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The
ALLIANCE
Trust PLC

1995
REPORT AND ACCOUNTS

CONTENTS

REGISTERED OFFICE
Meadow House, 64 Reform Street, Dundee DD1 1TJ. Telephone 01382 201700
Registered in Scotland No 1731

REGISTRARS
The Royal Bank of Scotland plc, Registrar's Department, PO Box 435, Owen House,
8 Bankhead Crossway North, Edinburgh EH11 4BR. Telephone 0131-556 8555

DIRECTORS

SIR ROBERT SMITH, (67)
CBE, MA, LLD, FRSE, CA
Chairman
Appointed a director in 1981.
A director of several companies including the Bank of Scotland, Edinburgh Investment Trust and Sidlaw Group. ° †

LYNDON BOLTON, (58)
DL
Joint Managing Director
Appointed a director in 1978.
A director of the TSB Group, General Accident and Scottish Financial Enterprise.

GAVIN R SUGGETT, (50)
MA, MSc, FCA
Joint Managing Director
Appointed a director in 1987.

ALAN M W YOUNG, (48)
MA, LLB
Executive Director
Appointed a director in 1992.

ANDREW F THOMSON, (52)
Appointed a director in 1989.
A director of D C Thomson & Co and a number of other companies. ° * †

BRUCE W M JOHNSTON, (56)
CA
Appointed a director in 1991.
Chairman of City Centre Restaurants and a director of Mid Wynd International Investment Trust and other companies. ° * †

WILLIAM BERRY, (55)
MA, LLB, WS
Appointed a director in 1994.
Senior Partner, Murray Beith & Murray WS, Chairman of Scottish Life Assurance Company, a director of Fleming Continental European Investment Trust, Scottish American Investment Company and other companies. ° * †

° Non-Executive
* Member of Audit Committee
† Member of Remuneration Committee

PROFILE

The Company

The Alliance Trust was founded in 1888 and, in common with other investment trust companies, has funds in the form of capital and borrowings which it invests with a view to increasing value for its stockholders. Its origins can be traced back to the 1870's when a group of Dundee businessmen formed a company to finance land mortgages in the USA, and since then it has grown into one of the largest investment trusts in the UK, with assets of £950m. The operations are still conducted from Dundee. A history of the Alliance Trust may be obtained from the Secretary.

Management

The Company's growth has been achieved by the successful management of stockholders' funds and the retention of capital gains, not by acquisition or merger. The Company is distinctive in being an independent investment trust, conducting its own affairs rather than engaging the services of a separate management company. The task of the management team is to seek out investment opportunities and administer and implement the policies of the Board. The directors normally meet weekly with the executive to form and monitor those policies.

Objectives

Investment policy is aimed at producing a steady growth of both income and capital.

Portfolio

The bulk of the portfolio is invested on a long-term basis in top quality commercial, financial and industrial concerns spread throughout the major economies of Europe, North America and the Far East. In the main these investments are marketable and changes in investment policy are achieved by moderate movements of funds from one investment to another.

Other Interests

The Company owns and manages numerous individual revenue producing oil and gas properties in the USA and its subsidiary, Alliance Trust (Finance) Limited, operates a banking and savings business.

Stockholders

A significant part of the Company's stock is held directly for the benefit of individuals and the number of registered ordinary stockholders (28,951 at 31.1.95) does not reflect the large number of individuals who hold their stock through nominees, for example in the Alliance PEP and Savings Scheme. Many stockholders acquire their stock through inheritance or by gift and, reflecting the origins and location of the Company, the stockholder profile has a strong Scottish bias.

ATTRACTIONS TO THE PRIVATE STOCKHOLDER

Investment

The Alliance Trust provides a good vehicle for obtaining the necessary investment diversification to reduce overall risk, as well as providing stockholders with all the advantages of professional management. Virtually all income is distributed as dividends and it is usually possible to buy stock at a discount to the value of the underlying assets.

Taxation and Costs

The corporate structure provides efficient cost management with the Trust's management and administration expenses, all of which are charged against income, amounting to less than 0.2% of total assets. These costs may be offset against investment income for corporation tax purposes and the Company is exempt from taxation on capital gains.

PEP Limit

The Company has not committed itself to continue to hold UK and other EC equities in excess of the 50% necessary to qualify for more than £1,500 p.a. to be subscribed for investment in the Company's stock through a General PEP. This policy enables investors to subscribe up to £1,500 each year for investment in the Company's stock on a long term basis through a PEP while allowing the Company to retain the investment flexibility which has been a source of strength in the past.

SAVINGS AND INVESTMENT SCHEMES

Alliance Trust Savings Limited and Alliance Trust (Finance) Limited operate a range of savings and investment products, details of which are available on request.

Savings Scheme

The Dividend and Savings Investment Scheme enables investors to purchase Alliance stock simply and economically on a lump sum or regular subscription basis.

Personal Equity Plan

In the Alliance PEP the taxation benefits of PEPs may be combined with investment in Alliance stock and in qualifying investment trusts and other equities chosen by the investor. The Alliance PEP is well known for its low cost structure and flexibility.

Share Exchange

The Savings Scheme and the PEP include a Share Exchange Facility which permits investors to realise existing portfolios to make cash subscriptions into the Savings Scheme or PEP.

TESSA

In the Alliance TESSA interest rates are linked to wholesale money market rates on a fixed or variable rate basis.

CHAIRMAN'S STATEMENT

Dividend

The Board has recommended that the final dividend be increased from 32.5p to 35.0p, which will give a total dividend for the year of 50.0p, an increase of 6.4% compared with last year. This increase fulfils our objective of providing a steady growth of income, markedly illustrated in the chart opposite. Our dividend increase has exceeded the rate of inflation in each of the last ten years, rising in real terms by an average of 6% pa over the ten year period.

Earnings

The Trust's earnings increased by 7.4% to 50.77p per stock unit as company profits generally have continued to grow satisfactorily and this is reflected in a strong improvement in our dividend revenue, more than offsetting lower short-term interest income. We continue to concentrate our investments in companies with good revenue prospects. Management and administration expenses are wholly charged to revenue, not against capital reserves.

The consolidated accounts, which for reasons explained in the Directors' Report are provided for the first time this year, include the results of our banking and savings group, Alliance Trust (Finance) Limited. They show earnings of 53.23p (50.79p) including the effect of the disposal of leasing businesses in both years.

Capital

The commencement of the strong upward move in interest rates that we have experienced in the UK, but more influentially in the US, almost coincided with our last year end. Bond markets have fallen sharply and equity markets have been similarly but not universally weak as a consequence. The FT-SE Actuaries All-Share Index has fallen by 15.2%. Although our own net asset value per stock unit is down by 12% this may be regarded as a comparatively good result, due in varying degrees to our broad geographical diversification, the absence of expensive balance sheet gearing in declining markets, and relatively good performance by underlying investments in our two largest markets, the UK and the US.

Outlook

We are now in the third year of economic recovery from deep and prolonged recession and this is evident in industrial and commercial activity and company profits. Central banks, anxious to forestall a return to the high rates of inflation which characterised most of the years between 1970 and 1990, have been implementing a monetary squeeze since early 1994. This has so far been successful and is likely to continue until the risk is perceived to have passed. This action has cooled bond and stock markets and the present perception is that, for the first time for very many years, a gentle slowdown in the rate of growth can be achieved without pushing the economies into recession. This would be a very satisfactory result.

However it is still too soon to judge the outcome with certainty, for events - usually political - have so often in the past conspired to undermine what appeared at the time to be a benign economic progression.

For the shorter term we have thought it wise through the year to increase our cash holding somewhat by sales in the UK, Continental Europe and the US while, looking to the longer term, continuing to add to strong companies in some of the developing economies of the world.

Activity during the year and investment prospects in our various markets are discussed in some detail in the Management Review.

Subsidiaries

The activities of Alliance Trust (Finance) Limited, also reported in more detail in the Management Review, have seen a further contraction in leasing volume where opportunities for low risk and profitable growth have been diminished by market conditions. The PEP and Savings business on the other hand has continued to expand very satisfactorily. Investors' funds within the Schemes now total some £230m and 5.3% of Alliance Trust stock is now held by participants.

Board

Professor Christopher Blake retired from the Board in October 1994 having shared with us generously, since 1974, both the intellectual stimulus of his academic discipline as an applied economist and the practical experience of his business and public life. We are very grateful to him.

As reported last year, Mr Lyndon Bolton will retire at the end of April after thirty-one years' service with the Company. He will be succeeded as managing director by Mr Gavin Suggett.

Lyndon Bolton became a director in 1978 and was appointed managing director in November 1987. Speaking for all our stockholders, we owe a great debt of gratitude to him for the steady thread of continuity which he has woven for us through all the accelerating changes in the financial and investment world which we have seen in the last three decades. Sorry as we are to mark his retirement, we greatly value his legacy which hands on the reputation of the Alliance Trust further enhanced by his leadership.

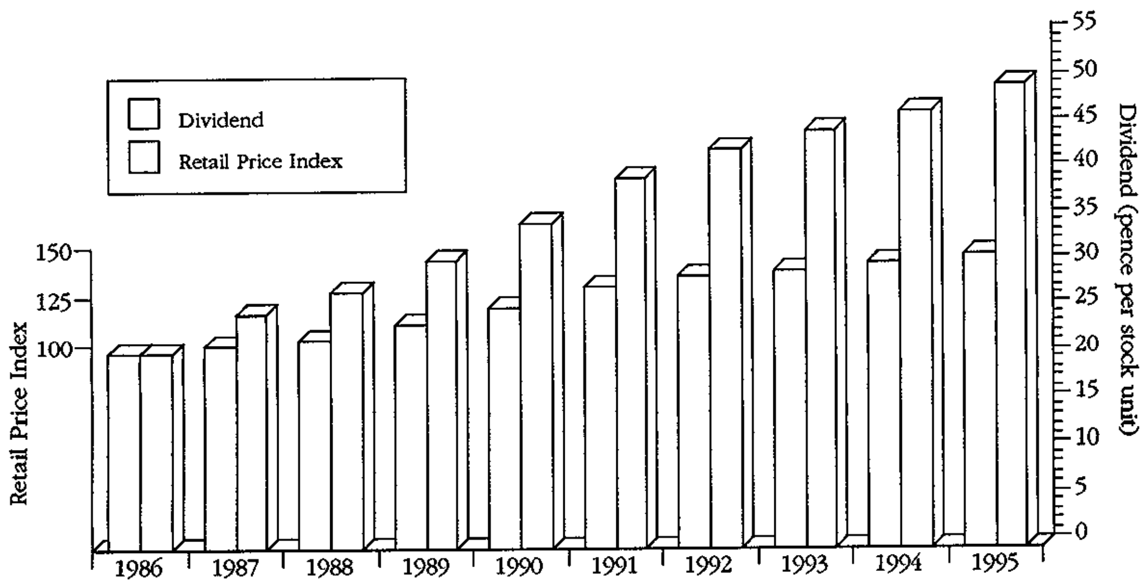
20th March 1995 Robert Smith

COMPANY TEN YEAR RECORD

years to 31st 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
1986	457.9	17.5	10.5	20.91	20.75	9.01
1987	576.4	20.5	13.0	25.79	25.00	11.36
1988	518.2	21.7	14.0	27.85	27.50	10.21
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	**949.8**	**35.5**	**25.6**	**50.77**	**50.00**	**18.77**

DIVIDEND RECORD



MANAGEMENT REVIEW

L-R Shona Dobbie (Economist), Alan Young (Director), Matthew Strachan (Assistant Manager)
Grant Lindsay (Manager), Ronald Hadden (Manager)
Seated Lyndon Bolton (Joint Managing Director)

SUMMARY

Company Investment Changes £000

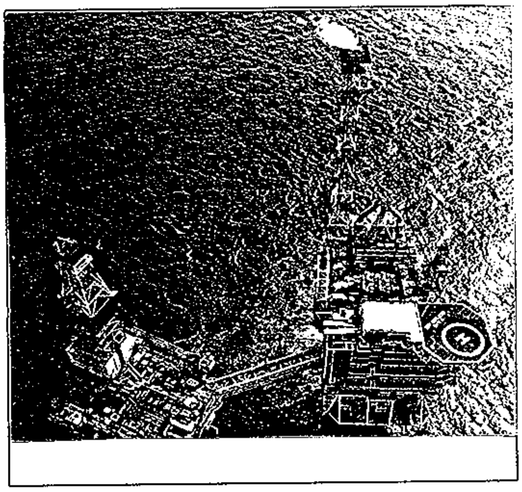
	UK	Continental Europe	North America	Far East	Total
Valuation at 31st January 1994	603,355	97,456	258,611	82,830	1,042,252
Purchases	32,639	7,306	13,832	36,293	90,070
Sales	(45,371)	(14,039)	(26,839)	(18,210)	(104,459)
Depreciation	(86,473)	(6,407)	(18,149)	(18,531)	(129,560)
Valuation at 31st January 1995	504,150	84,316	227,455	82,382	898,303

UNITED KINGDOM

The 15.2% fall in the UK equity market over the 12 months contrasted with a good economic performance, possibly the best for several decades, and proved rather worse than several other large stockmarkets. Equities fell virtually in line with UK gilts which suffered quite badly among the world's bond markets after the downward trend of US interest rates finally reversed on the second day of our year under review.

Much of the extra weight of UK gilts issued in 1993, in order to fund the then ballooning Budget deficit, turned out to have been taken up by short term holders, often very highly geared by borrowings and derivatives, who helped to drive yields down too far, too soon, only to become forced sellers in 1994. The Treasury's 0.25% cut in interest rates two days after the turn in US rates proved too ambitious and prompted probably the most significant development of the year. This was the publication for the first time of the minutes of the monthly monetary policy meeting between the Chancellor and the Governor of the Bank of England which has resulted, in the hands of the present incumbents at least, in giving the Bank significantly increased independence which now can only be reversed at an immeasurable financial or political cost. The markets took well the three half point increases in base rates from September. Shorter term, the Retail Price Index is rising again, currently at 2.8%, excluding mortgage costs, because of the demanding comparisons of last year, but further "pre-emptive" rate rises are expected to contain it.

The consumer enjoyed little of this, for the UK, very different recovery which is export and manufacturing dominated. Margins are suffering too, with intense competition at the retail level being compounded by commodity prices driven sharply upwards during the year by world growth. The relief provided by productivity gains may now be more limited.



THE BRITISH PETROLEUM COMPANY PLC
INVESTMENT £6,981,000
PRODUCTION PLATFORMS, THE BRUCE OILFIELD IN THE NORTH SEA
One of the world's largest energy companies.
Photograph by British Petroleum

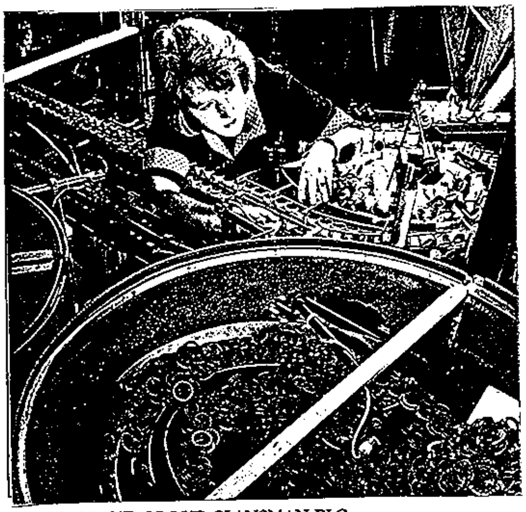
UK companies, unlike their US counterparts, have been slow to step up investment to raise capacity. Short term, cash flows are strong, boosting dividend payments and share buy backs. Underlying profit growth averaged approximately 14% for the non-financial companies in the FT-SE Actuaries All-Share Index or over 16% including financials. Dividends, excluding special payments, rose by almost 8%. A return of takeover activity looks set to put more cash into investors' hands but, against the present background, pension funds may use that to re-balance their assets by reducing their equity exposure as they become more mature. Nevertheless, the market will gain some support, if not stimulus, from the tendency to non-recurring returns.

The UK portfolio depreciated slightly less than the market average. Having expected the US to tighten monetary policy earlier and being already on a cautious footing, turnover in our portfolio was not large. £9m was realised from electricity and water utilities, reinvesting £2m into another utility, British Telecom, probably less exposed to regulatory risk. £18m was raised from the increasingly competitive consumer area, selling Cadbury Schweppes and Iceland Frozen Foods and reducing our overweight position in GUS. Some Allied Domecq was switched to rebuild our exposure to Bass which was beginning to show recovery from previous price cutting and over-capacity in its international hotels. Holdings in Granada, BTR and Hays were increased and Reuters was added to the list. Healthcare was expanded by adding to Zeneca and SmithKline Beecham and introducing a new holding, Amersham the diagnostics company, meanwhile taking further profits in Glaxo.

Medium and smaller companies underperformed in the second half, encouraging us to add Misys the software company, Britton Group in packaging and Renishaw the exporter of machine tool instruments. The new issue flood eventually ebbed away. We bought only one, Lombard Insurance, which like many was a recent management buy-out but became the subject of an agreed takeover bid just before our year end.

The influence on Sterling of the government's steadily weakening position during the year has recently become more obvious with the pound approaching its record low against the DMark.

GRANADA GROUP PLC
INVESTMENT £5,412,000
ONE OF THE RETAIL OUTLETS
One of the UK's leading media and leisure companies.



MACFARLANE GROUP CLANSMAN PLC
INVESTMENT £5,924,000
PLASTIC MOULDING PRODUCTION LINE
Scottish based packaging and service company.

Now that activity has just begun to show some signs of slowing, the task of containing inflation by cooling the economy but without driving it into recession is difficult enough without, at this stage, a Sterling crisis. The nature of the present political uncertainties makes it particularly difficult to assess any of their likely impact on the stockmarket as a whole. For now, the market has begun to address the issue on a stock by stock basis, for example with the regulated utilities. Our fear is that the present government may panic in its attempt to get the economic cycle back into phase with the political cycle, on what is becoming an ever more limited time scale.

CONTINENTAL EUROPE

All the European markets in which we are invested saw falls in local currency terms, ranging from 24% in France to 6.5% in Holland, but only the Spanish Peseta and Swedish Krone showed similar weakness to Sterling, and returns to a UK investor were positive in both Holland and Germany. Causes were the collapse in bond markets triggered by the rise in US interest rates, exacerbated in some cases by worries over the lack of progress in rectifying government deficits, the many privatisations and flotations and numerous political and corporate corruption cases. Although election fears proved generally to be unfounded, ruling coalitions, notably in Germany, have been left in a weakened position.

Economic growth, however, proved to be far stronger than all predictions. This was led by a general surge in export demand aided by the strength of the US economy and the competitive help of a strong Yen. There was also some government stimulus, notably French incentives to purchase new cars. Despite this, consumer activity remained generally weak.

The bulk of our European funds remain invested in Germany, although we were net sellers over the year, taking profits in Gehe, Schering and SAP and selling our bank holdings. We bought Veba, a power utility expanding into telecommunications, and Fresenius, a healthcare company specialising in dialysis. Elsewhere, we sold Sulzer and some Alcatel Alsthom. On the buying side we selectively participated in few of the privatisations, most notably Tele Danmark, the Danish telephone services provider.

Some worries remain. An increase in inflation is feared, particularly following the surge in commodity prices and, with it, concomitant interest rate rises. Interest rates have already been increased in Spain and Sweden and any rise in Germany is likely to put pressure on EU countries with weaker public finances. However, unemployment, although now generally falling, remains at very high levels and should help subdue inflationary pressures. Any positive action taken to reduce government deficits would also help bond markets. Further strong economic growth is forecast for the coming year, leading to another year of healthy corporate earnings growth and this, following the falls in share prices, has left equities looking better value.

INTERNATIONAL FLAVORS AND FRAGRANCES INC
INVESTMENT £1,675,000
FOOD MANUFACTURERS ARE MAJOR CUSTOMERS FOR THE COMPANY'S PRODUCTS
A leading US manufacturer of products used to impart or improve flavours and fragrances in a wide variety of consumer products.

NORTH AMERICA

As the US ends its fourth year of expansion, seven successive interest rate hikes in the last year are only now beginning to slow the economy. Real GDP growth in 1994 at 4% was significantly in excess of the 2.5% estimated by the Federal Reserve as the optimum level consistent with controlling inflation.

This favourable scenario can be attributed primarily to a massive increase in investment in information technology and state of the art capital equipment which, accidents apart, gives a good chance of ensuring that America's low inflation, productivity-led expansion will continue. Three million new jobs were created despite many businesses having deferred hiring while awaiting the outcome of President Clinton's potentially expensive healthcare proposals. Unemployment fell nevertheless, from 6.7% to 5.4%, despite the major contraction in the defence industry, which has in the past often been a significant contributor to economic growth.

With the Federal Reserve moving to a more restrictive monetary policy early in our financial year, long bonds collapsed and yields rose by almost two full percentage points accompanied by a significant outflow from bond mutual funds. This was enough to halt the virtually uninterrupted bull market in equities which had run since October 1990. A brief summer rally was followed by further weakness until seasonal factors and the November mid-term elections, which returned both houses to Republican control for the first time in over forty years, sparked a year end wave of optimism. The yield on the long bond fell to 7.7% whilst the equity market almost regained its previous high of February 1994.

It was a better year for company profits than for stock prices, resulting in significantly lower price earnings ratios. Operating profits rose more than 20% and dividends by nearly 5%, but the market, as measured by the S & P Composite Index, fell by 2.3%, exceeding the return on bonds and most of the major world bourses. Rebased for a weaker dollar, the international comparison is not as favourable, with a Sterling adjusted decline of 7.8%.

Although earnings growth, especially in the more cyclical sectors, exceeded expectations, stock prices fell as investors began to anticipate peak earnings. Attention returned to traditional growth areas where we continue to be overweight. As a result,

THE PEP BOYS - MANNY, MOE & JACK

INVESTMENT £863,000

THE TYRE SECTION IN ONE OF THE RENTAL OUTLETS

Based in Philadelphia, the company is a retailer of car parts and accessories and also operates a maintenance and service division.

our portfolio held its dollar value despite the market fall. The healthcare, household and food sectors performed well with Johnson & Johnson, our largest US holding, increasing by 37%. Retailers, energy and interest rate sensitive sectors such as banks and utilities were disappointing performers although they did show some recovery late in the year.

During the year we lowered our US exposure through net sales of £13m, reducing interest rate sensitive sectors with sales of Northern States Power, Pacific Telesis and SunTrust and retailers such as Hechinger and Woolworth. Profits were also taken in some large holdings which had performed well, namely Johnson & Johnson, Millipore, PepsiCo, Philip Morris and American Cyanamid, the healthcare and agricultural products concern which was acquired by American Home Products.

We introduced ten new holdings, including BMC Industries, Great Lakes Chemical, Louisiana Pacific and Wrigley the largest chewing gum manufacturer in the world. Significant additions were made to Bemis, Emerson Electric, Federal Signal, OEA, Pentair and insurance companies ReliaStar Financial and PartnerRe.

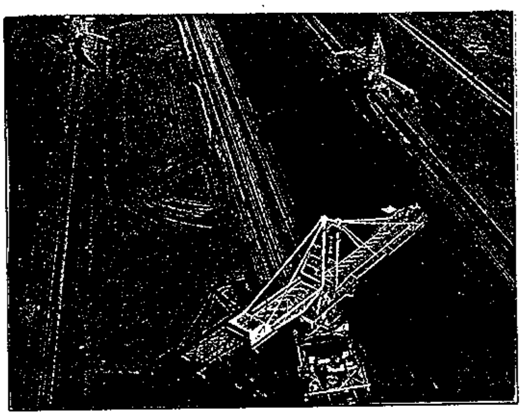
We continue to focus on international growth companies which should benefit from emerging and recovering economies. Strong cash generation and limited growth opportunities in many industries may increase corporate activity, providing support for current equity valuations. American companies have balance sheets stronger than for decades, are often the lowest cost producers amongst major industrialised nations and continue to invest at a rate in excess of their international competitors.

There is therefore some basis for widespread optimism in corporate America and Wall Street that the Federal Reserve Board's monetary policy could facilitate moderate expansion for several years.

The Mexican crisis re-emphasises the volatility of international liquidity flowing into emerging markets compared with more reliable project finance from commercial banks or direct investment by foreign companies. The dollar has, for the moment, been damaged by the crisis but it must be hoped that international support will soon prove adequately stabilising and that the situation will not inhibit what could prove to be an otherwise favourable reassessment of the American currency.

FAR EAST

The Japanese economy finally emerged from its prolonged recession but the recovery remained weak with the two largest components of GNP, private consumption and private capital expenditure, showing few signs of life. Inflation remained negligible. The Yen continued to strengthen against the weak dollar, causing difficulties for exporters but assisting the drive to encourage imports.



THE BROKEN HILL PROPRIETARY CO LTD
INVESTMENT £2,850,000
IRON ORE STORAGE AND LOADING FACILITY, WESTERN AUSTRALIA
Australia's largest company with interests in steel, oil and gas and minerals.

Although the Japanese market's fall of 10% was the least in Asia, by the year end it was weakening again, reflecting investors' concern over the potential funding costs of reconstruction after the Kobe earthquake. We were active within an unchanged total exposure. Uny, Rengo and the electronics stocks, Advantest and Kyocera, were sold. New holdings included the parts company Omron, and the pharmaceutical company Taisho.

Hong Kong, with a combination of rising US interest rates and political and economic concerns in China, saw the Index fall by 36%. Timely profits were taken in Hong Kong Land and Wharf Holdings, further reducing our already low exposure to the property market, and retaining the emphasis on conglomerates and utilities. A new holding was Consolidated Electric Power, an expanding regional utility. Our holding in Jardine Matheson was maintained despite its change of listing from Hong Kong to Singapore.

In Singapore and Malaysia we were again active in volatile markets which also finished the year weak, down 14% and 20%, respectively. We added Cycle & Carriage, the car distributor and property company, took profits in City Development and, in the marine sector, switched from Sembawang into Keppel. In Malaysia we took good gains from the infrastructure companies YTL and UEM and sold the BTR affiliate Nylex Malaysia to concentrate on its Australian parent. Resort World was also switched into its parent, Genting, and we purchased Malayan Banking.

A new holding in Thailand was Thai Farmers Bank and we took modest initial exposures to India through a specialist investment trust and to Indonesia through a bank and Mayora Indah, a food company.

The Australian market also fell heavily, by 21%, with the resource sector down by 16% but the industrial sector, to which we are more exposed, down by 23%. The opportunity was taken in a falling market to invest £14m in companies including BHP, Western Mining, the paper company Amcor, National Australia Bank, the retailer Coles Myer and BTR Nylex.

L-R Iain Smith (Chief Accountant), Marilyn Rowan (PEP Administrator), Kevin Dann (Computer Manager), Sheila Gates (Company Secretary) Seated Gavin Suggett (Joint Managing Director)

BANKING AND SAVINGS OPERATIONS

Alliance Trust (Finance) Limited ("ATF"), in which the Company has a 75% holding, earned a return on capital of 14% during 1994, excluding profits realised on the sale of another leasing business. These earnings included an increased contribution from the savings operations, lower profits on the remaining leasing business and lower rates of return on short term deposits compared with 1993. Surplus cash was used to repay £8m of subordinated debt early and purchase £14m of short dated gilts to back the deposit base. The £17m valuation of ATF in the Company's balance sheet reflects this debt repayment and a further enhancement of net assets.

Banking and Asset Finance

Low investment, low interest rates and intense competition amongst banks for the top quality leasing business in which we normally invest convinced us again in 1994 that it was better to sell assets than invest. Our interest in Secdee Leasing was sold in August 1994 and by the year end the overall portfolio had dropped from £35m to £25m. This reduction in the lease portfolio is likely to lead to a reduced return on capital in the coming year, although higher interest rates should be beneficial. The deposit base remained stable and the extended life of TESSAs will be welcome news to Alliance TESSA holders.

Savings Products

Alliance Trust Savings Limited, which manages the Alliance PEP and the Savings Scheme, continued to grow throughout 1994 but at a less frenetic pace. Investors' assets increased from £206m to over £230m despite a 15% fall in the FT-SE Actuaries All-Share Index and the hostile equity investment climate of low and rising interest rates. Management of PEPs is becoming a very competitive business as many new organisations enter the market with the hope of building long term market share at the cost of short term profitability. Fortunately our early start and low cost strategy has enabled us to maintain profitable growth and development despite these pressures and 1995 should see a number of exciting improvements without the need for expensive advertising, commissions or other incentives. The November 1994 Budget proposals which will allow bonds and convertibles to be held in PEPs will be attractive to many new and existing investors, and entrenches the role of PEPs as serious long term savings products for the private sector. This is significant.

FORTY LARGEST EQUITY INVESTMENTS

Company	Value £000	Main Activity	Country of Incorporation
Shell Transport & Trading	37,890	Oil	UK
British Telecommunications	21,651	Telecommunications	UK
Rentokil Group	15,690	Support Services	UK
BAT Industries	13,174	Miscellaneous Consumer	UK
Marks & Spencer	13,115	Retailing	UK
Reckitt & Colman	12,139	Miscellaneous Consumer	UK
British Gas	11,768	Gas Utility	UK
Johnson & Johnson	11,094	Health Care	USA
Great Universal Stores	10,984	Retailing	UK
Unilever	10,557	Food Manufacturing	UK
BTR	10,208	Diversified Industrials	UK
General Electric	9,927	Diversified Industrial & Finance	USA
Wal-Mart Stores	9,666	Retailing	USA
Gehe	9,053	Pharmaceutical Distributor	Germany
Electrocomponents	8,880	Distributors	UK
PepsiCo	8,467	Food Manufacturing	USA
Scottish & Newcastle	8,307	Brewing & Leisure	UK
Zeneca	8,155	Pharmaceuticals	UK
National Westminster Bank	8,104	Banking	UK
EMAP	8,039	Media	UK
Glaxo Holdings	7,991	Pharmaceuticals	UK
W H Smith	7,700	Retailing	UK
BellSouth	7,624	Telecommunications	USA
Standard Chartered	7,560	Banking	UK
Slough Estates	7,499	Property	UK
General Electric	7,179	Electronics & Electrical	UK
Stakis	7,053	Leisure	UK
British Petroleum	6,981	Oil	UK
Abbott Laboratories	6,658	Pharmaceuticals	USA
Thorn EMI	6,622	Leisure	UK
Bass	6,393	Brewing & Leisure	UK
SmithKline Beecham	6,191	Pharmaceuticals	UK
Forte	6,080	Leisure	UK
MacFarlane Group	5,924	Printing, Paper & Packaging	UK
Marsh & McLennan	5,621	Insurance	USA
Chevron	5,566	Oil	USA
Schering	5,559	Pharmaceuticals	Germany
Carlton Communications	5,476	Media	UK
Granada Group	5,412	Leisure	UK
Evans of Leeds	5,352	Property	UK

The above investments represent 42.2% of the Company's total equity holdings excluding the investment in Alliance Trust (Finance) Limited.

CLASSIFICATION OF INVESTMENTS

CLASSIFICATION

	UK	Continental Europe	North America	Far East	**Total 1995**	Total 1994
EQUITIES (INCLUDING CONVERTIBLES*)	%	%	%	%	%	%
Mineral Extractions	**4.9**	**0.3**	**2.2**	**0.2**	**7.6**	7.1
Extractive Industries	0.1	—	—	0.1	**0.2**	0.1
Oil	4.8	0.3	2.2	0.1	**7.4**	7.0
General Manufacturers	**6.8**	**1.8**	**4.5**	**2.6**	**15.7**	16.2
Building & Construction	0.8	0.6	0.2	0.6	**2.2**	2.3
Chemicals	1.4	0.2	1.4	0.4	**3.4**	3.6
Diversified Industrials	1.5	0.3	—	0.5	**2.3**	2.1
Electronic & Electrical Equipment	0.9	0.4	1.7	0.3	**3.3**	4.2
Engineering	1.5	0.3	0.7	0.5	**3.0**	2.8
Printing, Paper & Packaging	0.7	—	0.5	0.3	**1.5**	1.2
Consumer Goods	**10.8**	**2.9**	**5.2**	**0.6**	**19.5**	18.9
Brewers and Spirits	3.7	—	0.1	—	**3.8**	3.8
Food Producers	1.8	0.3	1.2	0.4	**3.7**	4.2
Health Care	0.2	1.0	1.7	—	**2.9**	2.1
Pharmaceuticals	2.4	1.2	1.7	0.2	**5.5**	5.1
Miscellaneous Consumer	2.7	0.4	0.5	—	**3.6**	3.7
Services	**14.2**	**3.1**	**5.8**	**2.1**	**25.2**	24.5
Distributors	0.9	—	—	—	**0.9**	1.0
Leisure & Hotels	3.0	—	0.2	0.3	**3.5**	2.9
Media	2.1	—	0.5	0.2	**2.8**	2.4
Retailers	5.8	2.1	2.1	0.5	**10.5**	11.5
Support & Other Services	2.4	1.0	3.0	1.0	**7.4**	6.6
Transport	—	—	—	0.1	**0.1**	0.1
Utilities	**6.3**	**0.5**	**4.1**	**0.7**	**11.6**	13.2
Water, Electricity & Gas	3.1	0.4	1.2	0.4	**5.1**	6.7
Telecommunications	3.2	0.1	2.9	0.3	**6.5**	6.5
Financials	**9.8**	**0.3**	**2.0**	**2.5**	**14.6**	15.9
Banks	3.3	0.2	0.8	1.4	**5.7**	6.5
Insurance	2.2	0.1	1.1	0.1	**3.5**	3.6
Property	2.0	—	0.1	0.6	**2.7**	3.1
Investment Trusts	0.5	—	—	0.4	**0.9**	1.1
Other Financials	1.8	—	—	—	**1.8**	1.6
Total Equities	**52.8**	**8.9**	**23.8**	**8.7**	**94.2**	95.8
FIXED INTEREST						
Preference and Loan Stocks	**0.2**	—	—	—	**0.2**	0.8
Total Investments	**53.0**	**8.9**	**23.8**	**8.7**	**94.4**	96.6
OTHER NET ASSETS	**2.7**	**1.6**	**1.0**	**0.3**	**5.6**	3.4
TOTAL ASSETS (LESS CURRENT LIABILITIES)						
1995 £949.8m	**55.7**	**10.5**	**24.8**	**9.0**	**100.0**	
1994 £1,078.9m	57.0	9.5	26.0	7.5		100.0

* Convertibles represent 2.4% (2.8%)

REPORT OF THE DIRECTORS

The directors present their report and the accounts for the year ended 31st January 1995.

The consolidated accounts, which are provided for the first time this year, include the results of our banking and savings subsidiary, Alliance Trust (Finance) Limited. These have been produced in the light of developing accounting standards, which will lead shortly to adoption of a Statement of Recommended Practice for investment trusts, and after discussion with the Financial Reporting Review Panel, the Company having raised the issue of consolidation with the Stock Exchange. Full information on the subsidiary had previously been included separately within the accounts. Relevant information continues to be given in note 12.

BUSINESS

The directors consider that, having regard to the financial structure and arrangements in place for the group and its future prospects, it is appropriate to maintain the going concern basis in preparation of the accounts. A review of the development of the business of the Company is given in the Management Review, the outlook for the Company being referred to in the Chairman's Statement.

DIVIDENDS

The Board recommends a final dividend of 35p per ordinary stock unit which, together with the interim of 15p paid on 7th October 1994, makes a total of 50p for the year compared with 47p for the previous year. The surplus of £391,000 is transferred to the Company's revenue reserve.

TAX STATUS

The Company, which is an investment company within the meaning of section 266 of the Companies Act 1985, has received approval as an investment trust from the Inland Revenue under section 842 of the Income and Corporation Taxes Act 1988 in respect of the year ended 31st January 1994 and has subsequently directed its affairs to enable it to continue to seek such approval. In the opinion of the directors it is not a close company.

DIRECTORS

Professor Christopher Blake retired from the Board on 14th October 1994. The present directors, who all served throughout the year, are listed below. The Articles of the Company require the retiral by rotation of the director who has been longest in office since last election, but the Board has resolved that one third of the directors, including executive directors, should retire each year. Sir Robert Smith and Mr Andrew Thomson, neither of whom have a service contract with the Company, therefore retire by rotation this year and, being eligible, offer themselves for re-election. Mr Lyndon Bolton will retire from the Board on 30th April 1995.

No director had any material interest during the year 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 and no director, nor any member of his immediate family, has been granted options to subscribe for stock in or debentures of the Company or in any body corporate in the same group as the Company. The interests of the directors in the ordinary stock units of the Company are given below.

	31st January 1995		1st February 1994	
	Beneficial	**Non-Beneficial**	Beneficial	Non-Beneficial
William Berry	**750**	**87,022**	750	89,009
Lyndon Bolton	**2,422**	**—**	2,329	—
Bruce W M Johnston	**200**	**14,536**	200	13,116
Sir Robert Smith	**1,000**	**—**	1,000	—
Gavin R Suggett	**414**	**6,496**	414	6,593
Andrew F Thomson	**10,894**	**171,736**	10,874	169,236
Alan M W Young	**1,289**	**—**	1,173	—

A trust of which Mr Berry is a trustee sold 250 ordinary stock units on 8th February 1995 and repurchased them on 9th February 1995. On 21st February 1995 Mr Suggett acquired a further non-beneficial interest in 28 ordinary stock units through the Alliance Dividend and Savings Investment Scheme. There have been no other changes to these holdings since 31st January 1995.

STOCKHOLDERS

The undernoted stockholders have reported an interest of 3% or more in the ordinary share capital:-

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

CORPORATE GOVERNANCE

The Company has complied with the provisions of the Cadbury Committee's Code of Best Practice throughout the year, save for that part relating to internal control for which guidance has recently been issued but is not yet due for implementation.

Given the composition of the Board which has a majority of non-executive directors, the formal process for selection of new directors and recommendations as to their appointment are dealt with by the Board as a whole rather than by a separate nomination committee.

The remuneration committee, which consists of the Chairman and all non-executive directors only, recommends to the Board the remuneration and terms and conditions of employment of the executive directors.

AUDITORS

The Auditors, who on 6th February 1995 changed the name under which they practise from KPMG Peat Marwick to KPMG, have indicated their willingness to continue in office. A resolution concerning their re-appointment and remuneration will be submitted at the annual general meeting.

S M Gates

Dundee, 20th March 1995 S M Gates Secretary

ACCOUNTING POLICIES

a. These financial statements have been prepared under the historical cost convention, modified to include the revaluation of investments and office premises, and in accordance with applicable accounting standards.

b. The group accounts incorporate the accounts of the subsidiary companies listed on page 25 using audited accounts to their last accounting reference dates together with management accounts covering the period to 31st January. The accounting dates of some of the Company's subsidiaries do not coincide with that of the Company for commercial reasons. Goodwill arising on the acquisition of subsidiaries is written off against the revenue account.

c. Income from investments is determined on the basis of cash receipts including taxes deducted at source and imputed tax credits, with the exception of securities covered by the Finance Act 1985 where cash receipts are adjusted as appropriate for accrued interest on purchases and sales. Gross earnings on finance leases are allocated to accounting periods in order to give a constant rate of return on the net cash investment in the lease. No credit is taken for interest receivable until it is received. Interest payable and management and administration expenses are treated on an accruals basis. The initial costs of completing new leasing contracts are written off when incurred. Foreign income and expenses are converted at the rate of exchange applicable on receipt or payment.

d. Listed investments are valued at market prices or middle market prices as appropriate. Unlisted investments and mineral rights are valued by the directors 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. The net investment in finance leases represents the total lease payments receivable, net of finance charges allocated to future periods.

e. Differences on exchange, realised and unrealised gains and losses on fixed asset investments are taken to capital reserve. Profits on sale of leasing businesses achieved through the disposal of subsidiaries are taken to the revenue account.

f. Office premises are shown at the valuation carried out during the 1990/91 financial year by chartered surveyors on a current open market capital value basis. No depreciation has been charged on this asset as, in the opinion of the directors, any provision for depreciation would be immaterial in relation to the revenue for the year and the assets of the Company.

g. Provision is made for deferred taxation by the liability method on the excess of the investment in finance leases over the corresponding value for tax purposes.

CONSOLIDATED REVENUE ACCOUNT

for the year ended 31st January 1995

	Notes	1995		1994	
INCOME					
Income from Investments		**£000 Listed**	**£000 Unlisted**	£000 Listed	£000 Unlisted
UK dividends		**21,360**	**61**	19,259	75
UK interest		**534**	—	332	—
Overseas dividends		**10,385**	—	9,868	—
Overseas interest		**273**	**18**	192	18
Mineral royalties		—	**332**	—	274
		32,552	**411**	29,651	367
			32,963		30,018
Other Income					
Gross earnings on finance leases	12a	**2,104**		3,510	
Profit on sale of leasing businesses	12b	**615**		1,171	
Interest received		**3,482**		4,053	
Service charges		**765**		675	
Underwriting commission		**55**		86	
			7,021		9,495
Total Income			**39,984**		39,513
EXPENSES, INTEREST & TAXATION					
Management and administration expenses	1a	**2,511**		2,520	
Interest payable	2	**965**		922	
			3,476		3,442
Revenue before Taxation			**36,508**		36,071
Taxation	3		**8,975**		9,516
Revenue after Taxation			**27,533**		26,555
Minority Interest			**636**		891
			26,897		25,664
DIVIDENDS					
Preference Stock			**68**		68
			26,829		25,596
Ordinary Stock:					
Interim paid — 15.0p (14.5p)		**7,560**		7,308	
Final proposed — 35.0p (32.5p)		**17,640**		16,380	
			25,200		23,688
REVENUE RESERVE					
Surplus revenue for the year			**1,629**		1,908
Balance at 31st January 1994			**19,005**		17,097
Balance at 31st January 1995			**20,634**		19,005
Earnings per ordinary stock unit	4		**53.23p**		50.79p

COMPANY REVENUE ACCOUNT

for the year ended 31st January 1995

	Notes	1995		1994	
INCOME					
Income from Investments		**£000 Listed**	**£000 Unlisted**	£000 Listed	£000 Unlisted
UK dividends		**21,360**	**61**	19,259	75
UK interest		**306**	—	332	—
Overseas dividends		**10,385**	—	9,868	—
Overseas interest		**273**	**18**	192	18
Mineral royalties		—	**332**	—	274
Dividends from subsidiary		—	**778**	—	562
Interest on loan to subsidiary		—	**206**	—	379
		32,324	**1,395**	29,651	1,308
			33,719		30,959
Other Income					
Interest received		**1,769**		3,128	
Underwriting commission		**55**		86	
			1,824		3,214
Total Income			**35,543**		34,173
EXPENSES, INTEREST & TAXATION					
Management and administration expenses	1b	**1,602**		1,616	
Interest payable	2	**76**		77	
			1,678		1,693
Revenue before Taxation			**33,865**		32,480
Taxation	3		**8,206**		8,582
Revenue after Taxation			**25,659**		23,898
DIVIDENDS					
Preference Stock			**68**		68
			25,591		23,830
Ordinary Stock:					
Interim paid — 15.0p (14.5p)		**7,560**		7,308	
Final proposed — 35.0p (32.5p)		**17,640**		16,380	
			25,200		23,688
REVENUE RESERVE					
Surplus revenue for the year			**391**		142
Balance at 31st January 1994			**9,737**		9,595
Balance at 31st January 1995			**10,128**		9,737
Earnings per ordinary stock unit	4		**50.77p**		47.28p

CONSOLIDATED BALANCE SHEET

as at 31st January 1995

	Notes	1995		1994	
		£000	£000	£000	£000
FIXED ASSETS					
Investments	5				
Listed in the UK		503,476		583,949	
Listed overseas		388,482		431,698	
Unlisted and mineral rights		3,037		3,577	
			894,995		1,019,224
Office Premises			450		450
CURRENT ASSETS					
Finance lease receivables	12c	24,500		34,840	
Debtors					
Sales for future settlement		1,791		5,841	
Advances and other debtors		4,062		921	
Taxation recoverable		864		578	
Cash at bank and in hand		76,853		79,915	
		108,070		122,095	
Creditors: due within one year					
Amounts due to depositors		18,265		20,524	
Purchases for future settlement		605		8,574	
Other creditors		6,586		4,197	
Taxation		1,583		2,350	
Dividends		17,674		16,414	
		44,713		52,059	
Net Current Assets			63,357		70,036
Total Assets less Current Liabilities			958,802		1,089,710
Creditors: due after one year					
4½% Debenture stock 1956 or after			1,648		1,648
Subordinated loan notes 2002			—		2,000
PROVISION FOR LIABILITIES AND CHARGES					
Deferred taxation	6		3,348		4,422
MINORITY INTERESTS - EQUITY			5,678		5,567
CAPITAL & RESERVES					
Called up Share Capital					
Authorised, issued and fully paid					
Preference stock - non equity	7		2,200		2,200
50,400,000 25p ordinary stock units		12,600		12,600	
Reserves	8	933,328		1,061,273	
Stockholders' funds attributable to equity interest			945,928		1,073,873
			958,802		1,089,710

Robert Smith, Director

Lyndon Bolton, Director

COMPANY BALANCE SHEET

as at 31st January 1995

	Notes	1995		1994	
		£000	£000	£000	£000
FIXED ASSETS					
Investments	5				
Listed in the UK		489,749		583,949	
Listed overseas		388,482		431,698	
Unlisted and mineral rights		3,037		3,577	
Subsidiary company	12d	17,035		23,028	
			898,303		1,042,252
Office Premises			450		450
CURRENT ASSETS					
Debtors					
Sales for future settlement		1,791		5,841	
Other debtors		15		—	
Taxation recoverable		864		578	
Cash at bank and in hand		67,240		55,149	
		69,910		61,568	
Creditors: due within one year					
Purchases for future settlement		605		8,574	
Other creditors		164		162	
Taxation		444		179	
Dividends		17,674		16,414	
		18,887		25,329	
Net Current Assets			51,023		36,239
Total Assets less Current Liabilities			949,776		1,078,941
Creditors: due after one year 4½% Debenture stock 1956 or after			1,648		1,648
CAPITAL & RESERVES					
Called up Share Capital					
Authorised, issued and fully paid					
Preference stock - non equity	7		2,200		2,200
50,400,000 25p ordinary stock units		12,600		12,600	
Reserves	8	933,328		1,062,493	
Stockholders' funds attributable to equity interest			945,928		1,075,093
			949,776		1,078,941

Robert Smith, Director

Lyndon Bolton, Director

CASH FLOW STATEMENTS

for the year ended 31st January 1995

	Notes	1995 Group £000	1995 Company £000	1994 Group £000	1994 Company £000
Net cash inflow from operating activities	9	**20,906**	**29,570**	33,049	28,261
Servicing of finance					
Interest paid		**(965)**	**(76)**	(922)	(77)
Dividends paid		**(24,008)**	**(24,008)**	(23,000)	(23,000)
Dividends paid to minority interests		**(212)**	—	(222)	—
Net cash outflow on servicing of finance		**(25,185)**	**(24,084)**	(24,144)	(23,077)
Taxation paid		**(5,186)**	**(3,869)**	(3,151)	(3,592)
Investing activities					
Purchases of investments		**(111,781)**	**(98,039)**	(92,822)	(92,822)
Sales of investments		**102,509**	**108,509**	89,999	89,999
Sale of leasing businesses	12b	**18,303**	—	17,336	—
Purchase of minority interest		**(632)**	—	—	—
Premiums from mineral rights		**29**	**29**	14	14
Net cash inflow(outflow) from investing activities		**8,428**	**10,499**	14,527	(2,809)
Financing					
Repayment of loan notes		**(2,000)**	—	—	—
Increase(decrease) in cash	9	**(3,037)**	**12,116**	20,281	(1,217)

STATEMENTS OF TOTAL RECOGNISED GAINS AND LOSSES

including reconciliation of movement in stockholders' funds
for the year ended 31st January 1995

	1995 Group £000	1995 Company £000	1994 Group £000	1994 Company £000
Capital profits on investments				
Realised gains	**36,749**	**36,749**	39,765	39,765
Increase(decrease) in unrealised appreciation	**(166,327)**	**(166,309)**	137,973	137,973
Currency gains(losses)	**(25)**	**(25)**	441	441
Premiums from mineral rights	**29**	**29**	14	14
Capital surplus(deficit) for year	**(129,574)**	**(129,556)**	178,193	178,193
Revenue available for distribution	**26,897**	**25,659**	25,664	23,898
Total recognised gains and losses	**(102,677)**	**(103,897)**	203,857	202,091
Dividends	**(25,268)**	**(25,268)**	(23,756)	(23,756)
Total movement in ordinary stockholders' funds	**(127,945)**	**(129,165)**	180,101	178,335

NOTES ON THE ACCOUNTS

1. MANAGEMENT AND ADMINISTRATION EXPENSES

a. Group

	Group 1995 £	Group 1994 £
Expenses include:		
Directors' emoluments:		
Fees	**47,271**	43,515
Management remuneration	**275,713**	245,074
Company pension scheme contributions	**61,669**	54,941
Single premium personal pension provision	**—**	131,250
Cost of pension annuity for widow of former executive director	**14,533**	—
	399,186	474,780

The Chairman, for whom no pension contributions are payable, received £13,000 (£12,000). The highest paid director's remuneration was £118,660 (£107,156), excluding all pension contributions and provisions and £145,598 (£131,306) including Company pension scheme contributions. (Provision was made in 1994 for payment in April 1995 of £131,250 as a single premium into a personal pension to supplement the highest paid director's Company pension scheme entitlement.)

The remuneration of all directors, excluding pension contributions, fell into the following bands:

£5,001 - £10,000	4 (4)	£80,001 - £85,000	1 (—)
£10,001 - £15,000	1 (1)	£105,001 - £110,000	— (1)
£65,001 - £70,000	— (1)	£115,001 - £120,000	1 (—)
£70,001 - £75,000	1 (1)		

No bonus or share option schemes for directors or staff are in operation.

The group employs 49 (42) full time and 13 (14) part time staff, excluding directors, whose costs are shared with The Second Alliance Trust PLC.

	1995 £000	1994 £000
The costs to the group were:		
Salaries	**752**	648
Pension contributions	**166**	139
Social Security contributions	**88**	80
Audit fee	**23**	22
Amount paid to the auditors in respect of non-audit work	**3**	3

b. Company

The management and administration expenses of the Company amounted to £1,602,000 (£1,616,000) representing 0.17% (0.15%) of total assets less current liabilities of £949,776,000 (£1,078,941).

2. INTEREST PAYABLE

	1995 Group £000	1995 Company £000	1994 Group £000	1994 Company £000
Interest payable on loans repayable within 5 years	**823**	**2**	722	3
Interest on all other loans	**142**	**74**	200	74
	965	**76**	922	77

3. TAXATION

	1995 Group £000	1995 Company £000	1994 Group £000	1994 Company £000
Corporation tax at 33%	**3,957**	**3,848**	4,791	4,151
Relief for overseas tax	**(1,411)**	**(1,411)**	(1,379)	(1,379)
	2,546	**2,437**	3,412	2,772
Overseas tax	**1,411**	**1,411**	1,379	1,379
Tax credit on franked investment income	**4,217**	**4,358**	4,431	4,431
Transfer to deferred taxation	**801**	**—**	294	—
	8,975	**8,206**	9,516	8,582

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

4. EARNINGS PER ORDINARY STOCK UNIT

The consolidated earnings per stock unit are based on revenue available to ordinary stockholders of £26,829,000 (£25,596,000) and 50,400,000 stock units in issue.

The Company's earnings per stock unit are based on revenue available to ordinary stockholders of £25,591,000 (£23,830,000) and 50,400,000 stock units in issue.

5. INVESTMENTS

	Group Investments £000	Company Investments £000	Company Subsidiary £000	Company Total £000
Book cost at 31st January 1994	494,414	494,414	11,400	505,814
Unrealised appreciation	524,810	524,810	11,628	536,438
Valuation at 31st January 1994	1,019,224	1,019,224	23,028	1,042,252
Movements during year				
Purchases — cost	103,812	90,070	—	90,070
Sales — proceeds	(98,459)	(98,459)	(6,000)	(104,459)
— profits	36,749	36,749	—	36,749
Change in unrealised appreciation	(166,331)	(166,316)	7	(166,309)
Valuation at 31st January 1995	894,995	881,268	17,035	898,303

6. DEFERRED TAXATION

	Group	
	1995	1994
	£000	£000
At 31st January 1994	**4,422**	6,002
Accelerated capital allowances	**801**	294
Release of provision on disposal of subsidiaries	**(1,875)**	(1,874)
At 31st January 1995	**3,348**	4,422

7. PREFERENCE STOCK

	Group & Company	
	1995	1994
	£000	£000
4¼% (now 2.975% + tax credit) cumulative preference stock	**700**	700
4% (now 2.8% + tax credit) cumulative preference stock	**650**	650
5% (now 3.5% + tax credit) cumulative preference stock	**750**	750
4% (now 2.8% + tax credit) 'A' cumulative preference stock	**100**	100
	2,200	2,200

8. RESERVES

	Capital Reserves		Revenue	
	Realised	Unrealised	Reserves	Total
	£000	£000	£000	£000
Group				
At 31st January 1994	517,178	525,090	19,005	1,061,273
Investment profit realised	36,749	—	—	36,749
Increase(decrease) in unrealised appreciation	—	(166,327)	—	(166,327)
Losses on currency transactions	(25)	—	—	(25)
Premiums from mineral rights	29	—	—	29
Undistributed revenue	—	—	1,629	1,629
At 31st January 1995	553,931	358,763	20,634	933,328

	Capital Reserves		Revenue	
	Realised	Unrealised	Reserves	Total
	£000	£000	£000	£000
Company				
At 31st January 1994	516,038	536,718	9,737	1,062,493
Investment profits realised	36,749	—	—	36,749
Increase(decrease) in unrealised appreciation	—	(166,309)	—	(166,309)
Losses on currency transactions	(25)	—	—	(25)
Premiums from mineral rights	29	—	—	29
Undistributed revenue	—	—	391	391
At 31st January 1995	552,791	370,409	10,128	933,328

9. NOTES TO THE CASH FLOW STATEMENT

	1995		1994	
	Group £000	**Company £000**	Group £000	Company £000
Reconciliation of revenue to net cash inflow from operating activities				
Revenue before interest payable and taxation	**37,473**	**33,941**	36,993	32,557
Decrease(increase) in debtors	**(4,648)**	**(15)**	(210)	3
Increase(decrease) in creditors	**2,169**	**2**	(1,273)	132
Decrease(increase) in investment in finance leases	**(6,997)**	—	(238)	—
Increase(decrease) in amounts due to depositors	**(2,259)**	—	3,379	—
Profit on sale of leasing businesses	**(615)**	—	(1,171)	—
Tax credit on franked investment income	**(4,217)**	**(4,358)**	(4,431)	(4,431)
	20,906	**29,570**	33,049	28,261
Analysis of changes in cash and cash equivalents during year				
Balance at 31st January 1994	**79,915**	**55,149**	59,193	55,925
Net cash inflow(outflow) before adjustments for the effect of foreign exchange rate differences	**(3,037)**	**12,116**	20,281	(1,217)
Effect of foreign exchange rate changes	**(25)**	**(25)**	441	441
	76,853	**67,240**	79,915	55,149

10. PENSION FUND

The group, in conjunction with The Second Alliance Trust PLC, operates a defined benefit pension scheme which is separately funded and is administered by an insurance company on behalf of the trustees.

The pension cost charged to the group accounts of £228,000 (£194,000) was paid in June 1994 and represented a 23.0% (23.0%) funding rate applied to the group's share of pensionable salaries.

The funding rate is determined, at intervals not exceeding three years, on the recommendation of a qualified actuary employed by the insurance company. The last actuarial valuation report was dated February 1995 and related to service by members up to 31st March 1995. The report was produced using the projected unit method of funding and assumed that investment returns would exceed salary progression by 0.5% pa. This report showed assets valued at £4,827,000, a surplus of £70,000 and recommended the adoption of a funding rate of 28.2% of pensionable salaries as from 1st April 1995.

11. CONTINGENT LIABILITIES AND COMMITMENTS

There were contingent liabilities at 31st January 1995 of £789,000 (£374,000) in respect of underwriting. An amount of £Nil (£599,000), representing the final instalments payable on certain of the Company's holdings, has been included in creditors and added to the cost and market valuation of investments listed in the UK. Facilities amounting to £1,989,000 (£Nil) have been granted for the purchase of assets to be leased.

12. ALLIANCE TRUST (FINANCE) LIMITED

The Company owns 600,000 ordinary shares (75%) in Alliance Trust (Finance) Limited ("ATF"), a company incorporated in Scotland of which the main activity is banking. ATF has the undernoted subsidiaries the share capital of which consists of equity shares. During the year the 34% minority interest in Secdee Leasing Limited was acquired and subsequently the entire share capital was sold.

Name	Registered	Percentage Owned	Principal Activity	Accounting Reference Date
Alliance Trust (Finance) No.1 Ltd	Scotland	100%	Leasing	31st January
Alliance Trust (Finance) No.4 Ltd	England	100%	Leasing	30th April
Alliance Trust (Finance) No.10 Ltd	England	100%	Leasing	31st October
Alliance Trust Savings Ltd	Scotland	100%	PEP and Savings Scheme Management	31st December

	1995 £000	1994 £000
a. Gross earnings on finance leases		
Rentals received and plant and equipment sale proceeds	**18,935**	14,368
Amortisation	**16,831**	10,858
	2,104	3,510
b. Sale proceeds and profit on sale of leasing businesses		
Net assets disposed of:		
Finance lease receivables	**17,337**	18,236
Other net assets	**2,004**	(75)
	19,341	18,161
Deferred tax and other provisions released	**(1,653)**	(1,996)
	17,688	16,165
Gain on disposal	**615**	1,171
Cash consideration	**18,303**	17,336
c. Finance lease receivables		
Due within one year	**8,284**	16,355
Due after one year	**16,216**	18,485
	24,500	34,840
Purchase of plant and equipment during the year for lease on finance leases	**25,368**	10,973

12. ALLIANCE TRUST (FINANCE) LIMITED (CONT'D)

d. Subsidiary company valuation

The investment in ATF is valued in the Company's accounts at £17,035,000 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 31st January 1995 is given below:-

	1995 £000	1994 £000
Finance lease receivables	24,500	34,840
Government securities (see below)	13,774	—
Money at call and short notice	9,613	26,307
Total assets	47,887	61,147
Financed by:		
Amounts due to depositors	18,265	20,524
Creditors less debtors	3,514	6,826
Deferred tax	3,348	4,422
Minority interest	—	298
Subordinated loan notes	—	8,000
	25,127	40,070
Shareholders' funds	22,760	21,077
	47,887	61,147

Government securities with fixed maturity dates are included in the balance sheet at cost adjusted for the amortisation of premiums or discounts arising on purchase which is taken to revenue over the period to redemption. At 31st January the market value of Government securities was £13,727,000 (£Nil).

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

13. APPROVAL OF FINANCIAL STATEMENTS

The financial statements on pages 15 to 26 were approved by the Board on 20th March 1995.

DIRECTORS' RESPONSIBILITIES

in respect of the preparation of the financial statements

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 31st January 1995 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.

REPORT OF THE AUDITORS

to the Members of The Alliance Trust PLC

We have audited the financial statements on pages 15 to 26.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described above, the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the 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 31st January 1995 and of the revenue of the group and the Company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

Dundee, 20th March 1995

KPMG
Chartered Accountants
Registered Auditors
Royal Exchange
Dundee

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the One Hundred and Seventh annual general meeting of The Alliance Trust PLC will be held at MEADOW HOUSE, 64 REFORM STREET, DUNDEE, on Friday 21st April 1995 at 12.30 pm for the following purposes:-

ORDINARY BUSINESS

1. To receive and consider the Report of the Directors and the Accounts for the year ended 31st January 1995.
2. To declare dividends.
3. To re-elect Sir Robert Smith as a director.
4. To re-elect Mr Andrew F Thomson as a director.
5. To re-appoint KPMG as auditors and to authorise the directors to determine their remuneration.

By order of the Board

S M Gates Secretary

Dundee, 28th March 1995

Members entitled to attend and vote at the above meeting may appoint a proxy to attend and, on a poll, to vote in their stead. A proxy need not be a member of the Company. Forms of proxy must be lodged at the Company's registered office not less than 48 hours before the time of the meeting.

The register of directors' stock and debenture interests and copies of the directors' service agreements will be available for inspection at the registered office of the Company during normal business hours from the date of this notice until the date of the annual general meeting and at the meeting.

Subject to approval at the meeting, dividend warrants payable on 28th April will be posted on 26th April to stockholders on the register on 13th April.

FINANCIAL CALENDAR

ANNOUNCEMENTS	
Final dividend and year-end results	20th March 1995
Report and accounts sent to stockholders	28th March 1995
Interim results	14th August 1995
MEETINGS	
Annual general meeting	21st April 1995
DIVIDENDS AND INTEREST	
Ordinary and preference stocks final	28th April 1995
Ordinary and preference stocks interim	6th October 1995
Debenture stock	15th May and 11th November 1995