NOTICE OF ILLEGIBLE DOCUMENT

ON THE MICROFICHE RECORD

Companies House regrets that the microfiche record for this company, contain some documents, which are illegible.

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

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

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REGISTERED OFFICE
Meadow House, 64 Reform Street, Dundee DD1 1TJ. Telephone 0382 201700
Registered in Scotland No 1731

REGISTRARS
The Royal Bank of Scotland plc, Registrar's Department, PO Box 435, Owen House,
8 Bankhead Crossway North, Edinburgh EH11 4BR. Telephone 031-556 8555

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

DIRECTORS

SIR ROBERT SMITH, (66)
CBE, MA, LLD, FRSE, CA
Chairman
Appointed a director in 1981.
A director of several companies including the Bank of Scotland, Edinburgh Investment Trust, Sidlaw Group and Standard Life. °

LYNDON BOLTON, (57)
DL
Joint Managing Director
Appointed a director in 1978.
A director of the TSB Group, General Accident and Scottish Financial Enterprise.

GAVIN R SUGGETT, (49)
MA, MSc, FCA
Joint Managing Director
Appointed a director in 1987.

ALAN M W YOUNG, (47)
MA, LLB
Executive Director
Appointed a director in 1992.

CHRISTOPHER BLAKE, (67)
CBE, MA, PHD, FRSE
Appointed a director in 1974.
Chairman of Glenrothes Development Corporation. ° •

ANDREW F THOMSON, (51)
Appointed a director in 1989.
A director of D C Thomson & Co and a number of other companies. ° •

BRUCE W M JOHNSTON, (55)
CA
Appointed a director in 1991.
Chairman of City Centre Restaurants and a director of Mid Wynd International Investment Trust and other companies. ° •

WILLIAM BERRY, (54)
MA, LLB, WS
Appointed a director in 1994.
Senior Partner, Murray Beith & Murray WS, Chairman of Scottish Life Assurance Company, a director of Fleming Continental European Investment Trust, Scottish American Investment Company and other companies. °

° Non-Executive
• Member of Audit Committee

PROFILE

The Company

The Alliance Trust was founded in 1888 and, in common with other investment trust companies, has funds in the form of capital and borrowings which it invests with a view to increasing value for its stockholders. Its origins can be traced back to the 1870's when a group of Dundee businessmen formed a company to finance land mortgages in the USA, and since then it has grown into one of the largest investment trusts in the UK, with assets of £1,079m. The operations are still conducted from Dundee. A history of the Alliance Trust may be obtained from the Secretary.

Management

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

Objectives

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

Portfolio

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

Other Interests

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

Stockholders

A significant part of the Company's stock is held directly for the benefit of individuals and the number of registered ordinary stockholders (27,304 at 31.1.94) does not reflect the large number of individuals who hold their stock through nominees, for example in the Alliance PEP and Savings Scheme. Many stockholders acquire their stock through inheritance or by gift and, reflecting the origins and location of the Company, the stockholder profile has a strong Scottish bias.

ATTRACTIONS TO THE PRIVATE STOCKHOLDER

Investment

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

Taxation and Costs

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

PEP Limit

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

SAVINGS AND INVESTMENT SCHEMES

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

Savings Scheme

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

Personal Equity Plan

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

Share Exchange

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

TESSA

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

CHAIRMAN'S STATEMENT

EARNINGS

Our dividend income, both in the UK and the US, has been resilient through the recession and has shown further improvement in the twelve months under review. As a result earnings per stock unit have increased by 3.5% despite lower interest received on cash deposits and despite our decision, in order to maximise advantage to stockholders, to take to capital enhanced scrip dividends offered in respect of a small number of UK holdings. Some further improvement in earnings for the current year is already in prospect provided external influences do not vary greatly from our present expectations.

DIVIDENDS

A final dividend of 32.5p is recommended by the Board, which together with the interim dividend paid in October 1993 will give a total for the year of 47.0p compared with 45.0p last year. This represents an increase of 4.4% and a further year of dividend progress ahead of inflation.

CAPITAL

During our year stock markets have been very strong. In the UK and the US, our two largest, the FT-SE Actuaries All-Share Index has risen by 27.9% and the S & P Composite Index, adjusted for currency, by 8.9%. Our net asset value per stock unit has increased by 19.9%. This comparison reflects the cautious approach to investment that we have felt appropriate in what has at times appeared to us to be an excessively optimistic climate, particularly in the latter stages of our financial year.

OUTLOOK

As the international economic recession has worked itself through we have experienced a remarkable period of declining inflation and hence of declining interest rates. Against this background capital investment has fallen, and remains low, and savings have risen. One of the consequences of this has been substantial volumes of liquidity seeking improved returns. As yields on deposits have declined investors have turned to stock markets across the world on an unprecedented scale for capital gain and with a growing lack of discrimination.

Meanwhile, slowly and hesitantly, economic activity is now beginning to improve. The US economy is recovering strongly to be followed by the UK, some way behind, and eventually we expect some upturn in Europe and Japan. As far as can be foreseen at present this recovery is unlikely to be sufficiently strong to cause inflation to rise significantly but it seems safe to predict that the period of decline in inflation is now largely over. This means that we have probably seen the bulk of the fall in interest rates, and indeed US rates are now edging upwards. It also means that stock market levels will find significant improvement from here much more challenging. The necessary ingredient for further progress will be an improvement in company profits as the recovery takes hold. We ourselves expect profits, and dividends, to increase but are somewhat cautious as to the extent and timing of the improvement. The operating climate for companies is extremely competitive in almost all markets at home and overseas. Although operating efficiency has been greatly improved during the recession, increased profit margins stemming from higher volumes of activity and firmer prices are now required. With a background of continuing consumer caution this desirable combination will be hard to realise.

We have reduced our US portfolio further over the year and increased holdings in the Far East, outside Japan. Stock markets in the Far East have been particularly strong in the face of disproportionate investor demand and are bound to be volatile in consequence. However we regard our exposure there as long term and it is likely that we will add to it in the years to come, not only directly but also through investment in international companies with substantial operations in that area.

Since the year end the stock market climate has become more uncertain, reflecting a greater awareness that there are risks ahead, not least political, both at home and abroad. We have not borrowed to invest in equities and retain a small cash reserve available for investment.

STOCKHOLDERS

The number of registered ordinary stockholders has increased by 24% this year to over 27,000, and by nearly 50% over the last two years. This is a gratifying testimony to the growing perception of the benefits of holding investments through investment trusts. As a result the proportion of our ordinary stock held for the benefit of private individuals, already well above average, has risen further. An additional 4% of our ordinary stock is now held through the PEP and Savings Scheme. Investors' funds within the schemes now exceed £200m. in total.

BOARD

Sir Douglas Hardie, who had been a director since 1982, retired from the Board last October. He had been, throughout, a wise, experienced and valued colleague.

Mr William Berry joined the Board on 1st February, an appointment which falls to be approved at the annual general meeting. Mr Berry is senior partner of Murray Beith & Murray WS and, amongst other business appointments, chairman of Scottish Life Assurance Company.

As already announced Mr Gavin Suggett, who has been with the Company since 1973 and was previously deputy managing director, was appointed joint managing director on 1st February with a view to succeeding Mr Lyndon Bolton as managing director in a year's time, in April 1995, on his retiral after thirty-one years' service. We are fortunate that, with our well established investment team, this succession from within will provide a continuity of experienced and respected executive leadership for the Company.

11th March 1994

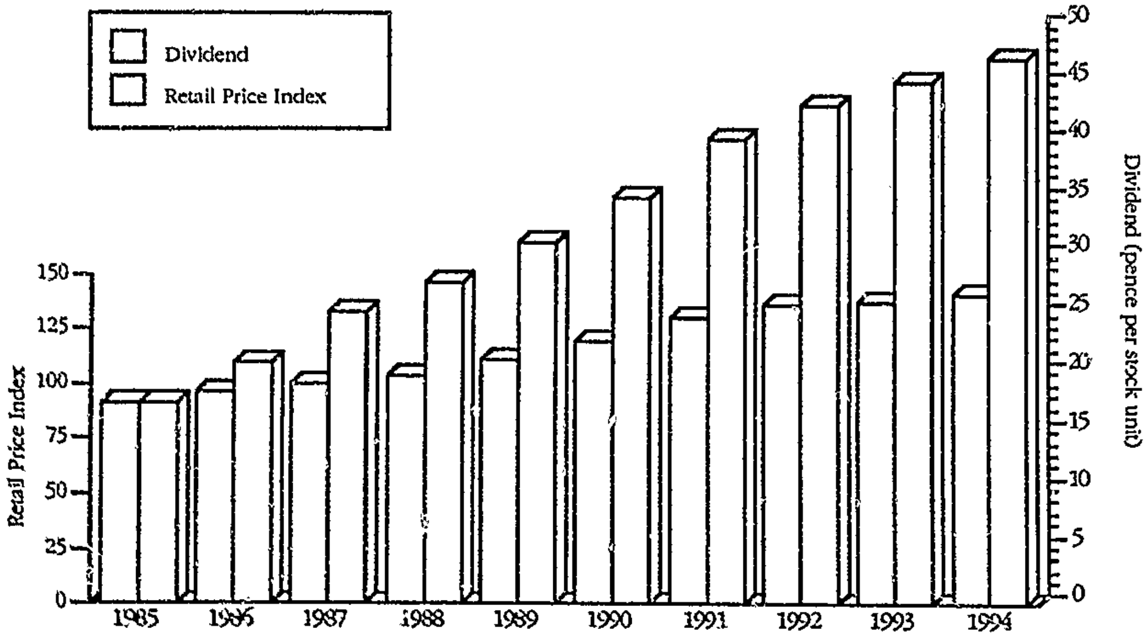
Robert Smith

TEN YEAR RECORD

years to 31st January

	Total Assets less Current Liabilities	Total Income	Net Revenue available for Ordinary Stockholders	Ordinary Stock Earnings	Ordinary Stock Dividend (net)	Net Asset Value
	£m	£m	£m	Pence per Stock Unit	Pence per Stock Unit	£ per Stock Unit
1985	444.5	15.5	8.9	17.65	17.25	8.74
1986	457.9	17.5	10.5	20.91	20.75	9.01
1987	576.4	20.5	13.0	25.79	25.00	11.36
1988	518.2	21.7	14.0	27.85	27.50	10.21
1989	593.3	23.7	15.8	31.27	31.00	11.70
1990	693.5	26.7	18.0	35.74	35.00	13.68
1991	628.6	30.3	20.5	40.66	40.00	12.39
1992	779.6	32.1	21.9	43.50	43.00	15.39
1993	900.6	33.4	23.0	45.70	45.00	17.79
1994	**1,078.9**	**34.2**	**23.8**	**47.28**	**47.00**	**21.33**

DIVIDEND RECORD



MANAGEMENT REVIEW

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

SUMMARY

Investment Changes £000

	UK	Continental Europe	North America	Far East	Total
Valuation at 31st January 1993	473,705	78,828	264,542	45,712	862,787
Purchases	35,547	17,958	16,769	26,762	97,036
Sales	(30,084)	(20,754)	(26,909)	(17,562)	(95,309)
Appreciation	124,187	21,424	4,209	27,918	177,738
Valuation at 31st January 1994	603,355	97,456	258,611	82,830	1,042,252

UNITED KINGDOM

The UK equity market fulfilled the expectations of all but the most extreme optimists of a year ago, by showing a rise of 27.9% over the 12 months under review. A major influence has been the continuing effect of the steep decline in short term interest rates following Sterling's exit from the ERM, although only one cut came during the period under review, in November 1993.

After the sharp recovery in share prices in the autumn of 1992 the market marked time until the summer. Chancellor Lamont's spring Budget highlighted the problem of ballooning government debt and, in addition to raising taxes considerably, held out the prospect of vast future issues of gilt edge stock financeable only with foreign help. The fragile recovery looked ready to break until some key continental trading partners effectively devalued, sparking a sharp rally in UK gilts.

The Retail Price Index provided the greatest surprise, having risen by a mere 1.9% by our year end. Longer term UK interest rates, as reflected in the gilt edged market, aided by a favourable US bond market, were able to fall to levels not seen since the 1960s. Reduced returns elsewhere rendered the yield on many shares attractive to private investors, not only in the UK but also from overseas, notably the US, encouraged by the resilience of the pound, and an economic recovery which was gradually becoming less tentative. The government has been able to fund its budget deficit easily so far, thus completing the virtuous circle.

Our quoted UK portfolio performed almost exactly in line with the wider equity market as measured by the FT-SE Actuaries (formerly FTA) All-Share Index. Smaller stocks stole the show, particularly towards the year end. Most financial sectors performed exceptionally well, particularly property shares which returned to health, assisted by rights issues. Some of the best moves came from shares where financial and recessionary pressure had been greatest, whereas our own portfolio bias tends generally to favour quality long term growth companies, of whatever size. Having maintained an average exposure to small companies through the recession we have since introduced new

EVANS OF LEEDS PLC INVESTMENT £6,558,000

A SECTION OF A NEW BUSINESS PARK DEVELOPMENT IN LEEDS

Property investment and development

holdings there, in capital goods stocks such as Alumasc and Senior Engineering and in Polypipe, the low cost producer of plastic pipes. Favourable opportunities were also taken to increase holdings in Marks & Spencer, British Telecom, Bass, Reckitt & Colman and BTR. However net investment was not high at £5m as profits were realised from large holdings, notably GEC, Kingfisher, Allied Lyons and Thorn EMI and, among smaller companies, Laird and the publishers Dorling Kindersley. The underlying earnings of non-financial companies grew by some 11% during the year, far short of the equity market's advance and much lower than stated in companies' reports because previous years' figures have been adjusted sharply downwards, the paradoxical result of welcome improvements in company reporting standards. Average dividend growth is also clouded because

THE ROYAL BANK OF SCOTLAND GROUP PLC

INVESTMENT £5,569,000

A NEW BRANCH IN THE WEST MIDLANDS WHICH DEMONSTRATES A CUSTOMER ORIENTATED DESIGN APPROACH

The principal activities of the group encompass banking, insurance and other financial services.

the spring Budget's reduction in the tax credit turns a small advance into a decline of around 5% for most investors. Enhanced scrip dividends further confuse the picture although the market may discourage them in future.

Nevertheless profits, dividends, dividend cover and balance sheets are now all improving and it seems possible that the developing consumer led recovery will not in fact be stalled by the heavy tax increases which will be successively implemented from April onwards. However the further tax burdens and reductions in government expenditure in Mr. Clarke's November Budget were appreciated more by the stockmarket than the consumer, while the recent small cut in interest rates has only refocussed fears on sterling and on the massive balance of payments deficit.

If the economy does indeed achieve long sought after non-inflationary growth, many UK companies have yet to adjust to the reduced nominal returns likely to be available on capital, or exploit the consequently low cost of that capital. They appear to be choosing to continue to reduce borrowings unnecessarily or paying out very high real dividend increases, thus in many cases weakening the future earning power of the business. The stockmarket now faces the transition from being interest rate driven to profits led. The risk is that now, two years on from the start of a recovery that has still to be noticed by many firms, profits growth proves insufficient over the medium and longer term to sustain present high expectations. It may be that a sufficient number of one-off factors, such as another bout of cost cutting, can continue to offset the pressures currently being widely felt on profit margins or that a synchronised world recovery could occur just in time to avoid a major break in the market's confidence. So far since the General Election only the good news has been discounted and developing political uncertainty has been ignored. Although statistically the UK market is not expensive by international comparisons, a more difficult year is in prospect.

CONTINENTAL EUROPE

Economic weakness persisted throughout the year exacerbated by high and rising levels of unemployment. Despite the detrimental effect that this has had on government deficits, a better inflationary outlook has allowed bond yields to fall substantially. Shorter interest rates have also had significant falls led down by the Bundesbank, which has progressively cut the discount rate from 8.25% to 5.75%. Equivalent monetary easing across the rest of Europe proved positive for the valuation of equity markets across the board. Helped by strong American buying, many bourses reached new highs. In local currencies, market gains of the countries in which we are invested ranged from 29% in Belgium to 79% in Sweden, although the strength of sterling, up by 9% against most of our European trading partners, reduced the UK investor's gains to, for example, 28% in France and [illegible]% in Germany.

SGS HOLDINGS SA INVESTMENT £4,504,000

SAMPLES OF GROUND WATER BEING TAKEN ON THE CONSTRUCTION SITE OF A NEW FACTORY

This Swiss company is the world's largest in the fields of inspection, testing and verification of a wide variety of products and services

During the year we sold some of our smaller German holdings including Schwabengarage, Suedzucker and Jean Pascale, and lightened our weightings in Siemens and Gehe. New holdings were established in Degussa, a speciality chemical company, Kampa Haus the construction company, Rhoen-Klinikum, a network of specialist private hospitals specialising in heart care, and SAP, a fast growing software company. Elsewhere, we acquired new holdings in Sogeparc, the leading French car park operator, and Atag Holdings, a Dutch manufacturer of household equipment, whilst additions were made to Générale des Eaux, SGS Surveillance and Astra. We sold out of BSN and Iberdrola, and reduced our holding in Ahold.

Looking forward, prospects for economic growth appear to be improving, aided by renewed confidence in the United States. Within the European Union, now that Maastricht has finally been ratified, we could see some progress along the path toward monetary and fiscal harmonisation. Following the landslide election victory by the centre right in France, a privatisation programme should help stimulate interest in equities across Europe as other governments embark upon similar strategies. Uncertainties however remain, as a number of elections over the coming year or so could alter the political landscape of Europe, and tensions are likely to stay high throughout the coming year, for example in Russia following its recent election of nationalist elements to parliament.

NORTH AMERICA

US economic growth in the early months of the year moderated considerably from the robust levels of the fourth quarter of 1992 as the impact of distortions caused by the Presidential election and rebuilding following Hurricanes Andrew and Iniki subsided. This slowdown, together with growing confidence in the President's ability to deliver his proposed budget deficit reduction programme, caused interest rates to decline, especially at the long end. This reflected also the Treasury shift to shorter term funding thus reducing the supply of long term government securities. However, by the late spring, after some inflation indicators had recorded a surprising acceleration, the price of gold rose and industrial productivity suddenly declined after its strongest performance for twenty years. The Federal Reserve reacted by shifting its monetary bias toward restraint, a reversal of the policy that has been in place since the fourth quarter of 1989. Inflation quickly moderated to its lowest levels since the early 1970's and Congress narrowly approved a budget package which reduces the baseline deficit over the coming five years, primarily through tax increases. Interest rates continued to fall and at the year end gross domestic product was expanding by over 7% p.a., the highest level since the fourth quarter of 1987.

PENTAIR INC INVESTMENT £795,000
THE ENCLOSURES PRODUCTION LINE
Based in Minnesota this manufacturing company produces machinery and enclosures for industries such as construction and paper.

Approval of the North American Free Trade Agreement and the conclusion of the Uruguay Round of the General Agreement on Tariffs and Trade, after seven years of negotiations, also helped to improve stockmarket sentiment. The main areas of strength related to interest rate sensitive sectors such as housing, autos, business equipment and a recovery in the farming sector following the Mississippi floods.

For the second consecutive year bonds achieved a superior total return over equities. However, in view of the already high valuation of equities at the beginning of the year, earnings growth in the mid teens and static dividends, a 9.7% increase in the S & P Composite Index can be regarded as satisfactory. With the pound recovering slightly from its post ERM lows against the dollar, the effective rise in the S & P was 8.9% in Sterling terms. The strength in equities was mostly caused by investors switching from low yielding bank deposits to equities, mainly through mutual funds. The equity inflow totalled $130bn compared with a previous record of $82bn in 1992. The proportion of total personal assets held in equities through mutual funds is now at record levels.

Within the market, the stronger economy prompted continued shifts of sentiment between sectors, towards cyclical and recovery areas, where we are underweight, to the detriment of growth sectors where we still retain a significant, though reduced, exposure. Our portfolio therefore underperformed since, although many of our medium size investments recorded increases well in excess of 20%, several large holdings in traditional growth areas such as consumer goods, retailing and healthcare all declined. Philip Morris, which reacted negatively to an aggressive change in marketing strategy, Wal-Mart and Home Depot, where the ability to maintain historic growth rates is being questioned, all fell by 20%. Banks and utilities were also disappointing.

Net sales, mostly in the first half of our year, realised £11.3m primarily in healthcare, consumer, utilities, banks and retail although we recently added to Home Depot, Pep Boys and Value City Department Stores. We also increased our low weighting in the insurance sector and in small technology companies. The main emphasis has been on economically sensitive stocks with an international exposure which will benefit from the eventual recovery in Europe, such as Bemis,

GENERAL ELECTRIC COMPANY
INVESTMENT £10,999,000
A NEW REFRIGERATOR PRODUCED BY THE APPLIANCE DIVISION
One of America's leading companies with exposure to the electrical, aerospace and consumer product industries as well as financial services and insurance

Emerson Electric, Pall, Pentair and York International. The successful passage of NAFTA prompted additions to our Mexican stocks which have subsequently performed well.

Whilst investor reaction to the Federal Reserve Board's recent decision to raise interest rates for the first time in five years is still unclear and uncertainty will remain as to the magnitude and timing of the next increase, the move should be seen as positive if it enables non-inflationary growth to be maintained. Many observers, including the Chairman of the Federal Reserve, have recently described the long-term economic outlook as the most promising for several decades. In this environment of modest growth, low inflation and interest rates, and increasing productivity, profits could well stage an impressive recovery, generating excess cash flow which will be used to pay the first real increase in dividends for many years and probably encourage companies to initiate substantial share repurchase programmes.

FAR EAST

The Japanese economy showed little sign of recovery during the year despite a succession of economic packages and a further cut of 0.75% in base rates to 1.75%. Industrial production continued to fall sharply, factory inventories remained at historically high levels due to the persistent weakness of final demand and retail sales remained sluggish. The one area of growth was housing which responded to the lower interest rates and cheaper, more available land.

The market recovered by 25% over the year, stimulated initially by government sponsored buying and latterly by overseas investors rebuilding relatively low weightings ahead of any pick-up in the economy. Corporate profits fell heavily for the third consecutive year and now stand at a level 60% below the peak. Our activity was primarily confined to switching and new holdings included the electronics company Kyocera, Sumitomo Forestry, a house builder, and Nippon Express, a freight company. Sales included Fuji Photo Film, the electrical engineering company Kinden and the food company Katokichi.

With the uncertain background of an over-priced currency, an unstable political situation and the possibility of a weak recovery, our exposure remains low.

Hong Kong produced a remarkable performance by doubling against a backdrop of a slowing Chinese economy and the continued Sino-British deadlock on the political future for the colony. Nonetheless corporate profits again rose strongly and, despite the colony's uncertain future, international buying raised shares to a level which now ignores the risks ahead. Crucial in this move was a booming property market where prices, particularly residential, rose to extreme levels. In response we sold the property developer Sun Hung Kai and reductions included Hong Kong Telecom and Swire Pacific. We added to Jardine Matheson and earlier in the year bought the investment property based conglomerate, Wharf.

PACIFIC DUNLOP LTD INVESTMENT £2,164,000
AN EXAMPLE OF THE CONSUMER PRODUCTS LINE
A diversified manufacturer based in Australia.
Overseas markets account for 35% of sales.

We were active in Malaysia where we acquired a holding in the leisure company Genting, the construction company United Engineers and Public Bank, while at the year end during a strong rally, we took profits in the infrastructure related companies YTL and Leader, and the leisure company Resorts World.

In Singapore we added to our bank holdings DBS and UOB, while new holdings were the property companies, City Development and DBS Land, and the drinks company Fraser & Neave.

Australia performed well, rising by 50% in response to a much improved domestic economy and a better performance from the resource sector which rose in anticipation of a strengthening world economy. We added to our holdings in the paper company Amcor, the conglomerate Pacific Dunlop and the manufacturer Futuris.

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

BANKING AND SAVINGS OPERATIONS

The Company's banking, asset finance and savings management businesses are run by Alliance Trust (Finance) Limited ("ATF") and its subsidiary Alliance Trust Savings Limited ("ATS"). Consolidated profits, which are shown in detail on page 23, declined by 8% at the pre-tax level to £4.2m due mainly to falling interest rates. The balance sheet continued to strengthen with capital and reserves expanding to £21m and cash of £26m backing depositors' balances of £21m.

Asset Finance

To take advantage of high prices another leasing subsidiary was sold during 1993, realising a profit of £1.2m and, together with a reduction in the new business written, this has resulted in a 34% drop in the lease portfolio to £35m. Reduced investment demand, falling interest rates and the re-entry of the major banks into the leasing market after several loss making years have compounded to reduce prospective margins on new business to unattractive levels. Liquidity has built up and the high returns earned by ATF in the past are unlikely to be repeated unless and until interest rates rise from present levels.

Savings Products

The 1992 PEP and Savings Scheme improvements continued to generate very strong demand throughout 1993 further encouraged by falling interest rates and rising stockmarkets. Investors' assets increased from £110m to over £200m and greater activity generated a 65% rise in ATS revenue. Of particular note were the popularity of the mixed PEP concept where investors are able to choose a wide range of investment trusts, and the large number of investors transferring to ATS their PEPs originally taken out with other managers.

During the last year more powerful computer systems have been installed, staff numbers were expanded and the organisation has been re-structured to meet proposed changes in the securities markets, the ever rising tide of regulation and the demands of future growth. Further improvements to the Alliance PEP are expected to be made in 1994 and we anticipate that the formula of choice, flexibility, low charges, minimal marketing costs and a steadily improving service will continue to generate growth for the benefit of both the Company and its stockholders.

FORTY LARGEST EQUITY INVESTMENTS

Company	Value £000	Main Activity	Country of Incorporation
Shell Transport	39,226	Oil	UK
British Telecommunications	23,115	Telecommunications	UK
Rentokil Group	19,153	Support Services	UK
BAT Industries	15,795	Miscellaneous Consumer	UK
Marks & Spencer	15,367	Retailing	UK
Great Universal Stores	15,344	Retailing	UK
British Gas	13,746	Gas Utility	UK
General Electric	13,374	Electronic & Electrical	UK
Glaxo Holdings	12,470	Pharmaceuticals	UK
Reckitt & Colman	12,272	Miscellaneous Consumer	UK
Wal-Mart Stores	11,860	Retailing	USA
PepsiCo	11,031	Food Manufacturing	USA
General Electric	10,999	Electronic & Electrical	USA
Unilever	10,944	Food Manufacturing	UK
Pacific Telesis	10,842	Telecommunications	USA
Electrocomponents	10,829	Distributors	UK
BTR	10,578	Diversified Industrials	UK
Johnson & Johnson	10,432	Health Care	USA
Slough Estates	10,276	Property	UK
Standard Chartered	10,249	Banking	UK
National Westminster Bank	9,926	Banking	UK
W H Smith	9,451	Retailing	UK
Scottish & Newcastle	9,417	Brewing & Leisure	UK
BellSouth	8,381	Telecommunications	USA
EMAP	8,209	Media	UK
Gehe	8,134	Pharmaceutical Distributor	Germany
Schering	8,022	Pharmaceuticals	Germany
Allied Lyons	7,438	Brewing & Food	UK
Thorn EMI	7,175	Leisure	UK
North West Water	7,116	Water Utility	UK
Philip Morris	6,972	Miscellaneous Consumer	USA
Scottish Power	6,576	Electricity Utility	UK
General Accident	6,570	Insurance	UK
MacFarlane Group	6,568	Printing, Paper & Packaging	UK
Evans of Leeds	6,558	Property	UK
Prudential	6,493	Life Assurance	UK
British Petroleum	6,452	Oil	UK
Lloyds Bank	6,396	Banking	UK
Zeneca	6,304	Pharmaceuticals	UK
Cadbury Schweppes	6,242	Food Manufacturing	UK

The above investments represent 42.3% of the Company's total equity holdings excluding the investment in Alliance Trust (Finance) Limited.

CLASSIFICATION OF INVESTMENTS

CLASSIFICATION	UK	Continental Europe	North America	Far East	**Total 1994**	Total 1993
EQUITIES						
(INCLUDING CONVERTIBLES*)	%	%	%	%	%	%
Mineral Extractions	**4.4**	**0.3**	**2.3**	**0.1**	**7.1**	6.8
Extractive Industries	0.1	—	—	—	**0.1**	—
Oil	4.3	0.3	2.3	0.1	**7.0**	6.8
General Manufacturers	**7.5**	**2.0**	**4.2**	**2.5**	**16.2**	16.8
Building & Construction	0.9	0.6	0.2	0.6	**2.3**	1.6
Chemicals	1.5	0.1	1.6	0.4	**3.6**	4.4
Diversified Industrials	1.4	0.2	—	0.5	**2.1**	2.0
Electronic & Electrical Equipment	1.5	0.8	1.6	0.3	**4.2**	5.4
Engineering	1.5	0.3	0.5	0.5	**2.8**	2.5
Printing, Paper & Packaging	0.7	—	0.3	0.2	**1.2**	0.9
Consumer Goods	**10.9**	**2.7**	**4.9**	**0.4**	**18.9**	23.0
Brewers and Spirits	3.7	—	0.1	—	**3.8**	3.9
Food Manufacturers	2.3	0.3	1.3	0.3	**4.2**	7.3
Health Care	0.1	0.8	1.2	—	**2.1**	1.4
Pharmaceuticals	2.2	1.2	1.6	0.1	**5.1**	5.0
Miscellaneous Consumer	2.6	0.4	0.7	—	**3.7**	5.4
Services	**14.0**	**2.9**	**6.0**	**1.6**	**24.5**	21.6
Distributors	1.0	—	—	—	**1.0**	—
Leisure & Hotels	2.3	0.1	0.2	0.3	**2.9**	2.6
Media	1.7	—	0.5	0.2	**2.4**	2.3
Retailers	6.5	2.0	2.4	0.6	**11.5**	10.7
Support & Other Services	2.5	0.8	2.9	0.4	**6.6**	6.0
Transport	—	—	—	0.1	**0.1**	—
Utilities	**7.5**	**0.5**	**4.5**	**0.7**	**13.2**	12.8
Water, Electricity & Gas	4.3	0.5	1.5	0.4	**6.7**	6.6
Telecommunications	3.2	—	3.0	0.3	**6.5**	6.2
Financials	**10.9**	**0.7**	**2.1**	**2.2**	**15.9**	13.6
Banks	3.7	0.7	1.0	1.1	**6.5**	5.0
Insurance	2.5	—	1.0	0.1	**3.6**	3.8
Property	2.4	—	0.1	0.6	**3.1**	1.7
Investment Trusts	0.7	—	—	0.4	**1.1**	1.2
Other Financials	1.6	—	—	—	**1.6**	1.9
Total Equities	**55.2**	**9.1**	**24.0**	**7.5**	**95.8**	94.6
FIXED INTEREST						
Preference and Loan Stocks	**0.8**	—	—	—	**0.8**	1.0
Total Investments	**56.0**	**9.1**	**24.0**	**7.5**	**96.6**	95.6
OTHER NET ASSETS	**1.0**	**0.4**	**2.0**	—	**3.4**	4.4
TOTAL ASSETS (LESS CURRENT LIABILITIES)						
1994 £1,078.9m	**57.0**	**9.5**	**26.0**	**7.5**	**100.0**	
1993 £900.6m	52.7	[illegible]	30.2	6.2		100.0

* Convertibles represent 2.8% (2.5%)

REPORT OF THE DIRECTORS

The directors present their report and the accounts for the year ended 31st January 1994.

DIVIDENDS

The Board recommends a final dividend of 32.5p per ordinary stock unit which, together with the interim of 14.5p paid on 8th October 1993, makes a total of 47.0p for the year compared with 45.0p for the previous year. The surplus of £142,000 is transferred to revenue reserve.

STATUS

The Company, which is an investment company within the meaning of section 266 of the Companies Act 1985, has received approval as an investment trust from the Inland Revenue under section 842 of the Income and Corporation Taxes Act 1988 in respect of the year ended 31st January 1993 and has subsequently directed its affairs to enable it to continue to seek such approval. In the opinion of the directors it is not a close company. A review of the development of the business of the Company is given in the Management Review, the outlook for the Company being referred to in the Chair· . n's Statement.

DIRECTORS

Sir Douglas Hardie retired from the Board on 15th October 1993. The present directors are as listed below. All these directors served throughout the year with the exception of Mr William Berry who was appointed a director on 1st February 1994 and whose appointment will be put to the stockholders for approval at the annual general meeting. Mr Berry does not have a service contract with the Company. Mr Lyndon Bolton, whose service contract with the Company will expire on his retirement in April 1995, retires by rotation from the Board and, being eligible, offers himself for re-election.

No director had any material interest during the year in any contract, being a contract of significance, with the Company or any subsidiary company.

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

	31st January 1994		1st February 1993	
	Beneficial	**Non-beneficial**	Beneficial	Non-Beneficial
William Berry	**750***	**89,009***	n/a	n/a
Christopher Blake	**1,987**	**7,200**	1,883	7,200
Lyndon Bolton	**2,329**	**—**	2,316	—
Bruce W M Johnston	**200**	**13,116**	200	13,116
Sir Robert Smith	**1,000**	**—**	1,000	—
Gavin R Suggett	**414**	**6,593**	517	5,039
Andrew F Thomson	**10,874**	**169,236**	10,854	184,957
Alan M W Young	**1,173**	**—**	1,052	—

* on appointment

On 22nd February 1994 Mr Gavin R Suggett acquired a further non-beneficial interest in 25 ordinary stock units through the Alliance Dividend and Savings Investment Scheme and Mr Andrew F Thomson acquired a further non-beneficial interest as an executor in 13,000 ordinary stock units. On 7th March 1994 Mr William Berry's non-beneficial holding was reduced by 160 ordinary stock units. There have been no other changes to these holdings since 1st February 1994.

STOCKHOLDERS

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

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

CORPORATE GOVERNANCE

The Company had, by 30th June 1993, put procedures into place to ensure formal compliance with the provisions of the Cadbury Committee's Code of Best Practice, save for those parts of the Code for which the necessary guidance has not yet been developed.

AUDITORS

KPMG Peat Marwick, Chartered Accountants, have indicated their willingness to continue in office. A resolution concerning their re-appointment and remuneration will be submitted at the annual general meeting.

S M Gates

Dundee, 11th March 1994

S M Gates Secretary

DIRECTORS' RESPONSIBILITIES

in respect of the preparation of the financial statements

The directors are required by law to prepare financial statements which give a true and fair view of the state of affairs of the Company at the end of the financial year and of its revenue and cash flows for the year. In addition, the directors are responsible for ensuring that adequate accounting records are maintained, that the assets of the Company are safeguarded and that fraud and other irregularities are prevented or detected.

The directors confirm that the financial statements of the Company for the year ended 31st January 1994 have been prepared on a going concern basis and that suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in their preparation and that applicable accounting standards have been followed.

REPORT OF THE AUDITORS

to the Members of The Alliance Trust PLC

We have audited the financial statements on pages 16 to 23.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

BASIS OF OPINION

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31st January 1994 and of its revenue for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Peat Marwick

Dundee, 11th March 1994

KPMG PEAT MARWICK
Chartered Accountants
Registered Auditors
Royal Exchange
Dundee

REVENUE ACCOUNT

for the year ended 31st January 1994

	Notes	1994		1993	
INCOME					
Income from Investments		**£000 Listed**	**£000 Unlisted**	£000 Listed	£000 Unlisted
UK dividends		**19,259**	**75**	18,433	193
UK interest		**332**	—	327	—
Overseas dividends		**9,868**	—	9,060	—
Overseas interest		**192**	**18**	351	15
Mineral royalties		—	**274**	—	221
Dividends from subsidiary		—	**562**	—	525
Interest on loan to subsidiary		—	**379**	—	634
		29,651	**1,308**	28,171	1,588
Total Income from Investments			**30,959**		29,759
Other Income					
Interest received	3	**3,128**		3,655	
Underwriting commission		**86**		30	
			3,214		3,685
Total Income			**34,173**		33,444
EXPENSES, INTEREST & TAXATION					
Management expenses		**1,603**		1,379	
Audit fee		**13**		12	
Administration expenses	2	**1,616**		1,391	
Interest payable	3	**77**		78	
			1,693		1,469
Revenue before Taxation			**32,480**		31,975
Taxation	4		**8,582**		8,876
Revenue after Taxation			**23,898**		23,099
DIVIDENDS					
Preference Stock			**68**		68
			23,830		23,031
Ordinary Stock:					
Interim paid — 14.5p (14.0p)		**7,308**		7,056	
Final proposed — 32.5p (31.0p)		**16,380**		15,624	
			23,688		22,680
REVENUE RESERVE					
Surplus revenue for the year			**142**		351
Balance at 1st February 1993			**9,595**		9,244
Balance at 31st January 1994			**9,737**		9,595
Earnings per ordinary stock unit	5		**47.28p**		45.70p

The notes on pages 19 to 23 form part of these accounts.

BALANCE SHEET

as at 31st January 1994

	Notes	1994		1993	
		£000	£000	£000	£000
FIXED ASSETS					
Investments	6				
Listed in the UK		583,949		450,041	
Listed overseas		431,698		382,523	
Unlisted and mineral rights		3,577		7,195	
Subsidiary company	7	23,028		23,028	
			1,042,252		862,787
Office Premises			450		450
CURRENT ASSETS					
Debtors					
Sales for future settlement		5,841		531	
Other debtors		—		3	
Taxation recoverable		578		1,026	
Cash at bank and in hand		55,149		55,925	
		61,568		57,485	
Creditors: due within one year					
Purchases for future settlement		8,574		4,360	
Other creditors		162		30	
Taxation		179		68	
Dividends		16,414		15,658	
		25,329		20,116	
Net Current Assets			36,239		37,369
Total Assets less Current Liabilities			1,078,941		900,606
Creditors: due after one year					
4½% Debenture stock 1956 or after			1,648		1,648
CAPITAL & RESERVES					
Called up Share Capital					
Authorised, issued and fully paid					
Preference stock	8		2,200		2,200
50,400,000 25p ordinary stock units		12,600		12,600	
Reserves					
Capital reserves	9	1,052,756		874,563	
Revenue reserve		9,737		9,595	
			1,075,093		896,758
			1,078,941		900,606

The financial statements on pages 16 to 23 were approved by the Board on 11th March 1994 and are signed on its behalf by:

	Robert Smith	Director
	Lyndon Bolton	Director

The notes on pages 19 to 23 form part of these accounts

CASH FLOW STATEMENT

for the year ended 31st January 1994

	Notes	1994 £000	1994 £000	1993 £000	1993 £000
Net cash inflow from operating activities	10		**32,692**		32,051
Servicing of finance					
Interest paid		**(77)**		(78)	
Dividends paid		**(23,000)**		(31,740)	
Net cash outflow on servicing of finance			**(23,077)**		(21,818)
Taxation					
UK corporation tax paid		**(6,644)**		(7,377)	
Overseas tax paid		**(1,379)**		(1,283)	
Total tax paid			**(8,023)**		(8,660)
Investing activities					
Purchases of investments		**(92,822)**		(97,210)	
Sales of investments		**89,999**		105,218	
Premiums from mineral rights		**14**		36	
Net cash inflow (outflow) from investing activities			**(2,809)**		8,044
Increase (decrease) in cash	10		**(1,217)**		9,617

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

including reconciliation of movement in stockholders' funds
for the year ended 31st January 1994

	1994 £000	1993 £000
Capital profits on investments		
Realised gains	**39,765**	25,343
Increase in unrealised appreciation	**137,973**	87,861
Currency gains	**441**	7,421
Premiums from mineral rights	**14**	36
Capital surplus for year	**178,193**	120,661
Revenue available for distribution	**23,898**	23,099
Total recognised gains and losses	**202,091**	143,760
Dividends	**(23,756)**	(22,748)
Total movement in ordinary stockholders' funds	**178,335**	121,012

NOTES ON THE ACCOUNTS

1. ACCOUNTING POLICIES

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

b. Income and expenditure of a revenue nature are included in the Company's Revenue Account. Realised and unrealised profits and losses on investments and foreign currencies, which may not be distributed, are included in capital reserves.

c. Income from assets is determined on the basis of cash receipts including taxes deducted at source and imputed tax credits, with the exception of securities covered by the Finance Act 1985, where cash receipts are adjusted as appropriate for accrued interest on purchases and sales. Interest payable and management expenses are treated on an accruals basis. Foreign income is converted at the rate of exchange applicable on receipt.

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

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

f. The accounts of Alliance Trust (Finance) Limited have not been consolidated with those of the Company as the directors consider that the amounts involved are not material and that their inclusion would detract from the clarity of the accounts in respect of the principal activity of the Company as an authorised investment trust. A separate statement of the affairs of Alliance Trust (Finance) Limited is on page 23.

2. ADMINISTRATION EXPENSES

Administration expenses include:	1994 £	1993 £
Directors' emoluments:		
Fees	**34,527**	36,500
Management remuneration	**245,074**	225,678
Company pension scheme contributions	**54,941**	58,435
Single premium personal pension provision	**131,250**	—
	465,792	320,613

Fees totalling £8,988 (£9,500) were also paid to the directors by the Company's subsidiary, Alliance Trust (Finance) Limited ("ATF"). Including his ATF fee, the Chairman, for whom no pension contributions are payable, received £12,000 (£12,000). The highest paid director's remuneration was £107,156 (£98,684), excluding all pension contributions and provisions and £131,306 (£125,106) including Company pension scheme contributions. In addition, a provision of £131,250 (Nil) has been made for a personal pension premium payment, which will be made in April 1995, to supplement the highest paid director's Company pension scheme entitlement.

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

£5,001 - £10,000	4 (4)	£70,001 - £75,000	1 (—)
£10,001 - £15,000	1 (1)	£95,001 - £100,000	— (1)
£60,001 - £65,000	— (1)	£105,001 - £110,000	1 (—)
£65,001 - £70,000	1 (1)		

The Company shares the cost of employing 42 (37) full-time employees and 8 (7) part-time employees, excluding the directors, with The Second Alliance Trust PLC and ATF. Of these employees, 19 (14) full-time and Nil (1) part-time were wholly engaged in providing services to ATF and Alliance Trust Savings Limited. The costs to the Company were salaries £351,000 (£343,000), pension contributions £71,000 (£83,000) and social security contributions £50,000 (£53,000).

During the year £1,000 (£6,000) was paid to the Company's auditors in respect of non-audit work.

Lease rentals paid during the year were £52,000 (£48,000). Future rental commitments net of finance charges under finance leases total £42,000 (£36,000) within one year and £63,000 (£36,000) thereafter.

3. INTEREST

	1994	1993
	£000	£000
Interest received includes interest from subsidiary	–	348
Interest payable on loans repayable within 5 years	3	4
Interest on all other loans	74	74
	77	78

4. TAXATION

	1994	1993
Corporation tax at 33%	4,151	4,219
Less: relief for overseas tax	1,379	1,283
	2,772	2,936
Overseas tax	1,379	1,283
Tax credit on franked investment income	4,431	4,657
	8,582	8,876

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

5. EARNINGS PER ORDINARY STOCK UNIT

The earnings per ordinary stock unit are based on revenue available to ordinary stockholders of £23,830,000 (£23,031,000) divided by the 50,400,000 stock units in issue.

6. INVESTMENTS

	Listed in UK £000	Listed Overseas £000	Unlisted & Mineral Rights £000	Subsidiary Company £000	Total £000
Book cost at 31st January 1993	252,789	195,735	4,398	11,400	464,322
Unrealised appreciation	197,252	186,788	2,797	11,628	398,465
Valuation at 31st January 1993	450,041	382,523	7,195	23,028	862,787
Movements during year					
Transfer	2,977	188	(3,165)	—	—
Purchases - cost	35,546	61,490	—	—	97,036
Sales - proceeds	(30,067)	(65,225)	(17)	—	(95,309)
- profits	10,946	28,802	17	—	39,765
Change in unrealised appreciation	114,506	23,920	(453)	—	137,973
Valuation at 31st January 1994	583,949	431,698	3,577	23,028	1,042,252

7. SUBSIDIARY COMPANY

The Company owns 600,000 ordinary shares (75%) in Alliance Trust (Finance) Limited ("ATF"), a company incorporated in Scotland, whose main activities are banking and finance leasing. Its subsidiaries are Secdee Leasing Limited ("Secdee"), Alliance Trust (Finance) No.1 Limited, Alliance Trust (Finance) No.4 Limited ("ATF4") and Alliance Trust (Finance) No.10 Limited ("ATF10"), formerly called Officeraise Limited, and Alliance Trust Savings Limited ("ATS"). The main activity of ATF's subsidiaries, apart from ATS, is finance leasing. ATS's main activity is the management of personal equity plans and savings schemes. All the subsidiaries are incorporated in Scotland, with the exception of ATF4 and ATF10 which are incorporated in England and Wales. ATF owns 100% of all its subsidiaries, with the exception of Secdee where it owns 66% of the issued share capital. All these companies operate in the UK.

A subsidiary, formerly called ATF10, which was owned by ATF on 31st January 1993, was sold in April 1993 and changed its name on the occasion of the sale. This enabled the new subsidiary, formerly Officeraise Limited, to take the name ATF10.

A separate statement of the affairs of Alliance Trust (Finance) Limited is presented on page 23.

An independent valuation of Alliance Trust (Finance) Limited was obtained at 31st January 1993 and has been used as a basis for the valuation of the Company's interests.

	1994 £000	1993 £000
600,000 ordinary shares of £1 each	17,028	17,028
Floating rate subordinated loan notes	6,000	6,000
	23,028	23,028

8. PREFERENCE STOCK

	1994 £000	1993 £000
4¼% (now 2.975% + tax credit) cumulative preference stock	700	700
4% (now 2.8% + tax credit) cumulative preference stock	650	650
5% (now 3.5% + tax credit) cumulative preference stock	750	750
4% (now 2.8% + tax credit) 'A' cumulative preference stock	100	100
	2,200	2,200

9. CAPITAL RESERVE

	Realised £000	Unrealised £000	Total £000
Capital reserves at 31st January 1993	475,818	398,745	874,563
Profits realised	39,765	—	39,765
Increase in unrealised appreciation	—	137,973	137,973
Profits on currency transactions	441	—	441
Premiums from mineral rights	14	—	14
Capital reserves at 31st January 1994	516,038	536,718	1,052,756

10. NOTES TO THE CASH FLOW STATEMENT

	1994 £000	1993 £000
Reconciliation of revenue to net cash inflow from operating activities		
Revenue before interest payable and taxation	**32,557**	32,053
Decrease (increase) in debtors	**3**	(3)
Increase in creditors	**132**	1
Net cash inflow from operating activities	**32,692**	32,051
Analysis of changes in cash during year		
Balance at 31st January 1993	**55,925**	38,887
Net cash inflow (outflow) before adjustments for the effect of foreign exchange rate changes	**(1,217)**	9,617
Effect of foreign exchange rate changes	**441**	7,421
Balance at 31st January 1994	**55,149**	55,925

11. CONTINGENT LIABILITIES

There were contingent liabilities at 31st January 1994 of £374,000 (£935,000) in respect of underwriting. An amount of £599,000 (£2,562,000), representing the final instalments payable on certain of the Company's holdings, has been included in creditors and added to the cost and market valuation of investments listed in the UK.

12. PENSION FUND

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

The pension cost charged to the accounts of £126,000 (£142,000) was paid in [illegible] 1993 and represented a 23.0% (27.1%) funding rate applied to the Company's share of pensionable salaries.

The funding rate is determined, at intervals not exceeding three years, on the recommendation of a qualified actuary employed by the insurance company. The last actuarial valuation report was dated January 1992 and related to service by members up to 31st March 1992. The report was produced using the projected unit method of funding and assumed that investment returns would exceed salary progression by 0.5% per annum. This report showed assets valued at £3,300,000, funding of 111% and a surplus of £343,000.

13. ALLIANCE TRUST (FINANCE) LIMITED

Summarised statement of the affairs of Alliance Trust (Finance) Limited ("ATF")

Consolidated Profit and Loss Account for the year ended 31st January	**1994**	1993
	£000	£000
Gross earnings on finance leases	**3,510**	6,322
Other income	**675**	359
Profit on sale of subsidiary company	**1,171**	1,283
Total income	**5,356**	7,964
Net interest paid	**(299)**	(2,647)
Operating costs	**(904)**	(779)
Profit on ordinary activities before taxation	**4,153**	4,538
Taxation	**(934)**	(1,097)
Profit on ordinary activities after taxation	**3,219**	3,441
Minority interest	**(114)**	(59)
Profit for the year	**3,105**	3,382
Dividend	**(750)**	(700)
Retained profit	**2,355**	2,682

Consolidated Balance Sheet as at 31st January

Net investment in finance leases		
Due after one year	**18,485**	35,974
Due within one year	**16,355**	16,864
Debtors	**921**	708
Money at call and at short notice	**26,307**	14,698
Total assets	**62,068**	68,244
Financed by:		
Amounts due to depositors	**20,524**	17,145
Bills of exchange	**—**	10,000
Current liabilities	**7,747**	8,157
Deferred taxation	**4,422**	6,002
Minority interest	**298**	218
	32,991	41,522
Subordinated loan notes	**8,000**	8,000
Share capital	**800**	800
Share premium	**7,920**	7,920
Profit and loss account	**12,357**	10,002
Total funding	**62,068**	68,244

Notes

a. These financial statements have been prepared under the historical cost convention. The accounts of subsidiary companies are consolidated using audited accounts to their last accounting reference date together with management accounts covering the period to 31st January, with the exception of Alliance Trust Savings Limited whose results are included for the year to 31st December. The accounting dates of the subsidiaries do not coincide with that of ATF for commercial reasons.

b. Gross earnings on finance leases are allocated to accounting periods in order to give a constant rate of return on the net cash investment in the lease. The net investment in finance leases represents the total lease payments receivable, net of finance charges allocated to future periods. The initial costs of completing new leasing contracts are written off during the year in which they are incurred and the operating costs include £39,000 (£131,000) of such costs.

c. Provision is made for deferred taxation by the liability method.

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

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the One Hundred and Sixth annual general meeting of The Alliance Trust PLC will be held at MEADOW HOUSE, 64 REFORM STREET, DUNDEE, on Friday 15th April 1994 at 12.30 pm for the following purposes:-

ORDINARY BUSINESS

1. To receive and consider the Report of the Directors and the Accounts for the year ended 31st January 1994.
2. To declare dividends (resolution numbered 1 on the proxy card).
3. To approve the appointment of Mr William Berry as a director (resolution numbered 2).
4. To re-elect Mr Lyndon Bolton as a director (resolution numbered 3).
5. To re-appoint KPMG Peat Marwick as auditors and to authorise the directors to determine their remuneration (resolution numbered 4).

S M Gates

By order of the Board

S M Gates Secretary

Dundee, 22nd March 1994

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

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

Subject to approval at the meeting, dividend warrants payable on 29th April will be posted on 27th April to stockholders on the register on 8th April.

FINANCIAL CALENDAR

ANNOUNCEMENTS	
Final dividend and year-end results	11th March 1994
Report and accounts sent to stockholders	22nd March 1994
Interim results	15th August 1994
MEETINGS	
Annual general meeting	15th April 1994
DIVIDENDS AND INTEREST	
Ordinary and preference stocks final	29th April 1994
Ordinary and preference stocks interim	7th October 1994
Debenture stock	15th May 1994 and 11th November 1994