The ALLIANCE *Trust PLC*

1997
REPORT AND ACCOUNTS

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COMPANIES HOUSE 21/04/97

CONTENTS

REGISTERED OFFICE
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Registered in Scotland No 1731

REGISTRARS
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8 Bankhead Crossway North, Edinburgh EH11 4BR. Telephone 0131-556 8555

Statements in this annual report about the Alliance Personal Equity Plan and Dividend and Savings Investment Scheme, participation in both of which is subject to the Terms and Conditions detailed in the Booklets available on request, have been approved, for the purpose of section 57 of the Financial Services Act 1986, by Alliance Trust Savings Limited, PO Box 164, Meadow House, 64 Reform Street, Dundee DD1 9YP, which is regulated by the Personal Investment Authority. Participation in the PEP or Savings Scheme is intended as a long term investment and because the value of stocks and shares may go down as well as up, investors may not get back the amount invested. Please remember that levels and bases of and reliefs from taxation are subject to change and that past performance is not necessarily a guide to future performance and should not be relied upon in making any decision to invest.

DIRECTORS

BRUCE W M JOHNSTON, CA (58)
Chairman
Appointed a director in 1991.
Executive Chairman, City Centre Restaurants from 1988 to May 1996. A director of Mid Wynd International Investment Trust and other companies. ° • †

GAVIN R SUGGETT, MA, MSc, FCA (52)
Managing Director
Joined the Company in 1973 and appointed a director in 1987.

ALAN M W YOUNG, MA, LLB (50)
Executive Director
Joined the Company in 1986 and appointed a director in 1992.

ANDREW F THOMSON, MA (54)
Appointed a director in 1989.
A director of D C Thomson & Co and a number of other companies. ° • †

WILLIAM BERRY, MA, LLB, WS (57)
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. ° • †

W NELSON ROBERTSON, CBE, MA, FCII (63)
Appointed a director in 1996.
Formerly Group Chief Executive of General Accident. A director of Morrison Construction Group and Edinburgh New Tiger Trust. ° • †

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

All the directors are also directors of The Second Alliance Trust PLC

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 £1.4bn. 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.

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 small 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 (30,035 at 31.1.97) does not reflect the large number who hold their stock through single 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.

Costs and Taxation

The management and administration expenses of the investment trust alone, all of which are charged against income, amount to less than 0.2% of total assets. These costs may be offset against 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 securities in excess of the 50% necessary to allow individuals to subscribe more than £1,500p.a. for investment in the Company's stock through a General PEP. This policy enables the Company to retain the investment flexibility which has been a source of strength in the past.

SAVINGS AND INVESTMENT SCHEMES

The Company has a 75% holding in Alliance Trust (Finance) Limited which takes deposits as an authorised institution under the Banking Act 1987 and whose subsidiary, Alliance Trust Savings Limited, regulated by the Personal Investment Authority, manages the Alliance Personal Equity Plan and Dividend and Savings Investment Scheme.

Personal Equity Plan

In the Alliance PEP, the taxation benefits of PEPs may be combined with investment in Alliance Trust stock, in qualifying investment trusts, other equities, corporate bonds and fixed interest securities. The Alliance PEP operates on a self select basis, and is well known for its low cost structure and flexibility.

Savings Scheme

In the Savings Scheme, Alliance Trust stock may be purchased simply and economically on a lump sum or regular subscription basis. Some investors find the scheme a useful means of investment for children or grandchildren.

Share Exchange

Both the PEP and the Savings Scheme include a share exchange facility.

CHAIRMAN'S STATEMENT

Results

The net assets increased by 10.7% to £1,355 million, equivalent to £26.88 per ordinary stock unit, a new end of year high. This compares with a gain of 13.3% on the FT-SE All-Share Index and demonstrates the extent to which the remarkable strength of Sterling, which had risen 20% against the Yen, 17% against the DMark and 6% against the Dollar, limited the contribution of overseas investments over the period under review.

Fears for the relative stability of the economies of the US and UK proved premature. The continuation of the ideal background of adequate growth with little evident inflation, took their respective stockmarkets into record territory, while generally lower bond yields allowed certain other markets, notably in Europe, also to scale new heights.

During the year these movements enabled us to increase our holdings in Europe and the Far East from the proceeds of sales of investments in the UK and the US while leaving exposure to these markets unchanged over the year at 52% and 24% respectively.

Good dividend growth in the UK, enhanced by a number of special distributions, could not be matched by overseas investments, especially when translated into Sterling. These factors, together with the portfolio changes over the last two years, combined to give a 3.9% increase in consolidated earnings on a comparable basis.

Dividend

The Board recommends that the final dividend be increased from 37p to 38.5p, which will give a total dividend for the year of 55.5p compared with 53p per stock unit last year. This represents an increase of 4.7%.

Outlook

Alongside fairly balanced conditions in the US and the UK, growing tensions across the ever more interlocked global economy are reflected in currency moves which could, in turn, re-kindle trade pressures. Japan and Europe still struggle to activate their domestic economies by monetary rather than fiscal expansion and liquidity continues to leak out, fuelling Western markets. Everywhere, attitudes to employment and savings are still characterised by insecurity but, were that to ease, higher labour costs in the US in particular would trigger a policy response that might be tolerable there but be damaging elsewhere.

Encouragingly, policymakers in Germany and Japan are coming to accept that it is structural imbalances such as restrictive industrial, trade and labour practices and defensive local markets that explain their growing unemployment and lack of economic growth. Meanwhile, a disaffected electorate in Japan and contorted attempts within Europe to qualify for monetary union highlight the constraint of domestic politics. Markets wait to be fully convinced that adequate solutions will be embraced. Less than a decade ago, however, doubts were being widely expressed on the ability of the US to reduce its budget deficit and the UK to contain inflation. Progress on both has been significant. Therefore we have felt able to extend our exposure to German stocks and modestly increase, company by company, our small Japanese weighting.

Profits are generally growing more slowly now as companies adjust, often painfully, to lower inflation with the consequences of greater competition, a need for greater investment and the rapid implementation of technological change, which generates fresh challenges. Although the currently buoyant pattern of companies' dividends now reflects the one-off nature of much corporate cash flow, often attributable to mergers and downsizing, this offers little guide to the future.

As can be seen from the Management Review, it was an uplift in valuation supported by lower bond yields which drove equity markets this year. Optimistic hopes for both profits growth, despite the risk of Sterling and the Dollar staying strong, and for continuing low inflation are already priced in a long way ahead. Although the relative merits of genuine growth stocks are now much more widely appreciated, there is little room for disappointment in the short run and the recent volatility of stock prices will likely persist.

Currently therefore we are cautious and have retained in cash approximately half of the £32m we raised from US and UK sales over the year. With liquidity of 4% we are defensively positioned and able to take investment opportunities which we expect to arise in the course of the year ahead.

Board

Sir Robert Smith retired from the Board on 19th April 1996. He was appointed a director in 1981 and had been chairman since 1984. During Sir Robert's tenure as chairman the Company made impressive advances both in terms of asset and income growth, while maintaining its reputation for integrity and responsible and careful management, characteristics which are becoming increasingly appreciated. On behalf of the Board, staff and stockholders, I extend sincere thanks to Sir Robert.

17th March 1997

Bruce W M Johnston

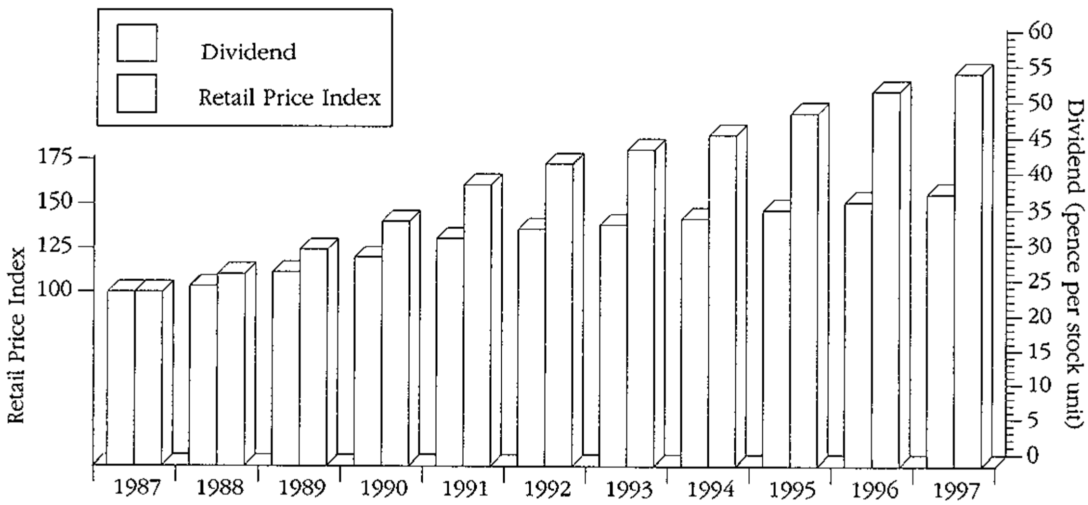
COMPANY RECORD

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
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*	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**

* Restated where applicable in accordance with the accounting policies in note 1 on page 22. Periods prior to January 1995 have not been restated.

DIVIDEND CHART



MANAGEMENT REVIEW

L-R Neil Tong, Matthew Strachan, Grant Lindsay (Manager), Ronald Hadden (Manager)
Seated Shona Dobbie, Gavin Suggett, Alan Young

SUMMARY

Company Investment Changes £000

	UK	Continental Europe	North America	Far East	Total
Valuation at 31st January 1996	642,547	114,539	298,059	134,426	1,189,571
Purchases	24,175	19,473	16,571	35,214	95,433
Sales	(45,574)	(13,976)	(27,476)	(24,973)	(111,999)
Appreciation (Depreciation)	89,291	16,532	35,419	(8,354)	132,888
Valuation at 31st January 1997	710,439	136,568	322,573	136,313	1,305,893

UNITED KINGDOM

Although the UK equity market rose 13%, as measured by the FT-SE All-Share Index, over our financial year, the improvement all came in the second six months, following a slightly negative first half. This pattern was similar to that followed by most other major international stock markets, which have also hit new highs in recent months. Paradoxically, UK company profits followed the opposite pattern, seeing a good increase of nearly 6% in the first half translate into growth of only 5% for the full year. Our UK portfolio outperformed the market in both periods.

Bond markets initially provided little support for equities with the yield on long dated gilts above 8% in the Spring in anticipation of higher rates of inflation. Despite this, the Chancellor was undeterred from making two quarter per cent cuts in interest rates, in March and June, before growing pressure from the Bank of England encouraged him to reverse the trend with an increase of 0.25% in October. The base rate has since remained at 6.0% although it stands to rise after the election, probably regardless of the result, in accordance with the Bank of England's current advice.

CABLE & WIRELESS PLC

INVESTMENT £5,243,000

THE COMPANY'S INTERNATIONAL BUSINESS NETWORKS CENTRE IN LONDON.

An international telecommunications company with interests in Europe, Asia and the Americas.

One reason why profits growth has cooled and interest rate increases have been modest has been the remarkable strength of Sterling. Even if currencies stabilise in the coming months, the appreciation of the Pound to date will dampen economic growth which, on preliminary estimates, had reached 2.3% in 1996. Although the economy had begun to test optimum capacity levels, inflationary expectations have now eased somewhat, allowing long dated gilt yields to fall and it is this, along with a similar dynamic on Wall Street, that has recently driven equities.

Our stance against this sometimes turbulent background has been to be net sellers of equities while favouring stocks whose prospects are not too closely linked to the vagaries of the economic cycle. We continued to sell utilities, coming completely out of British Gas, Scottish Power and Thames Water, leaving our exposure to the area represented predominantly by British Telecom. We lightened our weighting in some consumer areas through sales of Thorn EMI, Thorntons and W H Smith. Forte was taken over by Granada but our exposure to the hotel and leisure sector was subsequently rebuilt with the new issues of the Jarvis, Macdonalds and Regal hotel groups. Over the year we also increased some long held positions which are showing continued business development, such as Bank of Scotland, Carlton Communications, one of the dominant players in terrestrial television, and Marks & Spencer.

Regular dividends from the market increased by nearly 8% over the last 12 months on average, although many companies are using special dividends or foreign income dividends, which do not carry any tax credit, as an alternative to buying back their own stock. Although some of our holdings have made special payments or merely large step changes in their regular payout from strong cash flow, our first task remains to seek out those companies which can identify business opportunities themselves and so continue to provide steady income growth into the future.

UK valuations are not quite so stretched as elsewhere while the market looks into the political unknown. Fiscal as well as monetary tightening could follow the general election at some point but there may still be an improvement in consumer confidence this year if unemployment remains at its recent low levels and wages and house prices continue to strengthen, coupled with the £20 bn of windfalls arising this year from the flotation of several mutual building societies and insurance companies. However the strength of Sterling suggests that while imports could become increasingly attractive to consumers and industrial users alike, the export sector faces growing margin pressure. Consequently the impetus for growth in the coming year could, uninfluenced by any potential government policies, swing away from manufacturing and exports. A lot of reliance is being placed therefore on the consumer sectors by both the economy and the stock market after a gap of several years. Financials, meanwhile, are particularly dependant on continued merger activity and consequent rationalisation. This background suggests volatility but may present future opportunities to acquire growth stocks on less demanding ratings.

SPIRAX-SARCO ENGINEERING PLC

INVESTMENT £7,906,000

THE PRODUCT RANGE INCLUDES PRESSURE REDUCING VALVES.

This UK based company is a worldwide leader in the control and efficient management of steam and other industrial fluids.

CONTINENTAL EUROPE

In Europe, the year under review was dominated by the effects of the political push towards achieving European Monetary Union. The consequent requirement of tighter fiscal policies to achieve more balanced budgets has hindered growth across the continent, although it has allowed a further easing of monetary policy. Falling interest rates and bond yields provoked a positive response from equity markets, particularly in countries appearing to be beneficiaries, in the short term at least, of monetary and financial convergence. Gains of over 40% were seen in the Spanish and Swedish markets. Elsewhere returns were less spectacular but the Pound's appreciation of between 10% against the Swedish Krona and 25% versus the Swiss Franc meant that the gains on all European bourses were markedly diminished in Sterling terms. For example, in our largest area of exposure, Germany, the market rise of 20% translates into only 2% for a Sterling based investor Our stock led investment approach allowed us to improve materially on that return, and this was repeated in respect of our European portfolio as a whole.

RHÖN-KLINIKUM AG

INVESTMENT £2,094,000

THE COMPANY'S CLINICS OPERATE WITH THE MOST UP TO DATE EQUIPMENT.

The company manages and owns specialised clinics and hospitals throughout Germany.

Against this background, a net £5.5m was invested, predominantly in Germany, partly encouraged by corporate restructuring and management promises of enhanced shareholder value. Positions were re-established in Bayer, Bayerische Hypobank, Deutsche Bank and Mannesman, now a leader in the deregulated telecom market, and we also added to Siemens, Degussa and SAP, the software company. Elsewhere, we increased our modest exposures to central Europe and smaller French companies, including a new holding in Européenne D'Extincteurs, one of Europe's leading manufacturers and distributors of fire extinguishers. Following significant appreciation of our German healthcare stocks, we slightly reduced our positions in Gehe and Fresenius, the dialysis company. Disposals were made of Royal Dutch Petroleum, Spar and TFI, the French television company. We also sold one of our very few unquoted companies, Oriflame Eastern Europe, the distributor of Oriflame cosmetics in the eastern countries, which has shown dramatic growth.

Reinforced by more recognition that some form of funded pension schemes will be required to offset escalating pressures on state budgets, official promotion of share ownership is now more widespread, representing a significant shift in attitude towards an equity culture. Following the flotation of Deutsche Telekom late last year, privatisations will continue as governments try to take advantage of the strong stock markets and use them to raise revenues. With the likelihood of continued low interest rates and monetary expansion such issues may be absorbed quite readily.

It is becoming more accepted that it is structural impediments such as restrictive labour practices and protective industrial policies which have been the deeper causes of the weak economic growth and high unemployment, and have made difficult most attempts to meet the convergence criteria for EMU by the end of this year. The significant weakening in DMark related currencies, partly prompted by the authorities, provides some welcome relief for continental exporters and, allied to low interest rates and corporate efforts to improve profitability, gives a supportive background to equities perhaps for some time ahead.

NORTH AMERICA

The year under review was again remarkable for the US equity market, bringing its valuation to represent 47% of the total for global equity markets. The appreciation of 24%, as measured by the S & P 500 Index, or of 17% adjusted for the strength of Sterling, occurred despite the yield on long dated bonds rising from 6.0% to 6.8%, a slow down in the growth of underlying corporate profits to around 8% and the widely held belief that the US stock market was already over-valued following the particularly strong previous year.

There were, however, many positive influences. In its sixth year of continuous economic expansion the US further re-established itself as the world's strongest financial force. The economy grew by 2.4%, 2.6m new jobs were created and unemployment fell to 5.4%. The 1996 budget deficit of 1.4% of GDP is the lowest for 15 years at $107 bn. Underlying inflation, excluding volatile food and energy prices, is at a 30 year low. Corporate cash flow remained strong and merger activity soared to a new high of over $650 bn. Productivity increased again, driven by continued investment in new technologies. Spending on computer and telecommunications equipment, for example, tripled as a percentage of GDP since 1990.

CHEVRON CORP

INVESTMENT £8,201,000

AN ALLIANCE WITH MCDONALDS IS DEVELOPING A NETWORK OF RETAIL SITES IN THE WESTERN STATES OF THE US.

One of the world's leading oil companies, based in California.

Perhaps the most powerful stock market influences came from savings, where equity mutual funds attracted a massive $223 bn of net new money, nearly double the previous peak, and from the record $175 bn of buy-back proposals. Markets were also heartened by the election which returned the political status quo of President Clinton and a Republican Congress with the notable promise of a bipartisan commitment to continue towards a balanced budget by 2002.

We made net sales of £11m, taking profits in a number of large holdings which had performed well but might suffer from a stronger Dollar such as Abbott, General Electric and Johnson & Johnson. We disposed of a number of holdings, including Anheuser-Busch, Sonoco, Toys R Us and 3M. Life Partners was acquired by Conseco Corp and Premier Industrial by Farnell of the UK. We increased our exposure in the oil service sector through three new holdings in Newpark Resources, Oceaneering and Tidewater, partly financed by reducing Schlumberger and Texaco and the disposal of Consolidated Natural Gas. We also focused on the financial sector by acquiring holdings in Amresco, Penncorp and Western National, adding to AIG, Synovus and TCF, but we took some profits in Comerica and NationsBank and disposed of Crestar following its acquisition of Citizens Bancorp. In the information services area, we bought Ceridian and Imnet, having previously sold out of National Data earlier in the year. In the engineering and industrial applications area, we added to Diebold, Donaldson and Pentair and acquired new holdings in Snap-On and Tower Automotive which should benefit from the continuing trend to outsourcing by the auto industry.

In response to the robust increase in job creation, real wage rates are just beginning to bite now that the recent drop in other employment costs has come to an end. Therefore, although monetary policy, as manifested by interest rates, has been unchanged for over a year now, thanks to the Chairman of the Federal Reserve's skill thus far at fine-tuning the economy, the possibility remains of higher interest rates at any point, although the stronger Dollar may suffice as an alternative, having risen by 6% on a trade weighted basis over the last 12 months. Nowadays, approximately 40% of the top 500 companies' earnings are from abroad and the resulting pressure on profit margins would be added to the prospect of somewhat higher total employment costs at home.

The market's performance, which exceeded all expectations, has become increasingly concentrated with just 5 companies accounting for one-quarter of the gain seen in the S & P 500 Index. We had chosen not to be heavily represented in these, predominantly technology, stocks causing our US portfolio to underperform as a result. We preferred to continue our concentration on holdings with good earnings growth nonetheless, whose valuations have remained undemanding and which hopefully, therefore, provide a more defensive quality looking forward.

If key long standing concerns such as the escalating costs of healthcare and pensions provision continue to be addressed, as is hoped, the effects of any near term interest rate increases are secondary because long term rates could benefit. Moreover, America's flexibility and diversity, the attitude of its workforce and its regained technological leadership still provide a multitude of attractive investment opportunities for the long term.

DIEBOLD INC

INVESTMENT £1,270,000

SELF SERVICE SYSTEMS INCLUDE AUTOMATED BILL PAYMENT TERMINALS

This American company manufactures, installs and services automated transaction systems and security equipment.

HOYA CORP

INVESTMENT £1,945,000

GLASS MAGNETIC MEMORY DISKS

A Japanese company which manufactures glass products for the optical and electronic industries.

FAR EAST

The year started promisingly in Japan with the market recovery which had begun in July 1995 continuing against a backdrop of the softening Yen, record low interest rates and ample liquidity. Moreover, the profits of commercial companies were improving and in many cases were of higher quality than before. These factors attracted sustained buying from foreigners and took the overseas ownership of Japanese equities up to an all time high. By the summer, however, the market began to sag under the weight of a heavy load of new issues and an acceleration of currency weakness. The Yen's fall assists the exporting industries but import costs are higher, particularly of energy and of components, much of whose manufacture had been relocated overseas. In addition, much of the potential benefit for the broader economy of the loose money regime and low interest rates was dissipated away in purchases of higher yielding overseas securities, by institutions and individuals.

The year ended on a particularly weak note coinciding with the aftermath of another general election which saw the Liberal Democratic Party returned as the majority party. Frustration at the lack of apparent progress on deregulation generally, coupled with the government's tentative plans for opening up the already struggling financial sector, put the market into free-fall with weakness particularly evident in banks, which dropped by more than 30% in four months, re-igniting fears for the health of the whole system. The market ended our year down by 15% in Yen terms or by nearly 30% if adjusted for the strong Pound.

We continued to shun the financials when adding £5m to our relatively small Japanese exposure, expanding some of our long term holdings which enjoy strong national and international franchises and some of those companies which appear to be genuinely showing meaningful restructuring. Thus we added to Canon, along with Matsushita the consumer electronics company, Sankyo a pharmaceutical company and Ushio the specialist lamps manufacturer. Among new holdings were Hirose Electric the connector manufacturer, Keyence a specialist in sensor and measuring equipment, Uny a retailer and Sumitomo Electric the cabling company. Disposals included Ito-Yokado the retailer, Kamigumi and Seino the transport related companies, Katokichi the food manufacturer and Sharp the consumer electronics company.

Elsewhere in the East, markets were fairly muted. A significant slowdown of export growth across the region took a heavy toll on those economies most poorly placed to cope. Korea and Thailand suffered particularly badly but our exposure there was fortunately minimal. The attractions of other markets, not least of Wall Street itself, made it difficult for the region to compete for savings inflows.

Hong Kong stood out, rising by 17% over the year. Anxieties about the handover to China came to be outweighed by optimism about the opportunities, especially as signs began to emerge of recovery in the mainland Chinese economy. We added some £4m to holdings which could benefit from that broader Hong Kong influence. These were the bank, HSBC, and the conglomerates Hutchison Whampoa and Citic Pacific. A new holding was New World Infrastructure, a company with direct interests in China. Our holding in Hong Kong Telecom was sold, as was China Light and Power which was replaced by Hong Kong Gas.

We were active in Malaysia where we purchased KFC the restaurant chain, Guinness the brewer, New Straits Times the newspaper publisher and IOI the plantation and property company, while we reduced our stake in YTL, the construction company. In Singapore we added to Wing Tai the property company, while Fraser & Neave the drinks and property group was sold. In Thailand we sold Siam Cement and Tipco Asphalt the road paving company.

New holdings in Australia included Woodside the oil and gas exploration company and Southcorp, a conglomerate which has significant interests in packaging and the wine industry. The effects of weak commodity prices were cushioned by a rally in bonds in the second half year. Our holdings did relatively well in an equity market which showed a moderate increase of 6% in local currency or 2% in Sterling terms over the year as a whole.

L-R Neil Anderson, Kevin Dann
Seated Alisdair Dobie, Gavin Suggett, Sheila Ruckley

BANKING AND SAVINGS OPERATIONS

The banking and savings businesses are managed by the Alliance Trust (Finance) Group ("ATF") in which the Company has a 75% interest, the remaining 25% of ATF being owned by The Second Alliance Trust PLC. Following the successful sale of its asset finance business last year, ATF's capital of £27m which had been built up to support the leasing book became excessive.

In April, £12m was loaned to the parent companies, free of interest, to reduce the effective capital and to allow the funds to be invested elsewhere. ATF's remaining funds continue to be held in gilts and short term deposits, covering the client deposit balances which have increased by 20% to £32m.

Net profits for the year at £1.9m represented a 12.7% net return on capital and a small increase over last year, despite the income foregone on the £12m loan. This increase was achieved from the residual lease management business and from growth in the savings products.

Savings Products

Alliance Trust Savings Limited ("ATS"), which administers the Alliance PEP and the Savings Scheme, contributed higher profits through a 24% increase in revenue and a similar increase in the value of client assets, which now stand at over £400m.

During the year efforts were concentrated on improvement of the Alliance PEP, the recruitment and training of staff, the implementation of CREST and the development of new products. A new departmental structure was also put into place to facilitate further expansion.

The improvements to the Alliance PEP, forecast last year, of more frequent dealing and streamlined paperwork were implemented and, in addition, the development of new systems has led to significant savings in dealing costs for clients. These changes have been very well received and it is proposed to extend them to the Savings Scheme and other products in the coming year.

Whilst the immediate political future brings some uncertainties with regard to tax efficient savings products, it is clear that any government needs to encourage independent saving and investment for retirement. With this in mind, ATS has concentrated on providing transparent, flexible, cost effective investment vehicles for a wide spectrum of private investors. It should continue to prosper.

FIFTY LARGEST EQUITY INVESTMENTS

Company	Value £000	Main Activity	Country of Incorporation
Shell Transport & Trading	57,450	Oil	UK
Rentokil Initial	32,440	Support Services	UK
British Telecommunications	25,150	Telecommunications	UK
Standard Chartered	21,684	Banking	UK
Alliance Trust (Finance) Limited*	20,905	Banking	UK
Marks & Spencer	20,848	Retailing	UK
Gehe	19,179	Pharmaceutical Distributor	Germany
Johnson & Johnson	17,947	Health Care	USA
General Electric	16,857	Diversified Industrial & Finance	USA
Zeneca	16,828	Pharmaceuticals	UK
Electrocomponents	16,621	Distributors	UK
EMAP	15,708	Media	UK
National Westminster Bank	15,206	Banking	UK
Stakis	14,143	Leisure & Hotels	UK
Great Universal Stores	13,764	Retailing	UK
British Petroleum	13,476	Oil	UK
Reckitt & Colman	13,076	Miscellaneous Consumer	UK
Glaxo-Wellcome	12,924	Pharmaceuticals	UK
Scottish & Newcastle	12,655	Breweries, Pubs & Restaurants	UK
British Aerospace	12,532	Engineering	UK
SmithKline Beecham	12,375	Pharmaceuticals	UK
Granada Group	12,213	Leisure & Hotels	UK
BAT Industries	11,732	Miscellaneous Consumer	UK
Unilever	11,255	Food Producer	UK
Lloyds TSB	10,508	Banking	UK
Bass	10,487	Breweries, Pubs & Restaurants	UK
General Electric	10,274	Electronics & Electricals	UK
Bristol-Myers Squibb	9,966	Pharmaceuticals	USA
Wal-Mart Stores	9,942	Retailing	USA
Merck	9,891	Pharmaceuticals	USA
PepsiCo	9,663	Food Producers	USA
Prudential	9,468	Life Assurance	UK
Carlton Communications	9,459	Media	UK
Abbott Laboratories	9,142	Health Care	USA
Slough Estates	9,026	Property	UK
Bank of Scotland	8,989	Banking	UK
General Accident	8,876	Insurance	UK
Ahold	8,763	Retailing	Netherlands
Hays	8,537	Support Services	UK
Independent Insurance	8,313	Insurance	UK
Chevron	8,201	Oil	USA
British Biotech	8,198	Pharmaceuticals	UK
Spirax-Sarco	7,906	Engineering	UK
Evans of Leeds	7,663	Property	UK
Argos	7,623	Retailing	UK
First Data	7,548	Computer Services	USA
Marsh & McLennan	7,524	Insurance Broker	USA
Astra	7,219	Pharmaceuticals	Sweden
EMI Group	6,962	Media	UK
Securicor	6,832	Telecommunications	UK

* Subsidiary company

The above investments represent 51.0% of the Company's total equity holdings.

CLASSIFICATION OF INVESTMENTS

CLASSIFICATION

	UK	Continental Europe	North America	Far East	**Total 1997**	Total 1996
EQUITIES						
(INCLUDING CONVERTIBLES*)	%	%	%	%	%	%
Mineral Extractions	**5.4**	**0.1**	**2.6**	**0.3**	**8.4**	7.4
Extractive Industries	—	—	—	0.2	**0.2**	0.3
Oil	5.4	0.1	2.6	0.1	**8.2**	7.1
General Industrials	**6.1**	**1.8**	**4.8**	**3.3**	**16.0**	16.9
Building & Construction	0.5	0.2	0.1	0.8	**1.6**	2.1
Chemicals	1.0	0.5	1.2	0.3	**3.0**	2.9
Diversified Industrials	0.3	0.3	—	0.6	**1.2**	2.0
Electronic & Electrical Equipment	1.1	0.5	1.9	0.7	**4.2**	4.1
Engineering	2.6	0.3	1.1	0.7	**4.7**	4.1
Paper, Packaging & Printing	0.6	—	0.5	0.2	**1.3**	1.7
Consumer Goods	**8.5**	**3.6**	**5.4**	**0.4**	**17.9**	18.6
Alcoholic Beverages	0.9	—	—	0.1	**1.0**	1.2
Food Producers	1.3	0.2	1.0	—	**2.5**	3.3
Health Care	0.3	1.6	1.9	—	**3.8**	3.7
Pharmaceuticals	4.0	1.4	2.1	0.3	**7.8**	7.1
Miscellaneous Consumer	2.0	0.4	0.4	—	**2.8**	3.3
Services	**18.0**	**3.2**	**5.2**	**2.6**	**29.0**	28.7
Distributors	1.2	0.1	—	—	**1.3**	1.3
Leisure & Hotels	2.5	—	0.1	0.3	**2.9**	2.3
Media	2.9	—	0.4	0.3	**3.6**	3.8
Retailers	5.3	1.8	1.6	0.4	**9.1**	10.0
Breweries, Pubs & Restaurants	2.8	—	—	—	**2.8**	2.6
Support & Other Services	3.3	1.3	3.1	1.6	**9.3**	8.6
Transport	—	—	—	—	—	0.1
Utilities	**3.1**	**0.5**	**3.1**	**0.4**	**7.1**	8.5
Water, Electricity & Gas	0.4	0.4	0.8	0.2	**1.8**	2.9
Telecommunications	2.7	0.1	2.3	0.2	**5.3**	5.6
Financials	**10.8**	**1.0**	**2.7**	**2.9**	**17.4**	16.4
Banks	4.6	0.4	1.0	1.7	**7.7**	7.4
Insurance	2.9	0.2	1.2	0.1	**4.4**	3.8
Property	1.6	—	0.2	0.7	**2.5**	2.4
Investment Trusts	0.2	0.4	—	0.4	**1.0**	1.2
Other Financials	1.5	—	0.3	—	**1.8**	1.6
Total Equities	**51.9**	**10.2**	**23.8**	**9.9**	**95.8**	96.5
FIXED INTEREST						
Preference and Loan Stocks	0.2	—	—	—	**0.2**	0.2
Total Investments	**52.1**	**10.2**	**23.8**	**9.9**	**96.0**	96.7
OTHER NET ASSETS	**0.3**	**0.6**	**3.0**	**0.1**	**4.0**	3.3
TOTAL ASSETS LESS CURRENT LIABILITIES						
1997 £1,358.8m	**52.4**	**10.8**	**26.8**	**10.0**	**100.0**	
1996 £1,228.3m	52.0	10.6	26.1	11.3		100.0

* Convertibles represent 2.0% (2.6%)

REPORT OF THE DIRECTORS

The directors present their report and the accounts for the year ended 31st January 1997.

BUSINESS

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

DIVIDENDS

The Board recommends a final dividend of 38.5p per ordinary stock unit which, together with the interim of 17p paid on 4th October 1996, makes a total of 55.5p for the year compared with 53p for the previous year. A surplus of £1,566,000 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 1996 and has subsequently directed its affairs to enable it to continue to seek such approval.

DIRECTORS AND OFFICERS

Sir Robert Smith retired from the Board on 19th April 1996. The present directors, listed below, all served throughout the year. The Articles of the Company require only the retiral by rotation of the director who has been longest in office since last election, but by Board resolution one third of the directors, including executive directors, retire each year. Mr Bruce W M Johnston, a non-executive director, who does not have a service contract with the Company, retires and, being eligible, offers himself for re-election. Mr Gavin R Suggett, an executive director, the terms of whose service contract are disclosed in the report of the Remuneration Committee, also retires and, being eligible, offers himself for re-election.

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 1997		1st February 1996	
	Beneficial	**Non-Beneficial**	Beneficial	Non-Beneficial
William Berry	**566**	**75,752**	750	86,317
Bruce W M Johnston	**200**	**14,536**	200	14,536
W Nelson Robertson	**1,000**	**1,000**	200	1,000
Gavin R Suggett	**414**	**6,474**	414	6,371
Andrew F Thomson	**10,338**	**157,068**	10,314	158,318
Alan M W Young	**1,390**	**—**	1,324	—

On 26th February 1997 Mr Suggett acquired 42 ordinary stock units, non-beneficially, through the Alliance Dividend and Savings Investment Scheme. There have been no other changes in the above holdings between 31st January and 17th March 1997.

Mr Alisdair J Dobie was appointed Deputy Company Secretary of the Company with effect from 17th February 1997.

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 throughout the year with the provisions of the Cadbury Committee's Code of Best Practice. A report on internal financial controls follows below.

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 audit committee consists of four non-executive directors and meets at least three times a year.

The Company has complied throughout the year with Section A of the best practice provisions annexed to the Listing Rules. These best practice provisions relate to the establishment and conduct of the remuneration committee, whose report is given on page 16.

Internal Financial Controls

A statement concerning the internal financial controls operational within the Company and its subsidiaries is now a requirement following the Report of the Cadbury Committee on the Financial Aspects of Corporate Governance. These financial controls have, however, always been a subject of importance to the Board and management.

The purpose of these internal controls is to minimise the risk of loss through incompetence, mistake or fraud, whilst allowing the Group to benefit from investment opportunities and take appropriate business risks where conflicts inevitably arise between risk and return. The Board acknowledges and accepts responsibility for the systems of internal financial controls and for judging the balance to be struck, taking into account the reasonable expectations of its stockholders and the regulatory and business environment in which the Group operates. Systems of internal control can provide only reasonable and not absolute assurance against material misstatement or loss, but the Board regards it as one of its main responsibilities to keep such systems under review and to enhance them where appropriate. The control mechanisms include:

(1) **Division of Powers.** The Board presently consists of two executive directors and four non-executive directors including the Chairman. It is the intention always to maintain a majority of non-executives and a separation of the functions of Chairman and Managing Director. Non-executive directors also make up the entire complement of the Audit Committee and the Remuneration Committee which have freedom of access to records, staff and outside advisers including internal and external auditors.

(2) **Segregation of Duties.** To the extent possible within a small organisation without creating inefficiency, work is divided in such a way as to reduce the chance of any one individual being able to execute a transaction from inception to completion without other members of staff becoming involved. Thus, for instance, investment decisions are made and carried out by staff other than those who arrange settlement and information technology staff do not handle funds or administration. Important areas of the business which relate to strategy and risk are reserved for decision by the Board, leaving implementation of policy to senior management.

(3) **Reporting and Internal Communication.** An essential element of the Group's operation in maintaining continuity and control is a close working environment with clear, prompt and accurate reporting.

The Group operates from an office in Dundee, has no branches elsewhere in the UK or abroad, employs staff who live within the area and has a relatively low level of staff turnover. The directors meet formally as a Board monthly and informally most weeks and non-executive directors therefore have regular contact with the executives and senior management. At Board meetings regular reports on liquidity, investment changes, income flows and performance are examined as part of the process of monitoring activity, and information is provided on the opportunities and risks facing the Group.

(4) **Monitoring.** In addition to the high level monitoring of the business by the Board as a whole, monitoring and checking are carried out at other levels. The Audit Committee reviews the effectiveness of internal financial controls throughout the Group, consults with the external auditors following audit visits and determines the audit programme of the internal auditors, an independent firm of Chartered Accountants. Alliance Trust (Finance) Limited is subject to supervision under the Banking Act 1987 and Alliance Trust Savings Limited is regulated by the Personal Investment Authority which similarly supervises and examines the investment business of that company.

All the above control mechanisms have been in place throughout the year and a review of the effectiveness of the internal control systems has been undertaken.

PAYMENT OF CREDITORS POLICY

It is the Company's policy to obtain the best terms for all business and, thus, there is no single policy as to the terms used. In agreements negotiated with suppliers, the Company endeavours to include and abide by specific payment terms.

DONATIONS

No political or charitable donations have been made during the year.

AUDITOR

KPMG Audit Plc has indicated its willingness to continue in office. A resolution concerning its re-appointment and remuneration will be submitted at the annual general meeting.

By order of the Board
S M Ruckley
S M Ruckley
Secretary

Dundee, 17th March 1997

REPORT OF THE REMUNERATION COMMITTEE

The remuneration committee consists of all the non-executive directors, Mr Andrew F Thomson (chairman), Mr William Berry, Mr Bruce W M Johnston, and Mr W Nelson Robertson.

Full consideration has been given to Section B of the best practice provisions annexed to the Listing Rules. These provisions relate to directors' remuneration and cover remuneration policy, service contracts and compensation.

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 to manage the affairs of the Company.

The emoluments of each executive director comprise salary, the use of a company car, and immediate family cover under a private medical insurance scheme. Each executive director is also a member of the Company's defined benefit non-contributory pension scheme which is open to all qualifying employees. Mr Alan M W Young's pensionable service is being enhanced by the payment of additional contributions to the scheme, commencing in the year to 31st January 1997. This is consistent with independent advice received by the committee.

No share option, bonus or other incentive schemes are in force.

Executive directors have service contracts terminable by the Company on one year's notice. They also have service contracts with The Second Alliance Trust PLC.

Non-executive directors receive fees only, the maximum aggregate total of which is determined by the stockholders in general meeting.

Full details of directors' remuneration are given in note 4 to the financial statements on page 24.

Resolutions for the re-election of Mr Bruce W M Johnston and Mr Gavin R Suggett as directors are referred to in the report of the directors. Mr Johnston, as a non-executive director, does not have a service contract with the Company. Mr Suggett's service contract is terminable on one year's notice as described above.

Andrew F Thomson
On behalf of the Board
Andrew F Thomson
Chairman, Remuneration Committee

Dundee, 17th March 1997

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 1997 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 AUDITOR

to the Members of The Alliance Trust PLC

We have audited the financial statements on pages 18 to 32.

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 1997 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

KPMG Audit Plc
Chartered Accountants
Registered Auditor
Royal Exchange
Dundee

17th March 1997

CONSOLIDATED STATEMENT OF TOTAL RETURN

for the year ended 31st January 1997

	Notes	1997 Revenue £000	1997 Capital £000	1997 Total £000	1996 Revenue £000	1996 Capital £000	1996 Total £000
Total income	2						
Continuing operations		44,405			43,314		
Discontinued operations		—			1,617		
		44,405	—	44,405	44,931	—	44,931
Expenses	3	(3,060)	—	(3,060)	(2,797)	—	(2,797)
Realised gains on investments	9	—	25,048	25,048	—	27,750	27,750
Increase in unrealised appreciation	9	—	107,202	107,202	—	239,555	239,555
Surplus on revaluation of office premises		—	—	—	—	50	50
Foreign exchange (losses) gains		—	(3,318)	(3,318)	—	1,955	1,955
Net return before interest payable and taxation							
Continuing operations		41,345			40,586		
Discontinued operations		—			1,548		
		41,345	128,932	170,277	42,134	269,310	311,444
Exceptional item							
Gain on disposal of discontinued operations	11c	—	—	—	2,353	—	2,353
		41,345	128,932	170,277	44,487	269,310	313,797
Interest payable	5	(1,084)	—	(1,084)	(2,465)	—	(2,465)
Return before taxation		40,261	128,932	169,193	42,022	269,310	311,332
Taxation	6	(9,584)	—	(9,584)	(9,852)	—	(9,852)
		30,677	128,932	159,609	32,170	269,310	301,480
Minority interest - equity		(445)	12	(433)	(1,110)	(60)	(1,170)
Return after taxation							
Continuing operations		30,232			29,100		
Discontinued operations		—			1,960		
		30,232	128,944	159,176	31,060	269,250	300,310
Dividends on preference stocks - non-equity	7	(68)	—	(68)	(68)	—	(68)
Return attributable to equity stockholders		30,164	128,944	159,108	30,992	269,250	300,242
Dividends on ordinary stock - equity	7	(27,972)	—	(27,972)	(26,712)	—	(26,712)
Transfer to reserves		2,192	128,944	131,136	4,280	269,250	273,530

	Notes	1997 Earnings	1997 Capital	1997 Total	1996 Earnings	1996 Capital	1996 Total
Return per ordinary stock unit	8						
Continuing and discontinued operations		59.85p	255.84p	315.69p	61.49p	534.23p	595.72p
Continuing operations only		59.85p	255.84p	315.69p	57.60p	534.23p	591.83p

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

COMPANY STATEMENT OF TOTAL RETURN

for the year ended 31st January 1997

	Notes	1997 Revenue £000	1997 Capital £000	1997 Total £000	1996 Revenue £000	1996 Capital £000	1996 Total £000
Investment Income							
UK dividends		25,170	—	25,170	23,677	—	23,677
UK interest		128	—	128	128	—	128
Overseas dividends		10,991	—	10,991	10,678	—	10,678
Overseas interest		190	—	190	299	—	299
Mineral rights income		382	—	382	287	—	287
Dividends from subsidiary		891	—	891	891	—	891
	2	37,752	—	37,752	35,960	—	35,960
Other Income							
Deposit interest		2,506	—	2,506	3,178	—	3,178
Underwriting commission		136	—	136	85	—	85
		2,642	—	2,642	3,263	—	3,263
Total Income		40,394	—	40,394	39,223	—	39,223
Expenses	3	(1,828)	—	(1,828)	(1,702)	—	(1,702)
Realised net gains on investments	9	—	24,954	24,954	—	27,750	27,750
Increase in unrealised appreciation	9	—	107,934	107,934	—	242,112	242,112
Surplus on revaluation of office premises		—	—	—	—	50	50
Foreign exchange (losses)gains		—	(3,318)	(3,318)	—	1,955	1,955
Net return before interest payable and taxation		38,566	129,570	168,136	37,521	271,867	309,388
Interest payable	5	(88)	—	(88)	(92)	—	(92)
Return before taxation		38,478	129,570	168,048	37,429	271,867	309,296
Taxation	6	(8,872)	—	(8,872)	(8,986)	—	(8,986)
Return after taxation		29,606	129,570	159,176	28,443	271,867	300,310
Dividends on preference stocks - non equity	7	(68)	—	(68)	(68)	—	(68)
Return attributable to equity stockholders		29,538	129,570	159,108	28,375	271,867	300,242
Dividends on ordinary stock - equity	7	(27,972)	—	(27,972)	(26,712)	—	(26,712)
Transfer to reserves		1,566	129,570	131,136	1,663	271,867	273,530
Return per ordinary stock unit	8	**Earnings**	**Capital**	**Total**	**Earnings**	**Capital**	**Total**
		58.61p	257.08p	315.69p	56.30p	539.42p	595.72p

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 31st January 1997

	Notes	Group 1997 £000	Group 1996 £000	Company 1997 £000	Company 1996 £000
Fixed assets					
Investments	9	**1,310,324**	1,194,560	**1,305,893**	1,189,571
Office Premises	10	**500**	500	**500**	500
		1,310,824	1,195,060	**1,306,393**	1,190,071
Current assets					
Debtors	12	**12,662**	15,283	**7,498**	12,171
Cash at bank and in hand		**98,487**	75,636	**75,315**	46,224
		111,149	90,919	**82,813**	58,395
Creditors: amounts falling due within one year	13	**(56,219)**	(50,952)	**(30,420)**	(20,215)
Net current assets		**54,930**	39,967	**52,393**	38,180
Total assets less current liabilities		**1,365,754**	1,235,027	**1,358,786**	1,228,251
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
Provisions for liabilities and charges	14	**—**	604	**—**	601
Minority Interest - equity		**6,968**	6,773	**—**	—
		8,616	9,025	**1,648**	2,249
Capital and reserves					
Called-up share capital	15	**14,800**	14,800	**14,800**	14,800
Other reserves					
Capital reserve - realised	16	**605,313**	583,607	**604,103**	582,467
Capital reserve - unrealised	16	**705,506**	598,268	**720,955**	613,021
Revenue reserve	16	**31,519**	29,327	**17,280**	15,714
Total stockholders' funds		**1,357,138**	1,226,002	**1,357,138**	1,226,002
		1,365,754	1,235,027	**1,358,786**	1,228,251
Total stockholders' funds are attributable to:					
Equity stockholders	17	**1,354,938**	1,223,802	**1,354,938**	1,223,802
Non-equity stockholders	17	**2,200**	2,200	**2,200**	2,200
		1,357,138	1,226,002	**1,357,138**	1,226,002
Net asset value per ordinary stock unit	18	**£26.88**	£24.28	**£26.88**	£24.28

The financial statements on pages 18 to 32 were approved by the Board on 17th March 1997 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 for the year ended 31st January 1997

	Notes	Group 1997 £000	Group 1996 £000	Company 1997 £000	Company 1996 £000
Operating activities					
Investment income received		34,522	31,554	32,664	31,231
Deposit interest received		4,545	6,219	3,542	2,968
Underwriting commission received		136	85	136	85
Savings products revenue received		984	872	—	—
Miscellaneous income received		87	95	—	—
Lease financing		—	4,963	—	—
Loans and advances		(1,902)	1,289	—	—
Amounts due to depositors		5,050	7,190	—	—
Expenses		(2,980)	(2,721)	(1,678)	(1,737)
Net cash inflow from operating activities	20	40,442	49,546	34,664	32,547
Servicing of finance					
Interest paid		(1,135)	(2,465)	(88)	(92)
Dividends paid on preference stocks		(68)	(68)	(68)	(68)
Dividends paid on ordinary stock		(27,216)	(25,704)	(27,216)	(25,704)
Dividends paid to minority interests		(238)	(238)	—	—
Net cash outflow from servicing of finance		(28,657)	(28,475)	(27,372)	(25,864)
Taxation					
UK corporation tax paid		(4,173)	(4,033)	(2,780)	(2,485)
Overseas tax paid		(1,440)	(1,388)	(1,440)	(1,388)
Tax paid		(5,613)	(5,421)	(4,220)	(3,873)
Investing activities					
Purchase of investments		(99,015)	(116,342)	(94,731)	(104,997)
Disposal of investments		119,012	79,216	115,068	79,216
Disposal of leasing business	11c	—	18,304	—	—
Net cash inflow(outflow) from investing activities		19,997	(18,822)	20,337	(25,781)
Net cash inflow(outflow) before financing		26,169	(3,172)	23,409	(22,971)
Financing					
Loan from Alliance Trust (Finance) Limited		—	—	9,000	—
Net cash inflow from financing		—	—	9,000	—
INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	19	26,169	(3,172)	32,409	(22,971)

1. ACCOUNTING POLICIES

(1) Basis of Accounting

The 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 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 31st January 1997, made up to the same date. The results of subsidiaries sold are included in the consolidated statement of total return up to the date control passes.

(2) Valuation of 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. 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. 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) Taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences.

(6) 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 and currency held at the year end are accounted for in the unrealised capital reserve. Profits on the sale of the leasing business achieved through the disposal of subsidiaries are taken to revenue.

(7) 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.

	1997 Listed £000	1997 Unlisted £000	1996 Listed £000	1996 Unlisted £000
2. INCOME				
Group				
Investment income - continuing operations				
UK dividends	**24,871**	**299**	23,677	—
UK interest	**2,124**	**—**	1,328	70
Overseas dividends	**10,991**	**—**	10,678	—
Overseas interest	**190**	**—**	282	17
Mineral rights income	**—**	**382**	—	287
	38,176	**681**	35,965	374
		38,857		36,339
Other income - continuing operations				
Deposit interest (note 5)	**3,814**		5,911	
Underwriting commission	**136**		85	
Savings products revenue	**1,079**		872	
Miscellaneous	**519**		107	
		5,548		6,975
Other income - discontinued operations				
Gross earnings on finance leases (note 11b)		**—**		1,617
		44,405		44,931
Company				
UK	**24,999**	**1,190**	23,734	961
Overseas	**11,082**	**481**	10,961	304
	36,081	**1,671**	34,695	1,265
		37,752		35,960

	Group 1997 £000	Group 1996 £000	Company 1997 £000	Company 1996 £000
3. EXPENSES				
Directors' remuneration (note 4)	**309**	297	**296**	286
Staff salaries	**1,026**	862	**514**	448
Social security costs	**105**	91	**62**	58
Pension contributions	**273**	236	**135**	120
Auditors' remuneration for:				
- audit	**31**	27	**16**	13
- other services to the Company and its subsidiaries	**13**	7	**13**	7
Other	**1,303**	1,277	**792**	770
	3,060	2,797	**1,828**	1,702

The management and administration expenses of the Company amounted to £1,828,000 (£1,702,000) representing 0.13% (0.14%) of total assets less current liabilities of £1,358,786,000 (£1,228,251,000).

Apart from £69,000 included in the 1996 Group figures all of the above expenses relate to continuing operations.

The Group employs 61 (50) full time and 15 (13) part time staff, excluding directors, the cost of whom is shared with The Second Alliance Trust PLC. No bonus or share option schemes for staff are in operation.

	Group 1997 £	Group 1996 £	Company 1997 £	Company 1996 £
4. DIRECTORS' EMOLUMENTS				
Fees	51,300	45,125	38,475	33,917
Management remuneration	193,695	209,306	193,695	209,306
Company pension scheme contributions	64,256	42,829	64,256	42,829
	309,251	297,260	296,426	286,052

No share option, bonus or other incentive schemes are in force.

Particulars of directors' remuneration were:	Group 1997 £	Group 1996 £	Company 1997 £	Company 1996 £
Chairman (for whom no pension contributions are payable) - To 19.4.96	3,467	15,500	2,600	11,666
Chairman (for whom no pension contributions are payable) - From 19.4.96	15,667	—	11,750	—
Highest paid director (excluding pension contributions)	103,183	94,098	103,183	94,098
Highest paid director (including pension contributions)	131,735	117,363	131,735	117,363

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

£0	—	£5,000	1	(—)	80,001	—	85,000	—	(1)
5,001	—	10,000	3	(3)	90,001	—	95,000	1	(1)
15,001	—	20,000	1	(1)	100,001	—	105,000	1	(—)
30,001	—	35,000	—	(1)					

Details of remuneration

	Basic Salary £	Taxable Benefits £	Pension Contributions* £	Total Emoluments Excluding Pension Contributions £	Total Emoluments Including Pension Contributions £
1997					
Executive					
Gavin R Suggett	100,000	3,183	28,552	103,183	131,735
Alan M W Young	85,000	5,512	35,704†	90,512	126,216
	185,000	8,695	64,256	193,695	257,951
1996					
Executive					
Gavin R Suggett	90,938	3,160	23,265	94,098	117,363
Alan M W Young	76,406	5,499	19,564	81,905	101,469
Lyndon Bolton (retired 30.4.95)	29,063	4,240	—	33,303	33,303
	196,407	12,899	42,829	209,306	252,135

	Group 1997 £	Group 1996 £	Company 1997 £	Company 1996 £
Non-Executive - Fees only				
William Berry	10,000	9,875	7,500	7,417
Bruce W M Johnston	17,833	9,875	13,375	7,417
W Nelson Robertson (Appointed 1.2.96)	10,000	—	7,500	—
Sir Robert Smith (Retired 19.4.96)	3,467	15,500	2,600	11,666
Andrew F Thomson	10,000	9,875	7,500	7,417
	51,300	45,125	38,475	33,917

*As the Stock Exchange has not yet published Listing Rules in implementation of the Institute of Actuaries Guidelines regarding the disclosure of pension benefits, the amounts disclosed are the contributions paid by the Company.

† Includes £11,382 (£nil) in respect of funding for enhanced pensionable service.

	Group 1997 £000	Group 1996 £000	Company 1997 £000	Company 1996 £000
5. INTEREST PAYABLE - ALL CHARGED TO REVENUE				
On debentures, bank loans, overdrafts and other loans				
Continuing operations				
Repayable within 5 years, not by instalments	**1,010**	1,197	**14**	18
Repayable wholly or partly in more than 5 years	**74**	74	**74**	74
	1,084	1,271	**88**	92
Discontinued operations				
Repayable within 5 years, not by instalments	—	1,194		
Total payable	**1,084**	2,465	**88**	92

The prior year's interest cost of financing the working capital requirements of the discontinued business included intra-Group interest payments of £1,194,000. The corresponding adjustment was made to the Group deposit interest income figure disclosed in note 2.

6. TAX ON NET REVENUE ON ORDINARY ITEMS - ALL CHARGED TO REVENUE

	Group 1997 £000	Group 1996 £000	Company 1997 £000	Company 1996 £000
Continuing operations				
UK corporation tax at 33%	**5,526**	5,298	**4,633**	4,148
Overseas taxation	**1,440**	1,388	**1,440**	1,388
Tax attributable to franked investment income	**4,662**	4,566	**4,840**	4,745
Deferred taxation	**(604)**	(106)	**(601)**	93
	11,024	11,146	**10,312**	10,374
Relief for overseas taxation	**(1,440)**	(1,388)	**(1,440)**	(1,388)
	9,584	9,758	**8,872**	8,986
Discontinued operations				
UK corporation tax at 33%	—	265		
Deferred taxation	—	(171)		
	—	94		
Total taxation	**9,584**	9,852	**8,872**	8,986

The taxation charge attributed to the discontinued leasing operations of the Group included tax on intra-Group interest payments referred to in note 5.

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.

	Group & Company 1997 £000	Group & Company 1996 £000

7. DIVIDENDS

Dividends on non-equity stock units

	1997 £000	1996 £000
Preference -		
4¼% (now 2.975% + tax credit) cumulative preference stock	**21**	21
4% (now 2.8% + tax credit) cumulative preference stock	**18**	18
5% (now 3.5% + tax credit) cumulative preference stock	**26**	26
4% (now 2.8% + tax credit) 'A' cumulative preference stock	**3**	3
	68	68
Dividends on equity stock units		
Ordinary -		
interim paid of 17.0p (16.0p) per stock unit	**8,568**	8,064
final proposed of 38.5p (37.0p) per stock unit	**19,404**	18,648
	27,972	26,712

8. RETURN PER ORDINARY STOCK UNIT

The calculated return per ordinary stock unit is based on the issued share capital of 50,400,000 ordinary stock units and the applicable financial information below:

	Group		Company	
	1997 £000	1996 £000	1997 £000	1996 £000
Earnings -				
Continuing and discontinued operations	**30,164**	30,992	**29,538**	28,375
Continuing operations only	**30,164**	29,032		
Capital	**128,944**	269,250	**129,570**	271,867
Total	**159,108**	300,242	**159,108**	300,242

	Group		Company	
	1997	1996	1997	1996
	£000	£000	£000	£000
9. INVESTMENTS				
Investments listed on a recognised investment exchange	1,306,103	1,190,647	1,280,767	1,165,335
Unlisted investments	4,221	3,913	4,221	3,913
Subsidiary companies (note 11)	—	—	20,905	20,323
	1,310,324	1,194,560	1,305,893	1,189,571

	Group	Company		
	Investments	Investments	Subsidiary	Total
	£000	£000	£000	£000
Opening book cost	596,567	571,481	5,400	576,881
Opening unrealised appreciation	597,993	597,767	14,923	612,690
Opening valuation	1,194,560	1,169,248	20,323	1,189,571
Movements in the year				
Amortisation	(261)	—	—	—
Purchases at cost	99,718	95,433	—	95,433
Sales - proceeds	(115,943)	(111,999)	—	(111,999)
- realised gains on sales	25,048	24,954	—	24,954
Increase in unrealised appreciation	107,202	107,352	582	107,934
Closing valuation	1,310,324	1,284,988	20,905	1,305,893
Closing book cost	605,129	579,869	5,400	585,269
Closing unrealised appreciation	705,195	705,119	15,505	720,624
	1,310,324	1,284,988	20,905	1,305,893

A list of the fifty largest investments by their aggregate market value and a geographical analysis of the investment portfolio by broad industrial or commercial sector are given on pages 12 and 13.

10. OFFICE PREMISES

	Group & Company	
	1997	1996
	£000	£000
Freehold / Heritable property		
Opening valuation	500	450
Surplus on revaluation	—	50
Closing valuation	500	500

The historical cost of the office premises is £170,000.

11. SUBSIDIARY COMPANIES

The Company has the following subsidiary companies:

Name	Country of incorporation or registration	Description of shares held	Principal Activity	Country of Operation
Alliance Trust (Finance) Limited	Scotland	Ordinary	Deposit Taking	United Kingdom
Alliance Trust Leasing Limited	Scotland	Ordinary	Leasing Administration (As principal and agent)	United Kingdom
Alliance Trust Savings Limited	Scotland	Ordinary	PEP and Savings Scheme Management	United Kingdom

The Company owns 75% of Alliance Trust (Finance) Limited ("ATF"). ATF owns 100% of Alliance Trust Leasing Limited and Alliance Trust Savings Limited.

a. Subsidiary company valuation

The investment in ATF is valued in the Company's accounts at £20,905,000 (£20,323,000) 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 1997 is given below:-

	1997 £000	1996 £000
Government securities (see below)	25,260	25,140
Money at call and short notice	23,172	29,412
Loans to parent companies	12,000	—
Total assets	60,432	54,552
Financed by:		
Amounts due to depositors	32,372	26,984
Creditors less debtors	263	641
Deferred tax	—	3
	32,635	27,628
Shareholders' funds	27,797	26,924
	60,432	54,552

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 £25,335,000 (£25,313,000).

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

b. Gross earnings on finance leases

	1997	1996
Rentals received and plant and equipment sale proceeds	—	7,681
Amortisation	—	(6,064)
	—	1,617

11. SUBSIDIARY COMPANIES (CONT'D)

	1997 £000	1996 £000
c. Sale proceeds and gain on disposal of leasing business		
Net assets disposed of:		
Finance lease receivables	—	19,955
Other net liabilities	—	(747)
	—	19,208
Deferred tax and other provisions released	—	(3,257)
	—	15,951
Gain on disposal	—	2,353
Cash consideration	—	18,304

25% of the gain on disposal was attributable to the minority interest.

	1997 £000	1996 £000
d. Purchase of plant and equipment during the year for lease on finance leases	—	2,297

12. DEBTORS

	Group 1997 £000	Group 1996 £000	Company 1997 £000	Company 1996 £000
Amounts due from brokers	3,785	1,650	3,785	1,650
Loan to The Second Alliance Trust PLC	3,000	—	—	—
Taxation recoverable	941	1,033	941	1,033
Prepayments and accrued income	3,440	4,488	2,756	4,032
Other debtors	1,496	8,112	16	5,456
	12,662	15,283	7,498	12,171

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 1997 £000	Group 1996 £000	Company 1997 £000	Company 1996 £000
Amounts due to depositors	32,372	26,984	—	—
Amounts due to brokers	709	514	709	515
UK corporation tax payable	1,679	1,858	1,171	850
Loan from Alliance Trust (Finance) Limited	—	—	9,000	—
Proposed dividends	19,438	18,682	19,438	18,682
Other creditors	2,021	2,914	102	168
	56,219	50,952	30,420	20,215

	Group 1997 £000	Company 1997 £000
14. PROVISIONS FOR LIABILITIES AND CHARGES		
The movement on deferred taxation comprises:		
Beginning of year -		
Timing differences related to income	752	601
Accelerated capital allowances	(148)	—
	604	601
Transfer (to)from revenue:		
Timing differences related to income	(752)	(601)
Accelerated capital allowances	148	—
End of year	—	—

There is no material amount of unprovided deferred taxation

	Group & Company 1997 £000	1996 £000
15. CALLED-UP SHARE CAPITAL		
Authorised, allotted, called-up and fully paid		
50,400,000 ordinary stock units of 25p each	12,600	12,600
$4\frac{1}{4}$% (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
	14,800	14,800

	Group			Company		
	Capital reserve realised £000	Capital reserve unrealised £000	Revenue reserve £000	Capital reserve realised £000	Capital reserve unrealised £000	Revenue reserve £000
16. RESERVES						
Beginning of year	583,607	598,268	29,327	582,467	613,021	15,714
Exchange difference	(3,318)	—	—	(3,318)	—	—
Net gain on realisation of investments	25,048	—	—	24,954	—	—
Increase in unrealised appreciation	—	107,202	—	—	107,934	—
Minority interest	(24)	36	—	—	—	—
Retained net revenue for the year	—	—	2,192	—	—	1,566
End of year	605,313	705,506	31,519	604,103	720,955	17,280

	Group 1997 £000	Group 1996 £000	Company 1997 £000	Company 1996 £000

17. RECONCILIATION OF MOVEMENTS IN STOCKHOLDERS' FUNDS

	Group 1997 £000	Group 1996 £000	Company 1997 £000	Company 1996 £000
Opening equity stockholders' funds	**1,223,802**	950,272	**1,223,802**	950,272
Total recognised gains and losses	**131,136**	273,530	**131,136**	273,530
Closing equity stockholders' funds	**1,354,938**	1,223,802	**1,354,938**	1,223,802
Non-equity stockholders' funds	**2,200**	2,200	**2,200**	2,200

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

18. NET ASSET VALUE PER ORDINARY STOCK UNIT

Net asset value per ordinary stock unit is based on total stockholders' funds attributable to equity stockholders and on 50,400,000 ordinary stock units.

19. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR

	Group 1997 £000	Group 1996 £000	Company 1997 £000	Company 1996 £000
Beginning of year	**75,636**	76,853	**46,224**	67,240
Net cash inflow(outflow)	**26,169**	(3,172)	**32,409**	(22,971)
Foreign exchange (losses)gains	**(3,318)**	1,955	**(3,318)**	1,955
End of year	**98,487**	75,636	**75,315**	46,224
Analysis of balances:				
Cash at bank and in hand	**98,487**	75,636	**75,315**	46,224

20. RECONCILIATION OF NET REVENUE BEFORE INTEREST AND TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Group 1997 £000	Group 1996 £000	Company 1997 £000	Company 1996 £000
Net revenue before interest payable and taxation	**41,345**	44,487	**38,566**	37,521
Scrip dividends	**(508)**	(288)	**(508)**	(288)
Amortisation — non-cash adjustment	**261**	—	**—**	—
Decrease in accrued income	**1,048**	849	**1,276**	330
(Decrease) in other creditors	**(842)**	(2,634)	**(66)**	(34)
Decrease(increase) in other debtors	**(1,588)**	1,222	**236**	(237)
Decrease in investment in finance leases	**—**	4,545	**—**	—
Increase in amounts due to depositors	**5,388**	8,284	**—**	—
Gain on disposal of leasing business	**—**	(2,353)	**—**	—
Tax on investment income	**(4,662)**	(4,566)	**(4,840)**	(4,745)
Net cash inflow from operating activities	**40,442**	49,546	**34,664**	32,547

	Group 1997 £000	Group 1996 £000	Company 1997 £000	Company 1996 £000
21. 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:				
Underwriting commitments	275	546	275	546
Guarantees to third parties	353	953	—	—
	628	1,499	275	546

22. 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 £337,000 (£279,000) was paid during the year.

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.

23. 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 has been fixed at 25% for The Second Alliance Trust PLC after allowing for a contribution from the Alliance Trust (Finance) Limited Group ("ATF"), and reflects the respective sizes of the companies. During the year to 31st January 1997 The Second Alliance Trust PLC paid a contribution of £267,000. The minority interest shareholding in ATF is held by The Second Alliance Trust PLC. During the year ATF advanced interest free loans of £9,000,000 and £3,000,000 to The Alliance Trust PLC and to The Second Alliance Trust PLC, respectively, repayable in March 1999 or earlier at three months' notice.

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the One Hundred and Ninth annual general meeting of The Alliance Trust PLC will be held at MEADOW HOUSE, 64 REFORM STREET, DUNDEE, on Friday 18th April 1997 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 1997.
2. To declare dividends.
3. To re-elect Mr Bruce W M Johnston as a director.
4. To re-elect Mr Gavin R Suggett as a director.
5. To re-appoint KPMG Audit Plc as auditor of the Company at a remuneration to be fixed by the directors.

By order of the Board

S M Ruckley

S M Ruckley Secretary

Dundee, 25th March 1997

Only those stockholders registered on the Register of Members of the Company at 12.30pm on 16th April 1997 shall be entitled to attend and vote at the meeting in respect of the stock units registered in their name at that time. Changes to entries on the Register of Members after 12.30pm on 16th April 1997 shall be disregarded in determining the rights of any person to attend and vote at the meeting.

Members entitled to attend and vote at the 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 meeting.

The register of directors' stock and debenture interests and copies of the directors' service agreements are available for inspection at the registered office of the Company during normal business hours.

Subject to approval at the meeting, dividend warrants payable on 25th April will be posted on 22nd April to stockholders on the register on 7th April.

FINANCIAL CALENDAR

ANNOUNCEMENTS	
Final results	17th March 1997
Report and accounts sent to stockholders	25th March 1997
Interim results	18th August 1997
ANNUAL GENERAL MEETING	18th April 1997
DIVIDENDS AND INTEREST	
Ordinary and preference stocks final	25th April 1997
Ordinary and preference stocks interim	3rd October 1997
Debenture stock	15th May and 11th November 1997

THE ALLIANCE TRUST PLC
FORM OF PROXY AND AUTHORITY FOR ALLIANCE PEP AND SAVINGS SCHEME INVESTORS

SEE NOTES BELOW

A	I/We .... (Name)
	of .... (Address)
B	being (a) member(s) of The Alliance Trust PLC hereby appoint the CHAIRMAN OF THE MEETING
C	or .... (Name)
	.... (Address) as my/our proxy to attend and, on a poll, vote for me/us and on my/our behalf as directed below at the annual general meeting of the Company to be held on Friday, 18th April 1997 at 12.30pm and at any adjournment thereof.

			FOR	AGAINST
D	1	To receive and consider the Report of the Directors and the Accounts for the year ended 31st January 1997		
	2	To declare dividends		
	3	To re-elect Mr Bruce W M Johnston* as a director		
	4	To re-elect Mr Gavin R Suggett as a director		
	5	To re-appoint KPMG Audit Plc as auditor at a remuneration to be fixed by the directors		

E	Please Sign Here ➧	Date 1997

* Member of the remuneration committee

Notes

A Please write your name and address here. Any alterations to this Proxy Form must be initialled.

B If you are an Alliance PEP and/or Savings Scheme investor the form will be taken as authority for Alliance Trust Savings Nominees Limited ("ATSN") to appoint a proxy to vote for you as you indicate in respect of all your ordinary stock held in the PEP and/or Savings Scheme.

C If you want to appoint someone other than the Chairman as your proxy, or if you wish ATSN to appoint someone else other than the Chairman to vote for you, please cross out "the Chairman of the Meeting or" and write the person's name and address. PEP and/or Savings Scheme investors who wish to attend the meeting themselves should write their own names and addresses.

D Tick the boxes indicating how you wish to vote. If you leave the boxes blank, your proxy will vote or abstain as he/she sees fit on the resolutions specified above and, unless instructed otherwise, on any other business (including amendments to resolutions) which may come before the meeting.

E Please sign and date the form. If someone else signs the form on your behalf, the authority entitling them to do so, or a certified copy of it, must accompany the form. A corporation must execute this form under its common seal or it must be signed on its behalf by an attorney or duly authorised officer of the corporation. In the case of joint holders, the holder who votes and whose name appears first in the register of members in respect of the joint holding shall be accepted to the exclusion of the other joint holders.

Returning the Form

The form must be returned to the Company's registered office no later than 12.30pm on 16th April 1997. If you are a registered ordinary stockholder and you subsequently decide to attend the meeting you may do so.

To assist in the processing of this form, please tick below

My/our stock is held:

On the Main Register ☐

In the Alliance PEP and/or Savings Scheme ☐

Internal Use Only	
Ord	
ATSN	

SECOND FOLD

BUSINESS REPLY SERVICE
Licence No. DE 10

2

THE SECRETARY
THE ALLIANCE TRUST PLC
MEADOW HOUSE
64 REFORM STREET
DUNDEE
DD1 9XA

FIRST FOLD

THIRD FOLD AND TUCK IN

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

Printed by Pillans & Wilson Greenaway, Edinburgh