alliancetrust

Report and Accounts

for the year ended 31 January 2009

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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.

Company Performance

	31 January 2009	31 January 2008	Change
Company statistics			
Net Asset Value (basic)	**316.8p**	402.3p	(21.2%)
Net Asset Value (diluted)	**315.9p**	401.7p	(21.4%)
Share price†	**268.0p**	338.0p	(20.7%)
Dividend	**8.0p**	7.9p	1.3%
Special Dividend	**0.5p**	-	
Total Expense Ratio (TER)	**0.70%**	0.54%	
Discount to basic Net Asset Value	**15.4%**	16.0%	
Indices			
FTSE All-Share Index†	**2,078.92**	3,000.10	(30.7%)
FTSE All-World Index†	**139.89**	180.46	(22.5%)

	1 Year	3 Years	5 Years
Performance (Total Return)			
Share Price†	(18.5%)	(17.2%)	16.8%
FTSE All-Share Index†	(27.8%)	(21.2%)	12.7%
FTSE All-World Index†	(20.2%)	(14.0%)	17.8%

	1 Year	3 Years	5 Years
Performance Relative to Peer Group* (Total Return)			
Ranking**	11/42	15/37	22/32

This year the Company has amended its basis for calculating its TER (see note 4 on page 64).

† Source: FactSet

* The Peer Group consists of the companies in the AIC Global Growth and Global Growth and Income sectors and is listed in full on page 48

** Sources: Thomson Financial, Fundamental Data, AIC and Cazenove

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Chairman's Statement

The Trust takes a long term view of investment and the benefits of this philosophy are never more apparent than in difficult market conditions.

2008 has been one of the most testing periods in Alliance Trust's history.

The market turbulence I described last year has continued unabated as the effects of the financial crisis continue to unfold. The inescapable conclusion is that we are in a period of recession from which the timing and speed of recovery are uncertain.

Despite this challenging environment, I am pleased to report that Alliance Trust succeeded in delivering an improved performance relative to our peer group in 2008. The Trust takes a long term view of investment and the benefits of this philosophy are never more apparent than in difficult market conditions.

The defensive positioning of our portfolio ensured that we were less exposed than others to the financial sector and cyclical industries and we maintained a high cash weighting as conditions worsened. Both of these factors contributed to our increasingly strong performance during the year.

To steer the Company through these difficult times, in addition to her responsibilities as Chief Investment Officer which she assumed in 2007, your Board was delighted to appoint Katherine Garrett-Cox as Chief Executive in August 2008. Her dual role reflects the importance of her expertise in a Company which relies on the investment skills of its managers.

As Chief Executive, Katherine has moved quickly and decisively, undertaking a comprehensive review of the Company's activities. This determined our strategic priority to focus primarily on equities, drawing on the in-house stock selection and investment management skills which we have assembled. She has implemented a series of actions, the benefits of which can clearly be seen in our outperformance of both the FTSE All-Share and FTSE All-World Indices in 2008 and our progression against our peer group over the year.

Shareholders expect the Alliance Trust to deliver good long term performance from a relatively low cost base, and we are committed to our Total Expense Ratio remaining in the lowest quartile of our peers.

The Chief Executive's Statement and Investment Review comment in more detail on both investment performance and the activities of Alliance Trust Savings and our other subsidiaries during the year.

Against the background of our renewed equity focus, your Board recognised that an absolute return objective, which was designed to measure investment across a much more diverse range of asset classes, was no longer appropriate. In future we intend to report on our performance by comparing it to the other global growth and global growth and income investment trusts.

Your Board believes we should incentivise management on that same basis. We propose therefore to change the performance test for our long term incentive plan to one which will reward performance exceeding the median of our peer group. This is set out in more detail in the Notice of Annual General Meeting which accompanies this report.

I am always struck by the dedication that our employees bring to their work and this has been particularly evident this year. I would like to thank them warmly for their efforts. Our new headquarters in Marketgait, Dundee will bring together teams currently working in different locations in the city and will improve our operational efficiency, internal communication and teamwork.

Dividend

We have continued to receive a strong flow of earnings from our equity portfolio during the year and this has enabled us to maintain our longstanding record of steady increases in the dividend, which has continued for 42 consecutive years. We declared a fourth interim dividend of 2.0p making a total for the year of 8.0p (2008: 7.9p). In light of exceptional income earned last year we have also declared a special dividend of 0.5p per share.

Board

Alan Harden, who joined Alliance Trust as Chief Executive in 2004, left the Board in August when he resigned to take up an external position. David Deards will stand down as Finance Director after the publication of the accounts. We thank both of them for their contribution during their time at Alliance Trust and wish them well for the future.

Annual General Meeting

We will, as always, be holding our Annual General Meeting in Dundee. This year's meeting will be at the Apex Hotel on Friday 22 May. The meeting is an excellent opportunity to find out more about the progress of your Company and to meet members of the management team. I would encourage as many shareholders as possible to attend.

Chief Executive's Statement

Our priority is to continue to improve investment performance in order to deliver increased shareholder value

I am delighted to have been appointed to the role of Chief Executive of Alliance Trust. I am proud to have been given the opportunity to be the ninth Chief Executive of the Company, and the seventh person who has combined the role with overall responsibility for management of the Company's investment portfolio.

Performance Summary

Our priority is to continue to improve investment performance in order to deliver increased shareholder value.

The Company's relative performance compares favourably to that of global equity markets over the past 12 months, a period when the global economic and stock market environment was among the worst in Alliance Trust's long history. In local currency terms, many equity markets were down 30% to 40%. The Company's share price fell by 20.7% and the discount to net asset value, whilst volatile along with market conditions, ended the year at 15.4%, broadly in line with the previous year end.

Our Total Shareholder Return ranked 11th in our peer group of 42 Global Growth and Global Growth and Income Investment Trusts over the year. This improved position compares to a ranking of 25th out of 38 one year ago.

Our long term investment philosophy and the depth of experience of our investment team have helped to shield the Company's portfolio from the extremes of equity market turbulence. The enhancements made to our investment process over the past 18 months and the greater flexibility we deployed in our asset allocation decision-making have been immediately put to the test. The reach of the financial crisis and the pace at which it has moved are unprecedented. All of the asset classes in which we invest have faced very tough trading conditions.

Economic conditions deteriorated throughout the year and market volatility increased as the magnitude of the repercussions of the financial crisis became apparent. In both the US and the UK, financial companies succumbed to the extreme pressures they were suffering. Rescue packages in the banking and US insurance sectors were hurriedly arranged in a bid to restore stability and confidence to global financial markets.

In our Interim Report, we indicated that central banks around the globe were undertaking a concerted effort to ease the liquidity crisis in money markets. By late 2008, however, the credit markets remained frozen and economic news was becoming increasingly grim. By that stage we had already progressively reduced our equity exposure and as a result increased our net cash balances. Our net cash peaked at over 21% of net assets in the autumn, the highest cash position held by the Trust in many years, before being reduced to over 11% of net assets by the year end.

Within our quoted equity portfolio, we achieved above benchmark index returns in UK Large Cap, UK Mid Cap, North America and Europe. Foreign dividend income was boosted by the decline in sterling during the year. Further details of our asset allocation changes and of our investment activity over the year are given later in the report.

We have invested a relatively small proportion of our total net assets in other asset classes. Our quoted private equity portfolio experienced a difficult year with discounts to net asset values increasing significantly. The UK commercial property sector suffered from the economic slowdown and the freeze on bank lending and valuations declined accordingly. We remained very cautious on the property sector and did not add to our direct property portfolio during the year. Rental income from our property portfolio increased to £4.2 million against £4 million last year. Our US mineral interests continued to produce good revenues, increasing to £2.2 million against £1.6 million, helped by the high oil price in the first half of the year and the strength of the US dollar against sterling.

Within our financial services subsidiaries, I am delighted to welcome Robert Burgess as Managing Director of Alliance Trust Savings. Robert joined the company on 16 February 2009. He has extensive leadership experience in financial services. Robert will lead the next phase of Alliance Trust Savings' development to ensure that it delivers long term value to our shareholders. During the year client numbers continued to grow, but the fall in interest rates impacted on income. Clients of Alliance Trust Savings held over 20% of the share capital of Alliance Trust at the year end.

Alliance Trust Asset Management launched its first funds, the Alliance Trust UK Equity Income Fund and the Alliance Trust North American Equity Fund, in February 2009. We proceeded with the launch at that time in full recognition of the turmoil in the financial markets. We expect Alliance Trust Asset Management to deliver meaningful returns for shareholders over the medium to long term. The funds are being managed consistently with the Trust's own assets in each region and we are encouraged by the positive market response to our initial proposition.

Performance of Major Equity Indices (Sterling)
31 Jan 08 = 100

Source: FactSet

Chief Executive's Statement

Our key strategic priority is to focus on equities as our core investments.

Business Review

In the second half of the year, against a backdrop of rapidly deteriorating global economic and market conditions, we undertook a review of all aspects of the Company's activities. The principal conclusions arising from the review, together with the actions we have taken, are summarised below.

Our key strategic priority is to focus on equities as our core investments. We will seek to deliver strong long term performance through investing primarily in equities and we will continue to operate on a self-managed basis with a low cost base and low level of risk. We will retain a modest exposure to other asset classes where we identify opportunities to provide enhanced returns for shareholders relative to our core equity investments. We believe that our private equity capability complements our quoted equity portfolio. Our team will continue selectively to seek opportunities to invest in quality private equity funds. Our operating subsidiaries, which together currently form less than 2% of our total portfolio, must generate returns over the long term which are at least comparable to those from our other investments.

The creation of a centralised investment team based in Scotland will allow for a better exchange of ideas between portfolio managers and facilitate the move towards a more cohesive global equity portfolio. As a result, the investment management of our Asia-Pacific and Japan portfolios was transferred back to Scotland in January and the Hong Kong office was closed.

We have undertaken a targeted cost reduction initiative to remove excessive administration and support costs and to achieve staffing levels consistent with our more focused business plan. This initiative resulted in the redundancy of some 40 employees in Dundee, London and Hong Kong, representing 12% of our workforce. With the exception of Hong Kong, none of these employees were engaged in the day to day management of our investment portfolio. We expect that the restructuring costs will be more than offset by the savings made in the first year.

Outlook

We face considerable challenges over the next few months. Although markets remain weak, since the year end we have been redeploying cash where we find quality investments at good value.

In times of crisis equity markets tend to become backward looking, whereas in normal times, as a discounting mechanism for future earnings and growth prospects, they look 12-18 months ahead. Many of the leading indicators we analyse are at all time lows and there are signs that consensus expectations of corporate earnings are catching up with reality. We are closely monitoring a number of potential key triggers which will help indicate to us when markets are entering recovery. These include stability returning to credit markets as banks start to lend to one another at LIBOR rates closer to official base rates, early signs of a recovery in the US housing market, a rebound in consumer confidence and a turnaround in labour markets.

We are committed to increasing value over the long term for our shareholders and will retain our long term investment focus. We are continuing to refine and develop our investment process. We believe that the enhancements we have made and our flexibility in implementation of asset allocation decisions will serve us well. We are currently retaining a defensive bias to our portfolio; however we continue to seek opportunities to commit cash to quality companies with strong balance sheets, increasing our exposure to global equities to ensure that we are well positioned for a market recovery.

Our key priorities for 2009 are:

- **to focus on investment in equities**
- **to continue to improve investment performance**
- **to manage our cost base in line with market conditions**
- **to develop our subsidiary businesses**
- **to invest in the development of our people**

Performance of Sterling vs major currencies (31 Jan 08 = 100)

Source: FactSet

Net Cash and Gearing v Market Chart

Source: Alliance Trust/FactSet

Investment Review

Asset Allocation

A key priority is to increase the positive effect of our asset allocation.

We have sharpened our asset allocation process by establishing a small team of experienced individuals who focus on risks and returns from our portfolio, interacting with our regional investment teams to move capital between asset classes quickly and effectively.

Core equities represented 77% of our net assets at the year end, compared to 92% 12 months ago. The most important changes in asset allocation implemented throughout the year were significant disposals across our geographic portfolios. We have retained our focus on developed economies and have benefited from our relative lack of exposure to emerging markets which have fared particularly badly.

Our decision to reduce our equity holdings helped to protect us from the worst of the market declines of the second half of the year.

We also actively managed our cash balances, primarily for security, initially by investing in high quality money market funds as well as placing cash on deposit. We then transferred into short term UK Government Treasury Bills, as we sought to hold cash in a risk free form.

By December, our market risk assessment concluded that such a large cash position was no longer appropriate and that we should be taking steps to capitalise on some of the gains in our relative performance arising from this prudent decision. Good quality companies with sound fundamentals had fallen in the general market malaise to levels which we believed represented good medium to long term opportunities. Returns available on cash had diminished. Consequently we reinvested £200 million in our equity portfolio, reducing net cash. We have continued to reinvest more of our cash following the year end.

While recognising the benefits of broad company diversification within our portfolio, we have continued to focus our equity exposure by investing with higher conviction in a reduced number of stocks than was historically the case.

We have also reduced our dependency on UK equities. Core UK equities accounted for 31% of net assets at 31 January 2009 compared to 47% a year ago. We have created a global equity portfolio which complements our regional portfolios by deploying capital across equity markets. It draws on the expertise of our regional managers by using their analysis and research to build a high conviction portfolio of favoured stocks.

In last year's report, we stated that we had delivered a project to enable us to make use of derivative instruments. During the year we successfully used three small derivative instruments, with an aggregate exposure of around £30 million, which partially protected our US portfolio from market risk.

Asset Allocation

Source: Alliance Trust

Investment Activity

The common theme we followed across our equity portfolio throughout the year was risk reduction through reduced exposure to financial companies, banks in particular, and divestment of cyclical companies, especially those reliant on consumer spending. Our relative performance benefited from these moves as both financials and cyclical companies underperformed.

Our focus has been to identify high quality companies with strong balance sheets and experienced management who have led their business through previous economic downturns. Market leadership, cash flow generation, pricing power and the ability to grow dividends are among the key business attributes we look for in this uncertain environment. We have also focused on our strength of conviction in corporate earnings estimates. Companies announcing disappointing results have seen dramatic falls in their share prices. The avoidance of such negative "surprises" has helped the relative performance in our equity portfolios. This approach meant that the portfolios adopted a large cap bias and were defensively positioned.

We have enhanced the risk management information available to our investment managers over the past year. These measures are highly useful additional tools but risk management is more than a mathematical exercise: it is not a substitute for the comprehensive due diligence and common sense approach to portfolio management which our investment managers have developed through their many years' experience of investing through different market cycles.

Investment Team

Over the year our focus has been on strengthening our investment team by recruiting several highly experienced professionals. In addition to members of our portfolio management team, we have also recruited to enhance our strategy and asset allocation function.

Our long term perspective has also encouraged us to maintain our annual graduate recruitment programme despite the weak economic environment. By undertaking a structured training programme this small group of talented people can aspire to become key members of our future management team.

Performance of Individual Portfolios for year ending 31 January 2009

Portfolio	Performance (Sterling) (%)	Performance Benchmark (Sterling) (%)	Relative Return (%)
UK (Large)	(23.3)	(26.4)	4.2
UK (Mid)	(26.9)	(34.3)	11.2
North America	(1.2)	(16.1)	17.8
Europe	(17.7)	(26.1)	11.3
Asia Pacific ex Japan	(33.0)	(31.3)	(2.5)
Japan	(3.0)	(2.7)	(0.3)
Global*	3.7	0.9	2.8

* Since inception in December 2008

Source: Alliance Trust

Key Performance Indicators

The following Key Performance Indicators were set by the Board for the year ending 31 January 2009. In future years we will replace the RPI + 3% test with a peer group test in line with the revised strategy.

Comparison of the annual change in the share price of Alliance Trust with the increase in RPI + 3%

Source: Alliance Trust/FactSet

KPI Test 1: The performance of the share price of Alliance Trust to outperform that of RPI +3%. Over the last three years, this has not been achieved. While RPI has risen, the Trust is predominantly exposed to equity markets and they have declined sharply.

Annual percentage change in Alliance Trust NAV per share and FTSE All-World Index from Jan 2004 to Jan 2009

Source: FactSet

KPI Test 2: NAV performance to beat the FTSE All-World Index in sterling. The NAV fell by 21.2% in the year to January 2009, while the Index fell by 22.5%. The Trust has beaten the Index in three out of the last five years and cumulatively has returned 7.8% compared to a 4.8% return on the Index.

Annual percentage increase in dividend per share and RPI

Source: Alliance Trust/FactSet

KPI Test 3: Dividend growth to exceed the increase in RPI. In the year to 31 Jan 2009, the basic dividend was increased by 1.3%, which exceeds the 12 month RPI of 0.1%. If the special dividend (of 0.5p) is included in the calculation, then the dividend per share increase is 7.6%. Although this test was introduced only last year the dividend payments would have passed the test in this and the previous year.

Investment Portfolio Information

Top 20

Stock	Sector	Value £m
Royal Dutch Shell	Oil & Gas Producers	65.4
BP	Oil & Gas Producers	63.1
GlaxoSmithKline	Pharmaceuticals & Biotechnology	45.0
Vodafone	Mobile Telecommunications	43.4
British American Tobacco	Tobacco	39.8
New York Community Bancorp	Banks	31.8
BHP Billiton	Mining	29.6
Philip Morris	Tobacco	27.6
Abbott Laboratories	Pharmaceuticals & Biotechnology	26.9
Republic Services	Support Services	23.9
Johnson & Johnson	Pharmaceuticals & Biotechnology	23.6
Imperial Tobacco	Tobacco	23.1
Diamond Offshore	Oil Equipment, Services & Distribution	23.0
Petro-Canada	Oil & Gas Producers	21.3
Scottish & Southern Energy	Electricity	21.0
Total	Oil & Gas Producers	20.4
Verizon Communications	Fixed Line Telecommunications	20.3
Reckitt Benckiser	Household Goods	20.1
Centrica	Gas, Water & Multiutilities	19.0
Unilever	Food Producers	18.3

A full list of companies in which we invest can be found on our website www.alliancetrust.co.uk

Classification of investments

	UK %	Europe %	North America %	Japan %	Asia Pacific %	Global %	Rest of the World %	Total 2009 %	Total 2008 %
Oil & Gas	6.8	0.7	2.7	-	0.3	1.1	-	**11.6**	13.3
Basic Materials	2.1	0.9	1.1	-	0.4	0.4	-	**4.9**	9.2
Industrials	4.3	0.9	4.0	-	0.4	1.4	-	**11.0**	8.6
Consumer Goods	4.7	1.4	1.1	-	0.3	1.5	-	**9.0**	9.9
Health Care	2.1	1.4	2.9	-	-	0.9	-	**7.3**	6.3
Consumer Services	3.3	0.6	1.7	-	0.2	0.4	-	**6.2**	6.7
Telecommunications	2.1	0.8	0.7	-	0.6	1.2	-	**5.4**	6.2
Utilities	2.8	0.7	0.4	-	0.2	0.3	-	**4.4**	4.8
Financials	3.2	1.7	2.0	-	1.4	1.9	-	**10.2**	20.7
Technology	-	-	2.9	-	0.7	1.0	-	**4.6**	3.7
Collective Investment Instruments	-	-	-	1.4	1.3	-	-	**2.7**	3.0
Core Equity Portfolio*	31.4	9.1	19.5	1.4	5.8	10.1	-	**77.3**	92.4
Other Assets	2.0	0.1	0.9	-	-	-	0.8	**3.8**	3.6
Private Equity**	2.3	0.3	-	-	-	-	-	**2.6**	3.4
Subsidiaries	1.5	-	-	-	0.2	-	-	**1.7**	1.5
Property**	3.2	-	-	-	-	-	-	**3.2**	2.9
Fixed Income	0.8	-	-	-	-	-	-	**0.8**	0.8
Total Investments	41.2	9.5	20.4	1.4	6.0	10.1	0.8	**89.4**	104.6
Net Cash/(Gearing)	11.2	0.3	-	-	0.1	-	-	**11.6**	(4.8)
Other Net (Liabilities)/Assets	(1.0)	-	-	-	-	-	-	**(1.0)**	0.2
Net Assets	51.4	9.8	20.4	1.4	6.1	10.1	0.8	**100.0**	100.0
Net Assets 2008	51.9	17.5	16.7	1.2	11.6	-	1.1	**100.0**	

* convertibles represent 0.1% (0.2%)

** comparative data has been restated

UK Large Cap

Portfolio performance (12 months to Jan 2009)

UK Large Cap Portfolio	Benchmark Index*	Relative Performance
(23.3%)	(26.4%)	4.2%

% of Net Assets: Jan'09 **26%** I Jan'08 **40%**

BP PLC

Good stock selection and sector allocation enabled our UK Large Cap portfolio to continue its strong relative performance over the year. The performance of the UK economy typified the global events of last year. In the first half of the year economic policymakers were focused on headline inflation rates which constrained interest rate policy. Commodity prices were strong, with the oil price peaking at a record $147 per barrel in July. Banks and house builders struggled, their problems exacerbated by the complete collapse of credit markets.

We disposed of our holding in Royal Bank of Scotland in March and sold the remainder of our domestic bank holdings during April and May. The true scale of the problems in the UK banking sector only came to light in the autumn and since then bank share prices have plummeted. Our only UK listed bank holding at the year end was Standard Chartered, having re-established a position during their December capital raising. Our significant underweight position in financial companies made a major contribution to the relative outperformance of the UK Large Cap portfolio.

We started the year with a defensive bias in our portfolio and increased this throughout the year as, in addition to banks, we sold mining and some cyclically exposed holdings. Almost £200 million was raised from disposals in the UK Large Cap portfolio.

As the year progressed the threat of serious economic recession in 2009 increased. Inflation was seen to have peaked and an aggressive series of interest rate cuts was initiated with the UK Base Rate reduced after the year end to just 0.5%, the lowest level since the Bank of England was founded in 1694.

The current focus of our analysis is to identify companies with visible demand, strong balance sheets, good cash flows and, if possible, a strong commitment to dividends. Many of these companies are in the classically defensive areas of consumer staples such as Reckitt Benckiser and utilities, Scottish & Southern Energy and Centrica. We also remain comfortable with our investments in the major oil companies, BP and Shell, where balance sheets are strong and dividend commitment is high.

In times like these, our experience of previous economic and market cycles encourages us to invest with high conviction in companies which we believe are well positioned to perform through the current economic slowdown.

* FTSE World UK Index until 30 September 2008 and thereafter the FTSE 100 Index.

Top ten investments

Name	Sector	Value £m
Royal Dutch Shell	Oil & Gas Producers	65.4
BP	Oil & Gas Producers	57.9
GlaxoSmithKline	Pharmaceuticals & Biotechnology	45.0
Vodafone	Mobile Telecommunications	43.4
British American Tobacco	Tobacco	34.7
BHP Billiton	Mining	27.6
Imperial Tobacco	Tobacco	23.1
Reckitt Benckiser	Household Goods	20.1
Centrica	Gas, Water & Multiutilities	19.0
Unilever	Food Producers	18.3

UK Mid Cap

Portfolio performance (12 months to Jan 2009)

UK Mid Cap Portfolio	Benchmark Index*	Relative Performance
(26.9%)	(34.3%)	11.2%

% of Net Assets: Jan'09 **5%** | Jan'08 **7%**

VT Group PLC

We invest in the UK Mid Cap area because of the good growth prospects we can identify in companies with strong underlying profitability. Share prices of UK Mid Cap companies were hard hit last year although several industries within the mid cap universe have continued to deliver the longer term structural growth which we anticipated. Our relative performance has benefited from our focus on companies within these industries, although valuations have suffered in the general market malaise.

Our largest industry exposure over the past year has been to the support services sector. Companies such as Serco, VT Group and Babcock International all delivered encouraging results over the period.

The continuing strength of the oil services industry was a notable feature of the first half of the year. Despite the second half decline in share prices, the longer term dynamics of the service companies such as Wood Group and Petrofac remain intact. These dynamics are supported by recent announcements from the major oil companies of their intention to maintain capital expenditure programmes for the year ahead.

The UK engineering sector has successfully restructured its operations over the last decade. Several companies occupy world leading positions in their field. The recent weakness of sterling has helped those companies which have a bias to export markets. We expect these companies to benefit further when global economies recover and, as a result, continue to invest in Spirax Sarco and Charter.

When markets start to look forward to economic recovery we expect companies in the UK Mid Cap area to perform well as their earnings prospects are recognised and valuations are re-rated.

* FTSE World UK Small-Cap Index until 30 September 2008 and thereafter the FTSE 250 ex IT Index.

Top ten investments

Name	Sector	Value £m
Croda International	Chemicals	7.8
Serco	Support Services	7.7
Babcock	Support Services	7.4
VT	Aerospace & Defence	7.1
Dignity	General Retailers	6.1
Carillion	Support Services	5.3
Aberdeen Asset Management	General Financial	5.0
De La Rue	Support Services	5.0
BSS	Support Services	4.5
Bellway	Household Goods	4.3

North America

Portfolio performance in Sterling (12 months to Jan 2009)

North American Portfolio	FTSE All-Cap North American Index	Relative Performance
(1.2%)	(16.1%)	17.8%

% of Net Assets: Jan'09 **20%** | Jan'08 **16%**

Canadian Pacific Railway

Strong sector and stock selection, as in 2007, resulted in excellent relative performance in our North American portfolio.

The prescience of our low risk strategy of investing in North American equities was borne out as the US stock market fell to its lowest levels since 1997. The stresses in the financial sector were all too apparent with the bankruptcy of Lehman Brothers, the collapse of Bear Stearns, the bailout of AIG and the sudden acquisition of Merrill Lynch by Bank of America. Our strategy to avoid exposure to US banks saved us from much of the damage inflicted on investors over the year. We invested in New York Community Bank, a conservative niche lender, which we expect to benefit greatly from interest rate reductions.

The year saw extraordinary swings in US markets, as evidenced by the VIX index of volatility which rose to unprecedented levels. Commodities had an astonishing rise and fall, accentuated by the activities of the hedge fund community. Investors' attempts to avoid any asset class with perceived risk resulted in a dramatic fall in bond yields. Combined with a zero interest rate policy, this has driven US Treasury Bill yields down to a miserly 0.2%.

The credit crisis has caused economic activity to deteriorate rapidly. We sold out of more cyclically exposed stocks such as Terex (construction machinery) and Vulcan Materials (aggregates and concrete). We reduced our large position in oil and gas stocks as demand fell away, including the selling of our holding in Exxon Mobil, which we believe is likely to find it increasingly difficult to replace reserves in the future.

The feeling of hope ushered in with the election of President Obama will meet the reality of US consumers in no hurry to return to their former spendthrift ways. Economic recovery is likely to be difficult and drawn out. In view of this uncertain background, we have invested in Canadian gold companies Barrick Gold and Yamana Gold. We retain our belief that investing in strong, well managed companies will serve us well in difficult times.

Top ten investments

Name	Sector	Value £m
Abbott Laboratories	Pharmaceuticals & Biotechnology	25.2
New York Community Bancorp	Banks	22.8
Philip Morris	Tobacco	22.5
Petro-Canada	Oil & Gas Producers	19.7
Republic Services	Support Services	17.0
Diamond Offshore	Oil Equipment, Services & Distribution	16.3
American Tower	Technology Hardware & Equipment	16.0
Johnson & Johnson	Pharmaceuticals & Biotechnology	15.4
Verizon Communications	Fixed Line Telecommunications	14.6
Canadian Pacific Railway	Industrial Transportation	13.3

Europe

Portfolio performance in Sterling (12 months to Jan 2009)

Europe Portfolio	FTSE All-World Developed Europe ex UK Index	Relative Performance
(17.7%)	(26.1%)	11.3%

% of Net Assets: Jan'09 **9%** I Jan'08 **17%**

Roche

The relative performance of our European portfolio compares favourably to that of the benchmark index over the year. European equity markets did not escape the negative trends in global equity markets with precipitous declines across markets and extreme levels of volatility.

The European Central Bank was slower than other policymakers to react to the economic downturn as it remained overly concerned with headline inflation numbers. Indeed, in July it raised interest rates by 0.25%, shortly before reports emerged showing that France, Germany and Italy were on the edge of recession. The economies of Ireland and Spain have been badly hit as the property bubble has burst. European households have a relatively high savings rate and are therefore, to a degree, sheltered from the worst effects of the credit crunch. The corporate sector has been hard hit in recent months by rising costs, lack of credit availability and the high level of the Euro. The strength of the Euro is a particular issue for exporting companies.

Transactions in our European portfolio remained at low levels in this difficult environment. Throughout the year we steadily reduced the number of European holdings and our higher conviction weightings in companies such as the Belgian based brewing company, Anheuser-Busch InBev, added a strong positive contribution to performance.

Relative performance was also helped by our underweight position in the financial sector, particularly banks. This was reinforced by a timely sale of UniCredito. Our move to an increasingly defensive stance throughout the year also proved beneficial. Accordingly, we sold holdings in industrial cyclicals such as the truck company MAN and the automotive supply company Continental. We also disposed of some consumer cyclicals such as Richemont and Nokia.

Our largest sector overweight position was the health care sector. Stock selection is fundamental here. We remain cautious about the longer term headwinds facing the pharmaceutical industry with our only holding being in the Swiss company Roche. We have exposure to other areas of the health care industry, where we can find more attractive prospects, such as the kidney dialysis franchise of the German company Fresenius Medical Care.

Top ten investments

Name	**Sector**	**Value £m**
Total	Oil & Gas Producers	14.1
Anheuser-Busch InBev	Beverages	13.3
Roche	Pharmaceuticals & Biotechnology	12.7
Telefónica	Fixed Line Telecommunications	12.4
Nestlé	Food Producers	11.8
Deutsche Post	Industrial Transportation	10.5
RWE	Gas, Water & Multiutilities	8.7
Fresenius	Health Care Equipment & Services	8.0
Fresenius Medical Care	Health Care Equipment & Services	7.8
Colruyt	Food & Drug Retailers	7.7

Asia Pacific

Portfolio performance in Sterling (12 months to Jan 2009)

Asia Pacific Portfolio	FTSE All-Cap Asia Pacific (ex Japan) Index	Relative Performance
(33.0%)	(31.3%)	(2.5%)

% of Net Assets: Jan'09 6% | Jan'08 11%

CLP Holdings

Our relative performance suffered in the first part of the year due to holdings in property and smaller companies. We made substantial changes to the composition of our portfolio to address this, significantly reducing these areas, and performance improved over the latter part of the year.

The Asia Pacific region, and indeed emerging markets in general, failed to detach from the problems of western economies. A general decline in growth is now apparent and China's slowdown is becoming more severe. We recognised early in the year that Asia was not immune to a significant slowdown in the US and its other global export markets. Our concerns grew and in June we made a strategic decision to reduce our Asia Pacific holdings by one third, realising over £100 million of investments.

We have made investments in sectors which we deem to be more resilient to the global economic slowdown. In technology, we have invested in Samsung Electronics, Taiwan Semiconductor Manufacturing Company and Infosys Tech. We believe these companies to be dominant within their market sectors and to be good long term investments. We have introduced new holdings in the Hong Kong utility, CLP Holdings, in a Korean tobacco company, KT&G, and in the Indian company, ITC. We have also increased our holdings in regional telecommunications companies.

We believe that we are well-positioned in the current difficult environment while watching out for early signs of a recovery in Asian growth rates. Asia should remain the region with the world's fastest growth over the next year. Asia experienced its major financial crisis in the late 1990s: as a result its governments and companies now stand on a significantly stronger financial footing.

Top ten investments*

Name	Sector	Value £m
PetroChina	Oil & Gas Producers	5.2
Taiwan Semiconductor	Technology Hardware & Equipment	4.9
China Mobile HK	Mobile Telecommunications	4.9
CLP Holdings	Electricity	4.6
BHP Billiton	Mining	4.5
Samsung Electronics	Technology Hardware & Equipment	4.1
China Life Insurance	Life Insurance	4.1
KT & G	Tobacco	3.9
Rio Tinto	Mining	3.7
NHN	Software & Computer Services	3.7

* Investments listed are held either directly by the Company or through the Company's investment in the Premier Alliance Trust Asia Pacific Equity Fund.

Japan

Portfolio performance in Sterling (12 months to Jan 2009)

Japan Portfolio	FTSE All-Cap Japan Index	Relative Performance
(3.0%)	(2.7%)	(0.3%)

% of Net Assets: Jan'09 **1%** I Jan'08 **1%**

Toyota Motor Company

We have maintained our very cautious view on Japan and thus our very low exposure. In local currency terms the TOPIX Index fell by 41%, although for a sterling based investor this was reduced by a sharp rise in the value of the Yen. The Yen strengthened against all the major currencies, not least by 26% against the Euro, one of its major competitors. This move in the Yen was not spurred by the underlying attractions of the currency but by the unwinding of the "carry trade" whereby investors had borrowed large amounts of Yen at a low interest cost to invest in higher yielding overseas assets. The unfolding global financial crisis saw investors rush for cover which pushed the Yen sharply higher.

Against a backdrop of a moribund domestic economy, the outlook for Japan weakened as exports received a double hit from collapsing global demand and an appreciating currency.

Portfolio activity through the year reflected our cautious approach to the economic outlook in Japan and to its financial markets. We reduced the financial weighting from an overweight position to neutral through the sale of Chiba Bank and by profit taking in Aeon Mall and Mitsui Real Estate. Our cyclical exposure was also reduced through the sale of Nissan Motor and OSG and by reducing our holding in Komatsu. The overall effect of these transactions was to take the portfolio underweight in industrials.

We established a new holding in cash rich Fanuc, a manufacturer of robotic technology. We also used the cash raised to move to a more defensive strategy through an increase in the healthcare company Shionogi and telecommunications company NTT.

Top ten investments*

Name	Sector	Value £m
East Japan Railway	Travel & Leisure	2.1
Nippon Telegraph & Telephone	Fixed Line Telecommunications	1.8
Toyota Motor	Automobiles & Parts	1.4
Nintendo	Leisure Goods	1.3
Takeda Pharmaceutical	Pharmaceuticals & Biotechnology	1.2
Seven & I Holdings	General Retailers	1.2
Nidec	Electronic & Electrical Equipment	1.1
Mitsubishi UFJ Financial	Banks	1.1
Sundrug	Food & Drug Retailers	1.0
Canon	Technology Hardware & Equipment	1.0

* Investments listed are all held through the Company's investment in the Premier Alliance Trust Japan Equity Fund.

Global

Portfolio performance in Sterling (From inception Dec 2008 to Jan 09)

Global Portfolio	FTSE All-World Index	Relative Performance
3.7%	0.9%	2.8%

% of Net Assets: Jan'09 **10%** I Jan'08 **0%**

Verizon Communications

In the third quarter of the year, we established a Global Equity team with the ability to invest in all regions of the world. The team is headed by two of our experienced investment managers, supported by three analysts. Although the core team is small, it also draws on the expertise of our regional teams in its investment decision making.

The Global team was funded with £200 million in December 2008. It aims to accentuate the broader investment team's highest conviction ideas on a globally diversified basis. Returns arise primarily from individual stocks, with limited risk or reward from either regional or industry weights. A further £50 million was added to the portfolio in February 2009.

The Global Equity team benefits from the centralisation of our investment management resources in Scotland which aids the exchange of views and ideas.

Top ten investments

Security Name	Sector	Value £m
New York Community Bancorp	Banks	9.0
Johnson & Johnson	Pharmaceuticals & Biotechnology	8.2
Republic Services	Support Services	6.9
Diamond Offshore	Oil Equipment, Services & Distribution	6.7
Total	Oil & Gas Producers	6.3
Hang Seng Bank	Banks	6.2
Intel	Technology Hardware & Equipment	6.1
Bank Of Nova Scotia	Banks	5.9
Verizon Communications	Fixed Line Telecommunications	5.7
Manulife Financial	Life Insurance	5.3

Private Equity

% of Net Assets: Jan'09 3% I Jan'08 3%

The Private Equity portfolio had a difficult year due mainly to the quoted private equity component. Our quoted private equity portfolio companies have seen discounts to their net asset values increase substantially over the year. At current levels we believe our quoted private equity holdings are strong long term investments. The quoted private equity portfolio was valued at £16.1 million at the year end.

We have increased our commitment to the lower mid-market area with the addition of commitments to a pan-European fund, a UK fund and a Nordic fund.

The total invested in unquoted private equity funds is £29.4 million with commitments given to invest a further £150.1 million. Further to our strategy to co-invest directly alongside high quality UK and European private equity managers in whose funds we invest, £9.4 million is invested in direct holdings.

Top five investments

Name	Sector	Value £m
Fleming Family Private Equity Vehicle	Private Equity	10.2
Eurazeo	Private Equity	5.4
Alcuin 2007 Fund	Private Equity	4.9
August Equity Partners	Private Equity	4.6
Standard Life European Private Equity	Private Equity	3.2

Property

% of Net Assets: Jan'09 3% I Jan'08 3%

Valuations of UK commercial property markets have suffered for a second year from the impact of the global credit crunch. The Investment Property Databank (IPD) quarterly index showed a (22.1%) total return from UK property during 2008, representing a 26.4% capital decline with a 5.7% income return.

Our direct property portfolio was valued at £56.3m at the year end compared to £80.1m last year. At present the blended income return from the portfolio, including acquisition costs, is approximately 6.7%. The portfolio comprises 7 good quality properties across the UK, let to 22 tenants, with no tenant defaults to date. Gross rental income from our properties totalled £4.2 million against £4.0 million last year.

We have made no additions to the direct portfolio since May 2007 and currently do not intend to add to our direct property exposure.

List of investments

Name	Sector	Value £m
Edinburgh: Edinburgh House, 4 North St Andrew Street	Property	11.9
Climate Change Property Fund	Non-Equity Investment Instruments	10.6
Leeds: Kings Court, 12 King Street	Property	10.2
London: 11/12 Hanover Street	Property	9.7
Edinburgh: Tigerlily, 125 George Street	Property	7.9
Edinburgh: 6-10 Frederick Street	Property	6.3
Glasgow: Monteith House, 11 George Street	Property	6.1
Edinburgh: 107 George Street	Property	4.2

Other Assets

Net Cash

% of Net Assets: Jan'09 **11%** | Jan'08 **(5%)**

Net cash balances were increased steadily through most of 2008 as we actively reduced our exposure to equity markets. Having begun the year with net gearing of 4.8%, by the end of July we had increased cash levels to over 10% of net assets. In an environment of deteriorating global economies and highly volatile stock markets our net cash position peaked at over 21% of net assets in the autumn.

We adopted an active management strategy for our cash balances, focusing on security and liquidity in a period when the banking system was under severe stress. In addition to placing cash on deposit we invested in a few high quality money market funds. We subsequently transferred into short-dated UK Treasury Bills, and bank deposits as the quality of assets held by these funds became uncertain.

By the year end we had reduced net cash to over 11% of net assets, having redeployed some of the Company's capital back into global equity markets. Net cash has been further reduced since the year end.

Fixed Income

% of Net Assets: Jan'09 **1%** | Jan'08 **1%**

The fixed income portfolio consists of preference shares and bonds issued by companies in the UK banking and insurance sectors. The capital value of our preference share holdings fell from £22.9 million to £13.7 million over the year as a result of the turmoil in UK financial markets. Interest income from our preference share portfolio totalled £1.6 million, a healthy income return of over 11% at year end values in an environment of low interest rates. During the year, we also purchased a high coupon bond issued by Barclays Bank.

Other Assets

% of Net Assets: Jan'09 **4%** | Jan'08 **4%**

Around 60% of our "Other Assets" consists of our US mineral rights and our holdings in Ashmore Global Opportunities Fund (emerging markets exposure) and CCC Global Environmental Opportunities Fund.

Our US mineral rights again produced good revenues for the Company, generating £2.2 million of income against £1.6 million last year, as a result of higher oil prices in the first half of the year and the strength of the US dollar against sterling.

Employing a strict due diligence process, we invest a small proportion of our assets in areas where we may lack direct in house expertise. These would include areas such as infrastructure funds and environmental funds. We make these types of investments only when we believe they will add to the returns of the overall portfolio.

Subsidiaries

Alliance Trust Marketgait HQ

% of Net Assets: Jan'09 **2%** | Jan'08 **2%**

In addition to our core investment portfolio the Company invests in wholly owned subsidiary businesses to generate long term returns for our shareholders comparable to those from other investments we make.

Alliance Trust Savings provides share dealing and pension administration services. It earns revenues from fees charged for share dealing, investment administration and from cash on deposit. In 2008, we delivered a number of enhancements to our platform including the launch of our fund supermarket, real time telephone dealing and our shareholder benefits programme, where Company shareholders benefit from discounted dealing charges and SIPP administration fees. Client numbers grew to almost 57,000 during the year, a rise of 17.3%, bolstered by the transfer of over 8,000 savings plans from Allianz Global Investors and Close Investment Management.

Our Asian asset management subsidiary, AT Asset Management (Asia-Pacific), was closed at the end of January 2009, following our decision to centralise our investment activities in Scotland.

During the year, we established a UK asset management business, Alliance Trust Asset Management, which launched in February 2009 with two funds. The strategy for our asset management business is to create products and services for third party investors which offer direct access to the individual areas of investment expertise within the Company.

Alliance Trust Equity Partners manages investments made by third parties in venture capital funds set up prior to its acquisition by the Company in 2007, as well as the private equity exposure of the Company. The business is developing relationships with high quality UK and European private equity managers. It is making commitments to the funds that they manage and will aim to co-invest alongside them.

Financial Performance

For the year ending 31 January 2009 the revenue earnings per share were 10.37p and the capital loss per share was 87.42p.

Company Total Return

The Company generates returns through revenue earnings and capital growth. For the year ending 31 January 2009 the revenue earnings per share were 10.37p (9.17p) and the capital loss per share was 87.42p (loss 20.99p) representing a total loss per share of 77.05p (loss 11.82p).

Company Revenue Performance

Revenue earned from the Company's assets increased by over 15% to £95.3m (£82.6m). Income from securities rose to £78.0m (£72.0m) reflecting earnings received early in the financial year when the Company was marginally geared.

During the year the Company took a cautious investment stance, selling investments to reduce gearing and build cash balances. Earnings on cash and cash equivalents rose to £10.4m (£5.0m). High oil prices during the year boosted mineral rights income to £2.2m (£1.6m) and rental income on the Company's property portfolio rose slightly to £4.2m (£4.0m).

Company Capital Performance

Last year was turbulent for economies and financial markets and the value of the Company's net assets fell by 21.2%.

Losses on our investment portfolio were £583.9m during the year. The major contributor to this decline was a £537.7m net fall in the value of listed investments. The other major decline was a £23.8m fall in the value of our direct property portfolio, reflecting weakness in the commercial property sector.

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*
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
2009	2,125	(584)	95.3	10.37	(87.42)	8.00	3.17

* Restated to reflect 10:1 subdivision

** Prior to 2005, shown in accordance with UK GAAP; from and including 2005, shown in accordance with IFRS

Company Expenses

Overall, the increase in expenditure during the year was £1.8m which included £0.7m of restructuring and other one off costs. The Company increased its expenditure on its investment function during the period in line with our focus on strengthening our team. In other areas of the business the Company acted decisively to reduce its cost base which as a result was significantly below budget for the year.

The Total Expense Ratio (TER) for the period was 0.70%. This year the Company has moved to the approach adopted by other trusts of dividing its administrative costs by the average of its opening and closing net assets. Last year the Company divided its costs by its closing net assets and on that basis the TER would have been 0.79%. Under both bases the TER was in the bottom quartile of comparable investment trusts.

Dividend

The Directors recognise that shareholders regard dividends as a key component of the return on their investment. The Company has a progressive dividend policy and subject to external factors such as changes in the economic environment and taxation, the Directors seek to manage the assets of the Company to generate a growing revenue stream which will allow them to continue to declare increasing dividends year on year.

Having paid three interim dividends of 2p for last year the Directors have declared a fourth interim dividend of 2p per share payable on 30 April 2009. The total dividend for the year, of 8p, is an increase of 1.3% on the 7.9p paid for the previous year.

In the absence of any unforeseen developments, we expect to be able to recommend quarterly interim dividends of 2.025p payable on or around 31 July 2009, 31 October 2009, 31 January 2010 and a fourth interim dividend of at least 2.025p payable on or around 30 April 2010.

Special Dividend

The Directors have declared a special dividend for the year ended 31 January 2009 of 0.5p. This dividend, which is payable on 31 July 2009, will allow shareholders to benefit from this year's exceptional revenue returns and ensure that we meet the requirement for investment trusts to distribute a significant proportion of each year's revenue.

Consolidated results

For the year ending 31 January 2009 the consolidated loss per share was 78.06p (loss 11.40p) comprising revenue earnings per share of 9.00p (8.25p) and a capital loss per share of 87.06p (loss 19.65p).

Consolidated administrative expenses charged against revenue profits were £40.1m (£38.1m).

Consolidated administrative expenses charged against capital profits were £2.0m (£1.2m).

The consolidated accounts also include a £10.8m charge for the impairment of the consolidated goodwill and customer contract balances recognised on the acquisition of Alliance Trust Pensions Limited.

The income statements include a charge against capital profits of £6.8m arising from the revaluation of the Company's new office building in Dundee to £5.9m.

Subsidiaries

Alliance Trust Savings generated total income for the year of £16.4m compared to £13.7m last year. Alliance Trust Savings' operating costs for the year were £17.9m (£22.3m) which included one off costs of £0.9m (£4.0m) relating to redundancy costs and costs related to expenditure on the new building. Alliance Trust Savings' profitability was significantly impacted in the latter part of the year by falling interest rates which reduced its earnings from placing customer deposits in the money markets. Alliance Trust Asset Management, the UK asset management business, incurred expenditure of £3.6m in its first full year of operation. Its first products were launched in February 2009.

Risk Factors

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

Alliance Trust 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 Risk Management Committee comprises the Executive Director responsible for Risk, the Head of Risk and various other senior managers representing legal, investment, compliance, group projects, as well as representatives of Alliance Trust Savings and Alliance Trust Asset Management.

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. During 2008 the Board created the Asset Allocation Committee to replace the Asset, Liability and Income Committee. The purpose of the Committee is to manage the allocation of the capital of the Company between and among the asset classes approved by the Board and within the risk parameters, policies and other limits and guidelines set by the Board from time to time and with a view to the income derived from the Company's assets.

The committee's responsibilities include: asset allocation, cash and currency management, risk management and allocation of the capital of the Company to ensure adherence to the dividend policy set by the Board. Individual managers are responsible for assessing the risks associated with each investment that they make.

A Board approved derivatives policy is in place 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 does 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 the Asset Allocation Committee.

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 enhanced management and oversight within investments, including updates to the investment management process and associated standards and procedures.

Our project framework ensures that we focus activity on those areas identified as presenting our greatest potential risk exposure.

We look actively at data security and in the course of the year introduced a new Information Security policy.

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 services subsidiaries is high. 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 keep 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 economic turbulence in the course of the year exposed a number of weaknesses in the market which impacted on the ability of some companies to obtain credit. The Company continues to be able to secure funding when required from major banks at competitive rates.

Regulated Subsidiaries

The foregoing risks also apply to our regulated subsidiaries.

Within Alliance Trust Savings we have reviewed our operating processes and introduced initiatives to enhance the effectiveness of our operations.

The programme to set up and launch Alliance Trust Asset Management was undertaken within the project management framework.

Further information on financial instruments and risk as required by IFRS7 can be found on pages 80 to 85 of this Report and Accounts.

Corporate Responsibility

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

During the year Alliance Trust undertook a review of its performance with regard to corporate responsibility issues. The purpose of the review was to recognise those activities already undertaken by the Company or its employees in this field and to set a benchmark against which future performance can be assessed.

The Company considered its performance in the following areas:

- Marketplace – by which we mean the businesses in which we operate, both as an investment company and through our subsidiary companies
- Workplace – providing an environment in which each of our employees has an equal chance to develop their full potential
- Community – ensuring that Alliance Trust's reputation is maintained and enhanced within the communities from which our investors, clients and employees are drawn
- Environment – acting responsibly in our consumption of natural resources and energy

In each of these we noted existing activities and considered actions which could be taken to improve our performance, as discussed below. We will report on progress against these actions in future years' reports.

Marketplace

As an investment company we are, first and foremost, accountable to our shareholders who expect us to invest our capital in order to generate returns for them. Our investment philosophy is based on the long term and that requires us to assess all aspects of the companies in which we invest. A company whose management has little or no regard to its own corporate responsibility profile is unlikely to prosper over the long term and is more susceptible to reputational risks, all of which will influence our decision on whether to invest in that company.

Within our financial services business, Alliance Trust Savings, our pricing model is based primarily on charging by activity, rather than amount invested, to ensure that the costs of that business are shared equitably among its clients.

We have adopted policies on gifts and hospitality and other potential sources of conflict of interest, to minimise the risk of decisions being unduly influenced by personal considerations.

We meet with our shareholders, both institutional and individual, throughout the year, as described in the Corporate Governance section of this report. Many of our individual shareholders are also clients of Alliance Trust Savings. This means that we have regular feedback on all issues affecting the Company and the services we offer.

Objective

We will continue to enhance our investment process to ensure that we consider the corporate responsibility profile of those companies in which we choose to invest.

Workplace

A comprehensive suite of policies is in place and is communicated to employees both at the time of induction and periodically thereafter. Together these are intended to protect employees from unlawful discrimination, offer them a working environment where they have a right to be treated with consideration and respect, and support high standards of conduct and performance. These policies also ensure that we meet our health and safety requirements and treat disabled employees in accordance with our statutory obligations. The Company also allows employees to enter into flexible working arrangements.

In addition to a grievance procedure which allows employees to issue concerns either formally or informally, there is a whistleblowing policy which enables sensitive issues to be raised independently of line management.

A wide range of training opportunities is offered to employees. As well as formal training on matters related to their current role, delivered by a combination of formal training days and e-learning, the Company encourages further development through a relationship with the University of Abertay, Dundee which allows employees, regardless of location, to enrol for web-based learning opportunities.

A formal performance appraisal process, where employees are set formal objectives on an annual basis and their achievement against those objectives is assessed at the end of the period, is intended to ensure that employees have a clear view of their performance and potential within the Company. Together with team meetings and company wide briefings this provides the employees with the opportunity to be closely involved in the success of the business.

Objective

We will initiate a regular employee opinion survey to identify areas of concern to employees and ensure that they understand the issues facing the Company.

Community

The Company has established a charitable foundation to encourage employees to support local voluntary organisations and matches the charitable donations and fundraising activities of the foundation, using the proceeds of dividends which have not been claimed as a result of the shareholder concerned becoming untraceable. The foundation is managed through a strategic partnership with the Scottish Community Foundation which offers guidance and support, both in identification and screening of requests for assistance and in administration of the foundation, as well as providing further matching funds. However, decisions as to which organisations should receive support are made by the employees themselves, through the foundation.

The Company also operates a policy whereby employees can take up to two days additional leave to act as unpaid volunteers for local organisations.

During the year ending 31 January 2009, the foundation raised £8,000 from which donations of just over £7,000 were made to local organisations providing befriending and counselling services to help them train more volunteers.

In addition the Company, through Tayside Fire Brigade, made a donation of £2,500 to The Fire Fighters Charity in recognition of a swift response to a fire in the Company's Head Office.

No political donations were made during the year.

Objective

We will encourage greater take-up of volunteering opportunities by employees.

Corporate Responsibility

Environment

Alliance Trust's own environmental impact is limited. However any reduction in this impact benefits the Company directly, through reductions in costs for energy and consumables, and demonstrates our commitment in this area. Various measures are already taken in this regard, namely:

- Encouraging the use of electronic communications. 2.2% of our shareholders have opted to receive our annual report electronically and 45.7% of clients of Alliance Trust Savings have signed up for our Online share dealing service
- Use of video-conferencing and telephone conference calls rather than travelling to meetings – our offices in Dundee, Edinburgh and London are connected by video-conferencing equipment for this reason
- Office waste is recycled, and paper from sustainable sources is used, wherever practicable and cost effective

Our new head office in Dundee has been designed with energy considerations in mind and will offer further opportunities to reduce our environmental impact.

Objective

We will develop a formal environmental policy to identify and manage all of the Company's environmental impacts.

Carbon Footprint Reporting

This year for the first time we are reporting carbon dioxide (CO_2) emissions based on the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard. For this purpose, our inventory comprises:

Scope 1: gas, fuel oil, refrigerant loss
Scope 2: non-renewable electricity purchased
Scope 3: business travel by personal car, air and rail

Based on the foregoing, CO_2 emissions for our UK operations amounted to 674 tonnes, representing 2.11 tonnes per full time employee. A breakdown is shown below. Based on our previous methodology for reporting on emissions, there was a reduction in emissions of 16 percent from the previous year.

Carbon Footprint Analysis

Voting Policy

The Company's policy is to exercise the voting rights which attach to shares held within the investment portfolio wherever practicable, since this is the mechanism by which management of those companies are held accountable to the shareholders.

In most cases, our practice is to vote in line with the recommendations of management and for the year ending 31 January 2009 we voted as follows:

In favour of management recommendations	280
Against management recommendations	10
Abstentions	0

Votes against management were largely in the US where we voted for shareholder proposals to split the role of Chairman and Chief Executive Officer and to have an advisory vote on executive remuneration. In the UK we voted against making a political party donation and in Asia against a potentially dilutive issue of new shares and to prevent a company acquisition.

Directors

- ■ Member of the Audit Committee
- ● Member of the Remuneration Committee
- ◆ Member of the Nomination Committee

Lesley Knox MA ◆
Chairman

Joined the Board 2001; appointed Chairman 2004

Chairman of the Nomination Committee

Lesley Knox (55) 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. She was also Head of Institutional Asset Management at Kleinwort Benson Investment Management which provided investment services to clients worldwide.

She is the Senior Non-Executive Director of Hays PLC and HMV Group PLC and a Non-Executive Director of Signet Jewelers Limited. She is a Governor of the Museum of London.

Non-Executive Directors

Christopher Masters CBE FRSE BSc PhD AKC ■●◆
Senior Independent Director

Joined the Board 2002

Chairman of the Remuneration Committee

Christopher Masters (61) 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 Group PLC and also chairs the Festival City Theatres Trust.

Other directorships include British Assets Trust PLC, The Crown Agents, John Wood Group PLC and Creative Scotland 2009 Ltd.

Hugh Bolland BA (Hons) ■●◆

Joined the Board 2007

Hugh Bolland (62) 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 (57) 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 trustees of the Standard Life and BOC pension schemes.

Clare Sheikh MA ●◆

Joined the Board 2005

Clare Sheikh (45) 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 is now Group Strategy, Marketing and Customer Director of Royal and Sun Alliance Insurance Group.

She is a Non-Executive director of Codan, a major Danish insurance company and a Trustee of Breast Cancer Campaign.

Executive Directors

Katherine Garrett-Cox BA (Hons) ASIP ◆
Chief Executive

Joined the Company as Chief Investment Officer in 2007;
Appointed Chief Executive 29 August 2008

Katherine Garrett-Cox (41) graduated with a BA (Hons) in History from Durham University. Her early career was spent in US fund management, starting with Fidelity Investments and later with 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, whilst serving as Chief Investment Officer.

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

Katherine Garrett-Cox is a trustee of The Baring Foundation and was nominated a Young Global Leader of the World Economic Forum in October 2005.

David Deards BA (Hons) ACA
Finance Director

Joined the Company and the Board 2003

David Deards (49) 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, becoming a director in 1995.

Corporate Governance

The Board is committed to ensuring that high standards of corporate governance are maintained by Alliance Trust.

The Board confirms that the principles of the Combined Code on Corporate Governance issued in June 2006 have been complied with for the full year; this report describes how we have applied these in practice. The Board has also considered the principles of the AIC Code of Corporate Governance ("AIC Code"). The AIC Code addresses all of the principles set out in Section 1 of the Combined Code, as well as setting out additional principles on issues that are of specific relevance to investment companies such as Alliance Trust. The Company has complied with the principles of the AIC Code.

The Company is an investment company and seeks annual approval from HM Revenue and Customs to maintain its status as an investment trust. The last such approval was granted in respect of financial year ending 31 January 2008.

The Board

The Board sets the Company's objectives, approves its business plans, and provides a framework of prudent controls to enable risk within the business to be managed. It provides leadership to management and reviews the performance of the business.

The Board comprises the Chairman, four independent Non-Executive Directors, and two Executive Directors. In the course of the year the Board composition changed with the resignation of Janet Pope on 5 March 2008, Gordon McQueen on 31 March 2008 and Alan Harden on 29 August 2008. John Hylands was appointed on 22 February 2008. A summary of the experience of the Directors can be found on pages 30 and 31.

Board Composition

All Directors are responsible for the decisions taken by the Board. Although the majority of the Board are independent Non-Executive Directors who take no part in the day to day management of the business, they play an important part in constructively challenging management and helping to develop strategy and monitor its delivery using the experience they have gained in other businesses. This year, the role of the Non-Executive Directors included the consideration of a replacement for Alan Harden part way through the year, leading to the decision to appoint Katherine Garrett-Cox to the role, and the consideration of the conclusions of the business review she undertook on assuming the role of Chief Executive.

In addition to the Directors, various members of senior management may attend board meetings and present to the Directors on activities in their area or in respect of particular concerns or interests of the Directors. Presentations by investment managers are a regular feature of board meetings.

The Board reserves certain decisions to itself and delegates others to committees or the Executive Directors and management as explained in more detail on pages 34 to 36. The areas the Board has reserved to itself 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
- Economic Outlook
- Portfolio Performance
- Trading volume, discount and share buybacks
- Financial Performance
- Internal Audit
- Compliance and Risk
- Investor Relations

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

This position is held by Christopher Masters. The Senior Independent Director is available for 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 and this is demonstrated by the make up of the Board. All of the Non-Executive Directors are considered to be independent. The Chairman and a Non-Executive Director also sit on the Board of Alliance Trust Savings and Alliance Trust Asset Management.

In addition to attendance at Board and Committee meetings the Non-Executive Directors are available to management throughout the year. They also met as a group on two occasions during the year. These meetings offer the Non-Executive Directors the opportunity to discuss management succession and other business or concerns that they have in the absence of Executive Directors. In the course of the year the Non-Executive Directors also met without the Chairman present to review her performance.

Executive Directors

During the year two Executive Directors, Janet Pope and Alan Harden, left the Company. The two departing directors had defined roles and responsibilities. Janet Pope was responsible for business strategy and the performance of Alliance Trust Savings. Upon Janet Pope's departure Alan Harden took on the additional responsibilities of managing Alliance Trust Savings. Alan Harden was Chief Executive with overall responsibility for delivering the objectives of the Board. Upon his departure Katherine Garrett-Cox assumed the role of Chief Executive, in addition to her ongoing role

Corporate Governance

as Chief Investment Officer, and an interim internal appointment was made to the role of managing director of Alliance Trust Savings while an external candidate was sought. This position was filled on a permanent basis in February 2009.

The Executive Directors also serve on the Boards of subsidiary companies in the Group in either an executive or non-executive capacity.

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

The Board have set up various committees to assist decision making and internal governance. The three committees reporting to the Board are:

Audit Committee

Nomination Committee

Remuneration Committee

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 (www.alliancetrust.co.uk.)

Board and Committee Attendance

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

Audit Committee

The members are:

John Hylands (from 22 February 2008, Chairman from 1 April 2008).

Hugh Bolland

Gordon McQueen (Chairman until 31 March 2008)

Christopher Masters

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 39.

Remuneration Committee

The members are:

Christopher Masters (Chairman)

Hugh Bolland

John Hylands (from 22 February 2008)

Gordon McQueen (until 31 March 2008)

Clare Sheikh

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 have used the same consultants, the Hay Group, since October 2006. The Hay Group is not engaged to undertake any other work on behalf of the

	BOARD		AUDIT		REMUNERATION		NOMINATION	
Director	Actual	Possible	Actual	Possible	Actual	Possible	Actual	Possible
Lesley Knox	9	9	-	-	-	-	3	3
Hugh Bolland	9	9	5	5	6	6	3	3
David Deards	9	9	-	-	-	-	-	-
Katherine Garrett-Cox	9	9	-	-	-	-	1	1
Alan Harden	6	6	-	-	-	-	1	1
John Hylands	9	9	4	4	5	5	2	2
Gordon McQueen	1	1	2	2	1	1	1	1
Christopher Masters	9	9	5	5	6	6	3	3
Janet Pope	1	1	-	-	-	-	-	-
Clare Sheikh	9	9	-	-	6	6	3	3

management of the Company. The work of the Committee during the year is explained in the Remuneration section of the report on page 42.

Nomination Committee

The members are:

Lesley Knox (Chairman)
Hugh Bolland
Alan Harden (until 29 August 2008)
John Hylands (from 22 February 2008)
Gordon McQueen (until 31 March 2008)
Christopher Masters
Clare Sheikh
Katherine Garrett-Cox (from 31 August 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 had to consider the replacement of two Executive Directors. In the case of Janet Pope it was decided that an individual with the specific skills to manage Alliance Trust Savings would be sought and that the strategic aspect of her role would be assumed within the Chief Executive's remit. Upon Alan Harden's resignation the Committee had to consider an internal appointment or an external search. The Committee had given prior consideration to the possibility of members of senior management leaving the Company and had identified Katherine Garrett-Cox as a suitable internal candidate for the role.

The Committee members considered that Katherine Garrett-Cox had the appropriate skills to carry out the combined role of Chief Executive and Chief Investment Officer. In making this appointment the Committee took into account the stated intention of Katherine Garrett-Cox to realign focus and activity to equity investment performance.

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 Allocation Committee

This Committee was set up in the course of the year to replace the Asset, Liability and Income Committee. The purpose of this committee is to take decisions on the amount of the Company's capital that should be invested in each asset class. There is a separate committee comprising the Chief Investment Officer and the portfolio managers who then decide on how the capital allocated to equities is divided between the different regional equity portfolios. The Asset Allocation Committee has responsibility for:

Allocation of the capital of the Company between the following asset classes:

- Equities and convertibles
- Property
- Fixed income securities
- Variable rate securities
- Cash
- Private equity and venture capital
- Investment trusts
- OEICs and other unitised funds
- To approve the allocation of seed capital to funds established by subsidiaries of the Company
- Gearing
- The use of derivative instruments to support any of the foregoing
- Cash/currency management
- To allocate the capital of the Company to ensure adherence to the dividend policy set by the Board

Corporate Governance

The Committee, which meets on a monthly basis or more often if required, comprises the Chief Investment Officer, the Finance Director, the Director of Investment Strategy and the Chief Operating Officer-Investment.

Chief Executive's Group (Dissolved following the year end)

The purpose of this committee was to assist the Chief Executive in the exercise of her responsibilities.

Executive Committee

This Committee, comprising the Chief Executive and senior management, was constituted after the end of the financial year and is now the main executive committee providing leadership, oversight and communication across the Group. It will focus on strategy and planning, provide oversight of the Operating Committee and retain key decision making authorities.

Operating Committee

This Committee, comprising the Chief Executive and the senior operational managers, was also constituted after the year end and will provide a focus on financial and operation performance against plan and risk management, prioritise projects and provide a channel for communication.

The functions of two other management committees were assumed by this Committee and they have been disbanded.

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 for the group and, as such, plays an important monitoring role across all aspects of the organisation ensuring that the risks inherent within the business are under proper control.

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. While not taking decisions of major impact to the business, it provides oversight and control ensuring that senior management is aware of, and must approve, the individuals within the business who are authorised to instruct external parties.

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. This can be facilitated either internally or, as was the case last year, with external assistance. This year this review was undertaken by way of questionnaires followed by interviews between the Chairman and each of the Directors, with the Company Secretary in attendance.

In each case the Board and its committees were 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. The evaluation confirmed that the Chairman was effective in her role.

Appointment as a Director

John Hylands was appointed on 22 February 2008 and his appointment was confirmed at our last Annual General Meeting. All Directors are subject to re-election every three years and Clare Sheikh and Christopher Masters both fall to be re-elected at this meeting. The individual performance of each Director and their ongoing suitability for re-election was considered and endorsed by the Nomination Committee having regard to their individual performances. Both are recommended for re-election at the forthcoming Annual General Meeting.

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 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

On an ongoing basis updates on corporate governance issues and business issues impacting on the Company are provided.

Conflicts of Interest

The Company adopted new Articles of Association at its last Annual General Meeting. These took effect from 1 October 2008. One of the changes introduced was to allow Directors who did not have a potential conflict of interest to authorise conflict situations for the other Directors should such situations arise. During the year the Directors provided details of all interests which could potentially cause a conflict of interest to arise. The unconflicted Directors in each case noted the declarations by the Directors of their other interests and confirmed that at that time none of the interests disclosed were reasonably likely to give rise to a conflict. Procedures are in place to allow Directors to request authority should it be required and an annual review of all interests is undertaken as part of the year end process.

Access to advice

All Directors have access to independent professional advice if necessary.

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 50.

Major Shareholders

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 of the Company in issue with voting rights.

Ordinary shares as at 01 April 2009

Alliance Trust Savings Nominees Limited	137,759,534
DC Thomson & Company Limited and John Leng & Company Limited	43,000,000
Legal and General Group PLC	27,155,896

Payment of Creditors

The Group's policy and practice is to pay creditors in accordance with the terms agreed.

At 31 January 2009 the Company had no trade creditors. The Company's subsidiary undertaking, Alliance Trust Services Limited, which purchases most of the goods and services for the Group and recharges them to the appropriate entity, had trade creditors outstanding at 31 January 2009 representing five days of purchases.

Corporate Governance

Relationship with Shareholders

The Directors all 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.

Correspondence received from shareholders by the Chairman and the Chief Executive is routinely circulated to other Directors.

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 at the AGM or to attend the AGM.

A comprehensive website (www.alliancetrust.co.uk) is available to those with online access.

Share Capital and Waiver of Dividends

The Company's issued share capital as at 31 January 2009 comprised 671,909,760 Ordinary 2.5p shares of which 1,842,670 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 the shares held by it on behalf of the Company. There are no preference shares or 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 present on business developments and there will be the opportunity for questions to be put to the other Directors. This year there will be proposals to introduce a new performance target for the Long Term Incentive Plan and to confirm the notice period for convening general meetings other than Annual General Meetings. All Directors plan to attend and other senior managers will also be present. Details of the business of the meeting will be sent to all shareholders.

Accountability and Audit

Directors' responsibility

The Directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with IFRS as adopted by the EU.

The financial statements are required by law and IFRS as adopted by the EU to present fairly the financial position of the 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 the 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 IFRS as adopted by the EU; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the 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 company and to 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 company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report that complies with that law and those regulations.

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 to 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, although Alliance Trust Savings also has its own Audit Committee to complement the activities of the Committee;

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

The Finance Director, Head of Internal Audit and Head of Compliance will normally attend. The Chairman and the Chief Executive may attend by invitation and the external auditors attend when 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 ICAAP requirements. The Committee recommends the draft accounts to the Board for approval.

Corporate Governance

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 that a review of the effectiveness of the Group's systems of controls was carried out. Where areas of weakness were identified action is being taken to remedy the issues.

The Company maintains a separate internal audit function. Risk Management oversight rests with the Compliance function.

There is a rolling programme of internal audits based on assessment of risk with the ability to introduce unplanned audits as circumstances dictate.

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

During the year the Audit Committee reconsidered its policy for the appointment and remuneration of the external auditor for any work undertaken on behalf of the Company. The Audit Committee determined that, due to its in depth knowledge of the organisation, there may be occasions when the external auditor is best placed to undertake work on behalf of the Company in addition to the annual audit. Therefore a policy was adopted that allowed the external auditor to undertake such work only when where was no threat to their independence and the assignment was approved by Audit Committee.

The external auditor is appointed by the Board and their performance is reviewed and monitored by the Audit Committee. The Company undertakes periodic tender exercises. The Company last undertook such an exercise in 2004.

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

Going Concern Statement

The accounts have been prepared on a going concern basis as the Company's and the Group's liquid assets significantly exceed its liabilities and its revenue income exceeds its expenditure.

Report of Directors and Responsibility Statement

The Report of the Directors, comprising the statements and reports on pages 8 to 29 together with the Directors, Directors' shareholdings, major shareholdings, political and charitable donations, payment of creditors, going concern statement and disclosure of information to auditors sections of the Governance section on pages 30 to 40 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.

Lesley Knox	**Katherine Garrett-Cox**
Chairman	Chief Executive
17 April 2009	17 April 2009

Directors' Remuneration

This section of the Report and Accounts explains how we reward our Executive Directors and other key employees for their contribution to the success of the Company.

As an investment company, we have to compete to attract and retain investment professionals and others with the necessary skills and experience to manage our business, while at the same time balancing returns with responsible risk management. The rewards we offer must take account of what is paid elsewhere in the market, to ensure that we can both attract people with those skills and also retain those who are already employed by us. However, they also need to balance the interests of the shareholders in minimising the costs of running the Company and having their investment managed by people who have a real interest in the Company's long term success.

We seek to achieve this balance by a combination of basic salaries, ensuring that individuals' income is not entirely exposed to market movements which might encourage excessive risk-taking, and variable pay, which links a meaningful proportion of their earnings to their own performance and contribution to the achievements of the Company. Variable pay is structured in a way that encourages a long-term perspective, rather than being dependent solely on a single year's performance.

In all of this, the objective is to ensure that the interests of the Company, its shareholders and its employees are aligned, and in the remainder of this section we explain the measures we have put in place to achieve this objective.

The Board has delegated authority for remuneration policy to the Remuneration Committee whose responsibility is to:

(a) determine, on behalf of the Board, specific remuneration packages for each of the Executive Directors of the Company, including their pension rights and any compensation payments;

(b) determine, on behalf of the Board, the remuneration of the Chairman;

(c) monitor the level and structure of remuneration for senior management having regard to pay and conditions generally in the Group.

The membership of the Committee is set out on page 34 of the Corporate Governance section. The Committee has received independent advice on remuneration from the Hay Group since October 2006.

The Committee has set out the following policies on remuneration:

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

Variable pay will form a significant proportion of the total package.

Total remuneration (base salary plus annual and long term incentives) will reflect Company 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.

The Committee has during the year:

- Approved the corporate target for the year for the purposes of the Annual Bonus Plan
- Approved performance objectives for the Executive Directors
- Assessed the performance of the Executive Directors and their remuneration package
- Granted awards under the Long Term Incentive Plan
- Reviewed the remuneration package of Katherine Garrett-Cox following her appointment as Chief Executive
- Considered the content of the Remuneration section of the Report and Accounts
- Considered the performance of the Committee
- Approved an Annual Investment, Co-Investment and Carried Interest Plan for the Private Equity investment team

Remuneration and Benefits

Type of Payment	Staff Entitled	Entitlement	Objective
Basic Salary	All Staff	Generally at or below market median	To ensure that expense ratio remains competitive against peers
Overtime	All Staff up to Supervisor career bands i.e. with no entitlement to an Annual Bonus	Time and one half with all weekend overtime paid at double time	To ensure that staff are rewarded for working extra hours when required rather than increasing permanent overhead
All Employee Share Ownership Plan	All Staff after minimum period of service	Maximum of £3,000	To align all staff to company performance
Private Medical Health Insurance	All Staff	Cost of insurance (self and family)	To ensure that staff can receive prompt medical attention when necessary and reduce sickness absence
Defined Benefit Pension Scheme	Staff who were eligible to join prior to 1 March 2005	No employee contribution. One sixtieth accrual final salary scheme	Retention
Defined Contribution Pension Scheme	Staff who were ineligible to join the Defined Benefit Pension Scheme or who have earnings above the pension cap	Employer 10% contribution with additional contribution of up to 7% matching employee contribution	Retention and recruitment
Permanent Health Insurance	All staff	After six months absence three quarters salary less incapacity benefit subject to acceptance by insurer	Retention and recruitment
Annual Bonus	Staff graded 'Manager' and above	Maximum award 150% of annual salary. (Executive Directors one year's salary maximum)	To reward personal performance and achievement of Company targets and to ensure that a significant element of remuneration is based on actual performance
Long Term Incentive Plan Matched Awards	Staff graded 'Director' and above	Share award. Between 50% and 100% of annual bonus applied to purchase shares to be held for three years. Award of up to twice the grossed up value of the number of deferred shares purchased. Awards are nil cost options with no value until they vest subject to meeting performance conditions after three years.	To gain commitment to long term growth in total shareholder returns and to ensure that a significant element of remuneration is based on actual longer term performance
Long Term Incentive Plan Performance Awards	Staff graded 'Director' and above at Remuneration Committee discretion	Share award of up to twice annual salary. Awards are nil cost options with no value until they vest subject to meeting performance conditions after three years.	To gain commitment to long term growth in total shareholder returns and to ensure that a significant element of remuneration is based on actual longer term performance

Directors' Remuneration

Our primary objective is to generate capital growth over the medium to long term together with a rising dividend for our shareholders. The objectives of our Executive Directors were set with that in mind and the following corporate performance targets, which account for one half of their potential annual bonus were set:

- Share performance against a target of RPI plus 3%
- NAV performance against a target of the FTSE All-World Index
- Achievement of a dividend increase in excess of RPI

Two of the three corporate targets were achieved this year; we achieved a dividend increase in excess of RPI and our NAV performance exceeded that of the FTSE All-World Index (See our Key Performance Indicators on page 10).

For the year ending 31 January 2010 the second of the corporate targets listed above will remain unchanged and the others will now be:

- TSR performance against a peer group, the test to be met for above median performance; and
- Achievement of a dividend increase in excess of RPI and also progressive in absolute terms.

Achievement of all of the above targets will account for one half of the potential, annual bonus of our Executive Directors.

The Remuneration Committee aims to adopt an approach to support our traditional low risk investment philosophy and the belief that consistent year on year median to upper quartile performance will over time translate into long term upper quartile performance. Investment managers may receive up to 150% of their annual salary for meeting individual performance objectives based on beating appropriate benchmark indices, without any additional award for top quartile performance which might otherwise encourage behaviour inconsistent with our low risk investment philosophy.

The peer group can be found on page 48.

Basic Salary

Both of our Executive Directors' salaries fall below the market median. Although there is an intention to move the Executive Directors to the market median over time this is dependent upon the performance of the Company. The salary award made in February 2008 did not move the Executive Directors closer to the market median and the salary award made in February 2009 similarly made no improvement on the position of the Executive Directors against their comparators. In setting the salary of Katherine Garrett-Cox following her appointment as Chief Executive, the Committee took into account that she was not a member of the defined benefit salary scheme and that the contributions made to her retirement benefits were therefore significantly lower than that of the previous Chief Executive.

£	Annual Salary at 1/2/08	Annual Salary at 1/2/09
David Deards	200,000	200,000
Katherine Garrett-Cox	268,000	405,000

Variable Pay

This should represent a significant proportion of the Executive Directors' total reward and the amount earned should be reflective of the performance of the individual and the Company. There are two components to variable pay; firstly the Annual Bonus and secondly awards made under the Company's Long Term Incentive Plan (LTIP).

In 2007 the shareholders approved a new Long Term Incentive Plan ('LTIP') which had a target based on achieving returns against RPI. This target reflected the strategy of investing in a wide range of asset classes including directly in property, expanding the financial services subsidiaries and increasing investment in private equity. Following her appointment as Chief Executive in August 2008, Katherine Garrett-Cox undertook a business review, one of the main conclusions of which was that we should focus on equities as our core area of expertise, retaining only a modest exposure to other asset classes. The conclusions of that review were endorsed by the Board and communicated to the market in December. Following this change in strategic focus, a Long Term Incentive Plan which has a principal target of the achievement of an absolute return relative to RPI is no longer appropriate in terms of aligning the incentive scheme with the Company's strategy. Consequently, at the Company's forthcoming AGM, shareholders will be asked to approve a change to the target for the LTIP to incorporate a measure based on relative performance against a peer group (see page 48) rather than absolute performance against RPI.

Annual Bonus

Each Executive Director is eligible for an annual bonus of up to 100% of their basic salary dependent upon performance. At least 50% of any annual bonus award must be deferred into shares within the Company's Long Term Incentive Plan ('LTIP') described below. The Director can choose to receive the rest of any bonus in cash or have it deferred into the LTIP.

In the year ending 31 January 2009, 50% of the potential bonus depended on three corporate targets being achieved.

25% of the potential bonus depended upon a series of business targets being met and 25% of the potential bonus depended upon a series of individual targets.

The targets for Katherine Garrett-Cox reflected both her role as Chief Investment Officer, as related to investment performance and asset allocation process and her assumption of the role of Chief Executive midway through the year, encompassing the achievement of operating budgets and the recruitment of a managing director for Alliance Trust Savings. The targets for David Deards reflected his role as Finance Director across the Group as well as his responsibility for the control functions including Internal Audit, Risk and Compliance.

The following bonuses in respect of the year ending 31 January 2009 were awarded and were payable after the year end.

	Bonus Payable (£)	% of maximum
David Deards	66,667	33
Katherine Garrett-Cox	225,000	58

Long Term Incentive Plans

The Company operates a discretionary plan which was approved by shareholders in 2007. The Directors may also hold awards made under earlier incentive plans which were approved by the shareholders of The Second Alliance Trust in 2004 and by the Company in 2005, although no awards can now be made under these plans.

In all these plans participants are given the opportunity to acquire shares at nil cost after three years subject to the Company achieving certain targets.

There are two categories of award which can be made:

The participants may receive **matching awards**, with the number of shares in the award being calculated with reference to the amount of annual bonus which the member uses to purchase shares in the Company and which are deposited in the plan. At least 50% of the annual bonus must be used in this way. The maximum that can be received is twice the number of shares that could be purchased with the gross value of the annual bonus.

In respect of matching awards made in 2007 and 2008 the target that must be met to achieve the minimum level of vesting is TSR growth equivalent to inflation plus 3% each year, compounded over three years, with the maximum level of vesting only being achieved for TSR growth of 10% over inflation compounded over three years.

In respect of matching awards made under earlier schemes the target was to achieve at least median performance over three years measured against a comparator group of other investment trusts (see page 48). In this case achievement of median would have resulted in 50% of the award vesting. Between median and upper quartile between 50% and 100% on a straight line basis and 100% vesting at upper quartile or above.

Under the LTIP, participants may also receive **performance awards** which are based on the same long term performance measure as the matching awards. However, in this case, there is no requirement for the participant to purchase any shares. The maximum number of shares which can be awarded in a performance award is calculated on twice the annual salary of the participant at the date of the award.

Directors' Remuneration

The following tables provide details of awards made to current and former directors under Long Term Incentive Plans in the year ended 31 January 2009. They also provide details of awards made in previous years and their status at the year end.

Katherine Garrett-Cox

Scheme and year of award	At 31.01.08	Awards Granted in year	Awards Vested in Year	Awards Lapsed in year	At 31.01.09	Market price of share on date of award	Vesting Date
LTIP 5 May 2008 (Matching Award)	-	25,545	-	-	25,545	£3.5100	5 May 2011
LTIP 5 May 2008 (Performance Award)	-	152,706	-	-	152,706	£3.5100	5 May 2011
LTIP 4 June 2007 (Performance Award)	132,038	-	-	-	132,038	£3.8625	4 June 2010
Agreement 4 June 2007 (Share Award*)	434,338	-	-	-	434,338	£3.8625	4 June 2010

*This reflects the award (equivalent to a Matching Award) calculated with reference to the payment Katherine Garrett-Cox received on joining the Company and which she used to purchase shares in the Company and deposit in a plan which operates on similar terms to the LTIP.

David Deards

Scheme and year of award	At 31.01.08	Awards Granted in year	Awards Vested in Year	Awards Lapsed in year	At 31.01.09	Market price of share on date of award	Vesting/ Exercisable Date
LTIP 5 May 2008 (Matching Award)	-	31,898	-	-	31,898	£3.5100	5 May 2011
LTIP 5 May 2008 (Performance Award)	-	113,690	-	-	113,960	£3.5100	5 May 2011
LTIP 4 June 2007 (Matching Award)	15,962	-	-	-	15,962	£3.8625	4 June 2010
LTIP 4 June 2007 (Performance Award)	98,381	-	-	-	98,381	£3.8625	4 June 2010
SMEIP (Alliance Trust) 21 April 2006	11,960	-	-	-	11,960	£3.7050	21 July 2009
SMEIP (Second Alliance Trust) 6 October 2005*	5,483	-	-	5,483	-	£2.6734	6 October 2008
SMEIP (Alliance Trust 9 June 2005)	8,940	-	-	8,940	-	£2.7340	9 June 2008

* With effect from the date of the merger between Alliance Trust and Second Alliance Trust (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 the TSR performance now relates to the Company's performance over the same period (1 August 2005 to 31 July 2008).

Alan Harden

Scheme and year of award	At 31.01.08	Awards Granted in year	Awards Vested in Year	Awards Lapsed in year	At 31.01.09	Market price of share on date of award	Vesting Date
LTIP 5 May 2008 (Matching Award)	-	56,206	-	56,206	-	£3.5100	5 May 2011
LTIP 5 May 2008 (Performance Award)	-	209,116	-	209,116	-	£3.5100	5 May 2011
LTIP 4 June 2007 (Matching Award)	31,274	-	-	31,274	-	£3.8625	4 June 2010
LTIP 4 June 2007 (Performance Award)	181,229	-	-	181,229	-	£3.8625	4 June 2010
SMEIP (Alliance Trust) 21 April 2006	26,740	-	-	26,740	-	£3.7050	21 July 2009
SMEIP (Second Alliance Trust) 6 October 2005*	10,398	-	-	10,398	-	£2.6734	6 October 2008
SMEIP (Alliance Trust) 9 June 2005	16,940	-	-	16,940	-	£2.7340	9 June 2008

* With effect from the date of the merger between Alliance Trust and Second Alliance Trust (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 the TSR performance now relates to the Company's performance over the same period (1 August 2005 to 31 July 2008).

Janet Pope

Scheme and year of award	At 31.01.08	Awards Granted in year	Awards Vested in Year	Awards Lapsed in year	At 31.01.09	Market price of share on date of award	Vesting Date
LTIP 2008 (Matching Award)	-	-	-	-	-	-	-
LTIP 5 May 2008 (Performance Award)	-	-	-	-	-	-	-
LTIP 4 June 2007 (Matching Award)	14,443	-	-	-	14,443*	£3.8625	4 June 2010
LTIP 4 June 2007 (Performance Award)	119,093	-	-	-	119,093*	£3.8625	4 June 2010

*Awards made shall only vest in proportion to the length of service of the director, therefore the maximum matching award will be 6,127 and the maximum performance award will be 50,527.

Directors' Remuneration

Comparator Group

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

For future awards all of the above plus the following:

Edinburgh Worldwide	JPMorgan Overseas
F&C Global Smaller	Mid Wynd
Companies	Invesco Perpetual Select

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:

1) Elect to purchase shares in the Company from pre-tax income up to a maximum of £1,500 per tax year.

2) Receive Dividend Shares purchased from dividends paid in respect of shares held by the participant in the Scheme

3) Receive up to £3,000 worth of shares in each year subject to certain performance targets being met.

This year all participants will receive up to 50% of the maximum award of shares, valued at £1,500.

Directors' Pension Benefits

David Deards is a member of the Company's Defined Benefits plan (Alan Harden was also a member). 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. This has been retained as a scheme specific cap and will therefore continue to restrict the pension benefits. In addition to the member's pension, there is a spouse's pension 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). David Deards' accrual rate is 1/40th for each year's service and Alan Harden's accrual rate under the scheme was 1/30th for each year's service.

David Deards receives contributions to a defined contribution arrangement of 10% of the base salary above the cap and a matching contribution of up to 7% of salary above the cap when the individual also contributes 7% (Alan Harden also received this benefit). This is the same contribution level that applies to all members of staff who are not in the defined benefit plan. As part of their pension arrangements employees are provided with four times actual salary life cover.

Katherine Garrett-Cox receives and Janet Pope received contributions to a defined contribution arrangement of 10% of her base salary and a matching contribution of up to 7% of salary when she also contributes 7%, together with the four times salary life cover.

Summary table of Pension Benefits

£	ACCUMULATED TOTAL ACCRUED PENSION PER ANNUM		TRANSFER VALUES			INFLATION ADJUSTED INCREASE IN YEAR		COMPANY CONTRIBUTIONS TO SIPP PLAN	
Executive Director	**31/1/08**	**31/1/09**	**31/1/08**	**Changes**	**31/1/09**	**Accrued Pension**	**Transfer Value**	**2008**	**2009**
David Deards	13,160	16,660	136,674	86,512	223,186	2,842	38,073	13,246	14,144
Alan Harden	15,667	18,560	186,648	88,302	274,950	2,110	31,258	40,446	25,802
Katherine Garrett-Cox	-	-	-	-	-	-	-	32,515	53,873
Janet Pope	-	-	-	-	-	-	-	3,258	26,860

Katherine Garrett-Cox and Janet Pope are not members of the defined benefit pension plan.

Other elements of Directors' contracts

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 1 year's notice by the Company and on 6 month's notice by the Director.
- Katherine Garrett-Cox's contract contains express mitigation provisions should her contract be terminated. 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.

Summary table of Salary and Benefits

£ Executive Director	Date of Contract	Salary 2008-9	Car Allowance	Taxable Benefits	AESOP share incentive plan	Annual Bonus[1]	Other Payments	Total 2009	Total 2008
David Deards	22/11/02	200,001	15,000	673	1,500	66,667	-	283,841	246,058
Katherine Garrett-Cox	20/04/07	316,868[2]	15,000	11,761	1,500	225,000	-	570,129	1,003,576
Alan Harden	15/10/03	253,843[3]	9,375	117	-	-	-	263,335	447,518
Janet Pope	27/10/06	40,149[4]	-	-	-	-	118,500[5]	158,649	303,454
Total		810,861	39,375	12,551	3,000	291,667	118,500	1,275,954	2,000,606

Notes

1 This is the bonus payable in respect of year ending 31 January 2009 and was paid after the year end.

2 This is based on salary of £268,000 to 31 August and £385,350 from that date.

3 This is based on salary to 15 September 2008. His annual salary was £367,000

4 This is based on salary to 31 March 2008. Her annual salary was £237,000

5 This figure is a payment in respect of the notice period agreed on the Director leaving the Company.

Directors' Remuneration

Directors' Shareholdings

Details of the shareholdings of all Directors, together with details of shares acquired in the year, are shown below. The Company has issued no options to subscribe for shares.

Non-Executive Directors

Non-Executive Directors receive only fees and do not receive salary, 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, with additional fees payable for service on committees or subsidiary boards.

The fee of £75,000 (£90,000 with effect from 1 February 2009) payable to the Chairman includes service on all 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:-

£	Actual 2007-8	Actual 2008-9
Lesley Knox	75,000	75,000
Hugh Bolland	19,833	37,097[1]
John Hylands	-	40,245[2]
Gordon McQueen	44,000	7,333[3]
Christopher Masters	38,220	39,000[4]
Clare Sheikh	31,500	31,500[5]
Total	208,553	230,175

1 Includes £2,500 for membership of Audit Committee, £2,500 for membership of Remuneration Committee and a pro rata amount based on £5,000 for Non-Executive Directorship of Alliance Trust Asset Management Ltd

2 Includes a pro rata amount based on £5,000 for chairing Audit Committee,£2,500 for membership of Remuneration Committee, £5,000 for chairing Audit Committee of Alliance Trust Savings Ltd and £2,500 for Non-Executive Directorship of Alliance Trust Savings Ltd.

3 Includes a pro rata amount based on £5,000 for chairing Audit Committee,£2,500 for membership of Remuneration Committee, £5,000 for chairing Audit Committee of Alliance Trust Savings Ltd and £2,500 for Non-Executive Directorship of Alliance Trust Savings Ltd.

4 Includes £5,000 for chairing Remuneration Committee, £2,500 for membership of Audit Committee and £2,500 as Senior Independent Director

5 Includes £2,500 for membership of Remuneration Committee

Directors' Shareholdings*

Name	As at 01/02/08 or date of appointment if later	As at 31/01/09 or date of leaving if earlier	Acquired between 31/01/09 and 1/4/09
Lesley Knox	101,020	142,096	606
Hugh Bolland	10,000	10,000	-
David Deards	55,787	70,394	838
Katherine Garrett-Cox	140,126	173,132	6,283
Alan Harden	80,540	112,900	-
John Hylands	57,714	61,879	421
Gordon McQueen	3,749	3,749	-
Christopher Masters	10,586	10,823	103
Janet Pope	26,032	27,457	-
Clare Sheikh	3,749	3,749	-

* Unaudited

Other Directorships

The Company has a policy of permitting its Executive Directors to hold external directorships in other companies where this does not conflict with their duties to the Company. Katherine Garrett-Cox is a director of The Baring Foundation and receives no remuneration for this appointment. David Deards has no such directorships.

Company performance graph

As required by law we include a graph showing the performance of the Company against a broad equity market index over a five year period. We do not have a benchmark index but the comparator used is the FTSE All-World Share Index which is the Index which most closely reflects the construction of our portfolio.

Audit Statement

The tables on pages 46,47,49 and 50 together with the related footnotes have been audited by the Company's Auditor whose report is on pages 52 and 53.

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

Christopher Masters, Chairman of the Remuneration Committee
17 April 2009

Independent auditor's report

We have audited the group and parent company financial statements (the "financial statements") of Alliance Trust plc for the year ended 31 January 2009 which comprise the Group and Parent Company Income Statements, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent 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 39.

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 2009 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
17 April 2009

Financial statements

Consolidated income statement for the year ended 31 January 2009

			2009			2008	
£000	**Notes**	**Revenue**	**Capital**	**Total**	**Revenue**	**Capital**	**Total**
Revenue							
Income	3	**117,283**	**-**	**117,283**	102,199	-	102,199
Loss on fair value designated investments		**-**	**(551,495)**	**(551,495)**	-	(118,889)	(118,889)
Loss on investment property held		**-**	**(23,832)**	**(23,832)**	-	(11,820)	(11,820)
Total revenue		**117,283**	**(575,327)**	**(458,044)**	102,199	(130,709)	(28,510)
Administrative expenses	4	**(40,069)**	**(1,981)**	**(42,050)**	(38,114)	(1,234)	(39,348)
Finance costs	5	**(4,322)**	**(3,053)**	**(7,375)**	(5,727)	(2,681)	(8,408)
Impairment losses	11,12	**(1,759)**	**(9,074)**	**(10,833)**	-	-	-
Loss on revaluation of office premises	9	**-**	**(6,786)**	**(6,786)**	-	-	-
Foreign exchange (losses)/gains		**(271)**	**8,221**	**7,950**	28	1,786	1,814
Profit/(loss) before tax		**70,862**	**(588,000)**	**(517,138)**	58,386	(132,838)	(74,452)
Tax	6	**(10,552)**	**3,627**	**(6,925)**	(3,052)	274	(2,778)
Profit/(loss) for the period		**60,310**	**(584,373)**	**(524,063)**	55,334	(132,564)	(77,230)
Attributable to:							
– Minority interest		**1**	**(866)**	**(865)**	(10)	(658)	(668)
– Equity holders of the parent		**60,309**	**(583,507)**	**(523,198)**	55,344	(131,906)	(76,562)
		60,310	**(584,373)**	**(524,063)**	55,334	(132,564)	(77,230)
Earnings/(loss) per share from continuing operations attributable to equity holders of the parent	8						
Basic (p per share)		**9.00**	**(87.06)**	**(78.06)**	8.25	(19.65)	(11.40)
Diluted (p per share)		**8.98**	**(87.06)**	**(78.08)**	8.24	(19.65)	(11.41)

Consolidated statement of recognised income and expense

		2009			2008	
£000	**Revenue**	**Capital**	**Total**	**Revenue**	**Capital**	**Total**
Income and expenses recognised directly in equity:						
Defined benefit plan net actuarial (loss)/gain	**-**	**(3,282)**	**(3,282)**	-	1,404	1,404
Retirement benefit obligations deferred tax	**-**	**891**	**891**	-	(399)	(399)
Loss on revaluation of office premises	**-**	**(425)**	**(425)**	-	-	-
Exchange differences on translation of foreign subsidiary	**-**	**984**	**984**	-	-	-
Profit/(loss) for the period	**60,310**	**(584,373)**	**(524,063)**	55,334	(132,564)	(77,230)
Total recognised income and expense for the period	**60,310**	**(586,205)**	**(525,895)**	55,334	(131,559)	(76,225)
Attributable to:						
Minority interest	**1**	**(866)**	**(865)**	(10)	(658)	(668)
Equity holders of the parent	**60,309**	**(585,339)**	**(525,030)**	55,344	(130,901)	(75,557)
	60,310	**(586,205)**	**(525,895)**	55,334	(131,559)	(76,225)

Company income statement for the year ended 31 January 2009

		2009			2008		
£000	**Notes**	**Revenue**	**Capital**	**Total**	**Revenue**	**Capital**	**Total**
Revenue							
Income	3	**95,299**	**-**	**95,299**	82,620	-	82,620
Loss on fair value designated investments		**-**	**(560,066)**	**(560,066)**	-	(127,520)	(127,520)
Loss on investment property held		**-**	**(23,832)**	**(23,832)**	-	(11,820)	(11,820)
Total revenue		**95,299**	**(583,898)**	**(488,599)**	82,620	(139,340)	(56,720)
Administrative expenses	4	**(15,168)**	**(1,632)**	**(16,800)**	(14,092)	(935)	(15,027)
Finance costs	5	**(1,543)**	**(3,053)**	**(4,596)**	(1,354)	(2,681)	(4,035)
Loss on revaluation of office premises	9	**-**	**(6,786)**	**(6,786)**	-	-	-
Foreign exchange gains		**-**	**8,221**	**8,221**	-	1,786	1,786
Profit/(loss) before tax		**78,588**	**(587,148)**	**(508,560)**	67,174	(141,170)	(73,996)
Tax	6	**(9,094)**	**1,255**	**(7,839)**	(5,648)	274	(5,374)
Profit/(loss) for the period		**69,494**	**(585,893)**	**(516,399)**	61,526	(140,896)	(79,370)
Attributable to:							
Equity shareholders		**69,494**	**(585,893)**	**(516,399)**	61,526	(140,896)	(79,370)
Earnings/(loss) per share from continuing operations attributable to equity shareholders	8						
Basic (p per share)		**10.37**	**(87.42)**	**(77.05)**	9.17	(20.99)	(11.82)
Diluted (p per share)		**10.34**	**(87.42)**	**(77.08)**	9.16	(20.99)	(11.83)

Company statement of recognised income and expense

	2009			2008		
£000	**Revenue**	**Capital**	**Total**	**Revenue**	**Capital**	**Total**
Income and expenses recognised directly in equity:						
Defined benefit plan net actuarial (loss)/gain	**-**	**(3,282)**	**(3,282)**	-	1,404	1,404
Retirement benefit obligations deferred tax	**-**	**891**	**891**	-	(399)	(399)
Loss on revaluation of office premises	**-**	**(425)**	**(425)**	-	-	-
Profit/(loss) for the period	**69,494**	**(585,893)**	**(516,399)**	61,526	(140,896)	(79,370)
Total recognised income and expense for the period	**69,494**	**(588,709)**	**(519,215)**	61,526	(139,891)	(78,365)
Attributable to:						
Equity shareholders	**69,494**	**(588,709)**	**(519,215)**	61,526	(139,891)	(78,365)

Balance sheets as at 31 January 2009

		Group		Company	
£000	**Notes**	**2009**	**2008**	**2009**	**2008**
Non-current assets					
Investments held at fair value	9	**1,820,763**	2,729,397	**1,841,092**	2,741,812
Investment property	9	**56,335**	80,100	**56,335**	80,100
Property, plant and equipment:	9				
Office premises		**6,375**	3,884	**6,375**	3,884
Other fixed assets		**8**	36	**6**	5
Intangible assets	11,12	**5,251**	16,763	**1,123**	1,474
Retirement benefit surplus	25	**-**	1,617	**-**	1,617
		1,888,732	2,831,797	**1,904,931**	2,828,892
Current assets					
Other receivables	14	**17,531**	48,171	**8,615**	33,492
Withholding tax debtor		**840**	1,013	**840**	1,013
Corporation tax debtor		**227**	875	**-**	500
Cash and cash equivalents		**507,033**	227,653	**297,046**	30,328
		525,631	277,712	**306,501**	65,333
Total assets		**2,414,363**	3,109,509	**2,211,432**	2,894,225
Current liabilities					
Other payables	15	**(231,108)**	(236,796)	**(36,342)**	(33,738)
Tax payable		**(1,595)**	-	**(527)**	(2,379)
Bank overdrafts and loans	16	**(50,000)**	(159,000)	**(50,000)**	(159,000)
		(282,703)	(395,796)	**(86,869)**	(195,117)
Total assets less current liabilities		**2,131,660**	2,713,713	**2,124,563**	2,699,108
Non-current liabilities					
Deferred tax liabilities	13	**(381)**	(1,546)	**(407)**	(168)
Pension scheme deficit	25	**(1,565)**	-	**(1,565)**	-
Net assets		**2,129,714**	2,712,167	**2,122,591**	2,698,940
Equity					
Share capital	17	**16,798**	16,798	**16,798**	16,798
Capital reserves	18	**1,378,674**	1,966,300	**1,372,536**	1,962,892
Translation reserve	18	**984**	-	**-**	-
Merger reserve	18	**645,335**	645,335	**645,335**	645,335
Revaluation reserve	18	**183**	608	**183**	608
Capital redemption reserve	18	**2,200**	2,200	**2,200**	2,200
Revenue reserves	18	**78,806**	73,550	**85,539**	71,107
Equity attributable to equity holders of the parent		**2,122,980**	2,704,791	**2,122,591**	2,698,940
Minority interest		**6,734**	7,376	**-**	-
Total equity		**2,129,714**	2,712,167	**2,122,591**	2,698,940
Net Asset Value per ordinary share attributable to equity holders of the parent	19				
Basic (£)		**£3.17**	£4.03	**£3.17**	£4.02
Diluted (£)		**£3.16**	£4.03	**£3.16**	£4.02

The financial statements were approved by the Board of Directors and authorised for issue on 17 April 2009.
They were signed on its behalf by:

Lesley Knox
Chairman

Lesley Knox

Katherine Garrett-Cox
Chief Executive

Cash flow for the year ended 31 January 2009

	Group		Company	
£000	**2009**	**2008**	**2009**	**2008**
Cash flows from operating activities				
Loss before tax	**(517,138)**	(74,452)	**(508,560)**	(73,996)
Adjustments for:				
Losses on investments	**575,327**	130,709	**583,898**	139,340
Foreign exchange gains	**(7,950)**	(1,814)	**(8,221)**	(1,786)
Scrip dividends	**(590)**	(311)	**(590)**	(311)
Depreciation	**71**	45	**9**	9
Amortisation of intangibles	**1,734**	1,562	**392**	391
Impairment losses	**10,833**	-	**-**	-
Loss on revaluation of office premises	**6,786**	-	**6,786**	-
Share based payment expense	**742**	885	**389**	563
Interest	**7,375**	8,408	**4,596**	4,035
Operating cash flows before movements in working capital	**77,190**	65,032	**78,699**	68,245
Increase in amounts due to depositors	**5,963**	50,526	**-**	-
Decrease/(Increase) in receivables	**9,948**	358	**523**	(34)
(Decrease)/Increase in payables	**(15,510)**	10,613	**2,744**	2,296
Net cash flow from operating activities before income taxes	**77,591**	126,529	**81,966**	70,507
Taxes paid	**(4,784)**	(3,594)	**(7,888)**	(5,641)
Net cash inflow from operating activities	**72,807**	122,935	**74,078**	64,866
Cash flows from investing activities				
Proceeds on disposal of fair value through profit and loss investments	**1,644,311**	1,382,985	**1,641,725**	1,382,985
Purchases of fair value through profit and loss investments	**(1,272,384)**	(1,690,930)	**(1,288,772)**	(1,699,837)
Purchase of investment properties	**-**	(24,775)	**-**	(24,775)
Purchase of plant and equipment	**(43)**	(49)	**(10)**	-
Purchase of intangible assets	**(1,055)**	(570)	**(41)**	(351)
Purchases in respect of new head office	**(9,702)**	(2,984)	**(9,702)**	(2,984)
Net cash inflow/(outflow) from investing activities	**361,127**	(336,323)	**343,200**	(344,962)
Cash flows from financing activities				
Dividends paid - Equity	**(41,534)**	(51,334)	**(41,534)**	(51,334)
Purchase of own shares	**(2,587)**	(3,640)	**(2,587)**	(3,640)
New bank loans raised	**-**	159,000	**-**	159,000
Repayment of borrowing	**(109,000)**	(5,188)	**(109,000)**	-
Minority interest investment in PATIF*	**223**	2,226	**-**	-
Interest payable	**(9,606)**	(8,408)	**(5,660)**	(4,035)
Net cash (outflow)/inflow from financing activities	**(162,504)**	92,656	**(158,781)**	99,991
Net increase/(decrease) in cash and cash equivalents	**271,430**	(120,732)	**258,497**	(180,105)
Cash and cash equivalents at beginning of period	**227,653**	346,571	**30,328**	208,647
Effect of foreign exchange rate changes	**7,950**	1,814	**8,221**	1,786
Cash and cash equivalents at end of period	**507,033**	227,653	**297,046**	30,328

* 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 90. 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.

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 Directors' best estimate of fair value. In arriving at their estimate, the Directors make use of recognized 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 listed 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 defined benefit schemes' liabilities includes a number of assumptions around mortality and inflation rates applicable to defined benefits. 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

Basis of accounting

Both the parent Company financial statements and the Group financial statements 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 January 2009 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 provisions of the revised SORP are effective for accounting periods commencing on or after 1st January 2009. Early adoption is permitted and the Group and the Company have prepared the financial statements under the revised provisions save for the matters noted below. 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.

Adopted IFRSs

IFRIC 11 'Group and Treasury Share Transactions' was applied in the current financial year. There is no effect on 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.

IFRS not yet applied

The following standards and interpretations which have been adopted by the European Union but are not effective for the year ended 31 January 2009 and have not been applied in preparing the financial statements, are relevant to the financial statements of the Group and the Company:

The International Accounting Standards Board ('IASB') issued IFRS 8 'Operating Segments' in November 2006. Certain entities are required to report financial and descriptive information about their reportable segments that meet specified criteria. The standard is effective for accounting periods beginning on or after 1 January 2009. The amendments to the presentational requirements of the financial statements are not expected to have any financial impact on the Group or Company.

The IASB issued a revised IAS 23 'Borrowing Costs' in March 2007. Entities are required to capitalise borrowing costs attributable to the development or construction of intangible assets or property, plant or equipment. The standard is effective for accounting periods beginning on or after 1 January 2009 and is not expected to have a material effect on the Group or Company.

The IASB issued a revised IAS 1 'Presentation of Financial Statements' in September 2007 effective for accounting periods beginning on or after 1 January 2009. The amendments to the presentation requirements or financial statements are not expected to have any financial impact on the Group or Company.

The IASB published revisions to IAS 32 'Financial Instruments: Presentation' and consequential revisions to other standards in February 2008 to improve the accounting for and disclosure of puttable financial instruments. The revisions are effective for accounting periods beginning on or after 1 January 2009 but together they may be adopted earlier. They are not expected to have a material affect on the Group or the Company.

The IASB published a revised IFRS 3 'Business Combinations' and related revisions to IAS 27 'Consolidated and Separate Financial Statements' following the completion in January 2008 of its project on the acquisition and disposal of subsidiaries. The standards provide new guidance on accounting for changes in interests in subsidiaries. The cost of an acquisition will comprise only consideration paid to vendors for equity; other costs will be expensed immediately. Groups will only account for goodwill on acquisition of a subsidiary; subsequent changes in interest will be recognised in equity and only on a loss of control will there be a profit or loss on disposal to be recognised in income. The changes are effective for accounting periods beginning on or after 1 July 2009. These changes will affect the Group's accounting for future acquisitions and disposals of subsidiaries.

No impact is expected from any other standards or interpretations which have been endorsed by the European Union and are available for early adoption, but which have not been adopted.

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. Where the Company has an investment in over 50% of the issued share capital of an Open Ended Investment Company ('OEIC'), the Company will treat the OEIC as a subsidiary. 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. IFRS 8 replaces IAS 14 for accounting periods beginning on or after 1 January 2009 and the impact of this is noted under Accounting Developments above.

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.

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.

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.

Rental income from investment property and income from mineral rights is recognised on a time basis.

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.

Expenses connected with rental income and mineral rights are included as administrative expenses.

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.

The functional currency of one subsidiary, AT Asset Management (Asia Pacific) Limited, is Hong Kong Dollars. The assets and liabilities of this subsidiary are translated to Sterling at the foreign exchange rate ruling at the balance sheet date. The revenues and expenses of the subsidiary are translated to Sterling at foreign exchange rates approximating to the rates ruling at the dates of the transactions. Foreign exchange differences arising on the translation of the subsidiary into Sterling are recognised directly in the Translation Reserve, which is a separate component of equity, and reported in the Statement of Recognised Income and Expenses ('SORIE'). These exchange differences are recognised as income or expenses in the period in which the subsidiary is disposed of.

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 other corporate targets or 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.

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. 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.

Derivatives

The Group may enter into a variety of derivative financial instruments to manage its exposure to interest rate risk, foreign exchange rate risk and market risk. Further details of derivative financial instruments used in the year to 31 January 2009 are disclosed in note 23 of the financial statements.

Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The resulting gain or loss is recognised in profit and loss immediately unless the derivative is designated as, and effective as, a hedging instrument, in which event the timing of the recognition in the profit and loss depends on the nature of the hedge relationship.

The fair value of derivatives is classified as a non-current asset or non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months.

Neither the Group nor the Company hold or issue derivatives for trading purposes.

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 (not including transaction costs). 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. Listed investments include Collective Investment Schemes authorised in the UK. These are valued at closing prices.

Investments in property are initially recognised at cost and then valued at fair value based on an independent professional valuation at the reporting dates, 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 approximate to the fair value of those entities.

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 and the new head office at 8 West Marketgait are shown at the valuation as at 31 January 2009 carried out by chartered surveyors on the basis of market value. No depreciation has been charged on these assets 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.

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. During the period the residual value was deemed to be impaired and was written off. They were 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 AIC SORP as revised in January 2009 does not require, either in the primary statements or in the notes to the accounts, the disclosure of the net profit or loss on investments held at the reporting date analysed between those that are realised and those that are unrealised in accordance with the definition set out in the ICAEW guidance Tech 01/08. The Company and the Group have adopted these provisions of the revised SORP in the current financial year and have in addition changed the presentation of the comparative figures in the income statement, balance sheet and notes to the accounts as appropriate.

A description of each of the reserves follows:

Capital reserve

The following are dealt with through this reserve:

- Gains and losses on realisation of investments
- Changes in fair value investments which are readily convertible to cash
- Changes in fair value investments which are not readily convertible to cash
- Realised exchange differences of a capital nature
- Purchases of shares by the Trustee of the Employee Benefit Trust
- Fair value cost of share based payments which are capital in nature
- Amounts by which other assets and liabilities valued at fair value differ from their book value.

Translation reserve

This reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Revaluation reserve

This reserve is used to record changes in the valuation of the Company's office premises. A downward revaluation in office premises is charged to the income statement to the extent that there is no earlier upward revaluation in this reserve for those 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 and repayment of the Company's preference share capital.

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/Company's revenue is as follows:

	Group		Company	
£000	**2009**	**2008**	**2009**	**2008**
Income from investments*				
Listed dividends – UK	**50,878**	46,851	**49,784**	45,362
Unlisted dividends – UK	**24**	-	**24**	-
Listed dividends – Subsidiaries	-	-	**518**	401
Unlisted dividends – Subsidiaries	-	-	-	1,000
Listed dividends – Overseas	**28,273**	25,109	**26,832**	24,903
Unlisted dividends – Overseas	**37**	23	**37**	23
Interest on fixed income securities	**413**	741	**203**	-
Scrip dividends	**590**	311	**590**	311
	80,215	73,035	**77,988**	72,000
Other income				
Property income	**4,197**	4,016	**4,197**	4,016
Mineral rights income	**2,170**	1,633	**2,170**	1,633
Deposit interest	**16,189**	14,184	**5,992**	4,968
Other interest	**4,363**	-	**4,363**	-
Savings and pension plan charges	**8,773**	8,288	-	-
Other income	**1,376**	1,043	**589**	3
	37,068	29,164	**17,311**	10,620
Total income	**117,283**	102,199	**95,299**	82,620
Investment income comprises				
Listed UK	**50,878**	46,851	**50,302**	45,763
Listed Overseas	**28,273**	25,109	**26,832**	24,903
Unlisted	**61**	23	**61**	1,023
Other	**1,003**	1,052	**793**	311
	80,215	73,035	**77,988**	72,000

* 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	2009 Revenue	2009 Capital	2009 Total	2008 Revenue	2008 Capital	2008 Total
Staff costs	16,438	1,981	18,419	16,175	1,234	17,409
Social security costs	1,838	-	1,838	1,752	-	1,752
Regular pension contributions – DB scheme	1,020	-	1,020	968	-	968
Regular pension contributions – DC scheme	1,113	-	1,113	921	-	921
	20,409	1,981	22,390	19,816	1,234	21,050
Auditors remuneration						
Fee payable to the auditor for the audit of the Company's annual accounts	50	-	50	31	-	31
Fee payable to the auditor and its associates for other services						
The audit of the Company's subsidiaries pursuant to legislation	74	-	74	60	-	60
Other services pursuant to legislation	26	-	26	30	-	30
Services relating to corporate finance transactions	-	-	-	3	-	3
Fees in respect of the Alliance Trust Companies pension scheme audit	2	-	2	3	-	3
Other services	85	-	85	-	-	-
	237	-	237	127	-	127
Other administrative costs	19,423	-	19,423	18,171	-	18,171
Total administrative expenses	40,069	1,981	42,050	38,114	1,234	39,348

	Company			Company		
£000	2009 Revenue	2009 Capital	2009 Total	2008 Revenue	2008 Capital	2008 Total
Staff costs	5,429	1,632	7,061	6,286	935	7,221
Social security costs	809	-	809	794	-	794
Regular pension contributions – DB scheme	437	-	437	599	-	599
Regular pension contributions – DC scheme	352	-	352	257	-	257
	7,027	1,632	8,659	7,936	935	8,871
Auditors remuneration						
Fee payable to the auditor for the audit of the Company's annual accounts	50	-	50	31	-	31
Fee payable to the auditor and its associates for other services:						
Other services pursuant to legislation	6	-	6	26	-	26
Services relating to corporate finance transactions	-	-	-	3	-	3
Fees in respect of the Alliance Trust Companies pension scheme audit	1	-	1	1	-	1
	57	-	57	61	-	61
Other administrative costs	8,084	-	8,084	6,095	-	6,095
Total administration costs	15,168	1,632	16,800	14,092	935	15,027

Total Directors' remuneration was £1,506,129 (£2,209,159). Further details are given on pages 42 to 51. At 31 January 2009, the Group employed 277 (292) full time and 25 (18) part time staff, excluding Directors.

Previously the Company calculated its total expense ratio (TER) based on closing net assets. The Directors have decided to calculate TER based on the average of opening and closing net assets as this is more consistent with market practice. On this basis the management and administration expenses of the Company amounted to £16,800,000 (£15,027,000) representing 0.70% (0.54%) of the average opening and closing net assets of £2,410,766,000 (£2,765,278,000).

The cost of insured benefits for staff including executive Directors is included in staff costs.

5 Finance Costs

	Group			Group		
	2009	2009	2009	2008	2008	2008
£000	Revenue	Capital	Total	Revenue	Capital	Total
Payable to depositors	**2,772**	**-**	**2,772**	4,365	-	4,365
Bank loans and overdrafts	**1,550**	**3,053**	**4,603**	1,362	2,681	4,043
Total finance costs	**4,322**	**3,053**	**7,375**	5,727	2,681	8,408

	Company			Company		
	2009	2009	2009	2008	2008	2008
£000	Revenue	Capital	Total	Revenue	Capital	Total
Bank loans and overdrafts	**1,543**	**3,053**	**4,596**	1,354	2,681	4,035
Total finance costs	**1,543**	**3,053**	**4,596**	1,354	2,681	4,035

6 Taxation

	Group			Group		
	2009	2009	2009	2008	2008	2008
£000	Revenue	Capital	Total	Revenue	Capital	Total
UK corporation tax at 28% (30%)	**6,601**	**(1,190)**	**5,411**	3,970	(850)	3,120
Indian capital gains tax	**-**	**-**	**-**	-	576	576
Prior year adjustment	**1,143**	**(71)**	**1,072**	(500)	-	(500)
Overseas taxation	**3,832**	**-**	**3,832**	3,272	-	3,272
	11,576	**(1,261)**	**10,315**	6,742	(274)	6,468
Relief for overseas taxation	**(3,116)**	**-**	**(3,116)**	(3,052)	-	(3,052)
	8,460	**(1,261)**	**7,199**	3,690	(274)	3,416
Deferred taxation (note 13)	**2,092**	**(2,366)**	**(274)**	(638)	-	(638)
	10,552	**(3,627)**	**6,925**	3,052	(274)	2,778

Corporation tax is calculated at 28% (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 2009 Revenue	2009 Capital	2009 Total	2009 %	Group 2008 Revenue	2008 Capital	2008 Total	2008 %
Profit/(loss) before tax	**70,862**	**(588,000)**	**(517,138)**		58,386	(132,838)	(74,452)	
Tax at the UK corporation tax rate of 28% (30%)	**19,841**	**(164,639)**	**(144,798)**	**28%**	17,516	(39,851)	(22,335)	30%
Indian capital gains tax payable	**-**	**-**	**-**	**0%**	-	576	576	(1%)
Non taxable UK dividend income	**(14,318)**	**-**	**(14,318)**	**3%**	(14,130)	-	(14,130)	19%
Realised (gains)/losses on investments	**(4)**	**36,783**	**36,779**	**(9%)**	-	34,990	34,990	(47%)
Decrease in appreciation on assets held	**-**	**126,209**	**126,209**	**(23%)**	-	4,223	4,223	(6%)
Prior year adjustment	**2,673**	**(71)**	**2,602**	**(1%)**	(500)	-	(500)	1%
Foreign exchange gains	**76**	**(2,284)**	**(2,208)**	**0%**	-	(536)	(536)	1%
Effect of change in tax rate	**786**	**(10)**	**776**	**(0%)**	(79)	-	(79)	0%
Deferred tax assets not recognised	**1,486**	**-**	**1,486**	**(0%)**	-	-	-	0%
Adjustments arising on the difference between taxation and accounting treatment of income and expenses	**12**	**385**	**397**	**0%**	245	324	569	(1%)
Tax expenses and effective tax rate for the year	**10,552**	**(3,627)**	**6,925**	**(1%)**	3,052	(274)	2,778	(4%)

£000	Company 2009 Revenue	2009 Capital	2009 Total	Company 2008 Revenue	2008 Capital	2008 Total
UK corporation tax at 28% (30%)	**7,572**	**(1,184)**	**6,388**	6,373	(850)	5,523
Indian Capital Gains Tax	**-**	**-**	**-**	-	576	576
Prior year adjustment	**(324)**	**(71)**	**(395)**	(500)	-	(500)
Overseas taxation	**3,832**	**-**	**3,832**	3,272	-	3,272
	11,080	**(1,255)**	**9,825**	9,145	(274)	8,871
Relief for overseas taxation	**(3,116)**	**-**	**(3,116)**	(3,052)	-	(3,052)
	7,964	**(1,255)**	**6,709**	6,093	(274)	5,819
Deferred taxation - (note 13)	**1,130**	**-**	**1,130**	(445)	-	(445)
	9,094	**(1,255)**	**7,839**	5,648	(274)	5,374

Corporation tax is calculated at 28% (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 2009 Revenue	2009 Capital	2009 Total	2009 %	Company 2008 Revenue	2008 Capital	2008 Total	2008 %
Profit/(loss) before tax	**78,588**	**(587,148)**	**(508,560)**		67,174	(141,170)	(73,996)	-
UK corporation tax payable at 28% (30%)	**22,005**	**(164,396)**	**(142,391)**	**28%**	20,152	(42,351)	(22,199)	30%
Indian capital gains tax	**-**	**-**	**-**	**0%**	-	576	576	(1%)
Non taxable UK dividend income	**(14,012)**	**-**	**(14,012)**	**3%**	(14,044)	-	(14,044)	19%
Realised (gains)/losses on investments	**-**	**34,333**	**34,333**	**(8%)**	-	34,868	34,868	(47%)
Decrease in appreciation on assets held	**-**	**131,058**	**131,058**	**(24%)**	-	6,934	6,934	(9%)
Prior year adjustment	**337**	**(71)**	**266**	**(0%)**	(500)	-	(500)	1%
Foreign exchange gains	**-**	**(2,302)**	**(2,302)**	**0%**	-	(536)	(536)	1%
Effect of change in tax rate	**789**	**(10)**	**779**	**(0%)**	20	-	20	0%
Adjustments arising on the difference between taxation and accounting treatment of income and expenses	**(25)**	**133**	**108**	**(0%)**	20	235	255	0%
Tax expenses and effective tax rate for the year	**9,094**	**(1,255)**	**7,839**	**(2%)**	5,648	(274)	5,374	(7%)

7 Dividends

£000	2009	2008
Third interim dividend for the year ended 31 January 2007 of 1.95p per share	-	13,099
First interim dividend for the year ended 31 January 2008 of 1.90p per share	-	12,745
Second interim dividend for the year ended 31 January 2008 of 1.90p per share	-	12,745
Third interim dividend for the year ended 31 January 2008 of 1.90p per share	-	12,745
Fourth interim dividend for the year ended 31 January 2008 of 2.20p per share	14,758	-
First interim dividend for the year ended 31 January 2009 of 2.00p per share	13,401	-
Second interim dividend for the year ended 31 January 2009 of 2.00p per share	13,401	-
Third interim dividend for the year ended 31 January 2009 of 2.00p per share	13,401	-
	54,961	51,334

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	-	12,745
Second interim dividend for the year ended 31 January 2008 of 1.90p per share	-	12,745
Third interim dividend for the year ended 31 January 2008 of 1.90p per share	-	12,745
Fourth interim dividend for the year ended 31 January 2008 of 2.20p per share	-	14,758
First interim dividend for the year ended 31 January 2009 of 2.00p per share	13,401	-
Second interim dividend for the year ended 31 January 2009 of 2.00p per share	13,401	-
Third interim dividend for the year ended 31 January 2009 of 2.00p per share	13,401	-
Fourth interim dividend for the year ended 31 January 2009 of 2.00p per share	13,401	-
	53,604	52,993
Special dividend for the year ended 31 January 2009 of 0.50p per share	3,350	-
	56,954	52,993

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		
	2009 Revenue	**2009 Capital**	**2009 Total**	**2008 Revenue**	**2008 Capital**	**2008 Total**
Ordinary shares						
Earnings for the purposes of basic earnings per share being net profit attributable to equity holders of the parent (£000)	**60,309**	**(583,507)**	**(523,198)**	55,344	(131,906)	(76,562)
Number of shares						
Weighted average number of ordinary shares for the purposes of basic earnings per share			670,227,004			671,113,244
Weighted average number of ordinary shares for the purposes of diluted earnings per share			671,909,760			671,909,760

	Company			Company		
	2009 Revenue	**2009 Capital**	**2009 Total**	**2008 Revenue**	**2008 Capital**	**2008 Total**
Ordinary shares						
Earnings for the purposes of basic earnings per share being net profit attributable to equity shareholders (£000)	**69,494**	**(585,893)**	**(516,399)**	61,526	(140,896)	(79,370)
Number of shares						
Weighted average number of ordinary shares for the purposes of basic earnings per share			670,227,004			671,113,244
Weighted average number of ordinary shares for the purposes of diluted earnings per share			671,909,760			671,909,760

The diluted figure is the entire number of shares in issue.

To arrive at the basic figure the number of shares has been reduced by 1,842,670 (1,108,624) ordinary shares held by the Trustee of The Employee Benefit Trust ("EBT"). During the year the Trustee increased its holding by 755,465 (945,685) shares with funds provided by the Company. 21,419 (nil) shares were transfered from the EBT to participants in the Senior Management Equity Incentive Plan (SMEIP) in satisfaction of matching awards.

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 2009	Group 2008	Company 2009	Company 2008
Investments designated at fair value through Profit and Loss				
Investments listed on a recognised investment exchange	**1,732,150**	2,691,274	**1,660,572**	2,591,713
Unlisted investments	**88,613**	38,123	**87,629**	38,123
Investment in collective investment schemes (subsidiary companies, note 10)	-	-	**57,689**	71,689
Related and subsidiary companies (note 10)	-	-	**35,202**	40,287
	1,820,763	2,729,397	**1,841,092**	2,741,812
Investment property	**56,335**	80,100	**56,335**	80,100
	1,877,098	2,809,497	**1,897,427**	2,821,912

2008 £000	Group Listed Investments	Investment Property	Unlisted Investments	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
(Decrease)/Increase 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

2009 £000	Group Listed Investments	Investment Property	Unlisted Investments	Total
Opening book cost as at 1 February 2008	2,344,087	90,866	25,308	2,460,261
Opening unrealised appreciation/(depreciation)	347,187	(10,766)	12,815	349,236
Opening valuation	2,691,274	80,100	38,123	2,809,497
Movements in the period				
Purchases at cost*	1,210,129	67	55,365	1,265,561
Sales – proceeds*	(1,622,701)	-	(916)	(1,623,617)
– realised (losses)/gains on sales	(123,774)	-	524	(123,250)
Gains on translation of investment in foreign subsidiaries	-	-	984	984
Decrease in appreciation on assets held	(422,778)	(23,832)	(5,467)	(452,077)
Closing valuation	1,732,150	56,335	88,613	1,877,098
Closing book cost	1,807,741	90,933	80,281	1,978,955
Gains on translation of investment in foreign subsidiaries	-	-	984	984
Closing (depreciation)/appreciation on assets held	(75,591)	(34,598)	7,348	(102,841)
Closing valuation as at 31 January 2009	1,732,150	56,335	88,613	1,877,098

2008			Company		
£000	Listed 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
(Decrease)/increase 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

2009			Company		
£000	Listed Investments	Investment Property	Related and Subsidiary companies	Unlisted Investments	Total
Opening book cost as at 1 February 2008	2,314,620	90,866	44,746	25,308	2,475,540
Opening unrealised appreciation/(depreciation)	348,782	(10,766)	(4,459)	12,815	346,372
Opening valuation	2,663,402	80,100	40,287	38,123	2,821,912
Movements in the period					
Purchases at cost*	1,209,042	67	12,311	55,365	1,276,785
Sales – proceeds*	(1,616,456)	-	-	(916)	(1,617,372)
– realised (losses)/gains on sales	(123,143)	-	-	524	(122,619)
Decrease in appreciation on assets held	(414,584)	(23,832)	(17,396)	(5,467)	(461,279)
Closing valuation	1,718,261	56,335	35,202	87,629	1,897,427
Closing book cost	1,784,063	90,933	57,057	80,281	2,012,334
Closing (depreciation)/appreciation on assets held	(65,802)	(34,598)	(21,855)	7,348	(114,907)
Closing valuation as at 31 January 2009	1,718,261	56,335	35,202	87,629	1,897,427

* 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 £7,937,000 (£6,925,000).

A geographical analysis of the investment portfolio by broad industrial or commercial sector together with a list of the 20 largest investments in the portfolio is given on page 11. Both are unaudited.

The investment properties were valued as at 31 December 2008 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 2009 is unchanged from this figure. The historic cost of the investment properties is £90,933,000 (£90,866,000).

£000	Group		Company	
	Office premises freehold / Heritable property	New office premises under construction	Office premises freehold / Heritable property	New office premises under construction
Opening valuation at 1 February 2007	900	-	900	-
Expenditure on land & building works	-	2,984	-	2,984
Revaluation	-	-	-	-
Valuation at 31 January 2008	900	2,984	900	2,984
Expenditure on land & building works	-	9,702	-	9,702
Revaluation	(425)	(6,786)	(425)	(6,786)
Valuation at 31 January 2009	475	5,900	475	5,900

J & E Shepherd, Chartered Surveyors, valued the office premises at 64 Reform Street, Dundee at 31 January 2009 at £475,000 on the basis of market value. The valuation was in accordance with RICS Appraisal and Valuation Standards. The historic cost of the office premises is £292,000.

Construction of a new head office at 8 West Marketgait, Dundee began in late 2007 and is scheduled to be completed in 2009. At 31 January 2008 the Directors valued the land and building work to date at cost. At 31 January 2009 DTZ Tie Leung valued the office premises at £5.9m on the basis of vacant possession. The valuation was in accordance with RICS Appraisal and Valuation Standards. The cost of the office premises under construction was £12.7m and consequently £6.8m has been recognised as a loss in the income statement for the year ended 31 January 2009.

£000	Group	Company
Other Fixed Assets		
Opening book cost at 1 February 2007	59	26
Additions	49	-
Book cost at 31 January 2008	108	26
Additions	43	10
Disposals	(52)	(11)
Book cost at 31 January 2009	99	25
Opening depreciation at 1 February 2007	(27)	(12)
Depreciation charge	(45)	(9)
Depreciation at 31 January 2008	(72)	(21)
Depreciation charge	(71)	(9)
Disposals	52	11
Depreciation at 31 January 2009	(91)	(19)
Net book value at 31 January 2008	36	5
Net book value at 31 January 2009	8	6

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	Inactive
Alliance Trust Pensions Limited ('ATP')	Ordinary	England	Pension trustee
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 AP')	Ordinary	Hong Kong	Investment management
Alliance Trust Asset Management Limited ('ATAM UK')	Ordinary	Scotland	Investment management
Alliance Trust Services Limited ('ATSL')	Ordinary	Scotland	Service company
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
Alliance Trust (PE Manco) Limited	Ordinary	Scotland	Investment Company

The investment in subsidiary companies is valued in the Company's accounts at £35,202,000 (£40,287,000) being the net asset value of the Company's equity interest taking into account securities at fair value.

During the year Alliance Trust Leasing (ATL), an inactive subsidiary, was wound up. In addition ATSTC is in the process of being wound up.

At 31 January 2009 the Company owned 100% of ATS, ATF, AT2006, SAL, ATREP, ATAM (AP), ATAM (UK) and ATEP.

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 (OEIC).

On 19 January 2009 the investment management of PATIF was passed from ATAM (AP) to ATAM (UK). ATAM (AP) ceased trading on 31 January 2009 and will be wound up in 2009.

As at 31 January 2009 the Company held the following proportions of each class of share in PATIF. The value of the shares held by the Company is also given below:

	2009 Proportion %	2009 Value £	2008 Proportion %	2008 Value £
Premier Portfolio Asia Pacific A	**99.6**	**3,689,033**	99.6	5,471,250
Premier Portfolio Asia Pacific I	**93.5**	**23,745,436**	93.0	34,477,951
Premier Portfolio Japan A	**99.9**	**4,122,493**	99.9	4,402,781
Premier Portfolio Japan I	**83.7**	**26,008,397**	83.4	27,337,063
		57,565,359		71,689,045

This represents the total value of all the Company's holdings in investment funds managed by ATAM AP up to 19 January 2009 and subsequently by ATAM UK when it took over the management of these investment funds on that date.

On 9 February 2009 the Company seeded £60m into Alliance Trust Investment Funds Limited (ATIF), a UK domiciled OEIC. At launch the Company held the following proportion of each class of share in the investment funds. The value of the shares held by the Company at launch is also given below:

	2009 Proportion %	2009 Value £
North American Equity A	-	-
North American Equity I	99.97	30,000,000
UK Equity Income A	-	-
UK Equity Income I	99.97	30,000,000

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.

11 Goodwill

£000	Group
Cost	
At 1 February 2007	6,424
Adjustments in respect of prior period acquisitions	2,947
At 31 January 2008	9,371
At 31 January 2009	9,371
Accumulated Impairment Losses	
At 1 February 2007	-
At 31 January 2008	-
Impairment losses for the year	9,074
At 31 January 2009	9,074
Carrying Amount	
At 1 February 2007	6,424
At 31 January 2008	9,371
At 31 January 2009	297

The Group has entered into two business combinations on which goodwill has been recognised, the acquisition of a Full SIPP business and the acquisition of a private equity asset management business.

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	2009	2008
Full SIPP business	**9,074**	9,074
Private equity asset management business	**297**	297
	9,371	9,371

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 estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to each CGU.

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 15.0% (12.5%). This has been raised due to increased economic uncertainty for both CGUs.

In current market conditions the management have this year budgeted for a lower increase in the revenue anticipated from the Full SIPP Business CGU. Consequently the projected future cash flows are not sufficient to justify carrying forward any goodwill value and this has been reflected in the recognition of an impairment loss of £9,074,000. This is included in the capital column of administrative expenses in the consolidated income statement.

12 Other intangible assets

£000	Group Technology systems	Group Customer contracts	Group Total	Company Technology systems
Opening book cost at 1 February 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
Additions	1,055	-	1,055	41
Book cost at 31 January 2009	8,142	2,110	10,252	1,957
Opening amortisation as at 1 February 2007	(138)	(105)	(243)	(51)
Amortisation	(1,421)	(141)	(1,562)	(391)
Amortisation as at 31 January 2008	(1,559)	(246)	(1,805)	(442)
Impairment losses for the year	-	(1,759)	(1,759)	-
Amortisation	(1,629)	(105)	(1,734)	(392)
Amortisation as at 31 January 2009	(3,188)	(2,110)	(5,298)	(834)
Carrying amount as at 31 January 2008	5,528	1,864	7,392	1,474
Carrying amount as at 31 January 2009	4,954	-	4,954	1,123

In current market conditions the management have this year budgeted for a lower increase in the revenue anticipated from the Full SIPP Business CGU (see note 11). Consequently the projected future cash flows are not sufficient to justify carrying forward any value for customer contracts and this has been reflected in the recognition of an impairment loss of £1,759,000. This is included in the revenue column of administrative expenses in the consolidated income statement.

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	Other	Total
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)
Income statement – DT credit	522	1,844	-	-	-	-	151	2,517
Income statement – DT (charge)	-	-	-	(352)	(1,232)	(440)	(219)	(2,243)
Equity – DT credit	-	-	891	-	-	-	-	891
At 31 January 2009 – asset/(liability)	-	-	438	-	(757)	6	(68)	(381)

At the balance sheet date, the Group had unused tax losses of £11.3m (£1.6m) available for offset against future profits.
There are unrecognised deferred tax assets of £1.9m in respect of share based payments and £3m in respect of unused tax losses.

Company

£000	Accelerated tax depreciation	Retirement benefit obligations	Share based payments	Other	Total
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)
Income statement – DT credit	-	-	-	147	147
Income statement – DT (charge)	(819)	-	(240)	(218)	(1,277)
Equity – DT credit	-	891	-	-	891
At 31 January 2009 – asset/(liability)	(774)	438	-	(71)	(407)

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

14 Other Receivables

	Group		Company	
£000	**2009**	**2008**	**2009**	**2008**
Other receivables				
Amounts receivable from equity instruments	**2,594**	5,409	**2,594**	2,886
Other income receivable	**1,649**	775	**-**	-
Amounts receivable in respect of sales of investments awaiting settlement	**8,346**	29,038	**4,684**	29,038
Amount due from subsidiary company	**-**	-	**675**	555
Other debtors	**4,942**	12,949	**662**	1,013
	17,531	48,171	**8,615**	33,492

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

15 Other Payables

	Group		Company	
£000	**2009**	**2008**	**2009**	**2008**
Amounts due to depositors	**182,952**	176,989	**-**	-
Amount payable in respect of purchases of investments awaiting settlement	**21,212**	28,623	**16,046**	28,623
Amount due to subsidiary company	**-**	-	**2,441**	615
Dividend payable	**13,401**	-	**13,401**	-
Other creditors	**13,543**	31,184	**4,454**	4,500
	231,108	236,796	**36,342**	33,738

The Directors consider that the carrying amount of other payables approximates to their fair value.

16 Bank Overdrafts and Loans

	Group		Company	
£000	**2009**	**2008**	**2009**	**2008**
Bank loans repayable within one year	**50,000**	159,000	**50,000**	159,000
	50,000	159,000	**50,000**	159,000
Analysis of borrowings by currency:				
Bank loans – Sterling	**50,000**	159,000	**50,000**	159,000
The weighted average % interest rates payable:				
Bank loans	**1.87%**	6.15%	**1.87%**	6.15%
The Directors estimate the fair value of the borrowings:				
Bank loans	**50,000**	159,000	**50,000**	159,000

17 Share Capital

	Group		Company	
£000	**2009**	**2008**	**2009**	**2008**
Authorised:				
– 720,000,000 ordinary shares of 2.5p each	**18,000**	18,000	**18,000**	18,000
Allotted, called up and fully paid:				
– 671,909,760 ordinary shares of 2.5p each	**16,798**	16,798	**16,798**	16,798

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

The EBT holds 1,842,670 (1,108,624) ordinary shares, acquired by its Trustee with funds provided by the Company. During the year the Trustee increased its holding by 755,465 (945,685) shares with funds provided by the Company. 21,419 (nil) shares were transferred from the EBT to participants in the SMEIP in satisfaction of matching awards.

Capital Management Policies and Procedures

The capital of the Company is managed in accordance with its investment policy in pursuit of its investment objectives, both of which are detailed on the inside cover.

This is undertaken by Asset Allocation Commitee ("AAC") within parameters set by the Board.

The Company does not have any externally imposed capital requirements.

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 Reserves	Revaluation Reserve	Merger Reserve	Capital Redemption Reserve	Revenue Reserves	Translation Reserve	Minority Interest	Total
Net Assets at 31 January 2007	16,798	2,096,078	-	645,335	2,200	73,454	-	6,290	2,840,155
Current year transfers	-	3,918	608	-	-	(4,054)	-	(472)	-
Dividends		-	-	-	-	(51,334)	-	-	(51,334)
Unclaimed dividends	-	-	-	-	-	100	-	-	100
Net (loss)/profit for year	-	(131,906)	-	-	-	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	1,966,300	608	645,335	2,200	73,550	-	7,376	2,712,167
Dividends	-	-	-	-	-	(54,961)	-	-	(54,961)
Unclaimed dividends	-	-	-	-	-	25	-	-	25
Net (loss)/profit for year	-	(583,507)	-	-	-	60,309	-	(865)	(524,063)
Own shares purchased	-	(2,587)	-	-	-	-	-	-	(2,587)
Pension Scheme Financing	-	(2,391)	-	-	-	-	-	-	(2,391)
SMEIP/LTIP reserve movement	-	859	-	-	-	(117)	-	-	742
Revaluation of office premises	-	-	(425)	-	-	-	-	-	(425)
Translation of foreign subsidiary	-	-	-	-	-	-	984	-	984
Premier Alliance Trust Investment Funds ('PATIF')	-	-	-	-	-	-	-	223	223
Net assets at 31 January 2009	16,798	1,378,674	183	645,335	2,200	78,806	984	6,734	2,129,714

Company

£000	Share Capital[1]	Capital Reserves[1]	Revaluation Reserve[1]	Merger Reserve[1]	Capital Redemption Reserve[1]	Revenue Reserves	Total
Net Assets at 31 January 2007	16,798	2,106,487	-	645,335	2,200	60,796	2,831,616
Current year transfers	-	(608)	608	-	-	-	-
Dividends	-	-	-	-	-	(51,334)	(51,334)
Unclaimed dividend	-	-	-	-	-	100	100
Net (loss)/profit for year	-	(140,896)	-	-	-	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	1,962,892	608	645,335	2,200	71,107	2,698,940
Dividends	-	-	-	-	-	(54,961)	(54,961)
Unclaimed dividends	-	-	-	-	-	25	25
Net (loss)/profit for year	-	(585,893)	-	-	-	69,494	(516,399)
Own shares purchased	-	(2,587)	-	-	-	-	(2,587)
Pension Scheme Financing	-	(2,391)	-	-	-	-	(2,391)
Revaluation of office premises	-	-	(425)	-	-	-	(425)
SMEIP/LTIP reserve movement	-	515	-	-	-	(126)	389
Net assets at 31 January 2009	16,798	1,372,536	183	645,335	2,200	85,539	2,122,591

[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:

	Group		Company	
£000	2009	2008	2009	2008
Equity shareholder funds	**2,122,980**	2,704,791	**2,122,591**	2,698,940
Number of shares at period end - Basic	**670,067,090**	670,801,136	**670,067,090**	670,801,136
Number of shares at period end - Diluted	**671,909,760**	671,909,760	**671,909,760**	671,909,760

The diluted figure is the entire number of shares in issue.

To arrive at the basic figure the number of shares has been reduced by 1,842,670 (1,108,624) shares held by the Trustee of the Employee Benefit Trust.

During the year the Trustee increased its holding by 755,465 (945,685) shares with funds provided by the Company. 21,419 (nil) shares were transferred from the EBT to participants in the SMEIP in satisfaction of matching awards.

20 Related Party Transactions

Transactions between the Company and its subsidiaries, which are related parties, are eliminated on consolidation.

Entities within the Group may purchase goods or services for other entities within the Group and recharge these costs directly to the appropriate entity that the costs relate to.

As at 1 February 2008 primary responsibility for the payment of goods and services on behalf of the Group was transferred from Alliance Trust Finance Ltd to Alliance Trust Services Ltd.

During the period the following amounts were reimbursed/(repaid)

Alliance Trust Finance

£000	2009	2008
Paid by Alliance Trust	**-**	5,793
Paid to Alliance Trust	**(23)**	-
	(23)	5,793
Paid by Alliance Trust Savings Limited	**85**	10,549
Paid to Alliance Trust Savings Limited	**(63)**	(75)
	22	10,474

Alliance Trust Services

£000		
Paid by Alliance Trust	**14,125**	4,289
Paid to Alliance Trust	**(13,806)**	(8,816)
	319	(4,527)
Paid by Alliance Trust Savings Limited	**16,499**	7,162
Paid to Alliance Trust Savings Limited	**(1,021)**	(105)
	15,478	7,057
Paid by Alliance Trust Asset Management	**4,805**	-
Paid to Alliance Trust Asset Management	**(1,725)**	-
	3,080	-
Paid by Alliance Trust Equity Partners (Holdings) Limited	**1,387**	-
Paid to Alliance Trust Equity Partners (Holdings) Limited	**(74)**	-
	1,313	-

Transactions with key management personnel

For the purpose of IAS 24 'Related Party Disclosures', key management personnel comprise the members of the Chief Executive's Group (the executive Directors plus the Chief Operating Officer) plus the non executive Directors of the Company. Details of the executive and non executive Directors are disclosed in the Governance section of the report on pages 30 and 31. Their remuneration and other compensation is summarised below.

	Group		Company	
£000	**2009**	**2008**	**2009**	**2008**
Total emoluments	**1,968**	2,793	**1,475**	2,043
Notice period agreed on Director leaving Group	**119**	-	-	-
Post retirement benefits	**207**	248	**140**	133
Equity compensation benefits	**443**	612	**337**	391
	2,737	3,653	**1,952**	2,567

21 Analysis of change in net funds

Group

£000	2007	Cash flow	Exchange gains	2008	Cash flow	Exchange gains/(losses)	2009
Cash at bank and in hand	14,010	89,984	-	103,994	10,767	-	**114,761**
Bank deposits	332,561	(210,716)	1,814	123,659	260,663	7,950	**392,272**
Bank loans and overdraft	(5,188)	(153,812)	-	(159,000)	109,000	-	**(50,000)**
	341,383	(274,544)	1,814	68,653	380,430	7,950	**457,033**

Company

£000	2007	Cash flow	Exchange gains	2008	Cash flow	Exchange gains/(losses)	2009
Cash at bank and in hand	18,858	1,238	-	20,096	1,770	-	**21,866**
Bank deposits	189,789	(181,343)	1,786	10,232	256,727	8,221	**275,180**
Bank loans and overdraft	-	(159,000)	-	(159,000)	109,000	-	**(50,000)**
	208,647	(339,105)	1,786	(128,672)	367,497	8,221	**247,046**

22 Financial commitments

Financial commitments as at 31 January 2009, which have not been accrued, for the Group and the Company totalled £219,315,000 (£71,302,000).

Of this amount £157,815,000 (£71,302,000) was in respect of uncalled subscriptions in investments structured as limited partnerships of which £150,127,000 relates to investments in our private equity portfolio. This is the maximum amount that the Company may be required to invest. These LP commitments may be called at any time up to an agreed contractual date. 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.

A maturity analysis of the expiry dates of these LP commitments is presented below:

	Group		Company	
£000	**2009**	**2008**	**2009**	**2008**
< 1 year	-	3,000	-	3,000
1-5 years	**4,717**	1,599	**4,717**	1,599
5-10 years	**153,098**	66,703	**153,098**	66,703
	157,815	71,302	**157,815**	71,302

The Company had other financial commitments totalling £61,500,000 (nil) of which £60,000,000 was to invest seed capital in investment funds being launched by ATAM UK in February 2009 (see note 10).

The Company has provided letters of comfort in connection with banking facilities made available to certain of its subsidiaries.

23 Financial instruments and Risk

The Directors' Report details the Company's approach to investment risk management on pages 24 and 25 and the accounting policies on pages 58 to 62 explain the basis on which currencies and investments are valued for accounting purposes.

The Directors are of the opinion that the fair value of financial assets and liabilities of the Group are not materially different to their carrying values.

Capital Risk Management

The Group manages its capital to ensure that entities in the Group and the Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the use of the debt and equity balances. The Group and Company's overall strategy remains unchanged from 2008.

The capital structure of the Group and the Company consists of debt, which includes the borrowings disclosed in note 23.6, cash and cash equivalents and equity attributable to equity holders of the parent and the Company comprising issued capital, reserves and retained earnings as disclosed in Note 18 to the financial statements.

The Board reviews the capital structure of the Company and the Group on an at least semi-annual basis. The Group and the Company have decided that net gearing should at no time exceed 30% of the net assets of either the Group or the Company.

	Group		Company	
£000	**2009**	**2008**	**2009**	**2008**
Debt	**(50,000)**	(159,000)	**(50,000)**	(159,000)
Cash and cash equivalents	**507,033**	227,653	**297,046**	30,328
Net cash/(debt)	**457,033**	68,653	**247,046**	(128,672)
Net cash/(debt) as % of net assets	**21.4%**	2.5%	**11.6%**	(4.8%)

Risk management policies and procedures

As an investment trust the Company invests in equities, investment property, private equity, financial instruments and its subsidiary businesses for the long term in order to achieve the investment objectives set out on the inside cover. 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 24 and 25. 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, save for any changes caused by the use of derivative financial instruments in the year. Further information in relation to their use is given in note 23.4.

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 AAC. 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 the inside cover (unaudited).

Details of the investment portfolio at the balance sheet date are disclosed on pages 11 to 21.

In the course of 2008 the Board approved a derivatives policy and during the year to 31 January 2009 the Company entered into three derivative transactions. Further details are given in note 23.4.

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 the AAC within parameters set by the Directors on investment and asset allocation strategies and risk.

The currency exposure for overseas investments is based on the quotation currency of each holding, while the currency exposure for net monetary assets is based on the currency that each asset or liability is denominated in. At the reporting date the Group had the following exposures:

Currency Exposure (Group)

£000	Overseas investments 2009	Net monetary assets 2009	Total currency exposure 2009	Overseas investments 2008	Net monetary assets 2008	Total currency exposure 2008
US dollar	**466,906**	**231**	**467,137**	398,364	472	398,836
Euro	**180,792**	**3,867**	**184,659**	448,344	5,675	454,019
Yen	**15,229**	**-**	**15,229**	-	-	-
Other non-sterling	**270,409**	**8,150**	**278,559**	329,781	16,771	346,552
	933,336	**12,248**	**945,584**	1,176,489	22,918	1,199,407

Currency Exposure (Company)

£000	Overseas investments 2009	Net monetary assets 2009	Total currency exposure 2009	Overseas investments 2008	Net monetary assets 2008	Total currency exposure 2008
US dollar	**466,906**	**231**	**467,137**	398,364	472	398,836
Euro	**180,792**	**3,867**	**184,659**	448,344	5,675	454,019
Yen	**15,229**	**-**	**15,229**	-	-	-
Other non-sterling	**270,409**	**4,172**	**274,581**	329,781	15,008	344,789
	933,336	**8,270**	**941,606**	1,176,489	21,155	1,197,644

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 2008. The revenue return impact is an estimated figure for 12 months based on the cash balances at the reporting date.

	Group		Company	
£000	**2009**	**2008**	**2009**	**2008**
Income Statement				
Revenue return	**(1,326)**	(934)	**(1,326)**	(934)
Capital return	**(46,667)**	(58,824)	**(46,667)**	(58,824)
Net Assets	**(47,993)**	(59,758)	**(47,993)**	(59,758)

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 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 Committee 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	**2009**	**2008**	**2009**	**2008**
Exposure to floating interest rates				
Cash at Bank	**382,123**	227,653	**172,136**	30,328
Bank loans	**(50,000)**	(159,000)	**(50,000)**	(159,000)
	332,123	68,653	**122,136**	(128,672)

Sensitivity analysis

If interest rates had decreased by 1% 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 for last year assumed an interest rate increase of 0.25%. The sensitivity assumption was changed for the current year to reflect the change in economic conditions. The revenue return impact is an estimated figure for 12 months based on the cash balances at the reporting date.

	Group		Company	
£000	**2009**	**2008**	**2009**	**2008**
Income Statement				
Revenue return	**(3,398)**	(546)	**(1,536)**	(85)
Capital return	**333**	326	**333**	326
Net Assets	**(3,065)**	(220)	**(1,203)**	241

If interest rates had increased by 1% (0.25%) on the reporting date with all other variables held constant, the income statement and net assets attributable to equity holders of the parent would have increased by the amounts shown below.

	Group		Company	
£000	**2009**	**2008**	**2009**	**2008**
Income Statement				
Revenue return	**1,825**	546	**1,555**	85
Capital return	**(333)**	(326)	**(333)**	(326)
	1,492	220	**1,222**	(241)

The Group had the following exposures to fixed interest rate investments at fair value at the reporting date.

	Group		Company	
£000	**2009**	**2008**	**2009**	**2008**
Exposure to fixed interest rates				
Investments at fair value				
Preference shares	**23,234**	38,098	**13,680**	22,842
Gilts	**3,998**	10,480	**-**	-
Bonds	**4,336**	-	**4,336**	-
Treasury bills	**124,910**	-	**124,910**	-
	156,478	48,578	**142,926**	22,842

Preference shares and bonds are all in UK companies 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 increased 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 2008.

If gilt yields had decreased by 100 basis points on the reporting date then the income statement would have increased.

	Group		Company	
£000	**2009**	**2008**	**2009**	**2008**
Income Statement				
Revenue return	**-**	-	**-**	-
Capital return	**4**	44	**-**	-

A gilt yield decrease would have resulted in a proportionate equal and opposite effect on the above amounts, on the basis that all other variables remain constant.

The Treasury bills held at the reporting date had an average maturity of 12 days and an average interest rate of 0.84%. If interest rates fell to 0% on the reporting date with all other variables held constant the income statement and net assets attributable to equity holders of the parent would have increased by the amount shown below.

	Group		Company	
£000	2009	2008	2009	2008
Income Statement				
Revenue return	-	-	-	-
Capital return	**90**	-	**90**	-
Net Assets	**90**	-	**90**	-

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 the AAC within parameters set by the Directors on investment and asset allocation strategies and risk.

As mentioned in Note 23.1 above, the AAC now also has the ability to use derivatives to manage other price risk. In the year to 31 January 2009 the Company entered into three such derivative transactions based on forward options on the S&P 500, resulting in a total gain of £2,794,000. There were no open positions at the year end.

Concentration of exposure to other price risks

An analysis of the Company's investment portfolio is shown on page 11. This shows that the majority of equity investments by value is in UK companies, with significant amounts also in Europe and North America. The analysis on page 11 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:

	Group		Company	
£000	2009	2008	2009	2008
Fixed Asset Investments at Fair Value through Profit & Loss				
Listed	**1,732,150**	2,691,274	**1,660,572**	2,591,713
Unlisted	**88,613**	38,123	**87,629**	38,123
Investments in collective investment scheme	-	-	**57,689**	71,689
Related and Subsidiary Companies	-	-	**35,202**	40,287
Property	**56,335**	80,100	**56,335**	80,100
	1,877,098	2,809,497	**1,897,427**	2,821,912

Sensitivity analysis

90.6% (94.4%) of the Company's investment portfolio is listed on stock exchanges. If share prices had decreased by 10% 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. The analysis for last year assumed a share price increase of 3%. The sensitivity assumption was changed for the current year to reflect the change in economic conditions.

	Group		Company	
£000	2009	2008	2009	2008
Income Statement				
Revenue return	-	-	-	-
Capital return	**(173,215)**	80,738	**(171,826)**	79,902
Net Assets	**(173,215)**	80,738	**(171,826)**	79,902

A 10% increase (3% decrease) in share prices would have resulted in a proportionate 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 a 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 Company and ATS also minimise credit risk through banking polices which restrict banking 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:

	Group		Company	
£000	**2009**	**2008**	**2009**	**2008**
Credit Rating				
Aaa	**151,375**	31,402	**133,375**	16,402
Aa1	**83,500**	15,000	**20,000**	-
Aa2	**105,128**	154,510	**57,333**	13,671
Aa3	**162,230**	26,741	**86,319**	255
A2	**4,800**	-	**19**	-
	507,033	227,653	**297,046**	30,328
Average maturity	**5 days**	22 days	**5 days**	1 day

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

	Group		Company	
£000	**2009**	**2008**	**2009**	**2008**
Gilts	**3,998**	10,480	-	-
Average maturity	**35 days**	175 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% (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 borrow, which give it access to additional funding when required. At the balance sheet date it had the following facilities:

£000	2009	Expires	2008	Expires
Uncommitted multi currency facility – RBS	-	-	150,000	-
Amount drawn	-		15,000	
Committed multi currency facility – RBS	**100,000**	**31/12/2010**	-	-
Amount drawn	-		-	
Committed multi currency facility – RBS	**100,000**	**31/08/2012**	100,000	31/08/2012
Amount drawn	-		94,000	
Committed multi currency facility – RBS Finance (Ireland)	**50,000**	**28/09/2009**	50,000	28/09/2009
Amount drawn	**50,000**		50,000	
Committed multi currency facility – Lloyds Banking Group	**50,000**	**28/11/2009**	-	-
Amount drawn	-		-	
Total facilities	**300,000**		300,000	
Total drawn	**50,000**		159,000	

All the facilities are unsecured and have covenants on the maximum level of gearing and minimum net asset value of the Company.

At the reporting date the Group's financial services subsidiary, Alliance Trust Savings Ltd, held client deposits of £183.0m (£177.0m). 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 assets 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	**2009**	**2008**	**2009**	**2008**
Investments after gearing	**1,877,098**	2,809,497	**1,897,427**	2,821,912
Gearing	**(50,000)**	(159,000)	**(50,000)**	(159,000)
Investments before gearing	**1,827,098**	2,650,497	**1,847,427**	2,662,912

Sensitivity analysis

If net assets before gearing had decreased by 10% 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 for last year assumed a net assets before gearing decrease of 3%. The sensitivity assuption was changed for the current year to reflect the change in economic conditions.

	Group		Company	
£000	**2009**	**2008**	**2009**	**2008**
Income Statement				
Revenue return	-	-	-	-
Capital return	**(5,000)**	(4,770)	**(5,000)**	(4,770)
Net Assets	**(5,000)**	(4,770)	**(5,000)**	(4,770)

A 10% increase (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 2009 awards of £1,500 (£843.75) per person will be made. The maximum cost of all awards for the year to 31 January 2009 will be £311,250 (£149,259) of which the Company will pay £108,937 (£43,333).

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 were subject to the same terms and conditions as the awards that they replaced. Further details can be found in the Directors' Remuneration Report (Pages 42 to 51).

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: first 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 2009 participating employees applied a proportion of their annual cash bonuses for the year ended 31 January 2008 to purchase 197,247 (103,711) Company shares at a price of £3.42 (£3.78) per share. Matching awards of up to 376,672 (197,928) shares, and performance awards of up to 958,560 (1,015,637) were granted.

Matching awards and performance awards made during the year were valued at £444,232 (£266,807) and £1,048,086 (£1,233,659) 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 £3.51 (£3.8625), share price volatility of 12.8% (12.3%) (based on 3 year volatility to 1 February 2008), dividend yield of 2.2% (2.03%), risk free interest rate of 4.25% (5%), growth in RPI of 2.6% (3%) per annum, and forfeiture of nil (nil).

The cumulative charge to the income statement during the year for the cost of the SMEIP and LTIP awards referred to above was £388,801 (£613,748) for the Company and £741,975 (£885,242) 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 2009		Group 2008	
£000	**Number of options**	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
Outstanding at 1 February	**1,904,506**	**£0.00**	265,855	£0.00
Granted during year	**1,335,231**	**£0.00**	1,647,903	£0.00
Vested during year	**(21,419)**	**£0.00**	-	£0.00
Forfeited during year	**(631,701)**	**£0.00**	(9,252)	£0.00
Expired during year	**(91,280)**	**£0.00**	-	£0.00
Outstanding at 31 January	**2,495,337**	**£0.00**	1,904,506	£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 provided by Alliance Trust Savings Limited.

The disclosures which follow relate to the Scheme and reflect the December 2004 amendment to IAS 19.

Participating Employers

Alliance Trust Services Limited is the sole Participating Employer and its pension obligations are guaranteed by the Company.

Valuation and Contributions

The last full actuarial valuation of the 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 2009. Valuations are on the projected unit credit method.

The contributions made by the Participating Employer over the financial year have been £1,020,000 (£968,000). 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 2009	Year ending 31 January 2008
Defined benefit obligation at start of year	**19,069**	20,691
Current service cost	**976**	1,129
Interest cost	**1,144**	1,086
Actuarial (gain)	**(61)**	(1,703)
Benefits paid	**(237)**	(2,134)
Defined benefit obligation at end of year	**20,891**	19,069

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 2009	Year ending 31 January 2008
Fair value of assets at start of year	**20,686**	20,872
Expected return on assets	**1,200**	1,279
Actuarial (losses)	**(3,343)**	(299)
Contributions by employer	**1,020**	968
Benefits paid	**(237)**	(2,134)
Fair value of assets at end of year	**19,326**	20,686

Total expense recognised in income statement

£000	Year ending 31 January 2009	Year ending 31 January 2008
Current service cost	**976**	1,129
Interest on pension scheme liabilities	**1,144**	1,086
Expected return on pension scheme assets	**(1,200)**	(1,279)
Total expense	**920**	936

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

£000	Year ending 31 January 2009	Year ending 31 January 2008
Difference between expected and actual return on scheme assets:		
Amount	**(3,343)**	(299)
Percentage of scheme assets	**(17%)**	(1%)
Experience gains and losses arising on the scheme liabilities:		
Amount	**(494)**	56
Percentage of present value of scheme liabilities	**(2%)**	0%
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities:		
Amount	**555**	1,647
Percentage of present value of scheme liabilities	**3%**	9%
Total amount recognised in statement of recognised income and expense:		
Amount	**(3,282)**	1,404
Percentage of present value of scheme liabilities	**(16%)**	7%

Assets

£000	Year ending 31 January 2009	Year ending 31 January 2008	Year ending 31 January 2007
Equities	**9,009**	9,197	10,610
Bonds	**10,268**	10,563	9,462
Other	**49**	926	800
	19,326	20,686	20,872

The assets are held independently of the assets of the Group in funds managed by Standard Life Investments.

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 2009	31 January 2008	31 January 2007
Equities	**7.20**	7.20	7.50
Bonds	**4.50**	4.40	5.00
Other	**1.50**	6.00	5.00
Overall for scheme	**5.75**	5.72	6.27

Actual return on plan assets

The actual return on the plan assets over the year ending 31 January 2009 was a loss of 11% (gain of 4%).

Assumptions

%	31 January 2009	31 January 2008	31 January 2007
Inflation	**3.40**	3.35	3.25
Salary increases	**4.40**	4.35	4.25
Rate of discount	**6.20**	6.00	5.25
Allowance for pension in payment increases of RPI or 5% p.a. if less	**3.40**	3.35	3.25
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	**3.40**	3.35	3.25

The Mortality assumptions adopted at 31 January 2009 imply the following life expectancies from age 65.

	Years
Male currently age 45	23.1
Female currently age 45	25.9
Male currently age 65	22.0
Female currently age 65	24.9

Sensitivities

An estimate of the sensitivities regarding the principle assumptions used to measure the Scheme's liabilities are set out below.

Assumption	Change in assumption Increase	Estimated impact on scheme liabilities Increase/(Decrease)	Change in assumption Decrease	Estimated impact on scheme liabilities Increase/(Decrease)
Salary increases	0.1%	0.58%	0.1%	(0.57%)
Pension in payment increases	0.1%	1.31%	0.1%	(1.28%)
Revaluation of deferred pension increases	0.1%	0.39%	0.1%	(0.38%)
Discount rate	0.1%	(2.20%)	0.1%	2.25%
Life expectancy	1 year	2.17%	1 year	(2.21%)

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

£000	Year ending 31 January 2009	Year ending 31 January 2008	Year ending 31 January 2007
Present value defined benefit obligation	**20,891**	19,069	20,691
Fair value of plan assets	**19,326**	20,686	20,872
(Deficit)/Surplus in scheme	**(1,565)**	1,617	181

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 loss of £1,278,000.

All actuarial gains and assets are recognised immediately.

Best estimate of contributions to be paid to plan for the year ending 31 January 2010

The best estimate of contributions to be paid to the Scheme for the year ending 31 January 2010 is £860,000 (£1,020,000), being 27.6% (27.6%) of total pensionable salaries of Scheme members who remained in active employment at 31 January 2009.

Amounts for the current and previous four years

£000	2009	2008	2007	2006	2005
Fair value of assets	**19,326**	20,686	20,872	19,099	15,265
Defined benefit obligation	**20,891**	19,069	20,691	19,437	15,652
(Deficit)/Surplus in scheme	**(1,565)**	1,617	181	(338)	(387)
Experience adjustment on plan liabilities	**(494)**	56	(357)	(125)	(135)
Experience adjustment on plan assets	**(3,343)**	(299)	(183)	2,028	577
Effects of changes in the demographic and financial assumptions underlying the present value of the plan liabilities	**555**	1,647	1,106	(1,869)	1,528

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 Relations 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 is deemed to be 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 the supply and demand for it on the London Stock Exchange and may not fully represent the underlying value of the assets of the Company. The price generally stands below the net asset value of the 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.

Important dates

Our events give us the opportunity to meet and hear from our shareholders and clients, and are an ideal occasion to get an update on what is happening at Alliance Trust. You can meet senior representatives from the Company including Katherine Garrett-Cox, our Chief Executive and other key members of our team, and learn about our products and services. There will be many opportunities during the event to ask questions.

Annual General Meeting

The 121st Annual General Meeting of the Company will be held at 11.00am on Friday 22 May 2009 at the Apex City Quay 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 2010:

31 July 2009
2 November 2009
1 February 2010
30 April 2010

Special dividend in respect of the year ending 31 January 2009 will be paid on:

31 July 2009

Investor Forums

We are pleased to announce that we will be holding two investor presentations during 2009 around the UK.

10 June 2009	London
12 November 2009	Edinburgh

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.