THE ALLIANCE TRUST PLC

SC 1731

REPORT & ACCOUNTS FOR YEAR ENDING 31 JANUARY 2004

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The directors present their report and the audited accounts of The Alliance Trust PLC ("Alliance Trust" or the "Company") and its subsidiary undertakings (together the "Group") for the year ended 31 January 2004.

For clarity of reading, the report is divided into sections with the main topics covered in each section listed at the start.

We begin with a summary of our financial results, followed by a statement of our objective, investment policy and risks.

The Chairman's Statement, which gives the outlook ***for the Group, follows on page 4.***

Financial Summary (Company)

One Year Analysis		31 January 2004 Pence per ordinary stock unit	31 January 2003 Pence per ordinary stock unit	Change
Dividend for the year		**70.5**	69.5	1.4%
Net asset value		**2921.5**	2385.0	22.5%
Stock price†		**2605.0**	2127.5	22.4%
Return	Earnings	**75.4**	71.6	
	Capital	**531.5**	(930.8)	
	Total	**606.9**	(859.2)	

	31 January 2004	31 January 2003
Discount§	**10.8%**	10.8%
Total expense ratio+	**0.29%**	0.31%❄

One and Ten Year Analysis	1 year absolute	10 years absolute	10 years compound
Returns			
Stock price total return†*	26.6%	70.9%	5.5%
Growth			
Earnings	5.3%	59.5%	4.8%
Dividend	1.4%	50.0%	4.1%
Net asset value	22.5%	37.0%	3.2%

† Source: Thomson Financial Datastream.

§ Discount at which the stock price stands relative to the net assets of the Company.

\+ Expenses ÷ year end net asset value.

❄ The total expense ratio last year before the additional pension contribution was 0.28%.

* The total return on the stock price shows the theoretical growth in value over one and ten years, assuming that gross dividends are fully reinvested, and ignoring re-investment charges.

History, Investment Policy and Risks

History

The Alliance Trust PLC can trace its origins back to the 1870s when various land mortgage companies, including the Oregon and Washington Trust Investment Company, were established in Dundee. In 1888, these companies came together as the Alliance Trust.

- From its start as a leading mortgage provider and land developer in the United States, the Company began also to invest in fixed interest securities.
- By the mid 20th century the Company had divested itself of its land mortgage business, retaining some land and mineral rights in various areas of the United States. By this time the Company was invested largely in equities, both quoted and unquoted, with some debt securities.
- The Company continues to be predominantly an international equity investor, whilst retaining the power to invest in other asset classes in order to meet its objective.
- The Company is an investment company with investment trust status. It employs its own staff to manage its portfolio of assets. It continues to develop and engages in a broader range of activities than most investment trust companies.

Investment Policy

To achieve the Company's objective, we seek long term growth in both capital and income by;

- Investing in both quoted and unquoted equities across the globe. We are not wedded to any index nor to any rigid geographical, sector, or industry, asset allocation.
- Investing internationally in preference shares, and in debt securities including government and corporate bonds.
- Investing in other assets, including property, and other investment vehicles.
- Retaining the ability to borrow, as we have done from time to time, and thereby to gear our portfolio.
- Investing in subsidiary and associated businesses which allow us to expand into other related activities with the objective of enhancing stockholder value. Alliance Trust Savings is an example of this policy.

Risks

Investment in any asset has associated risk. The Company limits this through a wide spread of investments. Presently, minimal gearing prevents the magnification of the impact of market volatility on our assets. We retain the ability to use derivative instruments which we recognise may increase risk.

Objective

To be the core investment for those seeking a long term store of increasing value.

Chairman's Statement

Although we have seen the recovery of equities over the year, after the tribulations of a three year bear market, complacency must be avoided and focus maintained on our long term objective.

For the first time in three years, I am able to report a year end increase in net assets, together with earnings at a record level of 75.4 pence per ordinary stock unit. We are recommending a final dividend of 35.5 pence, making a total dividend for the year of 70.5 pence, an increase of 1 pence over that paid last year and marking 37 years of consecutive increases. Although we have seen the recovery of equities over the year, after the tribulations of a three year bear market, complacency must be avoided and focus maintained on our long term objective.

We have moved through a year of sharp contrast. In the first half, when confidence regarding the economy remained low, further concerns over terrorism and the prospect of war in Iraq raised risk aversion to such a level that there were doubts in some quarters over the validity of equities as an asset class. In the second half of our year, the conclusion of the Iraq war and the emergence of encouraging economic news removed much of the uncertainty, investor confidence increased and equities came back into favour, supported by the wide implementation of monetary and fiscal measures across the world.

As fears of deflation gave way to progressively stronger evidence of economic recovery, the best stock performance for much of the year generally came from the stocks of companies which had been most threatened by the long downturn. Latterly however, the merits of companies with sound finances and sustainable prospects were returning to investors' favour, at the expense of companies more compromised in financial and operating terms. During the year under review, we moved towards full investment of all our cash balances, maintaining our focus on quality. It is encouraging that companies have come to recognise more widely that the ability and willingness to pay a growing dividend is an important component of return to stockholders. Acceptance of this fundamental tenet is particularly evident in the US, where increases have improved from a low base, but also nearer home where the risk of companies cutting dividends appears to have declined.

The global economic recovery has been led by the US. This has already had a positive impact on many other regions of the world through increased export activity. In the US itself, the pick up in economic activity has boosted profits and raised business confidence sufficiently to produce an increase in investment spending. There are also some encouraging signs of potential employment growth which, along with the return of pricing power, will be a critical factor in determining the sustainability of this recovery.

In Asia, particularly China, increased export activity and infrastructure investment has already boosted employment and income levels. All this has helped to stimulate consumer spending in this region. There are fewer signs of improvement in domestic activity in Europe and Japan. Any further weakening of the US Dollar, and appreciation of both the Euro and Yen, could hit export sectors in these regions. This would increase the pressure on policy makers to adopt more stimulative measures and thereby maintain the momentum of the global economy through the rest of this year and into 2005.

We remain convinced that managing our own affairs helps us to add value. The executive directors and staff, including the investment managers, are employees and our retail operation, Alliance Trust Savings ("ATS") is conducted in house by its own staff. The chain of command is short, sharp and effective.

The quality of customer service through ATS has been recognised this year in reader-nominated awards from Investors Chronicle and What Investment; and from the Guardian/Money Observer, in whose Consumer Finance awards we scored best overall on all criteria of friendliness, quality, flexibility, competitiveness, efficiency and performance in the category of stocks and shares ISA/investment provider. ATS's own research shows that the majority of new customers take out a savings plan with ATS after personal recommendation from a relative or friend.

For ATS, the year was also one of contrast. There was pessimism in the first six months, when activity was subdued, but this was replaced by cautious optimism as investors began to look forward to recovery in the markets and once again evidenced increased confidence through their contributions to savings plans. Net inflows recovered strongly in the second half, with the value of customer assets invested through the ATS plans finishing at £1,193m, an all time high. Nearly 17% of the Company's ordinary stock is now held through savings plans provided through ATS.

The challenge we face in the retail market is to sustain and grow what has been achieved in ATS. This has to be achieved in the face of increased competition, consolidation in the market, and the costs of responding to legislative and regulatory change stemming from Brussels as well as Westminster.

It is imperative that, as a society, we save. The shock waves being sent through the financial services industry in the UK, particularly in the insurance industry, affect us all. The transparency of the type of plans provided by ATS should be a model for the simplification of pensions. It is with some disappointment that, at the time of reporting, no final decisions have been made by the Government on the detail of what is proposed, save that the principle of a lifetime cap on pension saving, which we regard as iniquitous, appears to be set in stone. This continued uncertainty and dogmatism benefits no one in the industry, least of all the UK consumer, who is faced with ever increasing demands on income and no clear blueprint for how savings should be made, nor the UK employer who is now faced with the moral hazard of the proposed Pension Protection Fund.

The investment trust, despite the harm done to the name by the split capital scandal, should still be a preferred option for saving. The industry is small compared to that of insurance and unit trusts and continuing to position the Group correctly to sustain value for stockholders will require careful attention.

In this process it is vitally important, for the long term benefit of our stockholders, that we are able to attract and retain high quality staff. During 2003, we continued to strengthen capabilities in the key areas of investment and retail savings. Investment in training and competence is essential. Since staff retention levels are high, your Company reaps the benefits of these costs, not other organisations. We introduced the Chartered Financial Analyst programme for our investment analysts in 2001 and have consistently achieved a pass rate well in excess of the worldwide average. The ATS staff produce excellent results in the Securities Institute examinations. I should like to thank all staff for their efforts and for their continuing commitment to serving stockholders.

It is against this background, and the challenges posed by this environment, that I introduce Alan Harden to you as our new Chief Executive, following Gavin Suggett's retirement after more than 30 years service with the Company. Gavin was the architect of ATS and made an outstanding contribution to the continuing progress and development of the Group. We wish him a long and happy retirement.

Alan has a huge amount of international experience, both in investment management and retail savings businesses and the board wholeheartedly recommends approval of his appointment as a director to the stockholders at the Annual General Meeting in April 2004. At the same meeting, I shall be retiring after nearly 13 years on the board. I have served for 8 years as Chairman and am proud to have been associated with the Alliance Trust. My sadness at departing is tempered by the fact that Lesley Knox is succeeding me as Chairman and by the knowledge that your Company is in good hands.

Bruce W M Johnston

Financial Results

Earnings

Dividend

Capital

Company Record

We begin our review of the year by reporting on our financial results.

Earnings

The income we make on the Company's assets, after deduction of tax and expenses, constitutes the earnings of the Company. In the year to 31 January 2004, our earnings rose to 75.40 pence per ordinary stock unit. This increase, on earnings last year of 71.63 pence per ordinary stock unit, reflects dividend growth in the portfolio generally and investment of most of our cash balances, but also receipt of some significant one off dividends, for example from the Royal Bank of Scotland and Mitchells and Butlers. Such one off dividend receipts are not predictable and distort the underlying, sustainable, income flow. The strength of Sterling against overseas currencies, particularly the US Dollar, reduced underlying earnings for the year.

Our total expense ratio is less than 0.3% of net assets or less than 0.2% after tax relief. There is, however, an increase in operating expenses compared to last year. The Company incurred significant non-recurring recruitment and restructuring costs in management succession planning and in making investment for continuing development.

Dividend

In the interim announcement in August 2003, we referred to the fact that we had been gradually reducing the disparity between the interim and final dividends and had decided to take this a step further by raising the interim dividend to a level closer to 50% of the anticipated recommended final dividend. Accordingly, an interim dividend of 35 pence per ordinary stock unit was paid in October 2003. The directors are now recommending payment of a final dividend of 35.5 pence per ordinary stock unit. If approved by the stockholders at the Annual General Meeting, this will make a total dividend for the year to 31 January 2004 of 70.5 pence, an increase of 1 pence on the previous period. We anticipate being able to maintain a cautiously progressive dividend policy funded from recurring income, rather than special receipts.

RPI and Dividend (pence per stock unit)

Capital

The year under review has, once again, been a volatile one with the seesaw movement of equity markets. By the year end, equity markets had recovered and our closing net asset value of £29.21 per ordinary stock unit showed a net increase of 22.5%. This was the first increase for three years.

A comparison of our net asset value over the year against the UK FTSE All-Share index, which rose 27%, is less favourable. We have a substantial proportion of our assets overseas and currency moves have had a significant effect. In the US, where we have close to 21% of our assets, the depreciation of the US Dollar by nearly 11% against Sterling reduced stock market returns on a currency adjusted basis, from 32% to just 19%. The movement of Asian currencies, apart from the Japanese Yen, were kept close to the US Dollar, either by intervention or by increasingly fragile pegs. In Europe, returns were boosted by the 4% appreciation of the Euro against Sterling, but our exposure accounts for just 10% of our portfolio, as we have been deterred by the lack of visible structural reform and high valuations.

The greater influence, however, has been in terms of stock selection. While we were sufficiently confident to move to full investment we maintained our focus on companies better placed in terms of management, market position, cash flow and dividend paying capability. The companies which had been most exposed by the last downturn were those which performed best for much of the year. With hindsight, we were too cautious about two areas in particular: Japanese banks, where we had no exposure, and IT hardware, where our exposure was limited. This adversely affected our relative performance.

During the year the discount at which the stock price stands to the Company's net asset value narrowed to as low as 5% and ended the year at 10.8%.

Capital Performance Attribution Analysis

	1 year	10 years
Movement in UK FTSE All-Share Index	27.0%	25.3%
Attributable to asset allocation	(1.9%)	14.9%
Attributable to stock selection	(2.6%)	(3.2%)
Movement in net asset value	22.5%	37.0%

The above attribution analysis reconciles the Company's net asset value with the movement, over the stated time periods, of the UK FTSE All-Share Index showing the effect of our asset allocation and stock selection. The figures refer to capital performance only and make no allowance for income. The FTSE All-Share Index is not used as a benchmark by the Company.

Company Record

	The Company's Capital and Income (shown in £millions)			Attributable to Ordinary Stockholders (shown in pence per Ordinary Stock Unit)			
	Total Assets less Current Liabilities	Total Capital Appreciation (Depreciation)	Total Income	Earnings	Capital Appreciation (Depreciation)	Dividend	Net Asset Value
1994	1,079	178	29.7	47.28	353.56	47.0	2,133.1
1995	955	(129)	32.7	53.79	(256.15)	50.0	1,885.5
1996	1,228	272	34.4	56.30	539.42	53.0	2,428.2
1997	1,359	130	34.9	58.61	257.08	55.5	2,688.4
1998	1,565	203	38.8	64.89	402.50	59.0	3,096.8
1999	1,730	164	40.1	65.95	324.47	62.5	3,424.7
2000	1,888	156	41.0*	68.86	310.06	64.5	3,739.1
2001	1,976	87	40.3	67.26	172.30	66.5	3,912.2
2002	1,674	(305)	45.0	74.80	(604.73)	68.5	3,313.7
2003	1,206	(469)	43.6	71.63	(930.82)	69.5	2,385.0
2004	**1,476**	**268**	**46.1**	**75.40**	**531.54**	**70.5**	**2,921.5**

* From 2000, income excludes the associated tax credit.

Investment Team

Investment Approach

Investment Decisions

Investment is our primary activity, and is directed towards our objective of providing the core investment for those seeking a long term store of increasing value.

Investment Team

Our investment department is headed up by the Investment Director, Alan Young, along with Chief Investment Manager, Colin Beveridge and two Senior Investment Managers, Grant Lindsay and Neil Tong. The team includes an economist, three other investment managers, and a number of portfolio managers, together with the investment analysts who provide the research coverage across our portfolio.

Investment Approach

Our overall objective is to provide the core investment for those seeking a long term store of increasing value. To meet this objective, our investment approach focuses on the search for good value within high quality companies, which maintain sound management, strong market positions, good cash flow and the ability to pay a growing dividend. Our belief is that the risk attached to our portfolio is potentially lowered both by this approach and by the extent to which we can attain diversification across geographical regions and industrial sectors.

Investment Decisions

The diagram on the next page illustrates the process by which our investment decisions are made. Stock selection is central to our approach and is the predominant driver. Surrounding the stock selection discipline, we track economic and political developments in all countries in which we invest (28 at the year end). We also do this in those countries or regions where we are considering investment. In addition, we monitor closely any emerging or expected investment themes concerning individual industries, the corporate sector as a whole, or equity markets around the world.

The environment in which we operate is highly fluid, in terms of existing and expected political factors, regulation, commercial law and technological change. Information relating to each of these aspects is fed into our asset allocation process providing a top down view of the relative attractiveness of different asset classes, and we cross reference this against information from brokers and other sources. This process and its content are monitored by our board of directors. We formally present our investment strategy to the board at least twice a year, but discuss progress and necessary changes to our strategy monthly.

Within our equity portfolio, managers and analysts complete an extensive analysis of individual stocks which includes the use of our own dedicated worksheets that enable us to compare companies on a like-for-like basis. The worksheets are a tool in making an informed judgement as to whether individual stock or sector valuations are reasonable, and in forecasting profits out of which dividends are paid.

Decision making involves looking at the activities of companies, in which we are considering investment, in their wider context and in addition to evaluating a company's management includes reviewing its policies and behaviour on issues of social responsibility and environmental impact. These factors are considered in an appropriate and balanced manner when we make our initial investment decision and on a continuing basis. We may engage in dialogue with the companies on particular issues and, if not satisfied, may vote against the recommendation of the board of a company in which we hold an investment. Such factors also contribute to decisions to divest.

Our managers and analysts travel widely to meet the management of companies in all regions of the world, and to attend conferences and seminars. This is essential in order to remain well informed of the latest company and industrial developments.

Our investment approach is geared towards identifying core holdings with good long term growth potential. We seek companies which are strong enough to withstand difficulties brought about by an ever changing background of economic cycles, corporate trends and volatility in capital markets. These factors can influence significantly the level of risk attached to our portfolio over short time horizons, but have tended to prove less marked over long periods.

An account of the present economic background follows on page 10, followed by a discussion of the key issues facing the corporate sector and developments in the major equity markets. Our investment outlook is on page 11 followed, on pages 12 and 13, by details of how our assets are currently allocated and managed.

Investment Background

Economies

Companies

Equity Markets

Investment Outlook

This section focuses on the main economic, corporate and equity market events which took place during our financial year and gives our investment outlook.

Economies

The first few months of our financial year were marred by the war in Iraq and the outbreak of SARS in Asia, both of which had a negative impact on confidence around the world, at the business, consumer and investor level. By the summer months, following the end of the war and the containment of SARS, business confidence was beginning to return, most notably in the US where both monetary and fiscal policy remained particularly supportive. This improvement in sentiment resulted in a rise in orders and production levels which boosted profits, eventually encouraging the increase in investment spending which had been so long awaited.

The recovery of the US economy brought with it an expansion in its budget deficit and further deterioration in its trade account, raising questions over the long term financing of these deficits and putting significant downward pressure on the US Dollar, as illustrated in the graph below. During our financial year, the US Dollar fell 12% in trade weighted terms, characterised by an 11% fall against Sterling, a 12% decline against the Yen and a 14% drop against the Euro. This depreciation of the US Dollar has increased the competitiveness of US exporters and should help protect US employment, a key issue in the run up to the Presidential election in November.

Asian economies eventually recovered from the negative impact of SARS on both business and tourist related travel. Export activity has also picked up significantly in recent months as the US economy recovered. This is most notable in China, which has the additional advantage of a currency fixed to the depreciating US Dollar. The question now being asked is whether this increased export activity will be sufficient to raise employment and income levels, stimulating domestic spending which is a necessary condition for this recovery to become sustainable. Although there are some encouraging signs that this will occur in Asia, the picture is still far from clear in Europe where unemployment remains high, both fiscal and monetary policy are relatively tight, and the appreciation of the Euro is threatening future export growth. The forthcoming accession of Eastern European economies to the EU may help stimulate demand within the region.

UK companies are also grappling with the impact of the falling US Dollar, but UK domestic demand has remained relatively robust, underpinned by the low level of unemployment and the wealth effects associated with the recovery in equities and ongoing strength in the housing market. Interest rates have been raised already in the UK, ahead of the upward moves expected around the world as the recovery progresses.

Companies

Conditions for many companies improved significantly during our financial year. Increased demand, led by the US, produced a recovery in profitability which helped to boost business confidence. However, firms remained cautious on the whole, achieving profits growth predominantly through cost cutting, using cash flow gains to strengthen balance sheets and taking advantage of cuts in interest rates to refinance debt at lower levels.

The recovery in profits and sentiment led eventually to an increase in capital spending, particularly in technology related products. Although layoffs have decreased, firms have been reluctant, so far, to hire new workers, particularly in the western economies where labour costs are high. One of the main consequences of globalisation has been fierce competition stemming from Asia, limiting pricing power around the world, even as demand grows. Many western companies are still choosing to relocate in Asia, particularly China, to exploit its lower labour costs and thereby increase both competitiveness and profitability. This trend could remain in place for some time, limiting employment and income growth in the developed economies.

Equity Markets

The graph on the right illustrates the gains made in equity markets during our financial year, on a Sterling adjusted basis. This progress followed three consecutive years of declining markets, one of the longest bear markets in history, which had resulted in many stock market indices halving from their peak levels. Since March 2003, markets have made good progress, reflecting the easing of geopolitical concerns following the war in Iraq and growing confidence in the economic recovery and prospects for corporate profitability.

The US market performed best in local terms, rising 32% over our financial year, but the depreciation of the US Dollar reduced this to just 19% on a Sterling adjusted basis. The main equity market indices rose 28% in both Europe and Japan and the appreciation of the Euro and Yen boosted these gains even further, to 33% and 31% respectively. The UK market rose 27% over the year, held back by the more defensive nature of many of its main companies.

At the sector level, technology stocks returned to favour, boosted by evidence of a recovery in capital spending. The FT World technology index rose more than 42% over the year, retracing much of its decline of the previous 12 months. Prospects of a cyclical recovery also enabled general industrial stocks to perform well, rising more than 35% during our financial year.

Investment Outlook

We expect economic growth to continue over the next few months, as both fiscal and monetary policy will remain relatively loose in the US ahead of the Presidential election in November. Beyond that point it may prove necessary for other regions to drive global activity forward, but this would require a significant recovery in domestic demand in both Europe and Japan. Both areas still have some structural problems to address, particularly when currency appreciation threatens to reduce competitiveness. In addition, the policy stimuli which were necessary to generate economic recovery in the US have caused imbalances there to worsen, leaving the US Dollar still vulnerable to downward pressure. Further currency adjustments may be required in the year ahead, but it is critical that these moves are smooth as volatility would cause additional problems.

Equity valuations rose over the year in anticipation of a strong recovery in company profits and this left some equities looking relatively expensive by historical standards. Profits growth should hopefully slow to a more sustainable pace over the next few months. We would then expect stock markets to appreciate steadily, if at a slower rate than we have seen recently. Increased takeover activity may offer opportunities for additional returns.

How the Assets are Managed

This section describes how our investment outlook has influenced our recent stock selection.

Asset Allocation

Our investment outlook is relatively positive ahead of the US Presidential election in November 2004, but becomes more cautious as we look beyond that into 2005. Once both fiscal and monetary policy are tightened in the US, it will be necessary for other regions to drive global activity forward. Any further depreciation of the US Dollar in the year ahead will add to the pressures on both Europe and Japan to address the structural problems which presently impede the flexibility of these economies.

We still believe that the best long term returns will come from investment in real assets through active businesses. For this reason we remain invested primarily in equities and we increased our exposure by a net £47.7m during the past year. Having a global perspective enables us to spread the risk associated with equity investment across a wide selection of countries and sectors, building an increasingly diverse portfolio of individual companies. As explained in the description of our investment decision making process, we focus predominantly on strong companies with good management, the potential for long term growth in profits and with the ability to pay growing dividends.

Global Sectors

More than 50% of our assets are managed on a 'global sector' basis, which means that we evaluate opportunities for investment by looking at a business sector as a whole, disregarding domestic boundaries. This approach enables us to focus on important industry trends which are occurring across the whole world. It also gives us the ability to compare company valuations on an international basis and to base our stock selection primarily on a company's industrial positioning. The issue of where a company is listed is a secondary factor. The graph below illustrates the recent performance of these particular sectors on a Sterling adjusted basis.

During the financial year to 31 January 2004, we invested a net £8.2m into that portion of our portfolio managed on a global sector basis. We focused primarily on resources and basic industries, where we invested £7.9m, encouraged by significant infrastructure developments in Asia and the consequent demand for metals and resources. We also added a net £2.9m to financials, focusing predominantly on the UK. We made net sales in health care and pharmaceuticals, reducing our exposure to several US holdings in anticipation of US Medicare reform. In the information technology sector we increased our exposure to software and service companies in the US and UK, but this was offset by sales of some of our hardware related investments.

Investments Managed Regionally

Although more than half our portfolio is managed on a 'global sector' basis, this approach may not be suitable for many sectors which have a domestic rather than an international bias. A good example is the retail sector where trading and profits are closely linked to conditions in the local economy, and where formats rarely travel well across international boundaries. We continue to manage these sectors on a geographical basis, paying particular attention to the expected economic, industrial and stock market influences in each individual country.

Over the last year we increased our exposure to UK industries by a net £18.4m, focusing our activity in the media sector where recent legislation is expected to encourage further corporate activity. We also increased our exposure to beverage companies and utilities, both of which offer attractive opportunities. In Asia, we have been particularly encouraged by China's recent and expected economic growth and gained exposure to this not just through Chinese companies but also through companies located elsewhere in Asia. The graph on this page illustrates the relatively strong performance achieved by stock markets in Thailand, China, Hong Kong and Taiwan. We invested a net £26.8m into the 'rest of the world' during our financial year, focusing purchases on opportunities in real estate stocks, construction related activities and support services. We also reduced our exposure to US industries by £4.6m.

Stock Selection

The table below shows our largest holdings and the detailed review of our portfolio follows on pages 14 to 25.

The Twenty Largest Investments	£m
Shell Transport & Trading	44.6
Royal Bank of Scotland	43.2
BP	42.8
GlaxoSmithKline	42.6
Vodafone	34.1
HBOS	26.2
Barclays	19.9
Diageo	17.5
Aviva	15.8
HSBC	15.5
Rio Tinto	15.1
Abbott Laboratories	14.8
Lloyds TSB	14.3
Persimmon	14.3
BHP Billiton	14.0
Slough Estates	13.8
Wal-Mart	13.0
EMAP	12.8
Standard Chartered	12.6
Unilever	12.5

This list excludes the Company's holding in its subsidiary, Alliance Trust (Finance) Limited ("ATF"), which amounted to £18.1m gross, or £6.1m net of the loan which ATF has advanced to the Company (see note 8 on page 48 and note 17 on page 50).

Portfolio Review

This section of our report gives a review of the portfolio which, at the year end, contained 363 investments.

The hoop diagrams below give snapshots of the whole portfolio, first by geography and then by sector.

In the narrative, we list all the investments held in each sector reviewed which had a year end value greater than 0.1% of the total portfolio valuation. The exceptions are the sections on investment companies and fixed income where we show all the holdings. In all, investments equal to 94% of the portfolio by value are shown.

The table at the top of page 25 summarises the investment changes over the year. The classification table on page 25 gives a breakdown of the main industries in each sector and the percentage of the portfolio held in each geographical area. As we have explained on pages 12 and 13, some assets are managed on this geographical basis, but others are managed from a global sector perspective.

Resources and Basic Industries

Oil, Chemicals and Resources

Tight markets and speculative activity in commodity futures contributed to rising metal and ore prices. The higher demand for many base resources is in large measure due to China's numerous infrastructure projects. Looking forward, some softening in the pace of development in China is anticipated, but world economic activity is likely to remain healthy, helping to sustain demand. In the mining sector we strengthened positions through additions to Rio Tinto and BHP Billiton and two relatively new Chinese holdings, Yanzhou Coal and Jiangxi Copper.

The oil price exhibited a different price pattern. Demand was similarly strong, but, despite this, prices lagged. An unexpected re-classification of reserves caused our large investment in Shell to perform disappointingly. Valuations now reflect many of the specific concerns that investors hold. It is our belief that Shell's overall resource base can still be profitably exploited.

We carried out modest additions to PetroChina, CNOOC, Burlington Resources and BG Group. In chemicals, we sold ICI and reinvested into new holdings which included BOC.

	£m
Shell Transport & Trading	44.6
BP	42.8
Rio Tinto	15.1
BHP Billiton	14.0
Exxon Mobil	11.2
John Wood Group	10.4
Total	7.3
Air Liquide	4.5
PetroChina	4.1
Schlumberger	3.3
British Vita	2.7
RPM International	2.6
Woodside Petroleum	2.5
Johnson Matthey	2.2
Burlington Resources	2.1
BG Group	2.1
Shin-Etsu Chemical	2.1
Croda	2.1
Linde AG	1.9
BOC Group	1.7
Other Holdings (14)	12.0
Total	**191.3**

Construction and Building Materials

Despite fears that house prices would go into reverse, the UK housing market performed strongly. Prices did fall in the higher end markets of South East England, but the Midlands, the North East, Wales and Scotland all experienced strong growth. Looking forward, a crash seems unlikely, but the market is less of a clear one way bet for house builders. In this context, company strategy is increasingly important to stock selection, and mergers are also possible. Crest Nicholson, which is decreasing its dependence on the London market, is one holding to which we are adding.

Building material demand is benefiting from global recovery. A new holding is Anhui Conch Cement, the largest cement producer in China which is benefiting from spending on infrastructure. European demand remains mixed. We reduced our holding in Lafarge following its rights issue which we believe to have been poorly justified. Wolseley has also been reduced as its shift towards acquisitions to achieve growth may increase risk.

	£m
Persimmon	14.3
Wolseley	7.2
Aggregate Industries	4.3
Siam Cement	3.2
Lafarge	3.2
Crest Nicholson	3.2
Marshalls	2.9
Anhui Conch Cement	1.6
Other Holdings (3)	3.2
Total	**43.1**

Utilities

	£m
National Grid Transco	7.9
Scottish & Southern	7.0
Scottish Power	6.4
Huaneng Power	6.3
Kelda Group	5.7
Consolidated Edison	4.5
Beijing Datang Power	4.0
Constellation Energy	3.8
United Utilities	3.2
Australian Gas Light Company	2.8
Hawaiian Electric	2.4
WPS Resources	2.4
Hong Kong & China Gas	2.2
Hong Kong Electric	2.0
Other Holdings (2)	2.2
Total	**62.8**

Regulatory reviews in UK and Europe add to the risk associated with most of our holdings in this sector. However, valuations are reasonable and initial soundings point to an encouraging regulatory result. The economic outlook also appears broadly supportive. We participated in United Utilities' rights issue which will assist it to upgrade its asset base, against which the company should hopefully earn a favourable return. We also added to National Grid Transco, Scottish Power and Scottish & Southern but sold Suez, and Autostrade was taken over.

Our exposure to Huaneng Power and Beijing Datang Power, where the fundamental investment case continues to be very strong, was increased. We also purchased a new holding in Hong Kong & China Gas which looked undervalued following a period of poor investor sentiment during the SARS crisis, and which offers exposure to the growing Chinese market as well as to recovery in Hong Kong.

In this sector, yields are attractive and dividends are being increased, albeit modestly.

Capital Goods

General Industrial

	£m
Pentair	4.9
Denway Motors	3.4
Swire Pacific	3.0
Toyota	2.4
Hyundai	2.3
Keppel	2.0
FCC	1.9
Lear	1.6
Honda	1.5
Other Holdings (10)	9.4
Total	**32.4**

Pentair, a diversified US company and our largest industrial holding, continued to perform well in its key professional tool and fluid technology product lines. However, its share price lagged many cyclical companies whose share prices rebounded from extremely depressed levels. In the long run, Pentair has the advantage of a better track record and established market positions on which to build.

Elsewhere, we carried out a number of changes. A new holding was established in US car interior specialist, Lear Corporation. We switched from Delphi to fund the purchase. We maintained our exposure to Japanese auto companies as they continue to gain profitable market share globally. Denway Motors of China is an affiliate of Honda, positioned to exploit increasing car ownership in mainland China, and so we increased our holding. In the aerospace sector we reduced troubled BAE Systems by selling a portion of our convertible holding during the year.

Electronics and Engineering

This sector also has a high share of cyclical businesses. Many are very well-run companies, with good industrial positions and attractive yields. With these attributes in mind we increased our holdings in Sandvik, Kidde and Bodycote. The bearings industry is also interesting, as it is experiencing consolidation, improved pricing and a more rational approach to capacity additions. This led us to purchase a holding in the Swedish manufacturer, SKF.

We added to the steel processor, Worthington Industries, a company not exposed to the legacy issues dogging steel manufacturing. It is modestly valued, has an above average yield, and a long track record of paying increased dividends.

Intense competition caused us to dispose of Sony and to redeploy the proceeds into the precision lighting company Ushio and the global air-conditioning manufacturer Daikin Industries.

	£m
Canon	11.4
General Electric	8.9
Keyence	5.4
Sandvik	4.8
Renishaw	4.7
Hoya	4.7
Spirax-Sarco Engineering	4.3
Kidde	3.9
Illinois Tool Works	3.5
SKF	3.5
Bodycote	3.1
Worthington Industries	2.9
Grainger	2.6
Matsushita Electric	2.3
Ushio	2.2
Emerson Electric	2.1
Daikin Industries	1.7
Mabuchi	1.6
York International	1.5
Other Holdings (6)	5.0
Total	**80.1**

Information Technology

The backdrop improved after three extremely challenging years with demand for technology products increasing and share prices rebounding. New digital devices in the consumer sector sold well in both emerging and mature economies, and initial signs of increased business investment offer some encouragement for the outlook.

It was also encouraging to note a better trend in the alignment of shareholders' versus managers' interests. Microsoft's initiation of dividend payments and the abandonment of stock options are prominent examples. Corporate activity increased as companies aim for size and for new markets but over-capacity in the important semi-conductor and telecom equipment segments remains to be addressed.

In the US, we reduced Intel and Dell due to valuation concerns and used the proceeds to increase software investments that benefit from higher levels of corporate expenditure. Additions included Oracle and Microsoft and a new holding in Check Point Software which provides security products to businesses around the world.

	£m
Microsoft	11.6
Cisco Systems	7.4
Intel	6.9
First Data	5.9
Sage	5.3
Nokia	4.9
Motorola	3.6
Texas Instruments	3.2
SAP AG	3.2
Samsung Electronics	2.6
Oracle	2.4
Flextronics	2.2
Jabil Circuit	2.1
Dell	2.0
Analog Devices	1.8
Thomson	1.6
Other Holdings (11)	8.1
Total	**74.8**

Consumer Goods and Products

Beverages, Foods, Household and Tobacco

	£m
Diageo	17.5
Unilever	12.5
Reckitt Benckiser	9.7
British American Tobacco	7.4
Pepsico	6.3
Altria	5.6
Allied Domecq	5.4
Nestlé	5.1
Fosters	3.0
Geest	2.7
Scottish & Newcastle	2.3
BAT Malaysia	1.9
Kao Corporation	1.8
Kraft	1.7
Fraser & Neave	1.6
Other Holdings (7)	7.9
Total	**92.4**

Share price performances were mixed across this broad group. Tobacco stocks returned over 40%, as an improvement in the US legal environment eased long term solvency concerns. Spirits companies benefited from good demand in most markets. However, food manufacturers continued to experience difficult selling and pricing conditions. This was exacerbated by the "Atkins" phenomenon driving demand for low carbohydrate foods. Most global food manufacturers are only now entering this market in a meaningful way. Holdings in Unilever and Nestlé were reduced.

Reckitt Benckiser managed to avoid overpriced acquisitions, and hence was able to raise the dividend for the first time since the merger in 1999. This caused the share price to rise and we reduced our large holding on valuation grounds. We recycled the proceeds into Allied Domecq, BAT and Diageo. They have equally good prospects and look undervalued.

Our Chinese holding, Peoples Food, a meat processor, was increased following SARS-induced share price weakness.

Healthcare and Pharmaceuticals

	£m
GlaxoSmithKline	42.6
Abbott Laboratories	14.8
Johnson & Johnson	10.9
Aventis	10.4
Amersham	8.0
Bristol-Myers Squibb	7.8
Novartis	7.4
UCB	6.6
Merck	5.6
Takeda Chemical	5.1
Gyrus Group	4.7
Celltech	4.6
Altana AG	3.4
Fresenius	3.2
Baxter International	3.1
Cardinal Health	2.8
Alcon	2.6
UnitedHealth	2.5
Zimmer Holdings	2.1
Igen	2.1
Rhön-Klinikum	2.0
Steris	2.0
Gedeon Richter	1.9
HCA	1.7
Other Holdings (4)	2.9
Total	**160.8**

There were some positive developments in the industry; new drug approvals increased, particularly for biotech drugs, and latterly pharmaceutical sales growth accelerated, producing an overall sales increase of 8%. However, the sector lagged, including, unfortunately, our major holding, GlaxoSmithKline. We took the opportunity to increase our holding in it on a low valuation, convinced of its long term prospects.

Looking ahead, US Medicare reform affects much of the industry. Its main aim is to improve health cover for seniors, which should boost drug sales. However, growing healthcare costs worldwide represent a major funding challenge to governments and initiatives are underway, including discounts designed to contain spending. Our focus is to invest in companies producing innovative products.

We cut the amount invested in the sector, reducing exposure to Merck and Johnson & Johnson and selling SSL International, Xenova and Medco. New investments include HCA, the American hospital chain, and Baxter International, through its 7% convertible bond. We increased Abbott Laboratories, Gyrus Group and Celltech.

Services

Retail

The UK economic backdrop remains supportive of consumer spending, but the potential for higher interest rates on high levels of household debt does carry risks. At the company level, intense corporate activity saw Debenhams, Selfridges and GUS's catalogue division being taken private. There is currently an ongoing bid for New Look. Consolidation of the UK food retailing industry is also underway, following the Competition Commission's clearance of Wm Morrison's takeover of Safeway.

Across Europe, retail spending was affected by weakness in the major economies. Some recovery is hoped for this year. Germany offers reasonable prospects aided by income tax cuts. We are building a new holding in Metro, Germany's premier retailer, with a growing international business. Earlier in the year, when trading concerns appeared overdone, we added to Next and Marks & Spencer. Safeway and N Brown were sold. In the US, Wal-Mart lagged its peers in terms of share price but we expect it to benefit from economic recovery and from the fiscal and monetary support for consumer spending.

	£m
Wal-Mart	13.0
Tesco	11.3
GUS	9.5
Home Depot	8.3
Next	5.6
Kingfisher	4.5
Marks & Spencer	3.4
New Look	3.1
Sainsbury	2.8
Walgreen	2.6
CVS	2.5
Pier 1 Imports	2.1
Metro AG	1.7
Other Holdings (7)	6.1
Total	**76.5**

Brewers, Hotels and Leisure

The key theme for hotels has been one of recovery from a cocktail of problems, ranging from terrorism fears and war in Iraq, to economic slowdown and SARS. In the early part of 2003 this caused share price weakness in Hilton Group but gave a good opportunity to add to that holding. Broad resolution of these issues and global economic improvement led to a recovery in hotel stocks.

Our core public house holdings, Wolverhampton and Dudley Breweries and Greene King, enjoyed buoyant trading helped by good weather and minimal exposure to an oversupplied high street. Six Continents demerged, forming a public house group, Mitchells and Butlers, and a hotelier, Intercontinental Hotel Group, with surplus cash also distributed to shareholders.

New holdings were started in the China and Hong Kong restaurant chain, Café de Coral, as it offers good exposure to Asian growth, and in Accor, the French hotelier with strong positions in France and the US.

	£m
Hilton	6.5
Wolverhampton & Dudley	4.6
Intercontinental Hotels	3.9
Greene King	3.8
Accor	2.7
Bob Evans Farms	2.7
Whitbread	2.4
Other Holdings (5)	5.6
Total	**32.2**

Portfolio Review

	£m
EMAP	12.8
Granada	6.2
Gannett	5.2
Reed Elsevier	5.2
Arnoldo Mondadori Editore	4.7
Pearson	4.6
Television Française	4.1
Carlton	4.1
United Business Media	4.1
Mediaset	3.7
VNU	3.1
Yell Group	2.4
Singapore Press Holdings	2.2
Other Holdings (7)	6.6
Total	**69.0**

Media

After two years of decline, global advertising expenditure improved in 2003. US economic recovery was the main driver, although European expenditure also grew marginally as confidence returned. The outlook is expected to remain positive as global economic growth expands. Advertising demand should also benefit from the US general election and the Olympic Games.

In the UK, the Communications Bill passed through Parliament. Its main effects are the relaxation of the media industry's consolidation guidelines. Granada and Carlton's merger to form ITV PLC was cleared with few conditions and further corporate activity appears likely in the radio and newspaper industries.

We increased exposure to more economically sensitive companies by adding to United Business Media and Granada, and by building new holdings in Television Française, the French TV company, Capital Radio, the UK radio broadcaster and Cheil, the leading Korean advertising agency. These acquisitions were partially funded by reductions in our holdings of EMAP, Pearson and VNU.

	£m
BAA	6.8
Associated British Ports	3.0
Forth Ports	2.5
First Group	2.2
Zhejiang Expressway	1.8
Other Holdings (3)	2.0
Total	**18.3**

Transport

Airlines had a volatile year. Demand fell due to war in Iraq and the SARS outbreak, and then recovered on resolution of these issues and better global growth. Structurally, the airline industry remains unattractive due to oversupply and high cost structures. We do not hold any airlines, preferring to gain exposure to the long term growth in air travel through BAA, the airport operator. BAA has additional growth potential via the development of Terminal 5 at Heathrow and the new runway at Stansted. We increased our holding earlier in the year.

Our exposure to port operations through AB Ports and Forth Ports offer attractive growth potential through development opportunities. AB Ports in particular is seeking permission to establish a deep water container facility at Dibden Bay in Southampton.

Our US holding in United Parcel Services was sold. The shares reached an excessive premium following buying by tracker funds after being admitted to the main US market index.

Support Services

Many companies in this area benefit strongly from improving economic growth. With this expectation, investors bought into recruitment companies in the second half of the year as Michael Page and Hays reported some improvement in demand.

Share prices of the relatively less cash-generative companies, exposed to longer term growth influences, did less well. We took advantage by adding to Compass and Serco on very reasonable valuations. Improving economic growth and continuing government spending continue to support outsourcing companies. Securitas was sold given its persistent difficulties in the US guarding market.

Holdings in CDW, Pactiv and China Merchant Holdings were also increased. China Merchants is very well placed to participate in Asian expansion through its port operations in Hong Kong and China.

We invested in two new companies, Republic Services, the US waste haulier and Patrick, the Australian logistics and port company, another beneficiary of Asian growth.

	£m
Compass	10.2
Electrocomponents	6.2
Hays	6.0
Premier Farnell	5.4
Sysco	5.0
Brambles Industries	4.6
CDW Computer Centers	4.2
China Merchants Holdings	3.4
Pactiv	2.9
Serco	2.8
Michael Page	2.8
Secom	2.4
Other Holdings (3)	2.6
Total	**58.5**

Telecommunications Services

European mobile operators benefited from strong earnings growth, greater capital discipline and increased cash flow. These positives were offset by reductions in termination charges, following another tough regulatory review.

A resumption of large capital expenditure is likely as infrastructure is built to enable the provision of new services. In the UK, competitive price pressure may increase as "3", owned by Hutchison, the Hong Kong conglomerate, tries to build market share. Our holding in MMO2 was sold as we believe it is the most vulnerable to this competition.

Large European operators continue to lose fixed line market share. BT and others have responded by diversifying their income sources and cutting costs. Positively, this has led to increased dividends from BT and Telefonica and commitment to progressive dividend policies.

AT&T Wireless is a new US holding, The company's cashflow is encouraging, and expectations for the US mobile phone market are more realistic.

	£m
Vodafone	34.1
BT Group	9.1
Verizon Communications	5.2
Telefonica	4.8
China Mobile	3.1
SBC Communications	2.9
Telefonos de Mexico	2.2
America Movil	2.0
Bellsouth	1.8
AT&T Wireless Services	1.6
Other Holdings (2)	2.3
Total	**69.1**

Financials

Banks

	£m
Royal Bank of Scotland	43.2
HBOS	26.2
Barclays	19.9
HSBC	15.5
Lloyds TSB	14.3
Standard Chartered	12.6
BNP Paribas	5.4
Commonwealth Bank of Australia	5.3
ABN Amro	4.8
Wells Fargo	4.7
TCF Financial	4.4
UniCredito Italiano	3.9
Bradford & Bingley	3.7
Bank of America	3.7
UBS	3.5
Northern Trust	3.5
Société Générale	3.4
Siam Commercial Bank	3.0
Comerica	2.9
Banco Santander Central	2.8
Bank One	2.6
FleetBoston Financial	2.5
Nordea Bank	1.9
Banco Bilbao Vizcaya Argentaria	1.8
Kookmin Bank	1.7
Kasikornbank	1.6
Commerzbank	1.6
Other Holdings (7)	6.3
Total	**206.7**

Net interest margins continue to be pressurised by increased competition, regulatory change and low interest rates, although recent monetary tightening has provided some relief. In this environment, banks must optimise their non-interest income, cost control, credit quality and capital allocation. In both the UK and US, there are growing concerns about the consumer and mortgage lending markets. Accordingly, lower quality investment banks exposed to a better capital market environment have generally been outperforming retail banks of late.

We added to Barclays, Lloyds TSB, Royal Bank of Scotland and Bradford & Bingley and reduced HBOS. In the US, consolidation was to the forefront with the Bank of America-FleetBoston Financial and JP Morgan Chase-Bank One mega-mergers. We added to Comerica, a US bank exposed to late-cycle commercial lending. Japanese banks bounced back strongly as the reform process and local economy gathered steam, causing our cautious position to hurt performance. In Asia, we added to the Thai banks Kasikornbank and Siam Commercial Bank. In Europe, we sold Hypo Real Estate Group after its strong performance and reduced UniCredito Italiano.

Insurance

	£m
Aviva	15.8
Marsh & McLennan	10.9
CNP Assurances	7.1
Prudential	6.3
Legal & General	6.1
American International Group	4.8
Protective Life	2.7
Old Republic International	2.1
Sampo	2.1
Allianz	2.1
Axa	1.9
Partnerre	1.7
Other Holdings (3)	2.1
Total	**65.7**

In life and pensions markets, investor confidence is starting to recover but the regulatory climate remains difficult. However the sector remains highly geared to rising equity markets, and dividend cuts now seem less likely. The long term demographic arguments remain supportive. During the year, we added to Aviva but sold the European life assurers, Aegon and Banca Fideuram.

In the property and casualty area, premium rate increases are still a feature, more so in liability than in property lines where conditions are less buoyant. The adequacy of some claims reserves, such as those for asbestos and environmental pollution in the US, remain in question. During the year, we reduced AIG, reinvesting the proceeds into Old Republic, a mid-sized US insurer with a modest valuation. In Europe, we added to Allianz on its rights issue.

Real Estate

The UK property sector performed strongly, largely due to the proposed introduction of tax-efficient Real Estate Investment Trusts (REITs). Such vehicles may sharply reduce the discount to net asset value at which most property companies trade, including our largest holding, Slough Estates. Strong investment demand was fuelled by investors taking advantage of low interest rates, whilst on the occupier side, rental demand for retail space was buoyant, and both the industrial and West End office markets recovered. However, excess supply is still depressing the City office market. In the US, a stronger office rental market benefited our holding in Cousins Properties. In Greater China, we bought Henderson Land and added to Sun Hung Kai Properties, Cheung Kong and China Overseas Land & Investment, as Hong Kong's economy and property market recovered and China's surged ahead. The sale of the Hong Kong conglomerate, Hutchison Whampoa, partly funded those purchases. In Singapore, we initiated a holding in Keppel Land.

	£m
Slough Estates	13.8
Cheung Kong	4.8
Sun Hung Kai Properties	3.1
Cousins Properties	2.8
Henderson Land Development	2.4
Keppel Land	1.5
China Overseas Land	1.5
Other Holdings (1)	1.1
Total	**31.0**

Speciality and Other Finance

Against a backdrop of improving economic and stock market prospects for many Asian countries, we added to our holdings in Hong Kong Exchanges & Clearing and in Singapore Exchange, the operators of the securities and derivatives exchanges in these two important financial centres. In Thailand, robust domestic demand is contributing to strong growth in motor vehicle sales, and we added to our holding in Siam Panich Leasing which specialises in motor vehicle financing.

Information about ATF and ATS appears elsewhere in this report.

	£m
Alliance Trust (Finance) ("ATF")	18.1
Alliance Trust Savings ("ATS")	10.5
Hong Kong Exchanges	3.7
Other Holdings (4)	3.2
Total	**35.5**

Investment Companies

	£m
Schroder Ventures International	6.7
Candover Investments	6.1
Standard Life European Private Equity	5.0
Aberforth Smaller Companies	3.7
UK Balanced Property Trust	3.6
F&C Latin American	2.7
Merrill Lynch World Mining Trust	2.6
Eastern European Trust	2.1
Dunedin Buyout Fund	1.3
The Korea Fund	1.1
Falcon Investment Trust	1.0
Genesis Chile Fund	0.9
Martin Currie Pacific Trust	0.9
Electra Active Management	0.9
JP Morgan Fleming Japan	0.6
Taiwan Fund	0.6
Albany Ventures Fund	0.3
Central European Growth	0.2
JP Morgan Fleming Indian	0.2
Total	**40.5**

Our investment company holdings are held mainly to gain exposure to markets or sectors which we feel are attractive and offer additional diversification, but which we consider may be less efficient for us to access directly. The holdings listed here, with the addition of the holding of the preference stock of the Second Alliance Trust which is shown in the Fixed Income section below, represent all the investment companies in our portfolio. Some holdings are managed on a sector basis, such as Merrill Lynch World Mining, with Resources, and UK Balanced Property Trust, as part of the Real Estate sector.

Our major purchase was a convertible issue by Schroder Ventures, part-funded by the sale of our holding in 3i. Korea Europe was switched to the better valued Korea Fund. The UK smaller companies trust, Throgmorton, was sold and a new holding in emerging markets was Eastern European Trust. Our exposure to private equity expanded with modest draw-downs for Dunedin Buyout and Albany Partners.

Fixed Income

Preference stocks

	£m
HBOS 9.25%	6.8
National Westminster 9%	6.6
Abbey National 10.375%	5.5
Aviva 8.375%	3.8
General Accident 8.875%	3.2
HBOS 9.75%	2.7
Standard Chartered 7.375%	2.6
National Westminster 8.125%	1.6
Halifax 6.125%	0.9
Aviva 8.75%	0.9
Second Alliance Trust 4.5%	0.3
Total	**34.9**

Our fixed income exposure is mainly concentrated in UK financial preference stocks. Despite the general rise in interest rates, the capital value of the portfolio increased by 4.4% over the year as corporate spreads tightened in response to improving credit quality trends, providing a total return in excess of 11%. This compares with a total return of 5.2% on the MSCI Euro Sterling Corporate Index over the same period.

Whilst our core holdings remained largely unchanged, we sold the small residue of minor holdings during the year to focus on those which are more significant.

We expect that 2004 will be more difficult in terms of capital return against a background of higher short term interest rates in response to the continuing economic recovery. However, the yield component remains intact.

Investment Changes £m

	Valuation 31 January 2003	Purchases	Sales	Appreciation	**Valuation 31 January 2004**
Resources and Basic Industries	236	32	(13)	42	**297**
Capital Goods	141	27	(30)	49	**187**
Consumer Goods & Products	229	27	(30)	27	**253**
Services	240	53	(37)	68	**324**
Financials and Fixed Income	287	29	(10)	68	**374**
Investment Companies	29	5	(5)	11	**40**
	1,162	173	(125)	265	**1,475**

Classification of Investments

Investments %

		UK	Europe	North America	Japan	Rest of World	**Total 2004**	Total 2003
Resources	Oil, Chemicals and Resources	9.0	0.9	1.6	0.1	1.3	**12.9**	13.0
and Basic	Construction and Building Materials	2.2	0.2	0.0	0.1	0.5	**3.0**	2.1
Industries	Utilities	2.1	0.1	0.9	0.0	1.2	**4.3**	4.3
		13.3	1.2	2.5	0.2	3.0	**20.2**	19.4
Capital	General Industrial	0.1	0.0	0.6	0.4	1.1	**2.2**	2.3
Goods	Electronics and Engineering	1.1	0.6	1.5	2.2	0.0	**5.4**	5.0
	Information Technology	0.4	0.7	3.6	0.1	0.3	**5.1**	4.4
		1.6	1.3	5.7	2.7	1.4	**12.7**	11.7
Consumer	Beverages, Food,							
Goods	Household and Tobacco	3.9	0.3	1.1	0.2	0.8	**6.3**	6.8
& Products	Healthcare	0.9	0.4	2.0	0.0	0.0	**3.3**	3.8
	Pharmaceuticals	3.3	1.9	1.9	0.3	0.1	**7.5**	8.4
		8.1	2.6	5.0	0.5	0.9	**17.1**	19.0
Services	Retail	2.7	0.1	1.9	0.2	0.2	**5.1**	5.6
	Brewers, Hotels and Leisure	1.5	0.3	0.2	0.0	0.2	**2.2**	1.5
	Media	2.9	1.1	0.3	0.0	0.4	**4.7**	3.7
	Transport	1.0	0.0	0.0	0.0	0.2	**1.2**	1.2
	Support Services	2.3	0.0	0.9	0.2	0.6	**4.0**	2.9
	Telecommunications Services	2.9	0.3	0.8	0.1	0.6	**4.7**	4.9
		13.3	1.8	4.1	0.5	2.2	**21.9**	19.8
Financials	Banks	8.8	2.1	1.6	0.0	1.5	**14.0**	12.9
	Insurance	1.9	0.9	1.5	0.1	0.0	**4.4**	4.4
	Real Estate	0.9	0.0	0.2	0.1	0.9	**2.1**	1.3
	Speciality and Other Financial	1.9	0.0	0.0	0.1	0.4	**2.4**	2.7
		13.5	3.0	3.3	0.3	2.8	**22.9**	21.3
Investment Companies		2.2	0.0	0.0	0.1	0.4	**2.7**	2.4
Total Equities*		52.0	9.9	20.6	4.3	10.7	**97.5**	93.6
Fixed Income		2.4	0.0	0.0	0.0	0.0	**2.4**	2.8
Total Investments		54.4	9.9	20.6	4.3	10.7	**99.9**	96.4
Other Net Assets		(0.3)	0.1	0.2	0.1	0.0	**0.1**	3.6
Total Assets less Current Liabilities 2004 £1,476m		54.1	10.0	20.8	4.4	10.7	**100.0**	
	2003 £1,206m	52.9	12.5	23.0	4.6	7.0		100.0

* Convertibles represent 2.0% (2.4%)

The geographic classification of the investments is by the domicile of their primary listing, save for investment companies with a specific regional focus. However, the companies in which we invest are exposed to currencies and economies throughout the world.

Stockholding and Stockholders

Review & Outlook

Assets held by ATS for its Customers

ATS Savings Plans

Alliance Trust Savings ("ATS") is the only financial services company owned by UK investment trusts, which designs, provides and administers a range of wrapper products in-house. The profits of ATS contribute to the earnings of the Group.

Stockholding and Stockholders

As the Chairman reports in his statement on page 5, nearly 17% of the Company's ordinary stock is now held in the PEPs, ISAs, Investment Plans and SIPPs (self-invested personal pensions) which ATS provides and administers.

On the Company's register, which at the year end had 25,387 members, the ATS nominee is but one name. It represents nearly 28,000 different customers of ATS holding stock in the Company.

Review & Outlook

Usually, the fiscal year end deadline for subscriptions to ISAs and pensions acts as a key driver of cash inflows to ATS, and noticeable in the run up to 5 April is an increase in lump sum subscriptions, as investors, who prefer this means of saving to regular direct debit subscription, make sure they maximise their tax advantaged savings.

The first six months of the year saw a complete contrast to this norm in terms of investor activity. ATS felt a general slow down in activity, as the consequences of lack of confidence in the equity market, amongst some savers, impacted on its cash flows. By the mid year point, net inflows were 22.5% down on the equivalent period in the previous year.

It was encouraging, then, to see investor confidence returning in the second half of the year. This was evidenced by a strong recovery in net cash flows, which by the year end totalled £130m, down by only 4.4% on last year.

During the year, ATS consolidated its position as a leading provider of wrapper products in the investment trust marketplace. The investment choice which is available in the Select plans is a major factor in this process, as ATS customers are able to choose to invest in nearly all UK listed securities, including over 400 investment companies.

Some exchange traded funds were added to the available choice in the Select plans during the year and the range of open ended investment company bond funds broadened.

Added choice is a key factor in attracting the increasingly important transfer business. From the customer's point of view, the benefits of consolidation with a single provider are most apparent in the PEP marketplace. Many individuals continue to hold substantial, and even the greater part of, their portfolios within their PEP wrappers, even though ISAs have been available for all new subscriptions since April 1999. Although the PEP is a naturally declining product since it has been closed to new subscriptions, ATS continues to receive a significant number of transfers into the Select PEP and a healthy inflow of cash from this business. In 2003, some other PEP providers withdrew from the PEP marketplace and this resulted in additional business. Over the year, the total net inflow into the Select PEP was over £25m.

Net inflows into the Select Investment Plan grew strongly by over 72% to nearly £30m. Transfers of complete portfolios into a Select Investment Plan, for safekeeping and easy administration, is an increasingly important part of the ATS business and, during the year, £11.8m was received in the form of in specie transfers. Another development is the growth in the saving for children market and now over 50% of all new Select Investment Plans are opened on behalf of children.

Saving for children has recently received more prominence with the publication of the technical details for the Child Trust Fund (CTF). Although subscription levels into the product are low, the potential market is very large, even though the proposals presently exclude the CTF for children born before September 2002. We will continue to monitor these proposals before making any decision to provide a CTF.

Over the year, the number of customers holding Select Pensions grew by 12%. We view pension products as continuing to have considerable potential for the future and, in particular, see further opportunity in providing pension wrappers for third parties.

The outlook for ATS in a marketplace which is changing rapidly is healthy, as more transparent savings vehicles should become the preferred choice for many individuals. This will bring challenge too in the range of products ATS provides and access to them.

ATS Savings Plans as at 31 January 2004

	Customers		Customer Assets	
	Numbers	Change over one year	£m	Change over one year
Investment Plan	9,852	7%	157	57%
PEP	18,772	(2%)	682	26%
ISA	16,881	5%	231	61%
SIPP	4,341	12%	123	61%
Total	***36,215†***	***2%***	***1,193***	***39%***

† Some investors have more than one Plan.

In this section we report to you on our structure and corporate governance principles and processes. The statement regarding compliance with the Combined Code on Corporate Governance, as required by the rules of the UK Listing Authority, is on page 34.

Corporate Structure

Investment Trust Status

The Alliance Trust PLC is an investment company. After each accounting period it seeks approval as an investment trust under the Taxes Acts from the Inland Revenue. Since receiving the last approval, which was for the year ended 31 January 2003, the Company has conducted its affairs to enable it to continue to seek approval.

Structure

The Company has subsidiary companies, principally Alliance Trust Savings Limited ("ATS") and Alliance Trust (Finance) Limited ("ATF"). ATS, which is authorised and regulated by the Financial Services Authority, provides savings plans in the form of PEPs, ISAs, SIPPs and Investment Plans. ATF carries out the administration, as agent, of lease finance portfolios for third parties and acts as agent for the acquisition of supplies required by the Group and The Second Alliance Trust PLC ("the Second Alliance Trust").

The Company operates in parallel with the Second Alliance Trust. This arrangement goes back to just after the end of the First World War when another, smaller, Dundee company, then called the Western & Hawaiian Investment Company, came to a mutually beneficial arrangement with the Company to share office, administration and staff costs. In 1923 this, smaller, company changed its name to the Second Alliance Trust. Since then, and in order to avoid conflicts of interest, the investment objectives and portfolios of both companies have been substantially aligned and the directors of both companies are the same individuals. Should any potential conflict of interest arise, each company takes independent advice.

Together, the Alliance Trust and the Second Alliance Trust own ATS and ATF, with the Alliance Trust having a 75% shareholding in both companies.

The Board

The Alliance Trust has a board of executive and non-executive directors who are collectively responsible for the Group. The board's main duties are:

- To set out the objectives of the Group. These are found on page 3.
- To provide entrepreneurial leadership within a framework of prudent and effective controls which enables risk to be assessed and managed. How risk is managed is narrated on pages 33 to 34.
- To set the standards and values of the Group and ensure that our obligations to our stockholders and others are understood and met.

Executive Directors

Alan Harden	Chief Executive
David Deards	Finance Director
Sheila Ruckley	Director of Risk Management
Alan Young	Investment Director

Gavin Suggett served as a director and Chief Executive until 31 December 2003, when he retired from both offices. Alan Harden became a director and Chief Executive on 1 January 2004. Gavin Suggett continues to be employed by the Company in a consultative capacity until his retirement from the Company in May 2004.

The executive directors are full time salaried employees. The Chief Executive is responsible for the day-to-day running of the Group and in doing this he delegates responsibilities to the other executive directors and other managers.

Non-executive Directors

Bruce Johnston	Chairman
William Berry	Senior Independent Director
William Jack	Chairman of the Audit Committee
Lesley Knox	Chairman of the Nomination Committee (from 1 February 2004)
Christopher Masters	Chairman of the Remuneration Committee

The non-executive directors, who form a majority on the board, are not salaried employees. They receive fees in consideration for carrying out their duties.

As well as those collective duties which they have as members of the board, the non-executive directors scrutinise the performance of the executive, monitor the integrity of the financial information, and satisfy themselves that financial controls and systems of risk management of the Group are robust and defensible. The non-executive directors, through the Remuneration Committee, also fix the remuneration of the executive directors and, through the Nomination Committee, are primarily responsible for succession planning.

There is a division of responsibility between the Chairman, whose duty is to run the board effectively, and that of the Chief Executive, who is charged with running the business of the Group effectively. This separation of roles is documented in their respective job descriptions which are agreed by the board as a whole.

The Senior Independent Director is the director to whom stockholders should turn if they have issues which they consider are not being dealt with by the Chairman or the Chief Executive.

All the non-executives directors serve on committees of the board. The main committees are the Nomination Committee (page 30), the Remuneration Committee (page 30 and pages 36-39) and the Audit Committee (page 33).

At the conclusion of the Annual General Meeting on 30 April 2004, Bruce Johnston will retire as a director. He will be succeeded in the Chairmanship of the Company by Lesley Knox. In order to maintain the majority of non-executive directors on the board, the directors propose to make another appointment shortly.

Corporate Governance Report

Nomination Committee and Appointments

During the year under review, there was no standing Nomination Committee, but committees of the board were formed for the recruitment of a new Chief Executive and for the nomination of a successor to Bruce Johnston as Chairman. It is the Company's policy that the Chairman of the Company does not serve on any Nomination Committee dealing with the nomination of his successor, nor does any director proposed to succeed to such office.

The committee which considered the choice of Chief Executive comprised Lesley Knox (Chairman), Bruce Johnston, Christopher Masters and Gavin Suggett. That considering the appointment of a new chairman comprised William Berry (Chairman), William Jack, Christopher Masters and Gavin Suggett.

Both these committees determined the process which was followed for each nomination and each process was tailored according to the appointment under consideration. The executive directors were invited to give their views to the Nomination Committee and the decision on the appointment of any proposed director or of a chairman of the board was made by the board as a whole, taking into account the reports and recommendations made to it by the relevant Nomination Committee.

A standing Nomination Committee has subsequently been constituted and this will deal with all future appointments. As at the date of reporting, the membership of this committee is as noted on page 35.

Information and Professional Development

All directors receive a formal induction to the affairs and business of the Group, which may include, where appropriate, meeting both with major institutional stockholders and private stockholders. Training and professional development courses are also made available as required.

The Chairman ensures that all directors receive accurate, timely and clear information for board meetings and, with the company secretary, that good information inflows are maintained between the management and the board.

Independence of Directors

The board has carefully considered the guidance on independence of non-executive directors including the principle that independence is evidenced by an individual being independent of mind, character and judgement. Independence can be present regardless of any relationship or circumstance which may give rise to a presumption that it is absent, such as length of service on the board for a longer period than is currently recommended.

The board considers that all of the non-executive directors, including William Berry who has been a director for more than nine years, are indeed independent of mind, character and judgement and satisfy the independence test.

Meetings

The directors meet formally on a regular basis. Ad hoc meetings may also be convened, and the committees of the board meet as required to discharge their specific duties.

Decision Making

Delegation to the executive is necessary for the efficient running of the Group. While the Chief Executive and his team are responsible for operational matters generally, there are some issues which are specifically reserved for decision of the board as a whole, whether or not they are operational. This may be because of their strategic importance (such as borrowings or commencing a new business), their significance (such as changes in the Group's management structure), or their reputational sensitivity (such as litigation).

Audit Committee

Please refer to page 33.

Remuneration Committee

The Remuneration Committee fixes, on behalf of the Board, the remuneration of the executive directors and makes recommendations to the board on the framework of executive remuneration in the Group. The Committee members are Christopher Masters (Chairman since October 2003), William Berry (Chairman until October 2003), William Jack and Lesley Knox.

For more detail on the remuneration of directors and the role of the Remuneration Committee, please refer to the Directors' Remuneration Report on pages 36 to 39.

Executive Committee

An executive committee, appointed by the Chief Executive, considers and assists in day-to-day matters concerning the running of the Group. The committee comprises all the executive directors and

Neil Anderson	ATS Head of Operations
Colin Beveridge	Chief Investment Manager
Kevin Dann	ATS Managing Director
Ian Goddard	Company Secretary

Material Interests

During the year, no director had any material interest in any contract, being a contract of significance, with the Company or any subsidiary company or was connected to any adviser or supplier who had such an interest.

Re-election of Directors

All appointments to the board are subject to approval by the stockholders at the Annual General Meeting ("AGM") next following the appointment. Additional to the requirements of the Articles of Association, the board has resolved that all directors subject themselves to re-election by the stockholders at least every three years.

At the AGM on 30 April 2004, a resolution incorporating this principle into the Articles of Association will be put to the stockholders for approval. At the meeting, Alan Harden will stand for election, this being the first Annual General Meeting since his appointment. Sheila Ruckley, William Berry and William Jack will retire by rotation and stand for re-election.

Alan Harden and Sheila Ruckley have contracts of service with the Company which are terminable by the Company on one year's notice. William Berry and William Jack do not have service contracts.

Biographical details of the directors are on page 35.

Stockholders are referred to the Notice of the AGM, which is a separate document from this report and which gives more information about the directors to be re-elected. The notice also includes a proposal for the Company to be given power to take out liability insurance for directors and officers, which is not presently held.

Directors' Stockholdings

All directors must hold at least 200 ordinary stock units. Details of their holdings are shown in the table below.

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

Directors interests (ordinary stock units of 25p)	As at 1 February 2003 *or date of appointment		As at 31 January 2004		Acquired between 31 January 2004 and 11 March 2004	
	Beneficial	Non-Beneficial	**Beneficial**	**Non-Beneficial**	Beneficial	Non-Beneficial
Bruce Johnston	2,134	15,186	**2,192**	**15,186**	-	-
Alan Harden	76*	-	**372**	-	153	-
William Berry	2,212	500	**2,913**	**500**	-	-
David Deards	1,039	-	**1,200**	-	10	-
William Jack	1,000	-	**1,000**	-	-	-
Lesley Knox	511	-	**770**	-	32	-
Christopher Masters	494	-	**503**	-	-	-
Sheila Ruckley	1,587	-	**1,840**	-	10	-
Alan Young	2,630	-	**2,817**	-	10	-

Acquisition of stock between 31 January 2004 and 11 March 2004 has been pursuant to standing instructions through plans provided by ATS, and the All-Employee Share Incentive Plan.

Corporate Governance Report

Relationships with Stockholders

It is the board's collective responsibility to ensure that a meaningful dialogue is maintained with stockholders.

As well as meetings with institutional stockholders, which are largely conducted by the Chairman, Chief Executive and the Finance Director, the executive directors meet with private stockholders at investor seminars which are held throughout the UK. It is customary for the Chairman, or one or more of the other non-executive directors, also to attend these seminars.

The Investor Relations programme also includes meetings with stockbrokers and investment analysts.

The AGM is a forum for all those who hold stock in the Company and we encourage attendance and participation by all stockholders, including those who hold their stock through nominees.

All beneficial owners of stock through ATS are given the opportunity, using a letter of direction, and at no charge, to instruct a proxy vote to be cast for them. Whilst company law does not provide for such beneficial owners to vote on a show of hands, those attending the AGM are given a "courtesy show of hands vote" at the meeting, in order that the directors can be made aware of how they would vote on a show of hands, if so allowed by company law.

We are required to report to you which stockholders have told us that they own more than 3% of our ordinary stock. Where the stock is in a nominee for beneficial owners who retain voting rights, the holding must be notified to the Company when it reaches 10% of the ordinary stock.

Below we give a table which shows who has notified us of a 3% or more holding. It also states the percentage of stock held by the nominee for the ATS customers who retain voting rights.

	Ordinary stock units notified as at 11 March 2004	
Alliance Trust Savings Limited	8,514,626	(16.89%)
DC Thomson & Co Ltd	3,241,503	(6.43%)
The Standard Life Assurance Company	1,739,553	(3.45%)
Legal & General Investment Management Company	1,518,366	(3.01%)

Political and Charitable Donations

We do not make political or charitable donations. We are members of ProShare, which has charitable status, because it promotes the rights of private stockholders and we use its connections and expertise. We paid £6,494 to ProShare this year, and the same last year.

Corporate Social Responsibility

In carrying out our activities and in our relationships with our employees, suppliers and community, we aim to conduct ourselves responsibly, ethically and fairly and in a manner which we ourselves would like to be treated.

Payment of Creditors

We always try to achieve favourable terms when buying supplies. Contracts and payment terms are carefully scrutinised and we pay in accordance with the contract which is agreed, which may be the suppliers' own terms. Investment purchases are settled in accordance with the terms of the exchanges on which the investments are listed. The Group has not adopted any code or standard on payment practice.

The Group anticipates no change in its purchasing practices in the current financial year.

At 31 January 2004 the Company had no trade creditors. ATS, its principal operating subsidiary, had trade creditors equivalent to 20 (13) days of average purchases.

Green Disclosures

In carrying out our activities over the last year, our UK greenhouse gas emissions by reason of the Group's activities (office heat and power requirements and employee travel), calculated in accordance with reporting guidelines issued by the Department of Environment, Transport and the Regions, amounted to 123 (120) tonnes of carbon dioxide. This is the equivalent of operating 10.9 (10.7) three bar electric fires for a year.

We are often asked whether the investment managers take environmental factors into consideration when making investments. Information is given on page 9.

Voting

It is the Company's policy to exercise, wherever practical, its vote at meetings of companies in which it owns shares. Any proposal to vote against the recommendations of the board of the company in which the shares are held requires the approval of an executive director. Decisions to vote against such recommendations are reported to the board. More information is given on page 9, together with information on social responsibility in the context of investment decisions.

Accountability and Audit

Directors' Responsibility for the Accounts

The directors are required by law to prepare financial statements which give a true and fair view of the state of affairs of the Company and the Group 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 for taking reasonable steps for the prevention and detection of fraud or other irregularities.

The Company and the Group have, in the opinion of the directors, adequate resources to continue operation as a going concern for the foreseeable future, and the financial statements of the Company and the Group for the year ended 31 January 2004 have been prepared on that basis.

The directors confirm that suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in their preparation and that applicable accounting standards have been followed.

Audit Committee

The Audit Committee's duties include reviewing and reporting to the board on:

- The annual and interim financial statements and the accounts, together with the form of proposed announcements and reports relating to the Company's financial performance.
- Compliance with banking and financial services legislation.
- The integrity and effectiveness of accounting and financial controls and the system of internal control, including the process for assessing and managing risk.

The Committee has a specific function to review the scope and effectiveness of the audits which are carried out by the external and internal auditors. It reviews the independence and objectivity of the external auditors, supervises the function of the internal audit and facilitates the work of both the external and internal auditors. During the year, the Committee put the external audit out to tender. The result of the tender process was that the stockholders should be asked to reappoint KPMG Audit Plc as auditor.

The Audit Committee is also the forum where any member of staff may, in confidence, raise matters of concern about possible improprieties in matters such as financial reporting, and it has the power to investigate any matters raised.

The committee members are William Jack (Chairman), William Berry, Lesley Knox and Christopher Masters.

Risk Management and Internal Control

It is the responsibility of the board to understand the nature and extent of the risks facing the Group. In so doing, the board is mindful that risk must be considered in the context of the objective and activities of the Group. Risk is inherent in the opportunities which present themselves, and are sought out, in the attainment of what we seek to provide for stockholders.

In considering risk and in the formulation of its risk policies, the board looks at the level of risk which it considers acceptable to bear in each risk category it identifies as being relevant to the activities of the Group. In assessing the level of risk, the board looks at the probability of the risks concerned materialising and their potential impact. A process is put in place to evaluate and manage risks within a framework which takes into account the costs of operating particular controls relative to the benefit obtained. This process is a continuum.

Thus the balance between risk and return is managed in a prudent manner, which does not conflict with the objectives of the Group or compromise compliance with statute and regulatory provision or adherence to good business management.

In January 2004, the board charged one of the executive directors, Sheila Ruckley, with responsibility for risk management in the organisation.

Central to the risk management framework is nurturing a culture which promotes honesty and integrity and favours compliance as a positive aid to business. Embedding an understanding of risk means that staff take responsibility for the management of risk in the areas for which they are responsible. This is done in the context of the board's risk policies and an agreed policy for the risk management processes in each area.

A sound system of internal control fits into the framework of risk management. The board confirms that procedures which accord with the guidance published in 1999 (the Turnbull guidance) for compliance with principle D of the Combined Code (internal control) have been in place for the year under review and continue to be in place.

These procedures include a review by the board, on at least an annual basis, of the scope and effectiveness of the system for internal control. This includes a review of financial, operational and compliance controls as well as of significant business risks and any changes in the nature and extent of those risks since the last review.

No system of internal control can give an absolute assurance misstatement or loss. It should prevent or detect areas of shortcoming and minimise the risk of loss through incompetence, neglect of duty, mistake or fraud.

The main control mechanisms in place include:-

- Separation of the roles of Chairman and Chief Executive on the board.
- Strong non-executive directors and a robust Audit Committee.
- Clear departmental structures, backed up by inter-departmental support functions.
- Clear authorisation limits.
- Segregation of duties such that no one person can control or influence all aspects of one function, or carry out and settle any transaction.
- A rolling internal audit and compliance monitoring programme with reports on matters reviewed given directly to the Chief Executive, Chairman and Chairman of the Audit Committee.

Investment Risk and Financial Instruments

Risk is inherent in all forms of investment which aim to give a financial return. We seek to manage this risk primarily through a judicious choice of investments diversified across different business sectors and economies. Notwithstanding diversification, in the short-term the aggregate valuation of these investments is subject to considerable fluctuation in response to changes in, for example, inflation, interest rates, currencies and market sentiment. Cumulative effects of dividend income and its reinvestment, along with long term growth can compensate for short term fluctuations in capital value.

The Company does not seek to enhance returns by engaging in trading activity itself, although it invests in companies that trade. The Company may borrow and may make use of financial instruments and derivatives in order to enhance returns or to mitigate risks. Borrowing, financial instruments and derivatives carry their own risks, which must be managed effectively. During the last financial year, we did not borrow or use any financial instruments or derivatives.

Compliance with the Code of Best Practice

Pages 28-35 of this report, together with the directors remuneration report on pages 36-39, disclose the application by the Company of the Combined Code on Corporate Governance, as required by the UK Listing Authority.

The Combined Code which applies to the Company for the reporting year to 31 January 2004 is now defined by the UK Listing Authority as the "Hampel Code".

The board reports that it has complied with the Hampel Code except in two matters:

In the year to 31 January 2004, performance related pay did not form a substantial part of the executive directors' remuneration. This is explained in the Directors' Remuneration Report on page 37.

During the year there was no standing Nomination Committee. As explained on page 30, two appointments were considered for which separate Nomination Committees were appointed. The membership of each committee was tailored to the post in question so that the most relevant board experience was brought to bear.

In July 2003, revisions to the Hampel Code were announced by the UK Listing Authority. The revised Code, defined as the "2003 FRC Code" applies for reporting periods which commence on or after 1 November 2003. Accordingly the board will report on its compliance with the 2003 FRC Code in its report for the year ended 31 January 2005.

Ian Goddard

By order of the Board
Ian Goddard, Secretary
Dundee, 22 March 2004

Directors

Bruce W M Johnston (Chairman) CA (65) Joined the board 1991; appointed Chairman 1996 *Pictured centre*

Bruce Johnston was a partner in the chartered accountancy firm, Arthur Young (now Ernst & Young), between 1970 and 1986, where he concentrated on audit and advisory work for companies and private clients. He then moved to the commercial sector and was, until 1996, Executive Chairman of City Centre Restaurants plc, where he combined general management with responsibility for finance and investor relations.

Other directorships include Mid Wynd International Investment Trust PLC.

Non-Executive Directors *From left to right*

William Berry MA LLB WS (64)

Joined the board 1994; Senior Independent Director ■ ●

William Berry is a solicitor and the former chairman of Murray Beith Murray, an Edinburgh Law firm which has an important investment presence, managing and administering funds for many private clients. He is Senior Governor of St Andrews University and was formerly chairman of Scottish Life Assurance Company.

Other directorships include Fleming Continental European Investment Trust PLC and The Scottish American Investment Company PLC.

William H Jack (59)

Joined the board 2000; Chairman of the Audit Committee ■ ● ▲

William Jack joined the General Accident Fire & Life Assurance Company in 1973, and was the managing director of GA Life (subsequently CGU Life), with the responsibility for the UK Life and unit trust business, from 1991 to 2000.

Other directorships include Skipton Group Holdings.

Lesley M S Knox (50)

Joined the board 2001; Chairman of the Nomination Committee ■ ● ▲

Lesley Knox qualified as a lawyer and worked in the UK and USA advising companies on a range of commercial matters. Subsequently she worked as a corporate finance adviser first with Kleinwort Benson where in 1996 she became a group director and then as a founder director of British Linen Advisers. She was also Head of Institutional Asset Management at Kleinwort Benson Investment Management which provided investment services to clients world wide.

Other directorships include Hays PLC, HMV Group PLC and MFI Furniture Group PLC.

Christopher Masters CBE FRSE (56)

Joined the board 2002; Chairman of the Remuneration Committee ■ ● ▲

Christopher Masters took his doctorate in Chemistry at Leeds University and worked for Shell Research BV in the Netherlands and then Shell Chemicals in the UK. He joined Christian Salvesen as business development manager before becoming director of planning for their US operation and then Chief Executive from 1989 to 1997. He was then appointed Executive Chairman of Aggreko PLC, a post he held until January 2002. He chairs the Scottish Higher Education Funding Council and the Festival City Theatres' Trust.

Other directorships include British Assets Trust PLC and John Wood Group PLC.

Executive Directors *From left to right*

Alan J Harden (46) ▲

Joined the Company 2003; Chief Executive 2004

Alan Harden started his career in the investment industry in 1978 with Abbey Life and JBI in the UK, Europe and Cyprus; before joining Wardley (part of HSBC) in 1984, running the asset management department in Cyprus, before moving to Dubai UAE, and then to Hong Kong as senior investment manager. In 1990 he joined Standard Chartered Bank as Managing Director of Scimitar Asset Management based in Singapore, responsible for activities and assets in South East Asia. In 1994 he became Global Head of Investment Services, leading Standard Chartered to become the largest fund distributor in Asia. In 2000 he moved to Citigroup, and from his base in Japan, was head of the asset management business in the Asia Pacific region and a member of the Global Executive Committee. He joined the Alliance Trust in November 2003 and was appointed to the Board on 1 January 2004, the date on which he took up the responsibilities of Chief Executive.

Alan M W Young MA LLB (57)

Joined the Company 1986; appointed to the board 1992

Alan Young read law at Edinburgh and worked in London at Buckmaster & Moore, stockbrokers, before joining the investment department at Gartmore as an analyst and fund manager. He became a director of Gartmore's pension and investment trust management arm in 1983. On joining the Alliance Trust he managed the UK and European portfolios before becoming the director responsible for investment policy.

Sheila M Ruckley MA LLB DLP (54)

Joined the Company 1988; appointed to the board 2000

Sheila Ruckley studied history and philosophy in the UK and USA before qualifying as a solicitor. After joining the Alliance Trusts she became secretary of the Company and compliance officer of the savings business, before becoming responsible for the introduction of the Select Pension. Initially appointed a director to develop the investor relations function within the organisation, she was, in January 2004, appointed Director of Risk Management, retaining responsibility for investor relations.

David A Deards BA ACA (44)

Joined the Company and the board 2003

David Deards read zoology at Oxford and qualified as a chartered accountant with Arthur Young (now Ernst & Young) before joining Ansbacher & Co where he gained considerable experience in corporate finance and banking and investment product development, and became a director of Ansbacher & Co in 1995. He joined the Alliance Trust as Finance Director in 2003.

■ Member of the Remuneration Committee ● Member of the Audit Committee ▲ Member of the standing Nomination Committee

All are also Directors of Alliance Trust Savings Limited and The Second Alliance Trust PLC

In this section, we report to you on the remuneration of the directors in the year to 31 January 2004. At the AGM, the stockholders will be asked to approve this report. The vote is advisory and will not affect the remuneration which has been paid.

Remuneration Framework

For all directors, the Company's policy is that remuneration should be set at a level to attract and retain individuals of high calibre, and that it should reflect their respective responsibilities. All directors are appointed on the basis that they are competent to do the job, motivated by the alignment of their own interest with that of the stockholders, and have the potential to deliver the objectives of the Group.

To understand the framework for paying directors, we must look at the non-executive and executive directors separately. This is because they have different roles on the board, as explained on page 29.

Non-executive Directors

Non-executive directors are not salaried employees. They do not have employment contracts but written terms of appointment, and they receive fees. It is the Company's policy that this remuneration structure should continue for the following financial year.

The maximum aggregate amount of fees which can be paid to the non-executives each year has to be approved by the stockholders at a general meeting, such as an AGM, in accordance with the Articles of Association. It is currently £120,000.

Within this aggregate, the board as a whole determines what the Chairman and each of the other non-executives should receive. No individual plays a part in the decision on his or her own remuneration. Independent consultants advise on issues of comparability, taking into account the location of the Group and the nature of the duties to be performed.

The fees paid to the individual non-executive directors are set out in the table on the next page.

Fees Paid to Non-executive Directors† £

	Group 2004	Group 2003	Company 2004	Company 2003
Bruce Johnston (Chairman)	**36,000**	30,000	**36,000**	22,500
William Berry	**18,000**	15,250	**18,000**	11,500
William Jack	**18,000**	15,250	**18,000**	11,500
Lesley Knox*	**18,000**	15,250	**18,000**	11,500
Christopher Masters (appointed November 2002)	**18,000**	3,219	**18,000**	2,428
W Nelson Roberston (retired April 2002)	-	3,643	-	2,747
	108,000	82,612	**108,000**	62,175

† Non-executive directors also receive fees from the Second Alliance Trust for services as directors of that company.

* Until December 2002 fees in respect of Lesley Knox's services were paid to British Linen Advisers. From January 2003 the fees were paid to her personally. British Linen Advisers did not provide services to any company in the Group.

Executive Directors

Executive directors are salaried employees. They do not receive any fees as directors. The level of their salaries is not laid down in the Articles of Association, but is determined by the Remuneration Committee of the board, which is composed entirely of the independent non-executive directors and is chaired by Christopher Masters. No director is involved in deciding his or her own remuneration.

The Remuneration Committee takes advice from independent consultants on the comparability of executive directors' salaries. Such advice may include advice on pension and remuneration issues generally as they affect all staff of the Group and in 2003 was provided by Watson Wyatt LLP.

Each of the executive directors has a contract of employment. These contracts are available for inspection at the Company's registered office during normal business hours, as well as prior to and at the AGM.

Some features of the executives' contracts are:

- They are terminable on one year's notice by the Company and on six months' notice by the director.
- Alan Harden's contract contains express mitigation provisions should his contract be terminated on shorter notice.
- The other executive directors have acknowledged in writing that they have a duty to mitigate loss in the event of early termination and the Remuneration Committee has a responsibility to take into account this duty before deciding upon compensation.
- All executive directors must retire at age 60.

The remuneration packages of the executive directors are common to all employees and comprise:

- Salary, which is set at a level to reflect individual responsibility and performance and is reviewed annually.
- Defined benefit pension arrangements after six months service.
- Death in service insurance and, after six months service, disability insurance. These are insured benefits which have no value on leaving service.
- Private health care which extends to any spouse and any unmarried children under 25.
- After six months' service, ordinary stock units in the Company awarded in terms of the All-Employee Share Incentive Plan. The maximum allocation is stock to the value of £3,000 in any one year. Performance targets are set annually.

Performance Related Remuneration

The Company does not currently comply with that part of the Combined Code on Corporate Governance which states that a significant proportion of the remuneration package for executive directors should link rewards to corporate and individual performance. Although the board considers that the remuneration packages, disclosed above and in the tables on the next page, have provided sufficient incentive to the relevant directors to perform at the highest level, it has requested that the Remuneration Committee undertakes a review of directors' remuneration and benefits, including the present policy on performance related remuneration.

Directors' Remuneration Report

Remuneration and Pension Entitlement

Remuneration Received by Executive Directors† £ (Group and Company)	Date of Contract	Salary 2004	Taxable Benefits 2004	Share Incentive Plan	Total 2004	Total 2003
Alan Harden (appointed 1 January 2004)	15 October 2003	**14,688**	**47**	**-**	**14,735**	-
David Deards (appointed 1 January 2003)	22 November 2002	**97,500**	**551**	**512**	**98,563**	8,169
Sheila Ruckley	31 January 2001	**85,875**	**655**	**1,024**	**87,554**	85,307
Gavin Suggett* (retired 31 December 2003)	6 November 1987	**140,187**	**751**	**938**	**141,876**	150,307
Alan Young	6 November 1987	**123,500**	**819**	**1,024**	**125,343**	123,432
		461,750	**2,823**	**3,498**	**468,071**	367,215

† Executive directors are also remunerated by the Second Alliance Trust.

* Highest paid director during the year.

Executive Directors' Pensions £	Accumulated Total Accrued Pension per Annum 31 January 2003	Accumulated Total Accrued Pension per Annum 31 January 2004	Transfer Values 31 January 2003	Transfer Values Changes	Transfer Values 31 January 2004	Inflation Adjusted Increase in Year Accrued Pension	Inflation Adjusted Increase in Year Transfer Value
Alan Harden (appointed 1 January 2004)	-	**-**	-	-	**-**	-	-
David Deards (appointed 1 January 2003)	-	**1,340**	-	10,291	**10,291**	-	-
Sheila Ruckley	20,123	**22,065**	219,751	72,616	**292,367**	1,600	21,200
Gavin Suggett (retired 31 December 2003)	95,168	**101,177**	1,623,614	304,348	**1,927,962**	4,392	83,691
Alan Young	49,420	**53,167**	694,327	157,207	**851,534**	2,906	46,543

The transfer values of the accrued pensions and the transfer values of the inflation adjusted increases in the accrued pensions in the period have been calculated by the actuary of the scheme in accordance with actuarial guidance note GN11. The changes in the transfer values between 31 January 2003 and 31 January 2004 are significantly influenced by the assumptions underlying their calculation and market conditions.

The disclosure of the increases in the inflation adjusted accrued pensions and the transfer values of those increases is a requirement of the UK Listing Authority. The other disclosures are required by the Companies Act 1985.

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

Alan Young was credited with 5 years' pensionable service in August 1988. It is funded as to 2 years 1 month by a transfer in from a scheme connected with previous employment and 2 years 11 months by a discretionary increase. His service is also being enhanced by six months in respect of each actual year of service over a period of 10 years ending on his 60th birthday. His pensionable salary, like that of Sheila Ruckley, is not subject to the earnings cap as they both joined the pension scheme before June 1989. This also applies to Gavin Suggett.

Alan Harden, appointed on 1 January 2004, becomes eligible to join the pension scheme on 1 May 2004. His pension benefits will be funded on the basis of a 1/30th accrual rate, which is twice that of the normal accrual rate for scheme members.

Company Performance Graph

We are required to show a graph of the performance of the Company compared to a broad equity market index. The graph below compares the total return on the Company's ordinary stock to the FTSE All-Share Index.

The Company does not seek to track the FTSE All-Share Index. It is not used as a benchmark, nor is the directors' performance measured against it. It has been chosen to comply with the requirement because it is a measure which we consider to be well known to our stockholders. In looking at the stock price total return it has to be borne in mind that the Company's assets will not necessarily perform in line with the Index.

The FTSE All-Share Index is a UK equity index, whereas a substantial part of the Company's assets are invested overseas and may not be fully invested in equities. In addition, the return on the Company's ordinary stock is partly determined by supply and demand for the stock on the stock market. This return may not equate to the return achieved by the Company on its assets.

Audit statement

The tables on page 37 and 38, together with the footnotes relating to them, have been audited by the Company's auditor whose report is on page 40.

Ian Goddard

By order of the Board
Ian Goddard, Secretary
Dundee, 22 March 2004

Report of the Auditor

Independent Auditor's Report to the Members of The Alliance Trust PLC

We have audited the financial statements on pages 41 to 51. We have also audited the information in the directors' remuneration report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The directors are responsible for preparing the Annual Report and the Directors' Remuneration Report. As described on page 33, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Group is not disclosed.

We review whether the statement on pages 28 to 35 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's Corporate Governance procedures or its risks and control procedures.

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

Basis of Audit Opinion

We conducted our audit in accordance with Auditing Standards 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 and the part of the Directors' Remuneration Report to be audited. 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 and the part of the Directors' Remuneration Report to be audited 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 and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 January 2004 and of the total return of the Group for the year then ended; and
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
Edinburgh
22 March 2004

Accounting Policies

1 Basis of Accounting

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

The consolidated statement of total return and balance sheet include the financial statements of the Company and its subsidiary companies as at 31 January 2004, made up to the same date.

2 Valuation of Fixed Assets

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

Office premises are shown at the valuation as at 31 January 2004 carried out by chartered surveyors on the basis of existing use value. 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 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.

Income includes any taxes deducted at source. Fixed returns on non-equity shares and debt securities are recognised on a time apportionment basis so as to reflect the effective yield on the investment. Where the Company has elected to receive its dividends in the form of additional shares rather than in cash, the amount of the cash dividend is recognised as income. Any excess in the value of the shares received over the amount of the cash dividend is recognised in capital reserves.

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

Savings and pension plans charges are accounted for on the date on which the underlying transaction occurs.

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.

5 Taxation

Deferred tax is recognised at the standard rate of corporation tax, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed out by the balance sheet date. To the extent that timing differences will not be utilised, then deferred assets are not recognised.

Because the Company intends each year to qualify as an investment trust under section 842 of the Income and Corporation Taxes Act 1988, no provision is made for deferred taxation in respect of the capital gains that have been realised, or are expected in the future to be realised, on the sale of fixed asset investments.

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 held at the year end are accounted for in the unrealised capital reserve.

7 Pension Costs

The pension scheme is a defined benefit scheme and is open to all qualifying employees who have completed 6 months service. Contributions are charged against revenue. They are calculated by reference to actuarial valuations carried out for the trustees at intervals of not more than three years. They represent a charge to cover the accruing liabilities on a continuing basis.

Consolidated Statement of Total Return

£000	Notes	2004 Revenue	2004 Capital	2004 Total	2003 Revenue	2003 Capital	2003 Total
Income							
UK dividends		28,771	-	28,771	26,046	-	26,046
UK interest		1,442	-	1,442	1,815	-	1,815
Overseas dividends		14,227	-	14,227	12,648	-	12,648
Overseas scrip dividends		-	-	-	74	-	74
Mineral rights income		724	-	724	515	-	515
Investment Income	1	45,164	-	45,164	41,098	-	41,098
Deposit interest		3,896	-	3,896	5,087	-	5,087
Savings and pension plans charges		1,899	-	1,899	1,974	-	1,974
Miscellaneous		91	-	91	167	-	167
Other Income		5,886	-	5,886	7,228	-	7,228
Total Income		51,050	-	51,050	48,326	-	48,326
Expenses							
Operating expenses		(7,297)	-	(7,297)	(6,381)	-	(6,381)
Additional pension contribution		-	-	-	(641)	-	(641)
Total expenses	2	(7,297)	-	(7,297)	(7,022)	-	(7,022)
Realised losses on investments	7	-	(2,915)	(2,915)	-	(22,006)	(22,006)
Increase(decrease) in unrealised appreciation	7	-	268,118	268,118	-	(446,912)	(446,912)
Surplus on revaluation of office premises		-	50	50	-	-	-
Foreign exchange gains		-	2,427	2,427	-	235	235
Net Return Before Interest Payable and Taxation		43,753	267,680	311,433	41,304	(468,683)	(427,379)
Interest payable	3	(1,152)	-	(1,152)	(1,120)	-	(1,120)
Return Before Taxation		42,601	267,680	310,281	40,184	(468,683)	(428,499)
Taxation	4	(4,103)	-	(4,103)	(4,104)	-	(4,104)
Return After Taxation		38,498	267,680	306,178	36,080	(468,683)	(432,603)
Minority interest - equity		(260)	73	(187)	(289)	(41)	(330)
		38,238	267,753	305,991	35,791	(468,724)	(432,933)
Dividends on preference stock - non-equity	5	(97)	-	(97)	(97)	-	(97)
Return Attributable to Equity Stockholders		38,141	267,753	305,894	35,694	(468,724)	(433,030)
Dividend on ordinary stock - equity	5	(35,532)	-	(35,532)	(35,028)	-	(35,028)
Transfer to reserves		2,609	267,753	270,362	666	(468,724)	(468,058)

	Notes	Earnings	Capital	Total	Earnings	Capital	Total
Return per Ordinary Stock Unit	6	75.68p	531.26p	606.94p	70.82p	(930.01p)	(859.19p)

Company Statement of Total Return

£000	Notes	2004 Revenue	2004 Capital	2004 Total	2003 Revenue	2003 Capital	2003 Total
Income							
UK dividends		**28,771**	-	**28,771**	26,046	-	26,046
Dividends from subsidiary		**638**	-	**638**	1,275	-	1,275
		29,409	-	**29,409**	27,321	-	27,321
UK interest		**525**	-	**525**	802	-	802
Overseas dividends		**14,227**	-	**14,227**	12,648	-	12,648
Overseas scrip dividends		-	-	-	74	-	74
Mineral rights income		**724**	-	**724**	515	-	515
Investment Income	1	**44,885**	-	**44,885**	41,360	-	41,360
Deposit interest		**1,232**	-	**1,232**	2,245	-	2,245
Miscellaneous		**25**	-	**25**	10	-	10
Other Income		**1,257**	-	**1,257**	2,255	-	2,255
Total Income		**46,142**	-	**46,142**	43,615	-	43,615
Expenses							
Operating expenses		**(4,301)**	-	**(4,301)**	(3,398)	-	(3,398)
Additional pension contribution		-	-	-	(328)	-	(328)
Total expenses	2	**(4,301)**	-	**(4,301)**	(3,726)	-	(3,726)
Realised losses on investments	7	-	**(2,915)**	**(2,915)**	-	(22,006)	(22,006)
Increase(decrease) in unrealised appreciation	7	-	**268,333**	**268,333**	-	(447,360)	(447,360)
Surplus on revaluation of office premises		-	**50**	**50**	-	-	-
Foreign exchange gains		-	**2,427**	**2,427**	-	235	235
Net Return before Interest Payable and Taxation		**41,841**	**267,895**	**309,736**	39,889	(469,131)	(429,242)
Interest payable	3	**(76)**	-	**(76)**	(84)	-	(84)
Return before Taxation		**41,765**	**267,895**	**309,660**	39,805	(469,131)	(429,326)
Taxation	4	**(3,669)**	-	**(3,669)**	(3,607)	-	(3,607)
Return after Taxation		**38,096**	**267,895**	**305,991**	36,198	(469,131)	(432,933)
Dividends on preference stock – non-equity	5	**(97)**	-	**(97)**	(97)	-	(97)
Return Attributable to Equity Stockholders		**37,999**	**267,895**	**305,894**	36,101	(469,131)	(433,030)
Dividends on ordinary stock – equity	5	**(35,532)**	-	**(35,532)**	(35,028)	-	(35,028)
Transfer to reserves		**2,467**	**267,895**	**270,362**	1,073	(469,131)	(468,058)

	Notes	Earnings	Capital	Total	Earnings	Capital	Total
Return per Ordinary Stock Unit	6	**75.40p**	**531.54p**	**606.94p**	71.63p	(930.82p)	(859.19p)

Balance Sheets

£000	Notes	Group 2004	Group 2003	Company 2004	Company 2003
Fixed Assets	7				
Office premises		**700**	650	**700**	650
Investments		**1,466,143**	1,155,412	**1,475,418**	1,162,289
		1,466,843	1,156,062	**1,476,118**	1,162,939
Current Assets					
Debtors	9	**13,533**	10,095	**7,085**	4,570
Bank deposits		**101,221**	136,914	**25,479**	73,907
Cash at bank and in hand		**1,607**	3,169	**460**	503
		116,361	150,178	**33,024**	78,980
Creditors: amounts falling due within one year	10	**(97,385)**	(90,757)	**(32,871)**	(36,010)
Net Current Assets		**18,976**	59,421	**153**	42,970
Total Assets less Current Liabilities		**1,485,819**	1,215,483	**1,476,271**	1,205,909
Creditors: amount falling due after more than one year					
4½% debenture stock 1956 or after					
- repayable at the Company's option only		**1,648**	1,648	**1,648**	1,648
Minority Interest - Equity		**9,548**	9,574	**-**	-
		11,196	11,222	**1,648**	1,648
Capital and Reserves					
Called-up share capital	5	**14,800**	14,800	**14,800**	14,800
Capital reserve - realised	11	**995,296**	995,784	**993,997**	994,485
Capital reserve - unrealised	11	**418,838**	150,597	**434,542**	166,159
Revenue reserve	11	**45,689**	43,080	**31,284**	28,817
Total Stockholders' Funds		**1,474,623**	1,204,261	**1,474,623**	1,204,261
		1,485,819	1,215,483	**1,476,271**	1,205,909
Total Stockholders' Funds are attributable to:					
Equity stockholders	12	**1,472,423**	1,202,061	**1,472,423**	1,202,061
Non-equity stockholders	12	**2,200**	2,200	**2,200**	2,200
		1,474,623	1,204,261	**1,474,623**	1,204,261
Net Asset Value per Ordinary Stock Unit	6	**£29.21**	£23.85	**£29.21**	£23.85

The financial statements on pages 41 to 51 were approved by the board on 22 March 2004 and were signed on its behalf by:

Bruce W M Johnston
Director

Alan J Harden
Director

Cash Flow Statements

£000	Notes	Group 2004	Group 2003	Company 2004	Company 2003
Operating Activities					
Investment income received		**46,382**	42,099	**44,273**	40,424
Interest received		**3,345**	5,273	**1,552**	2,170
Underwriting commission received		**25**	10	**25**	10
Savings and pension plans charges		**1,899**	1,974	**-**	-
Miscellaneous income received		**55**	155	**-**	-
Net amounts received from depositors		**9,023**	9,318	**-**	-
Expenses		**(6,960)**	(7,252)	**(3,960)**	(3,716)
Net Cash Inflow from Operating Activities	13	**53,769**	51,577	**41,890**	38,888
Dividends from Subsidiary Company		**-**	-	**638**	1,275
Servicing of Finance					
Interest paid		**(1,152)**	(1,120)	**(76)**	(84)
Dividends paid on preference stocks		**(97)**	(97)	**(97)**	(97)
Dividends paid to minority interests		**(213)**	(425)	**-**	-
Net Cash Outflow from Servicing of Finance		**(1,462)**	(1,642)	**(173)**	(181)
Taxation Paid		**(3,827)**	(4,312)	**(3,492)**	(3,700)
Investing Activities					
Purchase of investments		**(178,067)**	(163,274)	**(173,515)**	(149,670)
Disposal of investments		**127,957**	151,034	**121,806**	140,034
Net Cash Outflow from Investing Activities		**(50,110)**	(12,240)	**(51,709)**	(9,636)
Equity Dividends Paid		**(38,052)**	(35,028)	**(38,052)**	(35,028)
Net Cash outflow before Management of Liquid Resources and Financing		**(39,682)**	(1,645)	**(50,898)**	(8,382)
Management of Liquid Resources					
Cash uplifted from short-term deposits	15	**38,120**	845	**50,855**	6,491
Decrease in Cash	14	**(1,562)**	(800)	**(43)**	(1,891)

Notes to the Financial Statements

1 Investment income £000

	Group 2004	Group 2003	Company 2004	Company 2003
Listed UK	**30,208**	28,015	**29,292**	27,002
Unlisted UK	**5**	4	**642**	1,279
Listed overseas	**14,227**	12,564	**14,227**	12,564
Unlisted overseas	**724**	515	**724**	515
	45,164	41,098	**44,885**	41,360

2 Expenses £000

	Group 2004	Group 2003	Company 2004	Company 2003
Directors' remuneration	**576**	450	**576**	430
Staff costs	**3,134**	2,692	**1,641**	1,287
Social security costs	**310**	250	**185**	142
Regular pension contributions	**789**	732	**416**	374
Additional pension contributions	**-**	641	**-**	328
Remuneration of auditor for audit	**32**	28	**17**	17
Remuneration of auditor for regulatory reports on behalf of Alliance Trust Savings Limited	**4**	4	**-**	-
Other	**2,452**	2,225	**1,466**	1,148
	7,297	7,022	**4,301**	3,726

Details of directors' remuneration are given on pages 36 to 39. The Group employs 109 (106) full time and 22 (24) part time staff, excluding directors. Staff costs are shared with The Second Alliance Trust PLC ("the Second Alliance Trust"). Included in staff costs is the sum of £13,000 representing payments to Gavin Suggett, a former director, in respect of salary from the period when he retired as a director.

The management and administration expenses of the Company amounted to £4,301,000 (£3,726,000 or £3,398,000 before the additional pension contribution) representing 0.29% (0.31% or 0.28% before the additional pension contribution) of the year end attributable net asset value of £1,472,423,000 (£1,202,061,000). The cost of insured benefits for staff including executive directors is included in other expenses.

3 Interest payable £000

	Group 2004	Group 2003	Company 2004	Company 2003
On deposits and overdrafts repayable within 5 years not by instalments	**1,078**	1,046	**2**	10
On debentures repayable wholly or partly in more than 5 years	**74**	74	**74**	74
	1,152	1,120	**76**	84

4 Taxation £000

	Group 2004	Group 2003	Company 2004	Company 2003
UK corporation tax at 30%	**4,216**	4,225	**3,780**	3,727
Overseas taxation	**1,743**	1,620	**1,743**	1,620
Deferred taxation	**(3)**	(6)	**(1)**	(5)
Recovery of French company tax (Avoir Fiscal)	**(110)**	(115)	**(110)**	(115)
	5,846	5,724	**5,412**	5,227
Relief for overseas taxation	**(1,743)**	(1,620)	**(1,743)**	(1,620)
	4,103	4,104	**3,669**	3,607

Reconciliation of Tax Charge £000

	Group 2004	Group 2003	Company 2004	Company 2003
Return on ordinary activities before taxation	**42,601**	40,184	**41,765**	39,805
Items not subject to corporation tax - franked investment income	**(28,520)**	(26,044)	**(29,157)**	(27,319)
- scrip dividends	**-**	(74)	**-**	(74)
	14,081	14,066	**12,608**	12,412
UK corporation tax payable at 30%	**4,225**	4,219	**3,783**	3,724
Adjustments arising on the difference between taxation and accounting treatment of income and expenses	**(9)**	(10)	**(3)**	3
Prior year adjustment	**-**	16	**-**	-
Corporation tax charge for the year	**4,216**	4,225	**3,780**	3,727

5 Called up share capital and dividends £000

	Total Capital 2004	Total Capital 2003	Dividends 2004	Dividends 2003
The authorised share capital of the Company, which has all been allotted and fully paid, is divided into four classes of preference stock and one class of ordinary stock. The capital is shown below, together with the respective dividends				
Non-equity stock				
Preference stocks				
$4^1/_4$% cumulative preference stock	**700**	700	**30**	30
4% cumulative preference stock	**650**	650	**26**	26
5% cumulative preference stock	**750**	750	**37**	37
4% 'A' cumulative preference stock	**100**	100	**4**	4
	2,200	2,200	**97**	97
Equity stock units				
Ordinary stock				
50,400,000 units of 25p each	**12,600**	12,600		
Interim dividend paid of 35.0p (29.0p) per stock unit			**17,640**	14,616
Proposed final dividend of 35.5p (40.5p) per stock unit			**17,892**	20,412
Total dividend 70.5p (69.5p) per stock unit			**35,532**	35,028
	14,800	14,800		

Provision has been made in these financial statements for the payment of the final dividend on the ordinary stock and the dividends on the Company's preference stocks.

6 Return and net asset value per ordinary stock unit £000

	Group 2004	Group 2003	Company 2004	Company 2003
Earnings	**38,141**	35,694	**37,999**	36,101
Capital	**267,753**	(468,724)	**267,895**	(469,131)
Total return	**305,894**	(433,030)	**305,894**	(433,030)
Equity stockholders' funds	**1,472,423**	1,202,061	**1,472,423**	1,202,061

The return per ordinary stock unit is arrived at by dividing the total return by 50,400,000 (the total number of stock units in issue).
The net asset value per ordinary stock unit is arrived at by dividing the equity stockholders' funds by the same figure.

7 Fixed assets £000

	Group 2004	*Group* 2003	*Company* 2004	*Company* 2003
Office Premises Freehold/Heritable Property				
Opening valuation	**650**	650	**650**	650
Surplus on revaluation	**50**	–	**50**	–
	700	650	**700**	650

J & E Shepherd, Chartered Surveyors, valued the office premises at 31 January 2004, at £700,000 on the basis of existing use value and at £450,000 on the basis of market value. Both valuations were in accordance with RICS Appraisal and Valuation Standards. The historic cost of the office premises is £292,000. Existing use value assumes that demand existed for the premises for continuation of office use. However, at the date of valuation, J & E Shepherd were of the opinion that such demand did not exist. As such, the market value was materially different.

	Group 2004	Group 2003	Company 2004	Company 2003
Investments				
Investments listed on a recognised investment exchange	**1,463,070**	1,153,104	**1,443,700**	1,131,256
Unlisted investments	**3,073**	2,308	**3,073**	2,308
Subsidiary companies (note 8)	**–**	–	**28,645**	28,725
	1,466,143	1,155,412	**1,475,418**	1,162,289

Notes to the Financial Statements

7 Fixed assets continued £000

	Group	Company		
	investments	investments	subsidiary	total
Opening book cost as at 1 February 2003	1,005,087	983,589	12,900	996,489
Opening unrealised appreciation	150,325	149,975	15,825	165,800
Opening valuation	1,155,412	1,133,564	28,725	1,162,289
Movements in the year				
Bond premium amortisation	(593)	(8)	-	(8)
Purchases at cost*	177,132	172,580	-	172,580
Sales - proceeds*	(131,011)	(124,861)	-	(124,861)
- realised losses on sales	(2,915)	(2,915)	-	(2,915)
Increase(decrease) in unrealised appreciation	268,118	268,413	(80)	268,333
Closing valuation	1,466,143	1,446,773	28,645	1,475,418
Closing book cost	1,047,699	1,028,385	12,900	1,041,285
Closing unrealised appreciation	418,444	418,388	15,745	434,133
Closing valuation as at 31 January 2004	1,466,143	1,446,773	28,645	1,475,418

* In accordance with Statement of Recommended Practice "Financial Statements of Investment Trust Companies", expenses incidental to the purchase or sale of investments are included within the purchase cost or deducted from the sale proceeds. These expenses include commission costs of £872,000 (£780,000).

A geographical analysis of the investment portfolio by broad industrial or commercial sector is given on page 25. A list of the twenty largest investments in the portfolio is given on page 13.

8 Subsidiary companies

The following subsidiary companies, whose results are consolidated in the Group accounts, are incorporated in Scotland and operate in the United Kingdom.

Name	Shares held	Principal Activity
Alliance Trust Savings Limited ("ATS")	Ordinary	Deposit taking, provision and administration of savings and pension products
Alliance Trust (Finance) Limited ("ATF")	Ordinary	Leasing administration (as agent)
Alliance Trust Leasing Limited ("ATL")	Ordinary	Leasing administration (as principal and agent)

The Company owns 75% of ATS and ATF with the remaining 25% of each owned by the Second Alliance Trust. ATF owns 100% of ATL. The investment in subsidiary companies is valued in the Company's accounts at £28,645,000 (£28,725,000) being the net asset value of the Company's equity interests taking into account Government securities at market value.

A summarised statement of the balance sheets of the subsidiaries is shown below. The reports and accounts of all subsidiary companies are delivered to the Registrar of Companies in Edinburgh.

Summarised balance sheets £000

	ATS 2004	ATS 2003	**ATF Group 2004**	ATF Group 2003
Government securities	**13,595**	13,573	**5,720**	7,926
Money at call and short notice	**76,926**	65,715	**2,577**	699
Loans to parent companies	**-**	-	**16,000**	16,000
Debtors less creditors	**-**	253	**-**	61
	90,521	79,541	**24,297**	24,686
Financed by:				
Amounts due to depositors	**74,346**	66,277	**-**	-
Creditors less debtors	**2,167**	-	**166**	-
	76,513	66,277	**166**	-
Shareholder funds	**14,008**	13,264	**24,131**	24,686
	90,521	79,541	**24,297**	24,686

9 Debtors £000

	Group 2004	Group 2003	Company 2004	Company 2003
Sales for subsequent settlement	**4,989**	1,935	**4,989**	1,935
Loan to The Second Alliance Trust PLC (Note 17)	**4,000**	4,000	**-**	-
Taxation recoverable	**231**	433	**231**	433
Deferred taxation	**51**	48	**19**	18
Prepayments and accrued income	**3,010**	3,073	**1,832**	2,170
Other debtors	**1,252**	606	**14**	14
	13,533	10,095	**7,085**	4,570

10 Creditors: amounts falling due within one year £000

	Group 2004	Group 2003	Company 2004	Company 2003
Amounts due to depositors	**71,763**	65,579	**-**	-
Purchase for subsequent settlement	**1,320**	2,255	**1,320**	2,255
UK corporation tax payable	**1,223**	1,146	**935**	960
Loan from ATF (Note 17)	**-**	-	**12,000**	12,000
Proposed dividends	**17,941**	20,461	**17,941**	20,461
Amount due to subsidiary company	**-**	-	**-**	53
Other creditors	**5,138**	1,316	**675**	281
	97,385	90,757	**32,871**	36,010

11 Reserves £000

	Group reserves			Company reserves		
	capital realised	capital unrealised	revenue	capital realised	capital unrealised	revenue
Beginning of year	995,784	150,597	43,080	994,485	166,159	28,817
Exchange differences	2,427	-	-	2,427	-	-
Net loss on realisation of investments	(2,915)	-	-	(2,915)	-	-
Increase in unrealised appreciation	-	268,118	-	-	268,333	-
Surplus on revaluation of office premises	-	50	-	-	50	-
Minority interest	-	73	-	-	-	-
Retained net revenue for the year	-	-	2,609	-	-	2,467
End of year	995,296	418,838	45,689	993,997	434,542	31,284

12 Reconciliation of movements in stockholders' funds £000

	Group 2004	Group 2003	Company 2004	Company 2003
Opening equity stockholders' funds	**1,202,061**	1,670,119	**1,202,061**	1,670,119
Total recognised gains and losses after dividend	**270,362**	(468,058)	**270,362**	(468,058)
Closing equity stockholders' funds	**1,472,423**	1,202,061	**1,472,423**	1,202,061
Non-equity stockholders' funds	**2,200**	2,200	**2,200**	2,200

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

13 Reconciliation of net revenue before interest and tax to net cash inflow from operating activities £000

	Group 2004	Group 2003	Company 2004	Company 2003
Net revenue before interest payable and taxation	**43,753**	41,304	**41,841**	39,889
Dividend from subsidiary company	**-**	-	**(638)**	(1,275)
Scrip dividends	**-**	(74)	**-**	(74)
Amortisation - non-cash adjustment	**593**	539	**8**	-
Decrease in accrued income	**63**	720	**338**	338
Increase(decrease) in other creditors	**3,822**	(2,592)	**341**	14
(Increase)decrease in other debtors	**(646)**	365	**-**	(4)
Increase in amounts due to depositors	**6,184**	11,315	**-**	-
Net cash inflow from operating activities	**53,769**	51,577	**41,890**	38,888

Notes to the Financial Statements

14 Reconciliation of net cash flow to movement in net funds £000

	Group 2004	Group 2003	Company 2004	Company 2003
Decrease in cash in the year	**(1,562)**	(800)	**(43)**	(1,891)
Cash uplifted from short-term deposits	**(38,120)**	(845)	**(50,855)**	(6,491)
Foreign exchange gains	**2,427**	235	**2,427**	235
Movement in net funds in year	**(37,255)**	(1,410)	**(48,471)**	(8,147)
Net funds at start of year	**138,435**	139,845	**60,762**	68,909
Net funds at end of year (Note 15)	**101,180**	138,435	**12,291**	60,762

15 Analysis of change in net funds £000

		2003	Cash flow	Exchange gains	2004
Group	Cash at bank and in hand	3,169	(1,562)	-	**1,607**
	Bank deposits	136,914	(38,120)	2,427	**101,221**
	Debenture stock	(1,648)	-	-	**(1,648)**
		138,435	(39,682)	2,427	**101,180**
Company	Cash at bank and in hand	503	(43)	-	**460**
	Bank deposits	73,907	(50,855)	2,427	**25,479**
	Debenture stock	(1,648)	-	-	**(1,648)**
	Loan from ATF	(12,000)	-	-	**(12,000)**
		60,762	(50,898)	2,427	**12,291**

16 Derivatives and other financial instruments

The directors' report details the Company's approach to investment risk management on page 34 and the accounting policies on page 41 explain the basis on which currencies and investments are valued for accounting purposes.

No derivatives were used and no significant short-term borrowings were drawn down during the year to 31 January 2004. The Company had in issue throughout the year £3,848,000 (£3,848,000) of fixed rate debenture stock and preference stocks which have no fixed maturity or redemption dates. Their market value at 31 January 2004 was £2,925,000 (£3,167,000), a discount to book value of the equivalent of 1.8p (1.4p) per ordinary stock unit.

17 Related parties

The affairs of the Group are managed in conjunction with those of the Second Alliance Trust and its subsidiary company Second Alliance Leasing ("SAL"). Although the parent companies are not controlled by common stockholders, the composition of the Board of each company is currently the same and for the purposes of Financial Reporting Standard 8 the companies are regarded as related parties, requiring disclosure of material, mutual transactions.

The Groups operate from the same office in Dundee, employ staff jointly and share the cost of common services. The basis of allocation is 75% for the Company and 25% for the Second Alliance Trust after allowing for a contribution from ATS and reflects the respective sizes of the companies. During the year to 31 January 2004 the Second Alliance Trust paid a contribution of £757,000 (£744,000).

The minority interest shareholding in ATS and ATF is held by the Second Alliance Trust. ATF has advanced interest free loans of £12,000,000 (£12,000,000) and £4,000,000 (£4,000,000) to the Company and to the Second Alliance Trust, respectively. The terms of these loans have been extended and they are repayable in September 2004, or earlier by mutual agreement, at three months' notice.

SAL has a deposit facility with ATS, the balance at 31 January 2004 being £300,000 (£302,000) due to SAL.

18 Financial commitments

Financial commitments of the Company as at 31 January 2004, which have not been accrued, amounted to £5,166,611 (£6,187,191) in respect of uncalled subscriptions in investments structured as limited liability partnerships.

19 Pension Scheme

The Group, in conjunction with the Second Alliance Trust, operates an insured defined benefit pension scheme ("the Scheme") providing benefits based on final pensionable salary. The Scheme's assets, which are invested to finance members' pensions on retirement, are held separately from the Group's funds. The Scheme is administered externally on behalf of the Trustees. Pension benefits of retired members have been secured by the purchase of annuities from insurance companies.

The Scheme funding rate is determined, at intervals not exceeding 3 years, on the recommendation of a qualified independent actuary. The latest full actuarial valuation report was carried out as at 1 April 2003. The report was produced using the projected unit method of valuation. It showed assets valued on a discounted income basis at £10,899,000 and a surplus of £721,000 over present value liabilities at the report date.

The principal assumptions used in this valuation were:

• Rate of increase in salaries p.a.	5%
• Rate of increase of pensions in payment p.a.	3%
• Rate of increase of deferred pensions p.a.	3%
• Rate of interest p.a.	7%
• Rate of dividend growth p.a.	3.5%
• Inflation assumption p.a.	3%

Following the recommendation of the actuary, the Group and the Second Alliance Trust have adopted a funding rate of 22.1% of pensionable salaries from 1 April 2004 (23.1% was paid in the previous triennium and an additional contribution of £641,000 was made by the Group in the year to 31 January 2003). This contribution rate is due to be reviewed following the triennial valuation of the Scheme as at 1 April 2006 and excludes administration fees and insurance premiums for death-in-service benefits, which the companies pay separately and which total a further 2% (1.9%) of pensionable salaries. The total pension cost (including administration fees and the cost of insurance of death-in-service benefits) to the Group was £814,000 (£1,373,000). The cost to the Company was £429,000 (£702,000).

Whilst the Group continues to account for pension costs in accordance with Statement of Standard Accounting Practice 24 'Accounting for Pension Costs', under Financial Reporting Standard 17 'Retirement Benefits' ("FRS17") the following transitional disclosures are required as at 31 January 2004 using the different measurement basis prescribed by the Standard. In order to meet these requirements, a separate valuation of the Scheme's present assets and liabilities has been undertaken by the actuary as at 31 January 2004. The assumptions used by the actuary, which meet the requirements of FRS17, were:

• Rate of increase in salaries p.a.	3.75%
• Rate of increase of pensions in payment p.a.	2.75%
• Rate of increase of deferred pensions p.a.	2.75%
• Rate used to discount scheme liabilities p.a.	5.50%
• Inflation assumption p.a.	2.75%

On these assumptions, the fair value of the Scheme's assets, and the value of the Scheme's liabilities at 31 January 2004 were:

	£000
Assets	13,046
Liabilities	12,365
Surplus	681

The Scheme's assets are not intended to be realised in the short-term and their value may be subject to significant change before they are realised. The liabilities are derived from cash flow projections over long periods and are also subject to uncertainty.

At 31 January 2004, 53.4% of the assets of the Scheme were held in equities, 44.4% in bonds, 0.8% in property and 1.4% in current assets.

For the purposes of these financial statements these figures are illustrative only and do not impact on the consolidated balance sheet at 31 January 2004.

The assumed long-term rate of return over the following year is 5.25% for bonds, 7.0% for equities and property and 4.0% for other assets.

Group

The costs of the Scheme are shared by the Group and by the Second Alliance Trust based on the allocation of employees' costs and it is assumed any deficit would also be shared on a similar basis.

Company

Within the Group, the costs of the Scheme are shared on the basis of the work done by individual members of staff on a day to day basis. The Company pays a proportion of the employers' total contribution, based on the Company's share of staff cost allocation for the year. The Scheme assets are not identified to individuals or to the time periods in respect of which the original contributions were made. Scheme liabilities are identifiable but not to individual participating employers. Consequently, in the terms required by FRS17, the Company is unable to identify its share of the underlying assets and liabilities in the scheme. Accordingly, the Company accounts for its participation in the Scheme as if the Scheme were a defined contribution scheme.

Information for Stockholders

Incorporation

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

General Enquiries

If you have an enquiry about the Company please contact the Company Secretary at our registered office:

Meadow House, 64 Reform Street, Dundee DD1 1TJ
tel: 01382 201700 fax: 01382 225133
email: contact@alliancetrusts.com

For security and compliance monitoring purposes telephone calls may be recorded.

Change of address notifications and registration enquiries for stockholdings registered in your own name should be sent to the Company's registrars, who should also be contacted if you would like dividends on stock registered in your own name to be sent to your bank or building society account. Our registrars are:

Computershare Investor Services plc
Lochside House, 7 Lochside Avenue, Edinburgh Park
Edinburgh EH12 9DJ
tel: 0870 702 0000 fax: 0870 703 6009

You may check your holdings and view other information about Alliance Trust stock registered in your own name at www.computershare.com.

Information

Our website www.alliancetrusts.com contains information about the Company, including daily price, net asset value and discount information. The Corporate Governance section of the website contains the terms of reference of the Audit, Remuneration and Nomination Committees. These are also available, on request, from the Company Secretary from whom the terms of appointment of the non-executive directors are also available.

Confidentiality

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

Data Protection

The Company is a data controller as defined under the Data Protection Act 1998. Information received from or about stockholders or investors (for example from a stockbroker), whether by telephone or in writing, by fax or by any other electronic or digital means of communication may be processed.

Information held on the Company's Register of Members is, by law, public information and the Company cannot prevent any person inspecting it or having copies of it, on payment of the statutory fee.

Electronic Communications

If you hold your stock in your own name we are able to send you annual reports and notices of meetings electronically instead of in paper format. If you wish to register for this service please log on to www.alliancetrusts.com/ec.htm

Taxation

If you are any doubt about your liability to tax arising from a stockholding in the Company, you should seek professional advice.

Income Tax

Dividends paid by the Company carry a tax credit at 10% of the gross dividend. Dividends are paid net of the tax credit.

If you hold your stock in your own name, the tax voucher which you need for your tax records will be sent to the address we have for you on the register maintained by Computershare.

If your dividends are received by a nominee, such as your stockbroker's nominee, you must contact that person for the tax voucher. Alliance Trust Savings will automatically supply you with a consolidated income tax voucher for income received for you in the Select Investment Plan.

Capital Gains Tax

For investors who purchased their stock prior to 31 March 1982, the cost of the stock for capital gains tax purposes may be based on the price of the stock on that date, being £2.85 per ordinary stock unit.

Risks

On page 3 we provide information on how we manage the risks in the portfolio. If you hold stock in the Company, you should take professional advice as to whether an investment in our stock is suitable for you. You should be aware that:

- Investment should be made for the long term.
- The price of stock will be affected by supply and demand for it on the London Stock Exchange and may not fully represent the underlying value of the assets of the Company. The price generally stands below the net asset value of the Trust ("at a discount") but it may also stand above it ("at a premium"). Your capital return will depend upon the movement of the discount/premium over the period you own the stock, as well as the capital performance of the Company's own assets.
- The assets owned by the Company may have exposure to currencies other than Sterling. Changes in market movements and in rates of exchange may cause the value of your investment to go up or down.
- Past performance is not necessarily a guide to the future. What you get back will depend on investment performance. You may not get back the amount you invest.

Table of Indices

(to 31 January 2004)

	1 year absolute	10 years absolute	10 years compound
FTSE All-Share Index	27.0%	25.3%	2.3%
FTSE World Index	30.1%	59.9%	4.8%
MSCI World Index	29.6%	59.9%	4.8%
FTSE World ex UK (£)	24.3%	36.5%	3.2%
US Standard and Poor's 500 Index (£)	19.4%	93.4%	6.8%
NASDAQ Composite	56.4%	158.1%	9.9%
Wilshire 5000 Total Market Index	35.7%	129.9%	8.7%
FTSE World Europe ex UK (£)	33.3%	64.9%	5.1%
FTSE Asia Pacific ex Japan (£)	29.7%	(31.3%)	(3.7%)
Tokyo Topix Index (£)	30.5%	(45.4%)	(5.9%)
UK Investment Property Databank	4.1%	30.8%	2.7%
Retail Price Index	2.6%	29.6%	2.6%
Consumer Price Index	1.4%	17.8%	1.6%

Source: Thomson Financial Datastream

Information for Stockholders

Key Dates

Annual General Meeting

The 116th Annual General Meeting of the Company will be held at 11.30am on Friday 30 April 2004 at the Invercarse Hotel, Perth Road, Dundee. The meeting will include a presentation by the Chief Executive, Alan Harden. The notice of the meeting is sent separately to stockholders.

Financial Calendar

		Date
Final Dividend and AGM	**for the year to 31 January 2004**	
	Ex-dividend date	14 April 2004
	Annual General Meeting	30 April 2004
	Final dividend payment date	10 May 2004
Interim Dividend	**for the year to 31 January 2005**	
	Proposed announcement date	23 August 2004
	Proposed ex-dividend date	15 September 2004
	Proposed payment date	1 October 2004

Investor Events

	Date	Location
Investor Seminar	*Wednesday 23 and* Thursday 24 June	*Cranfield School of Management,* Cranfield, Bedfordshire
Investor Seminar	Wednesday 29 September	The Haynes Conference Centre, Sparkford, Near Yeovil, Somerset

If you would like to attend an Investor Seminar, please contact us on 01382 306006 or email contact@alliancetrusts.com. Places are available on a first come first served basis. Information about events after September 2004 will be posted on www.alliancetrusts.com

Savings Plans provided by Alliance Trust Savings

Alliance Trust Savings ("ATS") provides and administers the Select Range of savings plans.

The main features of the plans are:

- Self-select investment choice in securities listed on the London Stock Exchange, including the Alliance Trust. Investment in a range of corporate bonds, gilts, open ended investment company funds and exchange traded funds is also available. Cash may also be kept on deposit with ATS which is a bank.
- No advice is given by ATS. Customers make their own investment decisions within the terms of the contract with ATS (full details of which are in the Key Features and Handbooks for each Plan, available from ATS).
- Charges are levied by ATS on a transaction basis, not on the value of the assets held by ATS for each customer.

Select Pension

The Select Pension, which is a self-invested personal pension ("SIPP"), is designed to accommodate the need of many individuals for a pension capable of travelling with them throughout life. The SIPP structure gives each individual pension member control of and direct entitlement to his or her own pension assets. The flexibility of the Select Pension means that, as time passes and pension assets grow, investments can be changed without moving providers.

Select PEP

Subscriptions cannot now be made to PEPs, but PEPs can be retained and managed. The Select PEP gives an opportunity for maximum efficiency at low cost, as PEPs with other managers can be transferred in and the PEP portfolio rationalised. Unlike many other providers, ATS has no PEP transfer-in charge (dealing charges after transfer still apply).

Select ISA

The Select ISA, as well as accepting transfers, is available for subscriptions up to the annual limit (£7,000 in 2003/04 and 2004/05). Stocks and shares and cash components are available on a maxi or mini basis with the cash component also available on a TESSA-only basis. Tax-free interest is payable in the cash component and the full Select choice of securities is available in the stocks and shares component. As with the PEP, there is no transfer-in charge (dealing charges after transfer still apply).

Select Investment Plan

The Select Investment Plan is a general purpose, flexible, savings vehicle with no tax advantages and, consequently, no maximum subscription restriction. Subscriptions can be made by regular direct debits to reduce investment timing risk and to benefit from pound cost averaging. The transaction based charging structure works particularly efficiently where very large amounts are subscribed or transferred in. Whole investment portfolios may be transferred to ATS for long term custody and administration.

Investing for Children

Both the Select Pension and the Select Investment Plan may be used as a means of investing for children. The flexibility of each plan means that an investment may be made in the stock of the Alliance Trust only, or a portfolio may be built up for a child chosen from the full range of investments in the Select choice.

How to get more information

Information on the Select plans may be obtained from:

Alliance Trust Savings Limited
Meadow House, 64 Reform Street, Dundee DD1 9YP

tel: 01382 306006 • fax: 01382 202250
email: contact@alliancetrusts.com

For security and compliance monitoring purposes telephone calls may be recorded.

Risk Warning

ATS is authorised and regulated by the Financial Services Authority. Plans are provided on a direct offer transaction basis and marketed only in the United Kingdom to UK investors. No advice is given by ATS.

Most charges are transaction based and may be high or low depending on how you manage the investments in your plan. The value of investments and any income from them may go down as well as up and you may not get back the amount you put in. Past performance is no guide to future returns. Taxation levels, bases and reliefs are subject to change and may depend on individual circumstances.