SC 184775

# Edinburgh Worldwide Investment Trust plc

Annual Report and Financial Statements 31 October 2009



BAILLIE GIFFORD

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take you should consult your stockbroker, bank manager, solicitor, accountant or other independent financial advisor authorised under the Financial Services and Markets Act 2000 immediately.

If you have sold or otherwise transferred all of your ordinary shares in Edinburgh Worldwide Investment Trust plc, please forward this document and the accompanying form of proxy as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was or is being effected for delivery to the purchaser or transferee.

# Contents



Investment is made in companies
from around the world

Company data at 31 October 2009

| Total assets | Shareholders' funds | Market capitalisation |
|---|---|---|
| **£149m†** | **£126m** | **£108m** |

† before deduction of loan.

# Company Summary

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

### Objective and Policy

Edinburgh Worldwide's objective is the achievement of long term capital growth by investing in listed companies throughout the world.

The Company's investment policy is contained within the Business Review on page 16.

### Comparative Index

The index against which performance is compared 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's shares, calculated and payable on a quarterly basis.

There is also a performance-related management fee which is calculated and paid annually in arrears. The fee is based on any out-performance of the net asset value per share by comparison to the MSCI All Countries World Index (in sterling terms) and is calculated as a percentage of the market value of the Company's shares. The fee is 5% of the out-performance between zero and 2%, and 10% of the out-performance thereafter. A relative high water mark with neither cap nor collar will apply. A performance fee could be payable in periods when the net asset value falls by a lesser rate than the comparative index.

### Savings Vehicles

Edinburgh Worldwide shares can be held through a variety of savings vehicles (see inside back cover for details).

### AIC

The Company is a member of the Association of Investment 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 2009.

| | 31 October 2009 | 31 October 2008 | % change |
|---|---|---|---|
| Total assets (before deduction of loan) | £149.3m | £105.9m | |
| Loan | £23.5m | £21.6m | |
| Equity shareholders' funds | £125.8m | £84.3m | |
| Net asset value per ordinary share (after deducting borrowings at fair/par value)* | 256.73p | 171.94p | 49.3 |
| Share price† | 220.75p | 141.00p | 56.6 |
| MSCI All Countries World Index (in sterling terms) | 171.44 | 146.13 | 17.3 |
| Dividends paid and proposed per ordinary share | 3.00p | 2.70p | 11.1 |
| Revenue earnings per ordinary share | 3.71p | 3.48p | 6.6 |
| Total expense ratio# | 1.08% | 1.10% | |
| Discount (after deducting borrowings at fair/par value)* | 14.0% | 18.0% | |

| | Year to 31 October 2009 | | Year to 31 October 2008 | |
|---|---|---|---|---|
| **Year's high and low** | **High** | **Low** | **High** | **Low** |
| Share price† | 241.25p | 116.50p | 291.00p | 121.00p |
| Net asset value (after deducting borrowings at fair/par)* | 280.34p | 131.92p | 326.88p | 131.68p |
| (Discount)/premium | (7.4%) | (26.2%) | 0.2% | (18.0%) |

| | 31 October 2009 | 31 October 2008 |
|---|---|---|
| **Total return per ordinary share** | | |
| Revenue | 3.71p | 3.48p |
| Capital | 83.78p | (134.22p) |
| **Total** | **87.49p** | **(130.74p)** |

* Borrowings are either deducted at fair value (the estimate of market worth) or at par (redemption value). Throughout the year to 31 October 2009 total borrowings had a fair value equal to par.

† At mid market price.

\# The 2008 figure excludes the impact of the VAT on management fees reclaimed (see note 4 on page 33).

Past performance is not a guide to future performance.

## One Year Performance

(figures plotted on a monthly basis and rebased to 100 at 31 October 2008)

FIVE YEAR SUMMARY

# Five Year Summary

The following charts indicate how Edinburgh Worldwide has performed relative to its comparative index, the MSCI All Countries World Index in sterling terms, and the relationship between share price and net asset value over the five year period to 31 October 2009.

5 Year Total Return Performance

(figures rebased to 100 at 31 October 2004)

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)

Past performance is not a guide to future performance.

# Chairman's Statement

## Performance

It is pleasing to note that the conviction of the Managers, after a period of disappointing performance last year, has born fruit. In the financial year to 31 October 2009 net asset value per share increased by 49.3% and the share price by 56.6%. The MSCI All Countries World Index (in sterling terms), rose by 17.3% during this period. Equity gearing was maintained throughout the year and was 12.7% at the year end. More importantly, long term performance is satisfactory. Over the six years that Baillie Gifford & Co has been managing the Company's assets, net asset value per share has increased by 57.7%, the share price by 69.2% and the MSCI All Countries World Index by 24.7%.

The Board's strategy continues to be for the Managers to select shares globally, unconstrained by the requirement to match any benchmark, with a concentrated portfolio of approximately 40 equity holdings. The portfolio is comprised of holdings that are believed to have long term attractions, typically over at least 5 years. Combined with the effects of gearing, these factors mean that there will always be periods when the portfolio under or outperforms the index significantly in any one year. Performance is therefore better gauged over longer time periods. Performance statistics produced by the Association of Investment Companies (the AIC) show that the Company is ranked 8th out of 26 in the Global Growth Sector over five years in net asset value performance. It is disappointing therefore that the Company's discount is not narrower at present, albeit having come in from 18% as at the previous financial year end. The Managers are continuing their efforts to stimulate demand from investors.

## Performance Fee

Although outperforming the MSCI All Countries World Index this year, no performance fee is due to the Managers as the relative high water mark has not been reached. Details of the fee arrangements are shown on page 33.

## Earnings and Dividend

The net revenue return for the year was 3.71p (2008: 3.48p) up 6.6%, mainly due to reduced borrowing costs. Your Company's objective is that of generating capital growth and any income received from the underlying holdings is a by-product of this. An unchanged final dividend of 1.50p is being recommended. In addition, a special dividend of 1.00p is being proposed as the high level of current income may not recur, making the total for the year 3.00p (2008: 2.70p).

The Company's registrars operate a Dividend Reinvestment Plan which can be used to buy additional shares. Further details can be found on page 47.

Past performance is not a guide to future performance.

## Investment Background and Outlook

We are now more than one year on since the failure of Western banking systems due to lax regulation and grossly excessive leverage which led to the collapse of Lehman and the knock-on effects that this had firstly on credit markets, followed by international trade then on domestic economies across the globe. It is possible that this single event will be viewed by historians as the inflection point which marked the shift of economic power from the traditional Western Anglo-Saxon economies of the developed world to those of the so-called Emerging economies, such as China, Brazil and India.

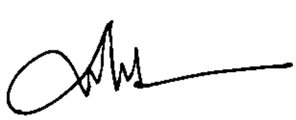
The economic and financial hubris that has prevailed amongst the political and business elites of the old established order is being swept away seemingly by the realism that the global economic power base has shifted, perhaps irrevocably. While many Western nations continue to struggle out of recession, China, for example, has managed to grow GDP by 8% and Brazil has come full circle and is now lending money to the IMF! Economies that have historically relied on trade with North America and Europe are becoming dependant on trade with so-called Emerging market nations and their rapacious desire for raw materials, consumer goods and services.

The gyrations of markets, and individual companies, over the past year have been marked. Many companies have disappeared either through bankruptcy or been taken over, others have lost significant market share. However, many of those companies that have survived are emerging stronger and more profitable with a more dominant position in their respective market. Being able to identify the winners is the key focus of the Managers. An overview is provided by the Managers on page 8 while on page 11 there is a portfolio review which examines some of our individual holdings in more detail.

## Annual General Meeting

The Annual General Meeting of the Company will be held at Baillie Gifford's offices in Edinburgh at 12 noon on Thursday 4 February. The Company will once again be seeking to renew its share buyback and treasury share powers. Approval is also being sought to amend the Company's Articles of Association. Further information in respect of these resolutions can be found on pages 21 and 22.

Mark Urquhart, the Partner at Baillie Gifford who manages your portfolio, will make a presentation and answer any questions. Your Board will also be available to respond to any questions that you may wish to put to it. I hope that you will be able to attend.



David A Coltman
8 December 2009

# 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 was appointed a Director and Chairman on 1 May 1998. He is Chairman of the Nomination Committee. He is a director of John Menzies, Eredene Capital PLC, 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 WJ Ducas**
William Ducas 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 director of West LB Mellon Asset Management and a managing director of F&C Management Ltd of North America.

**3 J Leslie Melville**
Jake Leslie Melville was appointed a Director on 1 August 2007. He is a partner at Booz & Company and currently leads all of their European energy and utilities activity.

**4 DHL Reid**
David Reid was appointed a Director on 1 May 1998 and is Chairman of the Audit & Management Engagement Committee. He was previously a director of Smith and Williamson and of Fleming Private Asset Management.

**5 The Hon. Kim Fraser**
The Hon. Kim Fraser 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.

1

2

3

4

5

## 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 £54 billion as at 7 December 2009. Based in Edinburgh, they are one of the leading privately owned investment management firms in the UK, with 32 partners and a staff of around 600.

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

We reiterate every year that our objective in managing Edinburgh Worldwide is to run a concentrated portfolio of companies with good growth prospects for the long term. In this context, we think the last two years serve as a perfect example of why performance should be judged over long periods of time. The vagaries of the calendar with the company's year end falling in October and reporting on an annual basis provide a perfect illustration of how short term numbers are often filled with noise. The same growth stocks which fell in the panic of last September and October dragging down net asset value have been responsible for the recovery seen in the last twelve months. Shareholders should not read too much into either period; rather we would refer to the six year figures outlined in the Chairman's report as a better measure of the Company's performance under Baillie Gifford's management.

The number of equity holdings stood at 41 at the year end which compares to 37 at October 2008 as we have added a number of new holdings discussed below. Portfolio turnover was low at 16.7% – emphasising that the portfolio remained pretty similar to twelve months ago. We pay no heed to country or sector weights in constructing the portfolio – it is comprised purely 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.

We have said in previous annual reports that the global economy was experiencing some pretty radical shifts in the distribution of wealth and composition. The pace of these changes has been exacerbated by greatly differential economic performance during the fall out from the financial crisis. The aggregate consequences are already quite far-reaching – as the Centre for Economic and Business Research put it in an interesting, recent study:

"New forecasts for the world economy show the Western world (US, Canada and Europe) dropping below 50% of world gross domestic product – six years earlier than had originally been expected. We had expected this to happen, but not quite so soon. The West will have to start to get to grips with the fact that we are no longer dominant and cannot expect to have things our own way."

We have no certainty how the global economy will look in ten or twenty years time but think the probabilities are quite high that it will be different to today and that substantial investment opportunities will have been created by these changes. It is hardly surprising that the G20 has suddenly supplanted the G7 or G8 in its political import.

Perhaps the more interesting question as one surveys the last twelve months are these longer term economic impacts of the crash. It is hard to avoid the initial conclusion that those countries who were in the best shape going into the crisis are also those which are emerging most rapidly whether in the developed context with France and Germany or the Emerging area with China, India, Turkey and Brazil. On the flipside, those which were most exposed to the credit boom either through their domestic economies or banking systems are finding recovery much tougher to engineer whilst the long term consequences of the various stimuli packages will be most keenly felt in the most indebted countries such as our own – the recent spats over tax and spending are surely precursors of some of the tough policy choices to be made. The US probably sits somewhere in the middle of this spectrum helped enormously by the fact that many other nations still choose to hold its bonds and currency for now.

In terms of the Company's portfolio, we continue to try to reflect some of the growth opportunities created by these changes. During the year we bought several domestically orientated companies in areas such as China and Brazil. These included New Oriental Education, which provides English language teaching in China; Tencent, which operates the leading internet portal in China; and, ALL America Latina Logistica, which has a very strong competitive position within the Brazilian railway market. However, it is important to emphasise that we think there will continue to be opportunities in many different markets and we bought holdings in companies as diverse as Berkshire Hathaway, which got tarred with other financials during the crisis, and Monsanto, where we think the long term prospects of its seeds business is being underappreciated. Sales made during the year included Zhejiang Expressway – the Chinese toll-road operator; Pool Corp – the US swimming pool supplies company and UBS where we have re-evaluated the long term attractions of the wealth management business.

It is worth emphasising that many existing holdings have been performing well operationally, from Amazon, which continues to grow its e-commerce reach, to Apple, where the iPhone success has been phenomenal; from Banco Santander, whose diverse banking assets from Spain to Brazil via the UK are performing well, to Hermes, whose classic handbags remain in demand. We believe that patient investors will be rewarded for such operational excellence but equity markets will always be volatile, myopic and unpredictable beasts. It is our strong belief that by trying to separate the long term value of businesses from the inevitable short term noise of events we can create a portfolio which rewards our shareholders with outperformance over long term periods of measurement.

Mark A. Urquhart

| Name | Business | Fair value £'000 | % of total assets | Performance† Absolute % | Performance† Relative % | Fair value 2008 £'000 |
|---|---|---|---|---|---|---|
| **Equities** | | | | | | |
| Petrobras | Oil exploration and production | 10,149 | 6.8 | 76.2 | 45.6 | 6,453 |
| Atlas Copco | Industrial compressors and mining equipment | 8,696 | 5.8 | 72.8 | 42.9 | 5,174 |
| Amazon.com | Online retailer | 8,503 | 5.7 | 103.5 | 68.2 | 4,179 |
| Vale (or CVRD) | Mining | 6,395 | 4.3 | 98.7 | 64.2 | 3,938 |
| Banco Santander | Retail and commercial bank | 5,072 | 3.4 | 77.7 | 46.9 | 2,680 |
| Google | Web-based search engine | 5,060 | 3.4 | 46.2 | 20.9 | 3,461 |
| Sandvik | Tools and mining equipment | 4,826 | 3.2 | 85.3 | 53.1 | 2,735 |
| Gazprom | Gas exploration and production | 4,823 | 3.2 | 19.2 | (1.4) | 4,037 |
| BYD | Battery technology and cars | 4,658 | 3.1 | 321.1 * | 232.1 * | – |
| Apple | Computing and media equipment | 4,414 | 3.0 | 71.7 | 42.0 | 2,576 |
| L'Oréal | Personal care | 3,622 | 2.4 | 38.3 | 14.3 | 3,491 |
| First Solar | Designs and manufactures solar modules | 3,545 | 2.4 | (18.0) | (32.2) | 2,139 |
| Porsche | Luxury automobiles | 3,526 | 2.4 | (9.8) | (25.4) | 4,192 |
| ABB | Power systems and automation | 3,513 | 2.4 | 47.5 | 21.9 | 2,445 |
| Nintendo | Gaming consoles and software | 3,324 | 2.2 | (15.9) | (30.5) | 4,121 |
| Straumann | Dental implants | 3,304 | 2.2 | 44.3 | 19.3 | 2,329 |
| Novozymes | Enzyme manufacturer | 3,230 | 2.2 | 30.6 | 7.9 | 1,947 |
| Deere | Farm and construction machinery | 3,219 | 2.2 | 18.7 | (1.9) | 2,780 |
| Vestas Windsystems | Wind turbines | 2,967 | 2.0 | 71.5 | 41.8 | 1,731 |
| Whole Foods Market | Organic food stores | 2,924 | 2.0 | 193.9 | 142.9 | 1,645 |
| China Mobile | Cellular telecommunications and related services | 2,889 | 1.9 | 10.6 | (8.6) | 2,700 |
| Tencent | Internet service portal | 2,885 | 1.9 | 51.4 * | 34.5 * | – |
| Walgreen | Pharmacy chain | 2,850 | 1.9 | 47.9 | 22.3 | 2,376 |
| Housing Development Finance Corporation | Indian mortgage provider | 2,836 | 1.9 | 57.4 | 30.1 | 1,832 |
| Teva Pharmaceuticals | Generic drugs manufacturer | 2,761 | 1.8 | 16.5 | (3.7) | 2,851 |
| PPR | Luxury brand conglomerate | 2,689 | 1.8 | 79.0 | 48.0 | 1,571 |
| VCA Antech | Animal hospitals and veterinary diagnostics | 2,605 | 1.7 | 29.0 | 6.6 | 2,021 |
| Iron Mountain | Document management services | 2,477 | 1.7 | (1.4) | (18.5) | 2,507 |
| SAP | Business software | 2,468 | 1.6 | 29.4 | 7.0 | 3,019 |
| Itau Unibanco | Brazilian retail and commercial bank | 2,257 | 1.5 | 92.6 | 59.2 | 1,417 |
| eBay | Internet auction | 2,192 | 1.5 | 41.9 | 17.3 | 2,080 |
| Canon | Printers, copiers and cameras | 2,126 | 1.4 | 17.1 | (3.2) | 4,448 |
| Monsanto | Agricultural biotechnology | 2,035 | 1.4 | (25.2) | (38.2) | 2,046 |
| New Oriental Education and Technology | English-language schools | 2,004 | 1.3 | 36.8 * | 4.4 * | – |
| Lukoil | Oil exploration and production | 1,933 | 1.3 | 52.6 | 26.1 | 2,251 |
| ALL America Latina Logistica | Brazilian railways | 1,658 | 1.1 | 26.8 * | 17.2 * | – |
| Baidu | Chinese online search engine | 1,605 | 1.1 | (2.4) * | 0.9 * | – |
| Hermès | Luxury goods | 1,595 | 1.1 | 7.3 | (11.3) | 1,544 |
| Berkshire Hathaway | Insurance | 1,502 | 1.0 | (1.3)* | (25.9)* | – |
| Inspur International | Software and computer services | 1,456 | 1.0 | (9.4)* | (22.0)* | – |
| Li Ning | Chinese sportswear | 1,225 | 0.8 | – * | 1.3 * | – |
| **Total Equities** | | 141,818 | 95.0 | | | |
| **Fixed Interest** | | | | | | |
| **US$ denominated bond** | | | | | | |
| Bay Haven C FRN 2009/10 | Catastrophe bond | 1,837 | 1.2 | | | 1,857 |
| **Total Investments** | | 143,655 | 96.2 | | | |
| **Net Liquid Assets** | | 5,657 | 3.8 | | | |
| **Total Assets at Fair Value (before deduction of loans)** | | 149,312 | 100.0 | | | |

† Absolute and relative performance has been calculated on a total return basis over the period 1 November 2008 to 31 October 2009. For investments held for part of the year the return is for the period they were held.
Absolute performance is in sterling terms; relative performance is against MSCI All Countries World Index in sterling terms.
* Figures relate to part-period returns.
Source: Baillie Gifford & Co/StatPro.

Past performance is not a guide to future performance.

# Managers' Portfolio Review

Edinburgh Worldwide's portfolio is constructed entirely from the attractions of individual stocks paying no heed to regional or sectoral weights.

We have selected the following ten companies from different regions and sectors and we hope to provide an insight into our long term rationale for holding them.

## ALL America Latina Logistica

America Latina Logistica operates railway concessions in Brazil and Argentina. It began operations in the southern states and has since expanded its operations to include Brazil's main agricultural export corridors. The costs of transporting grains and industrial products by rail are lower than alternative transport means such as trucking and also more reliable. This gives the company a strong competitive advantage by which to gain share in what should be an attractive growth market as Brazil exports more of its abundant soft and hard commodities.

## Apple

Apple is a global leader in producing innovative consumer electronic products. The company has enjoyed very strong growth in recent years as the success of the iPod music player has led to more interest in its PCs. Its most recent product, the iPhone, has revolutionised the smartphone market with its touch screen technology and application store. Apple is obsessed by delighting its customers and making profits and eschews launching 'hot' products such as netbooks if they are not profitable. We believe the company's iconic brand can support long term growth across a number of product lines.

## Atlas Copco

Atlas Copco is a leading global engineering group. In addition to its flagship industrial compressors business, which controls over a quarter of the world market, it possesses leading positions in tools, construction and mining equipment. It has demonstrated good capital allocation over many years – for example selling its less attractive US rental equipment business and returning the proceeds to shareholders. Atlas has an excellent record of generating high returns backed by strong cash flow generation throughout the economic cycle.

1

ALL America Latina Logistica
ALL America Latina Logistica enjoys a very strong competitive position within the Brazilian railway market.

Picture courtesy of ALL America Latina Logistica.

## Berkshire Hathaway

Over the past decade or so, Warren Buffett has transformed his holding company from being predominantly a quoted equities investment vehicle by acquiring whole businesses. These include a number of insurance companies, most notably GEICO, the US auto insurer, and General Re, but also a wide range of other businesses from paint companies to grocery distributors and, most recently, railroads. The dramatic unwinding of AIG has removed a large insurance competitor and the general market turmoil has presented multiple opportunities for the profitable deployment of the Berkshire's excess cash.

## Vale (or CVRD)

CVRD, based in Brazil, is the world's largest iron ore producer and exporter. Its low cost production affords it a strong competitive advantage, particularly over smaller competitors, which has come to the fore in recent weak markets. Good cash flow generation has permitted the company to fund its capacity expansions internally. CVRD's purchase of Inco of Canada in 2007 created a major player in the nickel market which appears set to enjoy a transition to similar oligopolistic dynamics as the iron ore business.

## Housing Development Finance Corporation (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 affordable property prices. This should be a long term trend given low penetration rates. 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.

## Iron Mountain

Iron Mountain provides outsourced document storage and information management services. The industry has two very attractive features: most of the revenues are recurring; and existing customers generate more storage volumes each year. This has continued even against a weaker economic backdrop as much of the need to store items is driven by increasing regulation. Since its 1996 initial public offering, Iron Mountain has consolidated a fragmented industry in North America and Europe, leaving it the dominant supplier in a business in which scale is a key competitive advantage. The company has also established a strong position in the rapidly growing market for digital storage.

2

PPR
PPR benefits from strong brands which enjoy global appeal.

Picture courtesy of PPR.

3

Tencent
Tencent's penguin is one of the best known internet icons in China.

Picture courtesy of Tencent.

3

## New Oriental Education and Technology

New Oriental is the largest private education provider in China with over 250 schools and learning centres spread across 38 cities. The company generates more than 85% of its revenue from English training and test preparation. Many Chinese parents see the learning of English as an essential part of their child's education and we feel this is an area which should continue to see strong rates of growth. We also expect the company to gain more market share in what remains a fragmented market through geographic expansion, based on its strong brand recognition and high teaching quality.

## PPR

PPR is gradually moving from being a retailer to a luxury products company with strong brands and effective management disciplines. Gucci is the best known brand and it is thriving again after a period of egocentric management. The company also has interesting other brands ranging from Bottega Veneta to Puma. We think the focus on luxury will continue with further disposals and spin-offs likely and that the market is undervaluing the strength of these assets because of the current conglomerate structure.

## Tencent

Tencent has the largest online community in China with close to 500m active accounts. Tencent offers a wide range of services from instant messaging to online games. Tencent has consistently been able to introduce new services and applications to maintain customer loyalty. In contrast to other global online community operators, Tencent's ability to monetise its large user base is unique. We think Tencent's dominant position will not be challenged due to its network effect. High customer stickiness and loyalty should allow Tencent to achieve further monetisation through providing value added services as it grows.

## Distribution of Total Assets

Geographical 2009 (2008)

Sectoral 2009 (2008)

## Investment Changes (£'000)

| | Valuation at 31 October 2008 | Net acquisitions/ (disposals) | Appreciation/ (depreciation) | Valuation at 31 October 2009 |
|---|---|---|---|---|
| Equities: | | | | |
| Continental Europe | 37,294 | (4,667) | 12,881 | 45,508 |
| North America | 29,423 | 322 | 11,581 | 41,326 |
| Japan | 8,569 | (2,561) | (558) | 5,450 |
| Asia Pacific | 4,380 | 4,817 | 7,525 | 16,722 |
| Emerging Markets | 22,779 | (2,003) | 12,036 | 32,812 |
| Total equities | 102,445 | (4,092) | 43,465 | 141,818 |
| Fixed interest: | | | | |
| US dollar denominated bonds | 1,857 | – | (20) | 1,837 |
| Total fixed interest | 1,857 | – | (20) | 1,837 |
| Total investments | 104,302 | (4,092) | 43,445 | 143,655 |
| Net current assets | 1,554 | 3,906 | 197 | 5,657 |
| **Total assets** | **105,856** | **(186)** | **43,642** | **149,312** |

The figures above for total assets are made up of total assets before deduction of loans.

## Capital

| At 31 October | Total assets £'000 | Borrowings £'000 | Shareholders' funds £'000 | Net asset value per share (at par) p | Share price p | Discount † % |
|---|---|---|---|---|---|---|
| 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†† | 135,861 | (27,825) | 108,036 | 220.46 | 200.00 | 9.3 |
| 2006 | 150,098 | (26,062) | 124,036 | 253.11 | 234.00 | 7.6 |
| 2007 | 173,633 | (24,326) | 149,307 | 304.68 | 267.75 | 12.1 |
| 2008 | 105,856 | (21,600) | 84,256 | 171.94 | 141.00 | 18.0 |
| **2009** | **149,312** | **(23,501)** | **125,811** | **256.73** | **220.75** | **14.0** |

† Discount is the difference between Edinburgh Worldwide's quoted share price and its underlying net asset value expressed as a percentage of net asset value.
†† The figures prior to 2005 have not been restated for changes in accounting policies implemented in 2006.

## Revenue

| Year to 31 October | Income £'000 | Net return on ordinary activities after tax £'000 | Revenue earnings per ordinary share p | Dividend paid and proposed per ordinary share (net) p | Total expense ratio § % | Total expense ratio (excl. performance fee) # % |
|---|---|---|---|---|---|---|
| 1999 | 2,998 | 1,371 | 2.80 | 2.20 | 1.20 | 1.20 |
| 2000 | 2,713 | 1,041 | 2.12 | 2.20 | 1.40 | 1.40 |
| 2001 | 3,037 | 1,620 | 3.13 | 2.60‡ | 1.17 | 1.17 |
| 2002 | 2,521 | 1,306 | 2.66 | 2.20 | 1.41 | 1.41 |
| 2003 | 2,251 | 1,007 | 2.06 | 2.20 | 1.38 | 1.38 |
| 2004 | 1,940 | 869 | 1.77 | 2.20 | 1.21 | 1.16 |
| 2005 | 2,379 | 1,105 | 2.26 | 2.00 | 2.11 | 1.17 |
| 2006 | 2,116 | 817 | 1.67 | 2.00 | 1.29 | 1.22 |
| 2007 | 2,827 | 1,287 | 2.63 | 2.00 | 1.57 | 1.04 |
| 2008 | 3,280 | 1,705 | 3.48 | 2.70‡ | 1.10 | 1.10 |
| **2009** | **3,088** | **1,816** | **3.71** | **3.00‡** | **1.08** | **1.08** |

## Gearing Ratios

| Year to 31 October | Actual gearing ¶ | Potential gearing ‖ |
|---|---|---|
| 1999 | 109 | 130 |
| 2000 | 111 | 127 |
| 2001 | 106†† | 141 |
| 2002 | 110†† | 141 |
| 2003 | 106 | 137 |
| 2004 | 119 | 133 |
| 2005 | 115 | 125 |
| 2006 | 115 | 121 |
| 2007 | 112 | 116 |
| 2008 | 122 | 126 |
| **2009** | **113** | **119** |

§ Ratio of total operating costs to average shareholders' funds including any performance fee charged (see note 3 on page 33). The 2008 figure excludes the impact of the VAT on management fees reclaimed (see note 4 on page 33).
# Ratio of total operating costs to average shareholders' funds excluding any performance fee charged. The 2008 figure excludes the impact of the VAT on management fees reclaimed.
¶ 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 dividend.
†† Net of futures contracts.

## Cumulative Performance (taking 1999 as 100)

| At 31 October | Net asset value per share (at par) | Net asset value total return | Comparative index | Comparative index total return | Share price | Share price total return | Revenue earnings per ordinary share | Dividend paid and proposed per ordinary share (net) | Retail price index |
|---|---|---|---|---|---|---|---|---|---|
| 1999 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| 2000 | 116 | 117 | 112 | 114 | 126 | 127 | 76 | 100 | 103 |
| 2001 | 76 | 77 | 83 | 85 | 81 | 83 | 112 | 118 | 105 |
| 2002 | 56 | 58 | 65 | 68 | 57 | 59 | 95 | 100 | 107 |
| 2003 | 60 | 63 | 74 | 79 | 61 | 64 | 74 | 100 | 110 |
| 2004 | 63 | 67 | 76 | 83 | 65 | 70 | 63 | 100 | 113 |
| 2005 | 81 | 87 | 88 | 99 | 93 | 102 | 81 | 91 | 116 |
| 2006 | 93 | 101 | 98 | 113 | 109 | 120 | 60 | 91 | 120 |
| 2007 | 112 | 122 | 110 | 129 | 125 | 139 | 94 | 91 | 125 |
| 2008 | 63 | 69 | 78 | 94 | 66 | 74 | 124 | 123 | 131 |
| **2009** | **95** | **105** | **92** | **114** | **103** | **117** | **133** | **136** | **130** |
| Compound annual returns | | | | | | | | | |
| 5 year | 8.6% | 9.4% | 3.8% | 6.5% | 9.8% | 11.0% | 16.0% | 6.4% | 2.8% |
| 10 year | (0.5%) | 0.4% | (0.9%) | 1.3% | 0.3% | 1.6% | 2.9% | 3.2% | 2.6% |

The figures prior to 2005 have not been restated for the changes in accounting policies implemented in 2006.

Past performance is not a guide to future performance.

**Baillie Gifford & Co was appointed as Investment Managers and Secretaries to the Company with effect from 1 November 2003 and the comparative index 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 present their Report together with the financial statements of the Company for the year to 31 October 2009.

## Business Review

### Business and Status

The Company is an investment company within the meaning of section 833 of the Companies Act 2006.

The Company carries on business as an investment trust. In the opinion of the Directors, the Company conducts its affairs so as to enable it to obtain approval by HM Revenue & Customs as an investment trust under section 842 of the Income and Corporation Taxes Act 1988. The Company was approved as an investment trust for the year ended 31 October 2008, subject to matters that may arise from any subsequent enquiry by HM Revenue & Customs into the Company's tax return. The Company will continue to seek approval under section 842 of the Income and Corporation Taxes Act 1988 each year.

### Objective and Policy

Edinburgh Worldwide's objective is the achievement of long term capital growth by investing in listed companies throughout the world.

While the policy is global investment, the approach adopted is to construct a portfolio through the identification of individual companies which offer long term growth potential, typically over at least a five year horizon. The portfolio is actively managed and does not seek to track the comparative index hence a degree of volatility against the index is inevitable.

In constructing the equity portfolio a spread of risk is achieved by diversifying the portfolio through investment in:

- 25 to 50 holdings
- a minimum of six countries
- a minimum of six sectors

On acquisition, no holding shall exceed 5% of total assets and no more than 15% of the Company's gross assets will be invested in other listed investment companies.

From time to time, fixed interest holdings, or non equity investments, may be held on an opportunistic basis.

Derivative instruments are not normally used but, in certain circumstances and with the prior approval of the Board, their use may be considered either as a hedge or to exploit an investment opportunity.

The Company recognises the long term advantages of gearing and would seek to have a maximum equity gearing level of 30% of shareholders' funds in the absence of exceptional market conditions.

Borrowings are invested in equity markets when it is considered that investment grounds merit the Company taking a geared position to equities. Gearing levels, and the extent of equity gearing, are discussed by the Board and Managers at every Board meeting.

An overview and portfolio review by the Managers is given on pages 8 and 9 and 11 to 13 and the investments held at the year end are listed on page 10.

### Discount
The Board considers that the key driver of the discount is a good long term performance record. The Company has buyback powers which are to be used on occasions when the Board considers that there is a need to balance supply and demand factors in the interest of all shareholders. The discount is discussed at every Board meeting. Shares which are bought back may be held in treasury with a view to possible future re-issue at a premium should there be demand from appropriate potential long term holders. No shares were bought back during the year.

### Performance
At each Board meeting, the Directors consider a number of performance measures to assess the Company's success in achieving its objectives.

The key performance indicators (KPIs) used to measure the progress and performance of the Company over time are established industry measures and are as follows:

- the movement in net asset value per ordinary share compared to the comparative index;
- the movement in the share price; and
- the discount.

The one, five, and ten year records of the KPIs are shown on pages 2, 3 and 15.

### Review of the Year and Future Trends
A review of the year and the investment outlook is contained in the Chairman's Statement on pages 4 and 5 and the Managers' Overview and Portfolio Review on pages 8 and 9, and 11 to 13.

### Principal Risks and Uncertainties
The Company's assets consist mainly of listed securities and its principal risks are therefore market related and include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. An explanation of those risks and how they are managed is contained in note 19 to the accounts on page 38.

Other risks faced by the Company include the following:

**Regulatory risk** – failure to comply with applicable legal and regulatory requirements could lead to suspension of the Company's Stock Exchange Listing, financial penalties or a qualified audit report. Breach of section 842 of the Income and Corporation Taxes Act 1988 could lead to the Company being subject to tax on capital gains.

Baillie Gifford's Heads of Business Risk & Internal Audit and Regulatory Risk provide regular reports to the Audit and Management Engagement Committee on Baillie Gifford's monitoring programmes. The Managers monitor investment movements and the level of forecast income and expenditure to ensure the provisions of section 842 are not breached.

**Operational/Financial Risk** – failure of the Managers' accounting systems or those of other third party service providers could lead to an inability to provide accurate reporting and monitoring or a misappropriation of assets. The Board reviews the Managers' Report on Internal Controls and the reports by other key third party providers are reviewed by the Managers on behalf of the Board.

**Discount Volatility** – the discount at which the Company's shares trade can widen. The Board monitors the level of discount and the Company has authority to buy back its own shares.

**Gearing Risk** – the Company may borrow money for investment purposes (sometimes known as 'gearing'). If the investments fall in value, any borrowings will magnify the extent of this loss. If borrowing facilities are not renewed, the Company may have to sell investments to repay borrowings.

All borrowings require the prior approval of the Board and gearing levels are discussed by the Board and Managers at every meeting. The majority of the Company's investments are in quoted securities that are readily realisable.

### Employees
The Company has no employees. The executive responsibility for investment management has been delegated to Baillie Gifford & Co.

### Social and Community Issues
As an investment trust, the Company has no direct social or community responsibilities. The Company however believes that it is in the shareholders' interests to consider environmental, social and governance factors when selecting and retaining investments. Details of the Company's policy on socially responsible investment are set out on page 20.

### Financials
The net asset value per share increased by 49.3% during the year, compared to an increase in the comparative index of 17.3%. The total dividend for the year was 3.00p per share (2008: 2.70p) and the discount narrowed from 18.0% to 14.0%.

The multi currency facility with The Royal Bank of Scotland was repaid during the year and replaced with a multi-currency facility from Lloyds TSB Scotland. Further information can be found in note 12 on page 37.

## Dividends
The Board recommends a final dividend of 1.50p per ordinary share and a special dividend of 1.00p per ordinary share which, together with the interim of 0.50p already paid, makes a total of 3.00p for the year. If approved, the recommended final and special dividends will be paid on 9 February 2010 to shareholders on the register at the close of business on 15 January 2010. The ex-dividend date is 13 January 2010. The registrars offer a dividend reinvestment plan (see page 47). The final date for the receipt of elections for the dividend reinvestment plan is 25 January 2010.

## Corporate Governance

### Compliance
The Board is committed to achieving and demonstrating high standards of Corporate Governance. This statement outlines how the principles of The Combined Code on Corporate Governance, published in 2008 (the 'Combined Code') were applied throughout the financial year. The Board confirms that the Company has complied throughout the year under review with the provisions of the Combined Code including the relevant provisions of section 1.

## Directors' Attendance at Meetings

| | Board | Audit & Management Engagement Committee | Nomination Committee |
|---|---|---|---|
| **Number of meetings** | **6** | **2** | **1** |
| DA Coltman | 6 | 2 | 1 |
| WJ Ducas | 6 | 2 | 1 |
| J Leslie Melville | 6 | 2 | 1 |
| DHL Reid | 6 | 2 | 1 |
| The Hon. Kim Fraser | 6 | 2 | 1 |

The Association of Investment Companies (AIC) has published its own Code of Corporate Governance which provides a framework of best practice for investment companies. The Board is of the opinion that the Company has complied with the recommendations of the AIC Code.

### 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 transactions, revenue budgets and performance. Full and timely information is provided to the Board to enable the Board 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 DHL Reid.

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 6.

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

### Terms of Appointment

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. Directors are required to submit themselves for re-election at least once every three years and Directors who have served for more than nine years offer themselves for re-election annually.

### Independence of Directors

All of 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.

Mr DA Coltman, Mr DHL Reid and The Hon. Kim Fraser have served on the Board for more than nine years. However there has only been a relationship with the current Managers for six years as Baillie Gifford were appointed in 2003. The Directors recognise the importance of succession planning for company boards and review the Board composition annually. However, 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 be a benefit to the Board. The Board concurs with the view expressed in the AIC Code of Corporate Governance that long serving Directors should not be prevented from being considered independent and that "independence stems from the ability to make those objective decisions that may be in conflict with the interests of management. This in turn is a function of confidence (born of courage and experience), integrity (personal character) and judgement (born of knowledge and experience)".

Following formal performance evaluation the Board considers that Mr DA Coltman, Mr DHL Reid and The Hon. Kim Fraser continue to be independent in character and judgement and their experience adds significantly to the strength of the Board.

### 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. All the Directors attended the Annual General Meeting.

### 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 Committee is responsible for considering Directors' potential conflicts of interest and for making recommendations to the Board on whether or not the potential conflicts should be authorised. The terms of reference are available on request from the Company and on the Company's page on the Managers' website: **www.edinburghworldwide.co.uk**.

### Performance Evaluation

An appraisal of the Chairman, each Director and a performance evaluation and review of the Board as a whole and its Committees

## Directors' Interests

| Name | Nature of interest | Ordinary 5p shares held at 31 October 2009 | 31 October 2008 |
|---|---|---|---|
| DA Coltman | Beneficial | 133,000 | 133,000 |
| WJ Ducas | Beneficial | 35,000 | 10,000 |
| J Leslie Melville | Beneficial | 2,000 | 2,000 |
| DHL Reid | Beneficial | 369,715 | 369,715 |
| The Hon. Kim Fraser | Beneficial | 2,900 | 2,900 |

The Directors at the year end, and their interests in the Company, were as shown above. There have been no other changes intimated in the Directors' interests up to 7 December 2009.

was carried out during the year. The Chairman and each Director completed a performance evaluation questionnaire and each Director had an interview with the Chairman. The appraisal of the Chairman was led by Mr DHL Reid. 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.

### Induction and Training

New Directors appointed to the Board are provided with an induction programme which is tailored to the particular circumstances of the appointee. Regular briefings are provided on changes in regulatory requirements that could affect the Company and the Directors. The Directors receive other training as necessary.

### Remuneration

As all the Directors are non-executive, the provisions of the Combined Code in respect of Directors' remuneration are not relevant to the Company except to the extent that they relate specifically to non-executive directors. Consequently there is no requirement for a separate Remuneration Committee. Directors' fees are considered 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 23 and 24.

### 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 the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

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

The Directors confirm that they have reviewed the effectiveness of the system and they have procedures in place to review its effectiveness on a regular basis.

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 has been delegated responsibility 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 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. The reporting procedures for these departments are defined and formalised within a service level agreement. Baillie Gifford & Co conducts an annual review of its system of internal controls which is documented within an internal controls report. This report is prepared in accordance with Technical Release AAF 01/06 – Assurance Reports on Internal Controls of Service Organisations made available to Third Parties and is independently reviewed by Baillie Gifford & Co's auditors. A copy is submitted to the Board.

The Company's investments are segregated from those of Baillie Gifford & Co and its other clients through the appointment of RBC Dexia Investor Services Trust as independent custodian of the Company's investments.

A detailed risk map is prepared which identifies the significant risks faced by the Company and the key controls employed to manage these risks.

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 and 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

## Major Interests in the Company's Shares

| Name | No. of ordinary 5p shares held | % of issue |
|---|---|---|
| D.C. Thomson & Company Limited (direct) | 3,250,000 | 6.6 |
| Legal & General Group Plc (direct) | 1,956,344 | 4.0 |

The above information has been intimated to the Company as at 7 December 2009.

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 25 to 27.

### Going concern
The Company's assets, the majority of which are investments in quoted securities which are readily realisable, exceed its liabilities significantly. Earnings forecasts are prepared regularly and compliance with loan covenants is monitored. Accordingly, the financial statements have been prepared on the going concern basis as it is the Directors' opinion that the Company will continue in operational existence for the forseeable future.

### Audit and Management Engagement Committee
An Audit and Management Engagement Committee has been established consisting of all independent Directors. Its authority and duties are clearly defined within its written terms of reference which are available on request from the Company and at **www.edinburghworldwide.co.uk**. Mr DHL Reid is Chairman of the Audit and Management Engagement Committee. The Committee's duties which were discharged during the year include:

- monitoring and reviewing the integrity of the half-yearly and annual financial statements and any formal announcements relating to the Company's financial performance;
- reviewing standards of internal control and risk management;
- making recommendations to the Board in relation to the appointment of the external auditors and approving the remuneration and terms of their engagement;
- 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 and monitoring the independence, objectivity and effectiveness of the external auditors;
- 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 making recommendations to the Board as to the continuing appointment of the Investment Manager; and
- considering annually whether there is a need for the Company to have its own internal audit function.

KPMG Audit Plc have been the Company's Auditors since 1998. Having considered the experience and tenure of the audit partner and staff and the level of service provided, the Committee remains satisfied with the Auditors' effectiveness. Accordingly, the Committee has not considered it necessary to date to require KPMG Audit Plc to tender for the audit work. The audit partners responsible for the audit are rotated every 5 years and the current lead audit partner has been in place for 5 years. Accordingly a new lead audit partner has been appointed for next year. There are no contractual obligations restricting the Company's choice of external auditor. The Committee receives confirmation from the Auditors that they have complied with the relevant UK professional and regulatory requirements on independence. The Committee does not believe that there has been any impairment to the Auditors' independence.

### Relations with Shareholders
The Board places great importance on communication with shareholders. The Company's Managers meet regularly with shareholders and their representatives 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 them at the Company's registered office.

The Company's Annual General Meeting provides a forum for all communication with shareholders. The level of proxies lodged for each resolution is announced at the Meeting and published at **www.edinburghworldwide.co.uk**. The notice period for the Annual General Meeting is at least twenty working days. Shareholders and potential investors may obtain up-to-date information on the Company from the Managers' website.

### 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.

The Company believes that it is in the shareholders' interests to consider environmental, social and governance factors when selecting and retaining investments and have asked the Managers to take these issues into account as long as the investment objectives are not compromised. The Managers do not exclude companies from their investment universe purely on the grounds of environmental, social and governance issues but adopt a positive engagement approach whereby matters are discussed with management with the aim of improving the relevant policies and management systems.

The Managers' policy has been reviewed and endorsed by the Board.

The Managers are signatories to the United Nations Principles for Responsible Investment.

### Conflicts of Interest
Each Director submits a list of potential conflicts of interest to the Nomination Committee on an annual basis. The Committee considers

these carefully, taking into account the circumstances surrounding them and makes a recommendation to the Board on whether or not the potential conflicts should be authorised. Board authorisation is for a period of one year. Having considered the lists of potential conflicts there were no situations which gave rise to a direct or indirect interest of a Director which conflicted with the interests of the Company.

## 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. Details of the fee arrangements with Baillie Gifford & Co are shown in note 3 on page 33.

The Board considers the Company's investment management and secretarial arrangements on a continuing basis and a formal review is conducted by the Audit and Management Engagement Committee annually. An independent report, prepared by Bestinvest, is used as the basis of the Annual Review. The Committee considers, amongst others, the following topics in its review:

- investment performance;
- the quality of the personnel assigned to handle the Company's affairs;
- developments at the Managers, including staff turnover;
- the administrative services provided by the Secretaries;
- share price and discount; and
- charges and fees.

Following the most recent review the Audit and 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

Information about the Directors, including their relevant experience can be found on page 6.

Mr DA Coltman, Mr DHL Reid and The Hon. Kim Fraser, all having served more than nine years, offer themselves for re-election.

Following performance evaluation, their performance continues to be effective and they remain committed to the Company. Their contribution to the Board is greatly valued and the Board recommends their re-election to shareholders.

### Director Indemnification and Insurance

The Company has entered into deeds of indemnity in favour of each of its Directors. The deeds cover any liabilities that may arise to a third party, other than the Company, for negligence, default or breach of trust or duty. The Directors are not indemnified in respect of liabilities to the Company, any regulatory or criminal fines, any costs incurred in connection with criminal proceedings in which the Director is convicted or civil proceedings brought by the Company in which judgement is given against him. In addition, the indemnity does not apply to any liability to the extent that it is recovered from another person.

The Company maintains Directors' and Officers' Liability Insurance.

## Share Capital

### Capital structure

The Company's capital structure consists of 49,004,319 ordinary shares of 5p each at 31 October 2009 (2008 – 49,004,319 ordinary shares). There are no restrictions concerning the holding or transfer of the Company's Ordinary Shares and there are no special rights attached to any of the shares.

### Dividends

The ordinary shares carry a right to receive dividends. Interim dividends are determined by the Directors, whereas the proposed final dividend is subject to shareholder approval.

### Capital entitlement

On a winding up, after meeting the liabilities of the Company, the surplus assets will be paid to ordinary shareholders in proportion to their shareholdings.

### Voting

Each ordinary shareholder present in person or by proxy is entitled to one vote on a show of hands and, on a poll, to one vote for every share held.

Information on the deadlines for proxy appointments can be found on pages 44 and 45.

### Share Issuance Authority

Resolution 9 in the Notice of Annual General Meeting seeks to renew the Directors' general authority to issue shares up to an aggregate nominal amount of £808,571. This amount represents 33.0% of the Company's total ordinary share capital currently in issue and meets institutional guidelines. No issue of ordinary shares will be made pursuant to the authorisation in Resolution 9 which would effectively alter the control of the Company without the prior approval of shareholders in general meeting.

Resolution 10, which is proposed as a special resolution, seeks to provide the Directors with authority to issue shares or sell shares held in treasury on a non-pre-emptive basis for cash (i.e. without first offering such shares to existing shareholders pro-rata to their existing holdings) up to an aggregate nominal amount of £122,510 (representing 5% of the issued ordinary share capital of the Company as at 7 December 2009). The authorities sought in Resolutions 9 and 10 will continue until the conclusion of the Annual General Meeting to be held in 2011 or on the expiry of 15 months from the passing of this resolution, if earlier.

Such authorities will only be used to issue shares or re-sell shares from treasury at a premium to net asset value and only when the Directors believe that it would be in the best interests of the Company to do so. The Directors believe that the ability to buy-back shares at a discount and re-sell them or issue new shares at a premium are useful tools in smoothing supply and demand. No shares were issued during the year to 31 October 2009 and no shares were held in treasury as at 7 December 2009.

### Market Purchases of Own Shares

At the last Annual General Meeting the Company was granted authority to purchase up to 7,345,747 ordinary shares (equivalent to 14.99% of its issued share capital), such authority to expire at the Annual General Meeting in respect of the year ending 31 October 2009. No shares were bought back during the year under review.

Share buy-backs may be made principally:

(i) to enhance 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 the demand for the Company's shares that results in a discount of the quoted market price to the published net asset value per share.

The Company may hold bought-back shares 'in treasury' and then:

(i) sell such shares (or any of them) for cash (or its equivalent under the Treasury Shares Regulations); or

(ii) cancel the shares (or any of them).

All buy-backs will initially be held in treasury. Shares will only be resold from treasury at a premium to net asset value.

The Directors are seeking shareholders' approval at the Annual General Meeting to renew the authority to purchase up to 7,345,747 ordinary shares representing approximately 14.99% of the Company's ordinary shares in issue at the date of passing of the resolution, such authority to expire at the Annual General Meeting of the Company to be held in 2011.

In accordance with the Listing Rules of the UK Listing Authority, the maximum price (excluding expenses) that may be paid on the exercise of the authority must not exceed the higher of:

(i) 105 percent of the average of the middle market quotations for the Shares over the five business days immediately preceding the date of purchase; and

(ii) the higher of the last independent bid and the highest current independent bid on the London Stock Exchange.

The minimum price (exclusive of expenses) that may be paid will be 5p per share. Purchases of shares will be made within guidelines established, from time to time, by the Board. Your attention is drawn to Resolution 11 in the Notice of Annual General Meeting.

## Articles of Association

It is proposed in Resolution 12 to adopt new Articles of Association (the 'New Articles') in order to update the Company's current Articles of Association (the 'Articles') to take account of the implementation on 1 October 2009 of the last parts of the Companies Act 2006 (the '2006 Act') in respect of, amongst other things, the Company's authorised share capital, its Memorandum of Association and the ability of the Company to change its name. The Companies Act 1985 was, for all practical purposes repealed on 1 October 2009.

A copy of the New Articles will be available for inspection at Royal London House, 22/25 Finsbury Square, London EC2A 1DX and the registered office of the Company during normal business hours on any day (Saturdays, Sundays and public holidays excepted) from the date of the notice of the AGM (the 'Notice') until the conclusion of the AGM.

A summary of the material changes proposed to be brought about by the adoption of the New Articles is set out in the Appendix to the Notice on page 46.

## Recommendation

The Board unanimously recommends you to vote in favour of the resolutions to be proposed at the Annual General Meeting as it is their view that the resolutions are in the best interest of shareholders as a whole.

## 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 2009 or 31 October 2008.

## Disclosure of Information to Auditors

The Directors confirm that so far as each of the Directors is aware there is no relevant audit information of which the Company's auditors are unaware and the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

## Independent Auditors

The auditors, KPMG Audit Plc, are willing to continue in office and in accordance with section 489 and section 491(1) of the Companies Act 2006, resolutions concerning their reappointment and remuneration will be submitted to the Annual General Meeting.

By order of the Board
DAVID A COLTMAN
Chairman
8 December 2009

## Directors' Remuneration for the Year (audited)

| | 2009 £ | 2008 £ |
|---|---|---|
| DA Coltman | 21,500 | 21,125 |
| RAG Douglas Miller (retired 7 February 2008) | – | 3,653 |
| WJ Ducas | 14,500 | 14,250 |
| J Leslie Melville | 14,500 | 14,250 |
| DHL Reid | 14,500 | 14,250 |
| The Hon. Kim Fraser | 14,500 | 14,250 |
| | **79,500** | **81,778** |

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

# Directors' Remuneration Report

The Board has prepared this report, in accordance with the requirements of the Companies Act 2006. 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 26 and 27.

## 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. It is intended that this policy will continue for the year ending 31 October 2010 and subsequent years.

The fees for the non-executive Directors are determined within an aggregate limit set out in the Company's Articles of Association which is currently £100,000. Non-executive Directors are not eligible for any other remuneration apart from the reimbursement of allowable expenses.

The Board reviewed the level of Directors' fees during the year, and concluded that the fees should remain unchanged at £21,500 for the Chairman and £14,500 for the other Directors. Directors' fees were last increased on 1 February 2008.

## Directors' Service Contracts

It is the Board's policy that Directors do not have a service contract but are provided with a letter of appointment.

The terms of their appointment provide that a Director shall retire and be subject to re-election at the first Annual General Meeting after their appointment. Thereafter they are obliged to retire, and subject to performance evaluation, if they wish, to offer themselves for re-election, no longer than every 3 years after that. Any Directors who have served on the Board for more than 9 years will submit themselves for re-election annually. There is no notice period and no provision for compensation upon early termination of appointment.

## Directors' Service Details

| | Date of appointment | Due date for re-election |
|---|---|---|
| DA Coltman | 1 May 1998 | AGM held in 2010 |
| WJ Ducas | 22 March 2002 | AGM held in 2012 |
| J Leslie Melville | 1 August 2007 | AGM held in 2011 |
| DHL Reid | 1 May 1998 | AGM held in 2010 |
| The Hon. Kim Fraser | 11 December 1998 | AGM held in 2010 |

## Company Performance

The graph below 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. (Comparative Index provided for information purposes only).

## Performance Graph

Edinburgh Worldwide's Share Price, FTSE All-Share Index and Comparative Index*

(figures have been rebased to 100 at 31 October 2004)

Past performance is not a guide to future performance.

## Approval

The Directors' Remuneration Report on pages 23 and 24 was approved by the Board of Directors and signed on its behalf on 8 December 2009.

DAVID A COLTMAN

Chairman

# Statement of Directors' Responsibilities in Respect of the Annual Report, Directors' Remuneration Report and the Financial Statements

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements respectively; 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names and functions are listed within the Directors and Management section, confirm that, to the best of their knowledge:

- the financial statements, which have been prepared in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), give a true and fair view of the assets, liabilities, financial position and net return of the Company; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

By order of the Board
DAVID COLTMAN
Chairman
8 December 2009

# Independent Auditors' Report

## to the members of Edinburgh Worldwide Investment Trust plc ('the Company')

We have audited the financial statements of Edinburgh Worldwide Investment Trust plc for the period ended 31 October 2009 set out on pages 28 to 42. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with sections 495, 496 and 497 of the Companies Act 2006. 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

As explained more fully in the Directors' Responsibilities Statement set out on page 25, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKP.

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 October 2009 and of its net return for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 20, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Gareth Horner (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc,
Chartered Accountants
Edinburgh
8 December 2009

# Income Statement

| | Notes | For the year ended 31 October 2009 Revenue £'000 | Capital £'000 | **Total £'000** | For the year ended 31 October 2008 Revenue £'000 | Capital £'000 | **Total £'000** |
|---|---|---|---|---|---|---|---|
| Gains/(losses) on investments | 10 | – | 43,445 | **43,445** | – | (58,483) | **(58,483)** |
| Currency losses | 14 | – | (1,825) | **(1,825)** | – | (6,389) | **(6,389)** |
| Income | 2 | 3,088 | – | **3,088** | 3,280 | – | **3,280** |
| Investment management fee | 3 | (179) | (538) | **(717)** | (215) | (645) | **(860)** |
| VAT recovered | 4 | – | – | **–** | 75 | 182 | **257** |
| Other administrative expenses | 5 | (422) | – | **(422)** | (429) | – | **(429)** |
| Net return before finance costs and taxation | | 2,487 | 41,082 | **43,569** | 2,711 | (65,335) | **(62,624)** |
| Finance costs of borrowings | 6 | (96) | (286) | **(382)** | (316) | (954) | **(1,270)** |
| Net return on ordinary activities before taxation | | 2,391 | 40,796 | **43,187** | 2,395 | (66,289) | **(63,894)** |
| Tax on ordinary activities | 7 | (575) | 266 | **(309)** | (690) | 513 | **(177)** |
| Net return on ordinary activities after taxation | | **1,816** | **41,062** | **42,878** | **1,705** | **(65,776)** | **(64,071)** |
| Net return per ordinary share | 9 | **3.71p** | **83.78p** | **87.49p** | **3.48p** | **(134.22p)** | **(130.74p)** |

A final dividend for the year of 1.50p per share (2008 – 1.50p) and a special dividend of 1.00p (2008 – 0.70p) is proposed, making a total of 3.00p for the year (2008 – 2.70p). More information on dividend distributions can be found in note 8 on page 35.

The total 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. No operations were acquired or discontinued during the year.

The accompanying notes on pages 32 to 42 are an integral part of the financial statements.

A Statement of Total Recognised Gains and Losses is not required as all gains and losses of the Company have been reflected in the above statement.

# Balance Sheet

| | Notes | At 31 October 2009 £'000 | £'000 | At 31 October 2008 £'000 | £'000 |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Investments held at fair value through profit or loss | 10 | | 143,655 | | 104,302 |
| **Current assets** | | | | | |
| Debtors | 11 | 2,988 | | 371 | |
| Cash and short term deposits | 19 | 5,042 | | 1,449 | |
| | | 8,030 | | 1,820 | |
| **Creditors** | | | | | |
| Amounts falling due within one year | 12 | (25,874) | | (21,866) | |
| **Net current liabilities** | | | (17,844) | | (20,046) |
| **Total net assets** | | | **125,811** | | **84,256** |
| **Capital and reserves** | | | | | |
| Called-up share capital | 13 | | 2,450 | | 2,450 |
| Share premium | 14 | | 82,180 | | 82,180 |
| Special reserve | 14 | | 35,220 | | 35,220 |
| Capital reserve | 14 | | 3,122 | | (37,940) |
| Revenue reserve | 14 | | 2,839 | | 2,346 |
| **Shareholders' funds** | | | **125,811** | | **84,256** |
| **Net asset value per ordinary share** | 15 | | **256.73p** | | **171.94p** |

The Financial Statements were approved by the Board and authorised for issue on 8 December 2009.

DAVID A COLTMAN
Chairman

The accompanying notes on pages 32 to 42 are an integral part of the financial statements.

# Reconciliation of Movements in Shareholders' Funds

## For the year ended 31 October 2009

| | Notes | Called-up share capital £'000 | Share premium £'000 | Special reserve £'000 | Capital reserve £'000 | Revenue reserve £'000 | **Total shareholders' funds £'000** |
|---|---|---|---|---|---|---|---|
| Shareholders' funds at 1 November 2008 | | 2,450 | 82,180 | 35,220 | (37,940) | 2,346 | **84,256** |
| Net return on ordinary activities after taxation | 14 | – | – | – | 41,062 | 1,816 | **42,878** |
| Dividends paid during the year | 8 | – | – | – | – | (1,323) | **(1,323)** |
| Shareholders' funds at 31 October 2009 | | **2,450** | **82,180** | **35,220** | **3,122** | **2,839** | **125,811** |

## For the year ended 31 October 2008

| | Notes | Called-up share capital £'000 | Share premium £'000 | Special reserve £'000 | Capital reserve £'000 | Revenue reserve £'000 | **Total shareholders' funds £'000** |
|---|---|---|---|---|---|---|---|
| Shareholders' funds at 1 November 2007 | | 2,450 | 82,180 | 35,220 | 27,836 | 1,621 | **149,307** |
| Net return on ordinary activities after taxation | | – | – | – | (65,776) | 1,705 | **(64,071)** |
| Dividends paid during the year | 8 | – | – | – | – | (980) | **(980)** |
| Shareholders' funds at 31 October 2008 | | **2,450** | **82,180** | **35,220** | **(37,940)** | **2,346** | **84,256** |

The accompanying notes on pages 32 to 42 are an integral part of the financial statements.

# Cash Flow Statement

| | Notes | For the year ended 31 October 2009 £'000 | For the year ended 31 October 2009 £'000 | For the year ended 31 October 2008 £'000 | For the year ended 31 October 2008 £'000 |
|---|---|---|---|---|---|
| **Net cash inflow from operating activities** | 16 | | 1,957 | | 1,359 |
| **Servicing of finance** | | | | | |
| Interest paid | | (364) | | (1,669) | |
| **Net cash outflow from servicing of finance** | | | (364) | | (1,669) |
| **Taxation** | | | | | |
| Overseas tax incurred | | (288) | | (169) | |
| **Total tax paid** | | | (288) | | (169) |
| **Financial investment** | | | | | |
| Acquisitions of investments | | (14,517) | | (47,992) | |
| Disposals of investments | | 18,052 | | 55,369 | |
| Realised currency gain | | 197 | | 1,514 | |
| **Net cash inflow from financial investment** | | | 3,732 | | 8,891 |
| **Equity dividends paid** | 8 | | (1,323) | | (980) |
| **Financing** | | | | | |
| Bank loans repaid | | (285,455) | | (132,700) | |
| Bank loans drawn down | | 285,334 | | 122,071 | |
| **Net cash outflow from financing** | | | (121) | | (10,629) |
| **Increase/(decrease) in cash** | 17 | | **3,593** | | **(3,197)** |

| | Notes | 2009 £'000 | 2008 £'000 |
|---|---|---|---|
| **Reconciliation of net cash flow to movement in net debt** | 17 | | |
| Increase/(decrease) in cash in the period | | 3,593 | (3,197) |
| Net cash outflow from bank loans | | 121 | 10,629 |
| Exchange movement on bank loans | | (2,022) | (7,903) |
| **Movement in net debt in the year** | | 1,692 | (471) |
| **Net debt at 1 November** | | (20,151) | (19,680) |
| **Net debt at 31 October** | | **(18,459)** | **(20,151)** |

The accompanying notes on pages 32 to 42 are an integral part of the financial statements.

# 1 Principal Accounting Policies

The financial statements for the year to 31 October 2009 have been prepared on the basis of the accounting policies set out below, which are unchanged from the prior year and have been applied consistently.

### (a) Basis of Accounting

The financial statements are prepared on a going concern basis 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 financial statements have been prepared in accordance with The Companies Act 2006, applicable UK Accounting Standards and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies' issued in January 2009. The early adoption of the January 2009 SORP had no effect on the financial statements of the Company other than the recommendation to separately disclose capital reserves that relate to the revaluation of investments at the reporting date.

In order to reflect better the activities of the Company and in accordance with guidance issued by the AIC, supplementary information which analyses the profit and loss account between items of a revenue and capital nature has been presented in the Income Statement.

Financial assets and financial liabilities are recognised in the Company's balance sheet when it becomes a party to the contractual provisions of the instrument.

The Directors consider the Company's functional currency to be sterling as the Company's shareholders are predominantly based in the UK and the Company is subject to the UK's regulatory environment.

### (b) Investments

Purchases and sales of investments are accounted for on a trade date basis.

Investments in securities are designated as valued at fair value through profit or loss on initial recognition and are measured at subsequent reporting dates at fair value.

The fair value of listed security investments is bid value, or in the case of FTSE 100 constituents, at last traded prices issued by the London Stock Exchange.

Changes in the fair value of investments and gains and losses on disposal are recognised as capital items in the Income Statement.

### (c) Derivatives

The Company may use derivatives for the purpose of efficient portfolio management (including reducing, transferring or eliminating risk in its investments and protection against currency risk) and to achieve capital growth.

Such instruments are recognised on the date of the contract that creates the Company's obligation to pay or receive cash flows and are measured as financial assets or liabilities at fair value at subsequent reporting dates, while the relevant contracts remain open. The fair value is determined by reference to the open market value of the contract.

Where the investment rationale for the use of derivatives is to hedge specific risks pertaining to the Company's portfolio composition, hedge accounting will only be adopted where the derivative instrument relates specifically to a single item, or group of items, of equal and opposite financial exposure, and where the derivative instrument has been explicitly designated as a hedge of such item(s) at the date of initial recognition. In all other circumstances changes in the fair value of derivative instruments are recognised immediately in the Income Statement as capital or revenue as appropriate.

### (d) Cash

Cash includes cash in hand and deposits repayable on demand, less overdrafts repayable on demand. Deposits are repayable on demand if they can be withdrawn at any time without notice and without penalty or if they have a maturity or period of notice of not more than one working day.

### (e) 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 an effective yield basis.

(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. Any excess in the value of the shares received over the amount of the cash dividend foregone is recognised as capital.

### (f) Expenses

All expenses are accounted for on an accruals basis. Expenses are charged to 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. Performance fees are charged 100% to capital as the revenue component is considered immaterial in the overall context of the performance fee; the fees arise predominantly by virtue of the capital performance of the investments.

### (g) Finance Costs

Any long term borrowings are carried in the balance sheet at amortised cost, representing the cumulative amount of net proceeds after issue, plus accrued finance costs. The finance costs of borrowings are allocated 25:75 to the revenue account and capital reserve. Gains and losses on the repurchase or early settlement of debt are wholly charged to capital.

### (h) Taxation

Deferred taxation is provided on all timing differences which have originated but not reversed by the balance sheet date, 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.

### (i) Foreign Currencies

Transactions involving foreign currencies are converted at the rate ruling at the time of the transaction. Monetary assets, liabilities and equity investments held at fair value 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 the Income Statement and classified as a revenue or capital item as appropriate.

### (j) Capital Reserve

Gains and losses on disposal of investments, changes in the fair value of investments held, exchange differences of a capital nature and the amount by which other assets and liabilities valued at fair value differ from their book cost are dealt with in this reserve. Purchases of the Company's own shares for cancellation can also be funded from this reserve. Investment performance fees are charged 100% to capital as they arise predominantly by virtue of the capital performance of the investments. 75% of management fees and finance costs are allocated to the 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.

## 2 Income

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| **Income from investments** | | |
| Overseas dividends | 2,783 | 2,687 |
| Overseas interest | 287 | 270 |
| | **3,070** | **2,957** |
| **Other income** | | |
| Deposit interest | 18 | 281 |
| Interest on VAT recovered (see note 4) | – | 22 |
| Underwriting commission | – | 20 |
| | **18** | **323** |
| **Total income** | **3,088** | **3,280** |
| **Total income comprises:** | | |
| Dividends from financial assets designated at fair value through profit or loss | 2,783 | 2,687 |
| Interest from financial assets designated at fair value through profit or loss | 287 | 270 |
| Deposit interest from financial assets not designated at fair value through profit or loss | 18 | 303 |
| Other income not from financial assets | – | 20 |
| | **3,088** | **3,280** |

## 3 Investment Management Fee

| | 2009 Revenue £'000 | 2009 Capital £'000 | 2009 Total £'000 | 2008 Revenue £'000 | 2008 Capital £'000 | 2008 Total £'000 |
|---|---|---|---|---|---|---|
| Investment management fee | **179** | **538** | **717** | **215** | **645** | **860** |

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's shares 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 (in sterling terms) and is calculated as a percentage of the market value of the Company's shares. The fee is 5% of the out-performance between zero and 2%, and 10% of the out-performance thereafter. A relative high water mark with neither cap nor collar will apply. No performance fee is payable for the year to 31 October 2009 (2008 – nil).

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 5.

## 4 VAT Recovered

In 2007 the European Court of Justice ruled that investment trust management fees should be exempt from VAT. HMRC accepted the Managers' repayment claims for the periods from 2003 to 2007. £257,000 of VAT together with £22,000 of interest was received by the Managers on behalf of the Company in respect of these periods and was recognised in the year to 31 October 2008.

Discussions are ongoing with Aberdeen Asset Management regarding the recovery of VAT suffered over the period to 2003. The amount and timing of any recovery remains uncertain and accordingly no amount has been provided for in the financial statements.

## 5 Other Administrative Expenses – all charged to the revenue column of the income statement

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Directors' fees (see Directors' Remuneration Report on page 23) | 80 | 82 |
| Auditors' remuneration for audit services | 14 | 15 |
| Secretarial fees | 72 | 69 |
| Other expenses | 256 | 263 |
| | **422** | **429** |

## 6 Finance Costs of Borrowings

| | Revenue £'000 | 2009 Capital £'000 | **Total £'000** | Revenue £'000 | 2008 Capital £'000 | **Total £'000** |
|---|---|---|---|---|---|---|
| **Financial liabilities not at fair value through profit or loss** | | | | | | |
| Bank loans repayable in one year or less, or on demand | **96** | **286** | **382** | **316** | **954** | **1,270** |

## 7 Tax on Ordinary Activities

| | Revenue £'000 | 2009 Capital £'000 | **Total £'000** | Revenue £'000 | 2008 Capital £'000 | **Total £'000** |
|---|---|---|---|---|---|---|
| UK corporation tax | 522 | (522) | – | 690 | (690) | – |
| Overseas taxation | 309 | – | **309** | 177 | – | **177** |
| Double taxation relief | (256) | 256 | – | (177) | 177 | – |
| | **575** | **(266)** | **309** | **690** | **(513)** | **177** |

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| **Analysis of charge in year** | | |
| Overseas taxation | **309** | **177** |
| **Factors affecting tax charge for year** | | |
| The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 28% (2008 – 28.83%) | | |
| The differences are explained below: | | |
| Net return on ordinary activities before taxation | 43,187 | (63,894) |
| Net return on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2008 – 28.83%) | 12,092 | (18,421) |
| Effects of: | | |
| Capital returns not taxable | (11,654) | 18,702 |
| Income not taxable | (148) | – |
| Income taxable in different periods | 32 | 2 |
| Overseas withholding tax | 309 | 177 |
| Taxable losses in year utilised | (322) | (283) |
| Current tax charge for the year | **309** | **177** |

As an investment trust, the Company's capital gains are not taxable.

**Factors that may affect future tax charges**

At 31 October 2009 the Company had a potential deferred tax asset of £3,574,000 (2008 – £4,512,000) on taxable losses and unrelieved withholding tax which are available to be carried forward and offset against future taxable profits. A deferred tax asset has not been provided on these losses as it is considered unlikely that the Company will make taxable revenue profits in the future and it is not liable to tax on its capital gains. The potential deferred tax asset has been calculated using a corporation tax rate of 28% (2008 – 28%).

Due to the Company's status as an investment trust, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided for deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

## 8 Ordinary Dividends

| | 2009 | 2008 | 2009 £'000 | 2008 £'000 |
|---|---|---|---|---|
| **Amounts recognised as distributions in the period:** | | | | |
| Previous year's final (paid 2 February 2009) | 1.50p | 1.50p | 735 | 735 |
| Previous year's special (paid 2 February 2009) | 0.70p | – | 343 | – |
| Interim (paid 23 July 2009) | 0.50p | 0.50p | 245 | 245 |
| | **2.70p** | **2.00p** | **1,323** | **980** |

We also set out below the total dividends paid and proposed in respect of the financial year, which is the basis on which the requirements of section 842 of the Income and Corporation Taxes Act 1988 are considered. The revenue available for distribution by way of dividend for the year is £1,816,000 (2008 – £1,705,000).

| | 2009 | 2008 | 2009 £'000 | 2008 £'000 |
|---|---|---|---|---|
| **Dividends paid and proposed in the period:** | | | | |
| Interim dividend per ordinary share (paid 23 July 2009) | 0.50p | 0.50p | 245 | 245 |
| Proposed final dividend per ordinary share (payable 9 February 2010) | 1.50p | 1.50p | 735 | 735 |
| | **2.00p** | **2.00p** | **980** | **980** |
| Proposed special dividend per ordinary share (payable 9 February 2010)# | 1.00p | 0.70p | 490 | 343 |
| | **3.00p** | **2.70p** | **1,470** | **1,323** |

# The special dividend of 1.00p is proposed as the Board expects that the high level of income received during the year may not recur.

## 9 Net Return per Ordinary Share

| | 2009 Revenue | 2009 Capital | 2009 **Total** | 2008 Revenue | 2008 Capital | 2008 **Total** |
|---|---|---|---|---|---|---|
| Net return on ordinary activities after taxation | **3.71p** | **83.78p** | **87.49p** | **3.48p** | **(134.22p)** | **(130.74p)** |

Revenue return per ordinary share is based on the net return on ordinary activities after taxation of £1,816,000 (2008 – £1,705,000) and on 49,004,319 ordinary shares, being the weighted average 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 £41,062,000 (2008 – loss of £65,776,000) and on 49,004,319 ordinary shares, being the weighted average number of ordinary shares in issue during each year.

There are no dilutive or potentially dilutive shares in issue.

## 10 Fixed Assets – Investments

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| **Financial assets at fair value through profit or loss** | | |
| Listed Overseas – equity investments | 141,818 | 102,445 |
| – debt instruments | 1,837 | 1,857 |
| Total investments in financial assets at fair value through profit or loss | **143,655** | **104,302** |

| | **Total * £'000** |
|---|---|
| Cost of investments held at 1 November 2008 | 109,414 |
| Investment holding losses at 1 November 2008 | (5,112) |
| Fair value of investments held at 1 November 2008 | **104,302** |
| Movements in year: | |
| Purchases at cost | 16,583 |
| Sales – proceeds | (20,675) |
| – losses on sales | (2,546) |
| Changes in investment holding gains | 45,991 |
| Fair value of investments held at 31 October 2009 | **143,655** |
| Cost of investments held at 31 October 2009 | 102,776 |
| Investment holding gains at 31 October 2009 | 40,879 |
| Fair value of investments held at 31 October 2009 | **143,655** |

* All investments are listed overseas.

The Company incurred transaction costs on purchases of £23,000 (2008 – £36,000) and on sales of £23,000 (2008 – £79,000).

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| **Net gains on investments designated at fair value through profit or loss on initial recognition** | | |
| (Losses)/gains on sales | (2,546) | 5,326 |
| Changes in investment holding gains | 45,991 | (63,809) |
| | **43,445** | **(58,483)** |

Of the losses on sales during the year a net loss of £5,804,000 (2008 – net gain of £9,396,000) was included in investment holding losses at the previous year end.

## 11 Debtors

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| **Due within one year:** | | |
| Income accrued | 302 | 329 |
| Sales for subsequent settlement | 2,623 | – |
| Other debtors and prepayments | 63 | 42 |
| | **2,988** | **371** |

The carrying amount of debtors is a reasonable approximation of fair value.

## 12 Creditors – Amounts falling due within one year

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| The Royal Bank of Scotland plc multi-currency loan | – | 21,600 |
| Lloyds TSB Scotland plc multi-currency loan | 23,501 | – |
| Purchases for subsequent settlement | 2,022 | – |
| Investment management fee | 216 | 138 |
| Secretarial fee | 18 | 17 |
| Other creditors and accruals | 117 | 111 |
| | **25,874** | **21,866** |

**Borrowing Facility**

A 364 day multi-currency loan facility with The Royal Bank of Scotland was repaid in July 2009 and a £30 million, 1 year multi-currency facility with Lloyds TSB Scotland plc was drawn down. The drawings were as follows:

**At 31 October 2009**

Lloyds TSB Scotland plc – US$9,100,000 at an interest rate of 1.74% per annum.
Lloyds TSB Scotland plc – €7,000,000 at an interest rate of 1.93% per annum.
Lloyds TSB Scotland plc – CHF10,500,000 at an interest rate of 1.60% per annum.
Lloyds TSB Scotland plc – ¥820,000,000 at an interest rate of 1.67% per annum.

**At 31 October 2008**

The Royal Bank of Scotland plc – CHF 18,200,000 at an interest rate of 3.27% per annum.
The Royal Bank of Scotland plc – ¥ 1,900,000,000 at an interest rate of 1.40% per annum.

The Lloyds TSB Scotland plc unsecured multi-currency loans are renewable monthly, with interest paid on renewal at the rate of LIBOR (for the relevant currency) +1.50% per annum.

The main covenant relating to the loan facility with Lloyds TSB Scotland plc is: total borrowings shall not exceed 35% of the Company's adjusted gross assets.

## 13 Called-up Share Capital

| | 2009 | | 2008 | |
|---|---|---|---|---|
| | 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 26 January 2009 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 2009 or 2008. At 31 October 2009 the Company had authority to buy back 7,345,747 ordinary shares.

## 14 Capital and Reserves

| | Called-up share capital £,000 | Share premium £'000 | Special reserve £'000 | Capital reserve £'000 | Revenue reserve £'000 | **Total shareholders' funds £'000** |
|---|---|---|---|---|---|---|
| At 1 November 2008 | 2,450 | 82,180 | 35,220 | (37,940) | 2,346 | **84,256** |
| Net losses on disposal of investments | – | – | – | (2,546) | – | **(2,546)** |
| Changes in investment holding gains | – | – | – | 45,991 | – | **45,991** |
| Exchange differences on bank loans repaid | – | – | – | (4,952) | – | **(4,952)** |
| Other exchange differences on bank loans | – | – | – | 2,930 | – | **2,930** |
| Other exchange differences | – | – | – | 197 | – | **197** |
| Investment management fee | – | – | – | (538) | – | **(538)** |
| Finance costs of borrowings | – | – | – | (286) | – | **(286)** |
| Tax relief on management fees and finance costs | – | – | – | 266 | – | **266** |
| Dividends paid in the year | – | – | – | – | (1,323) | **(1,323)** |
| Revenue return on ordinary activities after taxation | – | – | – | – | 1,816 | **1,816** |
| At 31 October 2009 | **2,450** | **82,180** | **35,220** | **3,122** | **2,839** | **125,811** |

The capital reserve includes investment holding gains of £40,879,000 (2008 – losses of £5,112,000) as disclosed in note 10.

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.

The revenue reserve is distributable by way of dividend.

## 15 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:

| | 2009 | 2008 | 2009 £'000 | 2008 £'000 |
|---|---|---|---|---|
| Ordinary shares | **256.73p** | **171.94p** | **125,811** | **84,256** |

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

Deducting borrowings at fair value has no effect on the net asset value per ordinary share at 31 October 2009 or 31 October 2008 as all borrowings are short term and their fair value is considered to be equal to their par value.

## 16 Reconciliation of Net Return before Finance Costs and Taxation to Net Cash Inflow from Operating Activities

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Net return before finance costs and taxation | 43,569 | (62,624) |
| (Gains)/losses on investments | (43,445) | 58,483 |
| Currency losses | 1,825 | 6,389 |
| Other non-cash movements | (44) | (138) |
| Decrease in accrued income | 6 | 49 |
| (Increase)/decrease in debtors | (21) | 35 |
| Increase/(decrease) in creditors | 67 | (835) |
| Net cash inflow from operating activities | **1,957** | **1,359** |

## 17 Analysis of Change in Net Debt

| | At 1 November 2008 £'000 | Cash flows £'000 | Exchange movement £'000 | At 31 October 2009 £'000 |
|---|---|---|---|---|
| Cash at bank and in hand | 1,449 | 3,593 | – | **5,042** |
| Loan due in less than one year | (21,600) | 121 | (2,022) | **(23,501)** |
| | **(20,151)** | **3,714** | **(2,022)** | **(18,459)** |

## 18 Related Party Transactions

The Directors' fees for the year are detailed in the Directors' Remuneration Report on page 23.
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 412 of the Companies Act 2006. The details of the management fee are set out in note 3, and the fees due to Baillie Gifford & Co as at 31 October 2009 are disclosed in note 12.

## 19 Financial Instruments

As an Investment Trust, the Company invests in equities and makes other investments so as to achieve its investment objective of achieving long term capital growth. In pursuing its investment objective, the Company is exposed to various types of risk that are associated with the financial instruments and markets in which it invests.

These risks are categorised here as market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. The Board monitors closely the Company's exposures to these risks but does so in order to reduce the likelihood of a permanent loss of capital rather than to minimise the short term volatility.

The risk management policies and procedures outlined in this note have not changed substantially from the previous accounting period.

**Market Risk**
The fair value or future cash flows of a financial instrument or other investment held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements – currency risk, interest rate risk and other price risk. The Board of Directors reviews and agrees policies for managing these risks and the Company's Investment Managers both assess the exposure to market risk when making individual investment decisions and monitor the overall level of market risk across the investment portfolio on an ongoing basis.

## 19 Financial Instruments (continued)

**(i) Currency Risk**

Certain of the Company's assets, liabilities and income are denominated in currencies other than sterling (the Company's functional currency and that in which it reports its results). Consequently, movements in exchange rates may affect the sterling value of those items.

The Investment Managers monitor the Company's exposure to foreign currencies and report to the Board on a regular basis. The Investment Managers assess the risk to the Company of the foreign currency exposure by considering the effect on the Company's net asset value and income of a movement in the rates of exchange to which the Company's assets, liabilities, income and expenses are exposed. However, the country in which a company is listed is not necessarily where it earns its profits. The movement in exchange rates on overseas earnings may have a more significant impact upon a company's valuation than a simple translation of the currency in which the company is quoted.

Foreign currency borrowings can limit the Company's exposure to anticipated future changes in exchange rates which might otherwise adversely affect the value of the portfolio of investments.

Exposure to currency risk through asset allocation, which is calculated by reference to the currency in which the asset or liability is quoted, is shown below. The main changes to net currency exposure during the year were as follows: Exposure to the US dollar decreased when US dollar borrowings were drawn down on 10 December 2008. Exposure to the Euro decreased when Euro borrowings were drawn down on 13 February 2009. Exposure to the Swiss franc and Japanese yen increased when Swiss franc and Japanese yen borrowings were reduced on 10 December 2008 and 13 February 2009.

| At 31 October 2009 | Investments £'000 | Cash and deposits £'000 | Loans £'000 | Other debtors and creditors * £'000 | Net exposure £'000 |
|---|---|---|---|---|---|
| US dollar | 75,089 | – | (5,520) | (530) | **69,039** |
| Euro | 18,972 | 4,245 | (6,266) | 31 | **16,982** |
| Swedish krona | 13,522 | – | – | – | **13,522** |
| Swiss franc | 6,817 | – | (6,219) | 2,626 | **3,224** |
| Danish krone | 6,198 | – | – | – | **6,198** |
| Japanese yen | 5,450 | – | (5,496) | 30 | **(16)** |
| Hong Kong dollar | 13,112 | 714 | – | (1,233) | **12,593** |
| Other overseas currencies | 4,495 | – | – | – | **4,495** |
| Total exposure to currency risk | **143,655** | **4,959** | **(23,501)** | **924** | **126,037** |
| Sterling | – | 83 | – | (309) | **(226)** |
| | **143,655** | **5,042** | **(23,501)** | **615** | **125,811** |

*Includes net non-monetary assets of £9,000.

| At 31 October 2008 | Investments £'000 | Cash and deposits £'000 | Loans £'000 | Other debtors and creditors * £'000 | Net exposure £'000 |
|---|---|---|---|---|---|
| US dollar | 52,227 | 494 | – | 260 | **52,981** |
| Euro | 18,369 | 201 | – | 11 | **18,581** |
| Swedish krona | 7,909 | 484 | – | – | **8,393** |
| Swiss franc | 7,338 | 223 | (9,643) | 20 | **(2,062)** |
| Danish krone | 3,678 | – | – | – | **3,678** |
| Japanese yen | 8,569 | – | (11,957) | 58 | **(3,330)** |
| Hong Kong dollar | 4,380 | – | – | – | **4,380** |
| Other overseas currencies | 1,832 | – | – | – | **1,832** |
| Total exposure to currency risk | **104,302** | **1,402** | **(21,600)** | **349** | **84,453** |
| Sterling | – | 47 | – | (244) | **(197)** |
| | **104,302** | **1,449** | **(21,600)** | **105** | **84,256** |

*Includes net non-monetary assets of £10,000.

## 19 Financial Instruments (continued)

**Currency Risk Sensitivity**

At 31 October 2009, if sterling had strengthened by 5% in relation to all currencies, with all other variables held constant, total net assets and total return on ordinary activities would have decreased by the amounts shown below. A 5% weakening of sterling against all currencies, with all other variables held constant, would have had an equal but opposite effect on the financial statement amounts. The analysis is performed on the same basis for 2008.

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| US dollar | 3,452 | 2,649 |
| Euro | 849 | 929 |
| Swedish krona | 676 | 420 |
| Swiss franc | 161 | (103) |
| Danish krone | 310 | 184 |
| Japanese yen | (1) | (167) |
| Hong Kong dollar | 630 | 219 |
| Other overseas currencies | 225 | 92 |
| | **6,302** | **4,223** |

**(ii) Interest Rate Risk**

Interest rate movements may affect directly:

- the fair value of investments in fixed interest rate securities;
- the level of income receivable on cash deposits;
- the fair value of any fixed-rate borrowings; and
- the interest payable on variable rate borrowings.

Interest rate movements may also impact upon the market value of the Company's investments outwith fixed income securities. The effect of interest rate movements upon the earnings of a company may have a significant impact upon the valuation of that company's equity.

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions and when entering borrowing agreements.

The Board reviews on a regular basis the amount of investments in cash and fixed income securities and the income receivable on cash deposits, floating rate notes and other similar investments.

The Company may finance part of its activities through borrowings at approved levels. The amount of any such borrowings and the approved levels are monitored and reviewed regularly by the Board.

The interest rate risk profile of the Company's financial assets and liabilities at 31 October is shown below:

| Financial Assets | 2009 Fair value £'000 | 2009 Weighted average interest rate | 2009 Period for which rate is fixed | 2008 Fair value £'000 | 2008 Weighted average interest rate | 2008 Period for which rate is fixed |
|---|---|---|---|---|---|---|
| **Floating rate:** | | | | | | |
| US bonds (interest rate linked to US dollar LIBOR) | 1,837 | 13.4% | 24 days | 1,857 | 16.0% | 1 year |

The cash deposits generally comprise overnight call or short term money market deposits of less than one month which are repayable on demand. The benchmark rate which determines the interest payments received on cash balances is the bank base rate.

## 19 Financial Instruments (continued)

### Interest Rate Risk (continued)

| Financial Liabilities | 2009 £'000 | 2008 £'000 |
|---|---|---|
| The interest rate risk profile of the Company's financial liabilities at 31 October was: | | |
| Floating rate – US$ denominated | 5,520 | – |
| – Euro denominated | 6,266 | – |
| – Swiss franc denominated | 6,219 | 9,643 |
| – Yen denominated | 5,496 | 11,957 |
| | **23,501** | **21,600** |
| The maturity profile of the Company's financial liabilities at 31 October was: | | |
| In one year or less, or on demand | 23,501 | 21,600 |
| | **23,501** | **21,600** |

**Interest Rate Risk Sensitivity**

An increase of 100 basis points in bond yields as at 31 October 2009 would have decreased total net assets and total return on ordinary activities by £2,000 (2008 – £2,000). A decrease of 100 basis points would have had an equal but opposite effect.

**(iii) Other Price Risk**

Changes in market prices other than those arising from interest rate risk or currency risk may also affect the value of the Company's net assets.

The Board manages the market price risks inherent in the investment portfolio by ensuring full and timely access to relevant information from the Investment Managers. The Board meets regularly and at each meeting reviews investment performance, the investment portfolio and the rationale for the current investment positioning to ensure consistency with the Company's objectives and investment policies. The portfolio does not seek to reproduce the comparative index, investments are selected based upon the merit of individual companies and therefore performance may well diverge from the short term fluctuations of the comparative index.

**Other Price Risk Sensitivity**

Fixed asset investments are valued at bid prices which equate to their fair value. A full list of the Company's investments is given on page 10. 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' Portfolio Review section.

112.7% of the Company's net assets are invested in equities. A 10% increase in quoted equity valuations at 31 October 2009 would have increased total assets and total return on ordinary activities by £14,182,000 (2008 – £10,245,000). A decrease of 10% would have had an equal but opposite effect.

**Liquidity Risk**

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

Liquidity risk is not significant as the majority of the Company's assets are investments in quoted securities that are readily realisable. The Board monitors the exposure to any one holding.

The Company has the power to take out borrowings, which give it access to additional funding when required.

## 19 Financial Instruments (continued)

### Credit Risk
This is the risk that a failure of a counterparty to a transaction to discharge its obligations under that transaction could result in the Company suffering a loss.

This risk is managed as follows:

- Where the Investment Managers make an investment in a bond or other security with credit risk, that credit risk is assessed and then compared to the prospective investment return of the security in question.
- The Board regularly receives information from the Investment Managers on the credit ratings of those bonds and other securities in which the Company has invested.
- The Company's listed investments are held on its behalf by RBC Dexia Investor Services Trust acting as agent, the Company's custodian. Bankruptcy or insolvency of the custodian may cause the Company's rights with respect to securities held by the custodian to be delayed. The Investment Managers monitor the Company's risk by reviewing the custodian's internal control reports and reporting its findings to the Board.
- Investment transactions are carried out with a large number of brokers whose creditworthiness is reviewed by the Investment Managers. Transactions are ordinarily undertaken on a delivery versus payment basis whereby the Company's custodian bank ensures that the counterparty to any transaction entered into by the Company has delivered on its obligations before any transfer of cash or securities away from the Company is completed.
- Transactions involving derivatives, and other arrangements wherein the creditworthiness of the entity acting as broker or counterparty to the transaction is likely to be of sustained interest, are subject to rigorous assessment by the Investment Managers of the creditworthiness of that counterparty.
- Cash is only held at banks that are regularly reviewed by the Managers.

### Credit Risk Exposure
The maximum exposure to credit risk at 31 October was:

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Fixed interest investments | 1,837 | 1,857 |
| Cash and short term deposits | 5,042 | 1,449 |
| Debtors and prepayments | 2,988 | 371 |
| | **9,867** | **3,677** |

None of the Company's financial assets are past due or impaired.

### Fair Value of Financial Assets and Financial Liabilities
The Directors are of the opinion that the financial assets and liabilities of the Company are stated at fair value in the balance sheet.

All short term borrowings are stated at fair value, which is considered to be equal to their par value. The Company has no long term borrowings.

### Capital Management
The Company does not have any externally imposed capital requirements. The capital of the Company is the ordinary share capital as detailed in note 13. It is managed in accordance with its investment policy in pursuit of its investment objective, both of which are detailed on page 16. Shares may be issued and/or repurchased as explained on pages 21 and 22.

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 Thursday, 4 Feburary 2010 at 12 noon. A buffet lunch will be provided.

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 twelfth 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 Thursday, 4 February 2010, 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 receive and adopt the financial statements of the Company for the year to 31 October 2009 with the Reports of the Directors and of the Independent Auditors thereon.
2. To approve the Directors' Remuneration Report for the year to 31 October 2009.
3. To declare a special dividend of 1.00p per ordinary share and a final dividend of 1.50p per ordinary share for the year to 31 October 2009.
4. To re-elect Mr DA Coltman as a Director.
5. To re-elect Mr DHL Reid as a Director.
6. To re-elect The Hon. Kim Fraser as a Director.
7. To reappoint KPMG Audit Plc as Independent Auditors of the Company to hold office until the conclusion of the next Annual General Meeting at which the financial statements are laid before the Company.
8. To authorise the Directors to determine the remuneration of the Independent Auditors of the Company.
9. That, in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date hereof, the Directors of the Company be and they are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the 'Act') to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company ('Securities') provided that such authority shall be limited to the allotment of shares and the grant of rights in respect of shares with an aggregate nominal value of up to £808,571, such authority to expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on the expiry of 15 months from the passing of this resolution, whichever is the earlier, unless previously revoked, varied or extended by the Company in a general meeting, save that the Company may at any time prior to the expiry of this authority make an offer or enter into an agreement which would or might require Securities to be allotted or granted after the expiry of such authority and the Directors shall be entitled to allot or grant Securities in pursuance of such an offer or agreement as if such authority had not expired.

To consider and, if thought fit, to pass resolutions 10, 11 and 12 as Special Resolutions:

10. That, subject to the passing of Resolution 9 above, and in substitution for any existing power but without prejudice to the exercise of any such power prior to the date hereof, the Directors of the Company be and they are hereby generally empowered, pursuant to Section 570 of the Companies Act 2006 (the 'Act'), to allot equity securities (as defined in Section 560 of the Act), including the grant of rights to subscribe for, or to convert securities into ordinary shares held by the Company as treasury shares (as defined in Section 724 of the Act) for cash pursuant to the authority given by Resolution 9 above as if Section 561(1) of the Act did not apply to any such allotment of equity securities, provided that this power:
    (a) expires at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution or on the expiry of 15 months from the passing of this Resolution, whichever is the earlier, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred hereby had not expired; and
    (b) shall be limited to the allotment of equity securities up to an aggregate nominal value of £122,510 being approximately 5% of the nominal value of the issued share capital of the Company, as at 7 December 2009.
11. That, in substitution for any existing authority but without prejudice to the exercise of any such authority prior to the date hereof, the Company be and is hereby generally and

unconditionally authorised, pursuant to and in accordance with Section 701 of the Companies Act 2006 (the 'Act') to make market purchases (within the meaning of Section 693(4) of the Act) of fully paid ordinary shares of 5 pence each in the capital of the Company ('ordinary shares') (either for retention as treasury shares for future reissue, resale, transfer or cancellation), provided that:

(a) the maximum aggregate number of ordinary shares hereby authorised to be purchased is 7,345,747 being approximately 14.99% of the issued ordinary share capital of the Company as at the date of the passing of this Resolution;

(b) the minimum price (excluding expenses) which may be paid for each ordinary share is 5 pence;

(c) the maximum price (excluding expenses) which may be paid for each ordinary share shall not be more than the higher of:

  (i) 5 per cent above the average closing price on the London Stock Exchange of an ordinary share over the five business days immediately preceding the date of purchase; and

  (ii) the higher of the last independent trade and the highest current independent bid on the London Stock Exchange; and

(d) unless previously varied, revoked or renewed by the Company in a general meeting, the authority hereby conferred shall expire at the conclusion of the Company's Annual General Meeting to be held in respect of the year ending 31 October 2010, save that the Company may, prior to such expiry, enter into a contract 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 pursuant to any such contract.

## Special Business

12. That:

(i) the Articles of Association of the Company be amended by deleting all of the provisions of the Company's Memorandum of Association which, by virtue of section 28 of the Companies Act 2006, are to be treated as part of the Company's Articles of Association;

(ii) the Articles of Association of the Company be amended by deleting all the provisions referred to in paragraph 42 of schedule 2 of the Companies Act 2006 (Commencement No 8, Transitional Provisions and Savings) Order 2008 (Statutory Instrument 2008 No. 2860); and

(iii) the draft regulations produced to the meeting and, for the purposes of identification, initialled by the Chairman of the meeting be adopted as the Articles of Association of the Company in substitution for, and to the entire exclusion of, the existing Articles of Association of the Company.

By order of the Board

Baillie Gifford & Co
Managers and Secretaries
23 December 2009

Baillie Gifford & Co.

### Notes

1. As a member you are entitled to appoint a proxy or proxies to exercise all or any of your rights to attend, speak and vote at the AGM. A proxy need not be a member of the Company but must attend the AGM to represent you. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You can only appoint a proxy using the procedure set out in these notes and the notes to the proxy form. You may not use any electronic address provided either in this notice or any related documents (including the circular and proxy form) to communicate with the Company for any purpose other than those expressly stated.
2. To be valid any proxy form or other instrument appointing a proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, must be received by post or (during normal business hours only) by hand at the Registrars of the Company at Computershare Investor Services PLC, PO Box 82, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY or **www.eproxyappointment.com** no later than 48 hours (excluding non-working days) before the time of the meeting or any adjourned meeting.
3. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual and/or by logging on to the website **www.euroclear.com/CREST**. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
4. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's registrar (ID 3RA50) no later than 48 hours (excluding non-working days) before the time of the meeting or any adjournment. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
5. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
6. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
7. The return of a completed proxy form or other instrument of proxy will not prevent you attending the AGM and voting in person if you wish.
8. Shareholders participating in the Baillie Gifford Investment Trust Share Plan, Children's Savings Plan or the Baillie Gifford Investment Trust ISA who wish to vote and/or attend the meeting must complete and return the enclosed reply-paid Form of Direction.

9. There are special arrangements for holders of shares through The Aberdeen Investment Trusts ISA and Shareplan, and The Edinburgh Fund Managers Investment Trust Pension. These are explained in the 'Form of Direction' which such holders will have received with this report.
10. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 and Section 311 of the Companies Act 2006 the Company specifies that to be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company no later than 48 hours (excluding non-working days) prior to the commencement of the AGM or any adjourned meeting. Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
11. Any person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
12. The statement of the rights of shareholders in relation to the appointment of proxies in Notes 1 and 2 above does not apply to Nominated Persons. The rights described in those Notes can only be exercised by shareholders of the Company.
13. The members of the Company may require the Company to publish, on its website, (without payment) a statement (which is also passed to the auditors) setting out any matter relating to the audit of the Company's accounts, including the auditors' report and the conduct of the audit. The Company will be required to do so once it has received such requests from either members representing at least 5% of the total voting rights of the Company or at least 100 members who have a relevant right to vote and hold shares in the Company on which there has been paid up an average sum per member of at least £100. Such requests must be made in writing and must state your full name and address and be sent to the Company at Calton Square, 1 Greenside Row, Edinburgh, EH1 3AN.
14. Information regarding the Annual General Meeting, including information required by Section 311A of the Companies Act 2006, is available from the Company's page of the Managers' website at **www.edinburghworldwide.co.uk**.
15. Members have the right to ask questions at the meeting in accordance with Section 319A of the Companies Act 2006.
16. As at 7 December 2009 (being the last practicable date prior to the publication of this notice) the Company's issued share capital consisted of 49,004,319 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 7 December 2009 were 49,004,319 votes.
17. Any person holding 3% or more of the total voting rights of the Company who appoints a person other than the Chairman of the meeting as his proxy will need to ensure that both he and his proxy complies with their respective disclosure obligations under the UK Disclosure and Transparency Rules.
18. A copy of the proposed new Articles of Association of the Company will be available at Royal London House, 22-25 Finsbury Square, London EC2A 1DX and Calton Square, 1 Greenside Row, Edinburgh, EH1 3AN during normal business hours on any day (Saturdays, Sundays and public holidays excepted) from the date of this notice of the AGM until the conclusion of the AGM.
19. No Director has a contract of service with the Company.

# Appendix to the Notice of Annual General Meeting

The principal changes which would arise from the adoption of the New Articles are set out below.

## The Company's Memorandum of Association

The provisions regulating the operations of the Company are currently set out in the Company's Memorandum and Articles of Association. The Memorandum contains, among other things, the objects clause which sets out the scope of the activities the Company is authorised to undertake.

The 2006 Act significantly reduces the constitutional significance of a company's memorandum. The 2006 Act provides that a memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in the company. Under the 2006 Act, the objects clause and all other provisions which are currently contained in a company's memorandum, for existing companies at 1 October 2009, are deemed to be contained in a company's articles but the company can remove these provisions by special resolution.

In addition, the 2006 Act states that unless a company's articles provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. The Company is therefore, proposing to remove its objects clause together with all other provisions of its memorandum which, by virtue of the 2006 Act, otherwise has been treated as forming part of the Articles since 1 October 2009.

## Change of Name

Formerly, a company could only change its name by special resolution. Under the 2006 Act, a company is able to change its name by other means provided for by its Articles of Association. To take advantage of this provision, the New Articles enable the Directors to pass a resolution to change the Company's name.

## Authorised Share Capital and Unissued Shares

The 2006 Act abolishes the requirement for a company to have an authorised share capital. The Company is proposing changes to its Articles to reflect this. The Directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the 2006 Act.

## Issue of Redeemable Shares

The New Articles will explicitly confer authority on the Board to determine the terms, conditions and manner of redemption of any issued redeemable shares in accordance with the 2006 Act, although this amendment would only have practical effect if the Company issues redeemable shares in the future.

## Chairman's Casting Vote

Provisions in the current Articles giving the Chairman a casting vote at shareholders' meetings became ineffective from 1 October 2007, but companies with a casting vote provision in their Articles on that date were, broadly, allowed to keep it. However the EU Shareholders' Rights Directive requires that all shareholders be treated equally and therefore the Companies (Shareholder Rights) Regulations 2009 remove this saving provision for UK traded companies, such that the casting vote provision in the Company's Articles became redundant on 3 August 2009.

## Analysis of Shareholders

| | At 31 October 2009 Number of shares held | % | At 31 October 2008 Number of shares held | % |
|---|---|---|---|---|
| Institutions | 18,212,589 | 37.1 | 17,662,396 | 36.0 |
| Intermediaries | 20,377,635 | 41.6 | 20,776,879 | 42.4 |
| Individuals | 8,565,590 | 17.5 | 8,711,614 | 17.8 |
| Baillie Gifford Share Plan/ISA | 1,814,887 | 3.7 | 1,540,094 | 3.2 |
| Marketmakers | 33,618 | 0.1 | 313,336 | 0.6 |
| | **49,004,319** | **100.0** | **49,004,319** | **100.0** |

# 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). If you are interested in investing directly in Edinburgh Worldwide, you can do so online. There are a number of companies offering real time online dealing services – find out more by visiting the investment trust pages at **www.bailliegifford.com**.

### 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 Company's page on Baillie Gifford's website at **www.edinburghworldwide.co.uk**, 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

Computershare Investor Services PLC maintains the share register on behalf of the Company. In the event of queries regarding shares registered in your own name, please contact the Registrars on 0870 707 1643.

This helpline also offers an automated self-service functionality (available 24 hours a day, 7 days a week) which allows you to:

- hear the latest share price;
- confirm your current share holding balance;
- confirm your payment history; and
- order Change of Address, Dividend Bank Mandate and Stock Transfer forms.

By quoting the reference number on your share certificate you can check your holding on the Registrar's web site at **www-uk.computershare.com/investor**.

They also offer a free, secure, share management website sevice which allows you to:

- view your share portfolio and see the latest market price of your shares;
- calculate the total market price of each shareholding;
- view price histories and trading graphs;
- update bank mandates and change address details;
- use online dealing services; and
- pay dividends directly into your overseas bank account in your chosen currency.

To take advantage of this service, please log in at **www-uk.computershare.com/investor** and enter your Shareholder Reference Number and Company Code (this information can be found on the last dividend voucher or your share certificate).

### Dividend Reinvestment Plan

Computershare operate a Dividend Reinvestment Plan which can be used to buy additional shares instead of receiving your dividend via cheque or into your bank account. For further information log in to **www-uk.computershare.com/investor**
and follow the instructions or telephone 0870 707 1694.

### Electronic Proxy Voting

If you hold stock in your own name you can choose to vote by returning proxies electronically at **www.eproxyappointment.com**.

If you have any questions about this service please contact Computershare on 0870 707 1643.

## 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 3RA50) not later than 48 hours (excluding non-working days)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. Computershare Investor Services PLC 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; and
- 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 and the Manager of the Baillie Gifford Investment Trust Share Plan and Children's Savings Plan. 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 and Edinburgh Worldwide's Directors may hold shares in Edinburgh Worldwide and may buy or sell such shares from time to time.

## Risks

Past performance is not a guide to future performance.

Edinburgh Worldwide is listed on the stock market. As a result, the value of its shares and any income from those shares is not guaranteed and could go down as well as up. You may not get back the amount you invested. You should regard your investment as long term.

As Edinburgh Worldwide invests in overseas securities changes in the rates of exchange may also cause the value of your investment (and any income it may pay) to go down or up.

Edinburgh Worldwide can borrow money to make further investments (sometimes known as 'gearing'). The risk is that when this money is repaid by the Company, the value of the investments may not be enough to cover the borrowing and interest costs, and the Company will make a loss. If the Company's investments fall in value, any borrowings will increase the amount of this loss.

Edinburgh Worldwide can buy back its own shares. The risks from borrowing, referred to above, are increased when the Company buys back its shares.

The Company'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.

Edinburgh Worldwide can make use of derivatives. Where derivatives are used to compensate for possible unfavourable currency and market movements there is a risk that potential gains may be restricted in a rising market. Where derivatives are used for investment purposes there could be a high risk of loss to the Company due to the large and quick price movements of these contracts.

Edinburgh Worldwide charges 75% of the investment management fee, 100% of the performance fee and 75% of borrowing costs to capital which reduces the capital value. Also, where income is low, the remaining expenses may be greater than the total income received, meaning the Company may not pay a dividend and the capital value would be further reduced.

The generation of income is less important than the aim of achieving capital growth. You should not expect a significant, or steady, annual income from the shares.

Tax rates and reliefs, as well as the tax treatment of ISAs, may change at any time in the future. The value of any tax benefits will depend on your individual circumstances.

The Company is a UK public listed company and is not authorised or regulated by the Financial Services Authority.

Details of other risks that apply to investment in the savings vehicles shown on the inside back cover are contained in the product brochures.

# Baillie Gifford Savings Vehicles

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.

## 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 £100 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.

## Online Management Service

You can now also open and manage your Share Plan and/or ISA online, through our secure Online Management Service (OMS) which can be accessed through the Baillie Gifford website at **www.bailliegifford.com**. OMS enables you to apply for, open and administer a Baillie Gifford Investment Trust Share Plan or Investment Trust ISA online. As well as being able to view the details of your plan online, the service also allows you to:

- get current valuations;
- make lump sum investments;
- switch between investment trusts (except where there is more than one holder);
- set up a direct debit to make regular investments; and
- update certain personal details.

## 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: trustenquiries@bailliegifford.com
Website: www.bailliegifford.com
www.edinburghworldwide.co.uk

Fax: 0131 275 3955

**Directors**

Chairman:
DA Coltman

WJ Ducas
The Hon. Kim Fraser
J Leslie Melville
DHL Reid

**Registrar**

Computershare
Investor Services PLC
PO Box 82
The Pavilions
Bridgwater Road
Bristol BS99 7NH
Tel: 0870 707 1643

**Banker**

RBC Dexia Investor
Services Trust

**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
Edinburgh
EH1 3AN
Tel: 0131 275 2000
Website: www.bailliegifford.com