alliancetrust

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2008
Report and Accounts
for the year ended 31 January 2008

	31 January 2008	31 January 2007	Change
Company statistics			
Net Asset Value (basic)*	**402.3p**	421 5p	(4 6%)
Net Asset Value (diluted)*	**401.7p**	421 4p	(4.7%)
Share price	**338.0p**	365.5p	(7 5%)
Dividend	**7.9p**	7 575p	4 3%
TER (Proforma)	**0.56%**	0 39%	
Discount to basic Net Asset Value	**16.0%**	13.3%	
Total Shareholder Return	**(5 6%)****	7 5%†	
Indices			
RPI (Retail Prices Index)	**4.1%****	4.2%†	
FTSE All Share Index	**3000.1**	3211.8	(6.6%)

* Based upon the weighted average number of shares shown in note 8

** Year to 31 January 2008

† Year to 31 January 2007

Contents

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Chairman's statement

Lesley Knox

Investor Forum in Brighton 2007

This has not been an easy review to compose. We are looking back at a year of market turbulence and forward to one which seems likely to be just as difficult

This has not been an easy review to compose We are looking back at a year of market turbulence and forward to one which seems likely to be just as difficult

In its last financial year your Company did not escape those pressures An encouraging rise in net asset value in the second half of 2007 was followed by a sharp fall in markets in January 2008

Nevertheless we are as determined as ever to deliver real growth over the medium to long term and elsewhere in this report we explain the actions we are taking to achieve this Meanwhile we are pleased to be able to increase our annual dividend for the 41st consecutive year We have declared a fourth interim dividend of 2 2p per share, making a total for the year of 7 9p per share, an increase of 0 32p per share

Since our new Chief Investment Officer, Katherine Garrett Cox, joined us in May 2007 we have made a number of improvements to our investment process, with the intention of enhancing returns both within our core equity portfolio and by increased diversification across a wider range of asset classes All of these changes, which are discussed in more detail in her report on pages 10 to 13, are intended to improve our ability to generate returns for shareholders at all stages of the economic cycle Given the uncertain outlook for the current year, our focus will be on investing in those assets best placed to weather the storm, and taking advantage of any opportunities presented by equity weakness

In response to the recent review by the Financial Services Authority of the listing rules applicable to investment companies such as the Alliance Trust, we have expanded our statement of investment policy which now gives more information on the parameters within which we invest You will find the new statement on page 8 of this report

We have continued to invest in our investment team and process where appropriate and as a result our costs have increased Despite the increase in the Total Expense Ratio (TER) this year, partly reflecting the decline in assets as a result of market movements, we remain in the bottom quartile of the Global Growth and Global Growth & Income investment trusts with regard to TER

During the year some shareholders proposed that we should use our share buyback powers This is a subject which has been, and will continue to be, regularly discussed by the Board, but having considered the arguments we have chosen not to do so Instead we have continued to invest in the development of our financial services subsidiaries in the belief that, in the longer term, this will prove to be a greater and more enduring source of value for all shareholders

Hugh Bolland and John Hylands

Annual General Meeting 2007

Following the year end your Company entered the FTSE 100 Being part of the FTSE 100 has the benefit of bringing the Company to the notice of a wider range of investors but it does not affect the way in which the company or its assets are managed

"We are as determined as ever to deliver real growth over the medium to long term"

As evidence of management's commitment to delivery of a real return for shareholders, we introduced a new long term incentive plan last year, following shareholder approval This incorporates a performance hurdle which is intended to ensure that only where shareholders see the benefit of a return on their investment which significantly outstrips inflation will management start to benefit from the plan, and full awards under the plan will only be made for genuinely outstanding returns The sharp fall in markets in the final weeks of the financial year serves to underline the challenge represented by a performance hurdle based on real return over a three year period, since the challenge now becomes that much greater in the remaining two years

While senior management incentives are based on significant real returns, at investment manager level the onus is still on each manager to maximise the returns available within their own asset class or region utilising the capital allocated to them through our asset allocation process, benchmarking against the most relevant index for their own portfolio

Our financial services subsidiary, Alliance Trust Savings continued to invest during the year Growth in client numbers is strong and we remain convinced of the potential for this business to create long term value for shareholders as it delivers innovative products and services to meet the aspirations of clients to make provision for their financial security

Board changes

There were a number of changes to the Board in the period under review As previously announced in January 2007, we were delighted to welcome Katherine Garrett Cox as Chief Investment Officer in May

Hugh Bolland joined the Board as a Non Executive Director in July 2007, bringing with him 30 years of investment management experience both in the UK and the Asia Pacific region with Schroder Investment Management More recently, John Hylands joined the Board as a Non Executive Director in February 2008, following a career with Standard Life where he held a variety of actuarial, financial and marketing roles, before becoming Finance Director from 2001 to 2005 and subsequently leading its demutualisation project I am delighted to welcome two such able and experienced directors who will add greatly to the debate around the Board table as we shape our strategy for the future

Gordon McQueen resigned from the Board in March this year, having given much wise counsel during his time as a Non Executive Director for which we are grateful Janet Pope also left the Board in March this year having played an important role in our financial services business for the past 16 months as Chief Executive of Alliance Trust Savings We wish them both well for the future

Annual General Meeting

Once again we will be holding our AGM in Dundee at the Hilton Hotel, overlooking the Tay In addition to the usual business of the meeting we will be proposing changes to our Articles of Association to reflect the impact of the new Companies Act, as explained more fully in the notice of meeting Over and above the formal business, the AGM is an excellent way of finding out more about the progress of your Company and I would encourage you to attend

Chief Executive's statement

Alan Harden

In our last financial year, stock markets delivered a harsh reminder of the challenge we face when investing to generate a substantial, positive real gain regardless of the investment environment and market conditions.

A year ago I wrote of our growing apprehension about the valuations placed on financial assets and the way that risk was being priced by investors We, therefore, began this financial year with reduced exposure to quoted equities and with 7 4% of our assets held in cash

We were earlier than most in adopting this cautious stance and, with the benefit of hindsight, we should have been even more defensive throughout 2007 The troubles that hit the financial sector in the middle of the year and spilled out into all sections of the US and world financial markets were deeper and have lasted longer than we expected The effects are still causing uncertainty today

Overall, in our last financial year, stock markets delivered a harsh reminder of the challenge we face when investing to generate a substantial, positive real gain regardless of the investment environment and market conditions However, the difficulties in the credit market and the resulting market turbulence also underlined the value of the strong diversified balance sheet of Alliance Trust

We are disappointed with our results, particularly for capital growth, and our resulting negative total shareholder return of 5 6% for the year Our NAV fell 4 6%, but we did outperform the FTSE All Share Index, which fell 6 6% Throughout last year the discount remained high and ended the year at 16 0% We believe that this level of discount undervalues our Company Our target is substantially to outperform a real return measure over the medium to long term You will find on page 9 one of our Key Performance Indicators which illustrates that over both a three and a five year period this objective has been achieved However, we have underperformed our real return target on a one year basis

As Alliance Trust celebrates its 120th year, we are more conscious than most that economic and market cycles bring potential benefits for an investment company with a long term outlook Last year's events have reinforced our commitment to a diversified multi asset class investment strategy, to deliver substantial and sustainable investment performance complemented by returns from our financial services subsidiaries The classes in which we invest are quoted equities, private equity, property and our subsidiaries We believe that by executing this strategy the resulting growth in our Company's value and earnings will deliver a substantial benefit to all our shareholders and, in so doing, address the current discount between our share price and our net asset value in a sustainable manner

We ended the year with 5 4% (2 8%) in private equity, 3 4% (2 8%) in property and 1 5% (1 7%) in subsidiaries The extent of

Graeme Farrer and Laurie Don, Asset Management

Property portfolio Montieth House, Glasgow

due diligence required when investing in property and private equity does, however, mean that finding the best investments takes time The total invested in private equity increased in absolute terms Quoted equity investment at the year end was 93 5% (84 2%) Net gearing at the year end was 4 8%, compared to the 2007 year end when the portfolio was not geared and we held 7 4% cash

Improvements in revenue were heartening for our strategy to deliver future returns from growth in both revenue and capital Our aim is to create value within our group and we expect our investment in subsidiary companies to deliver further returns both through a reassessment of their enterprise value as well as through future improvements in revenue In the last financial year, business units, including property, private equity and our financial services subsidiary, all delivered higher revenue, showing how several income streams from different business areas can help to offset capital losses in years of exceptional volatility on markets

"Last year's events have reinforced our commitment to a diversified multi-asset class investment strategy."

Our immediate priority is to improve our Company's investment performance and we have put in place improved processes that will allow us to invest with greater flexibility, magnify the effect of investment decisions and increase the tools at our disposal Our new Chief Investment Officer Katherine Garrett Cox has been instrumental in driving this and creating a stronger structure for decision making More information is contained in her report on pages 10 to 13

We remain concerned about the outlook for western economies and markets over the rest of this year The US economy may already be in recession, and policy to correct this could take some time to take effect Policy makers in the US have responded swiftly with a combination of fiscal and monetary measures but the proposed tax rebates will not be delivered until later in the year and the squeeze in financial markets has prevented interest rate cuts from being fully passed on Meanwhile corporate margins are expected to remain under pressure

These problems may prove to be even more acute in the UK Although we have had three cuts in interest rates so far, there are few signs of these being passed onto consumers Households are struggling under considerable debt and rising basic costs, access to credit is becoming increasingly difficult, and

Tom Bell, Operations, Alliance Trust Savings

Paul Horton and Kelly O'Donnell Business Development

discretionary consumer spending is coming under considerable pressure Our concerns are magnified by the relatively slow response of policy makers who are grappling with rising inflation and a fiscal budget which was looking particularly stretched, even before this downturn began The UK has enjoyed 15 years of continuous growth but now faces the threat of a major slowdown

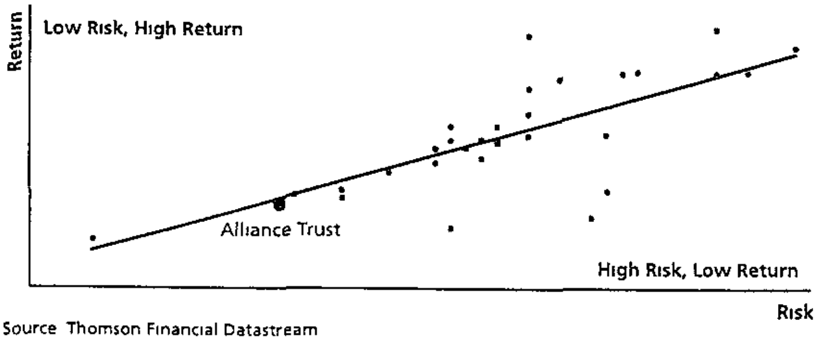
We are more positive about our outlook for Asia, where we expect economic activity to hold up relatively well If turmoil in financial markets in the West can be largely contained, then the momentum for longer term growth in the East should continue

Alliance Trust has lower volatility, and hence risk, than many of our peers as illustrated on the chart below which shows that our five year share price volatility, which is considered a fair measure of risk, was almost the lowest of all our peer group Higher returns than ours generally came only when companies took on high levels of risk, as is shown by those companies towards the top right hand side of the chart

We are committed to managing risk actively to achieve an appropriate level of reward Our current risk averse portfolio gives us scope to increase risk towards the median level so as to increase rewards The current level of gearing is modest, particularly since our growing diversification across different asset classes helps offset risk As we diversify further, we would expect to increase borrowing gradually to take advantage of market opportunities in any asset class

We are pleased by the progress of our private equity team We increased our investments in this asset class from £81m to £145m In addition, we entered into a series of relationships with private equity managers who have a track record, resources and expertise, investing in their management companies and

Risk vs Return over 5 years for Global Growth and Global Growth & Income Sector Investment Trusts



Source Thomson Financial Datastream

The site of the new headquarters, Dundee

An artist's impression of the new headquarters, Dundee

funds as well as coinvesting directly alongside them in companies we find attractive In this way we seek to maximise the benefit we get from each relationship

Although the short term market turned against commercial property, with capital valuations falling, revenue from our property portfolio doubled Our property portfolio is a defensive one since it targets first class property in aspirational areas The value to the Company of its property investments is the future income that they will generate and rental income on our portfolio remains attractive Falling prices, along with a squeeze on credit, mean that opportunities are appearing and we are rebuilding our property team to take advantage of these as they arise

We continue to develop our complementary subsidiary financial services businesses, primarily Alliance Trust Savings, which offers services including sharedealing, tax efficient ISAs and self invested personal pensions (SIPPs) Alliance Trust Savings' continued investment in systems has provided it with a more robust infrastructure as well as positioning it to grow and deliver enhancements to its products and services which will satisfy the needs of the informed private investor and open up a new market among all advisors During the year we have addressed challenges in our full SIPP business through relocating administration functions to Dundee Revenue and client numbers at Alliance Trust Savings continued to grow strongly during the year

We are creating a UK asset management business further to exploit our core competencies and to create an additional revenue stream for the Company This new company will give investors access to the Alliance Trust style of investment in a range of specialist funds Like Alliance Trust Savings, this company is 100% owned by Alliance Trust PLC

The successful completion in Spring 2009 of our new headquarters in Dundee will further enhance our drive for greater efficiency across the group by bringing together teams from three premises into one so that we may continue to build businesses that work well together Already this work is well advanced

The main focus of our business this year will be

- **To continue to improve our investment performance and increase the positive effect of our asset allocation**
- **To reach operational profitability in Alliance Trust Savings**
- **To develop our UK asset management business**

"We are committed to managing risk actively to achieve an appropriate level of reward."

Overview

Statement of investment objective and policy

In this section of the Annual Report we set out the investment objective and policy adopted by the Board, which outlines the actions we are taking as we pursue our multi asset class strategy to deliver real returns for shareholders The statement is intended to help shareholders assess the investment opportunity and identify how we manage risk Significant changes to the policy will require shareholder approval

Statement Of Investment Objective And Policy

Alliance Trust is a self managed investment company with investment trust status Our objective is to be a core investment for investors seeking increasing value over the long term

We have no fixed asset allocation benchmark and we invest in a wide range of asset classes throughout the world to achieve our objective Our focus is to generate a real return for shareholders over the medium to long term by a combination of capital growth and a rising dividend

We pursue our objective by

- **Investing in both quoted and unquoted equities across the globe in different sectors and industries,**
- **Investing internationally in fixed income securities,**
- **Investing in other asset classes and financial instruments, either directly or through investment vehicles, and**
- **Investing in subsidiaries and associated businesses which allow us to expand into other related activities**

We are prepared to invest any proportion of the total corporate capital in any of the above asset classes, subject only to the restrictions imposed on us by the regulatory or fiscal regime within which we operate However, we would expect equities to comprise at least 50% of our portfolio Changes to the asset allocation will be dependent upon attractive investment opportunities being available

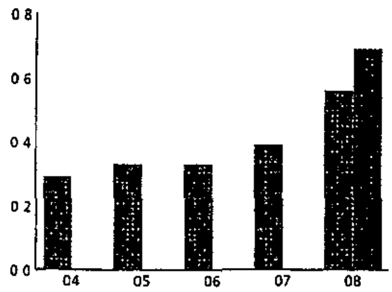
Where market conditions permit, we will use gearing of not more than 30% of our net assets at any given time

We can use derivative instruments to hedge, enhance and protect positions, including currency exposures

Our objective is to be a core investment for investors seeking increasing value over the long term.

Key Performance Indicators

Total Expense Ratio



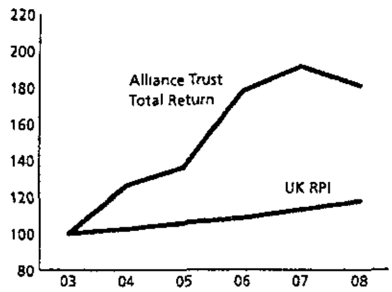
Alliance Trust TER

Peer Group Current Year Bottom Quartile TER

Source Internal

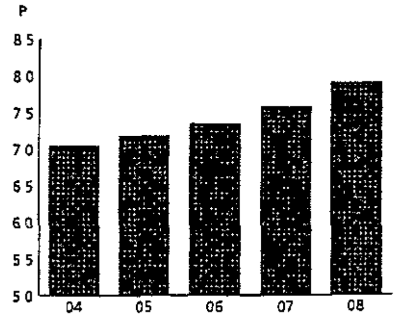
The Total Expense Ratio has been restated as described in note 2 Changes in Accounting Policy

Total Return against Retail Prices Index



Source Thomson Financial Datastream

Dividend Growth



Source Internal

Classification of investments

	UK %	Europe %	North America %	Japan %	Asia Pacific %	Rest of World %	Total 2008 %	Total 2007 %
Oil & Gas	8 2	1 1	3 5		0 5		13 3	9 9
Basic Materials	6 0	1 3	0 4		1 5		9 2	5 2
Industrials	2 8	2 2	2 8		0 8		8 6	10 4
Consumer Goods	4 8	2 7	1 3		1 1		9 9	9 4
Health Care	2 1	1 8	2 3		0 1		6.3	6 8
Consumer Services	4 8	0 6	1 1		0 2		6 7	6 9
Telecommunications	3 8	1 6			0 8		6 2	1 8
Utilities	3 0	1 1	0 7				4 8	3 5
Financials	11 5	3 7	1 7		3 8		20 7	23 6
Technology		0 7	2 5		0 5		3.7	4 1
Collective Investment Instruments	0 2			1 2	1 6	1 1	4 1	2 6
Total Equities*	47 2	16 8	16 3	1 2	10 9	1 1	93 5	84 2
Private Equity	4 9	0 5					5 4	2 8
Subsidiaries	1 4				0 1		1 5	1 7
Property	3 0		0 4				3 4	2 8
Fixed Income	0 8						0 8	0 9
Total Investments	57 3	17 3	16 7	1 2	11 0	1 1	104 6	92 4
(Net Gearing)/Cash	(5 6)	0 2			0 6		(4 8)	7 4
Other Net Assets	0 2						0 2	0 2
Total Assets less Current Liabilities	51 9	17 5	16 7	1 2	11 6	1 1	100 0	100 0
2007	54 6	16 0	12 1	8 3	9 0		100 0	

* convertibles represent 0 2% (0 7%)

Business review

Chief Investment Officer's review

Katherine
Garrett Cox

Kenneth Maclean, Investment

Equity markets suffered large falls in January resulting in negative returns in most of our investment areas for the year to 31 January 2008

Economic and Market Background

Rising defaults in the US subprime mortgage market became a major problem for global financial markets through the second half of the year The resulting credit crunch is now having a detrimental impact on economies around the world Equity markets suffered large falls in January resulting in negative returns in most of our investment areas for the year to 31 January 2008

The likelihood of an economic recession in the United States is now high and has prompted the monetary authorities to take decisive actions in reducing interest rates The Federal Reserve Funds Rate has now been reduced to 2 25%, with further cuts possible in the near term The base rate in the UK has also been reduced, so far by a total of 0 75% to 5 00%, having reached its highest level since early 2001 last July, at a time when rising inflation was viewed as the UK's primary economic threat

Central Banks around the world are facing differing regional concerns arising from this economic turbulence whilst all are striving to maintain liquidity in their banking systems In the US, the focus is on domestic economic growth, in Europe it is on inflation and in Asia on the potential impact to exports In the UK, a more ambiguous approach is being adopted as the Bank of England attempts to balance its growth aspirations with its inflation targets

During the 12 months under review, our equity portfolio fell by 3 4% The month of January alone saw a fall of 9%, negating the positive returns of the previous 11 months Equities accounted for 93 5% (84 2%) of our assets at the year end

This overall return masks periods of extreme volatility during the year and diverging returns from global equity markets Our best absolute returns were in our Asia Pacific and North American portfolios Our North American investments, driven by strong sector and stock selection, delivered an outstanding relative return of 8 5% in the year, rising by 5 9% against a fall of 2 4% in the benchmark index In the Asia Pacific region, although we made a positive absolute return of 6 4%, we underperformed the regional market index due to our over cautious stance in strongly rising markets through most of the year In addition our strong relative performance in our core UK Large Cap portfolio was very encouraging

Brian Nicholson and Andy Killean, Asset Management

Tim Gibbens, Investment

Asset Allocation

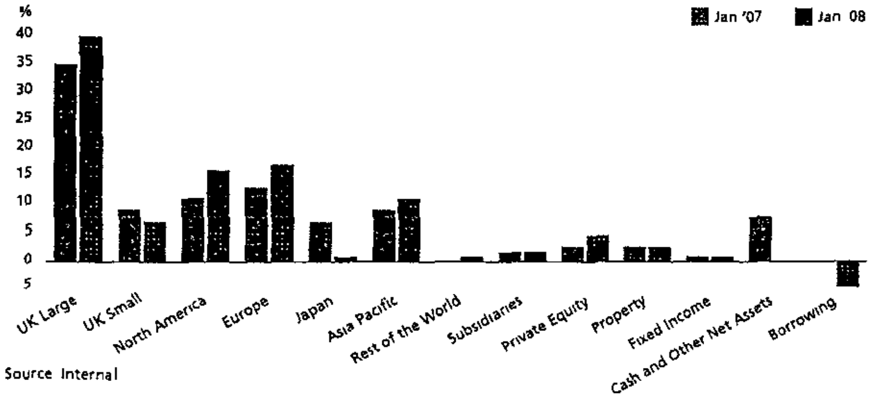
Asset allocation remains heavily dominated by our exposure to quoted equities Such a strategy has proved positive over the long term but was more challenging in the latter part of 2007 Recognising that we need to protect the portfolio during more difficult markets, we have continued to diversify selectively into other asset classes

While we recognised early signs of problems in the credit markets, along with many others we did not foresee the full magnitude of the fall out into global financial markets and economies We held defensive positions across regional equity portfolios, believing risk to be more fairly priced in these types of company During last year there were a number of periods of severe equity market weakness such as in August 2007 and January 2008 We took advantage of these opportunities by selective buying on weak days and borrowed to do so As at 31 January 2008 our net gearing level stood at 4 8% (no gearing and cash of 7 4% at 31 January 2007) We will continuously manage the Trust to maximise returns using both asset allocation techniques as well as stock selection

In addition, we have focused our quoted equity exposure to less than 250 holdings by the end of the period Whilst we wish to have broad company exposure in the major markets in which we

"We will continuously manage the Trust to maximise returns using both asset allocation techniques as well as stock selection."

Asset allocation



Source Internal

David Osfield and Stephen Porteous, Investment

Neil Tong, Investment

invest, we need to ensure that good stock selection decisions benefit the overall portfolio We are comfortable with this current figure

"Investing time and money in both systems and people will enable us to improve and refine our investment process, thereby delivering stronger results "

Investment Process

During the year, we invested in additional systems to enable us to have access to risk management tools, portfolio performance attribution and portfolio modelling Investing time and money in both systems and people will enable us to improve and refine our investment process, thereby delivering stronger results We have taken the opportunity to review the capabilities we require for the efficient management of the portfolio and as a result have made a number of additions to our investment team In particular, we have added to our private equity team based in Edinburgh, as well as attracting individuals with the skills needed to build upon our quoted equity expertise

Gold bullion LBM

US$/Troy Ounce

Source Thomson Financial Datastream

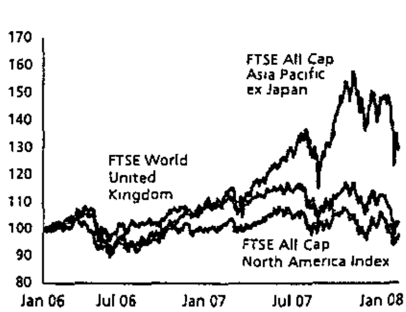
Oil price

West Texas Intermediate US$ per barrel

Source Thomson Financial Datastream

Market Indices

Sterling based



Source Thomson Financial Datastream

Sara Clark Investment Intelligence

Angus McPhail, Investment

We have delivered a major project to enable us to use derivative instruments This will give us additional flexibility during periods of market volatility as well as lowering our transaction costs We will continue to sharpen the investment process and look to add additional skills in areas that we believe will enhance our performance

Outlook

We expect the challenging investment environment of the last few months to continue for some time The fortunes of the global economy in 2008 hinge on the severity of the slowdown in the US The US authorities are taking action in an attempt to avoid a deep recession but their policy changes will need time to work through the system The problems of the US housing market have seriously weakened the US consumer's role as the driver of world growth The UK is likely to see weaker growth as interest rate policy is constrained by the need to control inflation This is evidenced by the relatively small reductions in interest rates so far in the UK compared to the US There are some attempts being made to resolve the breakdown in inter bank lending which would enable consumers to benefit more fully from interest rate reductions

Investor confidence has been severely tested by the fall out of the problems of the credit markets into equity and bond markets We believe that the markets have not yet fully discounted the impact of weaker economies on corporate earnings and we remain cautious whilst the global economic impact is uncertain A fully functioning banking system, we believe, is a pre requisite to enable economies to begin the process of repair and to return to growth Risk awareness and management of risk within our portfolios will be important in these volatile markets

We will continue to enhance the investment processes and available instruments within our equity portfolios to improve shareholder returns We remain committed to our multi asset class strategy and will seek appropriate opportunities to increase our private equity and commercial property investments

The 20 largest investments

	£m
Royal Dutch Shell 'B'	81 6
Alliance Trust Real Estate Partnership*	80 1
Vodafone	75 9
BP	67 7
Royal Bank of Scotland	64 7
HSBC	51 8
Rio Tinto	50 1
Lloyds TSB	50 1
Xstrata	40 4
Premier Alliance Trust Asia Pacific Equity Fund†	39 9
Tesco	39 7
GlaxoSmithKline	39 6
BG	33 6
Anglo American	32 2
Premier Alliance Trust Japan Equity Fund†	31 7
British American Tobacco	30 3
Ashmore Global Opportunities	30 1
Exxon Mobil	28 7
National Grid Transco	27 8
Prudential	27 6

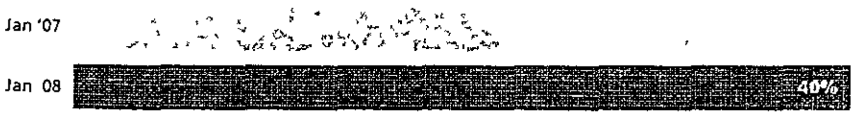
* Alliance Trust Real Estate Partnership is the vehicle through which the Company holds its investments in the seven properties described on page 21

† A subsidiary of Alliance Trust PLC

A full list of the companies in which we invest as at 31 January 2008 can be found on our website www alliancetrust co uk

UK Large Cap

% of Net Assets



UK Large Cap

Portfolio performance (12 months to Jan 2008)

Alliance Trust UK Large Cap Portfolio	**-1.14%**
FTSE World UK Index	**-2.04%**

Courtesy of Xstrata

- Commodity prices strengthened further on strong global demand
- Sterling strength through much of the year was a burden to exporters
- Global credit squeeze hit the UK liquidity is no longer readily available
- Downward pressure beginning to build in the UK housing market
- Rising interest rate environment through most of the year, reversed towards the end

Investment Activity

We adopted a defensive bias in the portfolio for much of 2007 with large positions in many classically defensive names such as Scottish & Southern Energy, Severn Trent and British American Tobacco This reflects our cautious economic stance through the year

We benefited significantly from investments in mining companies Rio Tinto, Anglo American, Xstrata and Vedanta as commodity prices rose strongly over the year Another area of strong performance was in blue chip companies Investors have been attracted to them by their long term solid performance through different economic cycles Of note in this group were large portfolio holdings in Reckitt Benckiser, Tesco, Vodafone and National Grid

Consolidation was an ongoing theme of the year We benefited from takeover activity in Alliance Boots, Hanson ICI, Reuters and Scottish & Newcastle Liquidity is no longer readily available following the credit crunch Nevertheless, strong companies are likely to continue with value creating corporate activity and we happily are exposed to such potential through Xstrata and Rio Tinto

What of disappointments in 2007? Top of this list are financials and within this banks Many UK banks made investments in financial instruments which often had large underlying exposures not just to US housing but to the subprime element of this lending We are now seeing some very large capital write downs as a result The risks of borrowing short and lending long were thrown into the spotlight by Northern Rock, which we did not hold The very competitive nature of the UK mortgage market and pressures on the housing market have long been a concern to us, and we sold our bank holdings with significant mortgage exposure – Bradford and Bingley and HBOS – well before conditions deteriorated

We also reduced our position in housebuilder Persimmon during the year, due to concerns over a difficult housing market

Outlook

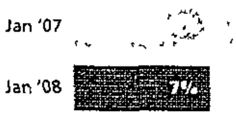
We are hopeful that interest rates will be cut further and that this will help avoid recession in the UK in 2008 In this scenario UK large cap companies should perform reasonably well UK financial companies are now looking interesting more bad news is likely but much is anticipated in current share prices There are some very high yields available from UK financials but they are not risk free We currently are also retaining our resource positions as their key drivers of Chinese demand, supply constraint and consolidation remain in place Finally, it may be early to increase exposure to the UK consumer, but, where companies have solid asset backing and strong long term business models there may be some bargains for the long term investor

Top ten investments

Company	Sector	£m
Royal Dutch Shell 'B'	Oil & Gas Producers	81 6
Vodafone	Mobile Telecommunications	75 9
BP	Oil & Gas Producers	67 7
Royal Bank of Scotland	Banks	64 7
HSBC	Banks	51 8
Lloyds TSB	Banks	50 1
Xstrata	Mining	40 4
Rio Tinto	Mining	39 9
Tesco	Food & Drug Retailers	39 7
GlaxoSmithKline	Pharmaceuticals & Biotechnology	39 6

UK Small Cap

% of Net Assets



UK Small Cap

Portfolio performance (12 months to Jan 2008)

Alliance Trust UK Small Cap Portfolio	**-12.81%**
FTSE GEIS UK Small Cap Index	**-10.97%**

Petrofac's facilities upgrade project for KOC in Kuwait Courtesy of Petrofac

- **Consumer sector slowed in response to increases in interest rates in first half of the year**
- **Downward pressure building in the UK housing market**
- **Sterling strength a burden to export companies**
- **Global credit market woes have impacted commercial property markets**

Investment Activity

The optimistic tone that emanated from many UK small cap companies in the first half of last year was rapidly overtaken by investor concerns regarding the potential impact of the credit crisis and the expected slowdown in economic growth The strong returns of the previous three years provided plenty of opportunity for investors to lock in gains

The last 12 months have been characterised by a number of investment themes The continued strong demand for infrastructure related investments which has been evident within the support services area of the oil industry has been one, and the continuing role of outsourced services within the UK economy is another In contrast, companies that are dependent on UK consumer spending have suffered Share prices of companies exposed to the retail sector and the house building sectors felt the greatest impact

Our positive opinion on the oil services companies has continued to deliver positive returns for the portfolio Wood Group has continued to benefit from global demand for its engineering expertise, whilst Petrofac has been particularly successful in winning business from the national oil companies of the Middle East and Africa

Outsourcing continues to be utilised by the public and private sectors and both Serco and WS Atkins have been successful in the development of their business and order books over the last year

The house building industry witnessed a reduction in prospective buyers and events at Northern Rock impacted consumer confidence Share prices in the sector fell sharply, and valuations have fallen to levels not seen in the last 10 years Prior to these developments, our holding in Crest Nicholson was acquired by an HBOS consortium and Bovis was sold, but we have retained our investment in Bellway, which trades at a significant discount to the value of the land it owns Performance in the portfolio was negatively impacted by exposure to the commercial property sector Our holding in Great Portland Estates suffered along with the rest of the quoted property sector despite another year of encouraging results but, as they are a developer focused on the more resilient West End of London, we retain our holding given the inherent value in the assets of the group

Outlook

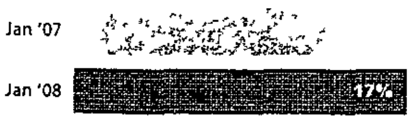
As investors' nerves have been tested, share price volatility has become a prominent feature with January recording a fall of 12% for the small cap index at the worst point of the month We have adjusted our portfolio to reflect our more cautious economic outlook We believe that valuations in the more cyclical industries are beginning now to discount the expected downturn and we expect to re visit companies operating in the engineering sector and in employment services

Top ten investments

Company	Sector	£m
Gyrus	Health Care Equipment & Services	13 4
Petrofac	Oil Equipment, Services & Distribution	12 4
Wood Group	Oil Equipment Services & Distribution	11 4
Merrill Lynch World Mining Trust	Mining	10 5
First Group	Travel & Leisure	9 5
Admiral Group	Nonlife Insurance	8 8
Great Portland Estates	Real Estate	8 8
Croda International	Chemicals	8 6
TUI Travel	Travel & Leisure	8 5
Babcock	Support Services	8 2

Europe

% of Net Assets



Europe

Portfolio performance (12 months to Jan 2008)

Alliance Trust Europe (ex UK) Portfolio	**-0.88%**
FTSE World Europe (ex UK) Index	**+1.99%**

Corn harvesting Courtesy of Syngenta

- **Economic growth has held up relatively well, helped by good export performance**
- **Recent improvements in labour markets – particularly in Germany – should underpin domestic spending in the year ahead**
- **The European Central Bank (ECB) remains committed to fighting inflation and is expected to maintain interest rates at 4% in the short term**

Investment Activity

Throughout the year we repositioned the portfolio to increase our holdings in large cap stocks following a strong period of relative out performance by smaller companies We added significantly to our holdings in the Swiss food producer Nestle and RWE the German electricity utility

We also reduced our exposure to cyclical stocks as our concerns grew over the future path of economic growth We sold our holdings in the Scandinavian engineering companies Sandvik and SKF

Our overweight position in fixed telecommunications worked well for the portfolio with the significant holding in Telefonica outperforming strongly The industry shift towards bundled services is playing to Telefonica's strengths

Our underweight position in banks helped performance although certain individual stocks did cause some pain – Anglo Irish Bank was particularly weak as a result of a softening Irish economy and concerns over the commercial property market

Our significant position in support services performed poorly Holdings in Adecco and Randstad fell sharply after the latter highlighted that future growth may prove more difficult The use of cautious language by management was sufficient to cause investors to sell down the shares

We established a holding in the Swiss crop protection and seed company Syngenta early in the year with a view to benefiting from the secular growth potential of agricultural markets These markets remain buoyant as is shown by record crop prices and low inventories We envisage that a number of positive macro-economic trends will continue to drive Syngenta's business over the next few years

Outlook

Valuations in Europe are beginning to look attractive, although many sectors may yet see reductions in earnings forecasts The severity of the US economic slowdown is the key factor for the region in 2008 Although less dependent on the US economy than previously, the region will still be affected by the US slowdown

If European economies do show signs of cooling, then inflationary pressures will ease and we would expect the ECB to be able to begin to cut interest rates, albeit gradually

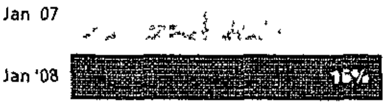
The outlook in Europe remains challenging, but volatility will present the opportunity to be selective and to buy into attractive stocks at cheaper valuations

Top ten investments

Company	Sector	£m
Telefónica	Fixed Line Telecommunications	26 2
Total	Oil & Gas Producers	22 4
Nestle	Food Producers	22 1
BNP Paribas	Banks	18 9
Roche	Pharmaceuticals & Biotechnology	18 8
Syngenta	Chemicals	17 7
UniCredito Italiano	Banks	17 2
AXA	Nonlife Insurance	17 2
Swatch	Personal Goods	16 0
Deutsche Telecom	Fixed Line Telecommunications	15 7

North America

% of Net Assets



North America

Portfolio performance (12 months to Jan 2008)

Alliance Trust North American Portfolio	**+5.86%**
FTSE World North America Index/ FTSE North America All Cap Index*	**-2.44%**

The Ocean Patriot Courtesy of Diamond Offshore

- **US subprime crisis spread into global financial markets**
- **The value of the US dollar fell through the year**
- **Fallout of the housing market downturn has spilled into the wider economy**
- **Key now is employment if it deteriorates consumer activity may slow enough to push the economy into recession**
- **Both the Federal Reserve and the Government have now responded in a stimulatory fashion but results may take a while to feed through**

Investment Activity

Our outperformance in North America was driven by good stock selection Equity markets are rarely dull, but the past year has been a particularly interesting one The US subprime crisis, and resulting financial fallout, has dominated the headlines, while structural changes in the global economy caused many commodities to reach record prices Some of these rises can be explained as an offset to the falling value of the dollar However, in contrast, the Canadian dollar, buoyed by its natural mineral wealth, rose to a record of 1 09 US dollar to one Canadian dollar

Portfolio activity increased over the year as we sought to navigate through the financial storms and to take advantage of the dramatic share price volatility Reflecting either economic or company specific concerns we sold General Electric, Disney, Home Depot, Microsoft and JP Morgan In their place we looked to buy companies we believe have more dependable earnings prospects, adding to Exelon, Altria and Bank of Nova Scotia New positions were started in railroad company Canadian Pacific, industrial conglomerate United Technologies, waste handler Republic Services and timber company Plum Creek Timber

During the market turmoil we benefited from our defensive stance Our large investment in the oil and gas sector responded well to the rise in the oil price, although one of our biggest holdings, Petro Canada, disappointed, restrained by the strength of the Canadian dollar and proposed new royalty taxes in Alberta A limited investment in financials also helped avoid much of the damage unleashed by the subprime crisis This was assisted by our largest significant exposure being to the Bank of Nova Scotia which, sterling adjusted, rose 9%, significantly better than most US banks We were also helped by our bias to defensive stocks, with, in dollar terms, the utility Exelon, pharmacist CVS and tobacco company Altria all doing well

Our best performer, rising by 33%, was Diamond Offshore Drilling, owner of the world's second biggest deepwater drilling fleet, to which we added during the year Most of the major untapped oil fields are now thought to lie offshore and contract rates continue to rise Diamond now has a contract backlog of $11bn and equally important, the company pays out a significant portion of its income in dividends

Outlook

After years of feasting on easy credit the American consumer is likely to rediscover how to save again Whether or not the US economy falls into recession, economic growth is unlikely to roar away again and growth in consumer spending will be fairly subdued This does not mean that there will not be interesting or exciting investments to own, but for the time being we will look to have a defensive bias to our stock selection

* The benchmark index for the portfolio was altered on 31 July 2007 from the FTSE World North America Index to the FTSE North America All Cap Index to align it with the changed mandate of the portfolio to include investment in small cap stocks

Top ten investments

Company	Sector	£m
Exxon Mobil	Oil & Gas Producers	28 7
Abbott Laboratories	Pharmaceuticals & Biotechnology	23 4
Altria Group	Tobacco	22 9
Petro Canada	Oil & Gas Producers	18 5
Exelon	Electricity	17 2
Canadian Pacific Railway	Industrial Transportation	16 6
Diamond Offshore	Oil Equipment Services & Distribution	16 5
Bank Of Nova Scotia	Banks	14 4
Ultra Petroleum	Oil & Gas Producers	13 5
ITT	General Industrials	13 4

Asia Pacific

% of Net Assets

Asia Pacific

Portfolio performance (12 months to Jan 2008)

Alliance Trust Asia Pacific Portfolio	**+6.41%**
FTSE Asia Pacific ex Japan All Cap Index	**+21.24%**

Courtesy of BHP Billiton

- **Economic growth has remained strong, driven by investment spending and exports**
- **Inflation has become a problem across the region as a whole, due to the combination of higher food and energy prices**
- **Most Asian countries are now experiencing slower growth in exports to the US**
- **Other export news is mixed – underpinning hopes that Asia will show at least some signs of decoupling from the US**

Investment Activity

We were concerned about the effects of a slowdown in the US economy before these concerns were reflected in the market As a result we adopted a defensive stance too early Our underweight position in Korea, in particular industrials, also hurt performance Our relative performance suffered in a market which was rising very fast The portfolio benefited over the past year from being overweight in Hong Kong and from being underweight in Australia

We were, and continue to be, very optimistic about the prospects for capital investment (both private and public) in China and in India, and the consequent effect on steel and raw materials prices We added to our holding in Rio Tinto in Australia attracted by its mineral holdings and its very competitive cost positioning It generates large free cash flows and we found the valuation attractive on both a cash flow and earnings basis Driven partly by the bid received from BHP Billiton, the share price has performed strongly since its initial purchase

An overweight position in financials and underweight position in basic materials impacted negatively on our relative performance In the technology sector, holdings in Mediatek, Hon Hai Precision and China Railway Logistics did not perform as we had expected

Outlook

Consensus estimates expected Asian economies to slow somewhat in 2008 even before the possibility of a US recession arose The region remains heavily reliant on exports so is unlikely to be immune to a significant slowdown in the US and other global export markets There is a pool of domestic demand and planned infrastructure spending in the two largest economies of India and China (not solely related to the Beijing Olympics) which will be critical for economic performance in 2008

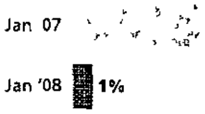
We believe that there may be more negative news to come, both in financial markets and from earnings downgrades Compared to the recession of 2000-2001, corporate balance sheets in Asia are in a much healthier shape and we anticipate that opportunities will arise to purchase good quality companies at attractive valuations

Top ten investments

Company	Sector	£m
Premier Alliance Trust Asia Pacific Equity Fund	Nonequity Investment Instruments	39 9
BHP Billiton	Mining	11 9
Hong Kong Land Holdings	Real Estate	11 8
Far East Textile	Personal Goods	10 5
China Overseas Land	Real Estate	10 4
Rio Tinto	Mining	10 2
Taiwan Fertilizer	Chemicals	9 6
Bank Mandiri	Banks	9 3
Prime Success International	Personal Goods	8 7
RReef China Commercial REIT	Real Estate	8 2

Japan

% of Net Assets



Japan

Portfolio performance (12 months to Jan 2008)

Alliance Trust Japan Portfolio	**-7.25%**
FTSE Japan All Cap Index	**11.27%**

Shinkansen Hayate Courtesy of Japan Railways Group New York Office

- **Japanese economic recovery stalled by subdued consumer spending**
- **Recent GDP numbers have been weak – pulled down by a fall in investment spending**
- **The economy remains dependent on export growth – which could be impacted by the stronger yen and slower growth in key export markets**

Investment Activity

In the first half of the year we reduced our exposure to Japanese assets in both equities and yen from 7 1% of net assets at end January 2007 to 1 1% by the end of June, when the market was trading near its 2007 peak The decision was based on a gloomy outlook for the Japanese macro environment The risk of yen strengthening was increasing as the US subprime turmoil spread through global stock and currency markets Profits that were supported by a weak yen looked vulnerable

Our position in Japan is currently held through the Premier Alliance Trust Japan Equity Fund, which is managed by our Asian investment team in Hong Kong This fund was ranked in the top quartile over the 12 months to 31 January 2008* We have trimmed some of the export oriented companies such as Komatsu and Toyota Overweight positions in banks and financials have also been reduced The holding of East Japan Railway has been a consistent outperformer, as it is one of the key beneficiaries of population growth in Tokyo One of the best performing stocks in the fund was Works Applications, which gained 49% during the year The company is a leader in packaged software in human resource management distributed to large enterprises and in accounting software packages The company is gaining orders from new segments such as the public sector, where its efficient but low cost packaged software is attractive in light of budget tightening

* UK Investment Management Association Japan Sector

Outlook

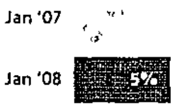
The near term outlook for the Japanese economy is clouded by the slowdown in its key export markets As regards the domestic economy, we have difficulty identifying a catalyst that will have a positive impact This is likely to impact share price performance As a result, we are likely to maintain our low exposure to Japanese equities

Top investment

Company	Sector	£m
Premier Alliance Trust Japan Equity Fund	Nonequity Investment Instruments	31 7

Private Equity

% of Net Assets



Private Equity

Patient screening Courtesy of Digital Healthcare Limited, a private equity fund investment

- **The credit crisis halted most major merger & acquisition and management buy out transactions in the second half of 2007**
- **Publicly traded private equity trusts have seen large increases in discounts to net asset value due to expectations of lower returns in a weaker economy**
- **Reduced valuations and less aggressive debt structures are resulting as liquidity has become less accessible**

Investment Activity

The last year saw private equity investments face a number of challenges The first six months were dominated by issues of accountability, responsibility and taxation and the second half by credit issues and economic slowdown 2007 will be marked as the peak of the current private equity cycle

As a result there has been a commitment to providing more clarity in financial reporting by the private equity managers and changes, in the UK, to the taxation of capital gains We believe that further measures will be announced as a result of the growth and impact of private equity investment in the global economy

We are focusing on developing business relationships with good quality UK and European private equity managers who have a demonstrable successful track record, significant human and financial resources and a robust investment process We will make commitments to the funds that they manage and we will seek to co-invest alongside them If appropriate, we are happy to invest in the management companies themselves Our exposure to private equity grew during 2007 through additions and expansion of the quoted private equity investments and through the commitment to four new private equity funds These funds provide an indication of where we intend to focus the future growth of the portfolio

- European low to mid market buy out – August Equity
- Mezzanine – Alcuin Partners
- Venture – Pentech
- Emerging managers – Climate Change Capital Private Equity

A total of £55m was committed to these funds with drawdowns building through 2008 to 2010

The total invested in unquoted private equity funds and direct investments is £25 9m with a further £118 9m in quoted investments In addition there have been commitments given to invest up to a further £71 3m in private equity investments

Outlook

Our outlook for 2008 is positive as the credit market issues will reduce valuations and will provide a base to drive strong returns over the long term Our quoted private equity investments should provide a good positive return as market sentiment returns, allowing us to build the commitments to funds and co-investments with quality managers

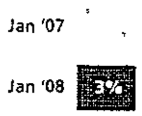
Our intention is to build a high quality private equity portfolio which will generate strong returns in the long term We have a robust investment process which we apply to each opportunity and we have an investment team which can build on strong relationships with private equity managers to deliver our goals

Private Equity Top ten investments

Company	Sector	£m
Standard Life European Private Equity	Private Equity	17 4
Caledonia Investments	Private Equity	16 0
RIT Capital Partners	Private Equity	15 1
Candover Investments	Private Equity	12 3
Eurazeo	Private Equity	11 5
SVG Capital	Private Equity	11 2
Fleming Family Private Equity Vehicle	Private Equity	9 7
Impax Environmental Markets	Private Equity	8 5
Promethean India	Private Equity	7 7
3i Group	Private Equity	7 5

Property

% of Net Assets



Property

107 George Street Edinburgh

- **The global credit crunch has impacted valuations of UK commercial property markets**
- **Overall demand has slowed as liquidity has tightened**
- **Recessionary fears are over hanging the market**

Investment Activity

Commercial Property in the UK endured a difficult year in 2007 as an overheated market began to cool rapidly due to the economic headwinds of a global credit crunch coupled with increasing recessionary fears Having dominated the bull market in property for the past few years, demand from highly leveraged investors and from open ended property investment funds virtually dried up in the second half of the year As a consequence, the commercial property market fell back with yields rising from their recent low levels

In recent years, the UK commercial property market has also enjoyed the support of overseas investors – the globalisation of property investment has had a profound effect on the pricing of property assets, especially in major centres like London The UK has been perceived as a relatively safe haven as far as property investment is concerned The impact of overseas investment may, however, become less pronounced against the current backdrop of economic uncertainty and taxation changes

Since we entered this asset class, we have adopted a cautious approach to property investment looking to add core prime holdings to complement our existing property portfolio Two acquisitions were made over the course of the year 11 12 Hanover Street, London, W1, a prime Mayfair freehold office and 107 George Street, Edinburgh, an office/retail property

The value of our UK commercial property investments fell by 10 5% (capital return) over the year while the IPD UK All Property Index fell by 12 0% (capital return) and the FTSE All Share Real Estate Index declined by 29 3% (total return) Gross rental income from our properties more than doubled from £1 91million last year to £4 02 million a gross yield of 5 01%

Our US mineral interests continue to produce good revenues for our shareholders, having generated £1 63 million of income over the year We are confident that our legacy assets in the US will continue to attract exploration interest and therefore produce good future income streams

Outlook

The outlook for the UK property market in 2008 remains clouded by the twin threats of economic slowdown and further credit tightening This will, in our view, provide opportunities to us to acquire quality property assets at attractive prices We will continue to adopt a prudent and cautious policy to property investment with yield considerations of prime importance

Property Top investments

Property	Sector	£m
Edinburgh House 4 North St Andrew Street, Edinburgh	Offices	17 2
King's Court, 12 King Street, Leeds	Offices	16 0
11 Hanover Street London	Offices/Retail	14 1
125 George Street,Edinburgh	Hotel	10 0
6 10 Frederick Street, Edinburgh	Retail	8 8
Monteith House, George Square, Glasgow	Offices	8 1
107 George Street,Edinburgh	Offices/Retail	5 9

Fixed Income

% of Net Assets

Jan '07 **1%**

Jan '08 **1%**

Fixed Income

Iain Smith, Investment

The fixed income portfolio consists wholly of preference stocks in the UK financial sector These securities offer a very attractive yield of around 7% at current prices and have the added advantage that the dividends are received effectively tax free as they constitute franked investment income

The turmoil in the UK financial markets which started last summer affected sentiment across the whole sector As a result, the capital value of the portfolio declined by 14 3% over the year producing a negative total return of 8 2% after taking the dividend income received of £1 6 million into account.

Further volatility within the sector is likely as the credit crunch plays out The income yield, however, remains intact and should be supportive of capital values against a background of lower UK interest rates

Fixed Income investments

Company	Sector	£m
HBOS 9 25%	Fixed Income	8 4
Abbey National Pref 10 375%	Fixed Income	6 9
General Accident Pref 8 875%	Fixed Income	4 3
Standard Chartered Pref 7 375%	Fixed Income	3 3

Rest of World

% of Net Assets

Jan 07 **0%**

Jan '08 **1%**

Rest of World

During the year we made a significant new investment in Ashmore Global Opportunities Fund This London listed, closed end investment company invests in a broad range of global emerging market products through its specialist funds comprising special situations, dollar debt, local currency, corporate high yield and quoted equity Ashmore gives us exposure to attractive areas of global emerging markets that we would find difficult to access and monitor ourselves This holding also fits with our use of specialist investment companies outwith our core areas of expertise Special situations, which make up around 33% of Ashmore's portfolio are an example of this Here the company invests in corporate restructurings through distressed debt, private and public equity and equity linked securities

Rest of World Top Investments

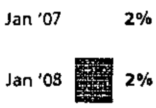
Company	Sector	£m
Ashmore Global Opportunities	Equity Investment Instruments	30 1

Business review

Subsidiaries

Subsidiaries

% of Net Assets



All companies need different streams of revenue and growth to spread risk and we are no different

Alliance Trust Savings

Alliance Trust Savings is a growing financial services business, wholly owned by Alliance Trust PLC All companies need different streams of revenue and growth to spread risk and Alliance Trust PLC is no different Recent stock market activity gives an ideal illustration of why this is necessary Over time, we expect this subsidiary to produce a substantial return on the capital invested and also an increasing revenue stream, both of which will benefit the Company and our shareholders

In 2004, we began to modernise the existing Alliance Trust Savings business to put in place the capability, processes, systems, technology and people to develop it into a more broadly based financial services company, focused on delivering excellent client service, innovative and flexible products at a competitive price Through investment in new technology and infrastructure Alliance Trust Savings is now able to offer many new services to clients, notably Alliance Trust Online, our innovative online dealing service which was launched to the market in March 2007

In the year ended 31 January 2008 income generated by Alliance Trust Savings rose by 19% to £12 9m This excludes the additional interest income Alliance Trust Savings earned on capital of £0 7m Since 2004 we have maintained a compound annual growth in income in excess of 20% and we anticipate continuing to grow this business

Core Alliance Trust Savings expenditure for the year was £18 3m, up 19% on last year In addition, Alliance Trust Savings incurred one off charges of £4m Following this investment and the restructuring programme, we anticipate a reduction in core Alliance Trust Savings' expenditure this year Going forward growth in Alliance Trust Savings' income should exceed the growth in its costs We expect Alliance Trust Savings to be operating profitably by the end of the current year

Alliance Trust PLC carried Alliance Trust Savings at £20 4m as at 31 January 2008, of which £7 9m represented Alliance Trust Savings' fixed assets As Alliance Trust Savings moves into profitability this should increase its value

Over the past four years client numbers have increased by over 30% and account numbers have increased by over 40%

Over the past year the number of clients rose 5 7% to over

Pamela Nwaogu Pensions, Investment Dealing

47,000, the number of accounts administered across all products increased from just under 67,500 to over 70,000 and client assets under administration as at April 2008 are now over £5 4bn The average daily trading and transaction volume increased 37% year on year

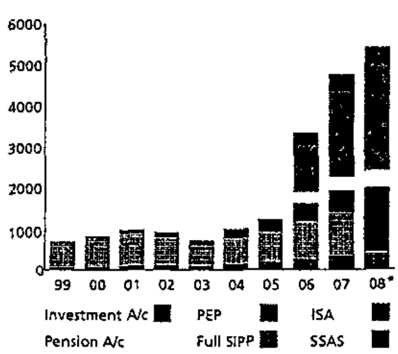
"Today Alliance Trust Savings offers a wide variety of wealth management services and products for clients across all channels – postal, telephone and online "

The one off costs incurred during the year are intended to secure long term improvements in efficiency and client service and ensure we are fit for growth As we move into 2008, the focus is now on execution to maximise and exploit the opportunities this programme and the past investment in technology has created

Today, Alliance Trust Savings offers a wide variety of wealth management services and products for clients across all channels – postal, telephone and online These include a range of investment wrappers such as ISAs, as well as investment dealing accounts including First Steps – an investment account for children Clients can invest in a choice of self invested personal pensions (SIPPs) – either the full SIPP which allows any investment permitted by HM Revenue and Customs, or the investment dealing SIPP (the Select Pension) which encompasses an internet dealing account, all available FTSE and AIM equities as well as exchange traded funds and a growing list of OEICs, in total over 3,000 investment choices Small Self Administered Schemes (SSASs), which are pensions aimed at directors of private companies, are also covered by our service

Our Full SIPP accounts increased to nearly 6,500 clients this year A key milestone during the year was the integration of this business, previously administered from London, with our Dundee operations This gave us a common platform for the effective and simple administration of our pension products and,

Alliance Trust Savings
Assets under administration



* As at 16 April 2008
Source Internal

Lynne Hood and Rhonda McLaren, Client Services

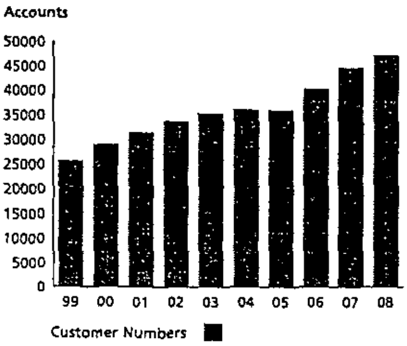
George Beaton and Dawn Mullan, Marketing

by relocating the pension administration teams to our Dundee office, also enables us to control costs going forward

Another success this year has been the further transfer of third party savings schemes to Alliance Trust Savings' open architecture platform This facilitates purchases of all equities, investment companies, exchange traded funds (ETFs) and OEICs offered by a range of providers in one place, either within different tax incentivised plans – (ISA, SIPP) or directly in the investment dealing account, allowing investors to consolidate their investments onto a single platform This year a further three companies, Allianz Global Investors, Close Investments Limited and Montanaro acknowledged our expertise in this field by making us their preferred provider, resulting in the transfer of around 9,000 clients to our platform

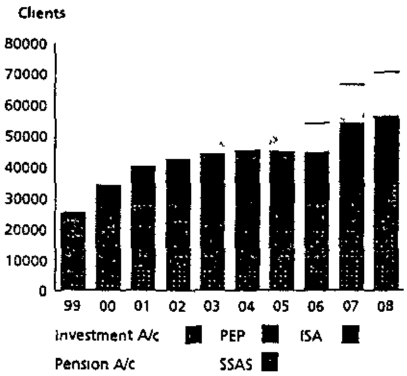
In October, to support our investment transfer business, we launched Taking Stock, a new magazine to showcase investment trusts A benefit of our transfer business is that investment trusts can maintain a communication link with their shareholders, and this is facilitated by Taking Stock In addition, our Shareholder

Alliance Trust Savings Client Numbers



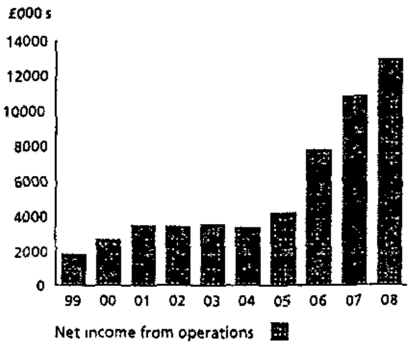
Source Internal

Alliance Trust Savings Accounts



Source Internal

Alliance Trust Savings Revenue



Source Internal

Suzanne Gilbertson and Diana Bell, Client Services

Exhibition stand

Enfranchisement programme provides a solution for the Boards of trusts to facilitate voting rights for their shareholders held within our nominee We have a number of companies currently participating and foresee this developing further in the coming year

"2008 will see Alliance Trust Savings make the infrastructure and technology which now exists work harder for clients."

During 2007, Alliance Trust Savings received three awards in recognition of the market leading products and services we offer

2008 will see Alliance Trust Savings make the infrastructure and technology which now exists work harder for clients and we are soon to launch a series of initiatives which will do this Our fund supermarket is currently being expanded to offer a wider range of investment funds Our multi channel proposition is being enhanced with the introduction of a real time telephone dealing service to ensure clients have a choice in how they use our highly competitive investment dealing service and we will shortly be launching an initiative to help us grow our new and important advisor channel

Awards

The Daily Telegraph Wealth Management Awards 2007

Best ISA/PEP Service
Best Marketing Material

What Investment 2007

Best Stocks & Shares ISA Provider
Best SIPP provider (runner up)
Best Pension provider (third)

Investors Chronicle 2007

Best Self Select ISA Manager
Best Investment Trust Manager

Asset Management

Anthony Muh, Alliance Trust Asset Managment Hong Kong

Asset Management

The asset management subsidiary based in Hong Kong continues to manage the Far East investments of the Company either directly or through investments by the Company in the Premier Alliance Trust Japan Equity and Premier Alliance Trust Asia Pacific Equity Funds Both funds are open to institutional and private investors (who together have £7 4m invested in the funds) It is intended that asset management will grow to be a more significant part of the group with activities in the UK as well as Hong Kong

Richard Hope, Raymond Abbott and John Morrison
Alliance Trust Equity Partners Edinburgh

Private Equity

The investment managers of our private equity subsidiary, Alliance Trust Equity Partners Limited, continue to manage investments made by third parties in the four venture capital funds that were set up prior to its acquisition as well as the private equity exposure of the Company As at 31 January 2008 over £18m of third party funds were being managed The intention is that the exposure of the Company to private equity investments will grow as part of the investment strategy to invest across a range of asset classes to secure performance in all economic cycles

Business review
Financial performance

David Deards
Finance Director

For the year to 31 January 2008, the Company revenue earnings per share were 9.17p and a capital loss of 20.99p

Acquisition of the Second Alliance Trust

On 21 June 2006, the Company acquired the Second Alliance Trust PLC ("Second Alliance") for a consideration comprising the issue of new shares representing 25% of the Company's enlarged share capital Prior to the acquisition the Company had shared its cost base with the Second Alliance and the impact of the acquisition was to increase both the asset base of the Company and its costs by approximately one third

The Company accounted for this transaction as an acquisition of assets, principally the portfolio of the Second Alliance Last year income and costs prior to 21 June 2006 reflect those of the Company before the acquisition and after that date reflect those of the company as enlarged by the Second Alliance Consequently income and costs in this year are not directly comparable to those of last year

Consolidated Results

For the year to 31 January 2008 the consolidated loss before tax of the Alliance Trust and its subsidiaries was £74 4m (profit £196 1m) which comprised £58 4m (£52 6m) net revenue and net capital loss of £132 8m (gain £143 5m)

Company Revenue

For the year to 31 January 2008, the Company revenue earnings per share were 9 17p (8 66p) and a capital loss of 20 99p (gain 23 47p)

Total revenue for the year was £82 6m (£68 1m) Income from the Company's property portfolio more than doubled to £4 0m

Company Capital Performance

The basic net asset value per share of the Company fell by 4 6%, in comparison to a fall in the FTSE All Share Index of 6 6%

The capital return for the Company for the year was a decline of £139 3m, being £116 6m from listed equities, £11 8m from subsidiaries, £11 8m from property, £0 2m from private equity, and a gain of £1 1m from mineral rights

The share price fell 7 5% in the year reflecting the decline in net asset value and a widening of the discount from 13 3% to 16 0%

Whilst the aggregate value of the equity portfolio declined over the year, we saw positive returns from equities held in North America and Asia Pacific of £46 1m offset by declines in other equity portfolios of £151 5m

In June 2007 we significantly reduced our exposure to Japan Since that time the Japanese portfolio has fallen a further 4 8% in Sterling terms Our investment in Japan started the year at £201 7m and was £31 7m at the end of the year

In the other asset classes, we almost doubled the capital invested in private equity, and have invested a further £25m in our property portfolio, increasing the number of investment properties from five to seven At the end of the year these properties were revalued downwards by 12 2% to reflect the changing market conditions for real estate The income generated from the property portfolio remains strong We currently carry subsidiaries at net asset value and the net decline in the year is mainly attributable to losses experienced by Alliance Trust Savings

Expenses

Total expenses for the Company were £15 0m The comparable charge for last year is £11 1m which includes £1m of costs incurred by the Second Alliance in the period from 1 February 2006 until the Merger

The majority of the increase in costs is attributable to further investment in the Company's investment team and to provide enhanced incentives to reward excellent performance and to retain key staff In addition, expenditure this year was £0 3m higher due to the depreciation of a new investment system installed last year Costs of £0 3m were incurred in the establishment of an asset management company in the UK and a further £0 8m was incurred as a non recurring recruitment cost

The expenses also include £0 4m which is the accounting cost of share incentives granted to directors and employees under the incentive arrangements approved by shareholders in May 2007 These incentives pay no value at all unless the share price of the company rises to an average of approximately 413p in the month of January 2010 and the maximum value is only payable if the share price of the company rises to approximately 530p in that month As at 31 January 2008 the company's share price was 338p

The total expense ratio ("TER") for the year was 0 56% The TER is strongly influenced by movements in the Company's net assets The proforma TER for last year, calculated by taking the total administrative expenditure of the Company and the Second Alliance Trust for the year to 31 January 2007, was 0 39%

Gordon Buchanan and Andy Zimmermann, Finance

Dividend

Interim dividends of 1 9p were paid on 30 July 2007, 31 October 2007 and 31 January 2008 A fourth interim dividend of 2 2p will be paid on 30 April 2008 Total dividends payable for the year to 31 January 2008 will therefore be 7 9p, an increase of 4 3% on last year's dividend payment of 7 575p

In the absence of any unforeseen developments, we expect to be able to recommend quarterly interim dividends of 2p payable on or around 31 July 2008, 31 October 2008 and 30 January 2009, and a fourth interim dividend of at least 2p payable on or around 30 April 2009

Subsidiaries

Operating income earned by Alliance Trust Savings rose by 19% to £12 9m with net interest margin and fee income showing growth of 43% and 9% respectively

As we highlighted in the Interim Report we have continued to invest in the expansion of Alliance Trust Savings to handle higher business volumes In particular we have centralised a number of the back office functions to Dundee to secure long term improvements in efficiency and client service The total cost of these one off items was £4m In addition the total operating costs of Alliance Trust Savings rose by 19% to £18 3m

Company record

	CAPITAL AND REVENUE			ATTRIBUTABLE TO ORDINARY SHARES			
	Total Assets less Current Liabilities £m	Total Capital Appreciation (Depreciation) £m	Total Revenue £m	Revenue Earnings p per share†	Capital Appreciation (Depreciation) p per share†	Dividend p per share†	Net Asset Value £ per share†
1998	1,565	203	38 8	6 49	40 25	5 90	3 10
1999	1,730	164	40 1	6 60	32 45	6 25	3 42
2000	1,888	156	41 0*	6 89	31 01	6 45	3 74
2001	1,976	87	40 3	6 73	17 23	6 65	3 91
2002	1,674	(305)	45 0	7 48	(60 47)	6 85	3 31
2003	1,206	(469)	43 6	7 16	(93 08)	6 95	2 39
2004	1,476	268	46 1	7 54	53 15	7 05	2 92
2005**	1,635	147	47 5	7 50	29 12	7 18	3 24
2006	2,037	395	54 5	8 70	78 47	7 35	4 04
2007	2,832	148	68 1	8 66	23 47	7 58	4 22
2008	**2,699**	**(139)**	**82 6**	**9 17**	**(20 99)**	**7 90**	**4 02**

* From 2000, income excludes the associated tax credit
** Prior to 2005, shown in accordance with UK GAAP, from and including 2005 shown in accordance with IFRS
† Restated to reflect 10 1 subdivision

Business review
Risk factors

The Group has in place a risk management framework designed to ensure that the risks inherent within the business are adequately assessed and monitored No business is without risk This section explains our risk management structure and highlights the main risks that we believe could impact on the performance of the business

Risk Management Structure

The Group has a Risk Management Committee which meets on a monthly basis This Committee comprises the Director responsible for Risk, the Group Head of Risk and various other senior managers representing legal, investment, compliance, group projects, as well as representatives of Alliance Trust Savings Limited and AT Asset Management (Asia Pacific) Limited (the latter also having its own local Risk Management Committee on which the Group Head of Risk also serves)

The risk management framework categorises risk under four broad headings, investment risk, operational risk, business risk and liquidity risk.

Investment Risk

This risk, which includes credit risk, concerns mainly the decisions being taken over the investment of funds in different asset classes, and within the different portfolios This is monitored through the Asset Liability and Income Committee (ALICo) who provide oversight on asset allocation within parameters approved by the Board Individual managers are responsible for assessing the risks associated with each investment that they make In the course of the year additional management tools were introduced to improve the monitoring of investment performance and hence the risks associated with investment decisions

During the year the Board approved a derivatives policy which formulates the basis under which these financial instruments can be used Derivatives may be used by the Company to reduce the potential of loss or to enhance our ability to change investments quickly The use of such investments is centrally controlled

Gearing risk also falls under this category The risk here is that the value of investments made with money which is borrowed do not increase sufficiently to cover the borrowing and interest costs resulting in a loss The Company intends only to use gearing tactically where it identifies opportunities which will provide a return, whilst at the same time managing the risk The level of gearing which may be used is set by the Board and the use of gearing is decided by ALICo

Operational Risk

This is the risk of inadequate or failed processes or systems The main potential risk here is a failure of our systems for holding or administering investments

We have introduced improved systems regarding business continuity planning and testing This year we successfully undertook a significant business continuity test involving the use of live data and our backup facilities which are externally hosted Our business continuity plan is updated regularly and is subject to scrutiny and testing

The Group has in place a risk management framework designed to ensure that the risks inherent within the business are adequately assessed and monitored.

Change, in the form of business projects, has again been a major feature of the year This has been achieved through our project framework focusing activity on those areas identified as presenting our greatest potential risk exposure

We actively look at data security and we have taken steps at a Group level to improve our existing personal data integrity processes

Business Risk

This risk category includes external factors such as changes in the political, economic and regulatory environment as well as the risks arising from our businesses and products, strategic acquisitions or business diversification

The effect of legislation on the operation of our financial subsidiaries is high, and we have a number of specialist staff to ensure compliance with the legal and regulatory strictures affecting our operations

Liquidity Risk

This risk category relates to the level of liquid funds, whether in cash or easily realisable assets, that we have to satisfy obligations for payments that may arise Our cash position is monitored daily across the organisation with surplus funds invested to earn interest The subprime credit problem in the course of the year exposed a number of weaknesses in the market which impacts on the ability of some companies to obtain credit However, this is not an issue for the Company which continues to be able to secure funding when required from major banks at keen rates

Louise Marshall and Mike Murphy, Compliance

Alliance Trust Savings Limited

The foregoing risks also apply to our main financial services company We have reviewed our operating processes and migrated some of the work formerly carried out in London to Dundee while simplifying and enhancing operations

In the course of the year we carried out an offsite business continuity test which demonstrated our ability to maintain our business processes even if the use of our main offices was denied to us

Other specific areas of risk management which have been enhanced in the course of the year have included a re emphasis of the importance of client data security with additional guidance being given on security measures to be taken in the case of any transfer of such information Anti fraud measures have been taken to combat the increasing incidence of criminal activity in the financial services sector

Further information on financial instuments and risk as required by IFRS7 can be found on pages 79 to 83 of this Report and Accounts

Business review
Corporate responsibility

Corporate responsibility is embedded in our approach and has been an integral part of the Alliance Trust for many years

Corporate responsibility is embedded in our approach and has been an integral part of the Alliance Trust for many years In this section of the report we highlight a number of initiatives undertaken over the year and report on other activities in this area

Employees

We are committed to ensuring that all sectors of the community can be employed by the Group and we abide by all legislation designed to prevent discrimination We recruit and promote talent regardless of sex, race, religion, age, disability or sexual orientation

In the course of the year we have had to make a number of employees redundant due to the changing nature of the business and the decision to relocate certain work streams from London to Dundee We have sought to reduce the impact of these changes by providing assistance to individuals to help them to find suitable employment elsewhere

We continue to invest in training through the Alliance Trust Academy, and this year, in addition to our ongoing technical training, we have run a number of courses all designed to improve the effectiveness of our teams In 2007 we entered a relationship with Abertay University in Dundee whereby all of our staff (irrespective of location) may enrol for development courses via the University's web hosted technology platform We believe that this is an excellent example of how a company can work with a local further education provider to the benefit of both

This year the Company requested nominations for a Member Nominated Trustee for its Final Salary Pension Scheme Two candidates of high quality were nominated by members (one a pensioner, the other an employee) The Company reconsidered the composition of the Trustees Believing that the Scheme should be administered so far as possible clear of potential conflicts of interest and in the interests of all of its members, the Company agreed that the Trustees should now comprise two member nominated trustees, the independent Chairman (The Law Debenture Pension Trust Corporation PLC) and a Company nominated trustee

Environmental Matters

Due to the nature of our business the scope for reduction in the use of resources is limited We have, however, undertaken initiatives this year to reduce our impact on the environment which include

- adoption of the eTreeplan where for each main register shareholder who opts to receive their Report and Accounts electronically the Company will make a donation which will cover the cost of planting a tree
- video conferencing enabling employees at our London and Dundee offices to take part in meetings without travelling
- reorganising work carried out in different offices to reduce travel required between offices by staff
- designing and planning the new office building in Dundee to be energy efficient
- Alliance Trust Savings has expanded its telephone and online facilities reducing the quantity of paper correspondence
- using paper made from sustainable sources

In the past we have reported on Greenhouse Emissions calculated under Guidelines issued by the Department for Environment, Food and Rural Affairs and, this year these emmissions are equivalent to 37 6 three bar electric fires operating for a year (2007 25 6) We believe that our usage of fuel is such that it is not meaningful to continue to report it in this fashion and in future years we will focus our reporting on activities taken to reduce or limit emissions

Social Responsibility and Environmental Issues

Our investment policy does not explicitly require us to consider social responsibility or environmental issues as a separate factor in our investment decisions This is because the Company wishes its managers to have the flexibility to invest where they believe that they can make the best return for our shareholders However our investment horizon is long term and a poor record of social responsibility or negative environmental history may impact on a company's long term performance and so in turn this will influence an investment in that company

Voting

The Company believes that it is incumbent upon us to exercise our shareholder rights The Company, where practical, will vote all of our holdings Where we elect to vote this will normally be in line with the recommendations of the management In the course of the year our voting statistics have been

In favour of management recommendations	**244**
Against management recommendations	**14**
Abstentions	**11**

Votes against management have been in Asia against large increases in share capital, in the USA on corporate governance matters (to vote for splitting the role of Chairman and Chief Executive, majority voting for director appointments and to have advisory voting on remuneration), and in the UK we voted against a merger proposal which we believed was not in the best interests of the shareholders

Abstentions have, in the main, been where insufficient information has been available to allow an informed decision to be taken

Two company teams successfully completed the Edinburgh Marathon Relay raising money for the Scottish Community foundation

Charitable Donations

The policy of the Company has been to make no charitable donations, believing that this should be a decision for shareholders to take individually However, the Board recognises the value of encouraging its employees to take an active part in bettering the communities in which they live and work so this year we have taken a decision to open a charitable foundation designed to match the charitable donations or fund raising activities of staff In addition to the funds raised by staff the Scottish Community Foundation (who will be assisting in the administration of the foundation) will match funds raised by staff to a maximum of £5,000 The funding for the Company's contribution to the charitable foundation will come from dividends that were payable to shareholders but which have not been paid, due to the shareholder becoming untraceable after reasonable enquiry for a period in excess of 12 years after which time the payment reverts to the Company The amount donated to the foundation from such payments in the current year was nil (as the foundation had not been set up as at the year end) but is expected to be up to £15,000 in the year 2008 9

In addition to the establishment of the charitable foundation a Give As You Earn scheme has been set up to facilitate employees donating to charities in a tax efficient manner

Political Donations

We believe it is an inappropriate use of shareholder funds to make political donations and none were made this year

Non Executive Directors

Lesley Knox MA – Chairman ▲

Joined the board 2001, appointed Chairman 2004, Chairman of the Nomination Committee

Lesley Knox (54) graduated with an MA in law from Cambridge, qualified as a lawyer and worked in the UK and US Subsequently she worked as a corporate finance adviser, first with Kleinwort Benson where in 1996 she became a group director, and was then 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 worldwide

Other directorships include Hays PLC, HMV Group PLC and Signet Group PLC She is a Governor of the Museum of London

Christopher Masters CBE FRSE BSc PhD AKC ● ■ ▲

Joined the board 2002, Chairman of the Remuneration Committee

Christopher Masters (60) took his doctorate in chemistry at Leeds University and worked for Shell in both the UK and the Netherlands He joined Christian Salvesen as business development manager in 1979, becoming Director of Planning for its US operation and Chief Executive from 1989 to 1997 He was then appointed Executive Chairman of Aggreko PLC, a post he held until January 2002 He is currently Chairman of Sagentia AG and also chairs the Festival City Theatres Trust He is the Senior Independent Director

Other directorships include British Assets Trust PLC, The Crown Agents Foundation and John Wood Group PLC

Clare Salmon MA ■ ▲

Joined the board 2005

Clare Salmon (44) graduated with an MA in English from Cambridge In 1987 she joined Boston Consulting Group as a management consultant, working in London and Madrid She gained considerable experience in financial services and was Consumer Marketing Director for the Prudential before joining Avis Europe as Group Marketing Director After a brief spell at Transacsys PLC she joined Centrica PLC, becoming Managing Director of AA Financial Services before joining the commercial television network ITV as Marketing Director in 2005 She left ITV in January 2007 and has been appointed Group Strategy, Marketing and Customer Director of Royal and Sun Alliance Insurance Group

She is also a member of the Management Board of The Marketing Society and a trustee of Breast Cancer Campaign

Hugh Bolland BA (Hons) ● ■ ▲

Joined the board 1 July 2007

Hugh Bolland (61) graduated with a BA (Hons) in Economics and Statistics from Exeter University In 1968 he became an economist with the Bank of New South Wales in Australia In 1970, he joined Schroder Investment Management in London In 1982, he was appointed Investment Director and then Managing Director of Schroders in Hong Kong and later Chief Executive of Schroders Australia After returning to the UK he became Chairman of Schroder Unit Trusts, the Chief Executive and latterly Vice Chairman of Schroder Investment Management He retired from Schroders in 2000

He is a Non Executive Director of JP Morgan Indian Investment Trust PLC, Fidelity Asian Values PLC and Dutch listed Eurocommercial Properties N V

John Hylands BSc ● ■ ▲

Joined the board 22 February 2008, Chairman of the Audit Committee

John Hylands (56) graduated with a BSc in Mathematics from Glasgow University He joined Standard Life in 1979 and qualified as an actuary in 1982 His career at Standard Life spanned 28 years and included various actuarial, finance and management positions including serving as Finance Director from 2001 to 2005

He is a member of the Norwich Union With Profits Committee and is a Non Executive Director of the Board of Ecclesiastical Insurance Group PLC He also chairs the Pension Fund Trustees of Standard Life PLC

Executive Directors

Alan Harden – Chief Executive ▲

Joined the Company as Chief Executive designate 2003, appointed Chief Executive 2004

Alan Harden (50) started his career in the investment industry in the UK in 1978, moving to Europe in 1980 and then on to Cyprus two years later From 1984 to 1990 he was with Wardley Investment Services (part of HSBC group) and relocated to Dubai in 1985 In 1988 he moved to Hong Kong as a Senior Investment Manager In 1990 he joined Standard Chartered Bank as Managing Director of Scimitar Asset Management based in Singapore

In 1994 he became Global Head of Investment Services In 2000 he moved to Citigroup Asset Management in Japan, as Managing Director and Head of the Asset Management business in the Asia Pacific region and a member of the Global Executive Committee

Alan Harden is a director of the Scottish Community Foundation, a member of the Court of St Andrews University and an Honourary Professor of the School of Accounting and Finance at the University of Dundee

David Deards BA (Hons) ACA – Finance Director

Joined the Company and the board 2003

David Deards (48) graduated with a BA (Hons) in Zoology at Oxford and qualified as a chartered accountant with Arthur Young (now Ernst & Young) before joining Ansbacher & Co in 1987, where he gained considerable experience in corporate finance and banking and investment product development, and became a director in 1995

Katherine Garrett Cox BA (Hons) – Chief Investment Officer

Joined the Company and the board 1 May 2007

Katherine Garrett Cox (40) graduated with a BA (Hons) in History at Durham University Her early career was spent in US Fund Management with Fidelity Investments and UNI Storebrand before moving to Hill Samuel Asset Management as their Investment Director, Head of American Equities

In 2000 she joined Aberdeen Asset Management becoming an Executive Director in 2001 and Chief Executive of their operating subsidiary Aberdeen Asset Management Limited

In 2004 she became Chief Investment Officer for Morley Fund Management and a Board Director of a number of their subsidiary companies with specific responsibility for fund management teams in London, Dublin and Boston

Katherine Garrett Cox is a trustee of The Baring Foundation

Governance

The Company is committed to the principles of the Combined Code on Corporate Governance

Corporate Governance

The Company is committed to the principles of the Combined Code on Corporate Governance issued in June 2006 In the course of the year we have complied with the Code other than with regard to the requirement for at least half of the Board, excluding the Chairman, to be independent, which we did not meet during the short period between 24 May 2007, when William Jack retired at our Annual General Meeting, and 1 July 2007, when Hugh Bolland's previously announced appointment took effect

The Company is an investment company and has sought approval from HM Revenue and Customs to maintain its status as an investment trust, the last such approval being in respect of the year ended 31 January 2007 As an investment company we have regard to the AIC Code of Corporate Governance dated February 2006 with which we have also complied

The Board

During the year, with the exception of the period between 24 May and 1 July 2007, the Board comprised four independent Non Executive Directors and the Chairman In the course of the year the Board composition changed with the retiral of William Jack on 24 May 2007, the appointment of Hugh Bolland on 1 July 2007 and the appointment of Katherine Garrett Cox, our Chief Investment Officer on 1 May 2007 After the end of our financial year a new Non Executive Director John Hylands was appointed on 22 February 2008 and Gordon McQueen resigned with effect from 31 March 2008 Janet Pope also resigned on 5 March 2008 A brief summary of the experience of the Directors can be found on page 37 The newly appointed Directors are available to meet with shareholders on request

The Board sets the Company's objectives and business plans, establishes an effective framework of prudent controls to enable risk within the business to be managed, provides leadership, and reviews the performance of the business

The Board reserves certain decisions to itself and delegates others to committees or to the Executive Directors and management The areas the Board has reserved include

- approval of investment strategy and policy
- decisions on new subsidiary businesses, joint ventures and other arrangements
- approval of treasury policies, banking counterparties and counterparty exposure limits
- approval of Group borrowing limits and the maximum amounts and nature of new bank borrowing facilities
- major contracts
- approval of the asset classes in which any Group company may invest
- approval of the derivative instruments which any Group company may use
- approval of material changes to gearing and the percentage mix of asset allocation by class and geography
- major changes in employment and remuneration structures
- political and charitable donations
- any material litigation or civil proceedings

Through the matters reserved to the Board the powers of individual directors are restricted to the extent necessary to ensure good governance

Each year, the Board agrees an annual Board Meeting programme to ensure that all aspects of the performance of the Company and its management are reviewed The following appear as regular Board items

- **Investment Report**
- **Asset Allocation Papers**
- **Portfolio Summary Sheets**
- **Trading volume, discount and share buybacks**
- **Financial Performance**
- **Internal Audit and Risk**
- **Compliance**
- **Investor Relations**

This year, as well as the normal matters of corporate governance and good management, the following were discussed

- **Strategy** – two day offsite including a Board meeting Discussions included consideration of the future structure and direction of the business and its continued strategy of seeking improved shareholder value through growing our financial subsidiaries
- **Board dynamics** – the Board used an external facilitator to carry out a review of how the Board performed as a team and how each individual director contributed, as part of the annual Board performance evaluation
- **Investments** – as well as the asset allocation, attribution and investment performance reports that the Board receives at each meeting the Board allocates a significant amount of time to reviewing the performance of the investment managers During the year detailed reviews of the North American, Asia Pacific and private equity portfolios were undertaken
- **Financial services business** – the Board receives regular updates from the Chief Executive of its financial services subsidiary, Alliance Trust Savings, against a series of key performance indicators

Royston Armstrong and Caron Quinn, Internal Audit

The Chairman

The Chairman is Lesley Knox and her role is clearly established and set out in writing to ensure that her responsibilities are distinguished from those of the Chief Executive

Senior Independent Director

Following the retirement of William Jack, this position is held by Christopher Masters The Senior Independent Director is available to shareholders in the event that it is inappropriate to raise matters with the Chief Executive or Chairman and to lead the review of the Chairman's performance with the other Non Executive Directors

Non Executive Directors

The Company is committed to maintaining a strong representation of independent non executives on the Board All of the Non Executive Directors are considered to be independent

The Non Executive Directors met as a group twice during the year On one of these occasions, the principal purpose was to discuss management succession planning In the course of the year the Non Executive Directors also met without the Chairman present to review her performance

Executive Directors

Alan Harden is the Chief Executive and has overall control and responsibility for delivering the objectives agreed by the Board David Deards is the Finance Director and is also responsible for the Audit, Risk and Compliance functions within the business Janet Pope was responsible for business strategy as well as the performance of Alliance Trust Savings These responsibilities have been assumed by Alan Harden Katherine Garrett Cox is responsible for investment of the Company's assets and its asset management subsidiaries

The Executive Directors may also serve on the Boards of subsidiary companies in the Group

Company Secretary

The Company Secretary, Donald McPherson, is responsible for advising the Board on matters of corporate governance and legal compliance The Directors always have access to the Company Secretary for information and assistance as required

Board Committees

There are various committees to assist decision making and internal governance The three committees reporting to the Board are

Audit Committee
Nomination Committee
Remuneration Committee

The committees are provided with all necessary resources Minutes of each of these committees are circulated to all of the Directors Copies of the Terms of Reference of the Committees will be available at the Annual General Meeting and are available on the Company website

Audit Committee

The members during the year were

Gordon McQueen (until 31 March 2008), Chairman
William Jack (until 24 May 2007)
Christopher Masters
Hugh Bolland (from 1 July 2007)
John Hylands (from 22 February 2008, Chairman from 1 April 2008)

The Board are satisfied that both Gordon McQueen and John Hylands have recent and relevant financial experience

The work of the Committee during the year is explained in the Accountability and Audit section of the report on page 44

Remuneration Committee

The members during the year were

Christopher Masters, Chairman
William Jack (until 24 May 2007)
Hugh Bolland (from 1 July 2007)
Gordon McQueen (until 31 March 2008)
Clare Salmon
John Hylands (from 22 February 2008)

The role of this Committee is to determine the remuneration of the Executive Directors and Chairman and to monitor and recommend the level and structure of remuneration for other senior management The Committee appointed consultants, the Hay Group in October 2006 and they have advised throughout the year The work of the Committee during the year is explained in the Remuneration report on pages 46 to 53

Nomination Committee

The members during the year were

Lesley Knox, Chairman
William Jack (until 24 May 2007)
Christopher Masters
Gordon McQueen (until 31 March 2008)
Hugh Bolland (from 21 September 2007)
Clare Salmon (from 21 September 2007)
Alan Harden
John Hylands (from 22 February 2008)

The Committee is responsible for ensuring that there is planned succession, so far as possible, at Board level and for ensuring the proper composition of the Board is maintained

In the course of this year the Committee considered the appointment of two new Non Executive Directors

In both cases external search consultants were used They were given specific requirements as to skills and experience – in Hugh Bolland's case, a proven track record in investment management both in the UK and overseas, and in John Hylands' case a background in financial services and experience of the regulatory environment

Other Committees

Various other committees have been established which include Executive Directors and other senior managers The following are the major executive committees All have terms of reference and are attended by the Company Secretary or his nominee to ensure good governance is followed and decisions properly recorded

Asset Liability and Income Committee (ALICo)

The purpose of this committee is to manage the capital of the Company within the investment and asset allocation strategies and risk parameters agreed with the Board The Committee, which meets on a monthly basis, comprises the Chief Investment Officer, the Chief Executive, the Finance Director, and other members nominated by the Chief Executive

In the course of the year significant decisions taken by this committee were

- to recommend the adoption by the Board of a policy on the use of derivatives
- to recommend a decrease in our Japanese exposure and an increase in our private equity weighting
- to borrow to fund investments

Chief Executive's Group (CEG)

The purpose of this committee is to assist the Chief Executive in the exercise of his responsibilities CEG comprises the Executive Directors and Rowland Strickland, the Chief Operating Officer CEG assists in the formulation of strategy for the Company and provides an additional level of monitoring on business performance

In the course of the year significant issues considered by this committee were

- high level direction of the budget/reforecast process
- the annual salary review and bonus allocation for non Board employees
- oversight of major projects including transfer of pensions back office to Dundee and the Fit for Growth project

Chris Dodds Media Relations

Risk Management Committee

This committee comprises the Finance Director and senior managers who oversee and review the control, monitoring and reporting framework and related procedures for risk management It is responsible for ensuring that there is an effective risk management framework and culture embedded in the business

In the course of the year significant actions taken by this committee were

- monitoring disaster recovery/business continuity testing
- reviewing policy on risk appetite before approval by the Board
- monitoring progress on ICAAP (Internal Capital Adequacy Assessment Process) adoption by Alliance Trust Savings

Authorisation Committee

This committee, comprising the Executive Directors and other senior managers, considers and approves changes to signing authorities, approval of banking arrangements, appointment of brokers and approval of other administrative arrangements

Board and Committee evaluation

The Board is committed to undertaking annual reviews of its own performance, and also the performance of its committees and individual directors On most occasions this is undertaken as an internal exercise, with the use of external facilitation on a periodic basis

In 2007, the evaluation of the Board and individual Directors was undertaken by use of individual personality profiles which allowed the Board to consider the contribution of each Director to the activities of the Board and its decision making process This identified areas for improvement in Board papers and presentations, contact between Board meetings and engagement between the Non Executive Directors and management below Board level

The performance of the main Board committees was evaluated by way of questionnaires The Board and each of the committees was considered to be functioning effectively

The Senior Independent Director led the evaluation of the Chairman's performance, which was the subject of discussion at a meeting of the Non Executive Directors following completion by them of questionnaires which were devised to assess her performance against a series of key attributes for a chairman

Board and Committee Attendance

The Board held nine scheduled meetings during the year Details of attendance are set out below

Appointment as a Director

All directors are subject to election by the shareholders at the first annual general meeting after their appointment At the 2008 AGM, Hugh Bolland and John Hylands will be subject to election having been appointed during the year The process of selection is covered in more detail in the section headed Nomination Committee on page 40 In addition, each director is subject to re election every three years and Lesley Knox falls to be re elected at this meeting In respect of Lesley Knox, her suitability for re election was considered and endorsed by the Nomination Committee having regard to her individual performance

Directors' and Officers' Indemnification

The Company provides insurance (maximum payable £22 million in aggregate) for legal action brought against its directors as a consequence of their position In addition, separate deeds of indemnity have been agreed with each individual director indemnifying them as permitted by company law The indemnity and insurance does not extend to cover claims brought by the Company itself which are upheld by the Courts, nor to criminal fines or penalties

Director Development

Each new Director undertakes an induction programme, taking into account their own knowledge and experience, including separate meetings with all of the senior management team and information on the Company and its policies and internal processes The Directors are also provided with training, as appropriate, on the role and responsibilities of a director of a publicly listed company

On an ongoing basis updates on corporate governance issues and business issues impacting on the Company are provided In particular the changes to directors' duties as a result of the Companies Act 2006 were brought to the attention of the Directors

External Non Executive appointments

The Board believes that it benefits the Company that Executive Directors have exposure to other organisations in a non executive capacity provided that their commitment to the Company is undiluted The Company policy for such appointments incorporates a number of safeguards to ensure that this is the case All payments received in respect of such non executive appointments may be retained by the Executive Director Details of such appointments and remuneration are found on page 52

Access to advice

All Directors have access to independent professional advice if necessary

Number of meetings attended in the year

	BOARD		AUDIT		REMUNERATION		NOMINATION	
Director	Actual	Possible	Actual	Possible	Actual	Possible	Actual	Possible
Lesley Knox	9	9	–	–	–	–	2	2
Alan Harden	9	9	–	–	–	–	1	2
David Deards	9	9	–	–	–	–		–
William Jack	2	3	1	2	2	3	–	1
Christopher Masters	9	9	4	4	6	6	2	2
Gordon McQueen	9	9	4	4	6	6	2	2
Clare Salmon	8	9	–	–	5	6		1
Janet Pope	9	9	–	–	–	–	–	–
Hugh Bolland	3	4	1	2	1	2	1	1
Katherine Garrett Cox	6	6	–	–	–	–	–	

Director Shareholdings

All Directors are required to hold 3,000 shares in the Company as a condition of their appointment and all Directors hold at least that number Full details of Directors' shareholdings can be found on page 53

Major Shareholders' Holdings

The table below shows the shareholders that have notified us that they hold more than 3% of our issued share capital or have notified us that they hold more than 3% of the voting rights of ordinary shares in issue with voting rights of the Company

Ordinary shares as at 16 April 2008

Alliance Trust Savings Nominees Limited	134,325,302
DC Thomson & Company Limited and John Leng & Company Limited	46,900,000
Legal and General Group PLC	27,155,896
Deutsche Bank AG	20,159,242

Payment of Creditors

Our policy and practice is to pay creditors in accordance with the terms agreed

At 31 January 2008 the Company had no trade creditors The Company's subsidiary undertaking, Alliance Trust Finance, which purchased most of the goods and services for the Group and recharged them to the appropriate entity, had trade creditors outstanding at 31 January 2008 representing three days of purchases

Relationship with Shareholders

The Directors attend the AGM where they have the opportunity to meet shareholders Meetings also take place throughout the year with major and institutional shareholders, such meetings normally being attended by the Chairman or Chief Executive

In addition to these meetings, fora are held where individual shareholders are invited to meet directors and senior managers Invitations to attend are also sent to individuals who hold their shares in the Company through Alliance Trust Savings Those investors have the opportunity to instruct how they want their votes cast or to attend the AGM as a proxy A comprehensive website is also available to those with online access

Alliance Trust Savings publishes a regular magazine providing information on developments through the year in a more informal context (Investor) and a publication providing information of more general interest to investors in investment trusts (Taking Stock)

Malcom Dodds, Ann Wilson and Robert MacDonald, Investment Trust Services

Share Capital and Waiver of Dividends

The Company's issued share capital as at 31 January 2008 comprises 671,909,760 Ordinary 2 5p shares of which 1,108,624 were acquired by the Trustee of an Employee Benefit Trust ('the Trustee') with funds provided by the Company in connection with its employee share plans The Trustee has elected to waive all dividends payable in respect of those shares Each Ordinary share of the Company is entitled to one vote but the Trustee cannot vote in respect of those shares There are no preference shares and there are no shares held in treasury

Agreements in Respect of Voting Rights

The Company has reached an agreement with Alliance Trust Savings whereby its clients' shareholdings in the Company will be voted at the AGM in their entirety in the proportions of those clients who give instructions to vote, or abstain, on all resolutions put to the AGM

Share Buy Back Authority

At the last AGM the shareholders renewed the authority (originally approved at the EGM held on 10 May 2006), for the repurchase of up to 14 99% of the issued shares This authority falls to be renewed at the next AGM In the course of the year the Company did not make use of this provision

Annual General Meeting

In addition to formal business, the Chief Executive will comment on business developments and there will be the opportunity for questions to be raised with the other Directors This year there will be proposals to amend the Company's Articles of Association in response to changes introduced by the Companies Act 2006 Details of the business of the meeting are set out in the Notice of Meeting

Compliance with Combined Code

Provision

At least half the Board, excluding the Chairman, should comprise non Executive Directors determined by the Board to be independent

Company Position

The Company complied with this provision until 24 May 2007 when William Jack retired The Company complied again when Hugh Bolland was appointed on 1 July 2007

Explanation

The period of non compliance was due to the retirement of a Non Executive Director before the new Non Executive Director was able to take up the appointment The Board is satisfied that it maintained a sufficient degree of integrity and independence during this period to properly meet its obligations under the Combined Code

Accountability and Audit

Statement of Directors' responsibilities in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual Report and the group and parent company financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare group and parent company financial statements for each financial year Under that law they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis

The group and parent company financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position of the group and the parent company and the performance for that period, the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation

In preparing each of the group and parent company financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 1985 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Audit Committee

In addition to reviewing and recommending to the Board the financial statements of the Company, the Audit Committee's main role is to review changes in the business which require consequent changes to the financial controls or the system of internal control review and report to the Board on the integrity and effectiveness of

(i) the accounting and financial controls of the Company and all its subsidiaries,

(ii) the system of risk management and internal controls of the Company and all its subsidiaries

The Finance Director and Head of Internal Audit will normally attend The Chairman and the Chief Executive may attend by invitation and the external auditors shall normally attend when audited financial statements they have audited or reviewed are to be approved or when requested

The Committee also reviews and reports to the Board on compliance with the requirements of relevant legislation or regulation and the relationship of any group company with any appropriate regulatory body supervising or regulating its business

In the course of the year the Committee considered, reviewed, approved or recommended to the Board the approval of the Interim and Annual Financial Statements of the Company, internal and external audit plans, the going concern basis of the business, the performance and independence of the Auditor, the status of the Company's disaster recovery plan and the group's whistleblowing policy The Committee recommends the draft accounts to the Board for approval

Risk Management

The Board, supported by the Audit Committee's review, is responsible for all aspects of risk within the business The Company has an extensive risk framework identifying and quantifying all major risks and the risk appetite of the Company has been considered and agreed Management is responsible for managing and, where possible and appropriate, reducing risks on an ongoing basis The success of management in achieving this is measured through an executive risk management committee and is monitored by the Audit Committee

Internal Control

The Board confirms that in the course of the year a review of the effectiveness of the group's systems of controls was carried out and was found to be effective

The Company maintains a separate internal audit function which includes a specialist IT auditor Risk Management oversight rests with the Internal Audit function and as such is subject to external third party assessment

There is a rolling programme of internal audits based on assessment of risk with the ability to introduce unplanned audits as circumstances dictate This year particular attention was paid to client identification and related matters within the operating subsidiaries

Disclosure of Information to Auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each Director has taken all steps they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information

Auditor Independence

The external auditor is appointed by the shareholders annually and its performance is reviewed and monitored by the Audit Committee The Company undertakes periodic tender exercises The Company last held such an exercise in 2004 Generally the Company has a policy of not using the firm engaged for audit work for any significant additional professional services In the course of this year our auditor, KPMG Audit Plc, provided advice in relation to accounting matters, the total fees for which did not exceed £30,000 in the year

KPMG Audit Plc have expressed their willingness to continue in office as auditor and a resolution proposing their re appointment will be submitted at the AGM

Report of Directors and Responsibility Statement

The Report of the Directors, comprising the statements and reports on pages 10 to 35 together with the Directors, Directors' shareholdings, major shareholdings, political and charitable donations, payment of creditors and disclosure of information to auditors sections of the Governance section on pages 36 to 45 of this Annual Report and Accounts has been approved by the Board

We confirm that to the best of our knowledge

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole, and
- the Directors' report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face

Linsey Glass, Research Centre

Lesley Knox
Chairman

Alan Harden
Chief Executive
21 April 2008

Directors' remuneration

The purpose of our remuneration policy is to align rewards to the achievement of a real return for our shareholders across all economic cycles

This section of the Report and Accounts explains the remuneration structure that the Company operates and how the various incentive plans are structured to ensure that rewards match performance The purpose of our remuneration policy is to align rewards to the achievement of a real return for our shareholders across all economic cycles By real return we mean a return substantially above the rate of inflation Our multi asset class strategy is intended, over time, to reduce the link between our investment performance and the performance of volatile stock markets This is unlike many other investment trusts whose objective is simply to do better than their peer group For this reason we have decided our senior management team should be challenged to deliver real growth in shareholder value, irrespective of market conditions, and should therefore be incentivised to make the right decisions to invest capital where it can create real long term value for shareholders, be that in stock markets around the world, property, private equity or our own financial services businesses

Consequently we have structured our long term incentive plan for senior management around a measure of real return for shareholders, by providing a steadily growing income from dividends while taking care to ensure that the underlying value of the shareholders' investment is not eroded by inflation The measure we are using for our plan, which was approved by shareholders last year, is based on the growth in the Retail Prices Index (RPI) and only offers any reward when the value of shareholders' investments grows year on year at a rate significantly ahead of RPI

We are also committed to maintaining a low Total Expense Ratio ('TER') compared to other global growth and global growth and income investment trusts Part of this will be achieved by exercising tight control over our expenses Improving investment returns is, however, just as important and to achieve this we need the right people and systems in place to manage the portfolio We can only compete to attract and retain such people by having a remuneration policy that allows them to be rewarded with a share of the value they create for shareholders and with an attractive remuneration package with the right balance between fixed and variable pay Equally the policy needs to ensure that they are not rewarded if they fail to deliver that value

Our fundamental commitment is to safeguard our shareholders' interests by ensuring that the remuneration packages do not reward poor performance and that we do not pay our directors and staff significantly in excess of market norms

This report deals firstly with the Executive Directors (a summary table of salary and benefits can be found on page 52) and then provide details (on page 52) of the Non Executive Directors' remuneration

Executive Directors

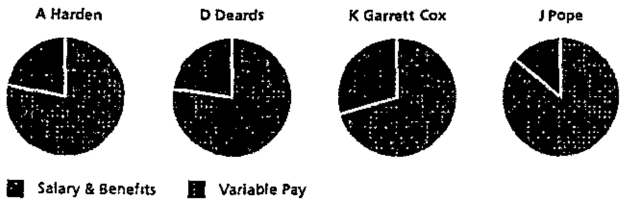
The Remuneration policy for Executive Directors is built on the following core principles

- **Variable pay will form a significant proportion of the total package**
- **Base salaries will be set at no more than the market median for jobs of a similar size and complexity**
- **Total direct compensation (base salary plus annual and long term incentives) will reflect the Company's performance, with the goal of being upper quartile for upper quartile performance**
- **Benefits will be no more than median**
- **Differential pension benefits will be taken into consideration in setting the total remuneration package**

Variable pay will form a significant proportion of the total package

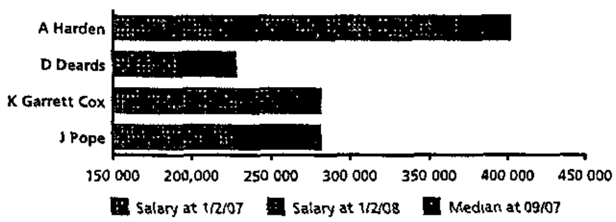
The charts below show for each director the split between what they were paid as salary and benefits and what they were paid in variable pay during the last twelve months Payments in respect of pension arrangements are not included here but are reported separately on page 48 It should be noted that, depending on performance, variable pay may in the future constitute up to about 80% of total compensation

In the case of Katherine Garrett Cox the chart excludes the payments made on her appointment



Base Salaries will be set at no more than the market median for jobs of a similar size and complexity

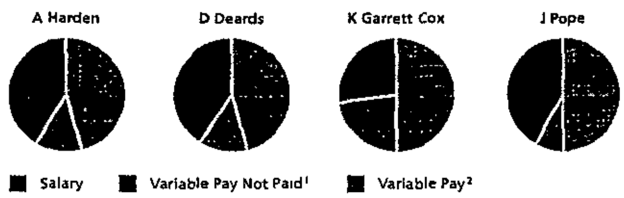
The table below shows for each Director their base salary and the market median as provided by the consultants used by the Committee In the year to 31 January 2008, the base salaries of the Executive Directors were below median It is the intention of the Committee to move these to median over time depending on the performance of the Company



Source Hay Group

Total direct compensation (base salary plus annual and long term incentives) will reflect the Company's performance, with the goal of being upper quartile for upper quartile performance

The following charts show what was actually paid compared to the maximum that the Directors could have received



Note

1 Variable Pay Not Paid is the SMEIP award which would have vested in June 2008 based on the performance of the Company in the period up to 31 January 2008, valued at 340p per share, the bonus not paid in respect of the year to 31 January 2008 and the unawarded AESOP payment

2 Variable Pay is the annual bonus and the award made under the Company wide AESOP plan

Benefits will be no more than median

The benefits which the Directors receive are shown in the table below In aggregate, all of the benefits are at or below median It is the intention of the Remuneration Committee to introduce a car allowance for all Executive Directors in 2008

	Private health care for self and family	Travel insurance for self and family	Car allowance	Life insurance (non pension related)
Alan Harden	yes	yes	no	no
David Deards	yes	yes	no	no
Katherine Garrett Cox	yes	no	yes	yes[1]
Janet Pope	yes	yes	no	no

Note
1 Life insurance is provided up to £2million (reducing) on the Director's death additional to that provided as part of the pension arrangements of the Director The other Directors' life insurance arrangements are detailed in the section on pension benefits

Differential pension benefits will be taken into consideration in setting the total remuneration package

This forms part of overall consideration of salaries and the table at the bottom of this page shows the different pension benefits which each of the Directors receives

Base Salaries

To ensure that the Committee is kept up to date with current salary and benefit trends it receives advice from independent consultants who are appointed by the Committee and who do not provide other services to the Company The advice they give covers all aspects of the remuneration package The consultants used throughout the year were the Hay Group

In respect of salary, a decision was taken this year that no movement be made to bring the Directors closer to the median of their peer group, but a modest increase to allow for inflation was made The base salaries from 1 February 2007 and 1 February 2008 of the Executive Directors are shown in the table below

£	Annual Salary at 1/2/07 or date of commencement if later	Annual Salary at 1/2/08
Alan Harden	350,000	367,000
David Deards	190,000	200,000
Katherine Garrett Cox	255,000	268,000
Janet Pope	230,000	237,000

£	ACCUMULATED TOTAL ACCRUED PENSION PER ANNUM			TRANSFER VALUES			INFLATION ADJUSTED INCREASE IN YEAR		COMPANY CONTRIBUTIONS	
Executive Director	31/1/07	Change	31/1/08	31/1/07	Change	31/1/08	Accrued Pension	Transfer Value	SIPP Plan 2007	SIPP Plan 2008
Alan Harden	11,463	4,204	15,667	163,906	22,742	186,648	3,756	44,748	26,406	40,446
David Deards	9,955	3,205	13,160	125,903	10,771	136,674	2,817	29,256	7,281	13,246
Katherine Garrett Cox*	–	–	–	–	–	–	–	–	–	32,512
Janet Pope*†	–	–	–		–	–	–	–	–	3,258

* Not in defined benefit pension plan
† Payments of £35,689 were made during the year to an Investment Plan instead of contributions to a pension plan

Variable Pay Elements

Last year, an extensive review was undertaken and significant changes were introduced to the structure of our Directors' remuneration In particular, there was a move to align the long term element of their variable pay component with the objective of providing a long term real return to shareholders These awards only vest if the performance targets are met They pay nothing if the Company does not not significantly outperform inflation and pay increasing amounts as more value for shareholders is added – with at maximum less than 1% of added value going to the Directors with over £900m going to shareholders.

This year, after receiving advice on market trends from the independent consultants, and considering Company and personal performance measures, there were no changes made or proposed to the long term incentive arrangements

In addition to salaries and the other payments/benefits detailed on the previous pages the Directors received the following benefits

Annual Bonus

For Executive Directors this can amount to 100% of salary with up to 50% being dependent on Company performance and up to 50% being dependent on the achievement of specific business or individual targets This year the Company performance target was to achieve a Total Return of 7 72% In the event this target was not achieved Consequently, no payment was made under this element of the annual bonus For the next financial year the Company has adopted a corporate return target which comprises three elements, each equally weighted These are share price performance against a target of RPI plus 3%, NAV performance against a target of the FTSE All World Index and the achievement of a dividend increase in excess of RPI

Based on the achievement of specific business and/or individual targets, the Executive Directors were awarded the following annual bonuses in respect of the financial year to 31 January 2008 The payments shown in the table below were payable after the end of the year

	Bonus Payable	% of maximum
Alan Harden	£96,250	27 50
David Deards	£54,625	28 75
Katherine Garrett Cox	£87,497	45 75
Janet Pope	£37,375	16 25

Brian Hutchison, IT

At least one half of the bonus must be used by the Director to purchase shares in the Company within the Long Term Incentive Plan (LTIP) The balance can either be taken as cash or applied to the LTIP at the individual's choice

Long Term Incentive Plan

This is a discretionary plan approved by the shareholders at the 2007 Annual General Meeting, which provides the largest potential element of compensation for the Executive Directors and other senior managers Under this arrangement participants are given the right to acquire further shares in the Company at nil cost On Katherine Garrett Cox's appointment a separate agreement was entered into with regard to the payments she received on taking up her role This agreement required at least half of her initial payment being made to a long term plan with the same performance conditions as the LTIP The awards made to Katherine Garrett Cox are described as Share Awards and the details are shown on the next page

Matching Awards this is the right to acquire, after three years, a number of shares in the Company based on the number of shares the participant purchased with their annual bonus and which they applied to the plan The number of shares that can ultimately be acquired will be dependent on Company performance over a three year period The maximum that a participant can receive under this part of the plan is twice the number of shares that could be purchased with the gross value of the annual bonus This maximum will only be achieved if TSR growth equivalent to inflation plus 10% each year (compounded) for three years is achieved If TSR growth equivalent to inflation plus 3% each year (compounded) for three years is not achieved they will receive no shares and will simply receive the return of the shares they purchased at the start of the three year period

The first Matching Awards under this part of the LTIP were made in the course of the year and are as follows

	Matching Awards	Date of Grant	Date of Vesting*
Alan Harden	31,274	4 June 2007	4 June 2010
David Deards	15,962	4 June 2007	4 June 2010
Janet Pope	14,433	4 June 2007	4 June 2010

* subject to performance conditions

Share Awards this is specific to Katherine Garrett Cox and is only in respect of that part (£827,500) of the initial payments made upon her appointment which she applied to the plan set up to reflect the LTIP arrangements for other Directors

	Share Awards	Date of Grant	Date of Vesting*
Katherine Garrett Cox	434,338	4 June 2007	4 June 2010

* subject to performance conditions

Performance Awards this is the right to acquire a number of shares in the Company at the end of a three year period dependent upon achieving the performance target which, again, is TSR growth equivalent to inflation plus 3% each year (compounded) for three years for the minimum payment and, for the maximum payment, TSR growth equivalent to inflation plus 12% each year (compounded) for three years The Performance Awards to Directors made by the Company in the year were

	Performance Share Awards	Date of Grant	Date of Vesting*
Alan Harden	181,229	4 June 2007	4 June 2010
David Deards	98,381	4 June 2007	4 June 2010
Janet Pope	119,093	4 June 2007	4 June 2010
Katherine Garrett Cox	132,038	4 June 2007	4 June 2010

* subject to performance conditions

On a 30 day moving average basis upon which the LTIP awards are assessed, the performance of the Company in the year to 31 January 2008 resulted in a negative share price total return of 4 89% against the minimum growth of 7 07% which was required in the year to be on target for the minimum payment Over the next two years the share price total return of the Trust must outperform the cumulative effect of RPI +3% compounded as well as making good this underperformance of 12 57% from last year before any shares are awarded under the Matching, Share or Performance Awards

Senior Management Equity Incentive Plans

These were long term incentive plans approved at the Annual General Meeting of The Second Alliance Trust PLC in 2004 and at the Annual General Meeting of the Company in 2005 They both allowed invited participants to apply a minimum of 50% of their annual bonus in buying shares in the Second Alliance Trust or the Company respectively The individuals were then granted Matching Awards over additional shares the vesting of which was dependent upon the achievement of specified performance conditions

In the case of the Executive Directors the performance condition was Total Shareholder Return (TSR) performance over a period of three financial years measured against a comparator group of other investment trusts (shown below) If TSR performance is at median 50% of the award will vest, between median and upper quartile vesting is between 50% and 100% on a straight line basis, at or above the upper quartile vesting is 100%

Comparator Group

Advance UK	Law Debenture
Alliance Trust	Lindsell Train
Anglo & Overseas	London & St Lawrence
Bankers	Majedie Investments
British Assets	Martin Currie Portfolio
British Empire Securities	Monks
Brunner	New Star
Caledonia Investments	Personal Assets
Cayenne	RIT Capital Partners
Eclectic	Ruffer
Electric & General	Scottish American
EP Global Opportunities	Scottish Investment
Foreign & Colonial	Scottish Mortgage
Gartmore Global	SVM Global Fund
Iimia	The Establishment
JPMF Elect Managed Growth	The Independent
Jupiter Primadona Growth	Witan
	World Trust Fund

With effect from the date of the merger (21 June 2006) replacement Matching Awards were given to participants in the Second Alliance Trust SMEIP on the same terms and conditions as the originals other than that the TSR performance now relates to the Company's performance over the same period (1 August 2005 to 31 July 2008)

Details of awards made under both plans are shown below In all cases the right to matching shares is by way of nil price options which will lapse if not exercised within three months of the date that the right is exercisable

In the case of all awards made to the Executive Directors to date the minimum performance criteria for vesting of the award has not been achieved If performance does not improve over the remaining time in the respective performance periods the Matching Awards will lapse and the participant will only receive the return of the shares that they purchased with their annual bonus three years earlier

		Alan Harden	David Deards
Granted 9/6/05	Will not vest – Lapsed	16,940	8,940
Granted 6/10/05	Exercisable 6/10/08	10,398*	5,483*
Granted 21/4/06	Exercisable 21/7/09	26,740	11,960

*Replacement Matching Awards

All Employee Share Ownership Plan

Executive Directors and employees with at least six months service may participate in the Company's All Employee Share Ownership Plan (AESOP) All participants are treated in the same way and each may

- elect to purchase shares in the Company from pre tax income up to a maximum of £1,500 per tax year
- receive Dividend Shares purchased from dividends paid in respect of shares held by the participant in the plan
- receive up to £3,000 worth of shares in each year subject to certain performance targets being met

This year the performance targets were not, in the main, achieved reflecting the overall performance of the Company and accordingly the level of payment made under this plan was £843

Directors' Pension Benefits

Alan Harden and David Deards are both members of the Company's Defined Benefits plan The benefits under this plan are based on basic salary in the 12 months before retiral or, with the Company and the Trustees agreement, the highest salary in the last five years prior to retirement In the case of both of these Directors the salary used for pension calculation purposes is capped at what was the HMRC statutory level, which has been retained as a scheme specific cap, and which will continue to restrict the benefits In addition to a pension, there is a spouse's pension which becomes payable should the member die and, if the death occurs prior to retirement, there is also a pension payable to children (minors under 21 in full time education) Alan Harden's accrual rate under the scheme is 1/30th for each year's service and David Deards' accrual rate is 1/40th for each year's service

Both Alan Harden and David Deards receive contributions to a defined contribution arrangement of 10% of their base salary above the cap with a matching contribution of up to 7% of salary above the cap This is the same contribution level that applies to all members of staff who are not in the defined benefit plan

Katherine Garrett Cox receives contributions to a defined contribution arrangement of 10% of her base salary with a matching contribution of up to 7% of salary when she also contributes 7%

For most of the year Janet Pope did not receive a contribution towards a pension plan during the financial year but instead received 10% of salary (excluding bonuses or other benefits) and was also entitled to an additional amount of up to 7% of salary when she purchased Alliance Trust PLC shares of an equivalent amount from her own funds In the last month of the year she received contributions to a defined contribution arrangement of 10% of her base salary with a matching contribution of up to 7% of salary when she also contributed 7% A summary of the Directors' pension benefits can be found on page 48

All Executive Directors are provided with life insurance cover equivalent to four times their annual base salary

The current features of the Executive Directors' contracts, in addition to salary and other payments and benefits detailed elsewhere in this section are

- the contracts of all of the Executive Directors are determinable on one year's notice by the Company and on six month's notice by the Director

Yvonne Gilchrist, Client Services

- Alan Harden and Katherine Garrett Cox's contracts contain express mitigation provisions should their contract be terminated Janet Pope's contract contained the same provisions David Deards has acknowledged in writing that he has 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 should there be any such early termination
- the Executive Directors previously had a normal retirement age of 60 but now have the right to work to 65 or with the Company's agreement beyond that age

The contracts of the Executive Directors do not include any provision whereby the termination of their employment renders them entitled to a payment under the discretionary bonus plans in which they may participate

Other directorships

The Company has a policy of permitting the Executive Directors to hold external directorships in other companies provided these do not conflict with their duties to the Company David Deards has no such directorships Katherine Garrett Cox is a director of The Baring Foundation Alan Harden is a director of The Scottish Community Foundation, and its subsidiary SCF (Events) Limited and is a member of the Court of St Andrews University No remuneration is received for these appointments Janet Pope was a Director of The Rent Service, a member of the Department of Works and Pensions and a member of the Audit Committee of the Department of Communities and Local Government She was entitled to a payment of £4,000 per annum is repect of these appointments which she was entitled to retain as provided for under Company policy

All of the compensation elements detailed above are decided upon by the Remuneration Committee The members of the Remuneration Committee are all independent Non Executive Directors and during the year have been Christopher Masters, Gordon McQueen, Hugh Bolland and Clare Salmon None of these Directors have worked in an executive capacity for the Company and none have any financial interest, other than as shareholders, in the Committee's decisions The Chairman and the Chief Executive also attend but not as members and they are not present when their own remuneration is discussed

Non executive directors

Non Executive Directors only receive fees They do not receive a salary from the Company, nor are they entitled to bonuses, pension or share options Each Non Executive Director's appointment is governed by written terms which are available for inspection at the Company's registered office and are also available at the Annual General Meeting Non Executive Directors are initially appointed for a term of three years

The Remuneration Committee determines the Chairman's fees The Board (excluding the Non Executive Directors who take no part in the process) determines the Non Executive Directors' fees There has been no change in the fees paid to the Non Executive Directors since the review that took place in February 2007 The current annual fee for a Non Executive Director is £29,000 per annum, in addition to which fees are payable for Board Committee and subsidiary responsibilities

The fee of £75,000 payable to the Chairman includes service on committees and subsidiary boards

The Company and the Remuneration Committee take advice from independent consultants who advise on fees and issues of comparability between the Company and other similarly sized companies and companies operating in the same sector to ensure that the Non Executive Directors and Chairman are remunerated at a level which reflects the time commitment and responsibilities of the role

The Fees paid to the Non Executive Directors in the year are

£	2006-7[1]	2007 8
Hugh Bolland	–	19,833[4]
Lesley Knox	63,333	75,000
William Jack	30,500	12,167[6]
Christopher Masters	30,500	38,220[3]
Gordon McQueen	30,500	44,000[2]
Clare Salmon	28,166	31,500[5]

1 Actual 2006 7 is the consolidated figure for fees paid to the Directors in respect of Alliance Trust PLC and The Second Alliance Trust PLC

2 Includes £5,000 for chairing Audit Committee, £2,500 for membership of Remuneration Committee £5,000 for chairing Audit Committee of Alliance Trust Savings Limited £2,500 for non Executive Directorship of Alliance Trust Savings Limited)

3 Includes £5,000 for chairing Remuneration Committee, £2,500 for membership of Audit Committee and a pro rata amount based on an annual £2,500 as Senior Independent Director

4 Includes a pro rata amount based on an annual £2,500 for membership of Audit Committee and £2,500 for membership of Remuneration Committee

5 Includes £2,500 for membership of Remuneration Committee

6 Includes a pro rata amount based on an annual £2,500 as Senior Independent Director

Summary table of salary and benefits

£	Date of Contract	Salary 2008	Taxable Benefits	AESOP Share Incentive Plan	Annual Bonus	Other Payments	Total 2008	Total[1] 2007
Alan Harden	15 October 2003	349,637	788	843	96,250		447,518	324,775
David Deards	22 November 2002	189,803	787	843	54,625		246,058	174,596
Katherine Garrett Cox	20 April 2007	191,250[3]	16,316		87,497	708,513[5]	1,003,576	
Janet Pope	27 October 2006	229,935	455		37,375	35,689[4]	303,454	91,850[2]

Notes

1 This excludes remuneration paid to the directors by the Second Alliance Trust PLC in the period 1 February to 30 June 2006 In that period Alan Harden received salary of £29,896 and a bonus of £17,604 and David Deards received a salary of £16,042 and a bonus of £8,698

2 Last years figures are based on the Director being employed from November 2006 and therefore does not provide an annual comparative figure

3 The Director was appointed on 1 May 2007 therefore the payments reflect only the part year

4 This represents payments made to the Director in lieu of contributions to a pension plan

5 This represents relocation expenses incurred in the Director moving her principal residence to the Dundee area (£7 890), the initial payment made on her appointment (£700 000), and life insurance premiums (£623)

Directors' Shareholdings

Details of the shareholdings of all Directors together with details of shares acquired in the year are shown below Other than as part of the long term incentive arrangements described above the Company has issued no options to subscribe for shares

	As at 1/2/07 or date of appointment if later	As at 31/1/08 or date of retiral if earlier	Acquired between 31/1/08 and 9/4/08
Lesley Knox	97,791	101,020	712
Alan Harden	52,044	80,540	3,928
David Deards	47,729	55,787	687
Janet Pope	5,773	26,032	1,425
Katherine Garrett Cox	–	140,126	3,180
Hugh Bolland	10,000	10,000	
William Jack	18,745	18,745	
John Hylands	57,714	57,714	3,000
Christopher Masters	10,386	10,586	56
Gordon McQueen	3,749	3,749	
Clare Salmon	3,749	3,749	

Company performance graph

As required by law we include a graph showing the performance of the Company against a broad equity market index over the five year period ending 31 January 2008 The comparator used is the FTSE All Share Index, which reflects the sector in which the highest proportion by value of the Trust is invested

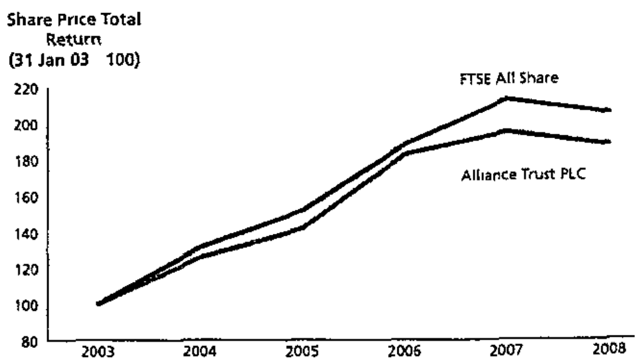
Audit Statement

The tables on pages 48 to 52 together with the related footnotes have been audited by the Company's Auditors whose report is on pages 54 and 55

The Directors' remuneration report has been approved by the Board and signed on its behalf by

Christopher Masters
Chairman of the Remuneration Committee
21 April 2008

Company Performance Graph



Source FactSet

Independent auditor's report

Independent auditor's report to the members of Alliance Trust PLC

We have audited the group and parent company financial statements (the "financial statements") of Alliance Trust PLC for the year ended 31 January 2008 which comprise the Consolidated and Company Income Statements, the Group and Company Balance Sheets, the Group and Company Cash Flow Statements, the Consolidated and Company Statements of Recognised Income and Expense, and the related notes These financial statements have been prepared under the accounting policies set out therein 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' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 44

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

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 and, as regards the group financial statements, Article 4 of the IAS Regulation We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, 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 other transactions is not disclosed

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, 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 risk and control procedures

We read the other information contained in the Annual 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 Our responsibilities do not extend to any other information

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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 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, in accordance with IFRSs as adopted by the EU, of the state of the group's and the parent company's affairs as at 31 January 2008 and of the group's and the parent company's loss for the year then ended,
- 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 and, as regards the group financial statements, Article 4 of the IAS Regulation, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
Edinburgh

21 April 2008

Financial statements

Consolidated income statement

For the year ended 31 January 2008

		2008			2007		
£000	**Notes**	**Revenue**	**Capital**	**Total**	**Revenue**	**Capital**	**Total**
Revenue	3						
Deposit interest		14,184		14,184	11,009		11,009
Dividend income		73,035		73,035	58,750		58,750
Mineral rights income		1,633		1,633	1,819		1,819
Rental income		4,016		4,016	1,906		1,906
Gains and losses on investments							
Loss on fair value designated investments unrealised			(2,255)	(2,255)		(54,243)	(54,243)
(Loss)/profit on fair value designated investments realised			(116,634)	(116,634)		201,655	201,655
(Loss)/profit on investment property held			(11,820)	(11,820)		1,861	1,861
Other operating income		9,331		9,331	7,763		7,763
Total revenue		102,199	(130,709)	(28,510)	81,247	149,273	230,520
Administrative expenses	4	(38,114)	(1,234)	(39,348)	(25,395)	(462)	(25,857)
Merger expenses						(2,461)	(2,461)
Finance costs	5	(5,727)	(2,681)	(8,408)	(3,199)	(1,224)	(4,423)
Foreign exchange gains/(losses)		28	1,786	1,814		(1,651)	(1,651)
Profit/(loss) before tax		58,386	(132,838)	(74,452)	52,653	143,475	196,128
Tax	6	(3,052)	274	(2,778)	(4,329)	367	(3,962)
Profit/(loss) for the period		55,334	(132,564)	(77,230)	48,324	143,842	192,166
Attributable to							
– Minority interest		(10)	(658)	(668)	(664)	202	(462)
– Equity holders of the parent		55,344	(131,906)	(76,562)	48,988	143,640	192,628
		55,334	(132,564)	(77,230)	48,324	143,842	192,166
Earnings/(loss) per share from continuing operations attributable to equity holders of the parent	8						
Basic (p per share)		8 25	(19 65)	(11 40)	8 08	23 70	31 78
Diluted (p per share)		8 24	(19 65)	(11 41)	8 08	23 70	31 78

Consolidated statement of recognised income and expense

	2008			2007		
£000	**Revenue**	**Capital**	**Total**	**Revenue**	**Capital**	**Total**
Income and expenses recognised directly in equity						
Defined benefit plan net actuarial gains	1,404		1,404	304		304
Retirement benefit obligations deferred tax	(399)		(399)	(131)		(131)
Profit/(loss) for the period	55,334	(132,564)	(77,230)	48,324	143,842	192,166
Total recognised income and expense for the period	56,339	(132,564)	(76,225)	48,497	143,842	192,339
Attributable to						
Minority interest	(10)	(658)	(668)	(664)	202	(462)
Equity holders of the parent	56,349	(131,906)	(75,557)	49,161	143,640	192,801
	56,339	(132,564)	(76,225)	48,497	143,842	192,339

Company income statement

For the year ended 31 January 2008

		2008			2007		
£000	Notes	Revenue	Capital	Total	Revenue	Capital	Total
Revenue	3						
Deposit interest		4,968		4,968	4,847		4,847
Dividend income		72,000		72,000	59,549		59,549
Mineral rights income		1,633		1,633	1,819		1,819
Rental income		4,016		4,016	1,906		1,906
Gains and losses on investments							
Loss on fair value designated investments unrealised			(11,293)	(11,293)		(55,894)	(55,894)
(Loss)/profit on fair value designated investments realised			(116,227)	(116,227)		201,680	201,680
(Loss)/profit on investment property			(11,820)	(11,820)		1,861	1,861
Other operating income		3		3			
Total revenue		82,620	(139,340)	(56,720)	68,121	147,647	215,768
Administrative expenses	4	(14,092)	(935)	(15,027)	(9,642)	(439)	(10,081)
Merger expenses						(2,461)	(2,461)
Finance costs	5	(1,354)	(2,681)	(4,035)	(622)	(1,224)	(1,846)
Foreign exchange gains/(losses)			1,786	1,786		(1,651)	(1,651)
Profit/(loss) before tax		67,174	(141,170)	(73,996)	57,857	141,872	199,729
Tax	6	(5,648)	274	(5,374)	(5,405)	367	(5,038)
Profit/(loss) for the period		61,526	(140,896)	(79,370)	52,452	142,239	194,691
Attributable to							
Equity shareholders		61,526	(140,896)	(79,370)	52,452	142,239	194,691
Earnings/(loss) per share from continuing operations attributable to equity shareholders	8						
Basic (p per share)		9 17	(20 99)	(11 82)	8 66	23 47	32 13
Diluted (p per share)		9 16	(20 99)	(11 83)	8 65	23 47	32 12

Company statement of recognised income and expense

	2008			2007		
£000	Revenue	Capital	Total	Revenue	Capital	Total
Income and expenses recognised directly in equity						
Defined benefit plan net actuarial gains	1,404		1,404	304		304
Retirement benefit obligations deferred tax	(399)		(399)	(131)		(131)
Profit/(loss) for the period	61,526	(140,896)	(79,370)	52,452	142,239	194,691
Total recognised income and expense for the period	62,531	(140,896)	(78,365)	52,625	142,239	194,864
Attributable to						
Equity shareholders	62,531	(140,896)	(78,365)	52,625	142,239	194,864

Balance sheets

As at 31 January 2008

		GROUP		COMPANY	
£000	Notes	2008	2007	2008	2007
Non current assets					
Investments held at fair value	9	**2,729,397**	2,538,385	**2,741,812**	2,550,524
Investment property	9	**80,100**	67,145	**80,100**	67,145
Property, plant and equipment	9				
Office premises		**3,884**	900	**3,884**	900
Other fixed assets		**36**	32	**5**	14
Intangible assets	11,12	**16,763**	14,808	**1,474**	1,514
Retirement benefit surplus	25	**1,617**	181	**1,617**	181
Deferred tax assets	13		1,162		
		2,831,797	2,622,613	**2,828,892**	2,620,278
Current assets					
Other receivables	14	**48,171**	29,643	**33,492**	14,572
Withholding tax debtor		**1,013**	871	**1,013**	871
Corporation tax debtor		**875**	2,312	**500**	
Cash and cash equivalents		**227,653**	346,571	**30,328**	208,647
		277,712	379,397	**65,333**	224,090
Total assets		**3,109,509**	3,002,010	**2,894,225**	2,844,368
Current liabilities					
Other payables	15	**(236,796)**	(155,194)	**(33,738)**	(10,979)
Tax payable			(1,473)	**(2,379)**	(1,559)
Bank overdrafts and loans	16	**(159,000)**	(5,188)	**(159,000)**	
		(395,796)	(161,855)	**(195,117)**	(12,538)
Total assets less current liabilities		**2,713,713**	2,840,155	**2,699,108**	2,831,830
Non current liabilities					
Deferred tax liabilities	13	**(1,546)**		**(168)**	(214)
Net assets		**2,712,167**	2,840,155	**2,698,940**	2,831,616
Equity					
Share capital	17	**16,798**	16,798	**16,798**	16,798
Capital reserves	18	**1,966,300**	2,096,078	**1,962,892**	2,106,487
Merger Reserve	18	**645,335**	645,335	**645,335**	645,335
Revaluation reserve	18	**608**		**608**	
Capital redemption reserve	18	**2,200**	2,200	**2,200**	2,200
Revenue reserves	18	**73,550**	73,454	**71,107**	60,796
Equity attributable to equity holders of the parent		**2,704,791**	2,833,865	**2,698,940**	2,831,616
Minority interest		**7,376**	6,290		
Total equity		**2,712,167**	2,840,155	**2,698,940**	2,831,616
Net Asset Value per ordinary share attributable to equity holders of the parent	19				
Basic (£)		**£4 03**	£4 22	**£4 02**	£4 22
Diluted (£)		**£4 03**	£4 22	**£4 02**	£4 21

The financial statements were approved by the board of directors and authorised for issue on 21 April 2008
They were signed on its behalf by

Lesley Knox
Chairman

Alan Harden
Director

Cash flow

For the year ended 31 January 2008

	GROUP		COMPANY	
£000	2008	2007	2008	2007
Cash flows from operating activities				
(Loss)/profit before tax	**(74,452)**	196,128	**(73,996)**	199,729
Adjustments for				
Losses/(gains) on investments	**130,709**	(149,273)	**139,340**	(147,647)
Foreign exchange (gains)/losses	**(1,814)**	1,651	**(1,786)**	1,651
Scrip dividends	**(311)**	(617)	**(311)**	(617)
Bond premium amortisation		222		
Depreciation	**45**	19	**9**	9
Amortisation of intangibles	**1,562**	177	**391**	28
Share based payment expense	**885**	372	**563**	292
Interest	**8,408**	4,423	**4,035**	1,846
Operating cash flows before movements in working capital	**65,032**	53,102	**68,245**	55,291
Increase in amounts due to depositors	**50,526**	36,661		
Decrease/(Increase) in receivables	**358**	(13,643)	**(34)**	(2,192)
Increase in payables	**10,613**	11,098	**2 296**	480
Net cash from operating activities before income taxes	**126,529**	87,218	**70,507**	53,579
Taxes recovered/(paid)	**(3,594)**	(4,760)	**(5,641)**	(4,178)
Net cash inflow from operating activities	**122,935**	82,458	**64,866**	49,401
Cash flows from investing activities				
Proceeds on disposal of fair value through profit and loss investments	**1,382,985**	870,835	**1,382,985**	865,266
Purchases of fair value through profit and loss investments	**(1,690,930)**	(645,326)	**(1,699,837)**	(643,751)
Cash and cash equivalents acquired through merger		23,596		23,596
Purchase of investment properties	**(24,775)**	(36,684)	**(24,775)**	(36,684)
Purchase of plant and equipment	**(49)**	(35)		(16)
Purchase of intangible assets	**(570)**	(4,536)	**(351)**	(1,368)
Purchases in respect of new head office	**(2,984)**		**(2,984)**	
Purchase of business and subsidiary undertaking		(224)		
Net cash (outflow)/inflow from investing activities	**(336,323)**	207,626	**(344,962)**	207,043
Cash flows from financing activities				
Dividends paid Equity	**(51,334)**	(50,136)	**(51,334)**	(50,136)
Purchase of own shares	**(3,640)**	(321)	**(3,640)**	(321)
New bank loans raised	**159,000**	5,188	**159,000**	
Repayment of borrowing	**(5,188)**	(54,837)		(54,837)
Minority interest investment in PATIF*	**2,226**	2,616		
Dividends (paid to) minority interest		(125)		
Interest payable	**(8,408)**	(4,423)	**(4,035)**	(1,846)
Net cash inflow/(outflow) from financing activities	**92,656**	(102,038)	**99,991**	(107,140)
Net (decrease)/increase in cash and cash equivalents	**(120,732)**	188,046	**(180,105)**	149,304
Cash and cash equivalents at beginning of period	**346,571**	160,176	**208,647**	60,994
Effect of foreign exchange rate changes	**1,814**	(1,651)	**1,786**	(1,651)
Cash and cash equivalents at end of period	**227,653**	346,571	**30,328**	208,647

* Premier Alliance Trust Investment Funds

Notes

1 General Information

Alliance Trust PLC was incorporated in the United Kingdom under the Companies Acts 1862 1886 The address of the registered office is given on page 88 The nature of the Group's operations and its principal activities are a global investment trust

The functional currency of the Group is sterling and these financial statements are presented in sterling because that is the currency of the primary economic environment in which the Group operates Foreign operations are included in accordance with the policies set out in note 2

Comparatives Merger with The Second Alliance Trust PLC

On 21 June 2006 the Company acquired The Second Alliance Trust PLC ("Second Alliance") for the consideration comprising the issue of new shares representing 25% of the Company's enlarged share capital Prior to the acquisition the Company had shared its cost base with the Second Alliance and the impact of the acquisition was to increase both the asset base of the Company and its costs by approximately one third

The Company accounted for this transaction as an acquisition of assets, principally the portfolio of Second Alliance In the comparable period for last year, income and costs prior to 21 June 2006 reflect those of the Company before the acquisition and after that date reflect those of the Company as enlarged by the Second Alliance

The revenue of the Company for the year ended 31 January 2007 totalled £68 1m Had the revenue of the Second Alliance Trust been included in this figure for the period from 1 February 2006 to 21 June 2006 the revenue of the Company would have increased by £10 4m to £78 5m

The expenses of the Company for the year ended 31 January 2007 totalled £10 1m Had the expenses of the Second Alliance Trust been included in this figure for the period from 1 February 2006 to 21 June 2006 the expenses of the Company would have increased by £1m to £11 1m

Critical Accounting Estimates and Judgements

The preparation of the financial statements necessarily requires the exercise of judgement both in application of accounting policies which are set out below and in the selection of assumptions used in the calculation of estimates These estimates and judgements are reviewed on an ongoing basis and are continually evaluated based on historical experience and other factors However, actual results may differ from these estimates The most significantly affected components of the financial statements and associated critical judgements are as follows

Valuation of unlisted investments

Investments which are not listed or which are not frequently traded are stated at Directors' best estimate of fair value In arriving at their estimate, the Directors make use of recognised valuation techniques and may take account of recent arm's length transactions in the same or similar investment instruments Where no reliable fair value can be estimated, investments may be carried at cost less any provision for impairment With respect specifically to investments in private equity, whether through funds or partnerships, the Directors rely on unaudited valuations of the underlying unlisted investments as supplied by the managers of those funds or partnerships The Directors regularly review the principles applied by the managers to those valuations to ensure they are in compliance with the above policies

Defined Benefit Scheme

The estimation of the expected cash flows used in the calculation of the defined benefit schemes' liabilities includes a number of assumptions around mortality, inflation rates applicable to defined benefits and the average expected service lives of the employees The Directors take advice from the Scheme Actuary when selecting these assumptions and when selecting the discount rate used to calculate the defined benefit scheme liabilities

2 Summary of Significant Accounting Policies

Changes in Accounting Policy

The only change in accounting policy in the period which amends the audited financial statements for the year ended 31 January 2007 is the decision by the Directors to include certain expenses connected with rental income and mineral rights in administrative expenses, rather than netted off against income No material changes in accounting policy are anticipated in the forthcoming financial statements for the year ended 31 January 2009

Basis of accounting

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union ("Adopted IFRSs")

The financial statements have been prepared on the historical cost basis, except that investments and investment properties are stated at fair value The principal accounting policies adopted are set out below Where presentational guidance set out in the Statement of Recommended Practice ('SORP') for investment trusts issued by the Association of Investment Companies ('AIC') in January 2003 as revised in December 2005 is consistent with the requirements of IFRS, then the directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP The Company allocates direct costs, including expenses incidental to the purchase and sale of investments and incentive awards deemed to be Performance Fees pursuant to the SORP against capital profits However, the Company does not comply with the recommendation of the SORP that either a proportion of all indirect expenditure or no indirect expenditure is allocated against capital profits The Company allocates indirect expenditure against revenue profits save that two thirds of the costs of bank indebtedness, an indirect cost, are allocated against capital profits The allocation of the costs of bank indebtedness reflects the long term return expected from the Company's investment portfolio and that if this cost was allocated only against revenue profits it could deter the Company from borrowing and adversely impact its overall investment objective of both revenue and capital growth

IFRS Applied

The following IFRS standards and IFRIC interpretations have been applied in the current financial year IFRS 7 'Financial Instruments Disclosures', the amendment to IAS 1 'Presentation of Financial Statements' on capital disclosure, IFRIC 7 'Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary economies', IFRIC 8 'Scope of IFRS 2 Share based Payment' IFRIC 9 'Reassessment of Embedded Derivatives' and IFRIC 10 'Interim Financial Reporting and Impairment'

There is no material financial impact arising from the application of these standards and interpretations The financial statements have been updated to include new disclosures arising from these standards and interpretations where appropriate

IFRS Not Yet Applied

The following standards and interpretations have been adopted by the European Union but are not effective for the year ended 31 January 2008 and have not been applied in preparing the financial statements

- IFRS 8 'Operating Segments' which is applicable for periods commencing on or after 1 January 2009 The application of this standard in 2008 would not have had any financial impact
- IFRIC 11 'Group and Treasury Share Transactions' which is effective for periods commencing on or after 1 March 2007 The application of this interpretation in 2008 would not have affected the Group consolidated financial statements because the interpretation deals with accounting for share based payments at subsidiary level At Company level no material adjustment arises since these costs are already recharged

The following standards and interpretations have not yet been adopted by the European Union, are not effective for the year ended 31 January 2008 and have not been applied in preparing the financial statements Where appropriate, disclosures will be revised in the financial statements in the year in which the standard or interpretation becomes applicable

- IAS 1 'Presentation of Financial Statements' which is effective for periods commencing on or after 1 January 2009 The application of this revised standard in 2008 would not have had any financial impact
- Revised IAS 23 'Borrowing Costs' which is applicable to borrowing costs related to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009 The application of this revised standard in 2008 would not have had a material impact on the financial statements
- IFRIC 12 'Service Concession Arrangements' which is effective for periods commencing on or after 1 January 2008 The application of this interpretation in 2008 would not have had a material impact on the financial statements
- IFRIC 13 'Customer Loyalty Programmes' which is effective for periods commencing on or after 1 July 2008 The application of this interpretation in 2008 would not have had a material impact on the financial statements
- IFRIC 14 'Defined Benefit Assets and Minimum Funding Requirements' which is effective for periods commencing on or after 1 January 2008 The Group will be assessing the Interpretation and whether it can recognise the current surplus and if appropriate will reflect the impact in the 2009 financial statements

The following standards have been issued during 2008, have not been endorsed by the European Union, are not effective for the year ended 31 January 2008 and have not been applied in preparing the financial statements

- IFRS 2 'Share based Payments' amendment on 'Vesting Conditions and Cancellations' which is effective for periods commencing on or after 1 January 2009
- Revised IFRS 3 'Business Combinations (2008)' and Revised IAS 27 'Consolidated and Separate Financial Statements (2008)' are effective for periods commencing on or after 1 July 2009
- Amendments to IAS 32 'Financial Instruments Presentation' and IAS 1 'Presentation of Financial Statements' – Puttable Financial Instruments and Obligations Arising on Liquidation are effective for periods commencing on or after 1 January 2009

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 January each year Control is achieved where the Company has the power to govern the financial and operating policies of an invested entity so as to obtain benefits from its activities All intra group transactions, balances, income and expenses are eliminated on consolidation

Segmental Analysis

No segmental analysis is provided as the requirements provided under IAS14 have not been met and the directors consider that the identified operating segments are immaterial in relation to the results of the group as a whole

Presentation of income statement

In order better to reflect the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the income statement between items of a revenue and capital nature has been presented alongside the income statement In accordance with the Company's status as a UK investment company under section 266 of the Companies Act 1985, net capital returns may not be distributed by way of dividend Additionally, the total revenue is the measure the directors believe appropriate in assessing the Company's compliance with certain requirements set out in Section 842 Income and Corporation Taxes Act 1988

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets and liabilities of the subsidiary, associate or jointly controlled entity at the date of the acquisition Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses Goodwill which is recognised as an asset is reviewed for impairment at least annually Any impairment is recognised immediately in profit or loss and is not subsequently reversed

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units expected to benefit from the synergies of the combination Cash generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit An impairment loss recognised for goodwill is not reversed in a subsequent period

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal

Goodwill arising on acquisitions before the date of transition to IFRSs has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal

Revenue Recognition

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established, normally the ex dividend date

Where the Group has elected to receive its dividends in the form of additional shares rather than cash, the amount of cash dividend foregone is recognised as income Any excess in the value of shares received over the amount of cash dividend foregone is recognised as a capital gain in the income statement

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount

Special dividends are treated as repayment of capital or as income depending on the facts of each particular case

Underwriting commission is recognised as earned

Savings and pension plan transaction charges and set up fees are accounted for on the date on which the underlying transaction occurs Annual charges are applied over the period to which they relate

Previously, certain expenses connected with rental income and mineral rights were netted off against that income The Directors have determined that these costs should be included in administrative expenses Prior year comparitives have been restated accordingly

Foreign currencies

Transactions in currencies other than sterling are recorded at the rates of exchange applicable to the dates of the transactions At each balance sheet date, monetary items and non monetary assets and liabilities that are fair valued and are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date Gains and losses arising on retranslation are included as capital net profit or loss for the period where investments are classified as fair value through profit or loss

Expenses

All expenses are accounted for on an accruals basis In respect of the analysis between revenue and capital items presented within the income statement, all expenses have been presented as revenue items except as follows

- Expenses which are incidental to the acquisition of an investment are included within the cost of that investment
- Expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment
- The Directors have determined to allocate annual bonus and Incentive Plan costs which relate to the achievement of investment manager performance objectives and total shareholder return performance objectives against capital profits and those that relate to the achievement of job performance objectives against revenue profits
- The Directors have determined to allocate two thirds of the cost of bank indebtedness incurred to finance investment against capital profits with the balance being allocated against revenue profits

Share based payments

The group operates three share based payment schemes, the All Employee Share Ownership Plan (AESOP), the Senior Management Equity Incentive Plan (SMEIP) and the Long Term Incentive Plan (LTIP) The cost of the AESOP is recognised as a revenue cost in the year The grant date fair value of options granted to employees under the SMEIP and LTIP is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options The amount recognised as an expense may be adjusted to reflect the actual number of share options that vest For share based compensation schemes settled by the Company a recharge equal to the cost during the period is made to subsidiary companies

Pension costs

Employer contributions to pension arrangements for staff are charged against revenue

Contributions in respect of defined benefit provision are calculated by reference to actuarial valuations carried out for the Trustees at intervals of not more than three years, and represent a charge to cover the accruing liabilities on a continuing basis

The asset recognised in the balance sheet in respect of the defined benefit plan is at the lower value of

- the fair value of the plan assets at the balance sheet date less the present value of the Company's defined benefit obligation, together with adjustments for unrecognised past service costs
- the total of any cumulative unrecognised net actuarial losses and past service cost plus the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan

Actuarial gains and losses are recognised in full in the period in which they occur through equity

Taxation

The Company carries on its business as an investment trust and conducts its affairs so as to qualify as such under the provisions of Section 842 of the Income and Corporation Taxes Act 1988

The tax expense represents the sum of the tax currently payable and deferred tax

The tax currently payable is based on taxable profit for the year Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date

In line with the recommendations of the SORP, the allocation method used to calculate tax relief on expenses presented against capital returns in the supplementary information in the income statement is the 'marginal basis' Under this basis, if taxable income is capable of being offset entirely by expenses presented in the revenue return column of the income statement, then no tax relief is transferred to the capital return column

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised Such assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other asset and liabilities in a transaction that affects neither the tax profit nor the accounting profit

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and where they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument The Group shall offset financial assets and financial liabilities if the Group has a legally enforceable right to set off the recognised amounts and interests and intends to settle on a net basis

IFRS 7 'Financial Instruments Disclosure' has been adopted for the first time The purpose of the standard is to introduce disclosure requirements on the significance of financial instruments to an entity's financial position and performance, the risks arising from these instruments, and how the entity manages those risks

Investments

Investments are recognised and derecognised on the trade date where a purchase or sale is under a contract whose terms require delivery within the timeframe established by the market concerned, and are initially measured at cost, including transaction costs

Investments are principally designated as fair value through profit and loss upon initial recognition Listed investments are measured at subsequent reporting dates at fair value, which is either the bid price or the last traded price, depending on the convention of the exchange on which the investment is quoted

Investments in property are initially recognised at cost and then valued at fair value with changes in fair value recognised through the income statement

In respect of unquoted instruments, or where the market for a financial instrument is not active, fair value is established by using valuation techniques, which may include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models Where there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, that technique is utilised Where no reliable fair value can be estimated for such unquoted equity instruments, they are carried at cost, subject to any provision for impairment

Investments in subsidiaries are valued at net asset value as the directors consider this to be the fair value of those entities

Gains and losses arising from changes in the fair value of investments are considered to be realised to the extent that they are readily convertible to cash in full at the balance sheet date without accepting adverse terms Fair value gains and losses on unlisted investments, subsidiaries and investment properties are not considered to be readily convertible to cash and are therefore treated as unrealised

Foreign exchange gains and losses for fair value designated investments are included within the changes in its fair value

Other receivables

Other receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts

Office premises

Office premises at Meadow House are shown at the valuation as at 31 May 2006 carried out by chartered surveyors on the basis of market 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 The Directors consider that the valuation as at 31 May 2006 is still appropriate at 31 January 2008

Construction of a new head office at 8 West Marketgait began in late 2007 The directors have valued the land and building work to 31 January 2008 at cost

Intangible assets

The external costs associated with the development and procurement of significant technology systems are capitalised when it is probable that the expected future economic benefit of that system will flow to the entity They are stated at cost less accumulated amortisation On the completion of each project amortisation is charged so as to write off the value of these assets over periods up to five years

Customer contracts

Customer contracts are stated at cost less accumulated amortisation They are being amortised so as to write off the value of these contracts over a period of twenty years

Motor vehicles and other fixed assets

Motor vehicles and certain other fixed assets are held at cost less accumulated depreciation, which is charged to write off the value of the asset over three years

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities

Bank borrowings

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis to the income statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise

Other payables

Other payables are not interest bearing and are stated at their nominal value

Realised and Unrealised Capital Reserves

The Institute of Chartered Accountants in England and Wales (ICAEW) in its technical guidance TECH 7/(20)03 as amended by TECH 2/(20)07 state that profit or loss arising out of a change in fair value of assets should be considered to be realised where the change recognised can be readily converted into cash Investments listed on a recognised stock exchange are generally regarded as readily convertible into cash and therefore prior year unrealised gains on such investments have been moved from Capital Reserve (Realised) to Capital Reserve (Unrealised) by way of a current year transfer in note 18

A description of each the reserves follows

Capital Reserve (Realised)

Gains and losses on realisation of investments, changes in fair value investments which are readily convertible to cash and realised exchange differences of a capital nature are dealt with in this reserve Purchases of shares by the EBT and fair value cost of share based payments which are capital in nature are also dealt with in this reserve

Capital Reserve (Unrealised)

Changes in fair value of investments that are not readily convertible to cash and the amounts by which other assets and liabilities valued at fair value differ from their book value are also dealt with in this reserve

Revaluation Reserve

This reserve is used to record changes in the valuation of the Company's office premises

Merger Reserve

This reserve was created as part of the arrangements for the acquisition of the assets of Second Alliance Trust PLC

Capital Redemption Reserve

This reserve was created on the cancellation of share capital as part of the arrangements for the acquisition of the assets of Second Alliance Trust PLC

Revenue Reserves

Net revenue profits and losses of the Company and its subsidiaries and the fair value costs of share based payments which are revenue in nature are dealt with in this reserve

3 Revenue

An analysis of the Group's revenue is as follows

	GROUP		COMPANY	
£000	**2008**	**2007**	**2008**	**2007**
Investment income				
Listed dividends – UK*	**47,057**	37,822	**45,763**	36,995
Unlisted dividends – Subsidiaries*			**1,000**	2,400
Unlisted dividends – UK*		27		27
Listed dividends – Overseas*	**24,903**	19,490	**24,903**	19,490
Unlisted dividends – Overseas*	**23**	20	**23**	20
Interest on fixed income securities*	**741**	774		
Scrip dividends*	**311**	617	**311**	617
Property income	**4,016**	1,906	**4,016**	1,906
Mineral rights income	**1,633**	1,819	**1,633**	1,819
Deposit interest	**14,184**	11,009	**4,968**	4,847
Other operating income				
Commission			**3**	
Savings and pension plan charges	**8,288**	7,545		
Other income	**1,043**	218		
	102,199	81,247	**82,620**	68,121
Total investment and other operating income comprises				
Dividend income	**72,294**	57,976	**72,000**	59,549
Interest on fixed income securities	**741**	774		
Deposit interest	**14,184**	11,009	**4,968**	4,847
Other income	**14,980**	11,488	**5,652**	3,725
	102,199	81,247	**82,620**	68,121
Investment income comprises				
Listed investments	**73,012**	58,703	**70,977**	57,102
Unlisted investments	**5,672**	3,557	**6,672**	5,957
	78,684	62 260	**77,649**	63,059

* Designated at fair value through profit and loss on initial recognition

4 Profit from operations is stated after charging the following administrative expenses

	GROUP			GROUP		
£000	2008 Revenue	2008 Capital	2008 Total	2007 Revenue	2007 Capital	2007 Total
Directors' remuneration	2,374	475	2,849	1,138	65	1,203
Staff costs	13,549	759	14,308	12,412	397	12,809
Social security costs	1,752		1,752	1,254		1,254
Regular pension contributions DB scheme	968		968	1,038		1,038
Regular pension contributions DC scheme	850		850	767		767
Auditors remuneration						
Fee payable to the auditor for the audit of the Company's annual accounts	31		31	25		25
Fee payable to the auditor and its associates for other services						
The audit of the Company's subsidiaries pursuant to legislation	60		60	31		31
Other services pursuant to legislation	30		30	6		6
Services relating to corporate finance transactions	3		3		90	90
Fees in respect of the Alliance Trust Companies pension scheme audit	3		3	3		3
	127		127	65	90	155

	COMPANY			COMPANY		
£000	2008 Revenue	2008 Capital	2008 Total	2007 Revenue	2007 Capital	2007 Total
Directors' remuneration	1,818	375	2,193	863	51	914
Staff costs	4,505	560	5,065	3,617	388	4,005
Social security costs	794		794	405		405
Regular pension contributions – DB scheme	553		553	460		460
Regular pension contributions DC scheme	215		215	176		176
Contribution received from Alliance Trust Savings				(209)		(209)
Auditors remuneration						
Fee payable to the auditor for the audit of the Company's annual accounts	31		31	25		25
Fee payable to the auditor and its associates for other services						
Other services pursuant to legislation	26		26	2		2
Services relating to corporate finance transactions	3		3		90	90
Fees in respect of the Alliance Trust Companies pension scheme audit	1		1	3		3
	61		61	30	90	120

Details of directors' remuneration are given on pages 46 to 53 At 31 January 2008, the Group employed 292 (276) full time and 18 (21) part time staff, excluding directors Prior to the merger, staff costs were shared with The Second Alliance Trust PLC

Prior to 31 January 2007, other than the Executive Directors and one Senior Manager, all employees within the Group were either employed on a joint employment contract between variously the Company, Second Alliance Trust, Alliance Trust Savings and Alliance Trust Finance, or were employed directly by Alliance Trust Savings Therefore no figure is disclosed for number of staff employed by the Company

The Company calculates its total expense ratio ('TER') by dividing total management and administration expenses by its year end net asset value On this basis the management and administration expenses of the Company amounted to £15,027,000 (£10,081,000) representing 0 56% (0 36%) of the year end attributable net asset value of £2,698,940,000 (£2,831,616,000)

The cost of insured benefits for staff including executive directors is included in other expenses

The pro forma TER, calculated by taking the total managment and administrative expenses of the Company and The Second Alliance Trust PLC for the year to 31 January 2007, was 0 39%

5 Finance Costs

£000	GROUP 2008 Revenue	2008 Capital	2008 Total	GROUP 2007 Revenue	2007 Capital	2007 Total
Interest payable						
Payable to depositors	4,365		4,365	2,572		2,572
Bank loans and overdrafts	1,362	2,681	4,043	627	1,224	1,851
Total finance costs	5,727	2,681	8,408	3,199	1,224	4,423

£000	COMPANY 2008 Revenue	2008 Capital	2008 Total	COMPANY 2007 Revenue	2007 Capital	2007 Total
Interest payable						
Bank loans and overdrafts	1,354	2,681	4,035	622	1,224	1,846
Total finance costs	1,354	2,681	4,035	622	1,224	1,846

6 Taxation

£000	GROUP 2008 Revenue	2008 Capital	2008 Total	GROUP 2007 Revenue	2007 Capital	2007 Total
UK corporation tax at 30% (30%)	3,970	(850)	3,120	2,995	(367)	2,628
Indian capital gains tax		576	576			
Prior year adjustment	(500)		(500)			
Overseas taxation	3,272		3,272	2,804		2,804
	6,742	(274)	6,468	5,799	(367)	5,432
Relief for overseas taxation	(3,052)		(3,052)	(2,804)		(2,804)
	3,690	(274)	3,416	2,995	(367)	2,628
Deferred taxation (note 13)	(638)		(638)	1,334		1,334
	3,052	(274)	2,778	4,329	(367)	3,962

Corporation tax is calculated at 30% (30%) of the estimated assessable profit for the year

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions

The charge for the year can be reconciled to the profit per the income statement as follows

£000	GROUP 2008 Revenue	2008 Capital	2008 Total	2008 %	GROUP 2007 Revenue	2007 Capital	2007 Total	2007 %
Profit/(loss) before tax	58,386	(132,838)	(74,452)		52,653	143,475	196,128	
Tax at the UK corporation tax rate of 30% (30%)	17,516	(39,851)	(22,335)	30%	15,796	43,043	58,839	30%
Indian capital gains tax payable		576	576	(1%)				
Non taxable UK dividend income	(14,130)		(14,130)	19%	(12,003)		(12,003)	(6%)
Realised (gains)/losses on investments		34,990	34,990	(47%)		(59,620)	(59,620)	(30%)
Decrease in appreciation on assets held		4,223	4,223	(6%)		15,715	15,715	8%
Prior year adjustment	(500)		(500)	1%				
Foreign exchange gains		(536)	(536)	1%		495	495	0%
Effect of change in tax rate	(79)		(79)	0%				
Adjustments arising on the difference between taxation and accounting treatment of income and expenses	245	324	569	(1%)	536		536	0%
Tax expenses and effective tax rate for the year	3,052	(274)	2,778	(4%)	4,329	(367)	3,962	2%

£000	COMPANY 2008 Revenue	2008 Capital	2008 Total	COMPANY 2007 Revenue	2007 Capital	2007 Total
UK corporation tax at 30% (30%)	6,373	(850)	5,523	5,231	(367)	4,864
Indian Capital Gains Tax		576	576			
Prior year adjustment	(500)		(500)			
Overseas taxation	3,272		3,272	2,804		2,804
	9,145	(274)	8,871	8,035	(367)	7,668
Relief for overseas taxation	(3,052)		(3,052)	(2,804)		(2,804)
	6,093	(274)	5,819	5,231	(367)	4,864
Deferred taxation (note 13)	(445)		(445)	174		174
	5,648	(274)	5,374	5,405	(367)	5,038

Corporation tax is calculated at 30% (30%) of the estimated assessable profit for the year

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions

The charge for the year can be reconciled to the profit per the income statement as follows

£000	COMPANY 2008 Revenue	2008 Capital	2008 Total	2008 %	COMPANY 2007 Revenue	2007 Capital	2007 Total	2007 %
Profit/(loss) before tax	67,174	(141,170)	(73,996)		57,857	141,872	199,729	
UK corporation tax payable at 30% (30%)	20,152	(42,351)	(22,199)	30%	17,357	42,561	59,918	30%
Indian capital gains tax		576	576	(1%)				
Non taxable UK dividend income	(14,044)		(14,044)	19%	(12,003)		(12,003)	(6%)
Realised (gains)/losses on investments		34,868	34,868	(47%)		(59,634)	(59,634)	(30%)
Decrease in appreciation on assets held		6,934	6,934	(9%)		16,211	16,211	8%
Foreign exchange gains		(536)	(536)	1%		495	495	0%
Effect of change in tax rate	20		20	0%				
Prior year adjustment	(500)		(500)	1%				
Adjustments arising on the difference between taxation and accounting treatment of income and expenses	20	235	255	0%	51		51	0%
Tax expenses and effective tax rate for the year	5,648	(274)	5,374	(7%)	5,405	(367)	5,038	3%

7 Dividends

£000	2008	2007
Final dividend for the year ended 31 January 2006 of 3 70p		18,646
Third interim dividend for the year ended 31 January 2007 of 1 95p (nil) per share	13,099	
First interim dividend for the year ended 31 January 2008 of 1 90p (3 75p) per share	12,745	18,895
Second interim dividend for the year ended 31 January 2008 of 1 90p (1 875p)per share	12,745	12,595
Third interim dividend for the year ended 31 January 2008 of 1 90p per share	12,745	
	51,334	50,136

We also set out below the total dividend payable in respect of the financial year, which is the basis on which the requirements of Section 842 of the Income and Corporation Taxes Act 1988 are considered

First interim dividend for the year ended 31 January 2008 of 1 90p per share (3 75p)	12,745	18,895
Second interim dividend for the year ended 31 January 2008 of 1 90p per share (1 875p)	12,745	12,595
Third interim dividend for the year ended 31 January 2008 of 1 90p per share (1 95p)	12,745	13,099
Fourth interim dividend for the year ended 31 January 2008 of 2 20p per share	14,758	
	52,993	44,589

8 Earnings per share

From continuing operations

The calculation of the basic and diluted earnings per share is based on the following data

	GROUP			GROUP		
	2008 Revenue	2008 Capital	2008 Total	2007 Revenue	2007 Capital	2007 Total
Ordinary shares						
Earnings for the purposes of basic earnings per share being net profit attributable to equity holders of the parent (£000)	**55,344**	**(131,906)**	**(76,562)**	48,988	143,640	192,628
Number of shares						
Weighted average number of ordinary shares for the purposes of basic earnings per share			**671,113,244**			606,026,834
Weighted average number of ordinary shares for the purposes of diluted earnings per share			**671,909,760**			606,121,882

	COMPANY			COMPANY		
	2008 Revenue	2008 Capital	2008 Total	2007 Revenue	2007 Capital	2007 Total
Ordinary shares						
Earnings for the purposes of basic earnings per share being net profit attributable to equity shareholders (£000)	**61,526**	**(140,896)**	**(79,370)**	52,452	142,239	194,691
Number of shares						
Weighted average number of ordinary shares for the purposes of basic earnings per share			**671,113,244**			606,026,834
Weighted average number of ordinary shares for the purposes of diluted earnings per share			**671,909,760**			606,121,882

The weighted average number of ordinary shares is arrived at by taking account of 1,108,624 (162,939) ordinary shares acquired by the Trustee of The Employee Benefit Trust with funds provided by the Company

IAS 33 41 requires that shares should only be treated as dilutive if they decrease earnings per share or increase the loss per share The earnings/(loss) per share figures on the income statements reflect this

9 Non current Assets

£000	GROUP 2008	GROUP 2007	COMPANY 2008	COMPANY 2007
Investments designated at fair value through Profit and Loss				
Investments listed on a recognised investment exchange	**2,691,274**	2,515,749	**2,591,713**	2,406,562
Investment in collective investment schemes			**71,689**	72,296
Unlisted investments	**38,123**	22,636	**38,123**	22,636
Related and subsidiary companies (note 10)			**40,287**	49,030
	2,729,397	2,538,385	**2,741,812**	2,550,524
Investment property	**80,100**	67,145	**80,100**	67,145
	2,809,497	2,605,530	**2,821,912**	2,617,669

2007

£000	GROUP Investments	GROUP Investment Property	GROUP Unlisted Investments	GROUP Total
Opening book cost as at 1 February 2006	1,274,548	20,307	3,713	1,298,568
Opening unrealised appreciation	716,693	(807)	9,789	725,675
Opening valuation	1,991,241	19,500	13,502	2,024,243
Movements in the period				
Bond Premium Amortisation	(222)			(222)
Purchases at cost*	648,961	36,684	7,508	693,153
Sales – proceeds*	(872,934)		(2,917)	(875,851)
– realised gains on sales	201,059		596	201,655
Merger – Second Alliance	601,206	9,100	1,794	612,100
Increase/(decrease) in unrealised appreciation	(53,562)	1,861	2,153	(49,548)
Closing valuation	2,515,749	67,145	22,636	2,605,530
Closing book cost	1,850,519	66,091	10,695	1,927,305
Closing unrealised appreciation	665,230	1,054	11,941	678,225
Closing valuation as at 31 January 2007	2,515,749	67,145	22,636	2,605,530

2008

£000	GROUP Investments	GROUP Investment Property	GROUP Unlisted Investments	GROUP Total
Opening book cost as at 1 February 2007	1,850,519	66,091	10,695	1,927,305
Opening unrealised appreciation	665,230	1,054	11,941	678,225
Opening valuation	2,515,749	67,145	22,636	2,605,530
Movements in the period				
Purchases at cost*	1,701,873	24,775	15,382	1,742,030
Sales – proceeds*	(1,407,964)		(914)	(1,408,878)
– realised gains on sales	199,659		145	199,804
Increase/(decrease) in appreciation on assets held	(318,043)	(11,820)	874	(328,989)
Closing valuation	2,691,274	80,100	38,123	2,809,497
Closing book cost	2,344,087	90,866	25,308	2,460,261
Closing appreciation/(depreciation) on assets held	347,187	(10,766)	12,815	349,236
Closing valuation as at 31 January 2008	2,691,274	80,100	38,123	2,809,497

2007	COMPANY				
£000	Investments	Investment Property	Related and Subsidiary companies	Unlisted Investments	Total
Opening book cost as at 1 February 2006	1,237,053	20,307	27,900	3,713	1,288,973
Opening unrealised appreciation	715,472	(807)	14,333	9,789	738,787
Opening valuation	1,952,525	19,500	42,233	13,502	2,027,760
Movements in the period					
Purchases at cost*	642,198	36,684	713	7,508	687,103
Sales – proceeds*	(866,477)		(475)	(2,917)	(869,869)
– realised gains on sales	201,084			596	201,680
Merger – Second Alliance	601,206	9,100	13,542	1,794	625,642
Increase/(decrease) in unrealised appreciation	(51,678)	1,861	(6,983)	2,153	(54,647)
Closing valuation	2,478,858	67,145	49,030	22,636	2,617,669
Closing book cost	1,815,062	66,091	41,680	10,695	1,933,528
Closing unrealised appreciation	663,796	1,054	7,350	11,941	684,141
Closing valuation as at 31 January 2007	2,478,858	67,145	49,030	22,636	2,617,669

2008	COMPANY				
£000	Investments	Investment Property	Related and Subsidiary companies	Unlisted Investments	Total
Opening book cost as at 1 February 2007	1,815,062	66,091	41,680	10,695	1,933,528
Opening unrealised appreciation	663,796	1,054	7,350	11,941	684,141
Opening valuation	2,478,858	67,145	49,030	22,636	2,617,669
Movements in the period					
Purchases at cost*	1,701,873	24,775	3,066	15,382	1,745,096
Sales – proceeds*	(1,400,957)			(914)	(1,401,871)
– realised gains on sales	198,642			145	198,787
Increase/(decrease) in appreciation on assets held	(315,014)	(11,820)	(11,809)	874	(337,769)
Closing valuation	2,663,402	80,100	40,287	38,123	2,821,912
Closing book cost	2,314,620	90,866	44,746	25,308	2,475,540
Closing appreciation/(depreciation) on assets held	348,782	(10,766)	(4,459)	12,815	346,372
Closing valuation as at 31 January 2008	2,663,402	80,100	40,287	38,123	2,821,912

* Expenses incidental to the purchase or sale of investments are included within the purchase cost or deducted from the sale proceeds These expenses amount to £6,925,000 (£2,885,000)

A geographical analysis of the investment portfolio by broad industrial or commercial sector is given on page 9 This is unaudited A list of the 20 largest investments in the portfolio is given on page 13

The investment properties were valued as at 31 December 2007 by DTZ Tie Leung on the basis of market value The valuation was in accordance with RICS Appraisal and Valuation Standards DTZ Tie Leung have confirmed that in their opinion the valuation at 31 January 2008 is unchanged from this figure The historic cost of the investment properties is £90,866,000 (£66,091,000)

£000	GROUP 2008	GROUP 2007	COMPANY 2008	COMPANY 2007
Office Premises Freehold/Heritable Property				
Closing valuation	**900**	900	**900**	900

J & E Shepherd, Chartered Surveyors, valued the office premises at 31 May 2006 at £900,000 on the basis of market value The valuation was in accordance with RICS Appraisal and Valuation Standards The Directors consider that the valuation as at 31 May 2006 is still appropriate at 31 January 2008 The historic cost of the office premises is £292,000

£000	GROUP 2008	GROUP 2007	COMPANY 2008	COMPANY 2007
New office premises under construction				
Closing valuation	**2,984**		**2,984**	

Construction of a new head office at 8 West Marketgait began in late 2007 and is scheduled to be completed in 2009 The directors have valued the land and building work to date at cost as at 31 January 2008

£000	GROUP	COMPANY
Other Fixed Assets		
Opening book cost at 1 February 2006	24	10
Additions	35	16
Book cost at 31 January 2007	59	26
Additions	49	
Book cost at 31 January 2008	108	26
Opening depreciation at 1 February 2006	8	3
Depreciation charge	19	9
Depreciation at 31 January 2007	27	12
Depreciation charge	45	9
Depreciation at 31 January 2008	72	21
Net book value at 31 January 2007	32	14
Net book value at 31 January 2008	36	5

10 Subsidiaries

The results of the following subsidiary companies and partnerships are consolidated in the Group accounts

Name	Shares held	Country of incorporation	Principal Activity
Alliance Trust Savings Limited ('ATS')	Ordinary	Scotland	Deposit taking, provision and administration of investment and pension products
Alliance Trust (Finance) Limited ('ATF')	Ordinary	Scotland	Asset holding
ATS Trust Corporation Limited ('ATSTC')	Ordinary	England	Trustee
Alliance Trust Pensions Limited ('ATP')	Ordinary	England	Pension trustee
Alliance Trust Leasing Limited ('ATL')	Ordinary	Scotland	Inactive
AT2006 Limited ('AT2006')	Ordinary	Scotland	Intermediate holding company
Second Alliance Trust Limited ('SATL')	Ordinary	Scotland	Inactive
Second Alliance Leasing Limited ('SAL')	Ordinary	Scotland	Leasing
Alliance Trust Real Estate Partners (GP) Limited ('ATREP')	Ordinary	Scotland	General Partner
Alliance Trust Real Estate Partners LP		Scotland	Limited Partnership
AT Asset Management (Asia Pacific) Limited ('ATAM')	Ordinary	Hong Kong	Investment management
Alliance Trust Asset Management Limited ('ATAM UK')	Ordinary	Scotland	Investment management
Alliance Trust Services Limited ('ATSL')	Ordinary	Scotland	Employment services
Alliance Trust Equity Partners (Holdings) Limited ('ATEP')	Ordinary	Scotland	Intermediate holding company
Alliance Trust Equity Partners Limited ('ATEPL')	Ordinary	Scotland	Investment management
Albany Venture Managers GP Limited ('AVMGP')	Ordinary	Scotland	General Partner
Albany Ventures GP 1 Limited ('AVGP1')	Ordinary	Scotland	General Partner

At 31 January 2008 the Company owned 100% of ATS, ATF, AT2006, SAL, ATREP, ATAM, ATAM (UK) and ATEP

ATF owns 100% of ATL, ATS owns 100% of ATP and ATSTC, AT2006 owns 100% of SATL, ATEP owns 100% of ATEPL, AVMGP and AVGP1

The company has seeded Premier Alliance Trust Investment Funds Limited ('PATIF'), a UK domiciled Open Ended Investment Company At 31 January 2008 it owned 89 9% (92 5%) of the Company and as such has to consolidate PATIF and account for minority interest

The investment in subsidiary companies is valued in the Company's accounts at £40,286,784 (£49,030,000) being the net asset value of the Company's equity interests taking into account securities at fair value

The following subsidiary companies are not consolidated in the Group Accounts

Name	Shares held	Country of incorporation	Principal Activity
Allsec Nominees Limited	Guarantee	Scotland	Nominee
Alliance Trust Savings Nominees Limited	Guarantee	Scotland	Nominee

The reports and accounts of all subsidiary companies are delivered to the Registrar of Companies

Acquisition of Albany Venture Managers (Holdings) Limited

On 21 November 2006 Alliance Trust PLC acquired the entire share capital of Albany Venture Managers (Holdings) Limited for a total consideration of £555,000 The transaction has been accounted for by the purchase method of accounting

£000	Book value at acquisition	Fair value adjustments	Fair value
Net assets acquired			
Fixed assets Plant & equipment	3	–	3
Current assets Debtors and Bank	524	–	524
Current liabilities Creditors and deferred income	(269)	–	(269)
Net assets acquired	258	–	258
Goodwill on acquisition		–	297
			555
Satisfied by			
Cash	–	–	555

Goodwill arose on the acquisition The goodwill reflects future income from recurring contracts and employee intellectual capital, which are not separately identifiable intangible assets in accordance with International Financial Reporting Standards

11 Goodwill

£000	GROUP
Cost	
At 1 February 2006	6,127
Recognised on acquisition of a subsidiary	297
At 31 January 2007	6,424
Adjustments in respect of prior period acquisitions	2,947
At 31 January 2008	9,371
Accumulated Impairment Losses	
At 1 February 2006	
At 31 January 2007	
At 31 January 2008	
Carrying Amount	
At 1 February 2006	6,127
At 31 January 2007	6,424
At 31 January 2008	9,371

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination Before recognition of impairment losses, the carrying amount of goodwill has been allocated as follows

£000	2008	2007
Alliance Trust Pensions Limited	9,074	6,127
Alliance Trust Equity Partners (Holdings) Limited	297	297
	9,371	6,424

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired

The recoverable amounts of the CGUs are determined from value in use calculations The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period Management estimates discount rates using pre tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs

The growth rates are based on industry growth forecasts Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market

The group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows for the following five years based on an estimated growth rate of 5% (5%) This rate does not exceed the average long term growth rate for the relevant markets

The rate used to discount the forecast cash flows is 12 5% (12 5%)

The results of the impairment review using the above assumptions indicate that the carrying value of the goodwill is recoverable There is therefore no impairment loss for the year (nil)

12 Other intangible assets

	GROUP			COMPANY
£000	Technology systems	Customer contracts	Total	Technology systems
Opening book cost at 1 February 2006	1,981	2,110	4,091	197
Additions	4,536		4,536	1,368
Book cost at 31 January 2007	6,517	2,110	8,627	1,565
Additions	570		570	351
Book cost at 31 January 2008	7,087	2,110	9,197	1,916
Opening amortisation as at 1 February 2006	(66)		(66)	(23)
Amortisation	(72)	(105)	(177)	(28)
Amortisation as at 31 January 2007	(138)	(105)	(243)	(51)
Amortisation	(1,421)	(141)	(1,562)	(391)
Amortisation as at 31 January 2008	(1,559)	(246)	(1,805)	(442)
Carrying amount as at 31 January 2007	6,379	2,005	8,384	1,514
Carrying amount as at 31 January 2008	5,528	1,864	7,392	1,474

13 Deferred Tax

The following are the major deferred tax liabilities and assets recognised by the Group and Company and movements thereon during the current and prior reporting period

GROUP

£000	Customer Contracts	Goodwill	Retirement benefit obligations	Share based payments	Accelerated Tax Depreciation	Tax losses	Total
At 1 February 2006 – asset/(liability)		2,095	77		54	401	2,627
Income statement – DT (charge)		(759)			(174)	(401)	(1,334)
Equity – DT (charge)			(131)				(131)
At 1 February 2007 – asset/(liability)		1,336	(54)		(120)		1,162
Adjustment in respect of prior period acquisitions	(602)	(2,345)					(2,947)
Income statement DT credit	42			377	629	478	1,526
Income statement – DT (charge)		(967)					(967)
Equity – DT (charge)			(431)				(431)
Effect of change in tax rate							
– income statement	38	132		(25)	(34)	(32)	79
– equity			32				32
At 31 January 2008 asset/(liability)	(522)	(1,844)	(453)	352	475	446	(1,546)

At the balance sheet date, the Group had unused tax losses of £1 6m (£nil) available for offset against future profits A deferred tax asset has been recognised in respect of £1 6m (£nil) of such losses

COMPANY

£000	Accelerated tax depreciation	Retirement benefit obligations	Share based payments	Total
At 1 February 2006	14	77		91
Income statement – DT (charge)	(174)			(174)
Equity – DT (charge)		(131)		(131)
At 1 February 2007 – asset/(liability)	(160)	(54)		(214)
Income statement – DT credit	208		257	465
Equity – DT (charge)		(431)		(431)
Effect of change in tax rate				
– income statement	(3)		(17)	(20)
– equity		32		32
At 31 January 2008 asset/(liability)	45	(453)	240	(168)

At the balance sheet date, the Company had no unused tax losses (£nil) available for offset against future profits

14 Other Financial Assets

	GROUP		COMPANY	
£000	2008	2007	2008	2007
Other receivables				
Amounts receivable from equity instruments	5,409	2,985	2,886	2,985
Other income receivable	775	9,280		
Amounts receivable in respect of sales of investments awaiting settlement	29,038	10,152	29,038	10,152
Amount due from subsidiary company			555	973
Other debtors	12,949	7,226	1,013	462
	48,171	29,643	33,492	14,572

The directors consider that the carrying amount of other receivables approximates to their fair value

15 Other Payables

	GROUP		COMPANY	
£000	2008	2007	2008	2007
Amounts due to depositors	176,989	126,463		
Amount payable in respect of purchases of investments awaiting settlement	28,623	8,160	28,623	8,160
Amount due to subsidiary company			615	164
Other creditors	31,184	20,571	4,500	2,655
	236,796	155,194	33,738	10,979

16 Bank Overdrafts and Loans

	GROUP		COMPANY	
£000	2008	2007	2008	2007
Bank overdraft		5,188		
Bank loans repayable within one year	159,000		159,000	
	159,000	5,188	159,000	
Analysis of borrowings by currency				
Bank loans – Sterling	159,000		159,000	
The weighted average % interest rates paid				
Bank loans	6 15%		6 15%	
The directors estimate the fair value of the borrowings				
Bank loans	159,000		159,000	

17 Share Capital

£000	2008	2007
Authorised		
– 720,000,000 ordinary shares of 2 5p each	18,000	18,000
Allotted, called up and fully paid		
– 671,909,760 ordinary shares of 2 5p each	16,798	16,798

The Company has one class of ordinary share which carries no right to fixed income

The Employee Benefit Trust holds 1,108,624 (162,939) ordinary shares, acquired by the Trustee of the Employee Benefit Trust on behalf of the Company

Capital Management Policies and Procedures

The Company allocates capital across asset classes to enhance and preserve total returns in order to achieve the investment objectives set out on page 8

This is undertaken by ALICo within parameters set by the Board

The Group's financial services subsidiaries comply with the capital requirements of their relevant regulators, including the new Capital Requirements Directive

18 Reserves

GROUP

£000	Share Capital	Capital Reserve (Realised)	Capital Reserve (Unrealised)	Revaluation Reserve	Capital Merger Reserve	Redemption Reserve	Revenue Reserves	Minority Interest	Total
Net Assets at 31 January 2006	12,600	1,225,388	726,668			2,200	71,060	14,078	2,051,994
Dividend paid							(50,136)		(50,136)
Net profit/(loss) for year		196,411	(52,771)				48,988	(462)	192,166
Merger	4,198	202			645,335		3,367	(13,616)	639,486
Own shares purchased		(321)							(321)
Pension Scheme Financing		304							304
SMEIP reserve movement		197					175		372
Premier Alliance Trust Investment Funds ('PATIF')								6,290	6,290
Net Assets at 31 January 2007	16,798	1,422,181	673,897		645,335	2,200	73,454	6,290	2,840,155
Current year transfers		663,436	(659,518)	608			(4,054)	(472)	
Dividend paid							(51,334)		(51,334)
Unclaimed dividends							100		100
Net profit/(loss) for year		(119,071)	(12,835)				55,344	(668)	(77,230)
Own shares purchased		(3,640)							(3,640)
Pension Scheme Financing		1,005							1,005
SMEIP/LTIP reserve movement		845					40		885
Premier Alliance Trust Investment Funds ('PATIF')								2,226	2,226
Net assets at 31 January 2008	16,798	1,964,756	1,544	608	645,335	2,200	73,550	7,376	2,712,167

COMPANY

£000	Share Capital[1]	Capital Reserve (Realised)[1]	Capital Reserve (Unrealised)[1]	Revaluation Reserve[1]	Capital Merger Reserve[1]	Redemption Reserve[1]	Revenue Reserves	Total
Net Assets at 31 January 2006	12,600	1,225,141	738,947			2,200	58,334	2,037,222
Dividend paid							(50,136)	(50,136)
Net profit/(loss) for year		196,273	(54,034)				52,452	194,691
Merger	4,198				645,335			649,533
Own shares purchased		(321)						(321)
Pension Scheme Financing		304						304
SMEIP reserve movement		177					146	323
Net Assets at 31 January 2007	16,798	1,421,574	684,913		645,335	2,200	60,796	2,831,616
Current year transfers		663,796	(664,404)	608				
Dividend paid							(51,334)	(51,334)
Unclaimed dividends							100	100
Net profit/(loss) for year		(117,783)	(23,113)				61,526	(79,370)
Own shares purchased		(3,640)						(3,640)
Pension Scheme Financing		1,005						1,005
SMEIP/LTIP reserve movement		544					19	563
Net assets at 31 January 2008	16,798	1,965,496	(2,604)	608	645,335	2,200	71,107	2,698,940

[1] These reserves are not distributable

19 Net Asset Value per Ordinary Share

The calculation of the net asset value is based on the following

£000		GROUP 2008	GROUP 2007	COMPANY 2008	COMPANY 2007
Equity shareholder funds		**2,704,791**	2,833,865	**2,698,940**	2,831,616
Number of shares at period end	Basic	**670,801,136**	671,746,821	**670,801,136**	671,746,821
Number of shares at period end	Diluted	**671,909,760**	671,909,760	**671,909,760**	671,909,760

The number of ordinary shares has been reduced by 1,108,624 (162,939) ordinary shares held by the Trustee of the Employee Benefit Trust in order to arrive at the Basic figures above

20 Related Party Transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note

Prior to the merger the affairs of the Group were managed in conjunction with those of The Second Alliance Trust PLC and its subsidiary company Second Alliance Leasing ('SAL') Although the parent companies were not controlled by common shareholders, the composition of the board of each company was the same and for the purposes of International Accounting Standard 24 the companies were regarded as related parties, requiring disclosure of material, mutual transactions

ATF purchased goods and services on behalf of the Group and recharged these costs directly to the companies that these costs relate to During the year, the Company reimbursed ATF £5,793,000 (£6,403,000) in respect of such costs while ATS reimbursed ATF £10,474,000 (£9,258,000)

Transactions with Key Management Personnel

For the purposes of IAS 24 'Related Party Disclosures', key management personnel comprise the members of the Chief Executive Group (see page 41 for members) and the non executive directors of the Company Their remuneration and other compensation is summarised below

£000	COMPANY 2008	COMPANY 2007
Total emoluments	**2,043**	967
Post retirement benefits	**133**	113
Equity compensation benefits	**391**	65

Other related party transactions are not material to either party

Total emoluments in 2008 include the sum of £955,000 in connection with the appointment of a new director

21 Analysis of change in net funds

GROUP

£000	2006	Cash flow	Exchange gains/(losses)	2007	Cash flow	Exchange gains/(losses)	2008
Cash at bank and in hand	6,393	7,617		14,010	89,984		**103,994**
Bank deposits	153,783	180,429	(1,651)	332,561	(210,716)	1,814	**123,659**
Bank loans and overdraft	(54,837)	49,649		(5,188)	(153,812)		**(159,000)**
	105,339	237,695	(1,651)	341,383	(274,516)	1,786	**68,653**

COMPANY

£000	2006	Cash flow	Exchange gains/(losses)	2007	Cash flow	Exchange gains/(losses)	2008
Cash at bank and in hand	4,677	14,181		18,858	1,238		**20,096**
Bank deposits	56,317	135,123	(1,651)	189,789	(181,343)	1,786	**10,232**
Bank loans and overdraft	(54,837)	54,837			(159,000)		**(159,000)**
	6,157	204,141	(1,651)	208,647	(339,105)	1,786	**(128,672)**

22 Financial commitments

Financial commitments of the Company as at 31 January 2008, which have not been accrued, amounted to £71,302,451 (£37,032,030) in respect of uncalled subscriptions in investments structured as limited liability partnerships

This is the maximum amount that the Company may be required to invest The Company may choose not to fulfil individual commitments but may suffer a penalty should it do so, the terms of which vary between investments

23 Financial instruments and Risk

The Directors' Report details the Company's approach to investment risk management on pages 32 and 33 and the accounting policies on pages 60 to 64 explain the basis on which currencies and investments are valued for accounting purposes

No derivatives were used All assets and liabilities are carried at fair value, with the exception of the Company's debenture and preference stocks

Risk management policies and procedures

As an investment trust the Company invests in equities, investment property, private equity, and its subsidiary businesses for the long term in order to achieve the investment objectives set on page 8 In pursuing these objectives the Company is exposed to a variety of risks that could result in a reduction in the Company's net assets or a reduction in the profits available for payment as dividends

The principal financial instruments at risk comprise those in the Company's investment portfolio and this note addresses these risks below The Group has certain additional risks, and these are detailed in the appropriate sections below

These risks and the directors' approach to managing them are set out below under the following headings market risk (comprising currency risk, interest rate risk, and other price risk), liquidity risk, and credit risk

The Group has a risk management framework in place which is described in detail on pages 32 and 33 The objectives, policies and processes for managing the risks, and the methods used to measure the risks have not changed from the previous accounting period

23 1 Market Risk

Market risk embodies the potential for both losses and gains and includes currency risk (see note 23 2), interest rate risk (see note 23 3) and price risk (see note 23 4) Market risk is managed on a regular basis by the Asset Liability and Income Committee ("ALICo") The purpose of this Executive Committee is to manage the capital of the company within parameters set by the Directors on investment and asset allocation strategies and risk

The Company's strategy on investment risk is outlined in our statement of investment objectives and policy on page 8

Details of the investment portfolio at the balance sheet date are disclosed on pages 9 to 23

In the course of 2007 the Board has approved a derivatives policy but no derivatives transactions had been entered into as at the balance sheet date

23 2 Currency Risk

Some of the group's assets, liabilities and transactions are denominated in currencies other than its functional currency of sterling Consequently the group is exposed to the risk that movements in exchange rates may affect the sterling value of those items

The group's currency holdings and gains/losses are reviewed regularly by the Directors, and the currency risk is managed on a regular basis by ALICo within parameters set by the Directors on investment and asset allocation strategies and risk

At the reporting date the group had the following currency exposures

Currency Exposure (Group)

£000	Overseas investments 2008	Net monetary assets 2008	Total currency exposure 2008	Overseas investments 2007	Net monetary assets 2007	Total currency exposure 2007
US dollar	398,364	472	398,836	332,892	14,703	347,595
Euro	448,344	5,675	454,019	266,763	54,663	321,426
Yen				163,793	33,936	197,729
Other non sterling	329,781	16,771	346,552	334,542	14,593	349,135
	1,176,489	22,918	1,199,407	1,097,990	117,895	1,215,885

Currency Exposure (Company)

£000	Overseas investments 2008	Net monetary assets 2008	Total currency exposure 2008	Overseas investments 2007	Net monetary assets 2007	Total currency exposure 2007
US dollar	398,364	472	398,836	332,892	14,703	347,595
Euro	448,344	5,675	454,019	266,763	54,663	321,426
Yen				163,793	33,936	197,729
Other non sterling	329,781	15,008	344,789	334,542	14,394	348,936
	1,176,489	21,155	1,197,644	1,097,990	117,696	1,215,686

Sensitivity analysis

If the pound had strengthened by 5% relative to all currencies on the reporting date, with all other variables held constant, the income statement and the net assets attributable to equity holders of the parent would have decreased by the amounts shown below The analysis is performed on the same basis for 2007

	GROUP		COMPANY	
£000	2008	2007	2008	2007
Income Statement				
Revenue return	(1,337)	(1,011)	(1,335)	(1,011)
Capital return	(58,824)	(54,900)	(58,824)	(54,900)
Net Assets	(60,161)	(55,911)	(60,159)	(55,911)

A 5% weakening of the pound against the above currencies would have resulted in an equal and opposite effect on the above amounts, on the basis that all other variables remain constant

23 3 Interest Rate Risk

The group is exposed to interest rate risk in a number of ways A movement in interest rates may affect the fair value of investments in fixed interest rate securities, income receivable on cash deposits and interest payable on variable rate borrowings

The Company does not generally hold significant cash balances It finances part of its activities through borrowings at levels which are approved and monitored by the Board The possible effects on fair value and cash flows as a result of an interest rate change are taken into account when making investment or borrowing decisions

The Company has a financial services subsidiary, Alliance Trust Savings Ltd, which holds client deposits and pays interest on these This subsidiary has detailed risk management policies, with treasury and cash management undertaken within a framework of banking policies These banking policies cover credit risk, counterparty exposure, capital adequacy and liquidity The Alliance Trust Savings Management Team reviews interest rate risk on a regular basis

The following table details the group's and Company's exposure to interest rate risks

	GROUP		COMPANY	
£000	2008	2007	2008	2007
Exposure to floating interest rates				
Cash at Bank	227,653	346,571	30,328	208,647
Bank Overdraft		(5,188)		
Bank loans	(159,000)		(159,000)	
	68,653	341,383	(128,672)	208,647

Sensitivity analysis

If interest rates had decreased by 5% on the reporting date, with all other variables held constant, the income statement and the net assets attributable to equity holders of the parent would have decreased by the amounts shown below The analysis is performed on the same basis for 2007

	GROUP		COMPANY	
£000	2008	2007	2008	2007
Income Statement				
Revenue return	(709)	(550)	(248)	(240)
Capital return				
Net Assets	(709)	(550)	(248)	(240)

An interest rate increase of 5% would have resulted in equal and opposite effects on the above amounts, on the basis that all other variables remain constant

	GROUP		COMPANY	
£000	2008	2007	2008	2007
Exposure to fixed interest rates				
Investments at fair value				
Preference shares	38,098	44,707	22,842	26,649
Gilts	10,480	17,124		
	48,578	61,831	22,842	26,649

Preference shares are all in the UK financial sector and are included in the other price risk section below as that is considered to be more relevant for these instruments If gilt yields had decreased by 100 basis points as at the reporting date, with all other variables held constant, the income statement and the net assets attributable to equity holders of the parent would have increased by the amounts shown below The analysis is performed on the same basis for 2007

	GROUP		COMPANY	
£000	2008	2007	2008	2007
Income Statement				
Revenue return				
Capital return	38	165		
Net Assets	38	165		

A gilt yield increase of 100 basis points would have resulted in an equal and opposite effect on the above amounts, on the basis that all other variables remain constant

23 4 Other price risk

Other price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from currency risk or interest rate risk), whether caused by factors specific to an individual investment or its issuer, or by factors affecting all instruments traded in that market

As the majority of the group's financial assets are carried at fair value with fair value changes recognised in the income statement, all changes in market conditions will directly affect investment income and net assets

The directors manage price risk by having a suitable investment objective for the Company The board reviews this objective and investment performance regularly The risk is managed on a regular basis by ALICo within parameters set by the Directors on investment and asset allocation strategies and risk

As mentioned in Note 23 1 above, ALICo now also has the ability to use derivatives to manage other price risk No derivative transactions had been entered into before the balance sheet date

Concentration of exposure to other price risks

An analysis of the Company's investment portfolio is shown on page 9 This shows that the majority of the investments value is in UK companies, with significant amounts also in Europe and North America The analysis on page 9 also shows the concentration of investments in various sectors

The following table details the group's exposure to market price risk on its quoted and unquoted equity investments

£000	GROUP 2008	GROUP 2007	COMPANY 2008	COMPANY 2007
Fixed Asset Investments at Fair Value through Profit & Loss				
Listed	2,691,274	2,515,749	2,663,402	2,478,858
Unlisted	38,123	22,636	38,123	22,636
Related and Subsidiary Companies			40,287	49,030
Property	80,100	67,145	80,100	67,145
	2,809,497	2,605,530	2,821,912	2,617,669

Sensitivity analysis

93 5% of the Company's investment portfolio is listed on stock exchanges If share prices had increased by 3% at the reporting date with all other variables remaining constant, the income statement and the net assets attributable to equity holders of the parent would have increased by the amounts shown below

£000	GROUP 2008	GROUP 2007	COMPANY 2008	COMPANY 2007
Income Statement				
Revenue return				
Capital return	80,738	75,472	79,902	74,365
Net Assets	80,738	75,472	79,902	74,365

A 3% decrease in share prices would have resulted in an equal and opposite effect on the above amounts, on the basis that all other variables remain constant

23 5 Credit Risk

Credit risk is the risk that counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the group

This risk is managed as follows

- Investment transactions are carried out with a number of well established, approved brokers
- Investment transactions are done on a cash against receipt or cash against delivery basis

The group also minimises credit risk through banking polices which restrict deposits to highly rated financial institutions (Moodys Aa3 or above) The policies also set maximum exposure to individual banks

None of the group's financial assets are secured by collateral or other credit enhancements The carrying amounts of financial assets best represent the maximum credit risk exposure at the reporting date

At the reporting date, the group's financial assets exposed to credit risk were as follows

£000	GROUP 2008	GROUP 2007	COMPANY 2008	COMPANY 2007
Credit Rating				
Aaa	31,402	49,000	16,402	40,000
Aa1	15,000	83,934		44,754
Aa2	154,510	147,156	13,671	123,793
Aa3	26,741	66,104	255	
A2		377		100
	227,653	346,571	30,328	208,547
Average maturity	22 days	58 days	1 day	3 days

At the reporting date the Group was invested in gilts per the table below

£000	GROUP 2008	GROUP 2007	COMPANY 2008	COMPANY 2007
Gilts	10,480	17,124		
Average maturity	175 days	452 days		

The Company's UK listed equities are held in CREST, and its overseas listed equities are held by Bank of New York as custodian Bankruptcy or insolvency of the custodian may cause the group's rights with respect to securities held by the custodian to be delayed or limited

Other than outlined above there were no significant concentrations of credit risk to counterparties at the reporting date
No individual investment exceeded 3% of net assets attributable to equity holders of the parent

23 6 Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting its obligations associated with financial liabilities

This is not a significant risk for the Company as the majority of its assets are investments in quoted equities that are readily realiseable It also has the ability to take out borrowings, which give it access to additional funding when required At the balance sheet date it had a committed multi currency facility of £100m (£94m drawn) and an uncommitted multi currency facility of £150m (£15m drawn) with Royal Bank of Scotland, and a committed multi currency facility of £50m (£50m drawn) with Royal Bank of Scotland Finance (Ireland) At 31 January 2007 it had a committed multi currency facility of £100m (nil drawn) and an uncommitted multi currency facility of £100m (nil drawn) with Royal Bank of Scotland

At the reporting date the Group's financial services subsidiary, Alliance Trust Savings Ltd, held client deposits of £177 0m (£126 4m) These deposits are placed with various financial institutions as per note 23 5 above

23 7 Gearing Risk

This is the risk that the movement in the fair value of the asset of the Company is amplified by any gearing that the Company may have

The exposure to this risk and the sensitivity analysis is detailed below

	GROUP		COMPANY	
£000	2008	2007	2008	2007
Investments after gearing	2,809,497	2,605,530	2,821,912	2,617,669
Gearing	(159,000)		(159,000)	
Investments before gearing	2,650,497	2,605,530	2,662,912	2,617,669

Sensitivity analysis

If net assets before gearing had decreased by 3% as at the reporting date, with all other variables held constant, the income statement and the net assets attributable to equity holders of the parent would have further decreased by the amounts shown below The analysis is performed on the same basis for 2007

	GROUP		COMPANY	
£000	2008	2007	2008	2007
Income Statement				
Revenue return				
Capital return	(4,770)		(4,770)	
Net Assets	(4,770)		(4,770)	

A 3% increase in net assets before gearing would have resulted in an equal and opposite effect on the above amounts, on the basis that all other variables remain constant

24 Share Based Payments

The Group operates three share based payment schemes

All Employee Share Ownership Plan ('AESOP')

AESOP performance targets are set annually and dependent upon their achievement all employees may receive up to £3,000 of shares, this amount is pro rated for part time employees Individuals receive these shares free of all restrictions after a period of 5 years For the year to 31 January 2008 awards of £843 75 (£1,312 50) per person will be made The maximum cost of all awards for the year to 31 January 2008 will be £149,259 (£193,619) of which the Company will pay £43,333 (£64,342) and the Group £149,259 (£193,619)

Senior Management Equity Incentive Plan ('SMEIP')

The group formerly operated the SMEIP as a discretionary plan for executive directors and senior managers At least half of the participants' annual bonus was applied to purchase shares in the Company to be held in an Employee Benefit Trust ('EBT') A matching award over shares in the Company was made to the participant, with vesting at the end of the three year deferral period dependent upon the achievement of targets based on the total shareholder return ('TSR') of the Company compared to a peer group of other investment trusts, and for senior managers (but not Executive Directors) individual performance targets Following approval of the new Long Term Incentive Plan in May 2007, no further awards will be made under the SMEIP However awards previously made remain subject to the rules of the SMEIP

As part of the merger arrangements with The Second Alliance Trust PLC, participants in the 2005 SMEIP for that company were offered replacement matching awards in Alliance Trust PLC which are subject to the same terms and conditions as the awards that they replaced Further details can be found in the Directors' Remuneration Report (pages 46 53)

The prior year comparative figues in the following paragraph all refer to the SMEIP

Long Term Incentive Plan ('LTIP')

The LTIP was approved by the Company's shareholders at its Annual General Meeting on 24 May 2007 and replaces the SMEIP Like the SMEIP, it is a discretionary plan for executive directors and senior managers The LTIP comprises two elements firstly it provides for the grant of matching awards based on the proportion of annual bonus applied by participants in the purchase of shares in the Company and held by the EBT, and secondly it provides for the grant of performance awards Both awards, granted over shares in the Company, vest either in full or in part at the end of the three year performance period subject to the TSR meeting pre defined targets

In the year to 31 January 2008 participating employees applied a proportion of their annual cash bonuses for the year ended 31 January 2007 to purchase 103,711 (67,700) Company shares at a price of £3 8625 (£3 78) per share Matching awards of up to 197,928 (140,360) shares, and performance awards of up to 1,015,637 (nil) were granted

Matching awards and performance awards made during the year were valued at £266,807 (£290,703) and £1,233,659 (nil) respectively The fair value of the awards granted during the period was calculated using a binomial methodology The assumptions used were a share price of £3 8625, share price volatility of 12 3% (based on 3 year volatility to 1 February 2007), dividend yield of 2 03%, risk free interest rate of 5%, growth in RPI of 3% per annum, and forfeiture of nil

In addition to the foregoing plans, matching awards of 434,338 shares were granted (based on her investment in Alliance Trust shares) to Katherine Garrett Cox in connection with her appointment as Chief Investment Officer of the Company Those awards were made at the same time as, and otherwise on the same terms to, matching awards granted under the LTIP The awards were valued at £585,488 based on the assumptions referred to in the foregoing paragraph

The cumulative charge to the income statement during the year for the cost of the SMEIP and LTIP awards referred to above was £613,748 (£142,541) for the Company and £885,242 (£203,614) for the Group Per IFRS 2 the costs of matching awards for each plan are expensed over the three year performance period

Movements in options

Movements in options granted under the SMEIP and LTIP are as follows

	GROUP 2008		GROUP 2007	
£000	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at 1 February	265,855	£0 00	77,410	£0 00
2AT Replacement Options		£0 00	53,328	£0 00
Granted during year	1,647,903	£0 00	140,360	£0 00
Exercised during year		£0 00		£0 00
Forfeited during year	(9,252)	£0 00	(5,243)	£0 00
Expired during year		£0 00		£0 00
Outstanding at 31 January	1,904,506	£0 00	265,855	£0 00
Exercisable at 31 January		£0 00		£0 00

25 Pension Scheme

The Group sponsors two pension arrangements

The Alliance Trust Companies' Pension fund (the 'Scheme') is a funded defined benefit pension scheme which is now closed to new entrants Members continue to accrue benefits under the Scheme

Employees who joined the Group pursuant to an offer made after 1 March 2005 are not entitled to join the scheme but are entitled to receive contributions into their own Self Invested Personal Pension ('SIPP') provided by Alliance Trust Savings Limited

The disclosures which follow relate to the defined benefit pension scheme and reflect the December 2004 amendment to IAS 19

Participating Employers

Prior to 31 January 2007 the participating employers were the Company, The Second Alliance Trust PLC, Alliance Trust Savings Limited and Alliance Trust (Finance) Limited, (together, the 'Participating Employers') On 31 January 2007 the Participating Employers ceased to participate and a new company, Alliance Trust Services Limited, became the sole Participating Employer The Company has guaranteed the pension obligations of Alliance Trust Services Limited

Valuation and Contributions

The last full actuarial valuation of this scheme was carried out by a qualified independent actuary as at 1 April 2006 although for the purpose of these calculations the results of the 1 April 2006 valuation have been updated on an approximate basis to 31 January 2008 Valuations are on the projected unit credit method

The contributions made by the Participating Employers over the financial year have been £968,000 (2007 £1,038,000) The level of contribution was reviewed following the triennial valuation of the scheme as at 1 April 2006 and agreed as 27 6% of pensionable salaries

Reconciliation of opening and closing balances of the present value of the defined benefit obligation

£000	Year ending 31 January 2008	Year ending 31 January 2007
Defined benefit obligation at start of year	20,691	19,437
Current service cost	1,129	1,290
Interest cost	1,086	956
Actuarial (gain)	(1,703)	(749)
Benefits paid	(2,134)	(243)
Defined benefit obligation at end of year	19,069	20,691

The Group has no unfunded pension obligations

Reconciliation of opening and closing balances of the fair value of plan assets

£000	Year ending 31 January 2008	Year ending 31 January 2007
Fair value of assets at start of year	20,872	19,099
Expected return on assets	1,279	1,161
Actuarial (losses)	(299)	(183)
Contributions by employer	968	1,038
Benefits paid	(2,134)	(243)
Fair value of assets at end of year	20,686	20,872

Total expense recognised in income statement

£000	Year ending 31 January 2008	Year ending 31 January 2007
Current service cost	1,129	1,290
Interest on pension scheme liabilities	1,086	956
Expected return on pension scheme assets	(1,279)	(1,161)
Total expense	936	1,085

Gains(losses) recognised in statement of recognised income and expense

£000	Year ending 31 January 2008	Year ending 31 January 2007
Difference between expected and actual return on scheme assets		
Amount	(299)	(183)
Percentage of scheme assets	(1%)	(1%)
Experience gains and losses arising on the scheme liabilities		
Amount	56	(357)
Percentage of present value of scheme liabilities	0%	(2%)
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities		
Amount	1,647	1,106
Percentage of present value of scheme liabilities	9%	5%
Total amount recognised in statement of recognised income and expense		
Amount	1,404	566
Percentage of present value of scheme liabilities	7%	3%

Assets

£000	Year ending 31 January 2008	Year ending 31 January 2007	Year ending 31 January 2006
Equities	9,197	10,610	10,268
Bonds	10,563	9,462	8,391
Other	926	800	440
	20,686	20,872	19,099

The assets are held independently of the assets of the Group in funds managed by the insurer of the scheme

None of the fair values of the assets shown above include any of the Group's own financial instruments or any property occupied by, or other assets used by, the Group

Expected long term rates of return

The expected long term return on cash is equal to bank base rates at the balance sheet date The expected return on bonds is determined by reference to UK long dated gilt and bond yields at the balance sheet date The expected rate of return on equities and property have been determined by setting an appropriate risk premium above gilt/bond yields having regard to market conditions at the balance sheet date

The expected long term rates of return are as follows

	31 January 2008 % per annum	31 January 2007 % per annum	31 January 2006 % per annum
Equities	7 20	7 50	7 00
Bonds	4 40	5 00	4 75
Other	6 00	5 00	4 50
Overall for scheme	5 72	6 27	5 94

Actual return on plan assets

The actual return on the plan assets over the year ending 31 January 2008 was 4%

Assumptions

	31 January 2008 % per annum	31 January 2007 % per annum	31 January 2006 % per annum
Inflation	3 35	3 25	3 00
Salary increases	4 35	4 25	4 00
Rate of discount	6 00	5 25	4 75
Allowance for pension in payment increases of RPI or 5% p a if less	3 35	3 25	3 00
Allowance for revaluation of deferred pensions of RPI or 5% p a if less	3 35	3 25	3 00

The Mortality assumptions adopted at 31 January 2008 imply the following life expectancies from age 65

	Years
Male currently age 45	23 10
Female currently age 45	25 30
Male currently age 65	22 00
Female currently age 65	24 90

Present values of defined benefit obligations, fair value of assets and deficit

£000	Year ending 31 January 2008	Year ending 31 January 2007	Year ending 31 January 2006
Present value defined benefit obligation	19,069	20,691	19,437
Fair value of plan assets	20,686	20,872	19,099
Surplus/(Deficit) in scheme	1,617	181	(338)

In accordance with custom and practice since the establishment of the scheme in 1949, contributions to the scheme were made by the Company and the Second Alliance Trust PLC in the ratio of 75 25 to the extent that they were not met by the other Participating Employers, which were in any event owned by the Company and the Second Alliance Trust PLC in the same proportions The Company had a formal arrangement with the Second Alliance Trust PLC to share the benefit of any surpluses and the liability of any deficits in the ratio of 75 25 The cumulative amount of actuarial gains and losses recognised in the statement of recognised income and expenses of the Company since adoption of IAS19 is a gain of £2,004,000

All actuarial gains and assets are recognised immediately

Best estimate of contributions to be paid to plan for the year ending 31 January 2009

The best estimate of contributions to be paid to the plan for the year ending 31 January 2009 is £1,020,000 (£1,100,000), being 27 6% (27 6%) of total pensionable salaries of Scheme members who remained in active employment at 31 January 2008

Amounts for the current and previous four years

£000	2008	2007	2006	2005	2004
Fair value of assets	**20,686**	20,872	19,099	15,265	13,046
Defined benefit obligation	**19,069**	20,691	19,437	15,652	12,365
Surplus (deficit) in plan	**1,617**	181	(338)	(387)	681
Experience adjustment on plan liabilities	**56**	(357)	(125)	(135)	1,169
Experience adjustment on plan assets	**(299)**	(183)	2,028	577	1,303
Effects of changes in the demographic and financial assumptions underlying the present value of the plan liabilities	**1,647**	1,106	(1,869)	1,528	262

Information for shareholders

Incorporation

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

The Company's Register of Members is held at Computershare Investor Services PLC, Lochside House, 7 Lochside Avenue, Edinburgh Park, Edinburgh EH12 9DJ

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 investor@alliancetrust co uk

For security and compliance monitoring purposes telephone calls may be recorded

Investor Relations

Our Head of Investor Relations can be contacted at our registered office (detailed above)

Our website www alliancetrust co uk contains information about the Company, including daily price, net asset value and discount information The Investor Centre section of the website contains the terms of reference of the Audit, Remuneration and Nomination Committees

Registrars

Our registrars are

Computershare Investor Services PLC
PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 7NH

Change of address notifications and registration enquiries for shareholdings registered in your own name should be sent to the Company's registrars at the above address, who should also be contacted if you would like dividends on shares registered in your own name to be sent to your bank or building society account You may check your holdings and view other information about Alliance Trust shares registered in your own name at **www computershare com**

Data Protection

The Company is a data controller as defined under the Data Protection Act 1998 Information received from or about shareholders 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 shares 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 alliancetrust co **uk/ec htm** which will provide you with a link to our registrars' website

Taxation

If you are in any doubt about your liability to tax arising from a shareholding 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 shares 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 The Registrar will send a consolidated tax voucher to members after the January quarterly dividend is paid

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 shares prior to 31 March 1982, the cost of those shares for capital gains tax purposes may be based on the price of the share on that date The market value of each Alliance Trust PLC ordinary 25p share on that date was £2 85 which, when adjusted for the split on a 10 for 1 basis on 21 June 2006, gives an equivalent value of £0 285 per share The market value of each Second Alliance Trust PLC ordinary 25p share on 31 March 1982 was £2 35 Holders of Second Alliance Trust PLC shares received 8 7453 ordinary 2 5p shares for each 25p ordinary share they held on 20 June 2006 and are treated as though they acquired these shares at the same time and at the same cost as the Second Alliance Trust shares they previously held This gives an equivalent value of £0 269 per share

Risks

If you wish to acquire shares in the Company, you should take professional advice as to whether an investment in our shares is suitable for you You should be aware that

- Investment should be made for the long term
- The price of a share will be affected by supply and demand for it on the London Share 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 Company ('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 share, 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 a guide to the future What you get back will depend on investment performance You may not get back the amount you invest

Our events give us the opportunity to meet and hear from our shareholders and clients, and are a great occasion to get an update on what's happening at Alliance Trust You can meet senior representatives from the Company including Alan Harden, our Chief Executive, and other key members of our team, and learn about our products and services There will be many opportunities during the day to ask questions

Annual General Meeting

The 120th Annual General Meeting of the Company will be held at 11 00am on Friday 23 May 2008 at the Hilton Hotel, Dundee The Notice of Meeting detailing the business of the meeting is sent to all shareholders

Financial Calendar

Proposed dividend payment dates for the financial year to 31 January 2009

31 July 2008
31 October 2008
30 January 2009
30 April 2009

Investor Forums

We are pleased to announce that we will be holding three investor presentations during 2008 around the UK

12 June 2008	Cadbury House Hotel, Bristol, BS49 5AD
30 September 2008	De Vere Wychwood Park, Crewe, CW2 5GP
5 November 2008	Inchyra Grange, Falkirk, FK2 0YB

To book your place(s) simply call us on 01382 573737 or email events@alliancetrust co uk giving us your name and address and telling us which forum you would like to attend

Investor Forum in Crieff 2007