

NOTICE OF ILLEGIBLE PAGES

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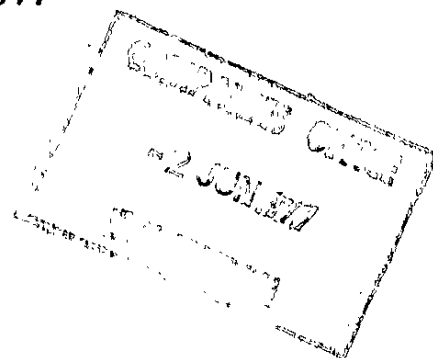
The poor quality has been noted, but unfortunately steps taken to improve them were unsuccessful.

Companies House would like to apologise for any inconvenience this may cause

1731/266

THE ALLIANCE TRUST COMPANY
LIMITED

REPORT AND ACCOUNTS 1977



THE ALLIANCE TRUST COMPANY LIMITED

DIRECTORS

DAVID F. McCURRACH Chairman
CHRISTOPHER BLAKE
GEORGE T. CHIENE
GEORGE W. DUNN
BRIAN H. THOMSON
CHARLES N. THOMSON

JOINT MANAGERS

GEORGE A. STOUT
LYNDON BOLTON

JOINT SECRETARIES

R. W. D. SKENE
G. R. SUGGETT

AUDITORS

THOMSON McLINTOCK & Co. C.A.
ROYAL EXCHANGE, DUNDEE

REGISTERED OFFICE

MEADOW HOUSE, 64 REFORM STREET, DUNDEE DD1 1TJ

REGISTRARS AND TRANSFER OFFICE AND

AGENTS FOR THE DIVIDEND INVESTMENT PLAN
THE ROYAL BANK OF SCOTLAND LIMITED, P.O. BOX 27
31 ST. ANDREW SQUARE, EDINBURGH EH2 2AB

THE ALLIANCE TRUST COMPANY LIMITED

Year ended 31st January 1977

STATEMENT BY THE CHAIRMAN

RESULTS

Our earnings, at 6.66p, are up by 19 $\frac{3}{4}$ %. The increase in Gross Income is no less than £1m. and only a small part of that, £148,000, comes from Gilt Edged and Deposits. Very good rises in dividend rates from many of our U.K. equities, with a modest addition from holdings increased by £5m. during the year, have produced an extra £618,000, while higher U.S. dividend rates have been compounded by the fall in sterling to produce an extra £246,000. The dollar sterling factor accounts for the improvement over our mid-year forecast of 6.50p. Your Directors have, in the light of these good results and the sources of the increase, recommended a final dividend of 4.75p making a total of 6.35p against 5.35p. In order to reduce disparity between interim and final dividends it is the Directors' intention to raise the interim dividend for 1977/78 from 1.6p to 2.2p.

Although the accounts show nearly a quarter of our Gross Income coming from Gilts and Deposits, the extra tax payable on unfranked income means that the net proportion is much smaller and that an investment of these fixed interest funds in U.K. equities need not mean any substantial loss in net earnings.

VALUATION

Over our year our net asset value per unit fell by 6%, the F.T.A. All Share Index fell by 3.5% and the U.S. Standard & Poors 500 Share Index adjusted for currency premium fell by 7.9%. Our year end coincided with a flat spot in all markets, not least the currency premium which over the year fell from 67 $\frac{3}{4}$ % to 29%. The sterling value of our holdings, of course, fell by much less since the premium fall was offset by the decline in the official sterling rate: the combined effect of premium and exchange rate was a fall of 9% in sterling values. This has the very satisfactory compensation of roughly halving the premium content of our valuation from £24.2m. (17 $\frac{1}{2}$ %) of the total to £11.97m. (9%).

My recent retirement from management and my tenth Chairman's Statement may excuse a little retrospection over a remarkable decade in which the world in which we do our job has been turned almost upside down. In the range of domestic affairs, starting with the abolition of full relief for overseas tax we have seen *two* completely new tax systems and a growing burden of Corporation Tax, a temporary ceiling on overseas investment, a drastic broadening of the premium currency system, a comprehensive Capital Gains Tax, the concoction of the currency premium surrender system, the introduction in banking of the system of Competition and Credit Control and, for almost the whole decade either dividend limitation or a total freeze. In the wider world there were two sterling devaluations followed by a final "float", two major dollar crises, two major world stock market slumps, the collapse of the Bretton Woods world monetary system, the temporary resurrection of gold, the driving out of Keynesian demand management by the monetarists, and the greatest world inflation in modern history followed by the worst recession since the 1930's. Against that background there may be some merit in our own record as shown in the following Table and Chart. Not only do we show an unbroken record of increases in our regular rate of dividend far ahead of the indices but a rise in our net asset value ahead of both, and even in the price of our own shares well ahead of F.T. Industrials despite a rise in the discount in our share price against asset values from 11% to 23%.

[OVER

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Eighty Ninth Annual General Meeting of the Company will be held at MEADOW HOUSE, 64 REFORM STREET, DUNDEE, on Friday, 6th of May 1977, at 11.30 a.m. for the following purposes:—

- I. To receive the Report of the Directors.
- II. To Declare Dividends.
- III. To elect a Director.
- IV. To fix the remuneration of the Auditors.
- V. To transact any other ordinary business.

By Order of the Directors

R. W. D. SKENE
G. R. SUGGETT

Secretaries

Dundee,
13th April 1977

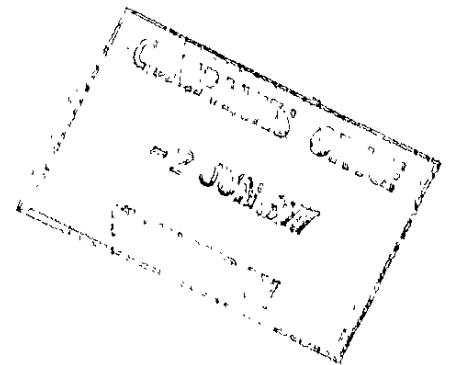
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Dividend warrants will be posted on 6th May to Stockholders on the register on 15th April.

1731/266

THE ALLIANCE TRUST COMPANY
LIMITED

REPORT AND ACCOUNTS 1977



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Year ended 31st January 1977

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VALUATION

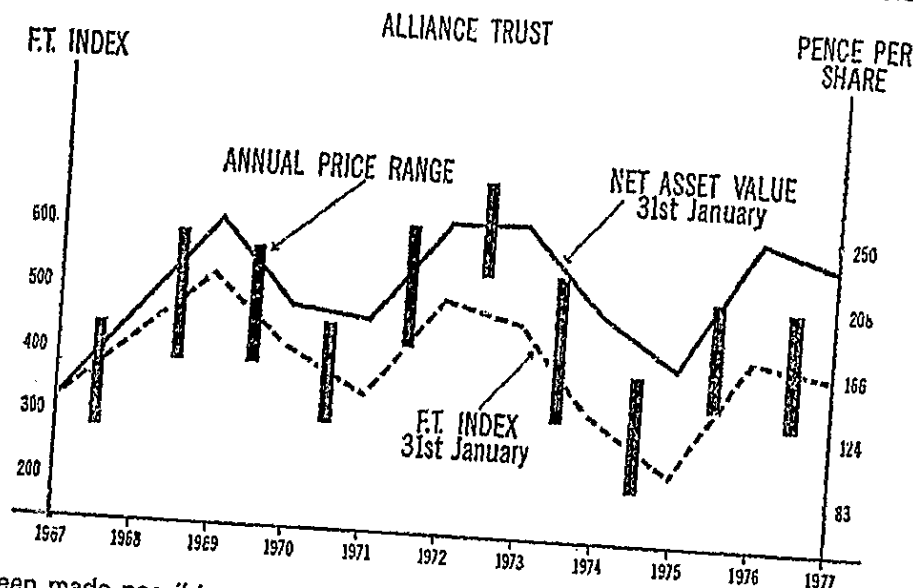
Over our year our net asset value per unit fell by 6%, the F.T.A. All Share Index fell by 3.5% and the U.S. Standard & Poors 500 Share Index adjusted for currency premium fell by 7.9%. Our year end coincided with a flat spot in all markets, not least the currency premium which over the year fell from 67 $\frac{3}{4}$ % to 29%. The sterling value of our holdings, of course, fell by much less since the premium fall was offset by the decline in the official sterling rate: the combined effect of premium and exchange rate was a fall of 9% in sterling values. This has the very satisfactory compensation of roughly halving the premium content of our valuation from £24.2m. (17 $\frac{1}{2}$ %) of the total to £11.97m. (9%).

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[OVER

PERCENTAGE INCREASES 31st JANUARY 1967 TO 31st JANUARY 1977

		VALUES	DIVIDENDS
Alliance	Net Assets	76.5	105.7
F.T.A. All-Share		73.8	79.9
Alliance	Price	51.9	—
F.T. Industrials		22.9	19.3



This has been made possible only by major policy changes on a scale and with a frequency and flexibility never before contemplated or even thought proper for conventional investment trusts. We have also considered, and rejected, a host of schemes or devices—offshore funds or overseas subsidiaries, convertible issues or “split” equity capital and the like. And we have many times, even before the Bank of England permitted it, considered foreign currency borrowing and as often rejected it either on grounds of interest terms or stock market prospects, although we have an open mind on future possibilities. Our broad policy has continued to be the pursuit of both income and capital growth, neither ever wholly surrendered to the other. Inevitably this prevents dramatic short-term successes, but (1) it has protected us against the extremes of the major downward cycles (or worse had it happened) and (2) it has produced a balanced growth on both fronts well ahead of averages, outstandingly dividend growth 86.4% better than F.T. Industrials.

PROSPECTS

The future seems as confused as the past. The short term at home must depend upon a Phase 3 settlement, but it could well be that even without it, if the monetarists are right, the tight rein imposed by the I.M.F. Loan conditions could, after an excruciating wrench, create the very climate for the structural changes which the country so sorely needs, changes in central government and industry and even in some of our political attitudes and institutions. There is indeed a danger that the effects of North Sea oil may be so benevolent as to deflect us from these changes but even that would permit a more cheerful short term view of home prospects. At the same time one dare not forget either the hesitant state of world trade, so vital to our recovery, or the strains on international currencies imposed both by yawning balance of payments gaps and by huge mountains of unstable debt. The risks are great but the *potential* of the U.K. stock market is probably as great as anywhere. Our U.K. equity proportion at 49.4% is higher than of recent years but we still hold 40.8% overseas.

4th March 1977

D. F. McCurrach

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- II. To Declare Dividends.
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- IV. To fix the remuneration of the Auditors.
- V. To transact any other ordinary business.

By Order of the Directors

R. W. D. SKENE
G. R. SUGGETT

Secretaries

Dundee,
13th April 1977

A Member entitled to attend and vote at the above meeting may appoint a proxy or proxies to attend and vote instead of him. A proxy need not be a member of the Company. Only ordinary stockholders or their representatives are entitled to attend the meeting.

Dividend warrants will be posted on 6th May to Stockholders on the register on 15th April.

THE ALLIANCE TRUST COMPANY LIMITED

REPORT OF THE DIRECTORS

The Directors present their Report and the Accounts for the year ended 31st January 1977. The main features of the Accounts are as follows:—

	1977	1976
Gross Revenue	£6,458,745	£5,489,158
Net Revenue after Taxation	£3,423,392	£2,871,475
Earnings per 25p Ordinary Stock Unit	6.66p	5.55p
Proposed Final Dividend per Ordinary Stock Unit	4.75p	3.75p
Total Dividend per Ordinary Stock Unit	6.35p	5.35p
(Gross equivalent including Stockholders' imputed tax credit)	(9.77p)	(8.23p)
Surplus transferred to Revenue Reserve	£154,917	£107,000
 Total Net Assets	 £127,038,300	 £135,262,052
Net Asset Value per Ordinary Stock Unit deducting prior charges at par	233p	248½p
25% of Currency Premium (included above subject to surrender on sales)	6p	12p
 Number of equity investments (Classification on p. 14)		
Sterling	122	120
Foreign Currency	80	88
Number of Ordinary Stockholders	20,408	21,200

The business of the Company is that of an Investment Trust. It has that status for the purposes of the Income and Corporation Taxes Act 1970 and the Finance Act 1972, and in the opinion of the Directors is not a close company.

On 15th May 1976, £500,000 6% Debenture Stock 1971/76 was redeemed at par.

Sir William G. N. Walker retired from the Board on 7th May 1976. Otherwise the Directors throughout the year have been as listed on page 5. Mr. George T. Chleno retires by rotation from the Board, and being eligible, offers himself for re-election.

Mr. David F. McCurrach retired from the position of Managing Director of the Company on 31st August 1976, and Mr. George A. Stout and Mr. Lyndon Bolton have been appointed as Joint Managers from that date.

Mr. Gavin R. Suggett, formerly Assistant Secretary, was appointed Joint Secretary from 1st June 1976.

No contract or arrangement entered into by the Company in which any Director is interested has subsisted during the year.

The following are the interests of Directors and their families in the Capital of the Company:—

	With Beneficial Interest		Without Beneficial Interest	
	At 1/2/76	At 31/1/77	At 1/2/76	At 31/1/77
David F. McCurrach Ordinary	£ 687.50	£ 701	—	—
Christopher Blake Ordinary	200	200	—	—
George T. Chiene Ordinary	200	200	—	—
George W. Dunn Ordinary	200	200	£ 5,227.50	£ 9,940
Brian H. Thomson Ordinary	7,316	7,316	34,362.50	34,362.50
Charles N. Thomson Ordinary	935	935	2,867	3,867
4% Preference	13	13	—	—
5% Preference	69	69	—	—

By Order of the Board

R. W. D. SKENE

G. R. SUGGETT

Secretaries

Dundee, 13th April 1977.

THE ALLIANCE TRUST

REVENUE ACCOUNT for the

	1977		1976	
	£	£	£	£
MANAGEMENT EXPENSES				
Administration Expenses	180,284		168,881	
Directors' Remuneration (Note 2)	33,764		35,528	
Audit Fee	3,000		3,000	
	<u>217,048</u>		<u>207,409</u>	
FOREIGN EXPENSES AND TAXES		12,301		12,699
INTEREST ON BORROWED MONEY (gross)				
Bank Advances and Loans repayable within 5 years	30,593		65,066	
On all other Loans	360,312		360,312	
	<u>390,905</u>		<u>425,378</u>	
REVENUE BEFORE TAXATION		5,838,491		4,843,672
		<u>6,458,745</u>		<u>5,489,158</u>
TAXATION (Note 3)		2,415,099		1,972,197
REVENUE AFTER TAXATION		<u>3,423,392</u>		<u>2,871,475</u>
		<u>5,838,491</u>		<u>4,843,672</u>

APPROPRIATION

DIVIDENDS		
On Preference Stocks for the year	68,075	68,075
On Ordinary Stock		
Interim of 1.60p net paid 25th October 1976 (1.60p)	806,400	806,400
Proposed Final of 4.75p (3.75p)	2,394,000	1,890,000
SURPLUS REVENUE for the year transferred to Revenue Reserve	<u>154,917</u>	<u>107,000</u>
	<u>3,423,392</u>	<u>2,871,475</u>
EARNINGS per Ordinary Stock Unit (Note 10)	6.66p	5.56p

COMPANY LIMITED

year ended 31st January 1977

	1977		1976	
	£	£	£	£
INVESTMENT REVENUE				
Franked Investment Income				
Quoted	3,598,684		2,986,874	
Unquoted	30,171		23,455	
		3,628,855		3,010,329
Unfranked Investment Income—Quoted				
Sterling	1,245,657		586,099	
Dollar	1,010,745		764,533	
Other Overseas	286,238		326,816	
		2,542,640		1,677,448
Short Term Interest		268,149		779,334
ROYALTY REVENUE		19,101		22,047
		<u>6,458,745</u>		<u>5,489,158</u>
REVENUE BEFORE TAXATION		5,838,491		4,843,672
		<u>5,838,491</u>		<u>4,843,672</u>
ACCOUNT				
REVENUE AFTER TAXATION		3,423,392		2,871,475
		<u>3,423,392</u>		<u>2,871,475</u>

The notes on pages 10 and 11 are part of these accounts

THE ALLIANCE TRUST

BALANCE SHEET

	1977		1976	
	£	£	£	£
CAPITAL AUTHORISED AND ISSUED (Note 9)				
2.975% Cumulative Preference Stock		700,000		700,000
2.8% Cumulative Preference Stock		650,000		650,000
3.5% Cumulative Preference Stock		750,000		750,000
2.8% "A" Cumulative Preference Stock		100,000		100,000
Ordinary Stock (divided into 50,400,000 units of 25p)		12,600,000		12,600,000
		<u>14,800,000</u>		<u>14,800,000</u>
 CAPITAL RESERVE		 1,600,000		 1,600,000
 REVENUE RESERVE				
Balance at 31st January 1976		5,686,293		5,579,293
Surplus Revenue for the year to 31st January 1977		154,917		107,000
		<u>5,841,210</u>		<u>5,686,293</u>
 DEBENTURE DEBT				
4½% Debenture Stock 1956 or after		1,648,600		1,648,600
5% Debenture Stock 1971/76		—		500,000
3½% Debenture Stock 1975/85		675,000		675,000
5½% Debenture Stock 1980/85		5,000,000		5,000,000
		<u>7,323,600</u>		<u>7,823,600</u>
 CURRENT LIABILITIES				
Purchases for subsequent settlement		514,603		174,754
Provision for Taxation		1,351,665		1,262,492
Sundry Creditors and Interest Accrued		114,306		115,453
Short Loans		258,250		306,250
Proposed Dividends		2,428,037		1,924,038
		<u>4,666,861</u>		<u>3,782,987</u>
		 <u>34,231,671</u>		 <u>33,692,880</u>

Dundee, 20th May, 1977.

Certified a true copy of the Directors' Report, Balance Sheet and Auditors' Report.

Russomach Director

COMPANY LIMITED

at 31 January 1977

	1977	1976
	£	£
FIXED ASSETS		
Investments at or under cost (Note 4)		
Quoted in Great Britain	23,312,199	22,232,400
Quoted outside Great Britain	6,952,878	7,666,356
Unquoted	353,986	421,303
Temporary Loans	2,576,706	2,082,396
	<u>33,195,769</u>	<u>32,402,455</u>
VALUATION		
Quoted in Great Britain	75,832,381	75,611,876
Quoted outside Great Britain	51,800,815	59,509,300
Unquoted	450,357	551,042
Temporary Loans	2,576,706	2,082,396
	<u>130,669,259</u>	<u>137,754,614</u>
Real Estate (cost \$3,108—1976 \$3,108)	1,813	1,531
Office Premises and Furniture at book value	28,136	28,136
CURRENT ASSETS		
Sales for subsequent settlement	51,589	536,876
Balances due by Bankers, Cash and remittances in transit	306,921	216,384
Sundry Debtors—Taxation recoverable	647,443	507,498
	<u>1,005,953</u>	<u>1,260,758</u>

D. F. McCURRACH, *Director*

BRIAN H. THOMSON, *Director*

34,231,671

33,692,880

The notes on pages 10 and 11 are part of these accounts

John H. Thomson
Secretary

NOTES ON THE ACCOUNTS

1. ACCOUNTING POLICIES

The Accounts of the Company have been prepared in accordance with the following accounting policies:—

- (a) Investment Revenue is determined on the basis of cash receipts during the year, foreign income being converted at the rate of exchange applicable at the time of receipt. Franked Investment Income has been included in the Revenue Account with the addition of the relevant Tax Credit.
- (b) Interest payable and management expenses are treated on an accruals basis.
- (c) Gains and Losses on disposals of Investments and on Currency Transactions together with the related taxation charge are taken to Surplus on Realisation of Investments (Note 4).
- (d) Quoted investments are valued at middle market prices and unquoted investments at directors' valuation. In valuing foreign assets and liabilities the middle rates of exchange ruling at the year end have been taken, including the full Investment Currency Premium where appropriate (Note 5).
- (e) No provision is made for potential taxation liability on the unrealised appreciation of the investments held at the date of the Balance Sheet (Note 8).

2. DIRECTORS' REMUNERATION

	In respect of services as a Director		Other Emoluments	
	1977 £	1976 £	1977 £	1976 £
Chairman	3,000	3,000	6,037	9,900
Directors whose total remuneration was in the bracket £2,501 - £5,000 5 Directors (6)	15,000	18,000	—	—
not more than £2,500 1 Director	804	—	—	—
	<u>18,804</u>	<u>21,000</u>	<u>6,037</u>	<u>9,900</u>
Contributions under Pension Schemes and National Insurance	<u>1,507</u>	<u>1,275</u>	<u>7,416</u>	<u>3,353</u>
Total Remuneration	<u>20,311</u>	<u>22,275</u>	<u>13,453</u>	<u>13,253</u>

Staff whose remuneration was in the bracket £10,001 - £12,500 2 (1976 - 1)

3. TAXATION

Taxation on the revenue for the year:

Foreign Withholding Tax	193,551	144,173
Corporation Tax (after relief for Withholding Tax)	951,449	785,827
Tax Credit applicable to Franked Investment Income	<u>1,270,099</u>	<u>1,042,197</u>
	<u>2,415,099</u>	<u>1,972,197</u>

Corporation Tax has been computed at 52% for the year.

No provision has been made for Advance Corporation Tax on the Final Dividend, as, in the opinion of the Directors, this will be offset by Tax Credits in the year commencing 1st February 1977.

4. SURPLUS ON REALISATION OF INVESTMENTS

Balance at 31st January 1976	£54,339,865
Add:	
Adjustments for differences in Official Exchange rates at Balance Sheet dates	3,688,922
Net Surplus arising on realisation of Investments during year after Taxation thereon (£403,000)	1,099,747
Balance at 31st January 1977, deducted in arriving at the Book Cost of Investments	<u>£59,128,524</u>

5. INVESTMENT CURRENCY PREMIUM

The full Investment Currency Premium of 29% (1976—67½%) included in the valuation of Foreign Assets and Liabilities is based on the U.S. Dollar rate of 1.7146 (1976—2.0296) and amounts to £11,970,979 (1976—£24,237,456). On sale of foreign securities 25% of the proceeds must be remitted to the U.K. at the official rate and £2,914,965 (1976—£6,008,577) of this Premium would not be receivable.

6. CONTINGENT LIABILITIES

Contingent Liability in respect of partly paid investment: Miscellaneous, £75,000 (1976—£75,000). No provision has been made for any liability to Taxation on Capital Gains which may arise on future sales of securities.

7. INVESTMENTS

Included in the Company's investments at 31st January 1977 were 150,000 Ordinary Shares of City Oil Exploration Ltd., a Company incorporated in England, representing 42.86% of its issued Share Capital.

8. TAXATION ON CAPITAL GAINS

The potential liability of the Company to taxation at 17½% on Capital Gains in the event of the realisation of all the Investments at the valuation shown in the Balance Sheet is estimated at £6,230,000 (1976—£7,507,000).

9. PREFERENCE DIVIDENDS

Under the provisions of the Finance Acts 1972 and 1976, dividends payable on the Preference Stocks after 5th April 1973 are as follows:—

4½% Preference Stock at the rate of 2.975%.	
4% " " " " 2.8%.	
5% " " " " 3.5%.	
4% "A" " " " 2.8%.	

10. EARNINGS PER STOCK UNIT

The earnings per Stock Unit are based on the amount available for Ordinary Stockholders of £3,355,317 (£2,803,400) divided by the 50,400,000 Stock Units in issue.

REPORT OF THE AUDITORS

To the Members of The Alliance Trust Company Limited

DUNDEE, 6th April 1977. In our opinion the Accounts set out on pages 8 to 12 give a true and fair view of the state of the Company's affairs as at 31st January 1977 and of the net revenue and source and application of funds for the year ended on that date, and comply with the Companies Acts 1948 and 1967.

THOMSON McLINTOCK & Co., C.A., Auditors.

4. SURPLUS ON REALISATION OF INVESTMENTS

Balance at 31st January 1976

£54,339,855

Add:

Adjustments for differences in Official Exchange rates at
Balance Sheet dates

3,688,822

Net Surplus arising on realisation of Investments during year
after Taxation thereon (£403,000)

1,000

Balance at 31st January 1977, deducted in arriving at the
Book Cost of Investments

£59,128,544

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The full Investment Currency Premium of 29% (1976—67½%) included in the valuation of Foreign Assets and Liabilities is based on the U.S. Dollar rate of 1.7146 (1976—2.0296) and amounts to £11,970,979 (1976—£24,237,456). On sale of foreign securities 25% of the proceeds must be remitted to the U.K. at the official rate and £2,914,965 (1976—£6,008,577) of this Premium would not be receivable.

6. CONTINGENT LIABILITIES

Contingent Liability in respect of partly paid investment: Miscellaneous, £75,000 (1976—£75,000). No provision has been made for any liability to Taxation on Capital Gains which may arise on future sales of securities.

7. INVESTMENTS

Included in the Company's investments at 31st January 1977 were 150,000 Ordinary Shares of City Oil Exploration Ltd., a Company incorporated in England, representing 42.86% of its issued Share Capital.

8. TAXATION ON CAPITAL GAINS

The potential liability of the Company to taxation at 17½% on Capital Gains in the event of the realisation of all the Investments at the valuation shown in the Balance Sheet is estimated at £8,280,000 (1976—£7,507,000).

9. PREFERENCE DIVIDENDS

Under the provisions of the Finance Acts 1972 and 1976, dividends payable on the Preference Stocks after 5th April 1973 are as follows:—

4½% Preference Stock at the rate of 2.975%.

4% " " " " 2.8%.

5% " " " " 3.5%.

4% "A" " " " 2.8%.

10. EARNINGS PER STOCK UNIT

The earnings per Stock Unit are based on the amount available for Ordinary Stockholders of £3,355,317 (£2,803,400) divided by the 50,400,000 Stock Units in issue.

REPORT OF THE AUDITORS

To the Members of The Alliance Trust Company Limited

DUNDEE, 6th April 1977. In our opinion the Accounts set out on pages 6 to 12 give a true and fair view of the state of the Company's affairs as at 31st January 1977 and of the net revenue and source and application of funds for the year ended on that date, and comply with the Companies Acts 1948 and 1967.

THOMSON McLINTOCK & Co., C.A., Auditors.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

for the year ended 31st January 1977

	1977		1976	
	£'000	£'000	£'000	£'000
REVENUE				
Source of Funds				
Revenue before taxation		5,838		4,844
Application of Funds				
Taxation paid and suffered on revenue	2,419		2,286	
Dividends paid				
Preference Stock	68		68	
Previous year Final on Ordinary Stock	1,890		1,840	
Current year Interim on Ordinary Stock	807		807	
	<u>2,765</u>		<u>2,715</u>	
		5,184		5,001
Funds generated from revenue		<u>654</u>		<u>(157)</u>
CAPITAL				
Source of Funds				
Sales of Government Securities	6,872		5,761	
Sales of other securities	8,471		15,884	
Appreciation of foreign cash balances	—		343	
	<u>—</u>	15,343	<u>—</u>	21,988
Application of Funds				
Purchase of Government Securities	3,743		16,293	
Purchase of other securities	11,192		16,047	
Taxation paid on capital gains	455		—	
Repayment of 5% Debenture Stock 1971/76	500		—	
Depreciation of foreign cash balances	299		—	
Repayment of Short Loans	48		272	
	<u>—</u>	16,237	<u>—</u>	32,612
Funds generated from capital		<u>(894)</u>		<u>(10,624)</u>
TOTAL INCREASE (DECREASE) IN LIQUIDITY		<u>(240)</u>		<u>(10,781)</u>
Represented by:				
Increase (Decrease) in debtors	(485)		49	
Decrease (Increase) in creditors	(339)		3,405	
Increase (Decrease) in cash	90		(192)	
Increase (Decrease) in Temporary Loans	494		(14,043)	
		<u>(240)</u>		<u>(10,781)</u>

FORTY LARGEST EQUITY INVESTMENTS

S. S. Kresge Co.	£4,187,000	Fisons Ltd.	£1,021,000
B.A.T Industries Ltd.	4,086,000	Royal Insurance Co. Ltd.	1,018,000
Tri-Continental Corp'n.	3,247,000	National Westminster Bank Ltd.	997,000
Beecham Group Ltd.	3,190,000	Kimberly-Clark Corp'n.	976,000
Philip Morris Inc.	2,917,000	Tandy Corp'n.	973,000
International Business Machines Corp'n.	2,594,000	Dresdner Bank AG	966,000
Mesa Petroleum Co.	2,433,000	Deutsche Bank AG	932,000
General Electric Co. Ltd.	2,316,000	Pay'n Save Corp'n.	931,000
Glaxo Holdings Ltd.	2,169,000	Allied Breweries Ltd.	931,000
Shell Transport & Trading Co. Ltd.	2,110,000	Thorn Electrical Industries Ltd.	879,000
Racal Electronics Ltd.	1,743,000	ERC Corp'n.	875,000
British Petroleum Co. Ltd.	1,723,000	Steeley Co. Ltd.	867,000
C. E. Heath & Co. Ltd.	1,705,000	Imperial Group Ltd.	854,000
Marsch & McLennan Companies Inc.	1,665,000	Dr. Pepper Co.	851,000
Southland Royalty Co.	1,664,000	Imperial Continental Gas Assocn.	847,000
Imperial Chemical Industries Ltd.	1,544,000	American Petrofina Inc.	813,000
Marathon Oil Co.	1,544,000	Fleming Japan Fund S.A.	807,000
Slough Estates Ltd.	1,376,000	Avon Products Inc.	800,000
Warner-Lambert Co.	1,228,000	Del Monte Corp'n.	782,000
Gestetner Holdings Ltd.	1,107,000	Ever Ready Co. (Holdings) Ltd.	782,000

The above investments represent 53.6% of the Company's total equity holdings. These include convertible holdings where applicable.

SIGNIFICANT TRANSACTIONS AFFECTING THE ABOVE LIST

PURCHASES

60,000 Shares Beecham Group Ltd.
 21,750 Shares British Petroleum Co. Ltd.
 1,986 Shares Dresdner Bank AG
 60,937 Shares Fisons Ltd.
 75,000 Shares General Electric Co. Ltd.
 30,500 Shares C. E. Heath & Co. Ltd.
 135,000 Shares Imperial Chemical Industries Ltd.
 148,500 Shares National Westminster Bank Ltd.
 7,500 Shares Pay'n Save Corp'n.
 210,000 Shares Shell Transport & Trading Co. Ltd.
 90,000 Shares Steeley Co. Ltd.
 75,000 Shares Thorn Electrical Industries Ltd.

SALES

26,100 Shares American Telephone & Telegraph Co.
 105,000 Shares Imperial Continental Gas Assocn.
 £26,250 Conv. Loan Stk. Imperial Continental Gas Assocn.
 975,000 Shares Imperial Group Ltd.
 9,375 Shares Petrofina S.A.
 525,000 Shares Sears Holdings Ltd.

For Capital Gains Tax purposes, the 6th April 1965 prices of the Company's Loan and Share Capital quoted on the London Stock Exchange are given below:

4½% Debenture Stock 1956 or after	64½	4½% Cumulative Preference Stock	58½
5% Debenture Stock 1971/76	87½	4% Cumulative Preference Stock	54½
3½% Debenture Stock 1975/85	63½	5% Cumulative Preference Stock	69½
5½% Debenture Stock 1980/85	82½	Ordinary Stock, 25p Units	£1.2125 (24/3)

In terms of the Finance Act 1972 Ordinary Stockholders realising gains may be entitled to a credit against any Capital Gains Tax Liability. The rate of credit for disposals after 5th April 1975 is 17½% of the amount of the gain.

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S. S. Kresge Co.	£4,187,000	Fisons Ltd.	£1,021,000
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Imperial Chemical Industries Ltd.	1,544,000	American Petrofina Inc.	813,000
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5½% Debenture Stock 1980/85	82½	Ordinary Stock, 25p Units	£1.2125 (24/3)

In terms of the Finance Act 1972 Ordinary Stockholders realising gains may be entitled to a credit against any Capital Gains Tax Liability. The rate of credit for disposals after 5th April 1975 is 7½% of the amount of the gain.

CLASSIFICATION OF INVESTMENTS

based on Valuation at 31st January 1977

Classification	United Kingdom	United States of America	Europe	Elsewhere	Total	Total 1976
EQUITIES (including Convertibles)	%	%	%	%	%	%
CAPITAL GOODS	4.5	0.1	0.5	—	5.1	4.2
Aircraft	0.2	—	—	—	0.2	0.2
Building and Construction	0.7	—	—	—	0.7	0.8
Electrical	2.3	0.1	0.4	—	2.8	2.0
Engineering	0.6	—	0.1	—	0.7	0.7
Miscellaneous	0.7	—	—	—	0.7	0.5
CONSUMER GOODS	22.3	13.1	0.7	0.1	36.2	36.1
Breweries and Distilleries	2.0	—	—	—	2.0	2.2
Drugs and Cosmetics	4.4	2.5	0.3	—	7.2	7.3
Electrical	4.8	—	—	—	4.8	4.3
Entertaining and Catering	—	0.4	—	—	0.4	0.5
Food Manufacturing	0.6	1.3	—	—	1.9	1.8
Motors and Distributors	0.4	—	—	—	0.4	0.1
Paper and Packaging	0.6	0.7	—	—	1.3	1.4
Publishing	—	—	—	—	—	0.1
Retail Trade	3.5	5.2	0.4	0.1	9.2	8.7
Textiles	1.0	0.8	—	—	1.8	1.7
Tobacco	4.2	2.2	—	—	6.4	6.7
Miscellaneous	0.8	—	—	—	0.8	1.3
OTHER GROUPS	9.3	13.3	0.9	1.2	24.7	22.8
Chemicals	2.7	1.4	0.3	—	4.4	3.4
Office Equipment	1.9	2.4	—	—	4.3	4.3
Oil	3.1	5.0	0.6	0.6	10.3	8.4
Public Utilities	0.7	1.2	—	—	1.9	3.1
Transport	0.5	0.8	—	—	1.3	1.4
Miscellaneous	0.4	1.5	—	0.6	2.5	2.2
FINANCIAL	13.2	5.8	2.3	1.3	22.6	23.4
Banks and Finance	2.9	0.4	2.3	0.4	6.0	7.7
Insurance	6.8	1.9	—	—	8.7	8.2
Investment Trusts	2.0	2.5	—	0.9	5.4	4.8
Property	1.5	0.6	—	—	2.1	2.3
Miscellaneous	—	0.4	—	—	0.4	0.4
COMMODITIES	0.1	—	—	0.4	0.5	0.8
Base Metals	0.1	—	—	—	0.1	0.2
Gold and Diamonds	—	—	—	0.4	0.4	0.6
TOTAL EQUITIES	49.4	32.3	4.4	3.0	89.1	87.3
FIXED INTEREST	9.8	1.1	—	—	10.9	12.7
PREFERENCE STOCKS	2.3	—	—	—	2.3	2.3
OTHERS	7.5	1.1	—	—	8.6	10.4
TOTAL	59.2	33.4	4.4	3.0	100.0	
1976	56.4	24.0	6.1	3.5		100.0

10 YEAR RECORD

(Years to 31st January)

	Gross Revenue	Net Revenue available for Dividend	Earnings on Ordinary	Ordinary Dividend	Total Assets Less Current Liabilities	Net Asset Value of 25p Ordinary Unit
	£	£	p gross	p gross	£	p
1968	3,722,768	2,809,233	5.59	5.00	105,555,104	189
1969	3,745,925	2,916,213	5.54	5.25	135,976,943	249½
1970	4,169,649	3,030,958	5.84	5.50	108,440,339	195½
1971	4,536,113	3,153,081	6.26	5.62	105,138,287	188½
1972	4,568,258	3,293,035	6.53	6.00	137,041,712	252
1973	4,242,803	3,210,784	net 4.60	net 4.41	137,640,378	253
1974	4,833,053	2,646,451	5.25	4.785	109,478,520	197½
1975	5,633,418	2,908,240	5.77	5.25	92,706,642	164
1976	5,489,158	2,803,400	5.56	5.35	135,262,052	248½
1977	6,458,745	3,355,317	6.66	6.35	127,038,300	233

Gross Revenue has been adjusted to exclude Double Taxation Relief, and Earnings on Ordinary to exclude Transitional Relief under the 1965 Finance Act.

DIVIDEND INVESTMENT PLAN

The attention of stockholders is drawn to the Company's Dividend Investment Plan for which the Agents for the Plan, The Royal Bank of Scotland Limited, will be happy to supply forms, and to the undernoted summary of its operation for a holder of 3,000 Ordinary Stock Units bought at 31st December 1969.

TABLE OF OPERATION OF THE PLAN

Calendar Year	Dividend Payments	No. of Units	Annual Investment		No. of Units	Total Holding at Year End		
			Cost £	Average Unit Cost p		Cost £	Value £	Price p
1969	—	—	—	—	3,000	5,235	5,235	174½
1970	5.5	53	95.98	181	3,053	5,331	5,373	176
1971	5.625	52	106.73	205	3,105	5,438	7,281	234½
1972	6	43	114.11	260	3,148	5,552	7,618	242
1973	(net) 4.785	75	150.92	201	3,223	5,703	4,956	155
1974	4.785	125	156.76	125	3,343	5,860	2,946	88
1975	5.25	94	175.58	187	3,442	6,036	6,471	186
1976	5.35	102	185.41	182	3,544	6,221	6,202	175

The average cost of units acquired under the Plan is 181p.