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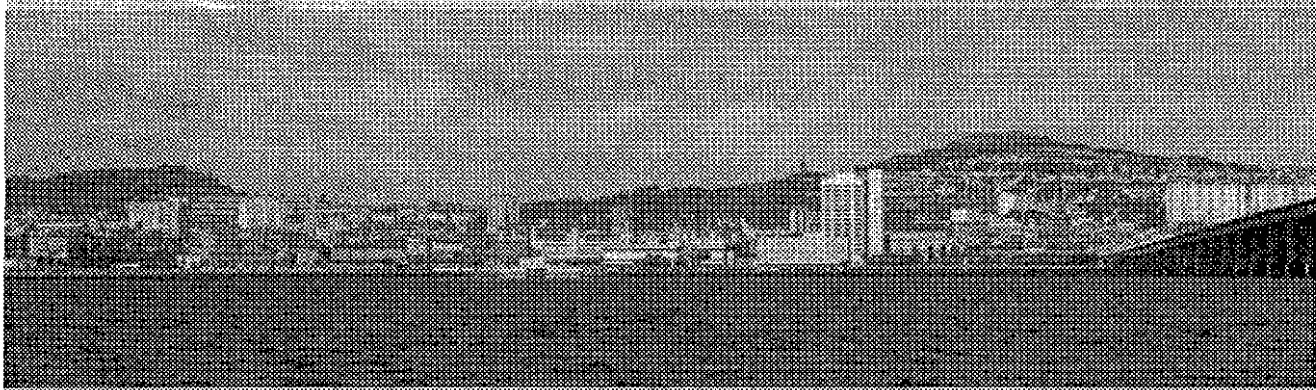
The Alliance Trust PLC



Report & Accounts **1999**

contents

chairman's statement

new format

We have adopted a new approach to the annual report this year. The aim is to make it more informative and readable and to reflect the unique nature of the Alliance Trusts. I hope you find it an improvement.

dividends

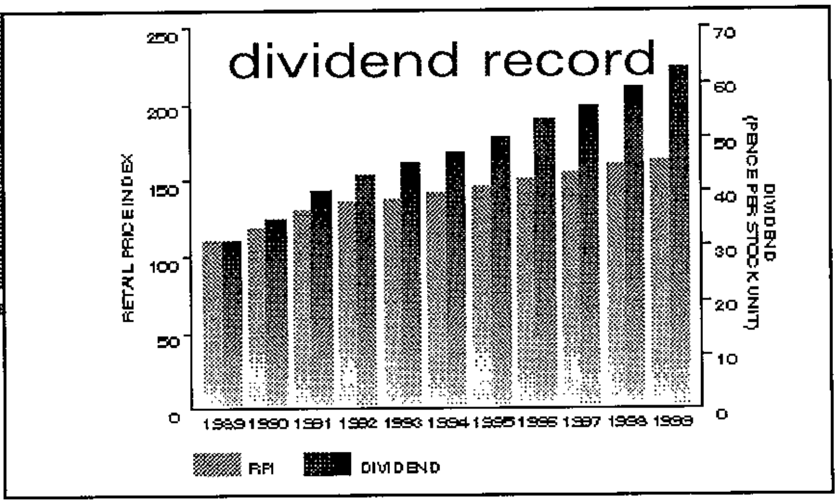
This year we are paying a second interim dividend of 16p per ordinary stock unit on 1 April 1999. This payment is made in view of tax changes after 5 April 1999 and will permit those stockholders who are non-taxpayers or charities, or who hold their stock through a PEP, to benefit. Together with the first interim paid in October and the proposed final payable on 4 May, the total for the year is 62.5p and compares with 59p last year.

Our objective is to provide the core investment for those who wish to build up a long term store of increasing value for the future.

results

The financial results show a 5.9% increase in the total dividend and a 10.6% increase in the net assets over the year. This is a creditable result compared with 2.4% inflation and a 9.4% rise in the FTSE Actuaries All-Share Index. However, for most stockholders, the more important aspect is the consistent long term record and, for this reason, we have also highlighted opposite the ten year figures.

Our objective is to provide the core investment for those who wish to build up a long term store of increasing value for the future and it is encouraging to report results which are consistent with this objective. These results come not from luck, or the brilliance of any 'star' individual, but from a cohesive, self-managed organisation whose structure is ideally suited to delivering long term investment performance. The combination of a fixed capital structure and staff who work exclusively for the Alliance Trusts is, I believe, the key. Investments can be made with a long term perspective without the risk, and the inevitable cost, of a forced sale for short term considerations. Skills and experience can be retained and used, and the interests of staff are aligned with those of long term stockholders. Our growth over 100 years is a strong testimonial for this formula.



highlights

stock unit data

		year to 31 January 1999	year to 31 January 1998
Dividends	Interim paid October 1998	22.0p	18.5p
	Second interim payable April 1999	16.0p	–
	Final proposed May 1999	24.5p	40.5p
	Total	62.5p	59.0p
Net asset value per ordinary stock unit		£34.25	£30.97
Share price		£29.36	£26.05
Discount		14.0%	16.0%
Company total expense ratio (expenses ÷ closing NAV)		0.13%	0.13%

returns

	one year	ten years
Dividend - compound rate of growth pa	5.9%	7.3%
Net asset value - compound rate of growth pa	10.6%	11.3%
Return on Company's assets - pa (nav)[(i)]	12.5%	13.9%
Return on stockholder's investment (stock price) - pa	15.1%	14.9%
Return on FTSE Actuaries All-Share Index - pa (net)[(ii)]	9.4%	13.0%
Average annual rate of inflation (RPI)	2.4%	3.9%

Note:

(i) These returns include income and capital gains and are approximately equal to the annual compound growth in net assets/stock price added to the net yield on the portfolio/stock.

(ii) The return on the FTSE Actuaries All-Share Index is computed on the same basis including net income appropriate to the yield on the index.

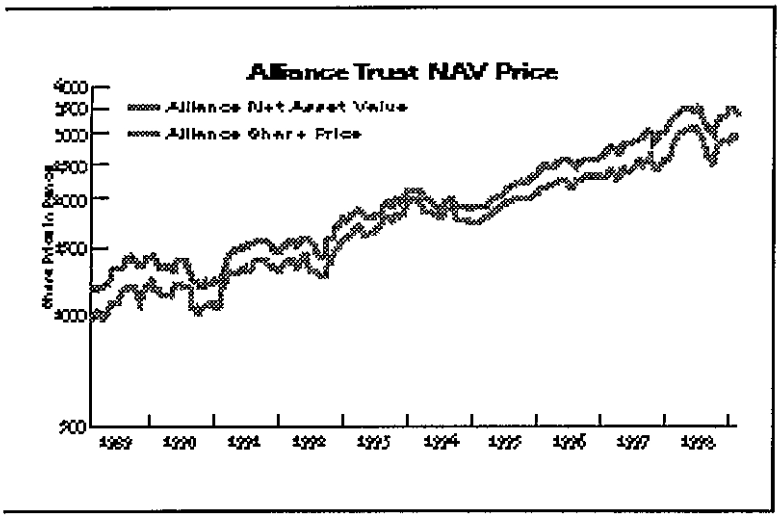
This is a creditable result...in this uncertain environment, the stability of the Alliance Trust's structure should enable us to take advantage of attractive opportunities.

chairman's statement

looking forward

At present, finding investments which will pay growing dividends, at a reasonable price, is difficult and we remain cautious, holding 5% liquidity and an ungeared, widely diversified portfolio. Tensions between global recessionary forces and the need for growth, massive liquidity flows and the effects of huge mergers, will lead to increasingly volatile markets but also to attractive investment opportunities. In this uncertain environment, the stability of Alliance Trust's structure should enable us to take advantage of these circumstances.

The relationship between the underlying assets and the market price of investment trust shares has attracted much comment recently. Your board has given this subject considerable thought, particularly the possibility of investment trusts buying their own shares in an attempt to reduce their availability and to boost values. For the self managed Alliance Trust, the fixed capital structure has served stockholders well, delivering dependable performance in changing economic conditions and at a very low cost. The ownership of Alliance Trust stock is widely diversified and with a growing demand from private investors we are not inclined to propose a change to our capital structure at present. However, we shall, as always, keep developments under review.



Alliance Trust Savings is well placed to meet accelerating demand for efficient investment wrappers offering value for money.

private investor demand

The need for individuals to provide for retirement is recognised in most developed economies and much of the buoyancy in equity markets has been driven by this imperative. The Alliance Trusts recognised this demand over a decade ago and, through Alliance Trust Savings (ATS), have built up a business administering investors' funds held through 'wrappers' such as PEPs, Investment Plans and Pension Plans. These funds are now valued at over £770m. Faced with many new opportunities, the prospects for this business are good and ATS is well placed to meet the accelerating demand for efficient investment wrappers offering value for money.

directors' fees

The stockholders will be asked at the AGM to approve an increase in the aggregate annual amount available for payment of directors' fees from £70,000 to £95,000. The amount currently paid is £55,000 and the aggregate fees this year will not exceed the present limit of £70,000. An overall increase in the maximum amount available will, however, allow increased flexibility in the recruitment of further non-executive directors, particularly at a time when overlaps, due to retirements, may be necessary.

staff

We have built up an exceptionally dedicated, skilled and enterprising team of managers and staff and their adaptability and efforts are reflected in these results. They justify our confidence in the future of the Company and I thank them for their loyalty and energy.

Bruce W M Johnston

the non-executive directors

right to left

BRUCE W M JOHNSTON, CA (60) * CHAIRMAN
Bruce W M Johnston, a Chartered Accountant, was a partner of Arthur Young (now Ernst & Young) between 1970 and 1986, concentrating on audit and advisory work for companies and private clients. He moved to the commercial sector in 1986 and was Executive Chairman of City Centre Restaurants Plc, based in London, from 1988 to 1996, combining general management with responsibility for finance and investor relations. He joined the Alliance in 1991 as a non-executive director and was appointed Chairman in 1996. He is also chairman of the Audit Committee. He is a director of other companies, including Mid Wynd International Investment Trust.

ANDREW F THOMSON, MA (66)*
Andrew Thomson is a publisher and, since 1974, has been a director of D C Thomson & Co Ltd, the private newspaper, publishing and media group based in Dundee. He is also a director of other companies. He was appointed a director of the Alliance Trust in 1989 and is chairman of the Remuneration Committee.

WILLIAM BERRY, MA LLB WS (59)*
William Berry is a solicitor and senior partner of a leading firm of Edinburgh lawyers, Murray Beith Murray. The firm has an important investment presence in Scotland managing and administering funds for many private clients and trusts. He became a non-executive director of the Alliance Trust in 1994. He is also Chairman of Scottish Life Assurance Company, a director of Fleming Continental European Investment Trust, The Scottish American Investment Company and a number of other companies.

W NELSON ROBERTSON, CBE MA FCII (65)*
Nelson Robertson, during a career at General Accident Fire & Life Assurance Company, became a director in 1984 and Group Chief Executive in 1990. Following his retirement, he became a non executive director of the Alliance Trust in 1996. He is also a director of Morrison Construction Group and Edinburgh New Tiger Trust.

*Member of Audit and Remuneration Committees.
All the Directors are also on the board of The Second Alliance Trust Plc.

company record
years to 31 january

	total assets less current liabilities	total income	net revenue available for ordinary stockholders	ordinary stock earnings	ordinary stock dividend (net)	net asset value
	£m	£m	£m	Pence per Stock Unit	Pence per Stock Unit	£per Stock Unit
1989	593.3	23.7	15.8	31.27	31.00	11.70
1990	693.5	26.7	18.0	35.74	35.00	13.68
1991	628.6	30.3	20.5	40.66	40.00	12.39
1992	779.6	32.1	21.9	43.50	43.00	15.39
1993	900.6	33.4	23.0	45.70	45.00	17.79
1994	1,078.9	34.2	23.8	47.28	47.00	21.33
1995	954.6	37.5	27.1	53.79	50.00	18.85
1996	1,228.3	39.2	28.4	56.30	53.00	24.28
1997	1,358.8	40.4	29.5	58.61	55.50	26.88
1998	1,564.6	44.2	32.7	64.89	59.00	30.97
1999	**1,729.9**	**44.2**	**33.2**	**65.95**	**62.50**	**34.25**

financial and operating review

The Company aims to achieve its objective of providing the core investment for those who wish to build up a long term store of increasing value from two angles:

- **Good Investment Returns.** Optimising the Company's long term returns in a manner compatible with the relatively low risks expected of a "core" equity investment
- **Effective Savings Products.** Providing suitable vehicles or 'wrappers', such as PEPs and Pension Plans which enable stockholders to take advantage of their own personal tax positions.

This Review explains how the Company has been managing its affairs to achieve this. Comment on our economic and investment stance follows on pages 10 to 20.

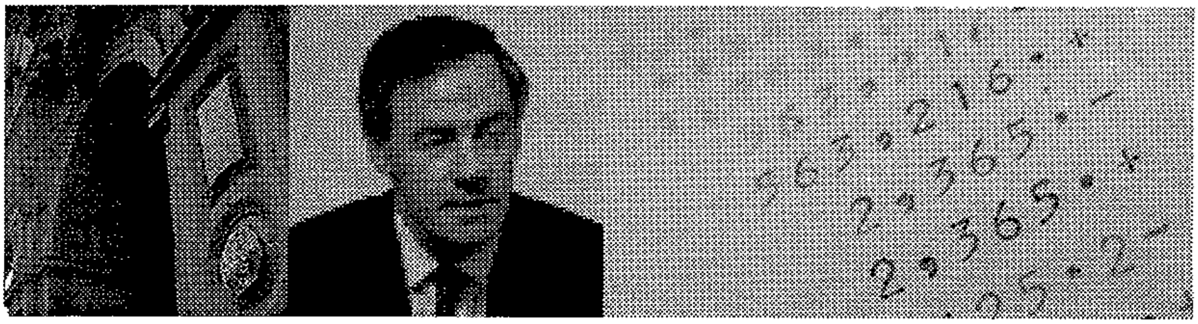
The Company aims to achieve its objective from two angles:

- Good Investment Returns
- Effective Savings Products

investment

Income and Dividends. The Company's earnings at 65.95p per stock unit show a 9% increase, after adjusting for 4.6p of non-recurring dividend payments received in the previous year from two companies, BT and Boots. This increase reflects an underlying 7.5% growth in dividends from our main UK and US portfolios and the interest on the higher liquidity which was held through the year. Expenses increased by 14% to £2.3m due partly to higher staff costs and partly to the cost of some improvements to our offices and computer systems. They remain at 0.13% of net assets or 0.09% after tax relief.

Looking forward, we do not expect to maintain the interest element of last year's earnings as rates fall and cash is reinvested. However, in recommending a 62.5p dividend (+5.9%), we are retaining £1.7m of this year's earnings and should be able to continue a progressive dividend policy into the future.



GAVIN R SUGGETT, MA MSC FCA (54)

Gavin Suggett trained as a Chartered Accountant in London, read Economics at Cambridge and Business Administration at the London Business School. After working for a number of industrial and commercial companies throughout the UK, he joined the Alliance in 1973 becoming Secretary in 1976, a director in 1987 and Chief Executive in 1995. He started the development of the Company's IT capabilities in 1974 and, over the years, has had investment, treasury, oil and mineral rights, financial, administrative and investor relations responsibilities. He established and was responsible for the building up of the Company's deposit taking and retail financial products subsidiaries. He is a member of the Association of Investment Trust Companies' (AITC) Executive Committee, Chairman of the AITC Statistics Committee, and a member of the Council of the PEP and ISA Managers' Association.

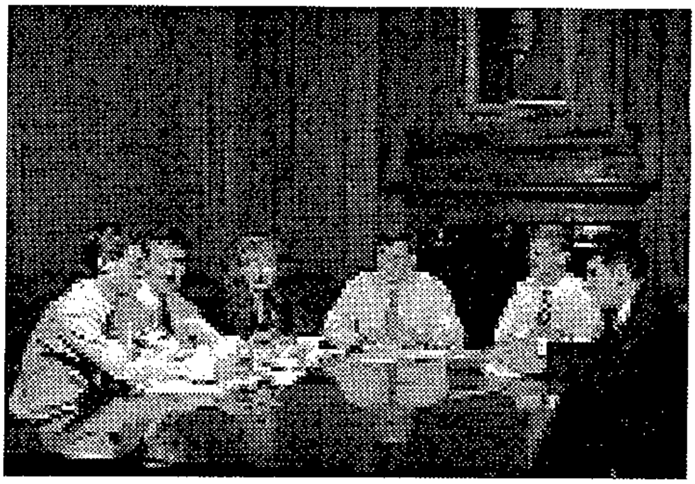
Capital. The valuation of our equities has been running ahead of income growth partly because of falling interest rates and scarce opportunities for profitable investment and partly because of the changing internal dynamics of companies world-wide. The 10.6% increase in net asset value, to a year end record of £1.73bn or £34.25 per stock unit, reflects the shortage of quality companies, able to maintain a real growth of income, which we aim to hold in our portfolio.

investment

Left to right

Matthew Strachan, Colin Beveridge, Shona Dobbie,

Grant Lindsay, Ron Hadden, Neil Tong



savings

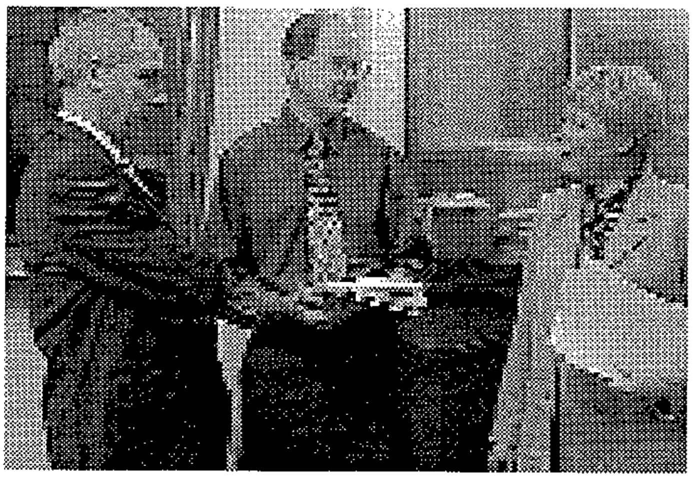
Left to right

Shaun Gillanders, Steven Latto, Fiona Dewar, Kevin Dann

corporate services

Left to right

Ian Goddard, Neil Anderson, Sheila Ruckley



financial and operating review

Our investment approach focuses on the fundamental prospects for the businesses and whether the companies can be expected to provide their shareholders with a secure and attractive return on their capital. The location of their head office and the stockmarket on which they are quoted may only be a secondary consideration. This approach has served us well in the past and is a reason why we do not measure our performance against a single, geographically related, benchmark. We use a number of different measures for performance comparison, some of which are shown below, but each has its limitations. The need for flexibility is particularly important in a fast changing economic environment and this has been vividly illustrated by the recent outbreak of global mergers, corporate restructuring and the re-domiciling of headquarters.

However, with 51.8% of the portfolio invested through the UK stockmarket, which itself has a strong international slant, it is perhaps not surprising that our net asset growth shows a strong correlation with the widely based FTSE Actuaries All-Share index over longer periods. With a view to explaining performance variation and assessing our strengths and weaknesses, we regularly analyse our capital performance. This analysis is illustrated by the following summary of our short and longer term record.

	1 Year	10 Years
Increase in UK FTSE Actuaries All-Share Index	+6.3%	+155.5%
Effect of investing elsewhere	+6.4%	+24.3%
Effect of stock selection	-2.1%	+12.7%
Increase in net asset value	+10.6%	+192.5%

The broad conclusion was that, over the last year, we gained from our exposure to the US market in particular, but lost by not holding the highly valued technology and Internet stocks there. Over the ten years however, stock selection skills have shown through and the relative influence of geographical diversification has been less significant.

Management. During the year we added to our team of portfolio managers and moved their responsibilities towards global coverage on an industry by industry basis, to match the increasing internationalisation of business and the further integration of Europe. These changes should improve long term investment returns as portfolio managers are encouraged to focus their skills and attention on the prospects for industries and companies, make comparisons across markets and take the best opportunities available. This has the further advantage of building the breadth of expertise of the team, without sacrificing the know-how and experience which has contributed so much to performance over the years.

Accompanying these changes, the technology which backs up the decision making process has been enhanced, giving managers quicker access to vital information and assurance against Year 2000 problems. Our internal systems have been re-written and we are already seeing the benefits of this in terms of cost reduction and the provision of better information, faster.

performance comparisons

	Total return assuming income reinvested*	
	1 year	10 year
Alliance net asset value	+12.5%	+272.1%
International General Investment Trusts (NAV)	+12.2%	+245.5%
FTSE All-Share Index	+9.1%	+251.5%
US Standard and Poors 500 Index (£)	+31.6%	+464.2%
FT/S&P World Index (ex UK) (£)	+26.1%	+343.9%
Tokyo (£)	-2.7%	-41.9%
Halifax 30 day deposit a/c	+4.5%	+84.4%
Retail Price Index	+2.4%	+49.4%

* Source AITC

Savings Products

Results. The financial results of our deposit taking and savings operations are included in the consolidated accounts and further details are given in note 8 on page 37. Pre-tax profits increased marginally to £2.8m, representing an 18% return on capital. The declining contribution from managing the residual leasing businesses, sold a few years ago, was more than made up for by a higher contribution from the deposit taking and savings operations.

As foreseen last year, the expansion of Alliance Trust Savings (ATS) continued, although not at the frenetic pace of the previous year which had benefited from exceptional growth, spurred by political uncertainty and de-mutualisations. Income increased by 10% to £1.85m and investors' assets by 20% to £772m. The costs of the deposit taking and savings group, most of which relate to the management of the savings products business, rose 15% to £1.91m reflecting the further development of the organisation started last year, some careful marketing, and the costs of extending the product range.

Products. The most important ATS product is the Alliance PEP whose continued existence was so uncertain last year. Fortunately, a degree of common sense prevailed. The Individual Savings Account (ISA), which will take over from the PEPs and TESSAs for new subscriptions will start on 6 April 1999, but PEPs already open at that time, will remain effective until at least April 2009. This should ensure that the many investors who have used PEPs to build up long term funds for retirement will continue to be able to do so. The reduction in the tax credit to 10% is a disappointment, but there are compensations. For instance there is no £1,500 subscription limit for investment in the Alliance Trusts in the new ISA.

The following table shows the growth by product over the last year:

	Investors		Investors Assets*	
	Nos	Change	£m	Change
Investment Plan	5,581	+8%	64	+39%
PEP	19,776	+6%	699	+17%
Pension Plan	528	n/a	9	n/a
Total Investors†	25,675	+5%	772	+20%

*These included £127m and £62m of stock in the Alliance Trust and the Second Alliance Trust respectively.

† Some investors may have more than one Plan.

The growth in the Investment Plan follows the significant enhancement to the Savings Scheme made last year and we expect this growth to continue as clients discover the advantages of acquiring and holding their investments in one wrapper. The PEP is not expected to expand after 5 April but neither do we expect it to contract significantly. Income can still continue to build up in a PEP and we are continuing to see a significant amount of PEP assets being transferred to ATS as investors consolidate their PEP holdings with their most effective supplier. The demand for the Pension Plan, introduced at the end of last financial year and initially restricted to the self employed, has exceeded our expectations. It is administered wholly in house by our own staff and, aware of the large potential demand for a less restricted version of this product, we are following a phased extension policy, to ensure that our ability to service the demand is not compromised. We plan to extend the Pension Plan to make it available to those in non-pensionable employment later in 1999.

The development of the Alliance ISA (which will include a cash as well as a stock and share component in Maxi and Mini form) along the same lines as the PEP is virtually complete. The greater investment freedom afforded by the ISA, coupled with the low costs of management, should make it attractive to most of our PEP investors.

Management The organisational restructuring of ATS to give it a strong platform for growth is now almost complete. Key appointments have been made and systems enhanced. Training programmes have been implemented, office space is being extended and deposit taking authorisation has been applied for. These developments mark the coming of age of ATS and should enable the business to be taken forward into the 21st century giving even more value for money to stockholders.

Gavin R Suggett

economic and investment review

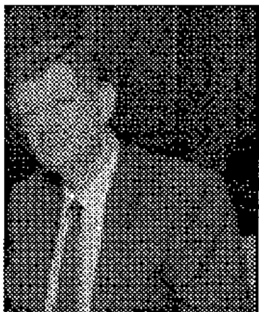
We aim to achieve our investment objective by holding and developing a widely diversified portfolio of minority equity stakes in commercial enterprises worldwide. These investments are chosen for their potential ability to deliver long term returns. Diversification is aimed at ensuring that the aggregate return from the portfolio as a whole is not unduly affected by the performance of any one company, sector, country or currency. Investments are therefore held for a combination of reasons: financial strength, the quality of management, the prospects for the sector and the broad factors relating to the socio-economic and political environment in which the company operates.

The portfolio, which consists of over 380 individual holdings, is reviewed in the next section, which lists the larger holdings with comments on the factors lying behind our choices. This review aims to give a flavour of some of the themes and influences which lie behind our general investment strategy and the structure of the portfolio.

This review aims to give a flavour of some of the themes and influences which lie behind our general investment strategy and the structure of the portfolio.

global factors

A number of themes have become of universal influence across economies and stockmarkets, but we would have to look back a long way to find many parallels with the present era of change. Three themes are dominant at present:



ALAN M W YOUNG, MA LLB (52)

After working for 3 years at Buckmaster & Moore, London Stockbrokers, Alan Young joined the Gartmore Investment department in 1977 as an analyst and fund manager, becoming a director of their pension and investment trust management arms in 1983. He joined the Alliance Trust in 1986 and became a director in 1992 with responsibility for the UK and European portfolios. In 1995 he became the director responsible for investment policy formation and implementation through his team of 6 portfolio managers.

Ratio of Working-Age Population to those aged 65 and above

		1998	2020	2050
Developed Countries		4.3	3.1	2.0
of which:	USA	4.6	3.4	2.6
	Japan	3.9	2.1	1.6
	Europe	4.2	3.1	1.7
Less Developed Countries		10.4	7.7	4.0
of which:	Asia	9.5	6.8	3.3
	Latin America	9.8	6.8	3.3
	Africa	13.7	13.0	8.7

Source: U.S. Census Bureau, Bank Credit Analyst

Demographics. The age structures of populations can have a significant effect on investment flows and the table opposite shows dramatic differences between the developed and less developed countries. For example, the "post-war baby boomers" helped put $160bn into US equity mutual funds in 1998 and were a crucial driver for the market. However, after the expected peak retiral date of 2008, the ratio of Western workers to dependants falls, and savings could then be spent.

In particular, pensioners' future needs could cripple some national budgets. Japanese public debt is rising anyway and companies' pension deficits may total Y85 trillion. Immigration, absent in Japan, has helped the age profile even in Germany, but the US has the best demographic outlook of the developed nations and, moreover, can use its 1998 fiscal surplus of $70bn to reduce the national debt. The UK, with its funded pension schemes, is relatively well placed compared with most of Europe, where "pay as you go" schemes have predominated, raising significant taxation implications.

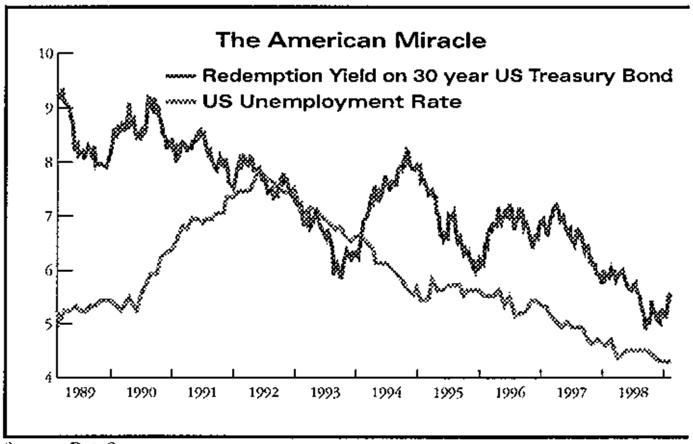
Technological change and efficiency gains. The global phenomenon of changing technology in a free market is particularly illustrated by the experience of the US as the world's dominant economic force. Flexible labour markets, deregulation, free trade agreements and a large private sector economy were already in place before the end of the cold war. However, this "peace dividend" freed up further massive resources, particularly technological skills for the US private sector. It also consolidated the leadership of the US in the current wave of innovation with a surge in productivity and investment, and efficiency gains even in the service sector.

Despite falls in US unemployment, inflation has still not returned to become a problem. Global sourcing and efficient communications, including use of the Internet, continue to spread a seemingly irreversible loss of pricing power. This has been reinforced by central bank action, bringing down yields on long-dated bonds, and hence the cost of capital. This transition has provided a once in a generation uplift in US economic growth, now in its ninth year, with high profitability and a bull market to match.

Deflationary contagion. The US growth contrasts with the troubled Asian economies. None of these are trading normally, although some of their 1997 currency losses have been clawed back, enabling them to make a start on repaying expensive foreign currency debt to cut interest rates.

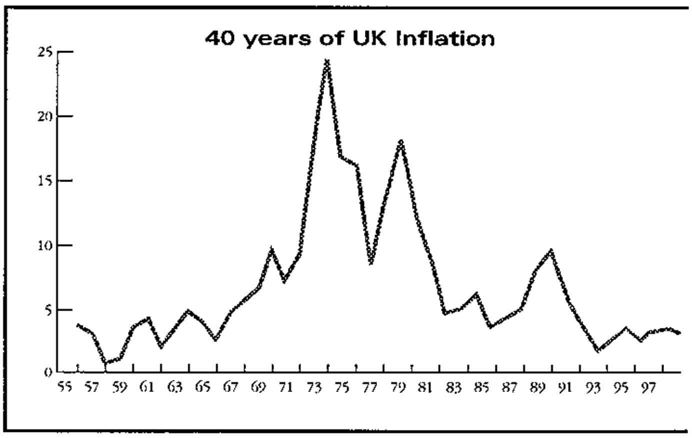
After a decade of weakness, the Japanese economy imploded further. Radical solutions are now recognised as essential, especially by the management of Japan's world class companies. The necessary pre-condition for recovery, the reform of the banking and financial system, is underway. However, there is still room for concern as the process of unwinding the widespread cross shareholdings has hardly started.

Production capacity in the East having generally grown far ahead of demand, many Asian exports still tend to be priced only to cover costs. It was only last summer that the adverse economic effects of Asia hit the West, causing manufacturing sectors in all developed countries to hover near recession. August's sudden Rouble devaluation also exposed weaknesses in Western financial markets, demonstrating the speed of transmission of pressures in the deregulated global economy.



Source: DataStream

In the US, the Federal Reserve delayed any policy response until the beginnings of a severe credit crunch were seen, when it started a global round of interest rate cuts. Although pressures within the US financial system were patched over unbelievably quickly, contagious pressures continued, more slowly, causing Brazil to devalue in January. China remains the barrier against further competitive devaluations but, here too, internal strains are evident with the need for growth to fund huge social provisions.



Source: DataStream

economic and investment review

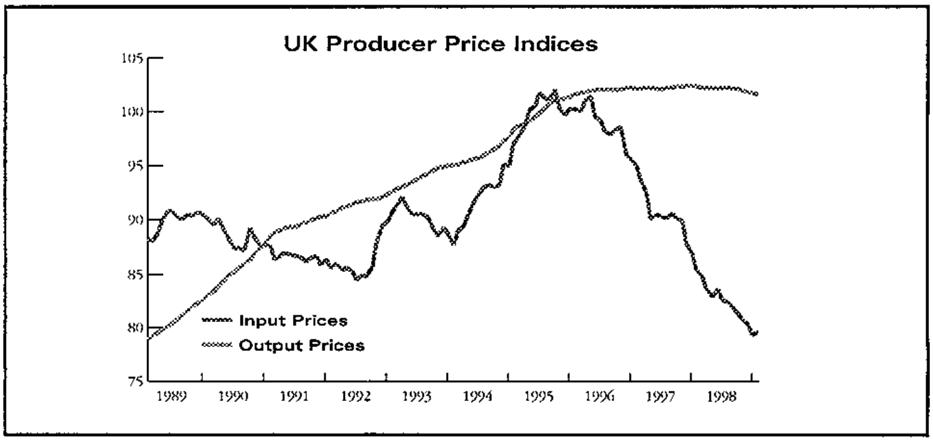
The Federal Reserve and other monetary authorities have come round to taking a benign view ... world growth should not be allowed to fall any further.

The Federal Reserve and other monetary authorities have come round to taking a benign view of wage pressures and trade deficits in this environment and some may reduce interest rates further. It is clearly imperative that world growth should not be allowed to fall any further.

business risks and returns

Business results, in aggregate, normally follow the fortunes of economies but two themes have merited separate consideration in our portfolio strategy.

Capital discipline. The growth models of Japan, Asia and other emerging markets relied on volume increases and large inputs of capital and technology. Recent turmoil has highlighted the lack of focus on return on capital, and unwillingness to let firms fail where returns are poor. The best Japanese companies, however good their labour productivity, barely achieve even half the 15% hurdle rate, common in the West. This constitutes the core problem of the region and explains our limited exposure in recent years. Many Asian companies are structurally weakened and need to be refinanced. Western companies have spent heavily in the last 12 months acquiring business assets in the East. Improved management may limit surplus capacity, eventually arresting the loss of pricing power, and providing longer term returns.



Source: DataStream

Margins and corporate profits. US and UK margins have held up surprisingly well during the transition to lower inflation, both countries having benefited from strong currencies, as well as free market reforms. This is illustrated by the gap between input and output producer prices in the UK and the pattern is similar for the US. There is, however, a limit to how long this trend can continue. The major risk is of demand dropping and margins being threatened through output prices being undermined.

markets

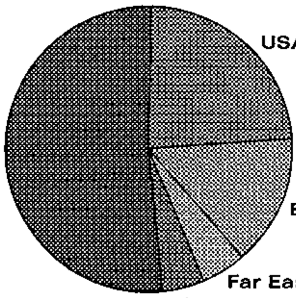
Interest rates. The all-dominant US central bank's judgement and timing of interest rate changes eventually proved sound, keeping domestic demand and confidence strong. Founder members of the Euro enjoyed the convergence of interest rates with Germany and, in the UK, the breaking of the Russian crisis and the attendant flight to quality marked a sustained fall in long rates. These changes all helped valuations but have attendant risks of inflation and, in the case of Europe, of strains emanating from monetary harmonisation and corporate restructuring.

Smaller companies and index funds. There has been a remarkable polarisation between the valuations placed on large and small companies both in the UK and the US, driven partly by the current huge flows into index weighted funds. These funds build their portfolios on the basis of a company's market capitalisation alone, irrespective of the underlying investment case or the risks involved. Some technology stock valuations in the US have benefited from this, despite limited stock liquidity and distant profitability significantly diluted by employee options. Partly as a result of the indexation phenomenon, intense bid activity is likely to persist both within markets and across borders.

portfolio structure

Capital. Over the years, the focus of our portfolio has evolved from basic industrial sectors to the higher value added areas, such as services, and this trend continues. Current geographical weights are consistent with a balance between highly valued markets that have been performing well in capital terms, such as the US, and those where valuations are somewhat less demanding but where interest rate cuts are expected to have a positive effect on economic recovery. The availability of suitable quality companies is of critical importance and only recently have we begun to see opportunities in Europe which could come to match those in our two main areas of the UK and the US.

Geographical Spread at 31 January 1999



Income. Much of our income derives from UK equities and the impending changes to the UK tax system could usher in a period of uncertainty for UK dividends. It is too early to gauge the outcome, and the prospect of further falls in relative yields could continue for some time. However, companies are aware that the strongest positive message tends to be given through regular dividend increases and we have reasonable confidence in the long term continuity of our income flows.

Changes. Our current geographical allocation of assets is little changed over the year, with net investment into the improving areas of Europe, including Italy and France. This was financed by sales of some UK and US stocks.

Alan M W Young

Major Movements in the Equity Portfolio over the year

£ million	UK	Europe	North America	Far East & other Markets	Total
Valuation at 31 January 1998	864.4	177.6	363.8	83.4	1,489.2
Net Purchases/(Sales)	(23.1)	30.9	(17.6)	7.6	(2.2)
Appreciation/Depreciation	55.9	42.5	65.8	(0.3)	163.9
Valuation at 31 January 1999	897.2	251.0	412.0	90.7	1,650.9

company classification of investments

	UK %	Continental Europe %	North America %	Far East & Other %	**Total 1999 %**	Total 1998 %
Equities (including convertibles*)						
Mineral Extractions	4.7	0.4	1.4	0.2	6.7	8.2
Extractive Industries	0.3	—	0.4	0.1	**0.8**	0.4
Oil	4.4	0.4	1.0	0.1	**5.9**	7.8
General Industrials	3.4	2.9	3.9	1.8	12.0	13.3
Building & Construction	0.4	0.5	—	—	**0.9**	1.0
Chemicals	0.4	0.3	0.5	0.1	**1.3**	2.8
Diversified Industrials	—	0.3	0.3	0.3	**0.9**	0.4
Electronic & Electrical Equipment	0.9	0.7	1.8	1.0	**4.4**	4.4
Engineering	1.5	1.1	1.3	0.4	**4.3**	4.2
Paper, Packaging & Printing	0.2	—	—	—	**0.2**	0.5
Consumer Goods	8.4	3.7	5.8	0.3	18.2	18.4
Alcoholic Beverages	0.8	—	—	—	**0.8**	1.1
Food Producers	1.4	0.5	0.6	—	**2.5**	2.5
Health Care	0.3	1.1	2.0	—	**3.4**	3.2
Pharmaceuticals	5.0	2.0	2.9	0.3	**10.2**	9.4
Miscellaneous Consumer	0.9	0.1	0.3	—	**1.3**	2.2
Services	21.8	4.0	8.7	1.8	36.3	34.1
Distributors	1.0	0.1	0.4	0.1	**1.6**	1.3
Leisure & Hotels	1.6	0.4	—	0.1	**2.1**	2.5
Media	3.0	0.3	0.5	0.3	**4.1**	3.6
Retailers	3.8	2.3	2.9	0.3	**9.3**	9.1
Breweries, Pubs & Restaurants	2.3	—	—	0.2	**2.5**	2.6
Support & Other Services	5.0	0.5	1.7	0.7	**7.9**	9.2
Telecommunications	5.0	0.4	3.2	0.1	**8.7**	5.7
Transport	0.1	—	—	—	**0.1**	0.1
Utilities	0.5	1.3	0.7	—	2.5	1.3
Water, Electricity & Gas	0.5	1.3	0.7	—	**2.5**	1.3
Financials	12.9	2.4	3.0	1.2	19.5	19.6
Banks	6.4	1.5	1.3	0.6	**9.8**	10.1
Insurance	3.9	0.4	1.4	—	**5.7**	5.1
Property	1.0	0.2	0.2	0.3	**1.7**	2.2
Investment Trusts	0.3	0.3	—	0.3	**0.9**	0.8
Other Financials	1.3	—	0.1	—	**1.4**	1.4
Total Equities	51.7	14.7	23.5	5.3	95.2	94.9
Fixed Interest						
Preference and loan stocks	0.1	—	—	—	0.1	0.2
Total Investments	51.8	14.7	23.5	5.3	95.3	95.1
Other net assets	**2.6**	**1.5**	**0.6**	—	4.7	4.9
Total assets less current liabilities						
1999 £1,729.9m	54.4	16.2	24.1	5.3	100.0	
1998 £1,564.6m	57.0	13.8	23.9	5.3		100.0

* Convertibles represent 2.9% (2.7%)

portfolio review

Top Ten Holdings

company	value £000	company	value £000
British Telecom	54,740	EMAP	29,470
Rentokil Initial	44,460	Wal-Mart	27,200
BP Amoco	37,450	Zeneca	26,020
Shell Transport & Trading	36,020	General Electric (US)	25,790
Glaxo Wellcome	33,320	Johnson & Johnson	25,740

The analysis opposite outlines the structure by geographic region and business sector and gives a broad view of where market, currency and business opportunities and risks lie. The long term returns emanate from the companies themselves. The following pages list the most significant investments, with comments on the thinking behind selection. The 127 companies listed represent 81% by value of the total portfolio.

oil

The oil and gas industry is faced with a challenging macro economic environment. The price of Brent crude oil has fallen from $16 to $11 over the past year as the balance between supply and demand has tilted such that a large surplus of crude oil stocks currently prevails. As global GDP growth is restrained, there is little scope for demand led oil price recovery. Therefore, actions require to be taken on the supply side. OPEC appears reluctant to shoulder the majority of the pain by acting as a swing producer, being more inclined to tolerate lower prices over the short term and to force production cutbacks indirectly by other, less profitable, oil producers.

The major oil companies are responding by taking initiatives to become more competitive by lowering costs, cutting back capital expenditure plans and focusing on more profitable projects. Over and above these initiatives, there has also been merger and acquisition activity as management seek to gain further benefits from consolidation. To this effect, BP has merged with Amoco, while Exxon and Total are preparing to merge with Mobil and Petrofina respectively.

Investment decisions taken during the year included increasing the holdings in BP Amoco and Total, and starting a new investment in Exxon, whilst reducing the exposure to Shell and to oil service, exploration and production companies. The sector bias is now strongly in favour of companies whose managements are demonstrating a commitment to creating shareholder value and away from companies relatively more exposed to oil price movements.

utilities

A large degree of homogeneity exists among the base businesses of utility companies. These are reasonably summarised as having visible and dependable revenue and earnings streams and, in the West at least, being typically in a mature industrial phase. Considerable differences do however occur in the broader management of these organisations, being most evident in their use of surplus capital.

The common thread of visibility became increasingly attractive to us as the global investment backdrop deteriorated, and our investment stance in this area was strengthened. Additions were made to Vivendi and Scottish & Southern. A holding was also established in Suez.

oil	£m	utilities	£m
BP Amoco	37.5	Vivendi	8.3
Shell Transport & Trading	36.0	Consolidated Edison	5.6
Chevron	9.0	Veba	5.6
Schlumberger	5.5	Suez Lyonnaise des Eaux	4.2
Exxon	4.3	Scottish & Southern	4.1
Total	4.3	Thames Water	3.9
ENI	3.4	Electricidad de Portugal	3.6
minerals			
Rio Tinto	4.9		

The bias of our exposure is to the more aggressive companies, with Vivendi typifying this strategic direction. Having recently refocused, Vivendi is now investing surplus cash into higher return, less mature and often non-French utility businesses. Consolidated Edison and Thames Water follow a focused strategy of returning excess capital to shareholders.

portfolio review

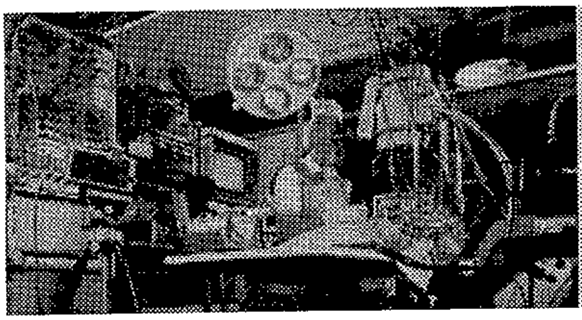
Consumer and Industrial Products

health care and pharmaceuticals

Health care reform, aimed at reducing costs to the state buyer and insurance companies, is placing pressure on drug prices. This encouraged a further burst of merger activity as companies attempt to spread their research and development spend over a larger revenue base and to help achieve economies in manufacturing. On the demand side, however, drug sales remain largely independent of the economic cycle, and are set to rise with ageing populations.

Demand for health care has led to strong pressure on costs, particularly from state funded schemes. In the US, the hospital sector has rationalised in the face of these pressures and the realisation that the judicious use of pharmaceuticals can reduce hospitalisation and, therefore, overall healthcare costs. In 1998 pharmaceutical sales grew by 11%, one of the fastest rates of any country, despite the negative impact of some significant patent expiries. Some of the most successful drug launches ever, were aided by a more rapid approval process at the US Food and Drug Administration.

Our holdings in Glaxo Wellcome, SmithKline Beecham and Novartis have all been added to. All of these companies have embraced the new life science technologies that look set to yield a significant number of new products over the coming years. Our main sales were in Schering, whose products are facing strong competition without a significant pipeline of new products to follow.



health care	£m		£m
Johnson & Johnson	25.7	Merck	15.6
Gehe	11.5	Abbott Laboratories	15.2
Fresenius	4.5	Novartis	14.2
Nycomed Amersham	4.0	UCB	10.8
pharmaceuticals		Takeda Chemical Inds	5.0
Glaxo Wellcome	33.3	Roche	4.0
Zeneca	26.0	Schering	3.9
SmithKline Beecham	24.2		
Bristol-Myers Squibb	19.6		

The year started with the dramatic news that Glaxo Wellcome and SmithKline Beecham had agreed to merge. Despite near universal acclaim for the move, management were unable to agree terms and the deal was called off. Towards the end of the year there were three European mergers, most notably for us Zeneca and Astra agreeing to form the new group AstraZeneca.

By the end of the year pharmaceutical shares had reached record values and some caution had begun to creep into market sentiment. However, the long term attractions of the sector remain as valid as ever, especially in relation to those companies developing the most promising products for the future.

engineering, electronic and electrical

Our positioning in this area is largely dominated by exposure to GE in the US, and GEC and British Aerospace in the UK. GE in the US is a powerful global player in many industries as diverse as aircraft engines, medical systems, power systems, broadcasting and financial services. Our holding was, however, partially reduced in response to some concerns over its exposure to financial risks in the Far East and Latin America.

Prospects for the defence industry represent an important consideration for our holdings in British Aerospace, which has recently acquired the defence interests of GEC. The defence industry is characterised by long term contracts and heavy development expenditure, but secure earnings. In addition, consolidation within the US industry is putting pressure on European counterparts to resolve difficult issues involving national interests; particularly job losses flowing from further merger activity.

Elsewhere, the UK engineering sector is characterised mainly by smaller companies. The smaller company category has, in general, witnessed a de-rating and the consequence latterly has been for engineering companies either to be bid for, often by US companies, or to take themselves private.

food manufacturing

This sector is now truly global in nature with a few large scale producers dominating both developed and developing markets. Such companies are, however, exposed to all the problems facing emerging markets at this time and during the year we lightened our holdings in both Reckitt & Colman and Unilever. Food processing is a politically sensitive area, especially in Europe. Against this background, we expect further restructuring to continue, not only taking the form of mergers and acquisitions, but also involving buybacks and special dividends, appropriate for a relatively mature industry.

electronics & electrical	£m	other industrial	£m
General Electric (US)	25.8	Groupo Acciona	5.0
General Electric Company	12.4	Pentair	4.9
SAP	9.5	Hutchison Whampoa	4.4
Canon	5.0	British Vita	3.6
Matsushita Electric	4.3	L'Air Liquide	3.4
engineering			
British Aerospace	12.0		
Illinois Tool Works	7.7		
Finmeccanica	4.8		
Spirax-Sarco Engineering	3.7		

food & consumer goods	£m
Unilever	18.1
PepsiCo	9.1
BAT	7.6
Reckitt & Colman	7.2
Nestle	5.5
Philip Morris	5.3
Tate & Lyle	4.4

Services

retail

It has been a very mixed year for retailers with opportunities depending both on product category and geographical location. The year proved to be especially tough, following the earlier demutualisation "windfall" payments to households. Hindsight suggests that consumers, being concerned about possible global recession, simply treated windfalls as a one off opportunity to purchase durables in 1997, but reverted to a more cautious stance in 1998, reflecting concerns about their own job security.

Clothing retailers are facing some serious long term demographic and lifestyle based challenges. Last year also brought the additional problems of a poor weather pattern plus the threat of economic slowdown. The Christmas period was especially tough, with both consumers and retailers being involved in a pricing game which several retailers lost, being forced to cut prices in December.

By way of contrast, retailers specialising in electrical and electronic goods have done well in recent times, with demand for mobile phones, personal computers and Internet related products all being high. The challenge for all retailers going forward is how to address the Internet, use it as a new marketing format and, at the same time, make a profit. The key is having strong brands and good distribution channels.

retail	£m		£m	**breweries, pubs & restaurants**	£m
Wal-Mart Stores	27.2	Sainsbury (J)	5.3	Scottish & Newcastle	11.9
Great Universal Stores	16.6	Walgreen	5.0	Bass	9.1
Marks & Spencer	15.2	Castorama Dubois	4.7	Compass	8.7
Home Depot	14.0	Vendex	3.7	Whitbread	6.8
Tesco	10.1	Metro	3.5	**hotel & leisure**	
Koninklijke Ahold	9.6	CVS	3.2	Granada	14.8
Kingfisher	8.6	**distributors**		Stakis	11.9
Colruyt	7.4	Electrocomponents	16.3	NH Hoteles	6.2
Boots	5.6	W W Grainger	3.4		
Douglas	5.6				

In Europe, retailers enjoyed a better time after several years of hardship. However, although the economic situation appears to remain reasonably favourable, several tests lie ahead. The introduction of the Euro could have some demanding implications, such as the eventual equalisation of pricing across Europe and the facilitation of international moves. Some successful cross-border retailers have already emerged and the threat of the US company Wal-Mart making a major move into Europe could trigger further consolidation, cost cutting and pan-European expansion. Again, it is probably good distribution that will be the key to success.

In the US, strong consumer spending generated top line growth at the high end of market expectations. In this environment the major US retailers continue to gain market share. There is also further potential for domestic consolidation and, as with Wal-Mart, cross border activity may also feature in corporate strategic thinking. Growth of the Internet as a competitive means of distribution will be an interesting development trend for the entire retail industry.

support services

Our heavy investment in support services, attracted by its generally superior growth, proved to be highly beneficial during the year as the full force of international competition was felt more fully elsewhere. The outsourcing of an increasing range of functions continues in both the public and private sectors around the world, offering significant new business potential. In particular, computer software design has been increasingly outsourced, driven by Year 2000 compliance and the introduction of the Euro.

The tremendous success of our largest holding, Rentokil, meant that it had come to dominate our portfolio and we sold part of our holding to reinvest in newer growth companies which will hopefully demonstrate similar longevity. Our most notable new holding was in Logica.

Media companies also performed well, as demand for advertising remained strong. Our main holding, EMAP, had a rare rights issue this year, which we supported, to help fund the purchase of Petersen in the US, a company with a remarkably similar culture and business profile. Elsewhere the 'digital revolution' captured the imagination of the public. This looks set to reduce dramatically the barriers of transmitting new media, such as music in digital form. Significantly the Internet provides at least as many threats to traditional ways of doing business as it creates new opportunities. In part because of this, we sold our holding in EMI.

telecommunications

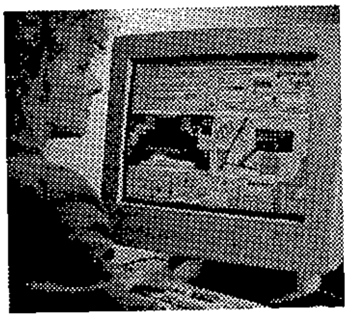
Formerly perceived as a mature utility sector, the telecommunications industry is undergoing a technology-led revolution. In many western economies, mobile telephony is being pushed to the mass market, leading to very strong growth in subscriptions. In 1998, many European economies saw over 10% of their populations take up ownership of their first mobile phone. While in fixed line telephony new competition is eroding pricing and market share, the experience from the relatively well developed American PC and Internet market suggests that the demand for fixed lines for data transmission could be set for a period of extremely strong growth. BT's third quarter figures indicated that the UK market may have recently entered this phase.

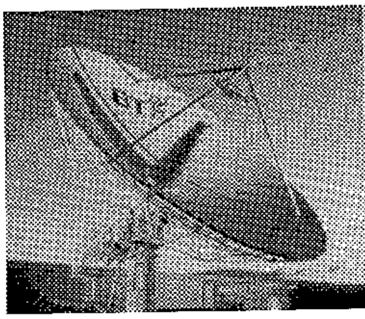
At the corporate level, Vodafone is planning to take over Airtouch of the US. The combined company will become the leading global mobile operator with major positions in the US, UK and many European markets.

Our portfolio has a broad exposure to telecommunications. BT, France Telecom and the US regional Bells are large integrated operators with big market shares and well established networks. They are generally well placed to participate in all areas of telecommunications growth, but could also be vulnerable to increasing competition. Purer exposure to mobile telephony is achieved through Airtouch/Vodafone, Securicor, Mannesmann and, in a more diluted form, through Vivendi and Acciona.

support services	£m
Rentokil Initial	44.5
Hays	18.1
Misys	10.4
Brambles	8.4
First Data	7.8
Securitas	7.0
IMS Health	6.1
Waste Management	5.5
Williams	4.8
Logica	4.2

media	£m
EMAP	29.5
Carlton Communications	12.7
Pearson	7.7
Media One	4.9
Seat-Pagine Gialle	4.5





telecommunications	£m
BT	54.7
Airtouch/Vodafone	23.1
Securicor	14.8
SBC	10.7
Mannesmann	10.1
Cable & Wireless	9.9
Bell Atlantic	8.4
BellSouth	7.2
France Telecom	5.6
US West	5.6

portfolio review

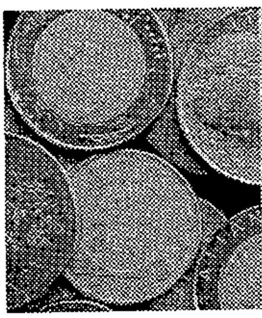
Financials

banking.

The banking industry experienced fierce pressure throughout 1998, which is expected to continue. Bad debts in emerging economies, downward pressure on margins and new technologies are just some of the issues being encountered. Asian banks are undergoing major internal restructuring and recapitalisation programmes and Japanese banks continue to meet problems associated with overhauling their entire financial services industry. Western banks are, however, gaining from benign credit quality conditions within their respective domestic economies, but competition for new business is intensifying. Also, new information technology applications offer prospects of additional channels through which banks can extend their reach. Therefore, banks need to be either innovative or cost effective producers but preferably a combination of both. Bank of Scotland and Lloyds TSB, two of our largest holdings, sit comfortably in the innovative and cost effective camps. Another important aspect is the arrival of the Euro. This is expected to lead to further merger and acquisition activity as European banks square up to compete with strong American rivals.

insurance

Non-life insurance growth rates are sluggish and prospects for premium rates to rise depend on companies writing business for profit not for market share. The outlook for life premium growth rates appears positive long term as populations age. The main issue, however, is surplus capital and what effect this will have on corporate behaviour. A number of European companies are pursuing aggressive strategies involving international acquisitions and, in the US, a number of large domestic mergers have taken place. Complications facing mergers, even after the introduction of the Euro, are international differences in culture, social security systems and tax regimes. Economies of scale, attained through combining asset management into one or fewer centres, is a major factor behind consolidation in the life industry. Our portfolio has key positions in companies such as CGU in the UK and AIG in the US, which are leading the process of consolidation.



banks	£m		£m	**insurance**	£m
Bank of Scotland	23.6	Bank One	4.9	Prudential	16.4
Lloyds TSB	20.8	Argentaria	4.7	CGU	15.9
National Westminster	20.3	Halifax	4.2	Legal & General	13.5
Royal Bank of Scotland	16.5	Bankamerica	3.9	Marsh & Mclennan	12.8
Barclays	9.7	HSBC	3.6	Allied Zurich	11.3
Standard Chartered	7.6	**property**		Independent	9.9
Comerica	6.9	Slough Estates	11.7	Reliastar Financial	5.3
Bayerische Hypo	5.8	Evans of Leeds	5.4	American International	4.8
Northern Rock	5.5	**investment trusts**			
BNL	5.0	Electra	5.3		

how the company works

the structure of the company

constitution

The Alliance Trust is an investment company incorporated under the Companies Acts, with its constitution set out in its Memorandum and Articles of Association. It is an Inland Revenue approved investment trust, which enables it to realise its investments free from taxation on capital gains. Approval is retrospective and has been received in respect of the financial year to 31 January 1998 and the Company has subsequently directed its affairs to enable it to continue to seek approval.

management

Most investment trusts today employ an investment management company to manage their portfolios and carry out the secretarial and administrative functions of the company. No staff are employed and there is no executive function within the investment trust.

This is not the case with the Alliance Trust, which is self managed. It takes its own investment decisions, employs its own staff, has its own premises and manages its own affairs. There are, therefore, no potential conflicts of interest on cost, investment policy or strategic direction between the interests of the Company and any single third party. The alignment of interest between the stockholders and the management is inherent in the organisation and structure of the Company and is evidenced by the exceptionally low expense ratio, long term investment performance and the Company's success in developing attractive investment products for its own stockholders.

relationship with the second alliance trust

Since the 1920s, the Company has operated successfully alongside the Second Alliance Trust, another investment trust company, which is about one third the size of the Alliance Trust. Staffing costs, and the expenses of operating the two companies out of Meadow House, Dundee, where they both have their office, are shared. The elimination of conflicts of interest is achieved by both companies having the same investment objective and substantially the same investments in their portfolios. The same individuals hold office as directors of both companies and independent advice is taken in respect of any matters which might give rise to a conflict of interest between the companies. The existing arrangement, although unusual, works well for the benefit of both bodies of stockholders.

stockholders

At 31 January 1999 the Company had 29,772 stockholders on its register of members. This includes many private individuals together with trusts, charities, pension funds and insurance companies. The register also includes many nominee holdings, generally used by professional advisers and custodians to simplify administration of clients' assets. They include the nominee operated by Alliance Trust Savings Limited (ATS) which, at the same date, held stock for 16,349 Alliance Trust stockholders.

ATS manages a business which provides stockholders with cost efficient and flexible financial products. Investment Plans, PEPs and self invested personal pensions comprise the present product range, with ISAs being introduced in April 1999. ATS is jointly owned 75% by the Company and 25% by the Second Alliance Trust and has, since its inception over 12 years ago, become an integral part of the service provided to stockholders. This business is also managed and administered from Meadow House, by ATS' own staff.

directors

composition of the board of directors

The board consists of four, independent non-executive directors and two executive directors. The non-executives are the chairman, Bruce W M Johnston, Andrew F Thomson, senior independent director, William Berry and W Nelson Robertson. The executives are Gavin R Suggett, chief executive and Alan M W Young, investment director.

The chairman plays an important role, along with the other non executives, in bringing an independent and objective view to the activities of the executive. All these individuals also bring particular expertise and experience to the direction of the Company, and are chosen for this and for their ability to meet the substantial commitment required for attendance at meetings.

Biographical details of the directors are given on pages 5, 6 and 10.

how directors are appointed

Nominations of directors are considered by the board which also makes the initial appointment. Such appointments have to be approved by the stockholders at the next annual general meeting. Non-executive directors are appointed for specific terms, which may be renewed, and all the directors, executive and non-executive, submit themselves by rotation for re-election by the stockholders at least every three years.

meetings of directors

Once a month there is a formal board meeting at which the directors review the activities of the Company and decide on matters of policy. For these meetings the directors are provided, in advance, with financial reports and appropriate papers which enable them to monitor and control operational and corporate issues. The non-executive directors may request additional information or papers on specific issues. Committee meetings and board meetings of the subsidiary companies also take place and the directors meet informally most Fridays to discuss current issues with members of the management team.

The informal meetings act as a useful forum for the gathering of views, and, in an industry where the latest news can easily eclipse the direction of underlying economic tides, they are a useful mechanism for encouraging mature reflection on issues before decisions are required.

delegation of authority

The directors have agreed that there are certain matters on which the board alone may make decisions and these are specified in a Schedule, which is reviewed from time to time. Specific authority is given to specialist board committees appointed to carry out specific tasks, with day to day management of the Company delegated to the executive.

committees of the board

Details of the audit committee are given on page 26 in the section on accountability and audit.

The remuneration committee consists of William Berry, Bruce Johnston and Nelson Robertson, with the senior independent director, Andrew Thomson as the chairman. The committee meets at least twice a year.

No separate nomination committee has been constituted as, given the size of the board and the regularity and frequency of its proceedings, the board as a whole is able to fulfil the formal procedures required before a director is appointed.

directors' remuneration

how directors' remuneration is determined

The non-executive directors receive fees but do not have contracts of employment or receive pension benefits. The maximum fees payable to them in aggregate each year is laid down in the Articles of Association and presently stands at £70,000. Any increase must be approved by the stockholders.

The remuneration committee reviews the remuneration of the executive directors, and it has a duty to consider the local and national employment market and the remuneration structure of the organisation as a whole. To do so, it uses the services of professional advisers. It makes recommendations to the board on remuneration policy and the specific remuneration levels of each executive director. No executive director is involved in deciding the level of his own remuneration.

employment contracts

The contracts of employment of both executive directors are terminable by the Company on one year's notice. In the event of such termination, the director would have a duty in law to mitigate any loss and the remuneration committee has a duty to bear this in mind in recommending any payments on termination. Both executive directors also have contracts of employment with the Second Alliance Trust. Copies of these contracts are available for inspection at AGMs and at Meadow House during normal business hours.

executive remuneration policy

It is and has been the Company's policy to set the remuneration of executive directors at a level to attract and retain executives of appropriate ability, experience and integrity, without paying more than is necessary. Executive directors are remunerated by the payment of salaries which are reviewed each year in the light of market conditions and individual performance. No bonuses, share options or other "incentive" schemes are in operation.

In response to the Combined Code on Corporate Governance recommendation that performance related elements should form a significant proportion of the total remuneration package of executive directors, the board has reviewed this policy. It has concluded that the present approach to remuneration, which covers all staff including executive directors, encourages teamwork and a longer term perspective and is an efficient means of ensuring that individual performance and value to the Company is recognised and encouraged. This decision has been taken in the light of the Company's position in the marketplace and its objective of providing a long term store of increasing value for stockholders.

The Company aims to achieve this objective by finding and holding investments offering good, sustainable returns, limiting risks through diversification, keeping portfolio changes to a minimum and delivering the resultant benefits to stockholders, directly, or through the provision of attractive financial products. The directors are particularly conscious that despite stock market volatility, some of our best investments were made many years ago, and that systems, financial products and skilled teams take many years to build before they reach their full potential. Having focused on longer term issues, continued success has had much to do with a stable structure and the flexible and co-operative attitude of staff.

The directors believe that, in current circumstances, the introduction of a system of individually measured performance related pay might endanger this cohesive approach and that more important for effective teamwork and success over the long term is a supportive environment, clear direction and corporate objectives which are in harmony with those of individual members of staff. The directors are encouraged in this view by the Company's ability to attract and retain high quality staff.

It is perhaps worth adding that the Company's location, and its self managed structure, makes this simple remuneration policy viable and effective, notwithstanding the many different structures found elsewhere in the financial industry. The policy will continue to be kept under review.

details of directors' remuneration

	Group		Company	
Fees paid to non-executive directors	**1999**	1998	**1999**	1998
	£	£	**£**	£
William Berry	**11,000**	10,833	**8,250**	8,125
Bruce W M Johnston (Chairman)	**22,000**	21,667	**16,500**	16,250
Nelson Robertson	**11,000**	10,833	**8,250**	8,125
Andrew F Thomson	**11,000**	10,833	**8,250**	8,125
Non-executive directors' remuneration	**55,000**	54,166	**41,250**	40,625

	Salary		Taxable Benefits*	
Remuneration paid to executive directors	**1999**	1998	**1999**	1998
(Group and Company)	**£**	£	**£**	£
Gavin R Suggett (highest paid director)	**121,375**	111,000	**774**	1,365
Alan M W Young	**100,625**	92,500	**4,393**	5,760
Executive directors' remuneration	**222,000**	203,500	**5,167**	7,125

* Alan Young has the use of a company car. Both executive directors have private medical insurance for themselves and any immediate family under the age of 25.

pensions for executive directors

Both executive directors are members of an Inland Revenue approved, non-contributory, defined benefit pension scheme (see note 17, page 40) which is open to all eligible employees. The scheme provides for a maximum pension of two thirds final pensionable salary at a normal retirement age of 60 with a one sixtieth accrual rate. Early retirement after the age of 50 may be taken with the consent of the Company. Surviving spouse's pension of half the director's pension is payable on death after retirement.

Both directors joined the scheme prior to 1st June 1989 and their prospective pensions are not subject to the Inland Revenue earnings cap. On retirement, they may commute part of their pension to a cash lump sum, within Inland Revenue limits.

Pensions in payment are increased annually by 5% or by the increase in the UK retail price index, whichever is the lower. Discretionary increases are also permitted in terms of the rules of the scheme, but may not be applied to any transfer values to another pension scheme.

There are no defined contribution schemes except the additional voluntary contributions scheme which is part of the occupational scheme. Neither director makes AVCs.

The table below, which gives the accrued pension entitlements of the executive directors, takes into account discretionary increases provided for in the funding rate.

	Age at 31 January 1999	Accumulated total accrued pension at 31 January 1998	Increase in accrued pension during year resulting from inflation	Accrued pension over and above inflation during the year	Accumulated total accrued pension at 31 January 1999
		£	£	£	£
Gavin R Suggett	54	59,080	2,127	6,006	67,213
Alan M W Young	52	25,951	934	3,856	30,741

Gavin Suggett was credited with 4 years' pensionable service in November 1973. 5 years were added in February 1983 when the pensionable service of scheme members was adjusted to equalise male and female retirement ages at 60. Both enhancements accrue evenly over the period to his 60th birthday.

In August 1988, Alan Young was credited with 5 years' pensionable service, funded as to 2 years 1 month by a transfer in from a scheme connected with previous employment and 2 years 11 months by a discretionary increase. His service is also being enhanced by six months in respect of each actual year of service over a period of 10 years ending on his 60th birthday.

insured benefits

If an executive director dies in service, all pension entitlements are extinguished, but insurance against death in service is provided through the pension scheme. This cover consists of a lump sum of four times salary, surviving spouse's pension of one half of the director's prospective pension and, if applicable, a pension equal to one third of the surviving spouse's pension for each child under 21 and in full time education (up to a maximum of three children). Also provided for through the pension scheme is disability insurance. In the event of the incapacity of a director whilst in service, up to 75% of salary (less state benefits) would be payable to him. These insured benefits are common to all members of the pension scheme, have no value on leaving service, and carry no transfer value.

Cost to Company of insured benefits

	Death in service benefit (percentage of own salary)	Disability benefit (percentage of own salary)
Gavin R Suggett	5.0%	1.9%
Alan M W Young	2.9%	0.8%

directors' interests

All the present directors served throughout the year. During the year, none of the directors had any material interest in any contract, being a contract of significance, with the Company or any subsidiary company.

No director has any interest in the Company's preference stocks or debenture stock. No director, nor any member of any director's immediate family, has been granted options to subscribe for stock or debentures in the Company, or in any body corporate in the same group as the Company.

Each director is required, in terms of the Company's Articles of Association, to hold 200 ordinary stock units. The following table gives the total interests of each individual director in such ordinary stock.

On 25 February 1999, Gavin Suggett acquired, non-benefically, 33 ordinary stock units, through the Alliance Investment Plan. Apart from this there have been no other changes in the interests of the directors between 31 January and 15 March 1999.

	31 January 1999		1 February 1998	
	Beneficial	Non Beneficial	Beneficial	Non Beneficial
William Berry	750	64,977	636	72,557
Bruce W M Johnston	289	14,536	233	14,536
W Nelson Robertson	1,000	1,000	1,000	1,000
Gavin R Suggett	437	8,721	437	8,153
Andrew F Thomson	12,576	152,166	12,494	153,068
Alan M W Young	1,840	—	1,725	—

relations with stockholders

communications with stockholders

The Company encourages communication between the management and stockholders (including institutional stockholders) on matters of mutual concern and interest. All registered stockholders receive an annual report and accounts and an interim statement each year. These are also sent to stockholders who hold their stock through nominees and have asked the Company to send them such information. The Company welcomes debate on initiatives to facilitate participation by individuals through nominees and is a sponsor member of ProShare, a non-profit organisation which seeks to widen private share ownership.

The annual general meeting is held in Dundee each year to which a warm welcome is extended to all stockholders (see page 41). Throughout the year, the management meets stockholders individually or in groups, in Dundee, at various meetings sponsored by the Association of Investment Trust Companies and at the offices of institutions and financial advisers at other locations in the UK.

Much communication with stockholders is achieved through the provision by ATS of the range of financial products which all have as a common feature a minimum investment in the stock of the Company of the Second Alliance.

notifications by substantial stockholders

The Company must be notified when any stockholder, acting alone, or in concert with one or more other parties, acquires an interest of 3% or more in the Company's ordinary stock. The Company has been notified of the following interests:

	Ordinary stock units	
The Standard Life Assurance Company	3,274,399	(6.50%)
D C Thomson & Co Ltd	3,241,503	(6.43%)

accountability and audit

financial reporting

The Chairman's Statement, Financial and Operating Review and Economic and Investment Review on pages 2 to 13 give the directors' assessment of the Company's position and prospects. The auditor's statement is found on page 28.

directors' responsibility for the accounts

The directors are required by law to prepare financial statements which give a true and fair view of the state of affairs of the Group and the Company at the end of the financial year and of the revenue and cash flows for the year. In addition, the directors are responsible for ensuring that adequate accounting records are maintained, for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud or other irregularities.

The directors confirm that the financial statements of the Group and the Company for the year ended 31 January 1999 have been prepared on a going concern basis and that suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in their preparation and that applicable accounting standards have been followed.

audit committee and auditors

The non-executive directors, William Berry, Nelson Robertson and Andrew Thomson form the audit committee, together with Bruce Johnston as the chairman. The directors consider that Mr Johnston's professional expertise as a chartered accountant is particularly suited to carrying out this role.

The committee operates under specific terms of reference and meets at least three times a year, including prior to the publication of the Company's interim and final results. One meeting is dedicated to examining issues of internal control, and the committee also reviews the provision, cost effectiveness and objectivity of audit services.

The internal and external auditors have the opportunity to talk to the committee alone, outwith the presence of all members of the executive. They, and the compliance officer of ATS, also have the right to approach the chairman or other members of the audit committee directly at any time, or call upon a meeting to be convened.

internal control

The maintenance of a sound system of internal control to safeguard the assets of the Group and the investment of each stockholder is the duty of the directors. The directors recognise their responsibility to put into place such systems to ensure that the Group has the necessary resilience to meet future change.

With regard to its own investment activities and the development of its financial business through ATS, the Group seeks to balance risk and return in a prudent manner. There is inevitably a balance to be struck but this need not compromise rigorous compliance with statutory and regulatory provisions, or adherence to principles of good business management. No system of internal control can give an absolute assurance against misstatement or loss, but such controls should prevent or detect areas of shortcoming and minimise the risk of loss through incompetence, neglect of duty, mistake or fraud.

The main control mechanism at board level is the division of powers, with the roles of the chairman and the chief executive separated. There is a commitment to a non-executive majority on the board and a strong audit committee.

Departmental structures with clear lines of managerial responsibility, backed up by general inter-departmental support functions, such as IT and training, ensure that no one person controls all aspects of any function. Procedures define responsibilities, and internal audit, which reports to the audit committee, provides reassurance that systems are robust and recommends any required improvements. The internal audit and compliance functions within the Group have been extended with the audit remit now extending beyond financial risks to the assessment of all risks which affect the operation, and their related controls. External consultants review the internal audit and compliance plans which are then approved by the audit committee, and they may also be asked to review specific areas.

An important part of a system of internal control is the creation of a culture which promotes honesty and integrity, and favours compliance as a positive aid to business. With this culture, and the formal mechanisms which are in place, the Group is committed to maintaining a robust organisation which will be well placed to deliver value to stockholders.

year 2000

Computer systems are developed internally to serve the Group. Some of the Company's systems have been replaced, and those used in connection with the retail products of ATS have been tested and found to be robust. A programme seeking reassurance from external suppliers regarding the Year 2000, is well advanced, and complete in all critical areas. Costs, which consist largely of staff time, are relatively modest and are written off when incurred.

euro

The transition to the Euro has been achieved successfully without any material expenditure.

policy and practice on payment of creditors

The Company endeavours to settle all dealings in investments in accordance with the terms and conditions of the relevant markets in which it operates. As an investment trust, the Company has no trade creditors and no disclosure can be made of creditor days at the year end. In its agreements with suppliers, the Company seeks to obtain the best terms. No single policy is adopted but the Company seeks to include specific payment terms and abide by them.

environmental policy

The Company seeks to conduct its own affairs responsibly and environmental factors are, where appropriate, taken into consideration with regard to investment decisions.

donations

The Company is a member of ProShare which promotes the cause of individual share ownership and which has charitable status. £6,250 (£nil) was subscribed during the year as a membership fee. No political or other charitable donations have been made.

voting policy

The Company owns investments in many listed companies and its policy wherever practical is to vote its shares, usually by arranging for a proxy to be lodged.

compliance with the code of best practice

The section on how the company works constitutes the statement on the application by the Company of the principles of the Combined Code on Corporate Governance, as required by the London Stock Exchange. The Combined Code was published five months into our accounting year and since then a number of minor amendments to our procedures have been made. Thus the terms of reference of the audit and remuneration committees have been amended and the proxy votes cast will now be announced at the annual general meeting.

The Combined Code requires the directors to conduct, at least annually, a review of the effectiveness of the Group's system of internal control, including financial, operational compliance and risk management controls, and report to the stockholders on their review. Formal guidance is being developed by a Task Force established by the Institute of Chartered Accountants in England and Wales and, until such guidance is published, the form of the report is uncertain. In the meantime, companies may continue to report solely on internal financial controls. The narrative on page 26, whilst concentrating on internal financial controls, also explains what steps the directors have taken to apply the principles and provisions of the Combined Code as they relate to internal control generally.

Performance related elements do not form part of the total remuneration package of executive directors and accordingly Code Provision B.1.4 is not complied with. A full explanation is given in the section on executive remuneration policy on page 23.

By order of the Board

Sheila M Ruckley

Sheila M Ruckley

Secretary

Dundee, 15 March 1999

report of the auditor to the members of The Alliance Trust PLC

We have audited the financial statements on pages 29 to 40.

respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report including, as described on page 26, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the company is not disclosed.

We review whether the statement on page 27 reflects the company's compliance with those provisions of the Combined Code specified for our review by the Stock Exchange, and we report if it does not. We are not required to form an opinion on the effectiveness of the company's corporate governance procedures or its internal controls.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

basis of audit opinion

We conducted our audit in accordance with Auditing Standards issues by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to given reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall presentation of information in the financial statements.

opinion

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

KPMG Audit Plc
Chartered Accountants
Registered Auditor
Saltire Court
Edinburgh
15 March 1999

accounting policies

1. basis of accounting

The financial statements which follow on pages 30 to 40 have been prepared under the historical cost convention, modified to include the revaluation of fixed assets. They also assume the going concern basis of accounting and that the Company will continue to have approval as an investment trust. They have been drawn up in accordance with applicable accounting standards and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies."

The consolidated statement of total return and balance sheet include the financial statements of the Company and its subsidiary companies as at 31 January 1999, made up to the same date. The Company and its subsidiaries comprise the Alliance Trust Group.

2. valuation of fixed assets

Listed investments are valued at market prices or middle market prices as appropriate. Unlisted investments and mineral rights are valued by the Board on the basis of market prices, latest dealings, stockbrokers' valuations, petroleum consultants' valuations and accounting information as appropriate. Foreign assets and liabilities are valued using the middle rates of exchange ruling at the year end.

Office premises are shown at the valuation carried out during the 1995/96 financial year by chartered surveyors on a current open market value basis with subsequent additions at cost. No depreciation has been charged on this asset as, in the opinion of the Board, any provision for depreciation would be immaterial in relation to the revenue for the year and the assets of the Company.

3. income

Income from quoted equity shares is brought into account on the ex-dividend date or, where no ex-dividend date is quoted, when the Company's right to receive payment is established. Franked investment income includes the relevant tax credit. Foreign income dividends are shown as the amount receivable only.

Other income includes any taxes deducted at source. Fixed returns on non-equity shares and debt securities are recognised on a time apportionment basis so as to reflect the effective yield on the investment.

Where the Company has elected to receive its dividends in the form of additional shares rather than in cash, the amount of the cash dividend is recognised as income. Any excess in the value of the shares received over the amount of the cash dividend is recognised in capital reserves.

Foreign income is converted at the rate of exchange applicable on the appropriate date.

4. expenses and interest

Expenses and interest are accounted for on an accruals basis using the exchange rate applicable on payment where appropriate. Expenses are charged through the revenue account except where they directly relate to the acquisition or disposal of an investment, in which case they are added to the cost of the investment or deducted from the proceeds as the case may be.

5. reserves

Gains and losses on the realisation of investments and foreign currency are accounted for in the realised capital reserve. Increases and decreases in the valuation of investments held at the year end are accounted for in the unrealised capital reserve.

6. pension costs

The pension scheme is open to all qualifying employees. Amounts charged against revenue are calculated with actuarial advice and represent a proper charge to cover the accruing liabilities on a continuing basis. An independent actuarial valuation of the scheme is made at least every three years.

consolidated statement of total return

for the year ended 31 january 1999

	Notes	1999 Revenue £000	1999 Capital £000	1999 Total £000	1998 Revenue £000	1998 Capital £000	1998 Total £000
investment income	1						
UK dividends		18,883	–	18,883	25,660	–	25,660
UK scrip dividends		729	–	729	390	–	390
Foreign income dividends		6,247	–	6,247	1,811	–	1,811
UK interest		1,662	–	1,662	1,720	–	1,720
Overseas dividends		10,425	–	10,425	10,201	–	10,201
Overseas scrip dividends		32	–	32	49	–	49
Overseas interest		33	–	33	131	–	131
Mineral rights income		295	–	295	359	–	359
		38,306	–	38,306	40,321	–	40,321
other income							
Deposit interest		7,935	–	7,935	5,622	–	5,622
Savings and pension product charges		1,850	–	1,850	1,681	–	1,681
Miscellaneous		516	–	516	497	–	497
		10,301	–	10,301	7,800	–	7,800
total income		48,607	–	48,607	48,121	–	48,121
Expenses	2	(4,182)	–	(4,182)	(3,653)	–	(3,653)
Realised gains on investments	7	–	85,687	85,687	–	59,363	59,363
Increase in unrealised appreciation	7	–	78,190	78,190	–	144,855	144,855
Foreign exchange losses		–	(429)	(429)	–	(1,489)	(1,489)
net return before interest payable and taxation		44,425	163,448	207,873	44,468	202,729	247,197
Interest payable	3	(1,292)	–	(1,292)	(1,111)	–	(1,111)
return before taxation		43,133	163,448	206,581	43,357	202,729	246,086
Taxation	4	(9,070)	–	(9,070)	(9,896)	–	(9,896)
return after taxation		34,063	163,448	197,511	33,461	202,729	236,190
Minority interest – equity		(503)	(155)	(658)	(492)	(65)	(557)
		33,560	163,293	196,853	32,969	202,664	235,633
Dividends on preference stock – non-equity	5	(83)	–	(83)	(68)	–	(68)
return attributable to equity stockholders		33,477	163,293	196,770	32,901	202,664	235,565
Dividends on ordinary stock – equity	5	(31,500)	–	(31,500)	(29,736)	–	(29,736)
Transfer to reserves		1,977	163,293	165,270	3,165	202,664	205,829
		Earnings	Capital	Total	Earnings	Capital	Total
return per ordinary stock unit	6	66.42p	324.00p	390.42p	65.28p	402.11p	467.39p

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

company statement of total return

for the year ended 31 january 1999

	Notes	1999 Revenue £000	1999 Capital £000	1999 Total £000	1998 Revenue £000	1998 Capital £000	1998 Total £000
investment income	1						
UK dividends		18,883	–	18,883	25,660	–	25,660
Dividends from subsidiary		1,594	–	1,594	1,594	–	1,594
UK scrip dividends		729	–	729	390	–	390
Foreign income dividends		6,247	–	6,247	1,811	–	1,811
UK interest		207	–	207	128	–	128
Overseas dividends		10,425	–	10,425	10,201	–	10,201
Overseas scrip dividends		32	–	32	49	–	49
Overseas interest		33	–	33	131	–	131
Mineral rights income		295	–	295	359	–	359
		38,445	–	38,445	40,323	–	40,323
other income							
Deposit interest		5,694	–	5,694	3,899	–	3,899
Miscellaneous		52	–	52	17	–	17
		5,746	–	5,746	3,916	–	3,916
total income		44,191	–	44,191	44,239	–	44,239
Expenses	2	(2,276)	–	(2,276)	(1,997)	–	(1,997)
Realised gains on investments	7	–	85,687	85,687	–	59,343	59,343
Increase in unrealised appreciation	7	–	78,270	78,270	–	145,006	145,006
Foreign exchange losses		–	(429)	(429)	–	(1,489)	(1,489)
net return before interest payable and taxation		41,915	163,528	205,443	42,242	202,860	245,102
Interest payable	3	(77)	–	(77)	(82)	–	(82)
return before taxation		41,838	163,528	205,366	42,160	202,860	245,020
Taxation	4	(8,513)	–	(8,513)	(9,387)	–	(9,387)
return after taxation		33,325	163,528	196,853	32,773	202,860	235,633
Dividends on preference stock – non-equity	5	(83)	–	(83)	(68)	–	(68)
return attributable to equity stockholders		33,242	163,528	196,770	32,705	202,860	235,565
Dividends on ordinary stock – equity	5	(31,500)	–	(31,500)	(29,736)	–	(29,736)
Transfer to reserves		1,742	163,528	165,270	2,969	202,860	205,829
		Earnings	Capital	Total	Earnings	Capital	Total
return per ordinary stock unit	6	65.95p	324.47p	390.42p	64.89p	402.50p	467.39p

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

balance sheets

of the group and of the company as at 31 january 1999

	Notes	Group 1999 £000	Group 1998 £000	Company 1999 £000	Company 1998 £000
fixed assets	7				
Office premises		**622**	614	**622**	614
Investments		**1,650,660**	1,489,338	**1,650,957**	1,489,183
		1,651,282	1,489,952	**1,651,579**	1,489,797
current assets					
Debtors	9	**13,976**	17,556	**9,981**	7,275
Bank deposits		**131,026**	124,566	**99,486**	100,261
Cash at bank and in hand		**1,154**	1,574	**1,338**	916
		146,156	143,696	**110,805**	108,452
creditors: amounts falling due within one year	10	**(60,220)**	(61,933)	**(32,499)**	(33,634)
net current assets		**85,936**	81,763	**78,306**	74,818
total assets less current liabilities		**1,737,218**	1,571,715	**1,729,885**	1,564,615
creditors: amounts falling due after more than one year					
4½% debenture stock 1956 or after – repayable at the Company's option		**1,648**	1,648	**1,648**	1,648
minority Interest – equity		**7,333**	7,100	**–**	–
		8,981	8,748	**1,648**	1,648
capital and reserves					
Called-up share capital	5	**14,800**	14,800	**14,800**	14,800
other reserves					
Capital reserve – realised	11	**748,440**	663,182	**747,215**	661,957
Capital reserve – unrealised	11	**928,336**	850,301	**944,231**	865,961
Revenue reserve	11	**36,661**	34,684	**21,991**	20,249
total stockholders' funds		**1,728,237**	1,562,967	**1,728,237**	1,562,967
		1,737,218	1,571,715	**1,729,885**	1,564,615
total stockholders' funds are attributable to:					
Equity stockholders	12	**1,726,037**	1,560,767	**1,726,037**	1,560,767
Non-equity stockholders	12	**2,200**	2,200	**2,200**	2,200
		1,728,237	1,562,967	**1,728,237**	1,562,967
net asset value per ordinary stock unit	6	**£34.25**	£30.97	**£34.25**	£30.97

The financial statements on pages 29 to 40 were approved by the Board on 15 March 1999 and were signed on its behalf by:

Bruce W M Johnston, Director

Gavin R Suggett, Director

cash flow statements

of the group and of the company as at 31 january 1999

	Notes	Group 1999 £000	Group 1998 £000	Company 1999 £000	Company 1998 £000
operating activities					
Investment income received		**33,919**	35,417	**33,203**	34,757
Deposit interest received		**7,172**	5,464	**5,307**	3,774
Underwriting commission received		**52**	17	**52**	17
Savings and pension products charges		**1,891**	1,747	**–**	–
Miscellaneous income received		**472**	429	**–**	–
Net repayment of advances		**345**	887	**–**	–
Net amounts received from depositors		**5,737**	(3,646)	**–**	–
Expenses		**(4,098)**	(3,565)	**(2,224)**	(1,961)
net cash inflow from operating activities	13	**45,490**	36,750	**36,338**	36,587
servicing of finance					
Interest paid		**(1,292)**	(1,087)	**(77)**	(82)
Dividends paid on preference stocks		**(68)**	(68)	**(68)**	(68)
Dividends paid to minority interests		**(425)**	(425)	**–**	–
net cash outflow from servicing of finance		**(1,785)**	(1,580)	**(145)**	(150)
taxation paid		**(7,128)**	(5,486)	**(6,305)**	(4,441)
capital expenditure		**(8)**	(114)	**(8)**	(114)
investing activities					
Purchase of investments		**(204,581)**	(162,479)	**(198,210)**	(162,643)
Disposal of investments		**205,981**	190,779	**199,906**	186,840
net cash inflow from investing activities		**1,400**	28,300	**1,696**	24,197
equity dividends paid		**(31,500)**	(28,728)	**(31,500)**	(28,728)
net cash inflow before management of liquid resources and financing		**6,469**	29,142	**76**	27,351
management of liquid resources					
Cash (placed on)uplifted from short term deposits	15	**(6,889)**	(29,173)	**346**	(27,452)
(decrease)increase in cash	14	**(420)**	(31)	**422**	(101)

notes to the financial statements

for the year ended 31 january 1999

	Group		Company	
	1999	1998	**1999**	1998
	£000	£000	**£000**	£000
1. investment income				
Listed UK	**27,344**	29,486	**25,953**	27,894
Unlisted UK	**113**	95	**1,707**	1,689
Listed overseas	**10,490**	10,381	**10,490**	10,381
Unlisted overseas	**359**	359	**295**	359
	38,306	40,321	**38,445**	40,323
2. expenses				
Directors' remuneration	**282**	265	**268**	251
Staff salaries	**1,467**	1,282	**722**	634
Social security costs	**145**	127	**85**	75
Pension contributions	**456**	390	**248**	218
Auditor's remuneration for:				
– audit	**27**	27	**17**	17
– other services to the Company and its subsidiaries	**3**	4	**–**	–
Other	**1,802**	1,558	**936**	802
	4,182	3,653	**2,276**	1,997

Details of directors' remuneration are given on pages 22 to 24. The Group employs 73 (70) full time and 18 (14) part time staff, excluding directors. Staff costs are shared with The Second Alliance Trust PLC. There are no bonus or share option schemes for staff or directors. The management and administration expenses of the Company amounted to £2,276,000 (£1,997,000) representing 0.13% (0.13%) of total assets less current liabilities of £1,729,885,000 (£1,564,615,000).

	Group		Company	
	1999	1998	**1999**	1998
	£000	£000	**£000**	£000
3. interest payable – all charged to revenue				
On deposits and overdrafts repayable within 5 years not by instalments	**1,218**	1,037	**3**	8
On debentures repayable wholly or partly in more than 5 years	**74**	74	**74**	74
	1,292	1,111	**77**	82
4. tax on net revenue on ordinary items – all charged to revenue				
UK corporation tax at 31.00% (31.32%)	**5,322**	4,764	**4,446**	3,936
Overseas taxation	**1,445**	1,345	**1,445**	1,345
Tax attributable to franked investment income	**3,748**	5,132	**4,067**	5,451
	10,515	11,241	**9,958**	10,732
Relief for overseas taxation	**(1,445)**	(1,345)	**(1,445)**	(1,345)
	9,070	9,896	**8,513**	9,387

notes to the financial statements

for the year ended 31 january 1999

5. called up share capital and dividends

The authorised share capital of the Company, which has all been allotted and fully paid, is divided into four classes of preference stock and one class of ordinary stock. The capital is shown below, together with the respective dividends.

	Total Capital		Dividends	
	1999	1998	**1999**	1998
	£000	£000	**£000**	£000
non-equity stock				
Preference Stocks				
4¼% (now 2.975% + tax credit) cumulative preference stock	**700**	700	**25**	21
4% (now 2.8% + tax credit) cumulative preference stock	**650**	650	**22**	18
5% (now 3.5% + tax credit) cumulative preference stock	**750**	750	**32**	26
4% (now 2.8% + tax credit) 'A' cumulative preference stock	**100**	100	**4**	3
			83	68
equity stock units				
Ordinary Stock				
50,400,000 ordinary stock units of 25p each	**12,600**	12,600		
Interim dividend paid of 22.0p (18.5p) per stock unit			**11,088**	9,324
Second interim dividend payable of 16.0p (nil) per stock unit			**8,064**	–
Proposed final dividend of 24.5p (40.5p) per stock unit			**12,348**	20,412
	14,800	14,800	**31,500**	29,736

No provision has been made for advance corporation tax on the second interim dividend as, in the opinion of the directors, such taxation will be fully relieved.

Provision has been made in these financial statements for the dividends on the Company's preference stocks, which will be payable on 4 May 1999. Following the abolition of advance corporation tax with effect from 6 April 1999, dividends on these stocks will be paid at the original gross rate and will carry a tax credit at the rate of 10% of the gross dividend. For example, the 4¼% (now 2.975% + tax credit) cumulative preference stock will become the 4¼% cumulative preference stock and the cash dividend paid each year will be 4.25p for each one pound of stock.

	Group		Company	
	1999	1998	**1999**	1998
	£000	£000	**£000**	£000
6. return and net asset value per ordinary stock unit				
Earnings	**33,477**	32,901	**33,242**	32,705
Capital	**163,293**	202,664	**163,528**	202,860
Total	**196,770**	235,565	**196,770**	235,565
Equity stockholders' funds	**1,726,037**	1,560,767	**1,726,037**	1,560,767

The return per ordinary stock unit is arrived at by dividing the total return by 50,400,000 (the number of stock units).

The net asset value per ordinary stock unit is arrived at by dividing the equity stockholders' funds by the same figure.

notes to the financial statements

for the year ended 31 january 1999

	Group 1999 £000	Group 1998 £000	Company 1999 £000	Company 1998 £000
7. fixed assets				
office premises				
freehold/heritable property				
Opening valuation	614	500	614	500
Additions during year	8	114	8	114
	622	614	622	614

The historical cost of the office premises is £292,000 (£284,000).

	Group 1999 £000	Group 1998 £000	Company 1999 £000	Company 1998 £000
investments				
Investments listed on a recognised investment exchange	1,646,606	1,485,524	1,624,903	1,464,072
Unlisted investments	4,054	3,814	4,054	3,814
Subsidiary companies (note 8)	–	–	22,000	21,297
	1,650,660	1,489,338	1,650,957	1,489,183

	Group	Company		
	Investments £000	Investments £000	Subsidiary £000	Total £000
Opening book cost	639,288	618,153	5,400	623,553
Opening unrealised appreciation	850,050	849,733	15,897	865,630
Opening valuation	1,489,338	1,467,886	21,297	1,489,183
Movements in the year				
Amortisation	(372)	–	–	–
Purchases at cost	198,062	198,062	–	198,062
Sales – proceeds	(200,245)	(200,245)	–	(200,245)
– realised gains on sales	85,687	85,687	–	85,687
Increase in unrealised appreciation	78,190	77,567	703	78,270
Closing valuation	1,650,660	1,628,957	22,000	1,650,957
Closing book cost	722,419	701,657	5,400	707,057
Closing unrealised appreciation	928,241	927,300	16,600	943,900
Closing valuation	1,650,660	1,628,957	22,000	1,650,957

A geographical analysis of the investment portfolio by broad industrial or commercial sector is given on page 14. A list of the ten largest investments in the portfolio is given on page 15.

notes to the financial statements

for the year ended 31 january 1999

8. subsidiary companies

The Company has the following subsidiary companies which are all incorporated in Scotland and operate in the United Kingdom:

Name	Description of shares held	Principal activity
Alliance Trust (Finance) Limited	Ordinary	Deposit taking
Alliance Trust Leasing Limited	Ordinary	Leasing administration (as principal and agent)
Alliance Trust Savings Limited	Ordinary	Provision and administration of savings products

The Company owns 75% of Alliance Trust (Finance) Limited (ATF) with the remaining 25% owned by The Second Alliance Trust PLC. ATF owns 100% of Alliance Trust Leasing Limited and Alliance Trust Savings Limited.

subsidiary company valuation

The investment in ATF is valued in the Company's accounts at £22,000,000 (£21,297,000) being the net asset value of the Company's equity interest taking into account the Government securities at market value. A summary consolidated balance sheet of ATF at 31 January 1999 is given below:-

	1999 £000	1998 £000
Government securities (see below)	**20,763**	21,135
Money at call and short notice	**31,355**	24,963
Loans to parent companies	**12,000**	12,000
Total assets	**64,118**	58,098
Financed by:		
Amounts due to depositors	**34,001**	29,084
Creditors less debtors	**1,723**	935
	35,724	30,019
Shareholders' funds	**28,394**	28,079
	64,118	58,098

Government securities with fixed maturity dates are included in the balance sheet at cost. The cost is adjusted for the amortisation of premiums or discounts arising on purchase which is taken to revenue over the period to redemption. At 31 January 1999, the market value of Government securities was £21,702,000 (£21,452,000).

The report and accounts of ATF are delivered to the Registrar of Companies in Edinburgh.

	Group 1999 £000	Group 1998 £000	Company 1999 £000	Company 1998 £000
9. debtors				
Amounts due from brokers	**4,157**	9,893	**4,157**	3,818
Loan to The Second Alliance Trust PLC (Note 18)	**3,000**	3,000	**–**	–
Taxation recoverable	**2,411**	889	**2,411**	889
Prepayments and accrued income	**4,279**	3,105	**3,353**	2,557
Other debtors	**129**	669	**60**	11
	13,976	17,556	**9,981**	7,275

notes to the financial statements

for the year ended 31 january 1999

	Group 1999 £000	Group 1998 £000	Company 1999 £000	Company 1998 £000
10. creditors: amounts falling due within one year				
Amounts due to depositors	34,001	29,085	–	–
Amounts due to brokers	2,533	9,813	2,533	3,442
UK corporation tax payable	620	904	276	613
Loan from Alliance Trust (Finance) Limited (Note 18)	–	–	9,000	9,000
Proposed dividends	20,461	20,446	20,461	20,446
Other creditors	2,605	1,685	229	133
	60,220	61,933	32,499	33,634

	Group Capital reserve realised £000	Group Capital reserve unrealised £000	Group Revenue reserve £000	Company Capital reserve realised £000	Company Capital reserve unrealised £000	Company Revenue reserve £000
11. reserves						
Beginning of year	663,182	850,301	34,684	661,957	865,961	20,249
Exchange differences	(429)	–	–	(429)	–	–
Net gain on realisation of investments	85,687	–	–	85,687	–	–
Increase in unrealised appreciation	–	78,190	–	–	78,270	–
Minority interest	–	(155)	–	–	–	–
Retained net revenue for the year	–	–	1,977	–	–	1,742
End of year	748,440	928,336	36,661	747,215	944,231	21,991

	Group 1999 £000	Group 1998 £000	Company 1999 £000	Company 1998 £000
12. reconciliation of movements in stockholders' funds				
Opening equity stockholders' funds	1,560,767	1,354,938	1,560,767	1,354,938
Total recognised gains and losses	165,270	205,829	165,270	205,829
Closing equity stockholders' funds	1,726,037	1,560,767	1,726,037	1,560,767
Non-equity stockholders' funds	2,200	2,200	2,200	2,200

There was no movement in non-equity stockholders' funds during the year.

notes to the financial statements

for the year ended 31 january 1999

	Group 1999 £000	Group 1998 £000	Company 1999 £000	Company 1998 £000
13. reconciliation of net revenue before interest and tax to net cash inflow from operating activities				
Net revenue before interest payable and taxation	**44,425**	44,468	**41,915**	42,242
Scrip dividends	**(761)**	(439)	**(761)**	(439)
Amortisation – non-cash adjustment	**372**	338	–	–
(Increase)decrease in accrued income	**(1,174)**	335	**(796)**	199
Increase(decrease) in other creditors	**540**	(360)	**96**	31
Decrease(increase) in other debtors	**920**	827	**(49)**	5
Increase(decrease) in amounts due to depositors	**4,916**	(3,287)	–	–
Tax on investment income	**(3,748)**	(5,132)	**(4,067)**	(5,451)
Net cash inflow from operating activities	**45,490**	36,750	**36,338**	36,587
14. reconciliation of net cash flow to movement in net funds				
(Decrease)increase in cash in the year	**(420)**	(31)	**422**	(101)
Cash placed on(uplifted from) short term deposits	**6,889**	29,173	**(346)**	27,452
Foreign exchange losses	**(429)**	(1,489)	**(429)**	(1,489)
Movement in net funds in year	**6,040**	27,653	**(353)**	25,862
Net funds at start of year	**124,492**	96,839	**90,529**	64,667
Net funds at end of year (Note 15)	**130,532**	124,492	**90,176**	90,529

	1998 £000	Cash flows £000	Exchange losses £000	1999 £000
15. analysis of change in net funds				
Group				
Cash at bank and in hand	1,574	**(420)**	–	**1,154**
Bank deposits	124,566	**6,889**	**(429)**	**131,026**
Debenture Stock	(1,648)	–	–	**(1,648)**
	124,492	**6,469**	**(429)**	**130,532**
Company				
Cash at bank and in hand	916	**422**	–	**1,338**
Bank deposits	100,261	**(346)**	**(429)**	**99,486**
Debenture Stock	(1,648)	–	–	**(1,648)**
Loan from Alliance Trust (Finance) Limited	(9,000)	–	–	**(9,000)**
	90,529	**76**	**(429)**	**90,176**

notes to the financial statements

for the year ended 31 january 1999

	Group		Company	
	1999	1998	1999	1998
	£000	£000	**£000**	£000
16. contingencies, guarantees and financial commitments				
Contingencies, guarantees and financial commitments of the Company and the Group at the year end, which have not been accrued, are as follows:				
Guarantees to third parties	**71**	163	**–**	–
	71	163	**–**	–

17. pension scheme

The Group, in conjunction with The Second Alliance Trust PLC, operates an insured defined benefits pension scheme which is separately funded. The scheme is administered externally on behalf of the trustees.

The pension cost charged to the Group accounts of £456,000 (£390,000) was paid during the year, and included £14,000 (£12,000) in respect of permanent health insurance premiums.

The pension scheme funding rate is determined, at intervals not exceeding three years, on the recommendation of a qualified actuary. The latest actuarial valuation report is dated September 1997 and relates to service by members up to 31 March 1997. The report was produced using the projected unit method of funding, made allowance for the removal of tax credits, and assumed that investment returns would exceed salary progression by 0.5% pa. This report showed assets valued at £4,825,000, a surplus of £580,000 and recommended the adoption of a funding rate of 27.3% of pensionable salaries as from 1 April 1997, which excludes the cost of permanent health insurance premiums.

18. related parties

The affairs of the Alliance Trust Group are managed in conjunction with those of the Second Alliance Trust Group. Although neither parent company is controlled by common stockholders, the composition of the Board of each company is currently the same and for the purposes of Financial Reporting Standard 8 they are regarded as related parties, requiring disclosure of material, mutual transactions.

The Groups operate from the same office in Dundee, employ staff jointly and share the cost of common services. The basis of allocation is 75% for the Company and 25% for the Second Alliance Trust Group after allowing for a contribution from the Alliance Trust (Finance) Limited (ATF) Group, and reflects the respective sizes of the companies. During the year to 31 January 1999 The Second Alliance Trust PLC paid a contribution of £318,000 (£264,000). The minority interest shareholding in ATF is held by The Second Alliance Trust PLC. ATF has advanced interest free loans of £9,000,000 and £3,000,000 to the Company and to The Second Alliance Trust PLC, respectively. The terms of these loans have been extended and they are repayable in September 1999, or earlier, by mutual agreement, at three months' notice.

notice

The One Hundred and Eleventh Annual General Meeting of The Alliance Trust PLC will he held at 12.30pm on Friday 30 April 1999 at the registered office of the Company, Meadow House, 64 Reform Street, Dundee DD1 1TJ.

The business to be transacted at the AGM is as follows. All resolutions will be proposed as Ordinary Resolutions. An explanation is given below and on the next page.

ordinary business

1. To receive and consider the Report of the Directors and the Accounts for the year ended 31 January 1999.
2. To declare dividends.
3. To re-elect Mr Alan M W Young as a director.
4. To re-elect Mr W Nelson Robertson as a director.
5. To re-appoint KPMG Audit Plc as auditor of the Company at a remuneration to be fixed by the directors.

special business

6. To approve an increase in the aggregate amount payable as directors' fees from £70,000 pa to £95,000 pa with effect from 1 February 1999.

By order of the board

Sheila M Ruckley Secretary

Dundee, 23 March 1999

how to attend the agm and vote

If you hold ordinary stock in the Company which is registered in your own name, you are a member and no further formalities are required in order for you to attend and vote. If you cannot attend, you may use the enclosed proxy card to appoint someone else to attend and vote on your behalf. A proxy need not be a member of the Company.

If you hold your stock through another party, such as a stockbroker's nominee, whether you can attend and vote will depend on the terms of the contract you have with that other party. If such a service is provided for you, arrangements will require to be made with that party. This is usually done by the nominee completing a form of proxy.

If you are uncertain of your position, please contact the Company Secretarial department on 01382 201700.

stock held through ATS

If you hold your stock through one of the products provided by Alliance Trust Savings Limited (ATS) you will have been sent an Instruction Form unless you have told ATS that you do not wish to receive the report and accounts. If you wish to attend the meeting and/or vote on any of the resolutions you should complete this form. If you hold your stock through ATS and have not received an Instruction Form, but wish to have one please call 01382 201900.

time limits

In order to establish who is entitled to attend and vote at the meeting, the Company takes the entries on the register of members 48 hours before the meeting. Thus, changes to the register after **12.30pm on Wednesday 28 April 1999** are disregarded in establishing the right to attend and vote.

All forms of proxy must be received by the Company at Meadow House by **12.30pm on Wednesday 28 April 1999**.

what happens at the agm

Those persons whose ordinary stock is registered in their own names and who are present at the meeting may vote on each resolution on a show of hands. The business of the meeting is determined by a simple majority of those present and voting on a show of hands. The number of proxy votes received for each resolution is announced, but these are not taken into account in determining the resolution unless there is a demand for a poll (a count of all votes cast at the meeting and by proxy weighted in accordance with the size of the stockholding).

The directors are present to answer questions, and meet informally afterwards with those who have attended the meeting.

Those attending are also able to examine the service contracts of the directors and the register which gives details of the interest which each director has in the Company's stock and debentures. These documents are always available for inspection during normal business hours.

explanation of resolutions

resolution 1: report and accounts

The directors approved the report and the accounts at the board meeting on Monday 15 March 1999. There is no statutory requirement for this document to be approved at the AGM, but it is good corporate governance practice for the stockholders to be asked to receive and consider the report and accounts.

resolution 2: dividends

Dividends on the Company's preference stocks will be declared. These stocks are listed on page 35 of the accounts in note 5. A final dividend of 24.5p per ordinary stock unit is recommended by the directors. The ordinary stockholders must approve this dividend before it can be paid.

resolutions 3 and 4: re-election of directors

The board has resolved that each director should retire at least every three years at the AGM and, if eligible, stand for re-election.

This year, Alan Young and Nelson Robertson both retire and submit themselves for re-election. Alan Young is the executive director responsible for the Company's investment department. He has a service contract with the Company which is terminable by the Company on one year's notice. His biographical details are found on page 10.

Nelson Robertson, who is on the audit and remuneration committees, is a non-executive director. He does not have a service contract with the Company and his biographical details are found on page 5. The board recommends to the stockholders that Alan Young and Nelson Robertson be re-elected.

resolution 5: re-election of the auditor

KPMG Audit Plc is the Company's auditor and has indicated its willingness to stand for re-appointment. The stockholders are asked to approve the re-appointment and give the directors authority to determine the remuneration which the auditor will receive for carrying out the statutory audit.

resolution 6: directors' fees

The stockholders are asked to approve an increase in the aggregate amount payable as fees to the non-executive directors. The chairman's statement contains an explanation on page 4.

financial calendar

second interim, final dividend and agm (year to 31 january 1999)	
Preliminary Announcement final results	Monday 15 March 1999
Report and Accounts posted to stockholders	Tuesday 23 March 1999
Second interim dividend payment date	Thursday 1 April 1999
Annual General Meeting	Friday 30 April 1999
Final dividend payment date	Tuesday 4 May 1999
interim dividend (year to 31 january 2000)	
Announcement date	Monday 16 August 1999
Interim Report posted to stockholders	Monday 23 August 1999
Interim dividend payment date	Friday 1 October 1999

savings products

All products are provided and administered by ATS, using our own staff, and in house systems. The approach to providing these products is one of consistency based on:

- investment in the stock of the Company or the Second Alliance Trust.
- additional self select investment in over 400 other equities, other investment trusts, gilts and corporate bonds.
- a transaction based, low cost, charging structure.
- value for money service for the long term investor.

alliance select isa

Individual Savings Accounts (ISAs) will be available after 6 April 1999 and ATS will be providing an ISA which can be subscribed to on either a maxi or mini basis. The tables below show which components ATS will be providing and the subscription limits. You may not subscribe to a maxi and to a mini ISA in the same tax year, or to two mini ISAs having the same component within the same tax year. If you choose a maxi ISA, you may only subscribe with one manager in that year, but you may subscribe to a mini ISA for different components with a different manager.

maxi isa subscriptions

Component	Year 1999/2000 Maximum £7,000	Year 2000/01 & After Maximum £5,000
Cash	Nil to £3,000	Nil to £1,000
Stocks and Shares	Balance up to £7,000	Balance up to £5,000

mini isa subscriptions

Component	Year 1999/2000 Maximum £7,000*	Year 2000/01 & After Maximum £5,000*
Cash	Nil to £3,000	Nil to £1,000
Stocks and Shares	Nil to £3,000	Nil to £3,000

**The remaining £1,000 of the annual subscription may be subscribed to an insurance component mini ISA. ATS will not provide an ISA insurance component.*

The Alliance ISA will offer a broad range of investment choice in the stocks and shares component, with a required holding of only one stock unit in the Alliance Trust or Second Alliance Trust before self select investment is made. Unlike the PEP, the ISA regulations allow the full subscription amount to be invested each year in Alliance Trust or Second Alliance Trust stock.

alliance CAT isa

ATS intends also to provide an ISA which will qualify for the CAT standard. A stocks and shares component restricted to Alliance Trust stock and a cash component would be offered.

alliance investment plan

The Alliance Investment Plan combines a traditional investment trust savings scheme with optional self-select investment in other securities. Many investors use the plan to reinvest their dividends and hold their entire investment portfolios, making use of the CREST nominee service and the ability to transfer existing portfolios into the plan. The plan is used by individuals, those investing for children, trustees, pension schemes etc.

alliance pension plan

The Alliance Pension Plan is an Inland Revenue approved self-invested personal pension, designed to provide the self employed with a tax and cost efficient method of providing for pension benefits. It is intended to extend the Plan to the employed in due course.

alliance pep

The Alliance PEP has become one of the most successful self select PEPs on the market. It has a loyal following of investors who appreciate the wide investment choice and a charging structure which is not related to the valuation of the PEP assets.

No subscriptions will be permitted to the Alliance PEP after Thursday 1 April 1999. Existing Alliance PEPs will continue on the current basis without further subscription when ISAs are introduced on 6 April 1999. Investors may use the Alliance PEP to consolidate their PEP portfolios by transferring in PEPs taken out with other managers.

For more information please telephone on 01382 201900 or complete the enclosed reply paid card.

All products are provided on a direct offer basis by Alliance Trust Savings Limited, PO Box 164, Meadow House, 64 Reform Street, Dundee DD1 9YP telephone 01382 201900 (ATS). ATS is regulated by the Personal Investment Authority for investment business. ATS DOES NOT GIVE ADVICE AND YOU SHOULD OBTAIN EXPERT ADVICE. Charges are transaction based and may be high or low depending on how you manage the investments in your plans. The value of investments may go down as well as up and you may not get back the amount you put in.

dividend payments

If you hold stock in your own name on the register of members, you will receive your dividend directly by post to the address we have for you on the register. Alternatively, you may instruct us to send your dividends to your bank or building society. To do this, you need to complete the mandate which is sent to you with your dividend, or which is available from the Company, and lodge it with our registrars.

Dividends may also be reinvested in further stock units through the Alliance Investment Plan. For information please contact ATS on 01382 201900.

income tax on dividends

With effect from 6 April 1999, dividends paid by the Company will carry a tax credit at 10% of the gross dividend (being the net dividend plus the tax credit). Those stockholders who were previously entitled to reclaim the tax credit will no longer be able to do so, unless the dividend is paid in respect of stock held in a PEP or ISA. In this case, the PEP or ISA manager will be permitted to reclaim the tax credit on dividends paid on or before 5 April 2004. For those individual UK taxpayers, who are not liable to higher rate tax and who hold their stock outside a PEP or ISA, the tax credit will satisfy in full their income tax liability on the dividend. Higher rate UK taxpayers, who hold their stock outside a PEP or ISA, will be subject to income tax at 32.5% of the gross dividend, but will be able to set the tax credit off against part of this liability so that in effect their net income in respect of the dividend will be unaffected by these changes. How this works for higher rate taxpayers is shown in the following illustration:

	£	£
Dividend received		50.00
Grossed up dividend (£50 x 100/90)	55.56	
Tax payable by higher rate taxpayer		
Liability (£55.56 x 32.5%)	18.06	
Less tax credit (£50 x 10/90)	(5.56)	
		(12.50)
Net income after tax		37.50

tax vouchers

If your dividends are paid directly to your registered address, or to your bank or building society, or they are sent to ATS for reinvestment through the Alliance Investment Plan, the tax voucher which you need for your tax records will be sent to your registered address.

ATS will automatically supply you with a consolidated tax voucher for all securities purchased and held in the Alliance Investment Plan, shortly after the end of each tax year.

If your dividends are received by another nominee, such as your stockbroker's nominee, you must contact that person for the tax voucher.

capital gains tax

For capital gains tax purposes, the market value of each 25p unit of the Company's ordinary stock at 31 March 1982 was £2.90. There have been no stock splits or other corporate events affecting the calculation of the increase in value of the Company's stock since that date.

No capital gains tax liability arises in respect of the Company's stock held within a PEP, ISA or Pension Plan.

stock price information

Information on the price of Alliance Trust stock may be obtained from the Financial Times Cityline Service on 0336 431570 or 0891 431570. Calls are charged at 50p per minute. Information is also available on BBC1 Ceefax (page 221) and Channel 4 Teletext (page 533). Prices are also available from the FT website http://www.ft.com

confidentiality

We are unable to prevent other parties using the Company's register for marketing or other purposes. If you wish to limit unsolicited mail, you may contact the Mailing Preference Service at FREEPOST 22 London W16 7E2.

general enquiries

If you have a general enquiry about the Company, you may contact us at our registered office:

Meadow House
64 Reform Street
Dundee DD1 1TJ

Tel 01382 201700 Fax 01382 225133

If you have an enquiry about your Alliance PEP, ISA, Investment Plan or Pension Plan please contact:

Alliance Trust Savings Limited
PO Box 164
Meadow House
64 Reform Street
Dundee DD1 9YP

Tel 01382 201900 Fax 01382 202250

registrars

Change of address notifications for stockholdings registered in your own name should be sent to the Company's registrars. Please also contact our registrars if you wish dividends sent to your bank or building society account, or have any other general registration enquiries.

Computershare Services plc
PO Box 435, Owen House
8 Bankhead Crossway North
Edinburgh EH11 4BR

Tel 0131 523 6666 Fax 0131 442 4924

incorporation

The Alliance Trust PLC is incorporated in Scotland with the registered number 1731.

aitc investment trust forums 1999

The Company is a member of the Association of Investment Trust Companies. General information about investment trusts is available from the AITC at 3rd Floor, Durrant House, 8-13 Chiswell Street, London EC1Y 4YY telephone 0171 282 5555, fax 0171 282 5556. We shall be participating once again in AITC forums for advisers and private investors which, in 1999, are being held at the following locations. We extend a welcome to any stockholders who would like to come along to learn more about investment trusts and meet informally with representatives from the board and the Company's management.

If you would like a ticket (free of charge) for any of these forums, please telephone the AITC on 0171 431 5222. Tickets are available on a first come, first served basis.

Date	Region	Venue
15 April 1999	Edinburgh	Edinburgh International Conference Centre
6 May 1999	Cheltenham	Cheltenham Racecourse
23 June 1999	London	The Brewery
15 July 1999	Newport	The Celtic Manor Golf Clubhouse
26 August 1999	Harrogate	The Majestic Hotel
28 September 1999	Belfast	The Europa Hotel
28 October 1999	Birmingham	Forte Posthouse Birmingham City
25 November 1999	Brighton	Stakis Brighton Metropole

Cover photograph: a view of the
City of Dundee from the southern
banks of the River Tay

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