Registrar of Companies

1731

The

ALLIANCE

Trust PLC

1996

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, Registrars' Department, PO Box 435, Owen House,
8 Bankhead Crossway North, Edinburgh EH11 4BR. Telephone 0131-556 8555

DIRECTORS

SIR ROBERT SMITH, (68)
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. ° †

GAVIN R SUGGETT, (51)
MA, MSc, FCA
Managing Director Appointed a director in 1987.

ALAN M W YOUNG, (49)
MA, LLB
Executive Director
Appointed a director in 1992.

BRUCE W M JOHNSTON, (57)
CA
Appointed a director in 1991. Chairman of City Centre Restaurants and a director of Mid Wynd International Investment Trust and other companies. ° • †

ANDREW F THOMSON, (53)
Appointed a director in 1989. A director of D C Thomson & Co and a number of other companies. ° • †

WILLIAM BERRY, (56)
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. ° • †

W NELSON ROBERTSON, (62)
MA, FCII
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 £1.2bn. 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 (29,541 at 31.1.96) 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 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

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

Dividend

The Board recommends that the final dividend be increased from 35p to 37p, which will give a total dividend for the year of 53p, an increase of 6% compared with last year. This comfortably exceeds the current rate of inflation, while an enhanced level of revenue reserve will allow a steady progression of future dividends.

Earnings

The accounts appear this year in unfamiliar form, following adoption of the new statement of recommended practice for investment trusts.

Reporting the consolidated earnings of the Group is complicated by the need to differentiate between those operations of the subsidiary companies which will continue and those which have ceased.

The effect of these changes is explained on pages 18 and 19.

Looking at the investment trust alone, the Company's earnings have increased by 4.6% to 56.3p, strong growth in both UK and US dividends having compensated for the lower yields on new overseas investment. The current year has not benefited to the same extent as last year from exceptional windfall dividends.

Valuation

At 31st January 1996 net assets stood at a record £1.2bn, after a 28.8% increase to take the net asset value per ordinary stock unit to £24.28. This compares with a 24.4% rise in the UK FT-SE Actuaries All-Share Index.

Outlook

The outstanding performance of financial markets over our year coincided with a change in monetary conditions world-wide. Throughout 1994 Central Banks, with an eye to preventing another inflationary cycle, had implemented a monetary squeeze. However in 1995, faced with the aftermath of the Mexican crisis, severe banking and economic problems in Japan and a US economy which showed signs of stalling, the monetary brakes were taken off. This monetary expansion has manifested itself in inflated bond and equity market prices.

The stresses of strong currencies in Japan and Germany and consumers still recovering from the previous squeeze have been absorbed by companies reducing capacity and applying technology more effectively. Governments, constrained by impending elections and in Europe wrestling with the practicalities of monetary union, have limited scope for fiscal stimulus and most are now awaiting the consumer to restart the engine of growth. Confirmation that growth is secure should flow into corporate earnings but may be quickly met by at least a pause in monetary expansion.

Our portfolio activity has been concentrated on seeking companies with secure growth prospects and more details of this are given in the Management Review. We have continued to build holdings in the Far East and have recently taken advantage of high prices and corporate activity to replenish liquidity. The assets are well diversified and, with no gearing and 3% in cash, the Company is well placed to face the obvious risks facing markets.

Crest

Information about CREST, the new computerised system for the settlement of market transactions in securities, is given on page 16.

Board

It has already been announced that Mr Nelson Robertson, who had just retired as chief executive of General Accident, agreed to join the Board on 1st February 1996, and stockholders will be asked to approve this appointment at the annual general meeting. Mr Robertson brings a fine blend of experience and sound judgment for our immediate benefit.

The aggregate sum available for fees payable to non-executive directors was set at £50,000 four years ago. Although the total charge, which is less this year than last, remains within that figure, it is appropriate to ensure continuity on the Board by providing for the appointment of a further non-executive director in advance of the next retirement from the Board, and also to allow for some future increase in fees. Stockholders will be asked to approve an aggregate limit of £70,000.

I wrote appreciatively last year about Mr Lyndon Bolton who was then about to retire, and I can now add, by way of postscript, a word of commendation to him and to both Mr Gavin Suggett and Mr Alan Young for the smooth transfer of the responsibilities which they have assumed. They deserve the splendid results which we have been able to report.

I approach my own retirement from the Board this April, though with understandable personal regret, with enormous confidence that all my colleagues will continue to pursue, with the same quiet determination and success that I have admired here over the years, their sole objective of serving the best interests of our stockholders. The directors have asked Mr Bruce Johnston to succeed me as chairman; our Company will be in excellent hands.

18th March 1996 Robert Smith

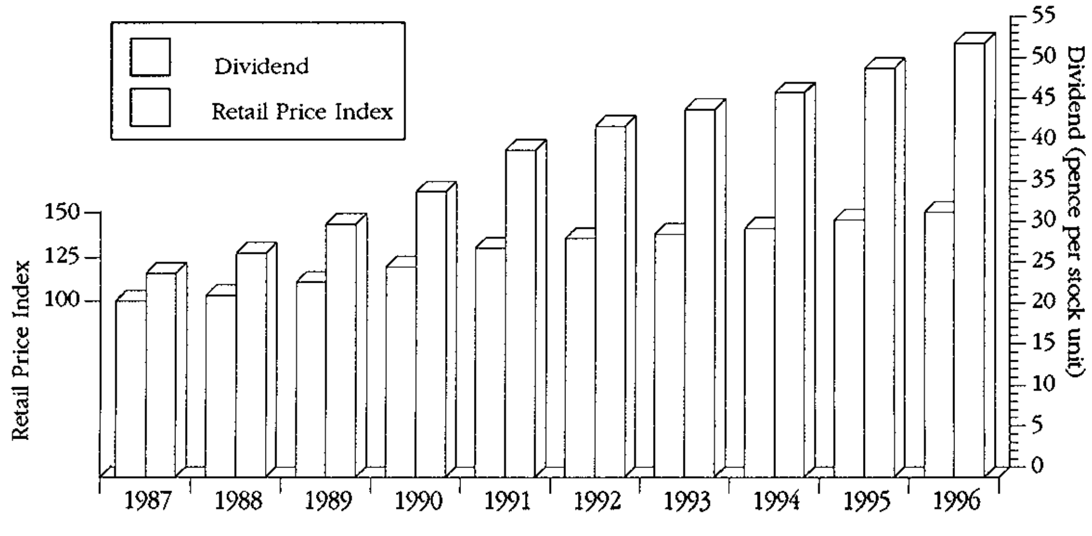
COMPANY TEN YEAR RECORD

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
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**

* Restated where applicable in accordance with the accounting policies in note 1 on page 24. Periods prior to January 1995 have not been restated.

DIVIDEND RECORD



MANAGEMENT REVIEW

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

SUMMARY

Company Investment Changes £000

	UK	Continental Europe	North America	Far East	Total
Valuation at 31st January 1995	504,640	84,316	227,455	82,382	898,793
Purchases	32,576	13,092	16,804	42,723	105,195
Sales	(34,266)	(10,076)	(24,822)	(15,115)	(84,279)
Appreciation	139,597	27,207	78,622	24,436	269,862
Valuation at 31st January 1996	642,547	114,539	298,059	134,426	1,189,571

UNITED KINGDOM

The rise in the UK equity market of 24% during the year under review, as measured by the FT-SE Actuaries All-Share Index, was not exceptional in an international context. As elsewhere, UK equity valuations were supported by falling yields on gilts which were in turn led by the US markets. Although the last increase in UK interest rates was seen just after the beginning of our year, the possibility of a further rate rise was feared in the UK until the summer when the Chancellor was finally proved correct in having spurned the Bank of England's more cautious advice. UK growth slowed down in 1995 as other economies have weakened, particularly those in the European Union, the destination of the majority of UK exports. As a result stocks of unsold goods have built up especially in the manufacturing sector.

Aggregate profits of UK industrial companies grew strongly in the first half but faded later giving approximately 12% underlying growth over the year. Dividends rose by only slightly less, still benefiting from the tendency towards

BASS PLC

INVESTMENT £9,242,000

THE BASS TAVERNS DIVISION PLACES INCREASING EMPHASIS ON FOOD.

A leisure group specialising in hospitality, food, drink and electronic entertainment.

special one-off payments. However, as economic growth has tailed off and inflation has steadied at levels below 4% for the longest period in fifty years, profits growth has become increasingly elusive and the outlook for some companies and sectors is flat at best.

We began the year positioned towards companies whose growth is not wholly dominated by economic conditions and as a result our list of stocks outperformed the FT-SE Actuaries All-Share Index over the year. We took advantage of the takeover activity in the utilities sector to reduce further our exposure, selling out of Midlands Electricity, Seeboard and South West Water. We also reduced our holding in British Gas and profits were taken in BAT Industries, Royal Bank of Scotland and W H Smith. Money was moved towards engineering stocks, with additional purchases being made in British Aerospace and Senior Engineering and a new holding was taken in Smiths Industries. We bought one new issue, Unicorn International, a producer of abrasive tools, started some holdings in the bio-technology sector through purchases of British Biotech and Celltech and re-established a position in Tesco. Additions were also made to Britton Group, Marks & Spencer, National Westminster Bank and Standard Chartered. We gained further from the contested takeover of Forte by Granada.

Corporate activity will persist particularly ahead of the general election, as companies rationalise in an attempt to maintain profits growth or otherwise meet shareholders' expectations. As ever, our focus will remain on finding those companies with good prospects of genuine earnings growth.

During the year, the Conservative leadership challenge demonstrated that political uncertainties were not fully discounted by the financial markets but neither have the full benefits of the UK's relatively sound current economic position yet been reflected. Changes in the UK economy in recent years, particularly in the financing of the housing market, together with the last two years of personal tax increases, have altered the behaviour of consumers. However last November's Budget is about to implement some personal tax cuts, which together with payouts to building society members, the maturing of TESSA accounts and the reduction in mortgage interest payments, will combine to improve household disposable income for the first time in a number of years. Adjustment to the distortions created by the first year of the National Lottery could also help. At this late stage. in the UK electoral cycle it is remarkable how few of the typical excesses of markets are yet evident and since the Chancellor's forecast for growth may be too optimistic, it is still possible that further modest reductions in interest rates could be made.

SMITHS INDUSTRIES PLC

INVESTMENT £2,453,000

PRECISION ASSEMBLY OF AVIONICS CONTROL SYSTEM.

A UK manufacturer of aerospace electronics, medical systems and specialised industrial products.

CONTINENTAL EUROPE

The healthy economic growth of 1994 continued for the first few months, only to see a sharp slowdown in the second half. The Bundesbank eventually led a series of reductions in interest rates as concern grew about the business outlook. With inflation remaining at low levels, bond markets, in line with others elsewhere in the world, moved ahead strongly. This in turn helped to propel European bourses to all time highs, despite the deteriorating outlook for corporate earnings. Many markets climbed by more than 20% over the year and all Continental currencies appreciated against Sterling by at least 5%.

Weak consumer confidence persisted due to high unemployment and low real income growth and was exacerbated by governments' attempts to achieve the lower budget deficits required as a pre-condition of full European Monetary Union. Exports were adversely affected by the easing of US economic activity while the strength of European currencies against both the Dollar and the Yen damaged competitiveness.

FRESENIUS AG

INVESTMENT £2,034,000

FULLY AUTOMATED LABORATORY TESTING

A German company which manufactures and distributes pharmaceutical and medical systems in the fields of kidney dialysis, intensive care and diagnostics.

Our portfolio, focused on companies less affected by the vagaries of the economic cycle, began the year well placed. Germany, still the largest home of our Continental investments, saw partial sales of SAP, Schering and Spar and withdrawal from several stocks including Herlitz and Wella, although we added to our holding in Rhone Klinikum and acquired shares in the recent Adidas issue. New purchases, however, lay predominantly in France and included Manutan, a distributor of industrial products, Primagaz, a European supplier of gas to the consumer, TF1, the leading TV producer and broadcaster and UAF, a rapidly growing life assurance company. We also acquired a small exposure to some central European countries now growing healthily after their difficult transition to market economies.

Attempts to stimulate growth in Western Europe are being driven primarily by reductions in interest rates, to post-war lows in some cases. Modest expansionary fiscal packages are also being introduced in both France and Germany while the now firmer Dollar may also help hard pressed European producers. These factors could aid a return to economic growth later in the year. As government deficits, and their reduction, increasingly occupy the attention of politicians, so the question of how to pay for pensions becomes more difficult to ignore. Moves towards some funding of pensions, hand-in-hand with the ongoing privatisations and the raising of the legal status of shareholders, should improve the position of equities for investment.

NORTH AMERICA

The equity market recorded its best gain for almost forty years having risen 35% as measured by the S & P 500 Index. The dollar's return to favour confirmed the US as the best performer among major markets for the international investor, with a 42% Sterling adjusted gain. Support came from government securities, which did nearly as well, posting their best gain for seventy years, with the yield on the benchmark long bond falling from 7.7% to 6.0%.

The catalyst for the strong upward momentum in financial assets was the reversal of the Federal Reserve's restrictive monetary policy which had resulted in the economy showing little growth in the first half of 1995. Rates were first cut in July and, although conditions improved, growth over the year was only 2.1%.

One positive outcome from the slowdown was a reduction in inflation to its lowest level since 1986 and, equally encouragingly, total employment costs recorded their lowest annual increase, allowing further reductions of 25 basis points in interest rates in both December and January.

Despite the cooler economy, the consequent anaemic growth in sales and the inability to raise prices, operating profits of US Industrials increased by almost 20% for the second consecutive year. Continued cost cutting and improved efficiency contributed to a significant increase in profit margins, although write-offs and restructurings do continue to cloud the issue. Dividends rose by 6%, as last year, and higher retained earnings and strong cash flow consolidated American corporate strength.

Although remaining relatively optimistic on the US throughout the year, with net sales of only £8m, we did not, however, fully anticipate the

PALL CORP

INVESTMENT £1,072,000

THE COMPANY'S HIGH PURITY TECHNOLOGY IS USED IN THE MANUFACTURE OF A WIDE VARIETY OF PRODUCTS.

Leading producer of fine disposable filters and fluid clarification equipment.

magnitude of the market's move and the more defensive nature of our portfolio resulted in an element of under-performance against the main broad index. Some of our larger holdings in the healthcare, consumer and industrial areas performed well, but we had little exposure to the technology sector which was particularly buoyant during our first half. Although this sector lost some of its gains and became more volatile towards the year end large technology stocks recorded a good performance on a selective basis. Electric utilities and oils, although up substantially, contributed to our under performance and retailers had a very poor year.

Lower prices did however provide buying opportunities in some growth retailers such as Autozone, Home Depot, Lowe's and Office Depot. Additions included AIG, GTE, ITW, Morton International, Pentair, Sysco, Wrigley and York International, the global manufacturer of heating, air-conditioning and refrigeration products. New holdings were established in twelve companies, including Diebold, a manufacturer of ATMs, Donaldson, a manufacturer of filtration products, the components distributors Kent Electronics and Premier Industrial, as well as Synovus and TCF in the financial sector. Purchases were more than offset by reductions in Baltimore Gas and Electric, Baxter, Bellsouth, Johnson & Johnson, PepsiCo and Philip Morris. We disposed of eight holdings, and Automotive Industries, CBI Industries and SHL, the Canadian systems integrator, were all subject to takeovers, whilst First Financial Management, one of our larger holdings, merged with First Data.

Although valuations appear high, with little profits growth expected, corporate activity looks set to continue. Strong equity demand through contractual savings plans from an ageing population, reflected in a record inflow into mutual funds, exceeding the previous 1993 best level by over 30%, may continue to provide support. Significant increases in authorised stock repurchase programmes, often announced but not implemented, would also be reinstated should equities fall.

Despite the current budget impasse, hopes remain that progress in the agreement between the President and the Republican Congress can be furthered to enable the achievement of a balanced budget by the year 2002, the first since 1969. This belief provided a helpful background to the bond market during the year under review. While bonds may prove susceptible to weakness in the event of the re-election of President Clinton together with a reversion of the Senate and House to Democrat control, perhaps the greatest threat to current valuations would be an end to the current round of monetary expansion in either the US or elsewhere, notably Japan, although, paradoxically, profits growth would no doubt by then look more secure.

JOHNSON & JOHNSON

INVESTMENT £17,726,000

THE NEUTROGENA RANGE OF SKIN AND HAIR CARE PRODUCTS IS ONE OF THE GROUP'S LEADING BRAND NAMES.

World's largest health care company.

FAR EAST

Against a background of prolonged economic slowdown in Japan , the Kobe earthquake, an outbreak of terrorism, the trade dispute with America and a weak government all compounded to create one of the most traumatic periods in recent Japanese history. The Yen was pushed up to extreme levels, and although encouraging the restructuring of Japanese industry and higher levels of imports it caused the fragile stock market to tumble on fears of collapse within the financial system. Finally, it became officially acknowledged that huge problems existed within the secondary banking system, and with deflation appearing, unemployment rising and property prices still falling, the Bank of Japan twice cut interest rates and intervened heavily in the money markets in the summer. While easier money conditions and the move to resolve the banking crisis should gradually restore confidence and pave the way to economic recovery, many structural problems are still to be addressed and, despite yet another change of Prime Minister, the will to press on with deregulation is not apparent.

BRAMBLES INDUSTRIES LTD

INVESTMENT £3,609,000

PALLETS IN USE FOR HARVESTING IN CALIFORNIA.

Based in Australia, the company operates businesses in transportation and water management on a worldwide basis. A fast growing division is the "chep" pallet management system.

The stock market rose in Yen terms by 10% over the year but that does not reveal its volatility. The index had dropped 20% from the opening levels but by the year end had recovered strongly with foreign investors building large exposures as bruised domestic investors continued to sell. For the first time in several years we took a positive view, adding £25m to the portfolio. We were able to build upon established positions such as Canon, Ito-Yokado the retailer, and Secom the security company. New holdings included a convenience store chain, Circle K, Kamigumi, a warehousing and port harbour transport company, and we reinvested in the electronics giant, Matsushita. Despite our increased confidence our exposure remains relatively low at £44m as concerns persist about high equity valuations and the challenges that still face the country are likely to be resolved only slowly.

Elsewhere in the Far East we continued gradually to increase our exposure with the exception of Hong Kong. While recognising that the stock market there could rally strongly in an easier world interest rate environment our stance has been that, faced with an unknown future and with so much of its economic power vested in property, our presence should be limited. Sales during the year included the property companies Hong Kong Land and Wharf Holdings but an addition to the portfolio was the regional hotel group, CDL.

We hold a more positive long term stance on Singapore where continued success as the hub of a growing region was enhanced by increased investment from the USA and Japan. We added to a number of our existing holdings during the year, including the soft drinks company Fraser & Neave, the conglomerate Keppel, and Singapore Press while we switched from United Overseas Bank into Overseas Chinese Banking. In Malaysia our position was temporarily reduced in anticipation of an overheating economy. Cycle & Carriage, the motor trader, was switched to its parent company in Singapore and profits were taken in the gaming company Genting, the cable company Leader and Malayan Banking, but a new holding was taken in Malayan Cement. Thailand saw significant additions to the portfolio. We added to Bangkok Bank, Thai Farmers Bank and the plastics company Sri Thai Superware. New holdings were the housebuilder Land and Houses and the retailer Siam Makro. Our gradual expansion into Indonesia continued with an addition to our holding in Bank International Indonesia while new purchases were the retailer Matahari, a glass and ceramics manufacturer, Mulia and the privatised utility Telekom.

The Australian market performed well, rising by 25%. We were relatively active during the year, building up the holdings in the transportation company Brambles, the property and financial services group Lend Lease and Western Mining. A new holding for us was ANZ Bank, but BTR Nylex was absorbed by its UK parent company BTR PLC.

L-R Marilyn Rowan, Gavin Suggett, Kevin Dann, Sheila Gates

BANKING AND SAVINGS OPERATIONS

For Alliance Trust (Finance) Limited ("ATF"), which is 75% owned by the Company and 25% by The Second Alliance Trust PLC, the year has been a watershed with net profits topping £4.5m on capital of £23m. The leasing business was sold and the proceeds held in gilts and bank deposits. The savings business continued to expand and the Company's interest in ATF is now valued at £20.3m.

Asset Finance

ATF sold three of its subsidiaries, realising after tax profits of £2.4m. These sales complete a programme of disposing of the asset finance business which has, since 1979, earned a net return on capital of over 16% pa, but whose prospects are no longer attractive. Low interest and tax rates together with competition for top quality lessees have led to a decline in profit margins. Although we retain a small residual interest in some leases now fully amortised, and administer lease portfolios for others, this source of income will decline over the next few years. The discontinuance of this business means that ATF's capital of £27m is no longer fully required and will be reduced over the next few years.

Savings Products

Alliance Trust Savings Limited, which is owned by ATF, runs the Alliance PEP and Savings Scheme. Over the year turnover increased from £675,000 to £861,000, client assets increased from £230m to £330m and profitability improved. Staff numbers expanded, computer systems were strengthened and a number of initiatives were introduced, including BACS income withdrawal and, in the summer of 1995, inclusion of a range of bonds and bond funds for investors to hold in their PEPs.

Over the years, the pattern of activity has changed as PEPs have become a significant and accepted part of investors' portfolios. A more even flow of business is emerging with portfolio maintenance operations an all the year round activity and regular subscriptions by direct debit are gaining in popularity. This leads to greater stability and facilitates further improvements. 1996/97 will see the introduction of CREST, more frequent dealing systems, reduced paperwork and, although the costs of these may reduce profitability initially, returns in future years should be enhanced.

FORTY LARGEST EQUITY INVESTMENTS

Company	Value £000	Main Activity	Country of Incorporation
Shell Transport & Trading	45,426	Oil	UK
Rentokil Group	24,595	Support Services	UK
Standard Chartered	20,241	Banking	UK
British Telecommunications	20,037	Telecommunications	UK
Johnson & Johnson	17,726	Health Care	USA
Marks & Spencer	17,141	Retailing	UK
Gehe	17,034	Pharmaceutical Distributor	Germany
General Electric	15,543	Diversified Industrial & Finance	USA
BAT Industries	15,235	Miscellaneous Consumer	UK
Great Universal Stores	14,656	Retailing	UK
Reckitt & Colman	13,378	Miscellaneous Consumer	UK
Unilever	12,967	Food Producer	UK
Electrocomponents	12,811	Distributors	UK
BTR	12,493	Diversified Industrials	UK
Glaxo-Wellcome	12,426	Pharmaceuticals	UK
National Westminster Bank	12,091	Banking	UK
Zeneca	12,021	Pharmaceuticals	UK
Scottish & Newcastle	11,825	Breweries, Pubs & Restaurants	UK
Granada Group	11,360	Leisure	UK
EMAP	11,031	Media	UK
Thorn EMI	10,938	Leisure	UK
SmithKline Beecham	9,920	Pharmaceuticals	UK
PepsiCo	9,648	Food Producers	USA
General Electric	9,550	Electronics & Electricals	UK
British Petroleum	9,331	Oil	UK
Bass	9,242	Breweries, Pubs & Restaurants	UK
British Aerospace	9,159	Engineering	UK
Wal-Mart Stores	9,045	Retailing	USA
Abbott Laboratories	8,404	Pharmaceuticals	USA
Merck	8,117	Pharmaceuticals	USA
Macfarlane Group	8,030	Paper, Packaging & Printing	UK
First Data	7,866	Support Services	USA
Prudential	7,546	Life Assurance	UK
Stakis	7,486	Leisure	UK
Bank of Scotland	7,480	Banking	UK
Bristol-Myers Squibb	7,380	Pharmaceuticals	USA
Argos	7,321	Retailing	UK
Slough Estates	7,231	Property	UK
General Accident	7,141	Insurance	UK
Lloyds TSB	7,053	Banking	UK

The above investments represent 42.8% 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 1996**	Total 1995
EQUITIES (INCLUDING CONVERTIBLES*)	%	%	%	%	%	%
Mineral Extractions	**4.6**	**0.3**	**2.2**	**0.3**	**7.4**	7.6
Extractive Industries	—	—	—	0.3	**0.3**	0.2
Oil	4.6	0.3	2.2	—	**7.1**	7.4
General Industrials	**7.2**	**1.4**	**4.7**	**3.6**	**16.9**	15.6
Building & Construction	0.7	0.3	0.2	0.9	**2.1**	2.2
Chemicals	1.1	0.3	1.3	0.2	**2.9**	3.3
Diversified Industrials	1.3	0.3	—	0.4	**2.0**	2.3
Electronic & Electrical Equipment	1.1	0.4	1.9	0.7	**4.1**	3.4
Engineering	2.2	0.1	0.8	1.0	**4.1**	2.9
Paper, Packaging & Printing	0.8	—	0.5	0.4	**1.7**	1.5
Consumer Goods	**9.1**	**3.3**	**5.5**	**0.7**	**18.6**	17.0
Alcoholic Beverages	1.1	—	0.1	—	**1.2**	1.4
Food Producers	1.6	0.2	1.1	0.4	**3.3**	3.7
Health Care	0.2	1.6	1.9	—	**3.7**	2.9
Pharmaceuticals	3.7	1.2	2.0	0.2	**7.1**	5.5
Miscellaneous Consumer	2.5	0.3	0.4	0.1	**3.3**	3.5
Services	**16.9**	**3.2**	**5.7**	**2.9**	**28.7**	27.5
Distributors	1.0	0.1	0.1	0.1	**1.3**	0.9
Leisure & Hotels	1.9	0.1	0.1	0.2	**2.3**	3.5
Media	3.0	0.1	0.4	0.3	**3.8**	2.8
Retailers	5.7	1.8	1.7	0.8	**10.0**	10.4
Breweries, Pubs & Restaurants	2.6	—	—	—	**2.6**	2.4
Support & Other Services	2.7	1.1	3.4	1.4	**8.6**	7.4
Transport	—	—	—	0.1	**0.1**	0.1
Utilities	**3.8**	**0.5**	**3.6**	**0.6**	**8.5**	11.5
Water, Electricity & Gas	1.3	0.4	0.9	0.3	**2.9**	5.0
Telecommunications	2.5	0.1	2.7	0.3	**5.6**	6.5
Financials	**10.3**	**0.6**	**2.4**	**3.1**	**16.4**	14.5
Banks	4.3	0.2	1.1	1.8	**7.4**	5.6
Insurance	2.4	0.2	1.1	0.1	**3.8**	3.5
Property	1.5	—	0.2	0.7	**2.4**	2.7
Investment Trusts	0.5	0.2	—	0.5	**1.2**	1.0
Other Financials	1.6	—	—	—	**1.6**	1.7
Total Equities	**51.9**	**9.3**	**24.1**	**11.2**	**96.5**	93.7
FIXED INTEREST						
Preference and Loan Stocks	0.2	—	—	—	**0.2**	0.3
Total Investments	**52.1**	**9.3**	**24.1**	**11.2**	**96.7**	94.0
OTHER NET ASSETS	**(0.1)**	**1.3**	**2.0**	**0.1**	**3.3**	6.0
TOTAL ASSETS LESS CURRENT LIABILITIES						
1996 £1,228.3m	**52.0**	**10.6**	**26.1**	**11.3**	**100.0**	
1995 £954.6m	55.8	9.9	25.4	8.9		100.0

* Convertibles represent 2.6% (2.4%)

REPORT OF THE DIRECTORS

The directors present their report and the accounts for the year ended 31st January 1996.

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 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 37p per ordinary stock unit which, together with the interim of 16p paid on 6th October 1995, makes a total of 53p for the year compared with 50p for the previous year. A surplus of £1,663,000 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 1995 and has subsequently directed its affairs to enable it to continue to seek such approval.

DIRECTORS

Mr Lyndon Bolton retired from the Board on 30th April 1995. The present directors are listed below. All these directors served throughout the year, with the exception of Mr W Nelson Robertson who was appointed on 1st February 1996. His appointment falls to be approved at the annual general meeting.

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. Sir Robert Smith will retire from the Board and does not seek re-election. Mr Alan M W Young, 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 1996		1st February 1995	
	Beneficial	**Non-Beneficial**	Beneficial	Non-Beneficial
William Berry	**750**	**86,317**	750	87,022
Bruce W M Johnston	**200**	**14,536**	200	14,536
W Nelson Robertson	**200***	**1,000***	N/A	N/A
Sir Robert Smith	**1,000**	—	1,000	—
Gavin R Suggett	**414**	**6,371**	414	6,496
Andrew F Thomson	**10,314**	**158,318**	10,894	171,736
Alan M W Young	**1,324**	—	1,289	—

* on appointment

On 20th February 1996 Mr Suggett acquired 47 ordinary stock units, non-beneficially, through the Alliance Dividend and Savings Investment Scheme. On 26th February and 12th March 1996 Mr Berry's non-beneficial interest was reduced by 2,460 and 250 ordinary stock units respectively following redistributions of assets held as a trustee. There have been no other changes in the above holdings between 31st January and 18th March 1996.

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.

A report by the remuneration committee is appended.

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 five 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 the 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 and receives their reports. 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 business of that company.

An independent firm of Chartered Accountants was appointed in December 1995 to act as internal auditors. Apart from this, 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.

CREST

CREST, the new computerised system for the settlement of market transactions in securities, is due to be introduced in July 1996 and the Company intends to make its ordinary stock available for settlement in CREST in early 1997. Stockholders will be notified formally but need take no action as CREST is a voluntary stock market settlement system and will not affect existing holdings. Stock certificates will remain valid and should be kept safe until sale or transfer is intended, as at present.

AUDITORS

Following the incorporation of KPMG Audit Plc, the Company has received notice from the partnership of KPMG that it will not be seeking re-appointment at the annual general meeting as auditors of the Company. A resolution will be proposed at the meeting for the appointment of KPMG Audit Plc as auditors in its place.

By order of the Board
SM Gates
S M Gates
Secretary

Dundee, 18th March 1996

REPORT OF THE REMUNERATION COMMITTEE

The remuneration committee consists of all the non-executive directors, Mr William Berry, Mr Bruce Johnston, Mr W Nelson Robertson and Mr Andrew F Thomson, with Sir Robert Smith as chairman.

Formal statements by the Board, of compliance with Section A of the best practice provisions annexed to the Listing Rules, and by the remuneration committee, that full consideration has been given to Section B of those provisions, will be required and will be made next year, but in all material respects the Company already complies.

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.

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

Executive directors and senior investment managers have service contracts terminable by the Company on two years' notice, regarded as appropriate given the nature and location of the Company's operations in Dundee. 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 26.

Resolutions for approval of the appointment of Mr W Nelson Robertson and the re-election of Mr Alan M W Young as directors are referred to in the report of the directors. Mr Robertson, as a non-executive director, does not have a service contract with the Company. Mr Young's service contract is terminable on two year's notice as described above.

On behalf of the Board
Robert Smith
Chairman

Dundee, 18th March 1996

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 1996 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 20 to 34.

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 1996 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

KPMG
Chartered Accountants
Registered Auditors
Royal Exchange
Dundee

18th March 1996

EXPLANATORY NOTE ON THE FINANCIAL STATEMENTS

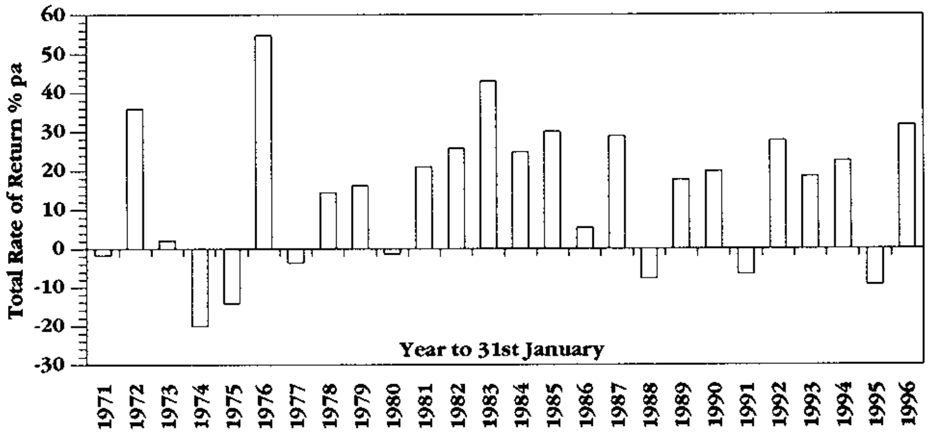
A number of changes have been made to the financial statements this year which require some comment.

Statement of Recommended Practice

The form of the financial statements is changed to comply with the Statement of Recommended Practice (SORP) issued by the Association of Investment Trust Companies in December 1995. The SORP seeks to harmonise accounting practice for all investment trusts with a view to making it easier for current and potential shareholders, analysts and commentators to interpret and compare the information given. Two principal changes affect these financial statements:

(1) **Statement of Total Return.** The revenue account is now incorporated in a statement of total return which combines the income elements of the revenue account with realised and unrealised capital gains to give a "total return". This measure of return when applied to a period as short as one year can give highly volatile results as it is dominated by the portfolio valuation on the last day of the accounting year. The history of "total return" expressed as a percentage of the net asset value of the Company over the last 25 years is illustrated below.

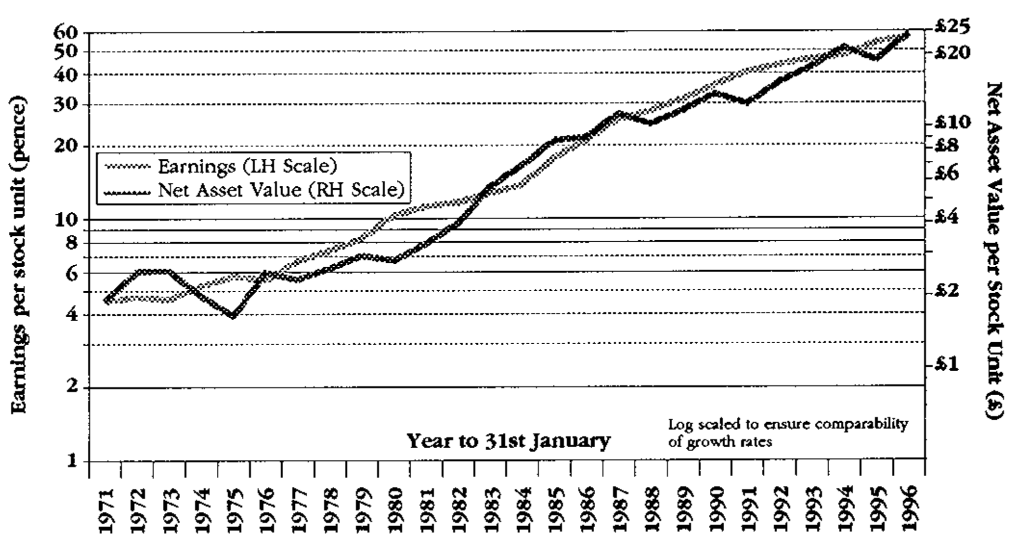
Total Rate of Return



Although this measure of return may be relevant for some short-term historical comparisons, it is clearly of little help in assessing the returns on a long-term basis and can obscure the strengths and prospects of the underlying investments.

The revenue element of the "total return" is, however, relatively stable and, although it represents only the current yield element of the return on the investment portfolio, it does give a good guide to longer term returns when combined with the rate of income growth. The following graph, which plots the Company's earnings growth and net asset value growth together over the last 25 years, shows the close relationship over time of income and capital growth.

Earnings and NAV Growth per Stock Unit



(2) **Accounting Policies**. The Company hitherto recognised income when it was received, in order to ensure that dividends and interest would be paid out of the available income cash flow. The SORP however recommends that dividends and interest be recognised when the right to that income is established. This basis of accounting brings forward £2.4m of net income which has been added to the revenue reserve as at 1st February 1994 and the 1995 earnings have been increased by £1.5m to give restated earnings of 53.79p per stock unit compared with the 50.77p reported last year. The new basis may lead to larger year-on-year fluctuations in earnings but should not significantly affect long term trends.

Consolidated Statement of Total Return

The consolidated financial statements incorporate the results of the Company's 75% subsidiary, Alliance Trust (Finance) Limited, the business of which now includes leasing administration and deposit taking and, through its subsidiary, Alliance Trust Savings Limited, the management of the Alliance PEP and Savings Scheme. The 1995 figures have been restated in accordance with the change in accounting policies noted above, which have also been applied to the accounts of the subsidiaries.

During the year to 31st January 1996 Alliance Trust (Finance) Limited disposed of its remaining investment in leased assets by selling three leasing subsidiaries. These disposals represent a discontinuance of the leasing business and, in accordance with Financial Reporting Standards, the consolidated statement of total return distinguishes between earnings on the continuing businesses and those, including the profits on the sale of the subsidiaries, of the discontinued business.

A separate statement of total return for the Company has been provided to enable readers to identify the income and related costs of the investment trust alone.

CONSOLIDATED STATEMENT OF TOTAL RETURN

for the year ended 31st January 1996

	Notes	1996 Revenue £000	1996 Capital £000	1996 Total £000	1995* Revenue £000	1995* Capital £000	1995* Total £000
Total income	2						
Continuing operations		43,314			40,763		
Discontinued operations		1,617			2,104		
		44,931	—	44,931	42,867	—	42,867
Expenses	3	(2,797)	—	(2,797)	(2,511)	—	(2,511)
Realised gains on investments	9	—	27,750	27,750	—	36,749	36,749
Increase(decrease) in unrealised appreciation	9	—	239,555	239,555	—	(166,371)	(166,371)
Surplus on revaluation of office premises		—	50	50	—	—	—
Foreign exchange gains(losses)		—	1,955	1,955	—	(25)	(25)
Net return before interest payable and taxation							
Continuing operations		40,586			38,382		
Discontinued operations		1,548			1,974		
		42,134	269,310	311,444	40,356	(129,647)	(89,291)
Exceptional item							
Gain on disposal of discontinued operations	11b	2,353	—	2,353	615	—	615
		44,487	269,310	313,797	40,971	(129,647)	(88,676)
Interest payable	5	(2,465)	—	(2,465)	(2,388)	—	(2,388)
Return before taxation		42,022	269,310	311,332	38,583	(129,647)	(91,064)
Taxation	6	(9,852)	—	(9,852)	(9,430)	—	(9,430)
		32,170	269,310	301,480	29,153	(129,647)	(100,494)
Minority interest - equity		(1,110)	(60)	(1,170)	(660)	4	(656)
Return after taxation							
Continuing operations		29,100			27,618		
Discontinued operations		1,960			875		
		31,060	269,250	300,310	28,493	(129,643)	(101,150)
Dividend on preference stock - non-equity	7	(68)	—	(68)	(68)	—	(68)
Return attributable to equity stockholders		30,992	269,250	300,242	28,425	(129,643)	(101,218)
Dividends on ordinary stock - equity	7	(26,712)	—	(26,712)	(25,200)	—	(25,200)
Transfer to(from) reserves		4,280	269,250	273,530	3,225	(129,643)	(126,418)
Return per ordinary stock unit	8	**Earnings**	**Capital**	**Total**	**Earnings**	**Capital**	**Total**
Continuing and discontinued operations		61.49p	534.23p	595.72p	56.40p	(257.23p)	(200.83p)
Continuing operations only		57.60p			54.66p		

* The 1995 figures have been restated in accordance with the accounting policies in note 1 on page 24.

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 1996

	Notes	1996 Revenue £000	1996 Capital £000	1996 Total £000	1995* Revenue £000	1995* Capital £000	1995* Total £000
Investment Income							
UK dividends		23,677	—	23,677	22,599	—	22,599
UK interest		128	—	128	306	—	306
Overseas dividends		10,678	—	10,678	10,398	—	10,398
Overseas interest		299	—	299	291	—	291
Mineral rights income		287	—	287	361	—	361
Dividends from subsidiary		891	—	891	778	—	778
Interest on loan to subsidiary		—	—	—	206	—	206
	2	35,960	—	35,960	34,939	—	34,939
Other Income							
Deposit interest		3,178	—	3,178	2,477	—	2,477
Underwriting commission		85	—	85	55	—	55
		3,263	—	3,263	2,532	—	2,532
Total Income		39,223	—	39,223	37,471	—	37,471
Expenses	3	(1,702)	—	(1,702)	(1,602)	—	(1,602)
Realised net gains on investments	9	—	27,750	27,750	—	36,749	36,749
Increase(decrease) in unrealised appreciation	9	—	242,112	242,112	—	(165,824)	(165,824)
Surplus on revaluation of office premises		—	50	50	—	—	—
Foreign exchange gains(losses)		—	1,955	1,955	—	(25)	(25)
Net return before interest payable and taxation		37,521	271,867	309,388	35,869	(129,100)	(93,231)
Interest payable	5	(92)	—	(92)	(76)	—	(76)
Return before taxation		37,429	271,867	309,296	35,793	(129,100)	(93,307)
Taxation	6	(8,986)	—	(8,986)	(8,612)	—	(8,612)
Return after taxation		28,443	271,867	300,310	27,181	(129,100)	(101,919)
Dividends on preference stock - non equity	7	(68)	—	(68)	(68)	—	(68)
Return attributable to equity stockholders		28,375	271,867	300,242	27,113	(129,100)	(101,987)
Dividends on ordinary stock - equity	7	(26,712)	—	(26,712)	(25,200)	—	(25,200)
Transfer to(from) reserves		1,663	271,867	273,530	1,913	(129,100)	(127,187)
Return per ordinary stock unit	8	Earnings	Capital	Total	Earnings	Capital	Total
		56.30p	539.42p	595.72p	53.79p	(256.15p)	(202.36p)

* The 1995 figures have been restated in accordance with the accounting policies in note 1 on page 24.

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 1996

	Notes	Group 1996 £000	Group 1995* £000	Company 1996 £000	Company 1995* £000
Fixed assets					
Investments	9	1,194,560	894,995	1,189,571	898,793
Office Premises	10	500	450	500	450
		1,195,060	895,445	1,190,071	899,243
Current assets					
Finance lease receivables	11c	—	24,500	—	—
Debtors	12	15,283	12,054	12,171	7,032
Cash at bank and in hand		75,636	76,853	46,224	67,240
		90,919	113,407	58,395	74,272
Creditors: amounts falling due within one year	13	(50,952)	(44,713)	(20,215)	(18,887)
Net current assets		39,967	68,694	38,180	55,385
Total assets less current liabilities		1,235,027	964,139	1,228,251	954,628
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	4,178	601	508
Minority Interest - equity		6,773	5,841	—	—
		9,025	11,667	2,249	2,156
Capital and reserves					
Called-up share capital	15	14,800	14,800	14,800	14,800
Other reserves					
Capital reserve - realised	16	583,607	553,902	582,467	552,762
Capital reserve - unrealised	16	598,268	358,723	613,021	370,859
Revenue reserve	16	29,327	25,047	15,714	14,051
Total stockholders' funds		1,226,002	952,472	1,226,002	952,472
		1,235,027	964,139	1,228,251	954,628
Total stockholders' funds are attributable to:					
Equity stockholders	17	1,223,802	950,272	1,223,802	950,272
Non-equity stockholders	17	2,200	2,200	2,200	2,200
		1,226,002	952,472	1,226,002	952,472
Net asset value per ordinary stock unit	18	£24.28	£18.85	£24.28	£18.85

* The 1995 figures have been restated in accordance with the accounting policies in note 1 on page 24.

The financial statements on pages 20 to 34 were approved by the Board on 18th March 1996 and were signed on its behalf by:

Robert Smith, Director

Gavin Suggett, Director

CASH FLOW STATEMENTS

of the group and of the company for the year ended 31st January 1996

	Notes	Group 1996 £000	Group 1995 £000	Company 1996 £000	Company 1995 £000
Operating activities					
Investment income received		**31,554**	28,760	**31,231**	29,375
Deposit interest received		**6,219**	4,905	**2,968**	1,769
Underwriting commission received		**85**	55	**85**	55
Service charges		**967**	776	—	—
Lease financing		**4,963**	(4,377)	—	—
Loans and advances		**1,289**	(3,594)	—	—
Amounts due to depositors		**7,190**	(1,650)	—	—
Expenses		**(2,721)**	(2,517)	**(1,737)**	(1,600)
Net cash inflow from operating activities	20	**49,546**	22,358	**32,547**	29,599
Servicing of finance					
Interest paid		**(2,465)**	(2,388)	**(92)**	(76)
Dividends paid on preference stocks		**(68)**	(68)	**(68)**	(68)
Dividends paid on ordinary stock		**(25,704)**	(23,940)	**(25,704)**	(23,940)
Dividends paid to minority interests		**(238)**	(212)	—	—
Net cash outflow from servicing of finance		**(28,475)**	(26,608)	**(25,864)**	(24,084)
Taxation					
UK corporation tax paid		**(4,033)**	(3,775)	**(2,485)**	(2,458)
Overseas tax paid		**(1,388)**	(1,411)	**(1,388)**	(1,411)
Tax paid		**(5,421)**	(5,186)	**(3,873)**	(3,869)
Investing activities					
Purchase of investments		**(116,342)**	(111,781)	**(104,997)**	(98,039)
Disposal of investments		**79,216**	102,509	**79,216**	108,509
Disposal of leasing business	11b	**18,304**	18,303	—	—
Purchase of minority interest		—	(632)	—	—
Net cash (outflow)inflow from investing activities		**(18,822)**	8,399	**(25,781)**	10,470
Net cash (outflow)inflow before financing		**(3,172)**	(1,037)	**(22,971)**	12,116
Financing					
Repayment of loan notes		—	(2,000)	—	—
Net cash outflow from financing		—	(2,000)	—	—
(DECREASE)INCREASE IN CASH AND CASH EQUIVALENTS	19	**(3,172)**	(3,037)	**(22,971)**	12,116

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 accounting policies adopted for 1996 differ from those used in previous years as regards the recognition of income and, where appropriate, the 1995 figures have been restated.*

The consolidated statement of total return and balance sheet include the financial statements of the Company and its subsidiary companies as at 31st January 1996, 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. The net investment in finance leases represents the total lease payments receivable, net of finance charges allocated to future periods.

Office premises are shown at a valuation carried out 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.

*The effect of the change in accounting policies is to reduce the group's revenue after taxation by £294,000 and the Company's revenue after taxation by £133,000. The corresponding effect in 1995 was to increase the group's revenue after taxation by £1,596,000 and the Company's revenue after taxation by £1,522,000.

	1996 Listed £000	1996 Unlisted £000	1995 Listed £000	1995 Unlisted £000
2. INCOME				
Group				
Investment income - continuing operations				
UK dividends	23,677	—	22,538	61
UK interest	1,328	70	534	—
Overseas dividends	10,678	—	10,398	—
Overseas interest	282	17	273	18
Mineral rights income	—	287	—	361
	35,965	374	33,743	440
		36,339		34,183
Other income - continuing operations				
Deposit interest (note 5)	5,911		5,760	
Underwriting commission	85		55	
Service charges	979		765	
		6,975		6,580
Other income - discontinued operations				
Gross earnings on finance leases (note 11a)		1,617		2,104
		44,931		42,867
Company				
UK	23,734	961	22,844	1,045
Overseas	10,961	304	10,671	379
	34,695	1,265	33,515	1,424
		35,960		34,939

	Group 1996 £000	Group 1995 £000	Company 1996 £000	Company 1995 £000
3. EXPENSES				
Directors remuneration (note 4)	297	399	286	388
Staff salaries	862	752	448	386
Social security costs	91	88	58	58
Pension contributions	236	166	120	82
Auditors' remuneration for:				
- audit	27	23	13	12
- other services to the company and its subsidiaries	7	3	7	1
Other	1,277	1,080	770	675
	2,797	2,511	1,702	1,602

The management and administration expenses of the Company amounted to £1,702,000 (£1,602,000) representing 0.14% (0.17%) of total assets less current liabilities of £1,228,251,000 (£954,628,000).

All the above expenses relate to continuing operations, apart from £69,000 (£130,000) included in the group figures.

The group employs 50 (49) full time and 13 (13) part time staff, excluding directors, the cost of whom are shared with The Second Alliance Trust PLC. No bonus or share option schemes for staff are in operation.

	Group 1996 £	Group 1995 £	Company 1996 £	Company 1995 £
4. DIRECTORS' EMOLUMENTS				
Fees	45,125	47,271	33,917	35,935
Management remuneration	209,306	275,713	209,306	275,713
Company pension scheme contributions	42,829	61,669	42,829	61,669
Cost of pension annuity for widow of former executive director	—	14,533	—	14,533
	297,260	399,186	286,052	387,850

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

Particulars of directors' remuneration were:	Group 1996 £	Group 1995 £	Company 1996 £	Company 1995 £
Chairman (for whom no pension contributions are payable)	15,500	13,000	11,666	10,000
Highest paid director (excluding pension contributions)	94,098	118,860	94,098	118,860
Highest paid director (including pension contributions)	117,363	145,598	117,363	145,598

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

£5,001	—	£10,000	3	(4)	70,001	—	75,000	—	(1)
10,001	—	15,000	—	(1)	80,001	—	85,000	1	(1)
15,001	—	20,000	1	(—)	90,001	—	95,000	1	(—)
30,001	—	35,000	1	(—)	115,001	—	120,000	—	(1)

Details of remuneration

	Basic Salary £	Taxable Benefits £	Pension Contributions* £	Total Emoluments Excluding Pension Contributions £	Total Emoluments Including Pension Contributions £
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
1995					
Executive					
Gavin R Suggett	80,625	2,570	18,975	83,195	102,170
Alan M W Young	68,250	5,408	15,956	73,658	89,614
Lyndon Bolton (retired 30.4.95)	114,375	4,485	26,738	118,860	145,598
	263,250	12,463	61,669	275,713	337,382

	Group 1996 £	Group 1995 £	Company 1996 £	Company 1995 £
Non-Executive - Fees only				
William Berry	9,875	9,250	7,417	7,000
Bruce W M Johnston	9,875	9,250	7,417	7,000
Sir Robert Smith	15,500	13,000	11,666	10,000
Andrew F Thomson	9,875	9,250	7,417	7,000
Christopher Blake (retired 14.10.94)	—	6,521	—	4,935
	45,125	47,271	33,917	35,935

The above tables do not include Mr W Nelson Robertson who was appointed to the Board after the period under review.

*Until detailed guidance on disclosure of pension benefits is available from the Institute of Actuaries, the amounts disclosed are the contributions paid by the Company.

	Group 1996 £000	Group 1995 £000	Company 1996 £000	Company 1995 £000

5. INTEREST PAYABLE - ALL CHARGED TO REVENUE

	Group 1996 £000	Group 1995 £000	Company 1996 £000	Company 1995 £000
On debentures,bank loans, overdrafts and other loans				
Continuing operations				
Repayable within 5 years, not by instalments	1,197	1,097	18	2
Repayable wholly or partly in more than 5 years	74	74	74	74
	1,271	1,171	92	76
Discontinued operations				
Repayable within 5 years, not by instalments	1,194	1,149		
Repayable wholly or partly in more than 5 years	—	68		
	1,194	1,217		
Total payable	2,465	2,388	92	76

The interest cost of financing the working capital requirements of the discontinued business includes intra-group interest payments of £1,194,000 (£1,149,000). The corresponding adjustment is 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 1996 £000	Group 1995 £000	Company 1996 £000	Company 1995 £000
Continuing operations				
UK corporation tax at 33%	5,298	4,564	4,148	3,848
Overseas taxation	1,388	1,411	1,388	1,411
Tax attributable to franked investment income	4,566	4,385	4,745	4,526
Deferred taxation	(106)	287	93	238
	11,146	10,647	10,374	10,023
Relief for overseas taxation	(1,388)	(1,411)	(1,388)	(1,411)
	9,758	9,236	8,986	8,612
Discontinued operations				
UK corporation tax at 33%	265	(607)		
Deferred taxation	(171)	801		
	94	194		
Total taxation	9,852	9,430	8,986	8,612

The taxation charge attributed to the discontinued leasing operations of the group includes 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 1996 £000	Group & Company 1995 £000

7. DIVIDENDS

Dividends on equity stock units

	1996 £000	1995 £000
Ordinary -		
interim paid of 16.0p (15.0p) per stock unit	8,064	7,560
final proposed of 37.0p (35.0p) per stock unit	18,648	17,640
	26,712	25,200

Dividends on non-equity stock units:

	1996 £000	1995 £000
Preference -		
$4\frac{1}{4}$% (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

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 1996 £000	Group 1995 £000	Company 1996 £000	Company 1995 £000
Earnings -				
Continuing and discontinued operations	30,992	28,425	28,375	27,113
Continuing operations only	29,032	27,550		
Capital	269,250	(129,643)	271,867	(129,100)
Total	300,242	(101,218)	300,242	(101,987)

	Group 1996 £000	Group 1995 £000	Company 1996 £000	Company 1995 £000

9. INVESTMENTS

	Group 1996 £000	Group 1995 £000	Company 1996 £000	Company 1995 £000
Investments listed on a recognised investment exchange	1,190,647	891,958	1,165,335	878,231
Unlisted investments	3,913	3,037	3,913	3,037
Subsidiary companies (note 11)	—	—	20,323	17,525
	1,194,560	894,995	1,189,571	898,793

	Group Investments £000	Company Investments £000	Company Subsidiary £000	Company Total £000
Opening book cost	536,557	522,815	5,400	528,215
Opening unrealised appreciation	358,438	358,453	12,125	370,578
Opening valuation	894,995	881,268	17,525	898,793
Movements in the year				
Purchases at cost	116,539	105,195	—	105,195
Sales - proceeds	(84,279)	(84,279)	—	(84,279)
- realised gains on sales	27,750	27,750	—	27,750
Increase in unrealised appreciation	239,555	239,314	2,798	242,112
Closing valuation	1,194,560	1,169,248	20,323	1,189,571
Closing book cost	596,567	571,481	5,400	576,881
Closing unrealised appreciation	597,993	597,767	14,923	612,690
	1,194,560	1,169,248	20,323	1,189,571

A geographical analysis of the investment portfolio, an analysis of the investment portfolio by broad industrial or commercial sector, and a list of the 40 largest investments by their aggregate market value, are given on pages 12 and 13.

10. OFFICE PREMISES

	Group & Company 1996 £000	Group & Company 1995 £000
Opening valuation	450	450
Surplus on revaluation	50	—
Closing valuation	500	450

In December 1995, J & E Shepherd, Chartered Surveyors, valued the office premises on the basis of open market value with vacant possession to reflect existing use in accordance with the Statements of Asset Valuation Practice and Guidance Notes published by the Royal Institution of Chartered Surveyors.

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

11. SUBSIDIARY COMPANIES

The company and the group have investments in 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 Managment	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.

	1996 £000	1995* £000
a. Gross earnings on finance leases		
Rentals received and plant and equipment sale proceeds	7,681	18,935
Amortisation	(6,064)	(16,831)
	1,617	2,104
b. Sale proceeds and gain on disposal of leasing business		
Net assets disposed of:		
Finance lease receivables	19,955	17,337
Other net (liabilities) assets	(747)	2,004
	19,208	19,341
Deferred tax and other provisions released	(3,257)	(1,653)
	15,951	17,688
Gain on disposal	2,353	615
Cash consideration	18,304	18,303

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

	1996 £000	1995* £000
c. Finance lease receivables		
Due within one year	—	8,284
Due after one year	—	16,216
	—	24,500
Purchase of plant and equipment during the year for lease on finance leases	2,297	25,368

11. SUBSIDIARY COMPANIES (CONT'D)

d. Subsidiary company valuation

The investment in ATF is valued in the Company's accounts at £20,323,000 (£17,525,000) 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 1996 is given below:-

	1996 £000	1995* £000
Finance lease receivables	—	24,500
Government securities (see below)	25,140	13,774
Money at call and short notice	29,412	9,613
Total assets	54,552	47,887
Financed by:		
Amounts due to depositors	26,984	18,700
Creditors less debtors	641	2,104
Deferred tax	3	3,670
	27,628	24,474
Shareholders' funds	26,924	23,413
	54,552	47,887

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 £25,313,000 (£13,727,000).

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

* The 1995 figures have been restated in accordance with the accounting policies in note 1 on page 24.

	Group		Company	
	1996 £000	1995 £000	1996 £000	1995 £000
12. DEBTORS				
Amounts due from brokers	1,650	1,791	1,650	1,791
Taxation recoverable	1,033	864	1,033	864
Prepayments and accrued income	4,488	5,337	4,032	4,362
Other debtors	8,112	4,062	5,456	15
	15,283	12,054	12,171	7,032
13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR				
Amounts due to depositors	26,984	18,700	—	—
Amounts due to brokers	514	605	515	605
UK corporation tax payable	1,858	1,545	850	406
Proposed dividends	18,682	17,674	18,682	17,674
Other creditors	2,914	6,189	168	202
	50,952	44,713	20,215	18,887

14. PROVISIONS FOR LIABILITIES AND CHARGES

	Group 1996 £000	Company 1996 £000
These are in respect of deferred taxation, and comprise:		
Timing differences related to income	752	601
Accelerated capital allowances	(148)	—
	604	601

	Group 1996 £000	Company 1996 £000
The movement on deferred taxation comprises:		
Beginning of year as previously stated-		
Accelerated capital allowances	3,348	—
Prior year adjustment - timing differences related to income	830	508
	4,178	508
(Credited)charged in respect of income	(78)	93
Accelerated capital allowances	(200)	—
Release of provision on disposal of subsidiaries	(3,296)	—
End of year	604	601

There is no material amount of unprovided deferred taxation

15. CALLED-UP SHARE CAPITAL

	Group & Company 1996 £000	1995 £000
Authorised, allotted, called-up and fully paid		
50,400,000 ordinary stock units of 25p each	12,600	12,600
$4^1/_4$% (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

16. RESERVES

	Group			Company		
	Capital reserve realised £000	Capital reserve unrealised £000	Revenue reserve £000	Capital reserve realised £000	Capital reserve unrealised £000	Revenue reserve £000
Beginning of year - as previously reported	553,931	358,763	20,634	552,791	370,409	10,128
Adjustments in respect of change in accounting policies	(29)	(40)	4,413	(29)	450	3,923
Beginning of year - as restated	553,902	358,723	25,047	552,762	370,859	14,051
Exchange difference	1,955	—	—	1,955	—	—
Net gain on realisation of investments	27,750	—	—	27,750	—	—
Increase in unrealised appreciation	—	239,495	—	—	242,112	—
Surplus on revaluation of office premises	—	50	—	—	50	—
Retained net revenue for the year	—	—	4,280	—	—	1,663
End of year	583,607	598,268	29,327	582,467	613,021	15,714

	Group 1996 £000	Group 1995 £000	Company 1996 £000	Company 1995 £000

17. RECONCILIATION OF MOVEMENTS IN STOCKHOLDERS' FUNDS

	Group 1996 £000	Group 1995 £000	Company 1996 £000	Company 1995 £000
Opening equity stockholders' funds as reported	945,928	1,073,873	945,928	1,075,093
Adjustments in respect of change in accounting policies	4,344	2,817	4,344	2,366
Opening equity stockholders' funds as restated	950,272	1,076,690	950,272	1,077,459
Total recognised gains and losses	273,530	(126,418)	273,530	(127,187)
Closing equity stockholders' funds	1,223,802	950,272	1,223,802	950,272
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 1996 £000	Group 1995 £000	Company 1996 £000	Company 1995 £000
Beginning of year	76,853	79,915	67,240	55,149
Net cash (outflow)inflow	(3,172)	(3,037)	(22,971)	12,116
Foreign exchange gains(losses)	1,955	(25)	1,955	(25)
End of year	75,636	76,853	46,224	67,240
Analysis of balances:				
Cash at bank and in hand	75,636	76,853	46,224	67,240

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

	Group 1996 £000	Group 1995 £000	Company 1996 £000	Company 1995 £000
Net revenue before interest payable and taxation	44,487	40,971	37,521	35,869
Scrip dividends	(288)	(40)	(288)	(40)
Decrease(increase) in accrued income	849	(1,838)	330	(1,691)
(Decrease)increase in other creditors	(2,634)	2,357	(34)	2
Decrease(increase) in other debtors	1,222	(4,648)	(237)	(15)
Decrease(increase) in investment in finance leases	4,545	(6,997)	—	—
Increase(decrease) in amounts due to depositors	8,284	(2,447)	—	—
Gain on disposal of leasing business	(2,353)	(615)	—	—
Tax on investment income	(4,566)	(4,385)	(4,745)	(4,526)
Net cash inflow from operating activities	49,546	22,358	32,547	29,599

	Group		Company	
	1996	1995	1996	1995
	£000	£000	£000	£000

21. CONTINGENCIES, GUARANTEES AND FINANCIAL COMMITMENTS

	Group 1996 £000	Group 1995 £000	Company 1996 £000	Company 1995 £000
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	546	789	546	789
Guarantees to third parties	953	—	—	—
Facilities for the purchase of assets to be leased	—	1,989	—	—
	1,499	2,778	546	789

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 £279,000 (£228,000) was paid in June 1995 and represented a 28.2% (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.

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the One Hundred and Eighth annual general meeting of The Alliance Trust PLC will be held at MEADOW HOUSE, 64 REFORM STREET, DUNDEE, on Friday 19th April 1996 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 1996.
2. To declare dividends.
3. To approve the appointment of Mr W Nelson Robertson as a director.
4. To re-elect Mr Alan M W Young as a director.
5. To appoint KPMG Audit Plc as auditors of the Company to hold office from the conclusion of this meeting to the conclusion of the next annual general meeting at which accounts are laid before the Company at a remuneration to be fixed by the directors

SPECIAL BUSINESS

6. To consider and, if thought fit, to pass the following Ordinary Resolution:

   "That the directors' fees in aggregate be fixed at a sum not exceeding £70,000 per annum commencing 1st February 1996"

By order of the Board

S M Gates

S M Gates Secretary

Dundee, 26th March 1996

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 26th April will be posted on 23rd April to stockholders on the register on 11th April.

FINANCIAL CALENDAR

ANNOUNCEMENTS	
Final dividend and year-end results	18th March 1996
Report and accounts sent to stockholders	26th March 1996
Interim results	19th August 1996
ANNUAL GENERAL MEETING	19th April 1996
DIVIDENDS AND INTEREST	
Ordinary and preference stocks final	26th April 1996
Ordinary and preference stocks interim	4th October 1996
Debenture stock	15th May and 11th November 1996