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Edinburgh Worldwide Investment Trust plc
Annual Report and Accounts 31 October 2005



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Company data at 31 October 2005

Total assets	Shareholders' funds	Market capitalisation
£135m	£107m	£98m

¹before deduction of loan.

Company Summary

Edinburgh Worldwide's equity portfolio consists of forty-one shares drawn from around the world.

Policy and Objective

Edinburgh Worldwide's objective is the achievement of long-term capital growth by investing in stock markets throughout the world.

Benchmark

The portfolio benchmark against which performance is measured is the MSCI All Countries World Index (in sterling terms).

Management Details

Baillie Gifford & Co were appointed as Investment Managers and Secretaries to the Company with effect from 1 November 2003. The management contract can be terminated at 3 months' notice.

Capital Structure

At the year end the Company's share capital consisted of 49,004,319 ordinary shares of 5p each which were issued and fully paid. The Company has been granted authority to buy back a limited number of its own ordinary shares for cancellation and to hold shares bought back in treasury. The Directors are seeking to renew this authority at the forthcoming Annual General Meeting.

Management Fee

Baillie Gifford & Co's annual remuneration is 0.8% of the market value of the Company, calculated and payable on a quarterly basis.

There is also a performance-related management fee which is calculated and paid annually in arrears.

ISA/PEP

ISA and PEP transfer facilities are available (see inside back cover).

AITC

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

Notes

None of the views expressed in this document should be construed as advice to buy or sell a particular investment.

Investment trusts are UK public listed companies and as such comply with the requirements of the UK Listing Authority. They are not authorised or regulated by the Financial Services Authority.

Year's Summary

The following information illustrates how Edinburgh Worldwide has performed over the year to 31 October 2005.

	31 October 2005	31 October 2004	% change
Total assets (before deduction of loan)	£135.2m	£110.8m	
Loan	£27.8m	£27.6m	
Equity shareholders' funds	£107.4m	£83.2m	
Net asset value per ordinary share	219.18p	169.76p	29.1
Share price	200.00p	138.50p	44.4
MSCI All Countries World Index (in sterling terms)	165.13	142.11	16.2
Dividend per ordinary share	2.00p	2.20p	(9.1)
Earnings per ordinary share	2.26p	1.77p	27.7
Total expense ratio	2.11%	1.21%	
Discount	8.8%	18.4%	

	Year to 31 October 2005		Year to 31 October 2004	
	High	Low	High	Low
Year's high and low				
Share price	206.00p	138.50p	148.00p	123.75p
Net asset value	230.99p	166.90p	176.28p	150.87p
Discount	5.9%	19.1%	12.0%	20.2%

	31 October 2005	31 October 2004
Total return per ordinary share		
Revenue	2.26p	1.77p
Capital	49.16p	7.45p
Total	51.42p	9.22p

Past performance is no guarantee of future performance.

One Year Performance

(figures plotted on a monthly basis and rebased to 100 at 31 October 2004)

Five Year Summary

The following charts indicate how Edinburgh Worldwide has performed relative to its benchmark, MSCI All Countries World Index in sterling terms, (applied retrospectively) and the relationship between share price and net asset value over the five year period to 31 October 2005.

5 Year Total Return Performance
(figures rebased to 100 at 31 October 2000)

Discount to Net Asset Value
(plotted on a monthly basis)

Annual Net Asset Value and Share Price Total Returns

Relative Annual Net Asset Value and Share Price Total Returns (relative to the benchmark total return)

The lines at 31 October 2003 signify the appointment of Baillie Gifford & Co as Managers and Secretaries.
Past performance is no guarantee of future performance.

Highlights

- In the second year under the new Managers, performance was good in strong markets.
- Share price up 44%, NAV up 29%, compared to the benchmark up 16%.
- Small reduction in dividend. The emphasis is on growth.

Chairman's Statement

In the second year under management by Baillie Gifford, I am happy to report that the Trust's performance has been most encouraging with the share portfolio substantially outperforming the strong markets we experienced. The share price rose by 44.4% and the net asset value per share increased by 29.1% compared to a 16.2% rise in the MSCI All Countries World Index, which is our benchmark.*

Investment Approach and Performance

The Managers have continued with their approach where shares are chosen globally on their long-term merits alone rather than with reference to geographical asset allocation or the composition of an index. This means that they are able to focus on what the Board believes is their most important task: finding companies capable of profitable growth, preferably at an early stage of that growth.

Some of the excellent performance this year is attributable to exposure to emerging markets and, in particular, to the early ownership of primary producers of oils and commodities which were bought before their value became more fully recognised by the market as a whole. It is interesting to see that the Managers are currently finding companies with growth potential in developed markets too. In the United States some technology companies, which are now quite well established,

appear to offer growth potential, as do a number of other well run businesses which have gained an early lead in their own field. Specific names are mentioned in the Managers' Overview on page 10.

I also recommend the reports on individual companies on pages 14 to 17. It is how companies such as these perform, over the long-term, and not the Managers', or indeed the Board's, capability of guessing where markets are going to be in a year's time which will add value to you, the shareholder. Indications are that most of the companies currently held are performing well at the moment. However, we believe there may be some slow down in the rate of overall corporate profit growth in the coming year.

Gearing

Gearing into equities was maintained during the year and at the year end accounted for 115% of shareholders' funds. This compares to 119% on 31 October 2004: the Board was happy to let the equity gearing ratio fall

as markets rose. Due to the growth of assets the level of potential gearing has fallen from 133% to 126%. Being geared into the market has been beneficial over the period and generally the Board considers it appropriate that gearing is maintained at around these levels over the long-term. However, the Board would consider reducing gearing if the prospects for companies owned deteriorated.

Any borrowings which were not invested in equities were placed, as last year, in a portfolio of bonds. This portfolio roughly matches the currencies and maturity dates of the borrowings.

Earnings and Dividend

The revenue return for the year was 2.26p (2004 – 1.77p) and a final dividend of 1.5p (2004 – 1.7p) is being recommended to bring the total to 2.0p (2004 – 2.2p). This small decrease in the total reflects the fact that earnings in the current year were significantly boosted by special one off

*Past performance is no guarantee of future performance.

dividends. We expect a lower level of earnings in the year to 31 October 2006 so the Board considers it prudent to increase the revenue reserves slightly. The Company's focus will remain on achieving capital growth thereby maximising total shareholder return.

Discount, Buybacks and Treasury shares

It is pleasing to see that the discount has narrowed over the period from 18.4% to 8.8%. While there was a narrowing across the investment trust sector generally we think that the significant closing of the gap between the share price and the net asset value per share of Edinburgh Worldwide signals an improvement in the market's rating of the Company under the new Manager.

No buybacks were made during the year. However, the Board is seeking to renew powers to buyback shares and hold them in treasury for possible re-issuance. We are maintaining our policy of not re-issuing shares at a discount. Full details of the resolution are given on page 24.

Performance Fee

A performance fee of £890,000 is payable to the Managers under the terms agreed with the Board when they took on the management contract. Details of the calculation of this fee are given on page 35. The level reflects the strong performance during the year and establishes a 'high watermark' against which the base for future relative performance is measured.


The Future

The Managers sensibly point out in their report that expectations of this year's performance being repeated regularly should be tempered. While over the long-term the Board is confident that its approach will prove fruitful, the portfolio is however not representative of the index, and there will almost inevitably be periods when returns are below those of the index. We endorse the view that successful investment in growth companies must be undertaken from a long-term perspective and that a patient approach is preferable to the frenetically active method adopted

by many managers today. We would anticipate that the current average projected holding period for investment of five years will be maintained or even increased.

Annual General Meeting

The AGM will be held on Monday 30 January 2006 at noon in the Managers' offices in Edinburgh. A map and full details are given on page 42. I do hope you will come. Mark Urquhart, the Baillie Gifford Partner responsible for the management of your Company will make a short presentation and answer questions. The Board greatly values the presence of shareholders at annual meetings.



David A Coltman
9 December 2005

Directors and Management

Members of the Board come from a broad variety of backgrounds. The Board can draw on a very extensive pool of knowledge and experience. Baillie Gifford & Co, a leading UK investment management firm, who act as Managers and Secretaries to the Company have done so since November 2003.

Directors

1 DA Coltman

David Coltman, who is 63, was appointed a Director and Chairman on 1 May 1998. He is Chairman of the Nomination Committee. He is a director of John Menzies, Trinity House Lighthouse Board and several other private companies. Previously he was chief marketing officer of United Airlines, based in Chicago and chief executive of British Caledonian Airways.

2 RAG Douglas Miller

Robert Douglas Miller, who is 68, was appointed a Director on 1 May 1998. He was formerly chairman of Jenners (Princes Street, Edinburgh). He is also a director of Dunedin Income Growth Investment Trust PLC.

3 WJ Ducas

William Ducas, who is 61, was appointed a Director on 22 March 2002. He is a member of the Board of the Weir Foundation charitable trust and is on the International Advisory board of Zamorano University. He was previously a managing director of F&C Management Ltd of North America.

4 DHL Reid

David Reid, who is 59, was appointed a Director on 1 May 1998 and is Chairman of the Audit & Management Engagement Committee. He is a consultant manager with Smith and Williamson. He was previously a director of Fleming Private Asset Management.

5 The Hon. Kim Fraser

The Hon. Kim Fraser, who is 59, was appointed a Director on 11 December 1998. He 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 Nomination and Audit & Management Engagement Committees.

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Managers and Secretaries

Edinburgh Worldwide is managed by Baillie Gifford & Co, an investment management firm formed in 1927 out of the legal firm Baillie & Gifford, WS, which had been involved in investment management since 1908.

Baillie Gifford is one of the largest investment trust managers in the UK and currently manages eight investment trusts. Baillie Gifford also manages unit trusts and Open Ended Investment Companies, together with investment portfolios on behalf of pension funds, charities and other institutional clients, both in the UK and overseas. Funds under the management or advice of Baillie Gifford total over £40 billion. Based in Edinburgh, it is one of the leading privately owned investment management firms in the UK, with 30 partners and a staff of over 400.

The manager of Edinburgh Worldwide's portfolio is Mark Urquhart, a partner of

Baillie Gifford. Stock selection is primarily the responsibility of the global equity team which covers all the regions of the world.

The firm of Baillie Gifford & Co is authorised and regulated by the Financial Services Authority.

Managers' Overview

Our aim in managing Edinburgh Worldwide is to create a concentrated portfolio of companies with good growth prospects for the long-term which we define as more than five years. It is now two years since Baillie Gifford assumed management of the Trust. Over that time we have continued to concentrate the number of equity holdings – from 44 in October 2004 to 41 at this year-end. We also aim to keep equity turnover near 20% – this year's figure was 21%. We are clearly very pleased with both the direction and magnitude of the returns for shareholders both in terms of the net asset value and the share price, as reported in the Chairman's Statement, but would caution that the scale of outperformance is unlikely to be repeated often. The concentration of holdings means there will very likely be periods in the future when the returns are below those of the comparative index.

We pay no heed to country or sector weights in constructing our portfolio as we

feel that this approach leads many investors to holdings in large companies merely because they are significant parts of indices. Instead our portfolio comprises a concentrated number of companies where we are genuinely enthusiastic about their growth prospects for the next decade. We feature ten of these companies later in the Annual Report and also provide full performance figures for every holding.

There have been eight new purchases over the last year – Amazon.com, Dell, eBay, HDFC, Pulte Homes, SCP Pool, VCA Antech and Whole Foods Market – four of which are featured in the stock review section. Seven of these are US-listed companies and in general we are finding ideas there whose long-term prospects we think the market is undervaluing. We have also added to existing holdings such as Canon, Carnival and SAP when the market, in our view, has adopted an overly short-term focus in their share prices.

We will sell holdings where we are disappointed by companies either in terms of their long-term operational prospects or management's capital allocation. Notable sales in the last twelve months include Vodafone – where we became increasingly concerned by the prospect of commoditisation and margin pressure; Walmart – where the non-US businesses are, in our view, lower quality but will have to provide an increasing portion of the company's growth going forward; and CNOOC – where we have had growing concerns over it being used by the Chinese state to acquire overseas energy assets thereby reducing the appeal of its South China Sea operations. The other sales were Arisawa Manufacturing, Banco Popular, Jardine Lloyd Thompson, Mitsui Sumitomo Insurance, Mohawk Industries, Taylor Nelson Sofres, Tiffany & Co. and TopDanmark. Some of these were timed better than others in the short-term but our rationale for all was a lack of confidence in long-term prospects.

Whilst we construct the portfolio based on the bottom-up attractions of companies, the twelve months since October 2004 have seen some noteworthy macroeconomic developments. We have seen continued strong global economic growth again fuelled by the emerging economies as China, Brazil, India and Russia continue to confound the sceptics. There has been growing anxiety over inflation coming from the possible pass through of strength in oil and other commodity prices although the evidence for this is sporadic at best and we continue to believe in the long-term disinflationary effect of emerging economies as a countervailing force. Strong evidence here comes in the protectionist shenanigans of the EU imposing apparel quotas after China's might was unleashed on that industry.

It is worthwhile reiterating how short-term the market's concerns can be with many participants turning their entire portfolios in less than twelve months. For example, in

the two years since our management of the Trust, Russia has gone from being a virtual pariah during the Yukos affair to a darling as investors appreciate the wealth creation and longevity of its oil and gas assets. The truth probably lies somewhere between these two extremes and we continue to strive to separate such short-term anxiety from the long-term prospects of Gazprom and Lukoil and to exploit such opportunities afforded by the market.

Our current portfolio comprises a collection of businesses where we are optimistic about the long-term growth prospects. We will buy a business regardless of where it is listed if it meets our criteria. As commented on above we have found several new ideas in the USA over the last twelve months whilst continuing to have substantial holdings in emerging markets equities. This may not always be the case and we are prepared to be equally excited by investments anywhere in the world based on their individual attractions. It is our hope

that such companies will deliver good long-term returns to Edinburgh Worldwide's shareholders.

Mark A. Urquhart

Name	Business	Market value £'000	% of total assets	Performance†	
				Absolute %	Relative %
Equities					
Moody's	Bond rating agency	6,422	4.7	42.2	19.6
Lukoil	Oil exploration and production	5,381	4.0	87.0	57.3
Gazprom	Gas exploration and production	5,208	3.8	65.6	39.3
Golden West Financial	Savings and loans	4,926	3.6	4.4	(12.2)
CVRD	Mining	4,627	3.4	116.8	82.4
Atlas Copco	Engineering	4,557	3.4	49.9	26.1
Samsung Electronics	Electronics manufacturer	4,245	3.1	41.4	19.0
Canon	Copiers, cameras and lithography	4,156	3.1	10.6	(7.0)
Petrobras	Oil exploration and production	4,139	3.1	90.5	60.2
Teva Pharmaceuticals	Generic drugs manufacturer	3,876	2.9	52.9	28.6
Progressive Ohio	Non-prime auto insurance	3,604	2.7	28.3	7.9
Whole Foods Market	Organic food chain	3,501	2.6	72.0*	45.5*
Porsche	Luxury automobiles	3,480	2.6	18.3	(0.5)
Microsoft	PC software	3,453	2.5	4.4	(12.2)
Ericsson	Telecommunications equipment	2,898	2.1	18.0	(0.7)
SAP	Business software	2,896	2.1	4.9	(11.7)
BHP Billiton	Mining	2,848	2.1	53.0	28.7
Housing Development Finance Corporation	Provider of mortgages	2,719	2.0	25.4*	12.2*
Dell	PC manufacturer	2,701	2.0	(3.9)*	(3.1)*
Walgreen	Pharmacy chain	2,674	2.0	31.3	10.4
M & T Bank	Retail banking	2,662	2.0	9.6	(7.8)
Wellpoint	Managed care operator	2,645	2.0	49.1	27.0
Carnival	Cruise ship operator	2,587	1.9	3.0	(13.4)
Sandvik	Engineering	2,581	1.9	35.3	13.8
Walseley	Builders merchant	2,559	1.9	24.9	5.1
BMW	Automobiles	2,548	1.9	8.1	(9.1)
Pulte Homes	American house builder	2,487	1.8	(4.1)*	(9.7)*
Imperial Tobacco	Tobacco	2,430	1.8	32.0	11.0
William Wrigley	Chewing gum manufacturer	2,418	1.8	11.5	(6.2)
eBay	Internet auction	2,405	1.8	9.0*	1.7*
Hermes	Luxury goods	2,394	1.8	21.7	2.4
VCA Antech	Animal hospitals and diagnostics	2,333	1.7	49.8*	34.5*
McCarthy & Stone	Retirement home builder	2,159	1.6	13.8	(4.3)
SCP Pool	Swimming pool supplies	2,133	1.6	21.3*	7.5*
Amazon.com	Internet retailer	2,022	1.5	10.0*	(5.3)*
Omnicom	Advertising agency	2,018	1.5	9.8	(7.6)
Iron Mountain	Document management services	1,983	1.5	22.1	2.7
Patterson Companies	Dental products and supplies	1,924	1.4	14.2	(3.9)
ABB LTD	Power generation and automation equipment	1,895	1.4	37.2	15.4
Zhejiang Expressway	Toll-road operator	1,870	1.4	(5.2)	(20.3)
L'Oreal	Personal care	1,627	1.2	13.3	(4.7)
Total Equities		125,991	93.2		

Name	Market value £'000	% of total assets
Fixed interest		
Sterling denominated bonds		
Safeway 5.875% 2007	632	
AMP Group Finance 7.125% 2019	577	
Hilton Group 7.25% 2008	220	
	<u>1,429</u>	1.1
US\$ denominated bonds		
BP Capital Markets 3.375% 2008	652	
Stagecoach 8.625% 2009	626	
Vodafone Airtouch 7.75% 2010	625	
Household Fin Corp 7% 2012	618	
HSBC Bank USA 3.875% 2009	598	
Ericsson 6.5% 2009	586	
AIG 5.625% 2007	571	
AIG 5.875% 2005	566	
Egg Banking FRN 2006	566	
Golden West 4.125% 2007	559	
BSkyB 8.2% 2009	311	
Deutsche Telecom 3.875% 2008	276	
	<u>6,554</u>	4.8
Yen denominated bonds		
Toyota Motor Corp 0.75% 2008	1,224	
HBOS Treasury Services 0.8% 2008	977	
Pfizer Inco 0.8% 2008	732	
	<u>2,933</u>	2.2
Total Fixed Interest	<u>10,916</u>	<u>8.1</u>
Total Investments	136,907	101.3
Net Current Liabilities	(1,674)	(1.3)
Total Assets at Market Value (before deduction of loan)	<u>135,233</u>	<u>100.0</u>

† Absolute and relative performance has been calculated over the period 1 November 2004 to 31 October 2005. Absolute performance is in sterling terms; relative performance is against MSCI All Countries World Index in sterling terms.

* Figures relate to part-period returns relating to the holding period of the relevant stock.

(Source: Baillie Gifford & Co, StatPro).

Past performance is no guarantee of future performance.

1

Canon has been one of the top three US patent winners in each of the last twelve years.

Managers' Portfolio Review

1

Edinburgh Worldwide's portfolio is constructed entirely from the attractions of individual stocks paying no heed to regional or sectoral weights. In this context, we thought there was no value to our shareholders in making comments on macroeconomic developments in the different regions of the world over the last twelve months. Rather we wanted to use the Annual Report to highlight the investment case for a number of our holdings. We have selected ten companies from different regions and sectors which we hope provide an insight into some of the stocks in the Trust's portfolio and our long-term rationale for holding them.

Atlas Copco

Atlas Copco is a Swedish engineering group. In addition to its industrial compressors business, which controls over 25% of the world market, it possesses leading positions in pneumatic tools, construction and mining equipment and

equipment rental. The company has very strong customer retention based on its ability to minimise downtime for its manufacturing customer base and this creates a very attractive annuity-style stream of revenue. The business has a record for generating excellent returns and cashflows over the long-term. It is currently seeing very strong demand from China and other emerging economies as those countries industrialise rapidly and whilst we expect demand to be cyclical, we feel the market continues to underestimate the long-term growth prospects of the company.

Canon

Canon is a manufacturer of copying and printing equipment, and also makes cameras and semiconductor production equipment. The copier and printer markets are seeing strong volume growth on the back of colour machines both in the office and at home where printing of digital photographs is increasingly popular. 'Multi

Function' machines which can copy, print, scan and fax are also driving demand. However the key attraction of the business is the opportunity to sell consumable items such as ink, toner and drums, and also to earn service revenues, once the initial equipment sale has been made. These items are highly profitable, and should also grow more rapidly than the business overall as more documents are distributed electronically and printed directly by users. In our view the market worries far too much about the short-term fluctuations in cameras and semiconductors and fails to appreciate the sustainable growth of the print consumables business.

Carnival

Carnival is the world's leading cruise ship operator. Demand for cruising holidays is likely to grow steadily over the medium term based on ageing demographic trends combined with a pronounced proclivity for older people to cruise more. With more

2

HDFC operates 212 branches spread all over India.

2

than 40% of cruisers being on their first trip there is no sign that the industry is nearing saturation in terms of its appeal and we expect many years of demand growth. Following the acquisition of P&O Princess, the scale and superior profitability of Carnival offers increasing competitive advantages against the few other companies left in the industry who tend to operate only a handful of ships rather than Carnival's multi-branded offering. We are confident in the company's ability to grow over the long-term and have used recent oil-related worries to add to our holding.

eBay

eBay's online auction business is as close to a monopoly as one is likely to find in a quoted company. It benefits from a classic auction house virtuous circle – more sellers attract more buyers and vice versa – and this is reinforced by the network effect of the Internet. It is almost inconceivable that eBay will face significant new entrants in

its established markets given its position as the most visited web-site in the world outside of search engines. The financials of the business are extremely attractive – the company charges a listing fee which rises with prominence on the site, a successful sale fee and additional fees for services such as pictures. They also operate Paypal – a fast-growing payment service – which in our view is a hidden gem. Returns should rise rapidly from here with the company having sunk most of its fixed costs and margins and cash generation should continue to improve from already healthy levels. Our purchase was triggered by a large fall in the share price as the market worried about a rise in capital expenditure which is being increased by around a third to target growth opportunities in China and Paypal. In an era of buybacks, it is important to remember that companies which can reinvest at high rates of return are desirable and we admire eBay's willingness to

ignore the short-term pressures of Wall Street.

Gazprom

Gazprom is the largest producer of natural gas in the world, currently supplying one quarter of Europe's gas demand. We believe that this figure will rise substantially over the next few decades as Western Europe runs out of natural resources and becomes far more import dependent and indeed several long-term supply contracts with Germany and the UK have recently been signed. Gazprom's reserves are estimated to be 50% larger than those of BP, Shell and Exxon combined and yet are valued at a staggering discount to these companies – around one-tenth of the valuation based on reserves. Whilst some of this discount may have been justified historically by sub-optimal capital allocation and poor cost control, we believe it is far too large a gap given the long-term downward trend in reserves outside Russia.

3

Hermes possesses long waiting lists for handbags.

The Putin government is committed to making Gazprom an internationally competitive company as evidenced by its raising of domestic gas prices to allow it to fund its growth. We expect further progress on cost-cutting, infrastructure investment and the sale of non-core assets but our primary long-term investment attraction is the chance to buy such a sizeable reserve base at such a low valuation.

HDFC

Based in Mumbai, HDFC specialises in originating residential mortgages. India's retail mortgage market is booming as demand is driven by improved affordability as a result of rising income levels, relatively low interest rates, fiscal incentives and falling property prices. This should be a long-term trend given low penetration rates with under 3% of the population currently possessing a mortgage. HDFC's main competitive strength is that it is the low cost provider of mortgages which is a

significant advantage in a commodity industry. It also has an excellent long-term credit record and we think it is far more focused than other Indian banks on profitability rather than market share as evidenced by its very low charge-offs and much higher returns on equity. We believe that the Indian middle class will continue to grow and seek to own their own homes and that HDFC is very well placed to exploit this opportunity for several decades.

Hermes

Hermes is a French luxury goods business which produces and sells leather goods, silks, perfumes and other luxury items. It has always been family controlled since its foundation as a saddle maker last century and the core aim is to grow steadily over the long-term. As such the company will not take any decisions to please the stockmarket in the short-term which jeopardise the long-term position of the brand as shown by its recent deliberate

cutting of the supply of popular canvas beach bags as they feared it could dilute the caché of their handbags which have waiting lists of up to three years. We are confident that Hermes will see good growth both in existing markets as more consumers trade up to their brands and emerging markets as the newly enriched want to enjoy their wealth. We think that the barriers to entry of luxury brands are underestimated by the market and that Hermes can enjoy above average growth rates for many years to come.

Moody's

Moody's was spun off from Dun and Bradstreet in late 2000 and is a leading global bond rating agency. It has a very strong franchise being a close number two in a duopolistic market to Standard & Pools. It is benefiting from strong secular growth in credit markets, especially outside the US and from an increasing complexity in balance sheets requiring ever more ratings.

4

VCA Antech is the US's leading operator of animal hospitals and diagnostic laboratories

4

The duopoly has proved very durable: no matter how badly the rating analysts have served investors in successive crises, significant new entrants have not emerged. In addition, customers have little power and no one customer accounts for more than about 0.5% of revenues. Whilst there will be some cyclicalities in debt markets, we believe that Moody's has excellent long-term growth prospects and would see any short-term weakness as an opportunity.

VCA Antech

VCA Antech is the largest operator of animal hospitals and veterinary diagnostic laboratories in the US. The hospitals offer a full range of medical and surgical services and VCA has been active in consolidating the industry through small bolt-on acquisitions whilst the diagnostic business collects specimens from the hospitals. In the vet practice business the vast bulk of bills are wholly paid by the pet owner (only 1% of bills are paid by insurance companies)

and in the diagnostics business, vets are the payers and costs are passed directly on to their customers. Both businesses benefit from the increased propensity to spend on pet healthcare with a growing acceptance that pets can be kept healthier for longer with regular check ups and testing. We believe that the combination of the industry's positive tailwind from increased spending on pet healthcare, the pricing power that VCA enjoys and the consolidation opportunities in a fragmented industry can lead to many years of growth.

Whole Foods Market

Whole Foods Market was founded in 1980 with one store in Austin, Texas. It has grown steadily to be the world's largest retailer of natural and organic foods, and currently has 180 stores in the US (in 30 states & DC), Canada and the UK. This growth has been through a combination of store openings and acquisitions of other small chains. The US

natural and organics food market is estimated to be around \$14bn with Whole Foods having about a quarter of this. The overall market represents less than 2% of all foods sold in the US but has been growing far more quickly: demand for natural and organic products is estimated at high single digits for the last five years whilst overall US grocery sales have grown at a compound rate of 2.5% per year over the same period. We think that Wholefoods is at the forefront of a genuine, secular change in the way foods are thought about and sold: disposable incomes will continue to rise, food scares will continue to depress and people will be happy to spend a larger proportion of their money on food which looks good, tastes good and is generally good for one. We do not think this is just an American attitude and that Wholefoods has a good chance of being the next substantial retail export from the USA and as such the company looks set to enjoy many years of strong growth.

Distribution of Total Assets

Geographical 2005 (2004)

Sectoral 2005 (2004)

Investment Changes (£'000)

	Valuation at 31 October 2004	Net acquisitions (disposals)	Appreciation (depreciation)	Valuation at 31 October 2005
Equities:				
UK	15,281	(7,119)	1,834	9,996
Continental Europe	23,278	(3,014)	4,612	24,876
North America	34,578	12,362	7,958	54,898
Japan	6,282	(2,084)	(42)	4,156
Asia Pacific	7,673	(3,420)	1,862	6,115
Emerging Markets	13,088	2,177	10,685	25,950
Total equities	100,180	(1,098)	26,909	125,991
Fixed interest:				
Sterling bonds	1,430	-	(1)	1,429
US dollar bonds	6,621	(13)	(54)	6,554
Yen bonds	3,125	(4)	(188)	2,933
Total fixed interest	11,176	(17)	(243)	10,916
Total investments	111,356	(1,115)	26,666	136,907
Net current liabilities	(560)	(1,092)	(22)	(1,674)
Total assets	110,796	(2,207)	26,644	135,233

The figures above for total assets are made up of total assets less current liabilities.

Capital

At 31 October	Total assets £'000	Long and short term borrowings £'000	Equity shareholders' funds £'000	Net asset value per share p	Share price p	Discount† %
1998	138,363	(39,336)	99,027	202.08	167.50	17.1
1999	172,390	(39,673)	132,717	270.83	214.25	20.9
2000	195,719	(41,951)	153,768	313.78	270.00	14.0
2001	142,389	(41,521)	100,868	205.84	174.50	15.2
2002	104,964	(30,626)	74,338	151.70	123.00	18.9
2003	109,008	(29,255)	79,753	162.75	130.50	19.8
2004	110,796	(27,604)	83,192	169.76	138.50	18.4
2005	135,233	(27,825)	107,408	219.18	200.00	8.8

† Discount is the difference between Edinburgh Worldwide's quoted share price and its underlying net asset value.

Revenue

Year to 31 October	Gross revenue £'000	Available for ordinary shareholders £'000	Earnings per ordinary share p	Dividend per ordinary share net p	Total expense ratio§ %	Gearing Ratios	
						Actual gearing¶	Potential gearing
1998*	709	189	0.39	0.25	1.34	104	140
1999	2,998	1,371	2.80	2.20	1.20	109	130
2000	2,713	1,041	2.12	2.20	1.40	111	127
2001	3,037	1,620	3.13	2.60‡	1.17	104††	141
2002	2,521	1,306	2.66	2.20	1.41	110††	141
2003	2,251	1,007	2.06	2.20	1.38	105	137
2004	1,940	869	1.77	2.20	1.21	119	133
2005	2,379	1,105	2.26	2.00	2.11	115	126

* For the period 9 July to 31 October 1998.

§ Ratio of total operating costs to average shareholders' funds.

¶ Total assets (including all debt used for investment purposes) less all cash and fixed interest securities (ex convertibles) divided by shareholders' funds.

|| Total assets (including all debt used for investment purposes) divided by shareholders' funds.

‡ Includes special interim dividend of 0.40p per share.

†† Net of futures contracts.

Cumulative Performance (taking 1998 as 100)

At 31 October	Net asset value per share	Net asset value total return	Benchmark	Benchmark total return	Share price	Share price total return	Earnings per ordinary share	Dividend per ordinary share net	Retail price index
1998	100	100	100	100	100	100			100
1999	134	134	127	129	128	128	100**	100**	102
2000	155	157	142	146	161	163	76	100	105
2001	102	104	105	109	104	107	112	118	106
2002	75	78	83	88	73	76	95	100	108
2003	81	85	93	102	78	83	74	100	111
2004	84	90	96	107	83	89	63	100	115
2005	108	118	112	128	119	131	81	91	119
Compound annual returns									
5 year	(6.9%)	(5.6%)	(4.7%)	(2.7%)	(5.8%)	(4.3%)	1.3%	(1.9%)	2.6%
7 year	1.1%	2.4%	1.6%	3.5%	2.6%	3.9%	(3.5%)▲	(1.6%)▲	2.5%

** Cumulative performance taking 31 October 1999 as 100 as 1998 relates to part period 9 July to 31 October 2003.

▲ 6 year compound annual return.

Past performance is no guarantee of future performance.

Baillie Gifford & Co was appointed as Investment Managers and Secretaries to the Company with effect from 1 November 2003 and the benchmark was changed from MSCI World Index (in sterling terms) to MSCI All Countries World Index (in sterling terms) with effect from that date.

Directors' Report

The Directors have pleasure in submitting their Annual Report together with the results of the Company for the year to 31 October 2005.

Review of Activities

During the year under review the Company has followed the normal activities of an investment trust company. A review of the main features of the year is contained in the Chairman's Statement and in the Managers' Overview and Portfolio Review on the preceding pages.

Dividends

The Board recommends a final dividend of 1.50p per ordinary share which, together with the interim of 0.50p already paid, makes a total of 2.00p for the year, compared with 2.20p for the previous year. If approved, the recommended final dividend on the ordinary shares will be paid on 2 February 2006 to shareholders on the register at the close of business on 13 January 2006. The ex-dividend date is 11 January 2006.

After payment of the dividend the accumulated revenue balance is increased by £125,000 to £742,000.

Status

The Company is an investment company within the meaning of section 266 of the Companies Act 1985.

The Company carries on business as an investment trust. It was approved by the Inland Revenue as an investment trust under section 842 of the Income and Corporation Taxes Act 1988 for the year ended 31 October 2004, subject to any matters that may arise from any subsequent enquiry by the Inland Revenue into the Company's tax return. In the opinion of the Directors the Company has subsequently conducted its affairs so as to enable it to continue to obtain such approval and it will continue to seek approval under section 842 of the Income and Corporation Taxes Act 1988 each year.

Corporate Governance

Compliance

The Board has considered the principles set out in the Combined Code on Corporate Governance (the "Code") and the AITC Code on Corporate Governance (the "AITC Code") both of which were published in July 2003.

The Company has complied throughout the year under review with the provisions set out in Section 1 of the Code, except that there is no Remuneration Committee and no limit has been imposed on the overall length of service of Directors. These issues are explained below.

The Board is also adhering to the principles of the AITC Code in all material respects.

The Board

The Board has overall responsibility for the Company's affairs. It has a number of matters reserved for its approval including strategy, investment policy, borrowings, gearing, treasury matters, dividend and corporate governance policy. The Board also reviews the financial statements, investment

Directors' Attendance at Meetings

	Board	Audit & Management Engagement Committee	Nomination Committee
Number of meetings	6	3	1
DA Colman	6	3	1
RAG Douglas Miller	6	3	1
WJ Ducas	6	3	1
DHL Reid	6	3	1
The Hon. Kim Fraser	6	3	1

transactions, revenue budgets and performance. Full and timely information is provided to the Board to enable it to function effectively and to allow directors to discharge their responsibilities.

The Board currently comprises five Directors all of whom are non-executive. The executive responsibilities for investment management have been delegated to the Company's Managers and Secretaries, Baillie Gifford & Co, and, in the context of a Board comprised entirely of non-executive Directors, there is no chief executive officer. The senior independent director is Mr Douglas Miller.

The Directors believe that the Board has a balance of skills and experience which enable it to provide effective strategic leadership and proper governance of the Company. Information about the Directors, including their relevant experience, can be found on page 8.

There is an agreed procedure for Directors to seek independent professional advice if necessary at the Company's expense.

The Company also maintains Directors' and Officers' liability insurance.

Independence of Directors

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

Meetings

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, revenue budgets, dividend policy and communication with shareholders. The Board

considers that it meets sufficiently regularly to discharge its duties effectively. The table above shows the attendance record for the Board and Committee meetings held during the year.

Nomination Committee

The Nomination Committee consists of the whole Board and the Chairman of the Board is Chairman of the Committee. The Committee meets on an annual basis and at such other times as may be required. The Committee has written terms of reference which include reviewing the Board, identifying and nominating new candidates for appointment to the Board, Board appraisal, succession planning and training. The Committee also considers whether Directors should be recommended for re-election by shareholders. The terms of reference are available on the Managers' website www.bailliegifford.com.

Performance Evaluation

The Nomination Committee met to assess the performance of the Chairman, each Director, the Board as a whole and its committees, after inviting each Director and the Chairman to consider and respond to a set of questions. The appraisal of the Chairman was led by Mr Douglas Miller. The appraisals and evaluations considered amongst other criteria the balance of skills of the Board, the contribution of individual Directors and the overall effectiveness of the Board and its committees. Following this process it was concluded that the performance of each Director, the Chairman, the Board and its Committees continues to be effective and each Director and the Chairman remain committed to the Company. A review of the Chairman's and other Directors' commitments was carried out and the Nomination

Committee is satisfied that they are capable of devoting sufficient time to the Company. There were no significant changes to the Chairman's other commitments during the year.

Terms of Appointment and Re-elections

Letters which specify the terms of appointment, are issued to new Directors. The letters of appointment are available for inspection on request.

Under the provisions of the Company's Articles of Association, 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 directors retire by rotation and submit themselves for re-election at least once every three years. Directors are typically expected to serve three, three year terms although they may be invited to serve additional periods, subject to annual re-election. The Board is of the view that length of service will not necessarily compromise the independence or contribution of Directors of an investment trust company, where continuity and experience can add significantly to the strength of the Board. A Director is required to retire at the age of 70.

Directors retiring and offering themselves for re-election together with the reasons why the Board supports the re-elections are set out on page 23.

Induction and Training

New Directors appointed to the Board have a formal induction meeting with the Managers. Directors will receive other relevant training as necessary.

Remuneration

Since all the Directors are non-executive, a Remuneration Committee is considered unnecessary. Directors' fees are considered

Substantial Shareholders

Name	No. of ordinary 5p shares held	% of issue
DC Thomson & Co Ltd	3,500,000	7.1
Legal & General Investment Management	1,489,936	3.0

The above information has been intimated to the Company as at 8 December 2005 in compliance with section 198 of the Companies Act 1985.

by the Board as a whole within the limits approved by shareholders. The Company's policy on remuneration is set out in the Directors' Remuneration Report on pages 25 and 26.

Internal Controls and Risk Management

The Directors acknowledge their responsibility for the Company's system of internal controls and for reviewing its effectiveness. The system of internal controls is designed to manage rather than eliminate risk and can only provide reasonable but not absolute assurance against material misstatement or loss. The Directors confirm that they have reviewed the effectiveness of the system and they have procedures in place to ensure regular future reviews.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company in accordance with the guidance "Internal Control: Guidance for Directors on the Combined Code".

The practical measures to ensure compliance with regulation and company law, and to provide effective and efficient operations and investment management, have been delegated to the Managers and Secretaries, Baillie Gifford & Co, under the terms of the Management Agreement. The Board acknowledges its responsibilities to supervise and control the discharge by the Managers and Secretaries of their obligations.

Baillie Gifford & Co is responsible for the design, implementation and maintenance of control policies and procedures to safeguard the assets of the Company and to manage its affairs properly. This responsibility also extends to maintaining effective operational and compliance controls and risk management.

The Company's investments are segregated from those of Baillie Gifford & Co and its other clients through the appointment of Royal Trust Corporation of Canada as independent custodian of the Company's investments.

The Baillie Gifford & Co heads of Business Risk & Internal Audit and Regulatory Risk provide the Board with regular reports on Baillie Gifford & Co's monitoring programmes. Baillie Gifford & Co conduct an annual review of their system of internal controls which is documented within an internal controls report (FRAG 21). This report is independently reviewed by Baillie Gifford & Co's auditors and a copy is submitted to the Board.

A detailed risk map is prepared which identifies the significant risks faced by the Company and the key controls to manage these risks are confirmed as in place and operating effectively.

These procedures ensure that consideration is given regularly to the nature and extent of the risks facing the Company and that they are being actively monitored. Where changes in risk have been identified during the year they also provide a mechanism to assess whether further action is required to manage the risks identified. The Board confirms that these procedures have been in place throughout the Company's financial year and continue to be in place up to the date of approval of this Report.

Internal Audit

The Audit & Management Engagement Committee carries out an annual review of the need for an internal audit function. The Committee continues to believe that the compliance and internal control systems and the internal audit function in place within the Investment Managers 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.

Accountability and Audit

The respective responsibilities of the Directors and the Auditors in connection with the Financial Statements are set out on pages 27 to 29.

The accounts have been prepared on the going concern basis as it is the Directors' opinion that the Company will continue in operational existence for the foreseeable future.

Audit & Management Engagement Committee

An Audit & Management Engagement Committee has been established in compliance with the Combined Code consisting of all the non-executive Directors, all of whom are considered to be independent. Its authority and duties are clearly defined within its written terms of reference which are available on the Managers' website www.bailliegifford.com. Mr DHL Reid is Chairman of the Audit & Management Engagement Committee.

The Committee's responsibilities, which were discharged during the year, include:

- monitoring and reviewing the integrity of the financial statements, the internal financial controls and the independence, objectivity and effectiveness of the external auditors;
- making recommendations to the Board in relation to the appointment of the external auditors and approving the remuneration and terms of their engagement;

Directors' Interests

Name	Nature of interest	Ordinary 5p shares held at	
		31 October 2005	31 October 2004
DA Colman	Beneficial	123,375	108,375
RAG Douglas Miller	Beneficial	134,628	84,233
	Non beneficial	6,725	6,725
WJ Ducas	Beneficial	10,000	10,000
DHL Reid	Beneficial	269,715	269,715
The Hon. Kim Fraser	Beneficial	13,650	13,650

The Directors at the year end, and their interests in the Company, were as shown above.

There have been no changes intimated in the Directors' interests up to 8 December 2005.

- developing and implementing policy on the engagement of the external auditors to supply non-audit services (there were no non-audit services provided in the period);
- reviewing the arrangements in place within Baillie Gifford & Co whereby their staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters insofar as they may affect the Company;
- reviewing the terms of the Investment Management Agreement; and
- considering annually whether there is a need for the Company to have its own internal audit function.

Relations with shareholders

The Board places a great importance on communication with shareholders. The Company's Managers meet regularly with institutional shareholders and report shareholders' views to the Board. The Chairman is available to meet with shareholders as appropriate. Shareholders wishing to communicate with any member of the Board may do so by writing to him at the address on the back cover of this report. The Company's Annual General Meeting provides a forum for all communication with shareholders and the Board announces the level of proxies lodged. The notice period for the Annual General Meeting is at least 20 working days. Shareholders and potential investors may obtain up-to-date information on the Company from the Managers' website, www.bailliegifford.com

Voting Policy and Socially Responsible Investment

The Company has given discretionary voting powers to the investment managers, Baillie

Gifford & Co. The Managers vote against resolutions they consider may damage shareholders' rights or economic interests. Baillie Gifford & Co give due weight to what they consider to be socially responsible investment when making investment decisions, but their overriding objective is to produce good investment returns for shareholders. The Managers' policy has been reviewed and endorsed by the Board.

Investment Manager

An Investment Management Agreement between the Company and Baillie Gifford & Co sets out the matters over which the Managers have authority in accordance with the policies and directions of, and subject to restrictions imposed by, the Board. The Management Agreement is terminable on not less than 3 months' notice. Compensation would only be payable if termination occurred prior to the expiry of the notice period. Details of the fee arrangements with Baillie Gifford & Co are shown on page 35.

The Board considers the Company's investment management and secretarial arrangements on a continuing basis and a formal review is conducted by the Audit & Management Engagement Committee annually. A report prepared by Bestinvest (Research) Ltd forms the basis of the review. The Committee considers, amongst others, the following topics in its review:

- investment performance;
- risk analysis;
- developments at the Managers, including staff turnover;
- share price discount; and
- charges and fees.

Following the most recent review on 2 December 2005, the Audit & Management Engagement Committee concluded that the continuing appointment of Baillie Gifford & Co as Managers, on the terms agreed is in the interests of shareholders as a whole. This was subsequently approved by the Board.

Directors

Mr DA Colman and Mr WJ Ducas retire by rotation at the Annual General Meeting and will offer themselves for re-election. Following formal performance evaluation, their performance continues to be effective and each remains committed to the Company. Their contribution to the Board is greatly valued and the Board recommends their re-election to shareholders.

During the year no Director was interested in any contract or other matter requiring disclosure under section 232 of the Companies Act 1985.

Share Capital

Authority to allot and disapplication of pre-emption rights

At the last Annual General Meeting the Directors were given the authority to allot 16,171,420 ordinary shares. During the year no shares were allotted. This authority expires on 30 January 2010.

The existing dis-application of pre-emption rights, which authorises the Directors to allot new shares or re-sell existing shares from treasury up to an aggregate nominal amount of £122,510 (2,450,200 ordinary shares) representing 5% of the issued ordinary share capital of the Company, for cash without first offering

such shares to existing shareholders pro-rata to their existing holdings, also expires on 30 January 2010. Such authority will only be used to issue shares or re-sell shares from treasury at above net asset value and only when the Directors believe that it would be in the best interests of the Company to do so.

Market purchases of own shares

At the Annual General Meeting held on 31 January 2005 the Company renewed its authority to purchase shares in the market, in respect of up to 7,345,747 ordinary shares (equivalent to 14.99% of its then issued share capital); such authority to expire at the conclusion of the Annual General Meeting of the Company to be held in respect of the year ending 31 October 2005.

During the year to 31 October 2005 and between 1 November 2005 and the date of this report, the Company has not bought back any shares.

The principal reasons for share buy-backs are:

- (i) to enhance the net asset value for continuing shareholders by purchasing shares at a discount to the prevailing net asset value; and
- (ii) to address any imbalance between the supply of and demand for the Company's shares that results in a discount of the quoted market price to the published net asset value per ordinary share.

The Company may cancel any shares bought back or hold them "in treasury" and then:

- (a) sell such shares (or any of them) for cash (or its equivalent under the Treasury Shares Regulations); or
- (b) cancel the shares (or any of them).

All buy-backs up to the 10% issued share capital limit imposed by the Treasury Share Regulations will initially be held in treasury (while shares bought back in excess of that limit will be cancelled). Shares will only be re-sold from treasury at above net asset value.

No dividends will be paid on treasury shares and the Company shall not be entitled to exercise the voting rights attaching to them.

The Directors are seeking shareholders' approval at the Annual General Meeting to renew the authority to purchase up to 14.99% of the issued ordinary share capital of the Company as at the date of the passing of the resolution (7,345,747 ordinary shares). The minimum price which may be paid for an ordinary share shall be 5p (exclusive of expenses). The maximum price for an ordinary share (again exclusive of expenses) shall be an amount equal to 105% of the average of the middle market quotations (as derived from the Daily Official List of the London Stock Exchange) for the Company's ordinary shares for the five business days immediately preceding the date of purchase.

This buy-back authority, if conferred, will only be exercised if to do so would result in an increase in net asset value per ordinary share for the remaining shareholders and if it is in the best interests of shareholders generally. The authority being sought will last until the earlier of 29 July 2007 or the conclusion of the Annual General Meeting of the Company to be held in 2007 unless previously revoked, varied or renewed by the Company in general meeting. The decision to buy back any shares will be at the absolute discretion of the Directors.

Creditor Payment Policy

It is the Company's payment policy for the forthcoming financial year to obtain the best terms for all business. In general, the Company agrees with its suppliers the terms on which business will take place and it is its policy to abide by these terms. The Company had no trade creditors at 31 October 2005 or 31 October 2004.

Auditors

The auditors, KPMG Audit Plc, are willing to continue in office and in accordance with section 385 and section 390A of the Companies Act 1985 resolutions concerning their reappointment and remuneration will be submitted to the Annual General Meeting.

By order of the Board

BAILLIE GIFFORD & Co
Managers and Secretaries
9 December 2005

Barllie Gifford & Co.

Directors' Emoluments for the Year (audited)

	2005 £	2004 £
Directors who served during the year:		
DA Colman	15,562	14,812
RAG Douglas Miller	10,375	9,875
WJ Ducas	10,375	9,875
DHL Reid	10,375	9,875
The Hon. Kim Fraser	10,375	9,875
	57,062	54,312

The Directors who served in the year received the above emoluments in the form of fees.

Directors' Remuneration Report

The Board has prepared this report, in accordance with the requirements of Schedule 7A to the Companies Act 1985. An ordinary resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting.

The law requires the Company's auditors to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditors' opinion is included in their report on pages 28 and 29.

Remuneration Committee

The Company has five Directors, all of whom are non-executive. There is no separate remuneration committee and the Board as a whole considers changes to Directors' fees from time to time. Baillie Gifford & Co, who have been appointed by the Board as Managers and Secretaries, provide advice

and comparative information when the Board considers the level of Directors' fees.

Policy on Directors' fees

The Board's policy is that the remuneration of Directors should be set at a reasonable level that is commensurate with the duties and responsibilities of the role and consistent with the requirement to attract and retain Directors of the appropriate quality and experience. It should also reflect the experience of the Board as a whole, be fair and should take account of the level of fees paid by comparable investment trusts. This policy will continue for the year ended 31 October 2006 and subsequent years.

The fees for the non-executive Directors are determined within the limits set out in the Company's Articles of Association. These state that Directors' remuneration shall not

exceed £75,000 per annum. This amount may be varied by ordinary resolution in general meeting. Non-executive Directors are not eligible for any other remuneration apart from the reimbursement of allowable expenses.

The Board carried out a review of the level of Directors' fees during the year, and concluded that the fees should be increased from £15,000 to £15,750 for the Chairman and from £10,000 to £10,500 per Director. The increase was effective from 1 February 2005.

Directors' Service Contracts

It is the Board's policy that none of the Directors has a service contract. All of the Directors have been provided with revised appointment letters dated 16 June 2004. The terms of their appointment provide that a

Directors' Service Details

	Date of appointment	Due date for re-election
DA Coltman	1 May 1998	AGM held in 2006
RAG Douglas Miller	1 May 1998	AGM held in 2007
VJ Ducas	22 March 2002	AGM held in 2006
DHL Reid	1 May 1998	AGM held in 2008
The Hon. Kim Fraser	11 December 1998	AGM held in 2008

Director shall retire and be subject to re-election at the first Annual General Meeting after their appointment. Thereafter they are obliged to retire by rotation, and, if they wish, to offer themselves for re-election, no longer than every 3 years after that. Any Director who has served on the Board for more than 9 years will submit himself for re-election annually. There is no notice period and no provision for compensation upon early termination of appointment. Directors are required to retire at the Annual General Meeting following their 70th birthday.

Company performance

The graph opposite compares the total return (assuming all dividends are reinvested) to ordinary shareholders compared to the total shareholder return on a notional investment made up of shares in the component parts of the FTSE All-Share Index. This index was chosen for comparison purposes, as it is a widely used measure of performance for UK listed companies. (Benchmark provided for information purposes only.)

Performance Graph

Edinburgh Worldwide's Share Price, FTSE All-Share Index and Benchmark**
(figures have been rebased to 100 at 31 October 2000)

The line at 31 October 2003 signifies the appointment of Baillie Gifford & Co as Managers and Secretaries.

Past performance is no guarantee of future performance.

Approval

The Directors' Remuneration Report on pages 25 and 26 was approved by the Board of Directors and signed on its behalf on 9 December 2005.

DAVID A COLTMAN
Chairman



Statement of Directors' Responsibilities in Respect of the Financial Statements

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 profit or loss 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; and

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent Auditors' Report

to the members of Edinburgh Worldwide Investment Trust plc
(‘the Company’)

We have audited the financial statements on pages 30 to 41. 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 auditors' 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 27, 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 pages 20 to 23 reflects the Company's compliance with the nine provisions of the 2003 SRC Code specified for our review by the Listing Rules of the Financial Services Authority, 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 October 2005 and of its total return 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

KPMG Audit Plc
Chartered Accountants
Registered Auditor
Edinburgh

9 December 2005

STATEMENT OF TOTAL RETURN (incorporating the revenue account*)

	Notes	for the year ended 31 October 2005			for the year ended 31 October 2004		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	9	-	26,807	26,807	-	4,387	4,387
Currency (losses)/gains	16	-	(243)	(243)	-	790	790
Income	2	2,379	-	2,379	1,940	-	1,940
Investment management fee	3	(179)	(1,474)	(1,653)	(145)	(469)	(614)
Other administrative expenses	4	(359)	-	(359)	(368)	-	(368)
Net return before finance costs and taxation		1,841	25,090	26,931	1,427	4,708	6,135
Finance costs of borrowings	5	(395)	(1,183)	(1,578)	(381)	(1,149)	(1,530)
Return on ordinary activities before taxation		1,446	23,907	25,353	1,046	3,559	4,605
Tax on ordinary activities	6	(341)	184	(157)	(177)	89	(88)
Return on ordinary activities after taxation		1,105	24,091	25,196	869	3,648	4,517
for the financial year attributable to equity shareholders							
Dividends in respect of equity shares	7	(980)	-	(980)	(1,078)	-	(1,078)
Transfer to/(from) reserves		125	24,091	24,216	(209)	3,648	3,439
Return per ordinary share	8	2.26p	49.16p	51.42p	1.77p	7.45p	9.22p

* The revenue column of this statement is the profit and loss account of the Company.

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

The accompanying notes on pages 33 to 41 are an integral part of this statement.

	Notes	at 31 October 2005		at 31 October 2004	
		£'000	£'000	£'000	£'000
Fixed assets					
Investments	9		136,907		111,356
Current assets					
Debtors	11	454		1,094	
Cash and short term deposits	10	305		547	
			759		1,641
Creditors					
Amounts falling due within one year	12	(2,433)		(2,201)	
Net current liabilities			(1,674)	(560)	
Total assets less current liabilities			135,233	110,796	
Creditors					
Amounts falling due after more than one year	13		(27,825)		(27,604)
			107,408		83,192
Capital and reserves					
Called-up share capital	15		2,450		2,450
Share premium	16		82,180		82,180
Special reserve	16		35,220		35,220
Capital reserve – realised	16		(45,920)		(44,457)
Capital reserve – unrealised	16		32,736		7,182
Revenue reserve	16		742		617
Equity shareholders' funds			107,408	83,192	
Net asset value per ordinary share			219.18p	169.76p	

The Accounts were approved by the Board and signed on their behalf on 9 December 2005.

DAVID A COLTMAN
Chairman



The accompanying notes on pages 33 to 41 are an integral part of this statement.

CASH FLOW STATEMENT

	Notes	for the year ended 31 October 2005 £'000	£'000	for the year ended 31 October 2004 £'000	£'000
Net cash inflow from operating activities	19		1,475		1,092
Servicing of finance					
Interest paid		(1,564)		(1,556)	
Net cash outflow from servicing of finance			(1,564)		(1,556)
Taxation					
Overseas tax incurred		(158)		(95)	
Total tax paid			(158)		(95)
Financial investment					
Acquisitions of investments		(26,528)		(119,127)	
Disposals of investments		27,633		97,310	
Realised currency loss		(22)		(48)	
Net cash inflow/(outflow) from financial investment			1,083		(21,865)
Equity dividends paid			(1,078)		(1,078)
Net cash outflow before use of liquid resources			(242)		(23,502)
Liquid resources					
Disposal of Treasury bills		-		13,264	
Disposal of AAA funds		-		8,145	
Net cash inflow from use of liquid resources			-		21,409
Decrease in cash	20		(242)		(2,093)
Reconciliation of net cash flow to movement in net debt	20				
Decrease in cash in the period			(242)		(2,093)
Decrease in short term investments			-		(21,409)
Exchange movement on bank loans			(221)		798
Movement in net debt in the year			(463)		(22,704)
Net debt at 1 November			(27,057)		(4,353)
Net debt at 31 October	20		(27,520)		(27,057)

The accompanying notes on pages 33 to 41 are an integral part of this statement.

Notes to Accounts

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1 Principal Accounting Policies

A summary of the principal accounting policies is set out in paragraphs (a) to (h) below. All have been applied consistently throughout the current and preceding year.

(a) Basis of Accounting

The accounts are prepared under the historical cost convention, modified to include the revaluation of fixed asset investments, and on the assumption that approval as an investment trust will continue to be granted.

The accounts have been prepared in accordance with applicable UK accounting standards and with the revised Statement of Recommended Practice 'Financial Statements of Investment Trust Companies' issued in January 2003.

(b) Investments

Listed investments are shown at middle market value, or in the case of FTSE 100 constituents, at last traded prices issued by the London Stock Exchange.

(c) Income

- (i) Income from equity investments is brought into account on the date on which the investments are quoted ex-dividend or, where no ex-dividend date is quoted, when the Company's right to receive payment is established.
- (ii) Interest from fixed interest securities is recognised on a time apportionment basis so as to reflect the effective yield on the fixed interest securities.
- (iii) Franked income is stated net of tax credits.
- (iv) Unfranked investment income includes the taxes deducted at source.
- (v) Interest receivable on deposits is recognised on an accruals basis.

- (vi) If scrip is taken in lieu of dividends in cash, the net amount of the cash dividend declared is credited to the revenue account.

(d) Expenses

All expenses are accounted for on an accruals basis. Expenses are charged through the revenue account except as follows: where they relate directly to the acquisition or disposal of an investment, in which case they are added to the cost of the investment or deducted from the sale proceeds and where they are connected with the maintenance or enhancement of the value of investments. In this respect the investment management fee is allocated 25% to revenue and 75% to 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.

The performance fee has been charged 100% to capital as the revenue component is considered immaterial in the overall context of the performance fee, the fee has arisen predominantly by virtue of the capital performance of the investments.

(e) Long Term Borrowings and Finance Costs

The finance costs of such borrowings are allocated 25:75 to the revenue account and realised capital reserve. Gains and losses on the repurchase or early settlement of debt is wholly charged to capital.

(f) Taxation

Deferred taxation is provided on all timing differences, calculated at the current tax rate relevant to the benefit or liability. Deferred tax assets are recognised only to the extent that it will be more likely than not that there will be taxable profits from which underlying timing differences can be deducted.

(g) Foreign Currencies

Transactions involving foreign currencies are converted at the rate ruling at the time of the transaction. Assets and liabilities in foreign currencies are translated at the closing rates of exchange at the balance sheet date with the exception of foreign exchange contracts which are valued at the forward rate ruling at the time of the balance sheet date. Any gain or loss arising from a change in exchange rate subsequent to the date of the transaction is included as an exchange gain or loss in capital reserve or revenue reserve as appropriate.

(h) Capital Reserves

- (i) Capital Reserves Realised:

Gains and losses on realisation of investments and realised exchange differences of a capital nature are dealt with in this reserve. The investment performance fee has been charged 100% to capital as it has arisen predominantly by virtue of the capital performance of the investments. 75% of management fees, including related VAT, and finance costs are 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 revenue and capital respectively. Any associated tax relief is also credited to this reserve.
- (ii) Capital Reserves Unrealised:

Unrealised appreciation represents the amount by which assets and liabilities valued at market value differs from their book value and is dealt with in this reserve.

2 Income

	2005 £'000	2004 £'000
Income from investments		
Franked investment income	309	455
UK unfranked investment income	81	77
Overseas dividends*	1,700	1,138
Overseas interest	264	198
	2,354	1,868
Other income		
Deposit interest	25	72
Total income	2,379	1,940
Total income comprises		
Dividends	2,009	1,593
Interest from investments	345	275
Other	25	72
	2,379	1,940
Income from investments		
Listed UK	482	551
Listed overseas	1,872	1,317
	2,354	1,868

* 2005 includes a special dividend of £285,000 from Microsoft.

3 Investment Management Fee

	2005			2004		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	166	499	665	137	410	547
Investment performance fee	–	890	890	–	35	35
Irrecoverable VAT thereon	13	85	98	8	24	32
	179	1,474	1,653	145	469	614

Baillie Gifford & Co were appointed as Managers and Secretaries with effect from 1 November 2003. The management agreement is terminable on not less than three months notice. The fee in respect of each quarter is 0.2% of the market value of the Company on each valuation date. In addition, Baillie Gifford are entitled to a performance fee, calculated annually in arrears. The performance fee is based on any out-performance of the net asset value per share by comparison to the MSCI All Countries World Index and is calculated as a percentage of the market value of the Company. The fee is paid as 5% of the out-performance between zero and 2%, and 10% of the out-performance thereafter. A high water mark with neither cap nor collar will apply.

In addition to the investment management fee, the Company also pays a secretarial fee to Baillie Gifford which is adjusted annually in line with the Retail Price Index. The secretarial fee is shown in note 4.

All fees are subject to VAT at the appropriate rate.

4 Other Administrative Expenses – all charged to revenue

	2005 £'000	2004 £'000
Directors' fees (see Directors' Remuneration Report page 25)	57	54
Auditors' remuneration for audit services	11	10
Secretarial fees	62	59
Registrar's fees	35	64
Marketing and promotional fees	42	38
Printing expenses	27	23
Other expenses	125	120
	359	368

5 Finance Costs of Borrowings

	2005			2004		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Bank loans repayable in more than two years but not more than five years	395	1,183	1,578	381	1,149	1,530

6 Tax on Ordinary Activities

	2005			2004		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
UK corporation tax	184	(184)	–	89	(89)	–
Overseas taxation	157	–	157	88	–	88
	341	(184)	157	177	(89)	88

	2005 £'000	2004 £'000
The tax charge for the year is lower than the standard rate of corporation tax in the UK (30%) The differences are explained below:		
Revenue return on ordinary activities before taxation	1,446	1,046
Revenue return on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2004 – 30%)	434	314
Income not taxable (franked investment income)	(93)	(137)
Income taxable in different periods	(8)	(24)
Overseas withholding tax claimed as a deduction	(47)	(26)
Overseas withholding tax written off	157	88
Capitalised expenses	(797)	(485)
Overseas withholding tax written off on income taxable in a different period	–	2
Excess expenses in period not provided for as an asset	511	356
Current tax charge for the year	157	88

Capital returns are not included in the above analysis since, as an Investment Trust, the Company's capital gains are not taxable.

There is no corporation tax charge at 31 October 2005 or 31 October 2004 as the Company has taxable losses which are available to be carried forward. The tax charge for 31 October 2005 and 2004 comprises overseas withholding taxes written off.

At 31 October 2005 the Company had net surplus management expenses and loan relationship losses of £12,100,000 (2004 – £10,030,000) which have not been recognised as a deferred tax asset. 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.

7 Ordinary Dividends

	2005	2004	2005 £'000	2004 £'000
Interim dividend per ordinary share (paid 7 July 2005)	0.50p	0.50p	245	245
Proposed final dividend per ordinary share (payable 2 February 2006)	1.50p	1.70p	735	833
	2.00p	2.20p	980	1,078

8 Return per Ordinary Share

	Revenue	2005 Capital	Total	Revenue	2004 Capital	Total
	2.26p	49.16p	51.42p	1.77p	7.45p	9.22p

Revenue return per ordinary share is based on the net revenue on ordinary activities after taxation of £1,105,000 (2004 – £869,000), and on 49,004,319 ordinary shares, being the number of ordinary shares in issue during each year.

Capital return per ordinary share is based on the net capital gain for the financial year of £24,091,000 (2004 – £3,648,000), and on 49,004,319 ordinary shares, being the number of ordinary shares in issue during each year.

9 Fixed Assets – Investments

	2005 £'000	2004 £'000
Listed at market value – UK	14,314	19,051
– Overseas	122,593	92,305
	136,907	111,356

	Listed in UK £'000	Listed overseas £'000	Total £'000
Cost of investments held at 1 November 2004	17,331	87,891	105,222
Unrealised appreciation at 1 November 2004	1,720	4,414	6,134
Value of investments held at 1 November 2004	19,051	92,305	111,356
Movements in year:			
Purchases at cost	1,199	24,673	25,872
Sales – proceeds	(7,118)	(19,869)	(26,987)
– realised profits on sales	40	992	1,032
Amortisation of fixed income book cost	(42)	(99)	(141)
Increase in unrealised appreciation	1,750	24,025	25,775
Value of investments held at 31 October 2005	14,880	122,027	136,907
Cost of investments held at 31 October 2005	11,410	93,588	104,998
Unrealised appreciation at 31 October 2005	3,470	28,439	31,909
Value of investments held at 31 October 2005	14,880	122,027	136,907

	2005 £'000	2004 £'000
Gains/(losses) on investments		
Realised gains/(losses) on sales	1,032	(3,087)
Increase in unrealised appreciation	25,775	7,474
	26,807	4,387

Of the realised gains on sales during the year a net gain of £325,000 (2004 – net loss of £1,448,000) was included in unrealised depreciation at the previous year end.

10 Financial Assets

A full list of the Company's investments is given on pages 12 and 13. In addition a geographical analysis of the portfolio and an analysis of the investment portfolio by broad industrial or commercial sector are contained in the Managers' Review Section. All financial assets are included in the accounts at market value (see note 1).

Exposure to currency risk through asset allocation is indicated below.

	2005 £'000	2004 £'000
Portfolio (currency of listing):		
Sterling	11,425	16,711
US dollar	84,683	54,287
Euro	12,945	12,265
Danish kroner	-	2,125
Swedish kroner	10,036	7,507
Swiss franc	1,895	1,381
Japanese yen	7,089	9,407
Hong Kong dollar	1,870	4,639
Korean won	4,245	3,034
Indian rupee	2,719	-
	136,907	111,356

Cash:

UK deposits	305	547
	305	547

The cash deposits generally comprise call or short term money market deposits of less than one month which are repayable on demand. The benchmark rate that determines the interest payments received on cash balances is the bank base rate. The following currency amounts are included in net current assets.

	Income accrued £'000	2005 Sales for subsequent settlement £'000	Other debtors and prepayments £'000	Income accrued £'000	2004 Sales for subsequent settlement £'000	Other debtors and prepayments £'000
Sterling	61	-	35	55	-	64
US dollar	291	-	-	216	646	51
Euro	-	-	19	-	-	22
Swiss franc	-	-	16	-	-	16
Chinese yuan	27	-	-	14	-	-
Japanese yen	5	-	-	6	-	4
	384	-	70	291	646	157

The interest rate risk profile of the Company's financial assets at 31 October was:

	Market value £'000	2005 Weighted average yield to redemption	Weighted average period until maturity	Market value £'000	2004 Weighted average yield to redemption	Weighted average period until maturity
Fixed rate:						
UK bonds	852	5.4%	2 years	856	5.4%	4 years
UK bonds (interest rate linked to sterling LIBOR from 2009)	577	5.9%	14 years	574	5.9%	15 years
US bonds	5,988	4.0%	3 years	6,621	3.6%	3 years
Yen bonds	2,933	0.6%	3 years	3,125	0.6%	4 years
Floating rate:						
US bonds (interest rate linked to quarterly US LIBOR)	566	3.4%	1 year	-	-	-
Total fixed interest	10,916	3.2%	3 years	11,176	3.0%	4 years

11 Debtors

	2005 £'000	2004 £'000
Due within one year:		
Income accrued	384	291
Sales for subsequent settlement	–	646
Taxation recoverable	34	38
Other debtors and prepayments	36	119
	454	1,094

12 Creditors – Amounts falling due within one year

	2005 £'000	2004 £'000
Purchases for subsequent settlement	–	656
Proposed final dividend	735	833
Investment management fee	196	136
Investment performance fee	890	35
Secretarial fee	15	15
Other creditors and accruals	597	526
	2,433	2,201

13 Creditors – Amounts falling due after more than one year

	2005 £'000	2004 £'000
Multi-currency loan:		
US\$ 31,250,000 at an interest rate of 6.45% per annum	17,652	17,055
Yen 1,313,200,000 at an interest rate of 2.52% per annum	6,373	6,749
£3,800,000 at an interest rate of 6.93% per annum	3,800	3,800
Repayment in more than two years but not more than five years	27,825	27,604

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 ING Bank N.V. The fair value of the loan was £28,789,000 (2004 – £29,468,000) as at 31 October 2005.

The following covenants relate to the loan with ING Bank N.V.:

- (i) Total borrowings shall not exceed 60% of the Company's net asset value.
- (ii) The Company's minimum net asset value shall be £50 million.
- (iii) No one listed investment owned by the Company should represent more than 7.5% of the Company's total assets.

14 Financial Liabilities

Short term debtors and creditors have been excluded from the disclosure of financial instruments as allowed by FRS 13 other than for currency disclosures which include £355,000 of US\$ and £50,000 of Japanese yen (2004 – £339,000 of US\$ and £52,000 of Japanese yen) in respect of loan interest and nil in respect of purchases for subsequent settlement (2004 – £656,000 of US\$).

Gains and losses on hedges

At 31 October 2004 and 2005 there were no unrecognised gains/losses on hedges. Realised currency gains/losses are taken to the capital reserve and are not reflected in the revenue account unless they are of a revenue nature.

15 Called-up Share Capital

	2005		2004	
	Number	£'000	Number	£'000
Authorised ordinary shares of 5p each	65,175,744	3,259	65,175,744	3,259
Allotted, called-up and fully paid ordinary shares of 5p each	49,004,319	2,450	49,004,319	2,450

At the Annual General Meeting on 31 January 2005 the Company renewed its authority to purchase shares in the market, in respect of 7,345,747 ordinary shares (equivalent to 14.99% of its issued share capital at that date). No shares were bought back during the year to 31 October 2005 or 2004. At 31 October 2005 the Company had authority to buy back 7,345,747 ordinary shares.

16 Reserves

	Share premium £'000	Special reserve £'000	Capital reserve – realised £'000	Capital reserve – unrealised £'000	Revenue reserve £'000
At 1 November 2004	82,180	35,220	(44,457)	7,182	617
Net gain on realisation of investments	-	-	1,032	-	-
Increase in unrealised appreciation	-	-	-	25,775	-
Exchange differences	-	-	(22)	-	-
Exchange differences on multi-currency loan	-	-	-	(221)	-
Investment management and performance fees	-	-	(1,474)	-	-
Finance costs of borrowings	-	-	(1,183)	-	-
Tax relief on management fees and finance costs	-	-	184	-	-
Retained net revenue for the year	-	-	-	-	125
At 31 October 2005	82,180	35,220	(45,920)	32,736	742

The special reserve arose following court approval for the cancellation of 30% of the value of the share premium account on 29 April 1999. The reserve may be utilised to finance any purchase and subsequent cancellation of the Company's ordinary shares.

17 Reconciliation of Movements in Shareholders' Funds

	2005 £'000	2004 £'000
Shareholders' funds at 1 November	83,192	79,753
Total recognised gains for the year	25,196	4,517
Dividends appropriated in the year	(980)	(1,078)
Shareholders' funds at 31 October	107,408	83,192

18 Net Asset Value per Ordinary Share

The net asset value per ordinary share and the net asset value attributable to the ordinary shareholders at the year end calculated in accordance with the Articles of Association were as follows:

	2005	2004	2005 £'000	2004 £'000
Ordinary shares	219.18p	169.76p	107,408	83,192

Net asset value per ordinary share is based on net assets as shown above and on 49,004,319 ordinary shares, being the number of ordinary shares in issue at each year end.

19 Reconciliation of Net Revenue before Finance Costs and Taxation to Net Cash Inflow from Operating Activities

	2005 £'000	2004 £'000
Net revenue on ordinary activities before finance costs and taxation	1,841	1,427
Investment management and performance fees charged to capital	(1,474)	(469)
Amortisation of fixed income book cost	141	156
Increase in accrued income	(92)	(142)
Decrease/(increase) in debtors	87	(42)
Increase in creditors	972	162
	1,475	1,092

20 Analysis of Change in Net Debt

	At 1 November 2004 £'000	Cash flows £'000	Exchange movement £'000	At 31 October 2005 £'000
Cash at bank and in hand	547	(242)	–	305
Loan due in more than one year	(27,604)	–	(221)	(27,825)
	(27,057)	(242)	(221)	(27,520)

21 Directors' Interests in Contracts

No Director has a contract of service with the Company.

During the year no Director was interested in any contract or other matter requiring disclosure under section 232 of the Companies Act 1985.

22 Derivatives and Other Financial Instruments

The Company operates as an investment trust company in accordance with S842 of the Income and Corporation Taxes Act 1988. The international nature of the Company's investment activities provides opportunities for both market appreciation and currency gains, but leaves it exposed to the risk of market volatility and currency fluctuations.

In the case of an investment trust, capital profits from investing activities and currency gains are not recognised in the revenue account, but are credited directly to a separate capital reserve which the Company is prohibited from distributing in the form of dividends.

Gearing

The Company has medium term borrowings, detailed in note 13 and in the Chairman's Statement. The aim of the use of gearing is to enhance long term returns to shareholders by investing borrowed funds in equities and other assets.

The Company's revenue account may be affected by fluctuations in short term interest rates; income from overseas investment can be affected by currency fluctuations.

The Company's financial instruments, which provide finance for investment activities comprise its medium term borrowings, cash and liquid resources. In addition to the equity portfolio, the Company maintains investments in UK and overseas corporate bonds (detailed in note 10) as part of its investment strategy.

Derivatives

The Company may, from time to time, enter into derivative transactions to hedge specific currency or interest rate risk. No such transactions were undertaken in the year.

The Company has precisely defined guidelines to govern the purchase or writing of options on individual shares. No options were purchased or written in the year.

Trading in financial instruments is not within the normal activities of an investment trust, nor is it the Company's policy to trade in such instruments. Transactions in financial instruments generally arise as a result of strategic investment decisions.

The Company's Managers may not enter into derivative transactions without the prior approval of the Board, and all borrowing facilities require Board authorisation. The Board agrees policies for managing risk with the Company's Managers. The main risks arising from the Company's financial instruments are market risk, interest rate risk, credit risk, liquidity risk and foreign currency risk.

Market Risk

The Company is exposed to market risk due to fluctuation in the market prices of its investments. The Company's Managers actively monitor market and economic data and report to the Board, which considers investment policy on a regular basis.

Interest Rate Risk

The Company finances its operations by means of called-up share capital, realised capital profits, retained revenue reserves and bank borrowings. The value of the Company's bond portfolio is subject to interest rate risk. It is not the Company's policy to hedge this risk.

The Company has medium term multi-currency borrowing facilities at fixed rates (detailed in note 13).

Credit Risk

In addition to interest rate risk, the Company's investments in bonds are also subject to credit risk. Credit risk reflects the possibility that a borrower will not be able to meet its obligation to make payments of interest or principal when they fall due. The Managers analyse the credit risk of the Company's bond investments prior to purchase and continue to monitor developments in credit quality subsequently.

Liquidity Risk

The Company's policy with regard to liquidity is to ensure continuity of funding. Short term flexibility is achieved by overdraft facilities.

The Company's assets comprise mainly readily realisable securities which can be sold freely to meet funding commitments if necessary.

Foreign Currency Risk

The international nature of the Company's investment activities gives rise to a currency risk which is inherent in the performance of its overseas investments. It is not currently the Company's policy to hedge this risk on a continuing basis, but the Company may from time to time match specific overseas investment with foreign currency borrowings.

The revenue account is subject to currency fluctuation arising on overseas income. The Company does not hedge this currency risk.

Financial Assets and Liabilities

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, other than the multi-currency loan, as detailed in note 13, are represented by their carrying values in the balance sheet.

The Annual General Meeting of the Company will be held within the offices of Baillie Gifford & Co, Calton Square, 1 Greenside Row, Edinburgh EH1 3AN, on Monday, 30 January 2006 at 12 noon.

If you have any queries as to how to vote or how to attend the meeting, please call us on 0800 027 0133.

Baillie Gifford may record your call.

Notice of Annual General Meeting

Notice is hereby given that the eighth Annual General Meeting of Edinburgh Worldwide Investment Trust plc will be held within the Registered Office of the Company, Calton Square, 1 Greenside Row, Edinburgh EH1 3AN, on Monday, 30 January 2006, at 12 noon for the following purposes:

Ordinary Business

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions:

1. To approve the Accounts of the Company for the year to 31 October 2005 with the Reports of the Directors and of the Auditors thereon.
2. To approve the Directors' Remuneration Report for the year to 31 October 2005.
3. To declare a dividend.
4. To re-elect Mr DA Colman as a Director.
5. To re-elect Mr WJ Ducas as a Director.
6. To reappoint KPMG Audit Plc as Auditors.
7. To authorise the Directors to determine the remuneration of the Auditors.

To consider and, if thought fit, to pass the following resolution as a Special Resolution:

8. That, in substitution for any existing authority under section 166 of the Companies Act 1985 (the "Act"), the Company be and is hereby generally and unconditionally authorised, pursuant to and in accordance with section 166 of the Act, to make market purchases (within the meaning of section 163(3) of the Act) of fully paid ordinary shares of 5p each in the capital of the Company ("ordinary shares"), provided that:

- (i) the maximum aggregate number of ordinary shares hereby authorised to be purchased is 14.99% of the issued ordinary share capital of the Company as at the date of the passing of this resolution;
- (ii) the minimum price which may be paid for an ordinary share is 5p (exclusive of expenses); and
- (iii) the maximum price (exclusive of expenses) which may be paid for an ordinary share is an amount equal to 105% of the average of the middle market quotations (as derived from the Daily Official List of the London Stock Exchange) for the ordinary shares for the five business days immediately preceding the date of purchase;

such authority to expire on the earlier of 29 July 2007 or at the conclusion of the Annual General Meeting of the Company to be held in 2007, unless previously revoked, varied or renewed by the Company in general meeting, save that the Company may at any time prior to the expiry of such authority enter into a contract or contracts to purchase ordinary shares under such authority which will or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of ordinary shares in pursuance of any such contract or contracts.

By order of the Board

Baillie Gifford & Co
Managers and Secretaries
21 December 2005

Notes

- 1 A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote on his/her behalf. A proxy need not be a member of the Company. A Form of Proxy for the use of members is enclosed and to be valid must be lodged with the Registrar of the Company not less than 48 hours before the time set for the Meeting.
- 2 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 6.00 pm on 28 January 2006 or, in the event that the meeting is adjourned, on the Register of Members as at 6.00 pm two days prior to the adjourned meeting, shall be entitled to attend or vote at the meeting in respect of the number of ordinary shares registered in their name at that time. Changes to the entries on the Register of Members after 6.00 pm on 28 January 2006 or, in the event that the meeting is adjourned, in the Register of Members as at 6.00 pm two days prior to the 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.
- 3 Shareholders participating in the Baillie Gifford Investment Trust Share Plan, Children's Savings Plan or the Baillie Gifford Investment Trust ISA/PEP who wish to vote and/or attend the meeting must complete and return the enclosed reply-paid Form of Direction.
- 4 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 Direction" which such holders will have received with this report.
- 5 No Director has a contract of service with the Company.

Baillie Gifford

Further Shareholder Information

How to Invest

The Company's shares are traded on the London Stock Exchange. They can be bought by placing an order with a stockbroker, by asking a professional adviser to do so, or through the Baillie Gifford savings vehicles (see inside back cover for details).

Sources of Further Information on the Company

The price of shares is quoted daily in the Financial Times and can also be found on the Baillie Gifford website at www.bailliegifford.com, Trustnet at www.trustnet.co.uk and on other financial websites. Company factsheets are also available on the Baillie Gifford website and are updated monthly. These are available from Baillie Gifford on request.

Key Dates

Ordinary shareholders normally receive two dividends in respect of each financial year. An interim dividend is paid in July and a final dividend is paid in February. The AGM is normally held in late January or early February.

Share Register Enquiries

Lloyds TSB Registrars have a website 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.

Lloyds TSB Registrars Scotland
PO Box 28448
Finance House
Orchard Brae
Edinburgh EH4 1WQ
Telephone: 0870 601 5366
Textphone: 0870 600 3950

CREST Proxy Voting

If you are a user of the CREST system (including a CREST Personal Member), you may appoint one or more proxies or give an instruction to a proxy by having an appropriate CREST message transmitted. To appoint a proxy or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, the CREST message must be received by the issuer's agent (ID number 7RA01) not later than 48 hours before the time appointed for holding the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which the issuer's agent is able to retrieve the message. CREST Personal Members or other CREST sponsored members should contact their CREST sponsors for assistance with appointing proxies via CREST. For further information

on CREST procedures, limitations and systems timings, please refer to the CREST Manual. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. Lloyds TSB Registrars Scotland is authorised and regulated by the Financial Services Authority.

Where this has been received in a country where the provision of such a service would be contrary to local laws or regulations, this should be treated as information only.

Edinburgh Worldwide is an investment trust. Investment trusts offer investors the following:

- Participation in a diversified portfolio of shares.
- Constant supervision by experienced professional managers.
- The Company is free from capital gains tax on capital profits realised within its portfolio although investors are still liable for capital gains tax on profits when selling their investment.

These accounts have been approved by the Directors of Edinburgh Worldwide Investment Trust plc. Baillie Gifford Savings Management Limited is the ISA Manager of the Baillie Gifford Investment Trust ISA, the PEP Manager of the Baillie Gifford

Analysis of Shareholders

	At 31 October 2005		At 31 October 2004	
	Number of Shares held	%	Number of Shares held	%
Institutions	16,662,750	34.0	19,224,259	39.2
Intermediaries	19,178,849	39.1	15,465,185	31.6
Individuals	12,289,557	25.1	13,627,413	27.8
Baillie Gifford Share Plans/PEP/ISA	587,757	1.2	333,624	0.7
Marketmakers	285,406	0.6	353,838	0.7
	49,004,319	100.0	49,004,319	100.0

Investment Trust PEP, the Manager of the Baillie Gifford Investment Trust Share Plan and Children's Savings Plan and the promoter of the Baillie Gifford Select Pension. Alliance Trust Savings Limited is the provider, trustee and administrator of the Alliance Trusts Pension Plan through which the Baillie Gifford Select Pension is made available. Baillie Gifford Savings Management Limited is wholly owned by Baillie Gifford & Co. Both are authorised and regulated by the Financial Services Authority. Baillie Gifford only provides information about its products and does not provide investment advice. The staff of Baillie Gifford may hold shares in Edinburgh Worldwide and may buy or sell such shares subject to Baillie Gifford's personal account dealing rules.

Risks

Past performance is no guarantee of future performance. The capital value of and income distributed by an investment trust can go down as well as up and an investor may not get back the amount originally invested. The price of an investment trust share will fluctuate in accordance with supply and demand and may not reflect the underlying net asset value.

The Trust's risk is increased as it has a more concentrated portfolio than a typical investment trust. As a result, the share price

will be more volatile than investment trusts with a more diversified portfolio.

Investment trusts can borrow money to make further investments, which is commonly referred to as gearing. The risk is that when this money is repaid by the trust, the value of these investments may not be enough to cover the borrowing and interest costs and the trust makes a loss. If the trust's investments fall in value, gearing will increase the amount of the loss in value to investors. The more highly the trust is geared, the greater this effect will be.

As Edinburgh Worldwide invests in overseas securities, changes in the rates of exchange may also cause the value of your investment to go down or up.

The value of ISA and PEP tax advantages will depend on personal circumstances. Tax rates and reliefs may change in future.

Edinburgh Worldwide's shares are traded on the London Stock Exchange. They can be bought through a stockbroker, by asking a professional adviser to do so, or through the Baillie Gifford savings vehicles – see below.

Baillie Gifford's Investment Trust Share Plan

You can invest from £250 or from £30 per month. The plan is designed to be a cost-effective way of saving on a regular or lump sum basis.

Baillie Gifford's Investment Trust ISA

You can invest in a tax efficient way by investing a minimum of £2,000 or from £250 per month or by transferring an ISA with a value of at least £2,000 from your existing manager.

Baillie Gifford's Children's Savings Plan

A cost-effective plan tailored especially to meet the requirements to save for children. You can invest a minimum of £250 or from £30 per month.

Baillie Gifford's Investment Trust PEP Transfer

You can transfer an existing PEP to access a different market or to change your investment manager (minimum value of £2,000).

Baillie Gifford Select Pension

The Baillie Gifford Select Pension provided by Alliance Trust Savings Limited, is a self-invested personal pension. The minimum contribution is £50 per month.

Further Information

Client Relations Team
Baillie Gifford Savings Management Limited
Calton Square
1 Greenside Row
EDINBURGH EH1 3AN

Tel: 0800 027 0133
We may record your call

E-mail: trutenquiries@bailliegifford.com
website: www.bailliegifford.com

Fax: 0131 275 3955

Directors

Chairman:
DA Colman

RAG Douglas Miller
WJ Ducas
The Hon. Kim Fraser
DHL Reid

Registrar

Lloyds TSB Registrars
Scotland
The Causeway
Worthing
West Sussex
BN99 6DA
Tel: 0870 601 5366

Banker

Royal Trust
Corporation of
Canada

Company Broker

Cazenove & Co. Limited
20 Moorgate
London
EC2R 6DA

Auditor

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

Company registration No. SC184775

**Managers, Secretaries
and Registered Office**

Baillie Gifford & Co
Calton Square
1 Greenside Row
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EH1 3AN
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website: www.bailliegifford.com