IN CASH | | | |
| | 22 | <u>(14,186)</u> | <u>23,221</u> |



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, with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies' and on the assumption that approval as an investment trust will continue to be granted.

(a) **Revenue, expenses and interest payable** – Income from equity investments, including taxes deducted at source and imputed tax credits, is included in revenue by reference to the date on which the investment is quoted ex-dividend. Interest receivable on fixed interest securities, short term deposits, expenses and interest payable are treated on an accruals basis.

Expenses are charged to capital where they are incurred in connection with the management of investments. In this respect the investment management fee and relevant finance costs are allocated 75% to capital and 25% to revenue, in line with the board's expectation of returns from the company's investments over the long term in the form of capital and income respectively.

(b) **Investments** – Listed investments are valued at market prices, foreign currencies being converted at the rates of exchange ruling at the relevant balance sheet date. *Unlisted investments are valued by the directors, taking account of latest dealing prices, brokers' valuations and other available accounting information as appropriate.*

(c) **Foreign currencies** – Transactions involving foreign currencies are translated at the rate ruling on the date of the transaction. Assets and liabilities in foreign currencies are translated at the rates of exchange ruling on the balance sheet date, with the exception of forward exchange contracts which are valued at the forward rate ruling at the time of the balance sheet date.

(d) **Capital reserve – realised** – Gains and losses on realisation of investments and differences on exchange are dealt with in the realised capital reserves. 75% of the investment management fee along with the associated irrecoverable VAT and of relevant finance costs are charged to this reserve. The associated tax relief is credited to this reserve.

(e) **Capital reserve – unrealised** – Increases and decreases in the valuation of investments held and of currency loans outstanding at the year end are dealt with in this reserve.

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

(g) **Finance costs** – Finance costs of debt, insofar as they relate to the financing of the company's *investments or to financing activities aimed at maintaining or enhancing the value of the company's* investments, are allocated 75% to capital and 25% to revenue, in line with the board's expectation of returns from the company's investments over the long term in the form of capital and income respectively.



Notes to the Accounts

2 Investment income

| | 1999 | | 1998 | |
|-------------------------|-----------------|-------------------|-----------------|-------------------|
| | Franked £000 | Unfranked £000 | Franked £000 | Unfranked £000 |
| Dividends: | | | | |
| Listed: United Kingdom | 346 | 58 | 85 | 44 |
| Overseas | — | 1,341 | — | 337 |
| | <u>346</u> | <u>1,399</u> | <u>85</u> | <u>381</u> |
| Total investment income | | <u>1,745</u> | | <u>466</u> |
| | | | 1999 £000 | 1998 £000 |

3 Investment management fee

| | | |
|---|------------|-----------|
| Investment management fee (including irrecoverable VAT) | 1,085 | 280 |
| Charged against capital reserve – realised | (814) | (210) |
| | <u>271</u> | <u>70</u> |

The management fee paid to Edinburgh Fund Managers plc, a subsidiary of Edinburgh Fund Managers Group plc, is calculated at 0.6% per annum of the gross assets of the company after deducting current liabilities and excluding commonly managed funds (“adjusted gross assets”). The fee is subject to VAT at the appropriate rate.

In addition, Edinburgh Fund Managers plc is entitled to a performance-related management fee £84,000, calculated quarterly in arrears, at a rate of 0.01% per annum (up to a maximum of 0.2% per annum) of the adjusted gross assets for every 0.1% by which the company’s net asset value performance outperforms the capital performance of the MSCI World Index over the twelve month period. The investment management fee includes the performance related fee earned during the year of £84,000.

The management agreement between the company and Edinburgh Fund Managers plc is terminable by either party on 1 year’s notice.

The management fee is chargeable 75% to capital and 25% to revenue.

Edinburgh Fund Managers plc also received fees amounting to £4,000, excluding VAT, (1998–£1,000) relating to one investment trust holding held by the company during the year ended 31 October 1999. As at 31 October 1999, the portfolio included no such investment trust holdings (1998–£229,000).

Other subsidiaries of Edinburgh Fund Managers Group plc received net fees amounting to £6,000 excluding VAT (1998–£6,000) relating to open ended funds held by the company during the year ended 31 October 1999. As at 31 October 1999, the portfolio included such open ended funds valued at £2,304,000 (1998–£1,927,000).



Notes to the Accounts

| | 1999 £000 | 1998 £000 |
|----------------------------------|--------------|--------------|
| 4 Administrative expenses | | |
| Directors' fees | 44 | 16 |
| Auditor's remuneration | 8 | 8 |
| Secretarial fees | 40 | 13 |
| Registrar fees | 40 | 10 |
| Marketing expenses | 57 | 14 |
| Printing expenses | 20 | 17 |
| Other expenses | 94 | 48 |
| | <u>303</u> | <u>126</u> |

The secretarial fee is paid to Edinburgh Fund Managers plc and is adjusted annually in line with the Retail Prices Index. A contribution of £44,000 (1998-£14,000) was also paid to Edinburgh Fund Managers plc in respect of marketing and promotion of the company through their Investment Trust Initiative.

The chairman who was the highest paid director received £13,500 (1998-£13,500 per annum). The emoluments of the other directors were £9,000 per annum (1998-£9,000 per annum) each.

| | | |
|---|--------------|------------|
| 5 Interest payable | | |
| Bank overdraft | 8 | 2 |
| Sterling loan repayable in more than five years | 264 | 81 |
| Currency loan repayable in more than five years | 1,975 | 606 |
| | <u>2,247</u> | <u>689</u> |
| Charged against capital reserve – realised | (1,679) | (515) |
| | <u>568</u> | <u>174</u> |

| | | |
|---------------------------------------|------------|------------|
| 6 Taxation | | |
| Overseas tax | 168 | 62 |
| Tax on franked investment income | 42 | 17 |
| Irrecoverable advance corporation tax | 1 | 6 |
| Tax relief allocated to capital | 274 | 65 |
| | <u>485</u> | <u>150</u> |

| | | |
|--|--------------|------------|
| 7 Dividend | | |
| Interim dividend of 0.50p (1998-nil) per share paid on 9 July 1999 | 245 | — |
| Final dividend of 1.70p (1998-0.25p) payable on 1 February 2000 | 833 | 122 |
| | <u>1,078</u> | <u>122</u> |



Notes to the Accounts

8 Return per ordinary share

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

| | 1999 | 1998 |
|------------------------------------|--------------|---------------|
| Revenue return | £1,371,000 | £189,000 |
| Capital return | £33,397,000 | (£20,926,000) |
| Number of ordinary shares in issue | 49,004,319 | 49,004,319 |
| | 1999 £000 | 1998 £000 |

9 Investments

| | | |
|-------------------------------------|-----------|----------|
| Opening market value | 103,324 | — |
| Opening unrealised depreciation | 10,032 | — |
| Opening book cost | 113,356 | — |
| Transfer from Dunedin Worldwide | — | 116,722 |
| Additions at cost | 118,445 | 49,094 |
| Sales – proceeds | (111,680) | (43,417) |
| – realised net gains on sales | 7,914 | (9,043) |
| Closing book cost | 128,035 | 113,356 |
| Closing unrealised appreciation | 17,682 | (10,032) |
| Closing market value | 145,717 | 103,324 |
| | | |
| Listed on the London Stock Exchange | 16,041 | 14,664 |
| Listed on overseas stock exchanges | 127,373 | 86,532 |
| Unlisted – open ended funds | 2,303 | 1,927 |
| – others | — | 201 |
| Closing market value | 145,717 | 103,324 |

Unrealised appreciation of £17,682,000 (1998–depreciation of £10,032,000) includes depreciation of £32,000 (1998–£433,000) relating to unlisted investments. The portfolio contains no convertible stocks having an element of equity.

10 Investment Property

| | | |
|-------------------------|-----|-----|
| At directors' valuation | 180 | 180 |
|-------------------------|-----|-----|

In accordance with SSAP 19 'Accounting for Investment Properties', the investment property at Belsize House, West Ferry, Dundee is valued by the directors at open market value, taking account of advice received from independent professionally qualified valuers during 1998. No depreciation is provided on investment properties.



Notes to the Accounts

| | 1999 £000 | 1998 £000 |
|--|---------------|----------------|
| 11 Debtors | | |
| Amount due from brokers | 1,838 | 1,076 |
| Accrued income | 266 | 219 |
| Taxation recoverable | 83 | 33 |
| Other debtors | 44 | 76 |
| | <u>2,231</u> | <u>1,404</u> |
| 12 Creditors: amounts falling due within one year | | |
| Amounts due to brokers | 1,155 | 756 |
| Advance Corporation Tax payable | — | 30 |
| Other creditors | 851 | 757 |
| Final dividend payable | 833 | 122 |
| | <u>2,839</u> | <u>1,665</u> |
| 13 Creditors: amounts falling due after one year | | |
| Repayable after more than 5 years: | | |
| Multi-currency loan: | | |
| USD31,250,000 @ 6.45% pa | 19,044 | 18,660 |
| JPY1,313,200,000 @ 2.52% pa | 7,669 | 6,729 |
| EUR14,300,000 @ 5.49% pa | 9,160 | 10,147 |
| GBP3,800,000 @ 6.93% pa | 3,800 | 3,800 |
| | <u>39,673</u> | <u>39,336</u> |
| <p>Interest on the multi-currency loan is payable in half-yearly instalments in January and July. The loan is due for repayment in July 2008 and is with Robert Fleming & Co Ltd. The estimated repayment value of the loan was £39,714,000 as at 31 October 1999. The indicative costs of repaying the loan as at 31 October 1999 are not material in the context of the above figures.</p> | | |
| 14 Share capital | | |
| Authorised: | | |
| 65,175,744 ordinary shares of 5p each | <u>3,259</u> | <u>3,259</u> |
| Allotted, issued and fully paid: | | |
| 49,004,319 ordinary shares of 5p each | <u>2,450</u> | <u>2,450</u> |
| 15 Share premium | | |
| Opening balance | 117,400 | 117,436 |
| Expenses of share issue | — | (36) |
| Transfer to special reserve (see note 16) | (35,220) | — |
| Closing balance | <u>82,180</u> | <u>117,400</u> |



Notes to the Accounts

| | 1999 £000 | 1998 £000 |
|---|----------------|-----------------|
| 16 Special reserve | | |
| Transfer from share premium account | 35,220 | — |
| Closing balance | <u>35,220</u> | <u>—</u> |
| <p>The special reserve arose following court approval for the cancellation of 30% of the value of the share premium account on 29 April 1999.</p> <p>The reserve will be utilised to finance any purchase and subsequent cancellation of the company's ordinary shares.</p> | | |
| 17 Capital reserve – realised | | |
| Opening balance | (9,701) | — |
| Realised net gain on sale of investments | 7,914 | (9,043) |
| Management fee | (814) | (210) |
| Loan interest | (1,679) | (515) |
| Realised gains on foreign exchange | 325 | 2 |
| Tax relief | 274 | 65 |
| Closing balance | <u>(3,681)</u> | <u>(9,701)</u> |
| 18 Capital reserve – unrealised | | |
| Opening balance | (11,189) | — |
| Movement in unrealised appreciation on investments | 27,714 | (10,032) |
| Revaluation of multi-currency loan | (337) | (1,157) |
| Closing balance | <u>16,188</u> | <u>(11,189)</u> |
| 19 Revenue reserve | | |
| Opening balance | 67 | — |
| Transfer for the period | 293 | 67 |
| Closing balance | <u>360</u> | <u>67</u> |
| 20 Reconciliation of net revenue before finance costs and taxation to net cash inflow from operating activities | | |
| Revenue before interest and taxation | 2,424 | 513 |
| Increase in accrued income | (47) | (219) |
| Increase in other debtors | (2) | (43) |
| Increase in creditors | 124 | 70 |
| Tax on franked investment income | (42) | (17) |
| Management fee charged to capital reserve – realised | (814) | (210) |
| | <u>1,643</u> | <u>94</u> |



Notes to the Accounts

21 Analysis of changes in financing during the period

| | 1999 | | 1998 | |
|---|---|---------------|--|---------------|
| | Share capital (including premium and special reserve) £000 | Loan £000 | Share capital (including premium) £000 | Loan £000 |
| Opening balance | 119,850 | 39,336 | — | — |
| Issue of ordinary shares | — | — | 119,886 | — |
| Expenses of share issue | — | — | (36) | — |
| Multi-currency loan | — | — | — | 38,179 |
| Effect of foreign exchange rate movements | — | 337 | — | 1,157 |
| Closing balance | <u>119,850</u> | <u>39,673</u> | <u>119,850</u> | <u>39,336</u> |
| | | | 1999 £000 | 1998 £000 |

22 Analysis of changes in cash during the period

| | | |
|--|--------------|---------------|
| Opening balance | 23,223 | — |
| Net cash outflow before adjustments for the effect of foreign exchange rate movements | (14,186) | 23,221 |
| Effect of foreign exchange rate movements | 325 | 2 |
| Closing balance | <u>9,362</u> | <u>23,223</u> |

23 Analysis of changes in net debt

| | Balance at 31 October 1998 £000 | Cash flows £000 | Currency Movement £000 | Balance at 31 October 1999 £000 |
|-----------------------------------|---------------------------------------|--------------------|------------------------------|---------------------------------------|
| Cash and short term deposits | 23,223 | (14,186) | 325 | 9,362 |
| Treasury Bills | 11,897 | 5,842 | — | 17,739 |
| Debt due after more than one year | (39,336) | — | (337) | (39,673) |
| Net debt | <u>(4,216)</u> | <u>(8,344)</u> | <u>(12)</u> | <u>(12,572)</u> |
| | | | 1999 £000 | 1998 £000 |

24 Reconciliation of movement in shareholders' funds

| | | |
|---|----------------|---------------|
| Opening shareholders' funds | 99,027 | — |
| Issue of ordinary shares | — | 119,886 |
| Net revenue for the period | 293 | 67 |
| Total recognised capital gains for the period | 33,397 | (20,926) |
| Closing shareholders' funds | <u>132,717</u> | <u>99,027</u> |



Notes to the Accounts

25 Net asset value per share

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

| | 1999 | 1998 |
|------------------------------------|--------------|-------------|
| Net assets attributable | £132,717,000 | £99,027,000 |
| Number of ordinary shares | 49,004,319 | 49,004,319 |
| Net asset value per ordinary share | 270.83p | 202.08p |

26 Risk management, financial assets and liabilities

The following information is given in accordance with Financial Reporting Standard 13 which is applicable from March 1999.

Risk management

The major risks associated with the company are market risk, liquidity risk and interest rate risk. The company has established a framework for managing these risks which is evolving continually as the company's investment activities change in response to market developments. The directors have provided the manager with guidelines for the management of gearing, investments and financial instruments.

Market risk arises from changes in interest rates, valuations awarded to equities, movements in prices and the liquidity of financial instruments. Market price risk is managed through investment guidelines agreed by the board with the manager and is discussed at each board meeting. It is the company's policy to increase its exposure to equity market price risk through the investment of borrowings which increase the opportunity for growth in rising markets but increases risk when markets fall. The downside risk may be reduced by increasing the level of cash balances through the sale of equities or the use of derivatives.

All of the company's long term debt is at fixed rate which exposes the company to changes in market value in the event that the debt is repaid before maturity. The loan provides secure long term funding while short term flexibility is achieved through overdraft facilities. Information on the loan is provided in note 13.

The trust's portfolio is invested in UK and overseas securities and treasury bills. The sterling value of the overseas elements can be significantly affected by movements in foreign exchange rates. The trust does not normally hedge against foreign currency movements affecting the value of the portfolio but takes account of this risk when making investment decisions.



Notes to the Accounts

26 Risk management, financial assets and liabilities – contd

Financial assets and liabilities

The company's financial instruments comprise equity investments, treasury bills, cash balances and debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement. Short term debtors and creditors are excluded from disclosure as allowed by FRS 13.

Fixed asset investments (see note 9) are valued at middle market prices which equate to their fair values. The fair values of all other assets and liabilities are represented by their carrying values in the balance sheet.

During the year, the company entered into certain derivative contracts. These contracts are periodically entered into as a hedge against potential downward movements in the value of particular constituents of the portfolio. At the beginning of the year, the company held open positions in FTSE 100 (UK) and Standard & Poors 500 (USA) futures. The potential downward movements did not occur and these positions were closed during the year at a loss of £1,819,000. No further transactions were carried out during the year and the company had no open positions in derivatives at the year end.

At the balance sheet date the company held three tranches of treasury bills as noted below.

| Nominal value | Maturity date | Value at 31 October 1999 £ |
|-----------------------------|---------------|-------------------------------|
| EUR8,000,000 Treasury Bill | 11.11.99 | 5,293,000 |
| EUR3,000,000 Treasury Bill | 16.12.99 | 1,918,000 |
| USD17,500,000 Treasury Bill | 23.12.99 | 10,528,000 |
| | | <u>17,739,000</u> |

Cash and short term deposits are held in floating rate accounts.



Financial Calendar

Announcements and the issue of the annual and interim reports may normally be expected in the following months:

December – Preliminary figures and recommended final dividend for year announced.

December – Annual report and accounts published.

January – Annual General Meeting.

February – Final dividend paid.

May – Interim figures announced.

June – Interim report for half-year to 30 April published.

July – Interim dividend paid.

This year's Annual General Meeting will be held in Edinburgh on Friday 28 January 2000 at 12 noon followed by a buffet lunch. Shareholders are asked to reply on the enclosed card if they will be attending the meeting.

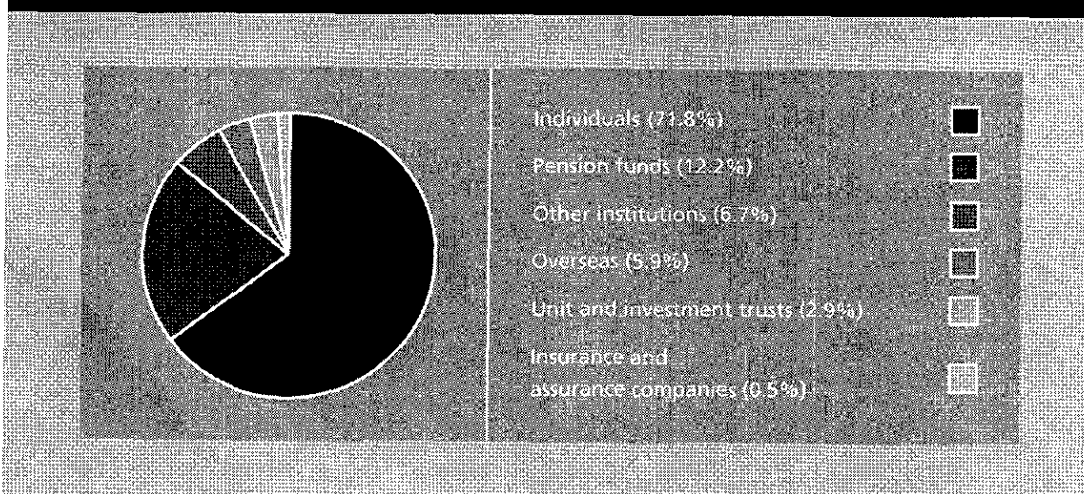


The Company is a member of The Association of Investment Trust Companies.

Analysis of Shareholders

at 31 October 1999

% of ordinary shares held by shareholders



Notice of Meeting

Notice is hereby given that the second Annual General Meeting of Edinburgh Worldwide Investment Trust plc will be held at Donaldson House, 97 Haymarket Terrace, Edinburgh on Friday 28 January 2000 at 12 noon, for the following purposes:

ORDINARY BUSINESS

1. To receive the Report of the Directors and the Accounts for the period to 31 October 1999;
2. To declare a final dividend of 1.7p;
3. To re-elect Mr Coltman as a director of the company;
4. To re-appoint KPMG Audit Plc as auditors of the company; and
5. To authorise the directors to fix the remuneration of the auditors for the year to 31 October 2000.

SPECIAL BUSINESS

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

6. That the company be and it is hereby authorised in accordance with section 166 of the Companies Act 1985 to make purchases (within the meaning of section 163(3) of the Act) of ordinary shares of 5p each in the company ('shares') 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 5p;
 - (iii) the maximum price (exclusive of expenses) which may be paid for a share shall not be more than 5% above the average of the middle market quotation (as derived from the Daily Official List of the London Stock Exchange) for the shares for the five business days immediately preceding the date of purchase; and

(iv) unless renewed, the authority hereby conferred shall expire at the conclusion of the annual general meeting of the company to be held in 2001 save that the company may, prior to such expiry, enter into a contract to purchase shares which will or may be completed or executed wholly or partly after such expiry.

By order of the board

Edinburgh Fund Managers plc
Secretary

29 December 1999

Registered office:

Donaldson House, 97 Haymarket Terrace,
Edinburgh EH12 5HD

Notes:

1. Holders of ordinary shares are entitled to attend and vote at the meeting.

Members must be entered on the company's register of members 48 hours before the time appointed for the meeting. If the meeting is adjourned for more than 48 hours then, for members to be entitled to vote, they must be entered on the company's register of members 48 hours prior to the time fixed for the adjourned meeting. Any such holder may appoint another person (whether a member of the company or not) as his proxy to attend and vote on a poll in his stead. Proxies must be lodged at the company's registrar, Lloyds TSB Registrars, 117 Dundas Street, Edinburgh EH3 5ED not less than 48 hours before the time appointed for the meeting. Completion of a form of proxy will not prevent a holder of ordinary shares from attending or voting in person should he so wish.

2. There are special arrangements for holders of shares through The Edinburgh Fund Managers Investment Trust Savings Plan, Investment Trust PEP/ISA and Investment Trust Pension. These are explained in the 'Letter of Directions' which such holders will have received with this report.



EDINBURGH FUND MANAGERS

Edinburgh Fund Managers plc was formally established in 1969 and has grown steadily since that time now with offices in Dundee and North America. Today Edinburgh Fund Managers is one of the largest managers of investment trusts in the UK with over £3.8 billion of funds under management as at 31 October 1999. Total assets managed by the group at the same date were over £7.3 billion.

Investment Trusts

It is the business of investment trusts, advised by their managers, to invest in the shares of other companies. The investment objectives vary from trust to trust ranging from investment for capital growth and/or income, to trusts which invest internationally, in a specific area of the world or in a single country market. Investing in investment trusts can provide a spread of investments, managed by experts, at low cost.

HOW TO INVEST

Ordinary shares

Investors can buy and sell shares in Edinburgh Worldwide Investment Trust directly through a stockbroker or indirectly through a lawyer, accountant or other professional adviser. Alternatively shares can be bought directly through The Edinburgh Fund Managers Investment Trust Savings Plan, Investment Trust PEP and the Investment Trust Pension.

PRODUCT DETAILS

InvestIT – The Edinburgh Fund Managers Investment Trust Savings Plan

InvestIT provides a straightforward way to invest in Edinburgh Worldwide Investment Trust and other investment trusts managed by Edinburgh Fund Managers. Investors can make regular monthly payments (minimum £30 per month) or invest occasional lump sums (minimum £250 initially and £30 thereafter). Existing shareholders

can also invest in the Plan and have their dividends reinvested. There is **no charge** for buying or holding shares through InvestIT other than 0.5% Government Stamp Duty which is currently payable on all share purchases. There is a nominal £10 + VAT transaction fee applied to all sales.

Edinburgh Fund Managers

Investment Trust ISA

The Edinburgh Fund Managers Investment Trust Individual Savings Account (ISA) is the new tax efficient savings vehicle. There are two types of ISAs available, a Maxi and a Mini. A Maxi ISA allows investors to maximise the amounts placed in stocks and shares. Investors will have the opportunity to invest up to £7,000 in the tax year 1999/2000 (£5,000 per annum thereafter) in Edinburgh Worldwide Investment Trust where they take out a Maxi ISA.

A feature of the Edinburgh Fund Managers Investment Trust ISA is its low charges. The initial charge is £30 + VAT and the annual management fee is 0.5% +VAT. No charges are made for buying or selling shares other than Government Stamp Duty on share purchases.

The Edinburgh Fund Managers

Investment Trust Pension

The Investment Trust Pension enables investors to save for retirement by investing in Edinburgh Worldwide Investment Trust. The Investment Trust Pension offers the choice of a Personal Pension Plan or a Free Standing Additional Voluntary Contributions Plan. Contributions can be made monthly, yearly or by lump sums, and there are low minimum investment amounts.

Note

Please remember that past performance is not necessarily a guide to the future. Stock market and currency movements may cause the value of shares and the income from them to fall as well as rise and investors may not get back the amount they originally invested.



Information for Investors

As with all equity investments, the value of investment trusts purchased will immediately be reduced by the difference between the buying and selling prices of the shares, the market maker's spread.

Investors should further bear in mind that the value of any tax relief will depend on the individual circumstances of the investor and that tax rates and reliefs, as well as the tax treatment of ISAs, may be changed by future legislation.

Keeping you informed

The company's share price appears under the heading 'Investment Trusts' in the Financial Times, and other national newspapers. Investors can also obtain the latest share price by phoning FT Cityline on 0336-433 011. All calls cost 50p per minute.

For internet users, detailed data on Edinburgh Worldwide Investment Trust, including price and performance information, is available on the Edinburgh Fund Managers website (<http://www.edfd.com>) and the TrustNet website (<http://www.trustnet.co.uk>).

Lloyds TSB Registrars also have a website (<http://www.lloydstsb-registrars.co.uk>) which includes a page entitled 'Shareholder Services', which gives shareholders an insight into their shareholding. The website also has information about how to *register a change of name and what to do if you have lost your share certificate*.

For information concerning your shareholding, please contact:

Registrar

Lloyds TSB Registrars Scotland
117 Dundas Street
Edinburgh EH3 5ED
Telephone: 0870-601 5366
Textphone: 0870-600 3950

For information and application forms on the InvestIT, ISA, PEP, Pension and Share Exchange Schemes please contact:

Support Desk

Edinburgh Fund Managers plc
Donaldson House
97 Haymarket Terrace
Edinburgh EH12 5HD
Telephone: 0131-313 1000
or FREE on 0800-028 6789 (24 hours)

InvestIT Administrator

Lloyds TSB Registrars Scotland
Registrar Department (SP)
117 Dundas Street
Edinburgh EH3 5ED
Telephone: 0870-606 0268

Individual Savings Account/Personal Equity Plan Administrator

Cogent Investment Operations Limited
PEP/ISA Administrator
3 Finsbury Avenue
London EC2M 2PA
Telephone: 0171-410 4018

Pension Administrator

Edinburgh Pension Centre
Personal Pension Management Limited
24-27 Barnack Business Centre
Blakey Road
Salisbury
Wiltshire SP1 2LP
Telephone: 0800-137 079

